

Policy Analysis

No. 573

July 19, 2006

Routing

Flirting with Disaster *The Inherent Problems with FEMA*

by Russell S. Sobel and Peter T. Leeson

Executive Summary

The federal government's top-down disaster response system is fundamentally flawed. The federal government usually has neither the incentive nor the information needed to effectively coordinate relief management. Thus, the best reforms to the Federal Emergency Management Agency would take control away from the federal government, not give it more.

Effective disaster relief efforts have to overcome the problems of bureaucracy, coordination, and adverse incentives. Nonfederal relief suppliers—particularly those in the private sector—are able to overcome those problems. FEMA—a top-heavy bureaucracy that cannot effectively allocate relief resources and subjects its decisionmakers to all the wrong sorts of incentives—suffers an inherent and unique inability to solve those problems.

In addition, the power to control relief funds

encourages federal policymakers to help ensure reelection by spending that money on key political districts. States that are politically important to the president in his reelection bid usually have a significantly higher rate of disaster declaration. States represented on the congressional oversight committees for FEMA receive significantly more money for disasters than do states not represented on those committees.

The best reform Congress could undertake would be to decentralize and depoliticize the task of disaster relief management by taking the federal government out of the disaster relief process altogether. Short of that, Congress should enact reforms that restrict the federal government's role to only those activities that enhance the ability of the private sector to more effectively respond to disasters.

Russell S. Sobel is the James Clark Coffman Distinguished Chair in Entrepreneurial Studies and Peter T. Leeson is assistant professor of economics at West Virginia University.

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Introduction

Why did the federal government fail so miserably in its response to the devastation of Hurricane Katrina?

Congressional committees—particularly the Senate Homeland and Governmental Affairs Committee, which issued a lengthy report in May 2006 on the federal response—spent months holding hearings and debating that complex and multifaceted question. Through it all, committee members seemed to miss some fundamental truths about the nature of federal disaster relief efforts. As a result, many of the proposals—particularly ones that suggest the federal government should have even more power, money, and authority to react to natural disasters—are misguided. In fact, they would not solve the inherent problems with federal disaster programs; they would compound them.

This study looks at the flaws built into the structure of the main federal disaster response agency, the Federal Emergency Management Agency. It examines the conclusions of the Senate committee's report and provides an alternative framework that Congress can use to determine which reforms of FEMA are best.

In short, there are three problems inherent in the delivery of federal disaster relief that need to be recognized: the problem of bureaucracy, the problem of coordination, and the problem of adverse incentives. Another important fact that must be realized is that natural disasters are prone to being politicized. Most of the current proposals to reform FEMA fail to recognize those problems. This paper explores each of the problems and applies the insight gained to some of the conclusions of the Senate report. It closes by providing useful guidelines for assessing proposed FEMA reforms.

The Problem of Bureaucracy

The conventional wisdom is that the failure of the federal government to quickly and effectively respond to the devastation wrought

by Hurricane Katrina was at least partly a result of an unprepared top-heavy bureaucracy.¹ As there is too much conventional wisdom, there is a great deal of truth to that.

Disaster relief that is managed by the federal government necessarily becomes bureaucratized. FEMA was created to oversee and administer disaster relief. It is in turn overseen by people in other government agencies and members of Congress. Following 9/11, for example, FEMA was placed under the umbrella of the Department of Homeland Security, which added a new layer of bureaucracy. With so many political decisionmakers involved in the actions of FEMA, it is easy for relief efforts to be slowed or stalled and resources allocated to less important uses. As Louisiana's governor Kathleen Blanco complained after Hurricane Katrina, "No one, it seems, even those at the highest level, seems to be able to break through the bureaucracy."²

That is not necessarily the result of incompetence or malice on the part of the people involved in federal disaster relief operations. Nor should it imply that congressional oversight of disaster relief is more hassle than it is worth. As we discuss later, however, political decisionmakers face incentives that often conflict with the public interest. At each level of bureaucratic action, the key decisionmakers involved may face different incentives than do the people above or below them in the chain of command. What is important to realize here is that the result of the multiple layers of bureaucracy inherent to centralized decisionmaking is usually slow and delayed action.

