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Government's response to Hurricane Katrina: A public choice analysis

RUSSELL S. SOBEL & PETER T. LEESON
Department of Economics, West Virginia University, Morgantown, WV 26506-6025 U.S.A.
(E-mail: Russell.Sobel@mail.wvu.edu)

Abstract. We use public choice theory to explain the failure of FEMA and other governmental agencies to carry out effective disaster relief in the wake of Hurricane Katrina. The areas in which we focus are: (1) the tragedy of the anti-commons resulting from layered bureaucracy, (2) a type-two error policy bias causing over cautiousness in decision making, (3) the political manipulation of disaster declarations and relief aid to win votes, (4) the problem of acquiring timely and accurate preference revelations, (5) glory seeking by government officials, and (6) the shortsightedness effect causing a bias in governmental decision making.

Introduction: Flirting with Disaster

"As we are all aware, disasters are very political events."[1] These words could have easily come from a public choice scholar, but instead were spoken by then-FEMA Director James Lee Witt when he testified before Congress about the cause of persistent problems and corruption in government disaster management back in 1996. Each major U.S. disaster brings yet another tale of FEMA corruption and failure, and yet another Congressional investigation into the problems in FEMA. The failures of FEMA, and of government disaster relief more generally, which occurred in the wake of Hurricane Katrina in 2005 are nothing new; identical problems manifested themselves after virtually every previous major disaster. What was different this time, however, was the visibility and severity of the failure, and of the human suffering it caused. After most other disasters, the individuals who suffer as a result of these government policy errors are geographically diffuse and harder to identify. After Katrina, however, thousands of them were packed into places like the Superdome, resulting in significantly larger media attention to these problems in FEMA and government disaster management.

Government's failed response to Hurricane Katrina is a classic case study in the potential problems with government action identified by public choice theory. The hallmark of the public choice approach – that individual actors in both the private and public sector are motivated by self-interest – sheds considerable light on this failure. Like all other individuals, self-interested politicians and bureaucrats respond to the incentives they face. The actions and choices of these public sector agents in the wake of Hurricane Katrina can be understood by a careful examination of their incentives.

In this paper we employ public choice theory to identify six problematic incentive structures confronted by government actors when managing the disaster caused by Hurricane Katrina. These are: (1) the tragedy of the anti-commons resulting from government disaster management's layered bureaucracy, (2) a type-two error policy bias causing over cautiousness in the decisions of government disaster management officials, (3) the political manipulation of disaster declarations and relief aid (usually geographic manipulation) to win votes, (4) the problem of acquiring timely and accurate preference revelations by those in need, (5) glory seeking by government officials attempting to secure the credit for assisting hurricane victims, and (6) the shortsightedness effect causing a bias in governmental decision making.

A Tragedy Indeed: Government Disaster Response and the Tragedy of the Anti-Commons

The private sector's response to Hurricane Katrina was swift and effective when compared to the government's response. Companies like Wal-Mart, Home Depot, and State Farm Insurance made preparations for the impending disaster weeks before Katrina hit, and were willing and able to bring resources to bear on the disaster area days before government agencies could manage to do so. Government's recognition and response to Katrina was confused, chaotic, and much slower. The widespread examples of successful private action *in equivalent circumstances* after Katrina clearly demonstrate that these government failures were not endemic to the situation – they were potentially avoidable under the right incentive structure.

Government agencies like FEMA suffer from a problem of too much government oversight, which results in what Columbia Law professor Michael Heller (1968) dubbed the "tragedy of the anti-commons." The more widely known "tragedy of the commons"[2] occurs when individuals have unlimited access to resources in the absence of well-defined property rights. While Heller's term may be somewhat of a misnomer, the problem he identifies, the tragedy of the anti-commons, occurs when *too many* individuals have the power of exclusion – veto power over the use of resources or decision making. The tragedy of the anti-commons might be better called the "tragedy of political commons," occurring when too many individuals and groups have access to the decision-making process with overlapping powers of obstruction.

In this situation, action requires the permission of many different and often unrelated individuals. When disaster relief is centralized and managed by government, it necessarily becomes bureaucratized and subject to the anti-commons problem. Government agencies like FEMA are created to oversee and administer relief. These agencies are in turn overseen by other government agencies, each with their own internal bureaucracies, and so on. Following organizational changes after 9/11, for example, FEMA was placed under the umbrella of the Department of Homeland Security, adding new political decision makers to the mix. At each of the levels of potential approval, the key political decision maker involved may face different personal incentives than those above or below him, delaying action still further. The layers of bureaucracy ultimately end at some key administrative figure, which in the case of disaster relief is the president, who must declare a disaster before FEMA can act.

