

The Neoliberal Deluge: Hurricane Katrina, Late Capitalism, and the Remaking of New Orleans, Cedric Johnson (ed.), Minneapolis: University of Minnesota Press, 2011.

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The overarching theme of this book is that neoliberal policies were the main reason for the devastation caused by Hurricane Katrina. Specifically, it is argued that pro-market reforms adversely shaped the preconditions of the disaster, as well as the government's response. The volume contains contributors from a variety of disciplines including: sociology, political science, education, public policy, and media theory. Although each of the contributors approaches their topic from their own unique disciplinary perspective, each chapter remains within the boundaries of the overarching theme of the book. The twelve chapters are broken into four sections—(1) Governance, (2) Urbanity, (3) Planning, and (4) Inequality—and cover topics ranging from racial politics, inequality and the exclusion of disenfranchised groups, the impact of neoliberalism on communities, public housing, and gender issues, among others.

Let me first touch upon what I view as the main positive aspect of the volume. There is no arguing that Hurricane Katrina was a devastating event that caused a significant loss of life and property. There is also no arguing that the government failed in disaster preparation, response, and recovery. From this standpoint, a volume such as this is welcome, since it is crucial to understand the factors that played a role in this failure. That said, I ultimately find the volume to be unsatisfying and incomplete. I will focus my comments on what I see as the book's four most significant weaknesses.

The first deals with the critique of neoliberalism which is at the core of the volume. Given that neoliberalism is central to the book, a logical starting point would be a clear and concise definition of what the concept entails. Such a definition, however, is lacking, resulting in confusion and a lack of clarity across the contributions. The confusion surrounding the notion of neoliberalism is evident in the Introduction. The editor begins by quoting David Harvey who notes that neoliberalism is “a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade” (xxi). However, only a few lines later Cedric Johnson, the editor, writes that “Neoliberals do not really embrace classic laissez-faire ideas in a strict sense, but instead favor opportunistic use of the state to colonize all spheres of human activity under market logic” (xxi). These two senses of neoliberalism are dramatically different and lead not only to different analytical focus, but also to different conclusions.

In the first (Harvey) sense, neoliberalism refers to a market system based on voluntary exchange, grounded in well-defined property rights. This system relies on prices to guide economic actions, as well as profit *and* loss to provide feedback regarding the effectiveness of those actions in satisfying consumer wants. This rendering of the market system does not rely on government favoritism and, in stark contrast, is severely weakened in its effectiveness when government intervenes to manipulate markets to benefit those who are politically connected. Indeed, scholars such as F.A. Hayek and Milton Friedman, who are cited in the volume as leading neoliberals, warned against the dangers of state encroachment into economic activity to provide political favors to a select few. In the second (Johnson) sense, neoliberalism is a form of crony capitalism whereby voluntary exchange and profit and loss is replaced by political

favoritism. It is unfortunate that this confusion was not resolved early in the volume because it leads to a mischaracterization of markets and capitalism throughout the volume. Indeed, what many of the contributors find issue with is not the market system itself, but rather a bastardization of this system due to government cronyism.

The distinction between these two senses of neoliberalism is of crucial importance because if the goal is to identify the true causes of the failures associated with Katrina, it is wrongheaded to place blame on the market system when in fact it is government cronyism that is the real culprit. If this is indeed the case, the issue is not markets per se, but rather determining if, and how, appropriate constraints on government can be designed and implemented to limit and prevent favoritism to those who are politically connected which ultimately undermines many of the desirable traits of markets.

A second issue with the volume is that many of the contributions make arguments by assertion instead of through the presentation of evidence. The bar for the contributors is set high from the outset. As noted, the overarching argument is a monocausal one—that neoliberal policies are responsible for the magnitude of the Katrina disaster. This is a strong claim and therefore requires strong evidence to make a convincing case that the proposed causal chain is, in fact, true. Unfortunately, such evidence is sparse, with many of the chapters relying on assertions as if they are proof of the core argument regarding neoliberalism.