Thus, it should come as no surprise that the real success stories in the Katrina relief effort came from those who flouted the bureaucratic decisionmaking process and took action without explicit approval by FEMA. The U.S. Coast Guard, for example, began its helicopter rescue efforts without waiting for any other government agency's approval or coordination. As the Senate Committee on Homeland Security and Governmental Affairs concluded in its final report on its investigation of the federal response to Katrina, the Coast Guard was so

effective because it operated “without significant bureaucratic hurdles.”³

Further examples abound. Without seeking federal permission, a Canadian search-and-rescue team from Vancouver arrived in New Orleans days before any FEMA-coordinated units, leading to slightly inaccurate but amusing media accounts of how the Royal Canadian Mounted Police beat the U.S. government into New Orleans.⁴ An emergency management team deployed by the state of Florida was able to assist local officials in Mississippi with law enforcement, search-and-rescue operations, and the delivery of food and water—all the sorts of things that FEMA is supposed to do—mostly because the team circumvented FEMA’s bureaucratic approval process.⁵

Nongovernmental organizations were met with resistance by FEMA, too. The Red Cross “begged to be allowed to go [into New Orleans]” to distribute essential relief supplies but was prevented by government officials from doing so.⁶ FEMA confiscated critical emergency supplies, shipped by the hospital’s out-of-state private owner to assist the hospital’s 137 remaining patients, while the supplies were in transit to Methodist Hospital in New Orleans. “Those supplies were in fact taken from us by FEMA, and we were unable to get them to the hospital,” one hospital representative remarked. To avoid FEMA’s confiscatory actions, the owner sent a second shipment to Lafayette (130 miles from New Orleans) and had a private helicopter fly it directly to the rooftop of the hospital in New Orleans.⁷

One of the best examples of the problems bureaucracy creates in a disaster relief situation might be called “the tale of two sheriffs.” Sheriff Warren Evans of Wayne County, Michigan, and Sheriff Dennis Randle of Carroll County, Indiana, were both eager to assist the hurricane victims, and both had the resources necessary to do so. Sheriff Evans ignored both FEMA and his governor’s instructions to wait for FEMA approval and went to New Orleans with nine truckloads of supplies and 33 deputies to help.⁸ Sheriff Randle, on the other hand, followed procedure and was buried under mounds of

FEMA paperwork. He never made it to New Orleans.⁹

The shortcomings of the FEMA bureaucracy are outlined extensively in the Senate report, and most of that report’s recommendations are geared toward making federal disaster response operations more efficient and streamlined. Those recommendations are mostly useful. However, remedying the problems of bureaucracy is only part of the solution. Even if one assumes away bureaucratic impediments, federal disaster relief will continue to be plagued by two problems that are practically impossible for federal agencies to overcome: the problem of coordination and the problem of adverse incentives.

The Problem of Coordination

Economic analysis is, at root, the study of how to allocate scarce goods among competing uses. The failures of FEMA can be explained by just that sort of analysis. In the wake of Hurricane Katrina, there were unused private- and public-sector relief providers and first responders on the “supply side” of the relief market, many of which were waiting for permission from FEMA to bring supplies to the affected areas. On the “demand side” were the victims of the storm—people in genuine need who simply weren’t getting relief supplies. The puzzle FEMA faced after Hurricane Katrina was how to best use the scant information it was getting on the need for relief and the overall situation on the ground to make decisions about where to direct the relief effort.

More than 60 years ago, Nobel economist Friedrich Hayek discussed the problem of the effective use of information in markets:

The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form, but solely as the dis-

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persed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess. The economic problem of society is thus not merely a problem of how to allocate “given” resources—if “given” is taken to mean given to a single mind which deliberately solves the problem set by these “data.” It is rather a problem of how to secure the best use of resources known to any of the members of society, for ends whose relative importance only those individuals know. Or, to put it briefly, it is a problem of the utilization of knowledge not given to anyone in its totality.¹⁰

How should that problem be solved? Hayek concludes:

If we can agree that the economic problem of society is mainly one of rapid adaptation to changes in the particular circumstances of time and place, it would seem to follow that the ultimate decisions must be left to the people who are familiar with these circumstances, who know directly of the relevant changes and of the resources immediately available to meet them. We cannot expect that this problem will be solved by first communicating all this knowledge to a central board which, after integrating all knowledge, issues its orders. We must solve it by some form of decentralization.¹¹

Can a bureaucracy use dispersed information to coordinate demands of disaster victims with available supplies and scarce resources? As Hayek points out, that type of coordination simply cannot be achieved by channeling demands and supplies through a centralized agency. Individuals with local knowledge and the ability to act on it must be allowed to make the decisions. Decentralized markets for goods accomplish this, and in doing so solve what economists call the “coordination problem.”