At each level of the bureaucratic process is a key political decision maker who can stall the process, since his sign-off is required before any proposed action can be considered at the next level of political decision making, where yet another key political decision maker is asked to consider the same proposal. With too many political decision makers along the way, each of whom have veto power over the proposed action, it is easy for proposed action to get stalled, prevented from being undertaken, or to simply fall through the cracks.

The result of layered bureaucracy inherent to centralized decision making is slow and delayed action. As Louisiana Governor, Kathleen Blanco, complained in the context of Hurricane Katrina, "No one, it seems, even those at the highest level, seems to be able to break through the bureaucracy."[3] Sometimes, this slowness and difficulty of implementing change is desirable. When it comes to changes in the law, for instance, this slowness and stalling can help to create a stable and certain legal environment. In other cases, however, the tragedy of the anti-commons creates a true tragedy – especially when it comes to government agencies charged with the task of addressing emergency situations, when a speedy reaction is critical.

Predictably, but perhaps ironically, the real success stories in the relief effort following Katrina therefore came from those who ignored FEMA, flouted the bureaucratic decision-making process, and took action without approval. The U.S. Coast Guard, for example, began its helicopter rescue efforts without waiting for any other government agency's approval or coordination. Its efforts were so successful that the leader of the Coast Guard's campaign, Vice Admiral Thad Allen, was chosen as the replacement when FEMA director Michael Brown was removed from his duties. A Canadian search and rescue team from Vancouver, without waiting for FEMA permission, 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]

One of the best examples of this is what we call "the tale of two sheriffs:" Sheriff Warren Evans of Wayne County, Michigan and Sheriff Dennis Randle of Carroll County, Indiana. Both sheriffs were eager to assist hurricane victims, and both had control over the necessary resources. 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.[5] Sheriff Randle, on the other hand, followed procedure, was buried under mounds of FEMA paperwork, and faced an un-navigable approval process. He never made it to New Orleans.[6]

Importantly, while some have argued that the placement of FEMA under the Department of Homeland Security after 9/11 created a shift in priorities from planning for natural disasters to planning for terrorist attacks, analyzing the issue from the perspective of public choice suggests that the problem with this reorganization was that it added additional layers of bureaucratic approval. After all, the flooding of a major city through a terrorist attack on a dam or levy was certainly a well known potential terror threat. And many potential terrorist attacks could have resulted in the necessity of a major evacuation. It's thus hard to argue that the focus on terrorism somehow prevented the agency from preparing for the flood and evacuation of New Orleans.

Waiting for Disaster: Type-Two Error Bias in Government Disaster Response

"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."[7] These are the words of FEMA Director Michael Brown the day before Hurricane Katrina made landfall. But despite great noise about a prompt and effective FEMA response, as anyone who watched the Katrina debacle unfold can tell you, FEMA's response was anything but. FEMA's notoriously sluggish reaction should come as no surprise to those familiar with government's type-two error problem identified by public choice theory. If only Brown's incentive were to act quickly instead of delaying action, perhaps his big talk about a rapid FEMA response could have come true.

Public choice economists have long argued that government agencies like the U.S. Food and Drug Administration (FDA) are prone to commit type-two errors. Type-one errors involve mistakes that result from under cautiousness. If the FDA approves a new drug, which turns out to make millions seriously ill, it has committed a type one error. Type-two errors, on the other hand, involve mistakes that result from over cautiousness. If the FDA fails to approve a drug that could have saved thousands of lives, it has committed a type-two error.

Both type-one and type-two errors can result in injuries or harm to the public. However, the visibility and public backlash is larger for type-one errors. If the FDA releases a drug, like Thalidomide, which 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 the drug is delayed in the approval process. But in this second case the harm is not as easily associated with the FDA. Because the FDA faces heavier backlash from an instance of 100 deaths caused by the release of an unsafe drug than it does for 100 deaths caused by delaying the introduction of a new drug, the FDA has an inherent bias to be too cautious in its decision making.[8]

The incentive to be overly-cautious and thus err on the side of type-two errors is not unique to the FDA. Any government agency for which errors of over cautiousness are less visible and less likely to evoke criticism than errors of under cautiousness faces this incentive. FEMA's behavior following Hurricane Katrina exemplifies this well.

