

Sea Level Rise and Urban Adaptation in Jakarta

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Sea level rise poses an existential threat to Jakarta, which faces frequent and worsening flooding. The government has responded with a proposed sea wall. In this setting, I study how government intervention complicates long-run adaptation by creating coastal moral hazard. I quantify this force with a dynamic spatial model in which developers and residents act with flood risk in mind. I find that moral hazard generates severe lock-in and limits migration inland, even over the long run. Inland incentive policies reduce this friction.

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