



Hurricane Katrina Shows that Government Is Too Small? It Just Ain't So!

BY ROBERT P. MURPHY

By now everyone is aware of the almost inconceivable incompetence of the Federal Emergency Management Agency's (FEMA) response to Hurricane Katrina. Those who cherish liberty might think this episode would bolster their cause. However, as usual the state's intellectual bodyguards have attempted to use this disaster to justify ever higher budgets and even more dictatorial powers.

An excellent example is economist Paul Krugman, who in his September 5 *New York Times* column blames FEMA's bungling on "the right": "[T]he federal government's lethal ineptitude wasn't just a consequence of Mr. Bush's personal inadequacy; it was a consequence of ideological hostility to the very idea of using government to serve the public good. For 25 years the right has been denigrating the public sector, telling us that government is always the problem, not the solution. Why should we be surprised that when we needed a government solution, it wasn't forthcoming?"

Typical for a government apologist, so let us analyze it carefully: The federal government first arrogates to itself tremendous powers and money to "guarantee" certain outcomes in "essential" sectors, including macroeconomic growth, national defense, education, health care, mail delivery, electricity and other utilities, law enforcement, roads, and the response to natural disasters. Because of government intervention, it is precisely these areas that are the most deficient. The stark failures are then cited as proof of the inadequacy of the free market and to justify another round of political measures.

In fact, the real damage done by the federal government lay in FEMA's rebuff of *private and local-government* help: FEMA officials rejected trucks of supplies from Wal-Mart, prevented the Red Cross from delivering food, turned back a 500-boat citizen flotilla that wished

to help with evacuation, turned down offers of generators, refused the Coast Guard's efforts to deliver diesel fuel, and, incredibly, actually sent out an alert to first responders nationwide telling them *not* to respond to the disaster (unfolding on TV) until specifically requested through the appropriate channels. Besides these direct obstacles, President Bush's stern warnings against "price gouging" served to further stymie the flow of goods into the ravaged region.

The government's responsibility for the disaster goes deeper still. As Lew Rockwell has cogently demonstrated ("The State and the Flood," www.lewrockwell.com/rockwell/flood.html), it was not the hurricane per se that ravaged New Orleans, but rather the failure several hours later of the levee system. That system is owned and operated by the congressionally controlled Army Corps of Engineers, hardly starved for money. As the *Washington Post* reported, "[O]ver the five years of President Bush's administration, Louisiana has received far more money for Corps civil works projects than any other state, about \$1.9 billion."

Nor was this an unanticipated danger: Ivor van Heerden of Louisiana State University had developed models in which the levees became overwhelmed, and warned of this possibility as Katrina approached. Moreover, *National Geographic* ran an article *last year* that described the vulnerability of New Orleans to a major hurricane. In the private sector, if a particular contractor ignored warnings from experts and thus invited disaster upon his clients, that would spell bankruptcy. Does anyone think the levee system in New Orleans will now be privatized?

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Contrary to Krugman, it was precisely the government's involvement that led to disaster, and it is the continued presence of federal officials that hampers the rescue and recovery effort. Furthermore, it is not simply that the "wrong people" are in charge—as Krugman thinks. Don't misunderstand; I believe former FEMA director Michael Brown deserves all the criticism he has received. His August 29 memo stating that among the duties of federal employees was to "convey a positive image" of the government relief efforts is particularly infuriating. And the absurdities of FEMA's response—such as delaying firefighters two days in Atlanta hotels to receive sexual-harassment training and watch videos on the history of FEMA while people were still dying in New Orleans—are indefensible.

Yet what would Krugman's ideal FEMA chief do instead? Would he or she know how many bottles of water and canned meat were needed in each shelter? Would he or she know whether letting a particular group of eager citizens into a flooded area (with contaminated water, downed power lines, collapsing buildings, and armed looters) would help or hurt the rescue effort? Would Krugman's ideal FEMA chief know how many people to call up for the relief effort, and how to allocate them among various tasks such as restoring utilities, setting up shelters, tending to the sick, and searching for survivors?

Among other ways to view it, New Orleans and other ravaged areas suffered from an *economic* problem. It is not immediately obvious which supplies should be sent to which areas where they will do the most good. (Indeed, part of the problem is to meaningfully *define* the "most good" in this context.) The American public responded generously in the wake of the tragedy, but the besieged FEMA officials didn't know what to do with all of the donations and offers of assistance rolling in. In hindsight, we can certainly conclude that they made bad decisions, but the problem isn't simply that they didn't care, or were put in place through "raw cronyism" (Krugman's description for Brown's appointment).

FEMA Is the Problem

The problem is that a bureaucracy such as FEMA exists in the first place. There doesn't need to be

one person or group in charge of coordinating the rescue and recovery after a hurricane, just as there doesn't need to be one person or group in charge of automobile production. In the absence of government-imposed order, private charities and businesses would have catered to the needy in ways they deemed best. Yes, some would miscalculate and direct diesel fuel or volunteer firefighters to the wrong areas, but in a free society (with no FEMA) such mistakes would be limited to those who voluntarily abided by these decisions; other groups and businesses would not make those mistakes, and the overall relief effort would be far more effective.

Even many pro-market writers have failed to push the case this far. The *Wall Street Journal* has run several articles contrasting the shoddy performance of the government with private companies such as Wal-Mart and Home Depot. Inexplicably, after conceding that "a FEMA is never going to operate with the agility of a FedEx" because "FedEx and the others perform at this level 24/7; that's the nature of competition," the *Journal* concluded that "there are lessons here worth learning and attempting to transfer to the public sector." In a similar *Journal* article, Daniel Henninger lamented that the scientific knowledge exists to deal effectively with natural disasters, but that government bureaucracies are "poorly incentivized" and respond to political pressures. Yet Henninger concludes, "A public role is unavoidable and political leadership is necessary."

The vulnerability of New Orleans and the botched relief efforts epitomize the inability of government agencies to prevent or mitigate damage from natural disasters. We do not rely on federal bureaucracies to oversee the transport of resources and the distribution of goods and services in "non-essential" areas during normalcy, and in these areas the free market performs prodigious feats of coordination. It is in the aftermath of a natural disaster—when traditional distribution channels are destroyed and consumer preferences have changed for millions of people—that the dynamism of a free market is needed the most. Yet writers such as Paul Krugman draw the exact opposite conclusion, and interpret a blatant failure of federal emergency "management" as proof of the need for more money and power in the hands of the Leviathan state. 