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DISASTROUS UNCERTAINTY: HOW GOVERNMENT DISASTER POLICY UNDERMINES COMMUNITY REBOUND

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Policy mistakes can have serious effects on post-disaster rebuilding efforts as evidenced by recovery after the 2005 hurricanes. Policy makers must understand what government assistance can and cannot do, why individuals and communities with a stake in the outcomes are best-situated to lead their own recoveries, and how to craft policy responses in a way that minimizes interference with rebuilding efforts—what we call “signal noise.”

Signal noise is not merely the confusion that follows a major disaster: this confusion tends to decline after families reunite, supplies come in, and activity shifts from emergency response to rebuilding. In the aftermath of disasters, policy makers frequently develop and manage recovery plans, launching a variety of complicated programs to rebuild cities and compensate victims. These plans tend to ignore the innate abilities of those affected to use a variety of resources to guide their decisions about rebuilding. These decisions are not made in isolation: they depend substantially on the messages, or signals, sent by similarly situated people.¹

SIGNAL NOISE IN THE WAKE OF HURRICANE KATRINA

THE PACE OF recovery after Hurricane Katrina has been lamentably slow. Barely half of New Orleans's residents have returned.² Louisiana's Road Home program, which provides financial assistance to help get hurricane victims back into a New Orleans home, has processed less than one-fourth of the program's applicants since its inception.³

Despite what common criticism leads us to believe, the problem may not be that government agencies are not doing

enough. In fact, the rebuilding effort is likely to be more rapid and sustainable if local residents, rather than government agencies, take the lead. In order for communities to fulfill their potentials, governments must assume a relatively minor role in the redevelopment process so as not to distort the real-time signals sent by the experiences of myriad individuals across geographically disparate areas.⁴

“We couldn’t hire social workers because [FEMA] was using them all. We couldn’t hire people, or our people would go to work for FEMA. But it’s these ridiculous prices that weren’t the going rate on the local level. But why they didn’t come to us and say, ‘Okay, you’ve been here for 40 years, you know all these people?’ But no, they didn’t.”

*State government official,
Harrison County, Mississippi.*

In the wake of Katrina, residents and business owners across the Gulf Coast are looking for cues as to where they should devote their time and resources due to uncertainty over whether and when their communities and customer bases will return. The futures of the victims of Katrina are tied to the decisions of others—their neighbors, their customers, their employees, and the commercial and non-commercial organizations serving their communities.^{5,6} In such a context, the signals about who is coming back and what services will be available play a critical role in the recovery process.⁷

Poorly designed policy interventions are detrimental to this process. Policy-driven confusion so obscures many of the signals on which people depend to make informed and responsible decisions that it makes seemingly clear indicators useless or even harmful.

MIXING THE MESSAGES

TO TAKE ONE prominent example, as of August 2007, New Orleans is on its fifth discrete rebuilding planning process in less than two years.⁸ As each new planning process appears, residents change their decisions about how and whether to rebuild. Scrapping a previously announced plan in favor of a new process with different rules not only wastes time and money, but it also often renders progress made under the now obsolete regime useless. It leaves residents wondering whether the next plan will be “the one” or just another aberration. The multiple and varied signals the city has sent have left people making decisions about rebuilding without any consistent or shared knowledge of what policy makers will allow, which slows the rebuilding process and delays the recovery of key institutions. When policy makers fail to establish the rules, or worse yet, change the rules mid-course, they make it difficult for victims to come to important decisions and proceed with their lives.

The sheer amount of money and people involved in disaster recovery makes it extremely difficult for policy makers to design a one-size-fits-all program. The structure that results often stifles—or at the very least frustrates—the local leaders driving community redevelopment, creating mixed messages that hamper a community’s ability to quickly recover.

The case of schools is particularly illustrative. Following a disaster, schools are a prerequisite for a community’s redevelopment as parents are unlikely to return if there are no schools for their children. Unfortunately, when local administrators try to reopen schools after a disaster, they often face high bureaucratic hurdles that retard the speed of recovery because parents are waiting for clear commitments to the future of education in their neighborhoods.

In the weeks after the storm, school administrators in St. Bernard Parish found that they quickly needed to become experts in the minutiae of the Stafford Act, which prescribes how federal monies should be spent on rebuilding the state’s damaged infrastructure. One prominent example came when Superintendent Doris Voitier found that her school had registered many more students than anticipated. To compensate, she ordered several additional trailers for classroom space. However, the government subsequently deemed the trailers unsuitable for student use because two doors in each trailer were too close together to meet fire codes. The signal noise created by these rules—an effect of regulations that remained inflexible amid rapidly changing conditions—slowed the school’s ability to quickly expand its capacity to meet the needs of returning families.