To provide but one example, at one point the reader is told that “In February 2001, [President George W.] Bush proposed a \$641 million cut to the Army Corps and an additional \$390 million the following year. Additionally, half of the Southeast Louisiana Flood Control Project and \$389 million in disaster relief funding was axed” (xxx). What the author is implying is that Bush, who, it is assumed was driven by the neoliberal ideology, cut these programs, and

therefore neoliberalism is responsible for the devastation associated with Katrina four years later. However, making a convincing argument would, at a *minimum* require (1) an argument that these funds were cut because of neoliberal policies, and (2) that these cuts actually contributed to the devastation associated with Katrina. Unfortunately, neither case is made (or even attempted). This is representative of many of the arguments made throughout the volume. Instead of demonstrating that neoliberal policies were the main cause of the magnitude of the destruction and suffering associated with Katrina, it is asserted that neoliberal policies were to blame and, to the extent that evidence is provided, it is done so selectively.

Even if one was willing to grant the point that neoliberal policies were responsible for the disaster of Katrina (a very large concession for the reasons discussed above), a complete analysis would need to focus on the costs *and* benefits of adopting neoliberal policies. Given this, a third issue with the volume is that the contributors focus exclusively on the supposed costs of neoliberalism without recognizing any of the benefits.

Those who would be classified as neoliberals, in the first (Harvey) sense of the term (e.g., Hayek, Friedman, and myself), are ardent supporters of the free market system because it is the most effective means known for promoting general prosperity and well-being in both material and non-material margins. The empirical evidence clearly and unambiguously supports this contention (see, for example, Norberg 2003; Shleifer 2009; Leeson 2010; Ridley 2010; Gwartney, Lawson and Hall 2011). This prosperity includes minimizing the damage caused by natural disasters as illustrated by Kahn (2005), who provides an empirical analysis of annual deaths from natural disasters in 73 countries during the 1980-2002 time period. He finds that while wealthier nations do not experience fewer natural disasters than poorer nations, richer nations do suffer fewer deaths from natural disasters because their relative wealth allows them to

invest in disaster preparation and recovery. Central to this is high-quality political and economic institutions which allow entrepreneurs to engage in productive, wealth-enhancing activities.

Yet another, Katrina-specific example of the benefits of for-profit, productive activities can be found in research by Horwitz (2009) who highlights how Wal-mart had both the incentive and the information to anticipate Katrina and respond accordingly by shifting resources to areas most in need. The activities of Wal-mart in this regard stand in stark contrast to the failures of government before and after Katrina. Cases like this are neglected in *The Neoliberal Deluge* because the contributors are narrowly focused on what they see as the costs of neoliberalism. This myopic focus runs the dangerous risk of throwing out the baby with the bathwater.

This leads to a final problem with this volume. While pointing out the perceived costs and flaws of neoliberalism, the volume fails to offer an alternative to the status quo. The reader is left wondering how the contributors would change the current political and economic system to address the various issues they raise. It is in this regard that political science, and specifically the field of public choice, has much to offer.

Public choice extends the rational choice methods of economics to political settings. As such, it provides a means of engaging in comparative analysis of the limits of actual and potential (economic, legal, political, etc.) institutional arrangements. Public choice scholars recognize that markets fail to achieve the ideal found in textbooks, but they do not end their analysis with this recognition. Instead, they emphasize that it cannot be assumed that government is an effective corrective to market failures. Instead, market failures must be compared to a variety of actual and potential political failures. This approach shifts focus away from normative and ideological judgments about economic and political systems toward positive analysis of the constraints and incentives at work under alternative institutional arrangements. Ultimately, this

type of positive, comparative institutional analysis is what is needed to understand not just what happened in the case of Katrina, but also what we can realistically expect from government in similar situations in the future.¹

Public choice type reasoning does not appear to be at odds with the goals of the authors in *The Neoliberal Deluge* as they are largely focused on how the U.S. government failed its citizens both before and in the wake of Katrina. However, pursuing this type of analysis ultimately requires moving beyond the effort to discredit the economic system that is responsible for raising global standards of living to unprecedented levels. Instead, it requires a focus on comparative institutional analysis and an appreciation for the role of rules in limiting cronyism and encouraging wealth-creating activities that allow richer societies to minimize the impact of natural disasters. Given our shared commitment to minimizing human suffering, a deeper and more complete analysis along these lines is imperative.

¹ A special issue of the academic journal *Public Choice* (127 [1-2], 2006) was dedicated to analyzing the various aspects of Hurricane Katrina.

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