In the wake of a natural disaster, the most pressing issue is to determine what relief supplies are needed, who needs them, and who has the means to meet those needs. Some disaster victims need water, others need shelter, and still others need food. It is likely that all disaster victims will need basic necessities, but the extent to which different individuals need those things will vary. Some individuals will be in greater need than others. In addition, there will be many instances of specific areas needing specific help, such as rooftop rescues or massive bus evacuations. No one person or agency could ever have access to all of this knowledge or information.

That is certainly the case with FEMA. Examples of FEMA’s misallocation of relief labor and supplies are legion. For instance, FEMA moved a medical team of 30 people capable of treating hundreds of hurricane victims from Alabama to Mississippi, and then to Texas. For 11 days, medical team members say their relief activities were reduced to treating one small cut. And then FEMA moved them again—everywhere but where they were needed and could accomplish the most, which was in New Orleans. As one frustrated medical team member lamented, “We joined the team to help people who need it and we are not helping anybody.”¹²

In addition, the bureaucratic tendencies of FEMA only compound the inherent coordination problems by diverting critical resources to superfluous uses or causing them to sit idle and unused. For example, a private-sector company offered to donate a mobile communications unit that could have provided much needed help to relief workers and victims. Instead, it sat in Germany on a chartered private plane ready to leave for nine days.¹³ Despite repeated attempts by the company to contact FEMA and get the required permissions to come to New Orleans, the company got no response and eventually gave up trying to bring its resources to bear on the relief effort.

A similar situation prevailed in the case of 1,000 firefighters who volunteered to help the relief effort and believed that their skills

would be put to use actually helping hurricane victims. Instead, they were sent to a hotel in Atlanta, forced to take days of sexual harassment courses, and eventually deployed by FEMA only to hand out fliers with FEMA's phone number on them. As one firefighter astutely observed: "It's a misallocation of resources. Completely."¹⁴

FEMA officials are supposed to follow the principle of letting those closest to the situation determine how best to meet the needs of disaster victims. Yet the federal agency often denied local officials the latitude to make crucial decisions and allocate relief resources on the basis of the information they had. The Louisiana Department of Wildlife and Fisheries requested a few hundred large rubber rafts from FEMA to use in search-and-rescue missions. But FEMA officials declined the request because they thought the rubber rafts would not be strong enough to maneuver in debris-filled water.

The Louisiana officials, who knew the situation and the area better than the FEMA officials, disagreed with the decision when questioned by Senate investigators. They believed that "the raft would have been valuable—particularly in the early days—either for maneuvering in very shallow water near doors and windows or in saving additional trips to collection sites by collecting rescues in rubber rafts that could be towed behind regular boats."¹⁵

Perhaps the most stunning example of how a centralized federal bureaucracy is inherently ill-equipped to coordinate the direction of relief resources is what has become known as the "odyssey of the ice." FEMA ordered 182 million pounds of ice to be delivered to stranded families and aid workers. Yet some of the ice ended up in Portland, Maine, more than 1,500 miles away from the disaster area. The cost of shipping and storing the 200-plus truckloads of the Portland-bound ice was \$275,000.

As the Senate report noted:

On September 16, NBC News reported that it had found trucks full of ice in locations such as Maryland, Missouri, Georgia, and Tennessee. Some of the

trucks had been driving and/or sitting idle with their full loads for two weeks. One truck driver reported that he had begun his trip in Oshkosh, Wisconsin, traveled to Louisiana, then was sent to Georgia, but was rerouted to South Carolina, before being sent to Cumberland, Maryland. NBC News later reported that the truck was then sent to Iowa, where the ice was put into cold storage. The driver reported that this cost taxpayers at least an extra \$9,000.¹⁶

A truckload of ice even ended up at the Reid Park Zoo in Tucson, Arizona. The driver of the ice truck got so many conflicting commands from government relief officials that he ended up traveling through 22 states without ever delivering a single bag of ice to a hurricane victim. Instead, he ended up donating it to the Tucson zoo to be enjoyed by the polar bears.¹⁷

If a private firm had misallocated its resources the way FEMA did, it would have suffered losses. That's because the profit and loss mechanism of decentralized markets tells suppliers whether or not they are satisfying the needs of demanders. Suppliers who do so successfully earn profits and those who do not suffer losses. Profits and losses communicate to suppliers whether or not their activities are desirable to demanders and whether or not output should be increased. In the context of relief management, the logic of profits and losses gives private providers of disaster relief essentials—such as water, food, and shelter—valuable information about whether or not they are effectively fulfilling the needs of disaster victims.

