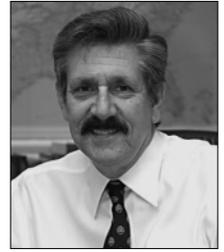


Another National Disaster in the Making: Government Reconstruction of New Orleans

BY RICHARD M. EBELING



Hurricane Katrina destroyed much of New Orleans at the end of August. What followed was a further disaster in the form of government incompetence and confusion at the local, state, and federal levels. Rarely have we seen a better instance of what Austrian economist Ludwig von Mises once rightly called “planned chaos.”

Now America is faced with another national disaster in the making: the government’s plan to reconstruct New Orleans and surrounding areas. After weeks of condemnation of government failure in handling the immediate and calamitous aftermath of Katrina, there has been an almost unanimous insistence that government socially engineer the redesigning and rebuilding of southern Louisiana.

After quickly approving over \$60 billion in “aid” and “relief,” the Bush administration and Congress are determined to demonstrate their “concern” and “leadership” by spending hundreds of billions more in taxpayer dollars on the “new” New Orleans. What can be expected are waste, corruption, and misdirected investment.

Invariably, the twisted hand of politics will be at work in determining how and for what those mountains of tax dollars will be spent. The “public interest,” in whose name the expenditures will be made, will be the cover for government spending on programs and projects that will serve the interests of the federal, state, and local politicians desiring to create the right public-relations impression in the eyes of constituents, and feed the various special interests to whom they are tied. Contractors, construction companies, architects, and sundry other suppliers and producers will all be drawn to the horn of plenty. The land of Huey Long will once again show that “friendships” and “good old boy” connections can sure mean a lot.

At the same time, ideological and racial pandering undoubtedly will have its place at the broad table of government spending. Reconstruction proposals will

abound with references to environmental awareness and minority-group sensitivity in deciding where, what, and how to rebuild. All resulting decisions will, of course, be “rationally” made—on the basis of prospective vote counting in future elections.

Some of the more “conservative” politicians are already emphasizing that they don’t want direct government planning. They propose using tax incentives and selective modifications in employment and other regulations to induce “private sector” initiatives to make the New Orleans area more attractive for investment and rebuilding. In fact, this is nothing more than what in France is known as “indicative planning”: the manipulation of tax breaks to induce private enterprise to direct its activities to those areas that the government wants to foster. Regardless of what it may be called, it remains political planning of economic affairs.

The degree to which liberty is little appreciated or understood in contemporary America is shown by the virtual absence of any voices calling for getting government out of any reconstruction of New Orleans. We have moved a long way since 1870, when the American economist (and mathematician and astronomer) Simon Newcomb could summarize what he took to be the common-sense ideal of what he called “The Let-Alone Principle”:

That each individual member of society should be left free to seek his own good in the way he may deem best, and required only not to interfere with the equal rights of his fellow-men. . . . The real point in dispute between the friends and the opponents of free government and individual liberty is simply this: Is man a being to be taken care of, or is he able when protected in his rights to take care of himself better than any governing power—congress, king, or parlia-

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ment—can take care of him? The advocates of universal freedom claim that, if each individual is protected in the enjoyment of his individual rights as a responsible member of the community, he can take care of himself, and manage his own affairs and his share of the public affairs better than any other one else can do these for him.

And Newcomb concluded that government “interference is so apt to lead to unforeseen complications,—that the best course for a government to follow is, to adhere to the let-alone policy as a matter of principle.”

The “unforeseen complications” from government intervention, to which Newcomb referred, results from the fact that neither politicians and bureaucrats nor their consulting “experts” have the knowledge, wisdom, or ability to direct the affairs of men better than can be done through the free interplay of market processes.

Should New Orleans be rebuilt? And if it is to be rebuilt, how, where, and with what changes to the terrain? Newcomb also reminded his readers, in 1870, that in the marketplace each individual’s judgment “will be sure to take into account a great many minute but necessary details which those who have nothing at stake might easily overlook.” Why? Because “nothing sharpens the faculties and dispels prejudice as effectively as self-interest, and that no one will judge so well of an enterprise as he whose pecuniary interests are staked upon it.”

Other People’s Money

Politicians and bureaucrats are spending other people’s money collected through the tax system. Their interests diverge from those of the taxpayers who are plundered to finance such a vast “public works” project as the reconstruction of New Orleans. The waste and corruption that follow are part of the inescapable “costs” of the business of redistributive politics.

If the future of New Orleans were left to the free market, it would be both the returning residents and all

the other citizens of the country who would decide, through their work, saving, and investment choices, what shape any new city should take. Is a “new” New Orleans desirable and profitable as a site for commerce, tourism, and trade? What type of rebuilding should be undertaken and at what pace? And what alternative uses for society’s scarce resources should be forgone around the country so they may be diverted to this reconstruction?

Some businessman in Michigan might decide that expanding an existing industrial facility in his home state should be delayed so he can take advantage of the greater profits anticipated by rebuilding a plant in southern Louisiana. The expected higher return from restoring a tourist hotel in New Orleans might prompt a shifting of investment capital that otherwise would have financed a new business in Oregon. An individual in New York might withdraw his savings from a local bank and go into partnership with others wanting to repair and operate a shipping facility in the port area of New Orleans, or to rebuild residential housing in or around the city.

Each of these decisions, and multitudes of others, would be made by the people themselves based on what they viewed as the best use of their scarce resources. Each decision-maker would minimize the cost of his actions in terms of what alternative useful consumer products would have to be forgone.

These individual decisions would set to work the creative and industrious energies of tens of thousands of people across the land, who would be motivated to act with as much wisdom and judgment as they could muster, since each person would be investing in his own financial future.

How much better to apply the knowledge and abilities of so many through their free choices rather than to limit the possibilities to the handful of political puppet masters in Washington, D. C., and Baton Rouge!

We can do the former if we only recapture the wisdom of the “let-alone” principle.



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