If a disaster is declared and FEMA jumps the gun, 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 the disaster zone and they are hurt by exposure to toxic water. FEMA is likely to be blamed for letting them in prematurely.

Type-two errors, in contrast, are less visible and thus much less likely to result in admonishment. If FEMA waits too long to enter a disaster zone, it might be blamed for acting slowly, as it was in the case of Katrina. But this blame is far less than what it might receive if it entered a disaster zone immediately, before an effective plan were totally worked out, and consequently bungled its relief effort in a more overt fashion. FEMA consequently has an incentive to delay action *even if* more disaster victims are harmed by it not entering than if it entered prematurely. Victims lost under FEMA's explicit watch are highly visible, and FEMA's culpability is immediately obvious. Victims lost before FEMA enters because it delays action are less visible, making FEMA's responsibility in this case indirect and less clear.

Likely exacerbating FEMA's over cautiousness further was its reluctance to trust local officials due to the widely-held perception of rampant public-sector corruption in New Orleans (and the state of Louisiana). Unable to determine the credibility of the mayor's and governor's claims of need, for instance, FEMA might have felt compelled to wait and gather more information about the accuracy of these claims before acting. It might have also led FEMA to mistrust local officials' ability to be good stewards of federal (and even their own) disaster relief resources. In this way, state and local public sector corruption may have contributed to FEMA's delayed response.

Along with the tragedy of the anti-commons, FEMA's over cautiousness in taking action helps to explain its widely-acknowledged slow response to Katrina. As one observer described it, the entire relief process exhibited tremendous "government hesitancy."[9] Take the case of the levee breakthrough in New Orleans the day the hurricane hit. Although government agencies were aware the levee system had broken by 6:00 p.m. Monday, officials waited until the next day, at which point the city had been flooding for nearly 24 hours, before sounding the alarm.[10] Similarly, FEMA did not request military assistance for a full day after Katrina ravaged New Orleans – and when it finally did, it was for two helicopters to perform flyovers. Even local government officials delayed their response. New Orleans Mayor, Ray Nagin, for instance, waited 15 hours after receiving a call from National Hurricane Center Director Max Mayfield informing him that untold disaster would soon be upon the city, to mandate an evacuation.[11] After disaster struck, government waited some more. Walter Maestri, Emergency Management Director of the Jefferson Parish, reported that federal help of any kind took nearly a week to arrive. "For approximately six days," he says, "we sat here waiting."[12]

Political Manipulation of Disaster Declarations and Relief

The incentives of political actors are rarely aligned with the interests of society. In the wake of a natural disaster, the public's interest is to quickly evacuate those in danger, help those who have been hurt, and relieve individuals who need relief, such as those without water or food. Politicians, however, seek votes and re-election, while the heads of government agencies generally seek to maximize the size of the budget under their control, and their personal prestige. Importantly, vote- and budget-maximization may not be consistent with disaster harm-minimization. This divorce of individual and public interests creates a serious problem for government's response to a natural disaster.

When government is in charge of disaster relief resources, political actors seeking private ends, such as re-election, face an irresistible incentive to cater to important geographic constituencies, which are not always the constituencies in most 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 the citizens they are supposed to serve. The incentive of political actors is to help themselves by distributing money in ways that benefit their political careers.

Surprising to some, the vast majority of disasters declared over the last decade have been for weather events that most people would not consider disasters at all, such as severe thunderstorms, wind, and snow. On the other hand, some seemingly major disasters have gone undeclared. The disaster declaration process is clearly more complex and subjective than it first appears. In 2003, Garrett and Sobel investigated the politics of both the disaster declaration process and the subsequent allocation of disaster relief monies across states. 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 U.S. Congressional committees.

Examining all disasters from 1991 to 1999, their study finds that states politically important to the president in his re-election bid have a significantly higher rate of disaster declaration by the president. Recent data confirm the continuation of this political manipulation. In 1996, when Bill Clinton was up for re-election, 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 re-election year, when he declared 68. Thus, 90% of the increase in disasters declared in this year was in the 12 battleground states, where the election was decided by 5% or less.[13] The year with the largest number of disasters declared during George H.W. Bush's administration was also the year he was up for re-election, and this holds true for Ronald Reagan as well. Other striking individual examples abound, including a two-foot snowstorm in Ohio[14] (a state that went for Bush) getting disaster relief during the 2004 election year, while Wisconsin[15] (a state that went for Kerry) was denied disaster relief in 2005 in the aftermath of a significant tornado. House Speaker Dennis Hastert even bragged about his political influence being a significant determinant of his state getting declared a disaster area due to a lack of rain hurting agricultural production.[16]

In addition to political influences affecting the rate of disaster declaration, states represented on the Congressional oversight committees for FEMA – which have significant influence over FEMA's budget – receive significantly more money for disasters than states not represented on the committee. For every representative a state has on the House oversight committee, it receives about $ 30 million of additional disaster funding if and when a disaster is declared. All told, Garrett and Sobel (2003) find that nearly half of all disaster relief is motivated politically rather than by need.