Taking a look at the track record of private-sector suppliers of disaster relief essentials in the wake of Katrina serves as an interesting counter-example to the centralized government-driven approach. Wal-Mart, for instance, was able to quickly bring necessities like water to the Katrina victims who had been hit the hardest. While FEMA was scrambling to respond, Wal-Mart was providing the items rescue workers and victims needed,

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in the right quantities, at their everyday low prices, and sometimes even for free. Wal-Mart was able to overcome the problem of coordination.

Wal-Mart has its own fleet of trucks and 100 distribution centers across the country—a key part of the innovative supply-chain model that has made the company a leader in retail.¹⁸ This helped get necessary supplies—including chain saws, boots, sheets, clothes, water, and ice—to the affected areas.¹⁹

Wal-Mart also had an incentive to act fast since failing to do so would result in forgone profits to the company. Sixty-six percent of the Wal-Mart stores in the Gulf region that had sustained damage were in operation again within 48 hours of Katrina's making landfall. That number rose to more than 80 percent within six days.²⁰ As one hurricane victim put it, Wal-Mart "was the only place we could find water in those first days. . . . I still haven't managed to get through to FEMA. It's hard to say, but you get more justice at Wal-Mart."²¹ Wal-Mart's amazing capacity to bring the needed supplies to the hard-hit areas had even its staunchest critics praising the company.²²

Private-sector companies even responded better than the federal government in one of the areas in which government should have the most expertise and, indeed, the most legitimate role: maintaining law and order. Consider, for example, the numerous private security agencies that protected the property of residents and business owners. Those private firms emerged to satisfy an unmet demand for protection created by government's failure to perform this task in the wake of the disaster. Within 14 days of Katrina's landfall the number of private security firms with a presence in Louisiana climbed from 185 to 235.²³ Several telecommunications companies hired private security firms to make sure their employees and equipment—both resources that state and federal rescue teams relied on to stay in touch with one another—were transported safely.²⁴

Why couldn't FEMA, with the full power and resources of the federal government at its disposal, be as effective as private companies? Federal officials usually have very little idea

about whether or not they should expand their activities, alter their activities, or drop them altogether. They know the costs of their activities, but they have no information in the form of real-time feedback about the desirability of those actions. That makes allocating resources and routing them to those who desire and need them exceedingly difficult, if not impossible. Solving the problem of coordination requires that both the costs and the benefits of activities be considered. But a centrally controlled relief operation provides little information about the latter to decision-makers. Thus, a decentralized system for responding to disasters that kept central bureaucratic intrusion to a bare minimum would be preferable to the current system.

The Problem of Adverse Incentives

The incentives individuals face depend on the institutional context in which they operate. The incentives faced by individuals in the political sphere are different from those faced by individuals in the marketplace. As discussed above, in the market actors are guided by the profit and loss motive. To maximize their return, they must satisfy the consumers of their goods or services.

Political actors, in contrast, face fundamentally different incentives.²⁵ Understanding those incentives might help to explain the slow and ineffective response of FEMA generally.

Economists distinguish between two types of policy mistakes: "type-one" and "type-two" errors. Type-one errors are mistakes that result from not being cautious enough. For example, if the Food and Drug Administration approves a new drug without sufficient testing and the drug makes millions of people seriously ill, the FDA has committed a type-one policy error.

Type-two errors, on the other hand, are mistakes that result from being too cautious. If the FDA has an overly burdensome testing requirement for new drugs, potentially helpful drugs are prevented from reaching, or at least delayed in reaching, consumers who

could have greatly benefited from them. A branch of economics called public choice theory informs us that government agencies like the FDA and FEMA are overly prone to commit type-two errors.