Another source of signal noise comes in the form of the “FEMA economy.” Immediately following disaster, government has a key role to play in establishing and enforcing the rules that

allow people to operate together effectively. Certainly there is a need for emergency supplies and humane assistance, but when government gets in the business of providing goods normally available through markets, well-intentioned interventions can create significant problems for returnees seeking to reestablish their communities. For example, many businesses that tried to reopen found it difficult to attract employees. In part, this was because many people simply hadn't returned to the affected region. But the extension of unemployment benefits exacerbated the problem: despite the availability of jobs and the need for employees, the federal government continued to pay people not to work. The Stafford Act—whose framers understandably wanted to help disaster victims—authorized these extensions of unemployment benefits, but these extensions arguably did more harm than good. Furthermore, the wage premium that government agencies pay to workers crowds out private employers from the labor market, further stunting the speed of recovery. Recovery authorities must recognize that revitalizing a sustainable job market is critical to any community's economic health, especially one nearly wiped out by natural catastrophe.

POLICY IMPLICATIONS

DESPITE THE FREQUENCY with which governments create signal noise, there are things that they can do to foster an environment in which meaningful signals emerge. For example, in disaster recovery as in everyday life, governments help clarify and enforce the rules necessary for constructive daily interactions by enforcing property rights or by restraining inflation. When the rules are clear and well-enforced, the signals that emerge are typically robust and allow members of society to better coordinate their efforts. Citizens in liberal democracies tend to take these shared assumptions for granted, but they are vital to the proper functioning of society.

While governments can help establish the context in which this signaling takes place, they are generally not good at learning what people want, how to address these wants, and the terms by which people work together to coordinate their often competing interests. For instance, government is not good at discovering what restaurants people like to frequent or what types of jobs employers will require a decade hence. This difficulty is only magnified in the aftermath of a catastrophe, where competing interests and wants are more pronounced than in everyday society.

Bearing these challenges in mind, what should policy makers do in the aftermath of disaster?

- Make only commitments that can be kept, and do them so as soon as possible.
- Minimize revisions to land use plans, and make these

plans both simple and transparent.

- Encourage flexible commercial solutions to housing problems by suspending onerous regulations in the aftermath of disaster. Such regulations are appropriate for everyday conditions, but they often hamper redevelopment after a major disaster.
- Allow for the suspension of some employment regulations to make it easier for jobs to return to disaster-stricken locales.
- Unless absolutely necessary, avoid providing goods and services that the private sector can supply.

“You’re competing with FEMA; you’re competing with everybody. The [FEMA] contractors that are doing debris pick up and stuff, they are paying big bucks. They are paying \$12 [to \$15] an hour to stand behind a truck with a little [“stop”] sign.”

Business owner, Orleans Parish

After a disaster, it is natural for people to desire quick action. Because elected officials respond to political pressure, they tend to do what is easiest: promise large sums of money to help fix the problem and develop radical new plans for affected areas. But while these policies may appeal to voters and to elected officials who want to “do something,” they are not ultimately conducive to helping communities rebuild. Well-intentioned policies that appear at first glance to be helpful to those in need may have unseen costs that can have significant negative effects on recovery.

Individuals rebuild around one another, not around government policies. For this reason, it is vital that policy interventions free individuals to deploy grassroots resources for recovery. Government policy can play a crucial supporting role, however: local communities are best able to recover in a set-

ting backed by rule of law and respect for property rights. In such a setting, clear signals for redevelopment can emerge.

After basic human needs are met in post-disaster environments, governments must stand back and allow the rebuilding process to unfold naturally. Communities are highly resilient in the face of disaster. Recognizing this fact is a fundamental prerequisite for promoting sustainable long-term growth and redevelopment.

ENDNOTES

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FOR FURTHER INFORMATION READ *DISASTROUS UNCERTAINTY: HOW GOVERNMENT DISASTER POLICY UNDERMINES COMMUNITY REBOUND*, NUMBER 9 IN THE MERCATUS POLICY SERIES, [HTTP://WWW.MERCATUS.ORG/MOPDISASTROUSUNCERTAINTY](http://www.mercatus.org/MOPDISASTROUSUNCERTAINTY)

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