Problems of Information and Preference Revelation

Though the citizens of New Orleans, the media, and countless others were aware of the impending and eventual disaster caused by Hurricane Katrina, key government relief management figures, it appears, were not – or at least did not officially acknowledge that this was the case. Secretary of the Department of Homeland Security, Michael Chertoff, for example, did not declare Hurricane Katrina an "incident of national significance" until 36 hours after it made landfall. This occurred despite the fact on August 27th – two days before Katrina's arrival – the National Hurricane Center predicted Katrina would hit the Gulf Coast.[17]

Government was also painfully unaware of major and fundamental developments in the relief process following Katrina's arrival. FEMA director, Michael Brown, for instance, only became aware that hurricane victims in New Orleans had been moved to one of the city's convention centers after being informed of this fact by a television journalist. On *Nightline*, Brown admitted, "We just learned of the Convention Center – we being the federal government – today."[18] As *New York Times* journalist David Brooks put it, "Katrina was the most anticipated natural disaster in American history, and still government managed to fail at every level."[19]

Paramount to any major disaster relief effort is timely and accurate information. After Katrina, FEMA served the role as the clearinghouse for the coordination of all relief supplies, and as the primary permission granter to allow suppliers to enter the disaster area. To be effective, FEMA had to know what was needed, who needed it, and when and where it was needed in what amounts. In addition to this demand side information, FEMA also had to know the supply side of the market as well – who has the resources to bring to bear on these demands?

There are two main reasons why this information was virtually impossible for FEMA to learn. First, the people needing assistance had no incentive to truthfully reveal their preferences. State and local officials, like other public sector agents, have an incentive to request a larger than efficient amount of resources when they are not the ones bearing the cost. Like other government agencies, this is generally done through an exaggeration of the true extent of the problem at hand. Both New Orleans Mayor Ray Nagin and Louisiana Governor Kathleen Blanco, for example, initially made claims that thousands or maybe even tens of thousands of people were dead, with hundreds of thousands left trapped in homes. In the end, however, these numbers were gross exaggerations. This ever-present incentive to overstate the demand for resource transfers, in conjunction with the previously mentioned mistrust in the corrupt local public sector officials, likely rendered official requests an unreliable source of information for FEMA.

Second, because government gives away its output for free, there are no prices to guide resource allocation decisions or profit and loss signals on the basis of which to evaluate government's actions. Economics is about the allocation of scarce goods among competing uses, and the institutions within which these allocations take place. And, at their root, the heartbreaking stories of unmet hopes and desires of disaster victims *are* stories about the allocative failure that prevented disaster relief from reaching those who needed it most. The tragedy of FEMA's failure is one of economic organization, in its most basic form, gone awry. On the one side of this tragedy were unutilized relief suppliers, many waiting for simple permission or a response from FEMA, and on the other side were eager demanders of these resources – people in genuine need – who simply weren't getting them. As Hayek (1945: 524) points out:

> 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.

This highlights the fundamental problem of natural disaster relief that must be solved: how to make best use of dispersed information to coordinate demands with available supplies. As Hayek points out, this type of coordination simply cannot be achieved by first channeling demands and supplies through a centralized agency such as FEMA. In retrospect, the unplanned and decentralized response in the hours immediately following the 9/11 terrorist attacks was far more effective than the centralized and government-directed response to Hurricane Katrina. No centralized authority, no matter how well-intentioned its employees nor how well-functioning its internal operations, can overcome this problem. Demands go unsatisfied, both because required supplies are not called forth, and because existing supplies are misallocated, leaving those in need without life-saving essentials.