The reason for that is more straightforward than it might seem. Both type-one and type-two errors can result in injuries or harm to the public. However, the visibility and public backlash are likely larger for type-one errors. If the FDA releases a drug that results in harm to the public, the FDA will receive heavy criticism for its decision, and the harm done will be directly blamed on the FDA. Being too cautious, however, also causes harm because people die or suffer needlessly while a drug is delayed in the approval process. But in this second case the harm is not as easily associated with the FDA. It's harder to pinpoint exactly who died as a result of FDA inaction. Because the FDA faces heavier backlash from an instance of, say, 100 deaths clearly caused by the release of an unsafe drug than it does from 100 deaths that might have been caused by delaying the introduction of a new drug, the FDA has an inherent bias to be too cautious in its decisionmaking.²⁶ Likewise, if a disaster is declared and FEMA jumps the gun by getting involved immediately, it may commit a type-one error. Because type-one errors are overt mistakes, they are highly visible and are therefore accompanied by a higher likelihood of admonishments from citizens, the press, and, possibly, other government agencies.

Suppose, for example, that FEMA allows rescue workers to enter a disaster zone and those workers get hurt. FEMA could be blamed for letting them in prematurely. Thus, bureaucratic hesitancy has always been an operational assumption of FEMA. Indeed, as the Senate report points out, "FEMA has a longstanding policy of not putting its emergency responders in the path of a storm so that they will not be in need of rescue themselves."²⁷

Type-two errors, in contrast, are less visible and thus less likely to result in admonishment. Or, to put it another way, if an action results in admonishment, it is likely to be less

severe than in the case of a type-one error. If FEMA waits too long to enter a disaster zone, it may be blamed for acting too slowly as it was in the case of Katrina. But that blame is likely to be less than what FEMA might receive if it entered a disaster zone immediately, before a plan was worked out, and consequently bungled its relief effort in a more overt fashion. FEMA, like the FDA, has an incentive to delay action even if more disaster victims are harmed by its not entering than would be harmed if it entered prematurely. Victims lost before FEMA enters because it delays action are less obviously linked to FEMA's lack of action.

FEMA's extreme cautiousness in taking action helps to explain its slow response to Katrina. That slow response was certainly not because FEMA was unaware of the potential for such a disaster in New Orleans. According to experts at the National Hurricane Center, the danger in New Orleans was known by many people for years, which gave FEMA plenty of time to devise a plan and work out its execution. For many years local, state, and federal government had been warned numerous times about this very scenario.²⁸

Hurricane experts from the center had even run drills of a Katrina-like scenario the year before in an exercise funded by FEMA itself. FEMA officials who participated in the presentation of the final study scoffed at the results, discounted them as impossible, and dragged their feet in acknowledging and preparing for this eventuality. Even after FEMA became aware of the certainty that such a strong hurricane would strike New Orleans, it chose not to pre-deploy the resources clearly identified in the study, which was presented to FEMA officials the year before the storm hit.²⁹

As one observer described it, the entire relief process exhibited tremendous "government hesitancy."³⁰ Take the case of the levee breakthrough in New Orleans the day the hurricane hit. Although government agencies were aware that the levee system had broken by 6:00 p.m. Monday, officials waited until the next day before sounding the alarm,

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at which point the city had been flooding for nearly 24 hours.³¹ Similarly, FEMA did not request military assistance for a full day after Katrina ravaged New Orleans—and when FEMA finally did request military assistance, it asked for two helicopters to perform flyovers.³²

After disaster struck, government waited some more. Walter Maestri, emergency management director of Jefferson Parish, reported that federal help of any kind took nearly a week to arrive. “For approximately six days we sat here waiting.”³³ And all of this sluggishness occurred despite the fact that FEMA director Michael Brown declared the day before Katrina made landfall: “FEMA is not going to hesitate at all in this storm. We are not going to sit back and make this a bureaucratic process. We’re gonna move fast, we’re gonna move quick and we’re gonna do whatever it takes to help these disaster victims.”³⁴

Now consider the private sector’s response. The relief planning began even before the hurricane made landfall near New Orleans. As the *Wall Street Journal* noted: “Home Depot’s ‘war room’ had transferred high-demand items—generators, flashlights, batteries and lumber—to distribution areas surrounding the strike area. Phone companies readied mobile cell towers and sent in generators and fuel. Insurers flew in special teams and set up hotlines to process claims. This planning allowed the firms to resume serving customers in record time. . . . [T]he Business Roundtable had by August of [2005] arranged for each of its 160 member companies to designate a disaster relief point man. These folks were in place and ready to help before Katrina made landfall.”³⁵

Unlike government, for-profit disaster relief suppliers have no reason to consistently err on the side of making type-two errors. Waiting too long to enter a disaster zone means giving away profitable opportunities to competitors who get there first. Consider again the case of Wal-Mart and other private-sector organizations that began preparing for the hurricane the week before it hit by moving supplies and trucks into position.