To see why this is so, first consider how the private sector overcomes this coordination problem. Market prices convey information about localized supply and demand conditions, indicating to suppliers where supplies are needed most and communicating to demanders when they may expand consumption (because supplies have become more abundant relative to demand) or curtail consumption (because supplies have become less abundant relative to demand). Even the charitable activities of private individuals and non-profit organizations, which suffer somewhat from the absence of market prices to guide them, are likely to be directed toward satisfying the most highly valued needs. Individuals making donations have an incentive and desire to make sure their donations are used effectively, and an incentive to search out information as to the best use of their donated resources. Non-profit organizations that are not careful stewards of their donated resources soon find they have fewer donations to allocate. For-profit firms that choose to be charitable are careful to allocate their resources in a way that generates value, because this generates the highest return to the firm in terms of reputation, and thus future profits.

This is how private sector suppliers of disaster relief essentials, such as Wal-Mart, were able to quickly bring necessities like water to bear on the plight of Katrina victims who had been hit the hardest. 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."[20] Wal-Mart's capacity to bring the needed supplies to bear on the atrocity created by Hurricane Katrina has had even its staunchest critics praising the company.[21]

Contrast this with how political decision makers might come to know how to allocate disaster relief supplies. Unlike the market, the political process does not generate market prices, nor does government have the incentive to be as careful a steward of the resources it hands out to needy victims.

Consequently, political decision makers have no information directing them where expenditures are needed most. Further, government employees have a much weaker incentive than private individuals to seek out information about where resources are most urgently needed and ensure value is created by the resources they allocate, even when compared to cases where the private sector gives resources away for free. Individuals are simply not as careful with other people's resources as they are with their own. These simple insights from basic public choice theory go a long way in explaining the chaos, confusion, and ultimate failure of FEMA-provided disaster relief distribution following Hurricane Katrina.

In the first week of relief activities alone, FEMA refused to ship trailers to Mississippi that could be used as temporary housing for disaster victims, turned away critical generators needed by hospitals and victims for power, turned away trucks with water demanded by many, prevented the coastguard from delivering fuel critical to facilitating recovery activities, and refused Amtrak's offer to evacuate victims who desperately needed to get out the disaster zone.[22] The last Amtrak train left New Orleans empty.[23] FEMA clearly had no clue what was needed, or by whom. Even the American Bus Association, representing Greyhound Bus Lines, repeatedly offered to help FEMA evacuate the Superdome and Convention Center. But, like so many others who offered their assistance, the American Bus Association's offers fell on deaf ears, and they were never even able to even get a response from FEMA officials.[24]

FEMA's misallocation of relief labor and supplies seems to be never ending. 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.[25] As one frustrated medical team member lamented, "We joined the team to help people who need it and we are not helping anybody."[26]

In another case of misallocated medical relief, FEMA Director Michael Brown received an email on December 2nd describing the dire state of medical care in New Orleans and urgently inquiring about how important medical supplies that were offered could be employed to most effectively help hurricane victims. "Mike, Mickey and other medical equipment people have a 42-foot trailer full of beds, wheelchairs, oxygen concentrators, etc. They are wanting to take them where they can be used but need direction."[27] But because of government's inherent informational deficit described above, after waiting for *four days* Brown's only response was to forward the message to another FEMA bureaucrat with a note that asked quizzically, "Can we use these people?"[28]

In other critical areas resources were diverted to superfluous locales or sat idle and unused as well. A mobile communications unit, which could have provided much needed equipment to relief workers and victims, for instance, sat in Germany with a chartered private plane ready to leave for nine days.[29] Despite repeated attempts to contact FEMA and get the required permissions to come to New Orleans, the holders of this unit, like so many others, got no response and eventually gave up on trying to bring their resources to bear on the relief effort. The information problem that plagued FEMA plagued other government officials involved with the disaster relief as well. State police in Louisiana, for example, unaware of the dire local need to restore communications systems, delayed technicians sent to repair damaged communications equipment for days.[30]

A similar situation prevailed in the case of 1000 firefighters who believed that their much-needed efforts would be put to 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 with only the job of handing out fliers with FEMA's phone number on it. As one firefighter astutely observed, "It's a misallocation of resources. Completely."[31]

In addition to providing guidance about resource allocation, the profit and loss mechanism in markets informs suppliers whether or not they are satisfying the needs of demanders. This feedback loop is much weaker in the public sector, making it difficult, if not impossible, for agencies like FEMA to properly allocate resources. Consequently, political actors have very little idea about whether or not they should expand their activities, shift their activities, or drop them altogether. Political actors know only the costs of their activities. But they have no information in the form of feedback about the desirability of them. This makes *economically* allocating resources and coordinating the supply of these resources with those who desire them through the political process exceedingly difficult, if not outright impossible. Economic allocation requires that both the costs and benefits of activities be considered. But politics provides little information about the latter to political decision makers.

When it comes to disaster relief management, this can be a serious problem. A striking example of this is the case of temporary housing provision. Following Katrina, FEMA set up trailer parks that went virtually unused. Trailers were deployed where they weren't needed at an astonishing cost to taxpayers. FEMA spent $1.3 billion on 95,000 trailers for hurricane victims, and in some cases $38,000 per lot to make parks trailer ready – double the cost of the trailers themselves. Because FEMA chose to locate the trailers in remote places, away from cities and jobs, FEMA is also planning to spend millions to cook meals, provide bus service, and security for the trailer parks. In the not too distant future, FEMA will turn around and pay yet again, this time to tear the parks down. Only 16,000 of the 95,000 trailers, less than 17%, are occupied. Based on these figures, FEMA is spending an estimated $125,000 – $200,000 per family for temporary housing. All this despite the fact that more than one million rental apartments priced at $700/month or less sit vacant across the region. If a private company had misallocated their resources in this fashion, it would have suffered losses. FEMA's incredible misallocation, however, carried little penalty or consequence for FEMA decision makers despite the considerable harm done to disaster victims.[32] In fact, FEMA's failure was rewarded with billions of additional dollars in funding for the agency's continued work.

How can FEMA learn if its relief activities are fulfilling the needs of disaster victims? How can it know how to change its course of attack, or whether it should change it at all? The inability to effectively evaluate the ongoing success or failure of government disaster relief activities created significant problems for the relief efforts of FEMA and led government figures involved in managing the relief, at even the highest levels, to incorrectly and arbitrarily asses FEMA's success.

Department of Homeland Security Secretary Michael Chertoff, for example, evaluated the success of government's actions as follows: "We are extremely pleased with the response that every element of the federal government, all of our federal partners, have made to this terrible tragedy."[33] It is as if he were completely unaware of the abysmal failure of government's actions so obvious to non-governmental observers. President Bush was equally unable to evaluate the failure of government's relief activities. Commending FEMA Director Michael Brown on FEMA's efforts, Bush now-famously remarked, "Brownie, you're doing a heck of a job."[34] Unable to objectively determine the effectiveness of the government's efforts, he later changed his tune, calling FEMA's response to Katrina "unacceptable."[35] Though political decision makers' assessment of government's actions eventually hit the mark, it came too late – only after changing government's relief strategy was a non-issue, well after the situation in New Orleans and elsewhere was already improving.

Glory Seeking

Perhaps the most disturbing stories of government failure in New Orleans were those of government forcibly preventing both for-profit and non-profit disaster relief suppliers from helping those in need, and confiscating the resources of those who did enter with supplies. Public choice theory, however, suggests this behavior by government officials is not surprising at all.

To justify its existence, and encourage the appropriation of additional monies, government officials seek to ensure as much recognition as possible for whatever goes right, a phenomenon we call "glory seeking." Since glory is earned on a relative basis, there are three primary ways to improve the glory flowing to oneself. One way is to achieve more good through one's own actions, for instance working harder and more effectively to make sure that things go well.

The second is simply to devote additional resources toward public appearances and other activities that give the public the *perception* that you are accomplishing good deeds (which may or may not be the case). For instance, amidst the post-Katrina chaos, Michael Brown was more concerned with his appearance in preparation for discussions with the media, than with actually ensuring that FEMA-directed relief efforts were effective. In one email uncovered as part the Congressional investigation into Michael Brown's mishandling of FEMA, Brown was advised, "Please roll up the sleeves of your shirt . . . all shirts. Even the President rolled up his sleeves to just below the elbow. In this crises [sic] and on TV you just need to look more hard-working . . . ROLL UP THE SLEEVES!"[36]

The third and final method of increasing one's relative credit for glory is to limit the amount of good accomplished by others. One way government officials can do this is by keeping private disaster aid competitors out of the disaster zone. Such was the case, for instance, with government's treatment of the Red Cross. As is now widely known, the Red Cross "begged to be allowed to go in [New Orleans] to do the distribution" of essential relief supplies, but were prevented by government officials from doing so.[37] Without FEMA's approval, the more effective Red Cross was kept out, along with many other private suppliers wanting to go into the area to deliver relief supplies. FEMA also confiscated critical emergency supplies in transit to Methodist Hospital in New Orleans shipped by the hospital's out-of-state private owner to assist the hospital's 137 remaining patients. "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 subvert FEMA's confiscatory and predatory actions, the owner sent the second shipment to Lafayette (130 miles from New Orleans) and had a private helicopter fly them directly to the rooftop of the hospital in New Orleans.[38]