They got aid to the region faster than any local, state, or federal government.

The Political Dimension of Disasters

Another inherent problem with the federal government’s disaster relief programs is that they are often subject to political manipulation. When government is in charge of allocating some share of disaster relief resources, political actors seeking private ends, such as reelection, face an irresistible incentive to cater to important geographic constituencies that are not always those most in need of assistance. In addition, government officials in charge of agencies such as FEMA will cater to those who determine their budgetary allocations rather than to the citizens they are supposed to serve. The incentive of political actors is to help themselves by distributing money in ways that benefit them and their political careers.³⁶

For FEMA assistance to flow, a disaster must first be declared by the president. After a disaster has been declared, the allocation of money across geographic areas is at the discretion of FEMA, which is overseen by congressional committees. The vast majority of disasters declared are for rain, snow, and other mundane weather events.

After examining all disasters from 1991 to 1999, a comprehensive study by Garrett and Sobel found that states politically important to the president in his reelection bid have a significantly higher rate of disaster declaration.³⁷ Recent data confirm the continuation of this political manipulation. In 1996, when Bill Clinton was up for reelection, he set a record by declaring the largest number of major disasters in history: 75. Unsurprisingly, the second-highest year for disasters in history was 2004, George W. Bush’s reelection year, when he declared 68. Ninety percent of the increase in disasters declared between 2003 (a nonelection year) and 2004 were in the 12 battleground states where the election was decided by 5 percent or less.³⁸

The year with the largest number of disasters declared during George H. W. Bush's administration was also the year he was up for reelection, and this holds true for Ronald Reagan as well. Other striking individual examples abound, including a two-foot snowstorm in Ohio³⁹ (a state that went for Bush), which netted that state disaster relief during the 2004 election year, while Wisconsin⁴⁰ (a state that went for Kerry) was denied disaster relief in 2005 in the aftermath of a major tornado. House Speaker Dennis Hastert even bragged about his political influence being a significant determinant of his state's being declared a disaster area due to a lack of rain, which hurt agricultural production.⁴¹

States represented on the congressional oversight committees for FEMA—which have significant influence over FEMA's budget—received significantly more money for disasters than did states not represented on the committees. As Princeton economics professor Alan Krueger wrote in the *New York Times* about the Garrett-Sobel study: “This figure may seem to overstate the role of politics because representatives from states prone to be hit by disasters probably seek out seats on FEMA oversight committees. But [the analysis] simultaneously adjusts for the amount of Red Cross assistance and private insurance losses from disasters each year. So, having Congressional representation on an oversight committee appears to matter even when compared with disasters in other states that cause roughly the same amount of damage and suffering.”⁴²

For every representative a state has on the House disaster relief oversight committee, it receives about \$30 million in additional funding when a disaster is declared. All told, the study found that nearly half of all disaster relief is motivated by politics rather than by need.

The Implications for Disaster Relief Policy

If centralized disaster relief management is inherently prone to failure, the policy implica-

tion of this analysis is straightforward: Disaster relief management should be decentralized, which means taking it out of the federal government's hands altogether. Disaster relief, like all other activities that entail coordinating suppliers and demanders, requires the right kinds of incentives and information to be effective. Although political processes generate neither of those things, markets generate both. The question thus becomes how to go about decentralizing and depoliticizing disaster relief management.

The problem with many “privatization” reforms, for instance, is that they do not fully de-politicize disaster relief management. For instance, proposals for disaster relief outsourcing still leave a substantial decisionmaking role for government.⁴³ Although possibly an improvement over the status quo, this type of reform only partially and very imperfectly corrects just one part of the problem. Leaving government at the helm of disaster relief management keeps in place the incentive problems of centralized disaster relief discussed previously. As long as the federal government has the power to dispense disaster relief funds, its incentive is to do so in a way that maximizes political ends instead of dispensing them to those with genuine need.

Furthermore, adverse incentives may be introduced by allowing private suppliers to vie for federal disaster relief contracts. Potential suppliers might be selected on the basis of favoritism.