Note that only the first of these glory seeking activities is welfare enhancing, the other two are actually welfare reducing from a social perspective. Furthermore, the incentive to glory seek is not unique to public officials. Private organizations, such as the Red Cross, would like to maximize their recognition for helping disaster relief as well because doing so leads to benefits for them (for instance, in the form of additional donations). Only government, however, has the ability to legally use coercion to limit the good accomplished by others. Private organizations therefore generally find it less costly to seek glory by doing more to help people. Government officials in contrast, will find it cheaper to devote resources to limiting the amount of good accomplished by others, in an attempt to effectively establish a monopoly right to accomplish good (or at least receive the credit for it). Interestingly, private organizations are not government agencies' only potential rivals for relief credit and glory. Other government agencies' relief efforts are also potential competitors. This explains, for instance, why FEMA obstructed local government efforts, including the confiscation of fuel and other supplies ordered and being delivered to other local governmental units in the area. These resources, paid for and ordered by other government agencies, were expropriated by FEMA without compensation or explanation for its internal use. In Jefferson Parish, for instance, diesel fuel needed to run generators for emergency response was confiscated in transit by FEMA. "When we went to get the fuel, fuel that we had ordered and paid for, bought by Jefferson Parish, that fuel was seized ... And we would have to justify – go through a bureaucratic process to get that fuel released to the parish," said New Orleans emergency management director Walter Maestri. The parish then sent a second fuel truck out, this time protected by armed sheriff's deputies, who were given orders to use force if necessary to keep the second truck from being confiscated by FEMA.[39]

Shortsighted Policy Bias

The lack of government preparedness for Katrina 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 for years, giving FEMA plenty of time to devise a plan and work out its execution. As one expert put it, for "many years" local, state and federal government had "been warned over and over again about this very scenario."[40] Hurricane experts from the Center had even run drills of a Katrina-like scenario the year before in a study funded by FEMA itself. FEMA officials who participated in the presentation of the final study scoffed at its results, discounting them as impossible, and dragged their feet in acknowledging and preparing for this eventuality. Even after FEMA became aware of an impending category 5 hurricane striking New Orleans with certainty, it chose not to pre-deploy the resources clearly identified in the study funded by and presented to FEMA officials in the year before the storm hit.[41]

This failure to invest current resources for future benefit can be explained by the widely-recognized 'shortsightedness' bias in government decision making. Political decision makers are biased toward current over future benefits. Perhaps nothing illustrates this more than the lack of investments made in strengthening the levees themselves in the years – even decades – prior to Katrina. The levee system in New Orleans was widely-recognized as incapable of sustaining trauma from a major hurricane. While it was built to withstand a category 3 storm, significant deteriorations and aging resulted in areas of the levees being unable to sustain even a much smaller storm. The part of the levee at the 17th Street Canal, where one of the breaches occurred, was 4 feet lower than the rest of the levee, clearly in need of reinforcement. Despite repeated warnings from experts, the spending to repair and strengthen the New Orleans levee system was never undertaken. While some blame this on recent federal budget cuts to the Army Corps of Engineers, this does not explain why, for years, the necessary investments weren't made. And it doesn't explain why *local* (state or municipal) governmental units could not have simply funded these improvements themselves, particularly given that the entire benefit of the improvements accrued to local residents. The shortsightedness effect, on the other hand, explains both why the levees went unsecured for years, and why this incentive was true at all levels of government.

Conclusion

We have used public choice theory to help explain the failure of FEMA and other governmental agencies to carry out effective disaster relief in the wake of Hurricane Katrina. The areas we focused on included: (1) the tragedy of the anti-commons resulting from layered bureaucracy, (2) a type-two error policy bias causing over cautiousness in decision making, (3) the political manipulation of disaster declarations and relief aid to win votes, (4) the problem of acquiring timely and accurate preference revelations, (5) glory seeking by government officials, and (6) the shortsightedness effect causing a bias in governmental decision making.

What then are our policy recommendations for improving disaster relief management? Any reforms that depoliticize the process of disaster relief will serve to mitigate the public choice problems associated with government-directed disaster relief identified here. Ultimately, this means putting more responsibility for these activities in the hands of the private sector, which functioned amazingly well following Katrina and does not suffer from the public choice problems of government-provided disaster relief. The Chicago Board of Trade, for instance, coordinates millions of diverse commodity exchanges daily. And while to an outside observer this process on a trading floor seems chaotic, it works to connect those who desire items with those who can supply them. Using the trading floor, or even a few of the experienced traders, for a few hours would have accomplished infinitely more to coordinate the offers of disaster assistance with the requests for this assistance than weeks of government control. eBay was even used to a limited extent to facilitate the exchanges and offers of assistance, and did so more effectively than FEMA.

A potential problem with partial privatization reforms that do not fully depoliticize disaster management, for instance proposals for disaster relief outsourcing, is that they leave a substantial role for government in the disaster relief process.[42]

Thus, although possibly an improvement over the status quo, this type of reform only partially, and thus very imperfectly, resurrects market-style incentive and information generation. Leaving government at the helm of disaster relief management keeps in place the incentive problems of centralized disaster relief discussed previously. As long as government still has the power to dispense federal 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.

Further, new incentive incompatibilities may be introduced by allowing private suppliers to vie for the federal disaster monies. Government, for example, would find itself in the position of being able to select certain suppliers for particular disaster relief efforts, while leaving others out. Potential suppliers would be selected based on favoritism and lobbying.

Disaster relief reforms that only partially privatize disaster relief are also likely to continue to suffer from government waste and fraud that have repeatedly plagued FEMA.[43] 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, this investigation found that 27% of the $1.2 billion doled out by FEMA went to areas (or individuals) that suffered little or no damage. Examples they cite include $31 million paid to Miami-Dade County residents, who experienced no hurricane conditions, and $168.5 million to Detroit residents for a rainstorm in 2000 that the then-mayor can't even recall.[44]

A much more effective and, consequently, more appealing form of disaster relief management reform involves taking government out of the disaster relief process altogether. Hurricane Katrina demonstrated that even in the face of government-erected barriers, private relief efforts are amazingly effective. Without state involvement, disaster management would be entirely privatized, allowing the full operation of market prices, profit and loss, and market incentives to bring to bear the appropriate incentives and information to the disaster relief process unencumbered. Totally depoliticizing disaster relief also completely eliminates the potential for political problems, manipulations, and obstacles to genuine aid that centralized disaster management necessarily entails.

Unfortunately, these benefits of getting government out of disaster relief entirely are precisely the reasons why this option is politically the least likely. On the one hand, presidents have long-used administrative appointments in FEMA as a way to repay political favors. Of the 18 individuals who have served as FEMA's director, 13 have been entirely unqualified for this position according to FEMA's own website. James Lee Witt, FEMA's 14th director, was "the first agency head who came to the position with experience in emergency management." While the previous 13 FEMA directors were unqualified for the position, they were loyal supporters of the appointing president. Of the three FEMA heads to follow Witt appointed by President George W. Bush, for instance, John Magaw was a former director of the Secret Service in charge with protecting the First Family, Joe Allbaugh was the National Campaign Manager for the Bush-Cheney campaign and helped Bush run for governor in Texas, and Michael Brown was a Commissioner of Judges and Stewards for the International Arabian Horse Association, and college friends with his well-connected predecessor Joe Allbaugh. Furthermore, 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 this power without a serious fight.

In light of this political reality, an alternative type of disaster relief reform must be forged. While government is unlikely to relinquish all control over disaster relief management, the abysmal failure of FEMA this last time around 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 involve reducing government's role to exclusively: (1) opening channels of trade so that private aid suppliers can reach those in need, by repairing transportation infrastructure, for example, and (2) protecting the property of suppliers and disaster victims, so that suppliers will be secure when entering the disaster zone, fostering exchange.

This reform option has the advantage of allowing government to retain an active part in disaster relief management, satisfying some concerns of political feasibility, while restricting its role to only those activities that may enhance the ability of the private sector to effectively respond to disaster. A cornerstone of any reform, however, must be eliminating FEMA's ability to confiscate property and forcibly prevent other relief suppliers from entering disaster zones. More harm was done by FEMA keeping these other suppliers out than by its own bungled relief efforts. The day before Katrina hit, Coca-Cola did not need permission to deliver truckloads of Dasani bottled water to New Orleans. After Katrina struck, when bottled water was needed more than ever, government's response was to erect barriers to this delivery process, shrinking supplies even further. Private suppliers should be allowed to make their own decisions about the risks of entering disaster areas. They must be allowed to compete with FEMA.

Notes

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3. Quoted in: Agence France Press, "Bush Takes Blame for Government's Storm Failures as Death Toll Jumps," September 14, 2005.
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