Disaster relief reforms that only partially “privatize” disaster relief are also likely to continue to suffer from the government waste and fraud that have repeatedly plagued FEMA.⁴⁴ An investigation by the *South Florida Sun-Sentinel*, for example, found widespread fraud in FEMA spending. Looking at only 20 of the 313 disasters declared between 1999 and 2004, that investigation found that 27 percent of the \$1.2 billion doled out by FEMA went to areas (or individuals) that suffered little or no damage. Examples include \$31 million paid to Miami-Dade County residents who did not experience hurricane conditions and \$168.5 million to Detroit resi-

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dents for a rainstorm in 2000 that the mayor at the time couldn't even recall.⁴⁵

A much more effective and consequently more appealing form of disaster relief management reform involves taking government out of disaster relief altogether. Hurricane Katrina demonstrated that even in the face of government-erected barriers private relief efforts are amazingly effective. Totally depoliticizing disaster relief also completely eliminates the potential for the political problems, manipulations, and obstacles to genuine aid that centralized disaster management necessarily entails.

Unfortunately, the benefits of getting government out of disaster relief entirely are precisely the reasons why that option is politically the least likely. Politicians and bureaucrats who benefit handsomely from the presence of FEMA and the ability to declare disasters and control the flow of disaster aid resources will not let go of their power without a serious fight.

In light of that political reality, an alternative type of disaster relief reform must be forged. Although government is unlikely to relinquish all control over disaster relief management, the abysmal failure of FEMA after Katrina might make it politically possible to get government to surrender a large portion of its control and accept a seriously diminished role in providing disaster relief. One attractive option in this vein would reduce government's role *exclusively* to (1) opening channels of trade so that private aid suppliers can reach those in need, by repairing transportation infrastructure for instance, and (2) protecting the property of suppliers and disaster victims, so that suppliers will be secure when entering a disaster zone.

A cornerstone of any reform must also be eliminating FEMA's ability to forcibly prevent other relief suppliers from entering disaster zones. It's possible to argue that more harm was done by FEMA's keeping other suppliers out than by its own bungled relief efforts. After Katrina struck, when items such as bottled water were needed most, government's response was to erect barriers that kept private and nonfederal relief workers and aid out of

the area. Private suppliers should be allowed to make their own decisions about the risks of entering disaster areas.

Regardless of what specific approach is taken to reforming disaster relief management, two things are clear. Reform is necessary and government's role in any proposed change must get smaller, not larger. Unfortunately, the May 2006 report of the Senate Committee on Homeland Security and Governmental Affairs recommends exactly the opposite strategy. The report advocates abolishing FEMA, but instead of reducing federal responsibilities for disaster relief, it advocates replacing FEMA with an even larger, more centralized and bureaucratic disaster relief management agency: the National Preparedness and Response Authority.

The inherent problems of government disaster relief that plague FEMA will only be magnified if it is replaced with a more expansive government agency. If there have been coordination and incentive problems under FEMA owing to its centralized organization, it is only reasonable to expect those problems to be exacerbated by greater centralization. The proposal that an NPRA be substituted for FEMA does not constitute disaster relief management reform; it is just more of the same in ever larger doses.

Notes

1. The failure of the federal relief bureaucracy is discussed at length in Senate Committee on Homeland Security and Governmental Affairs, "Hurricane Katrina: A Nation Still Unprepared," May 2006, <http://hsgac.senate.gov/>, hereafter referred to as the Senate report.
2. Quoted in Agence France Press, "Bush Takes Blame for Government's Storm Failures as Death Toll Jumps," September 14, 2005.
3. Senate report, chap. 23, p. 12.
4. Sonia Joshi, "Canadian Search-and-Rescue Team Reached a Flooded New Orleans Suburb to Help Save Trapped Residents Five Days before the U.S. Military," *India Daily*, September 8, 2005, <http://www.indiadaily.com/editorial/4532.asp>.
5. Senate report, chap. 23, p. 12.

6. Larry Eichel, "What Went Wrong," Knight-Ridder special report, September 11, 2005.
7. Bob Herbert, "Sick and Abandoned," *New York Times*, September 15, 2005, p. 31.
8. Kathleen Parker, "Three Heroes Outwitted Bureaucracy," *New Hampshire Union Leader*, September 14, 2005.
9. NBC News, "What Went Wrong in Hurricane Crisis," interview transcript, *Dateline NBC*, September 9, 2005.
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