



MERCATUS STUDIES IN
POLITICAL AND SOCIAL ECONOMY

Government Responses to Crisis

Edited by Stefanie Haeffele · Virgil Henry Storr

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Mercatus Studies in Political and Social Economy

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Political economy is a robust field of study that examines the economic and political institutions that shape our interactions with one another. Likewise, social economy focuses on the social interactions, networks, and communities that embody our daily lives. Together, these fields of study seek to understand the historical and contemporary world around us by examining market, political, and social institutions. Through these sectors of life, people come together to exchange goods and services, solve collective problems, and build communities to live better together.

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Introduction

Stefanie Haeffele and Virgil Henry Storr

1.1 Introduction

Crises can disrupt lives and devastate communities. Think of the personal crises that regularly plague individuals, like illnesses and unemployment, and challenge families, like the death of a relative or the dissolution of a marriage. Think of crises like severe economic downturns, hyperinflation, debt crises, earthquakes, fires, war, political unrest, riots, and health epidemics that can destroy communities. These crises can be natural (such as hurricanes, tornadoes, and floods), man-made (such as conflict

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and economic recessions), or, more often than not, a combination of the two (such as the compounding effect of the levees breaking after Hurricane Katrina and the increasing frequency and ferocity of storms due to climate change). While it is certainly the case that wealthier individuals and more developed communities are often better able to respond to crises (see Kahn 2005), every community is vulnerable to crises. Individuals and communities will, thus, thrive or flounder, prosper or struggle, succeed or fail depending in part on whether or not they respond effectively to crises.

Effectively responding to crises, however, can be extremely difficult. In the case of community-level crises, local residents, business owners, and government officials are often directly affected and can experience physical damage and injury as well as mental and emotional distress. Further, in an ever-interconnected world, crises in one geographical location can affect individuals and communities across the globe by affecting their family, friends, and colleagues, by resulting in migration, or by disrupting communication networks and trade routes. And, while everyone in a community may be affected by crises, as noted above, individuals and groups that are marginalized—such as racial and ethnic minorities, women, children, the elderly, people with disabilities, and the poor—are less likely to be able to prepare for and rebound from disaster (see, for instance, Hewitt 1997; Morrow 1999; Cutter et al. 2003; Wisner et al. 2004; Bourque et al. 2007; Phillips et al. 2009; Enarson 2012; Thomas et al. 2013; Peek et al. 2018; Veenema 2018).

Consider, for instance, Hurricane Sandy, which caused considerable damage along the northeast coast of the United States in 2012. The storm caused 73 deaths in the United States, damaged or destroyed over 37,000 primary residences, and resulted in \$60 billion in damages.¹ Or, consider, Hurricane Maria, which caused over \$90 billion dollars in damages in Puerto Rico, displaced around a hundred thousand residents, and resulted in almost 3000 deaths (although some estimates place the death toll much higher).² Recovering from disasters of this scale and scope can be a daunting challenge for disaster survivors. The costs associated with rebuilding after a major disaster can be extremely high. Moreover, the benefits of rebuilding rather than relocating are necessarily uncertain.

Indeed, rebuilding only makes sense if others in the community plan to rebuild and the community is likely to rebound. In this scenario, the rational move for disaster survivors is to wait and see what others do before committing to a particular recovery strategy. Storr et al. (2015) and others have described post-disaster recovery as a collective action problem because rebuilding in the wake of a disaster is only rational if other key community members also rebuild.

Effectively responding to a community-wide crisis, like a hurricane, war, or a prolonged economic recession, means finding ways to overcome these collective action problems that complicate response and recovery. Still, we see individuals and communities rebounding from crises all the time. How do individuals and communities effectively respond to and bounce back after crises? Arguably, effectively responding to crises often requires that affected individuals have, borrow, or attract the requisite resources and that they cooperate and coordinate their activities with one another.

Often individuals and communities rely on bottom-up strategies to respond to crises. Local entrepreneurs provide needed goods and services, community members leverage their social networks, and community leaders drive and coordinate recovery efforts and in the aftermath of crises (Storr et al. 2015). These bottom-up efforts can be critical to individuals and communities as they rebound. But, there are concerns regarding whether or not these bottom-up efforts will ever be adequate responses to crises. Given the scale, scope, and complexities of crises as well as the adverse impact on socially vulnerable populations, it is unsurprising that citizens, media, and policymakers alike turn to governments to take a leading role in response, recovery, and even mitigation and preparedness efforts. Indeed, the public seems to call for increased government intervention and demand higher performance by government organizations after crises (see Kapucu and Van Wart 2006; Chamlee-Wright and Storr 2010a).

This volume examines and advances the literature on governmental responses to crises, describes the lessons learned from past research, and discusses the proper roles, responsibilities, and expectations for government action after crises.

1.2 Understanding the Role of Government in Crisis Response and Recovery Efforts

Large-scale crises—such as hurricanes, famine, war, and severe economic downturns—can cause deaths, injury, and displacement of the population; destroy infrastructure and crops; induce electricity and communication network outages; and lead to shortages in food, gasoline, medicine, and other essential goods. This destruction and displacement can result in tremendous uncertainty for crisis survivors, who must assess how to respond. People may lose their jobs and homes. Additionally, essential services (e.g. education, health care, and welfare programs) may be suspended. Rebounding from crises means either deciding to start fresh somewhere else or deciding to rebuild and reopen damaged or destroyed homes, businesses, and schools. Rebuilding requires not only access to resources but also an understanding that others will do the same so that there are customers to serve, employees to hire, children to educate, and a community to belong. After Hurricane Katrina in 2005, for instance, many residents, journalists, scholars, and politicians worried that New Orleans would never fully recover and that its unique social and cultural impact would become extinct. Similar worries could be said of nations long suffering from civil wars or economic crises, such as Venezuela, Afghanistan, and Somalia. And, these challenges impact not only the residents of these communities but their political leaders as well.

Bottom-up responses to crises can often be effective because local actors often have the requisite knowledge needed to properly assess the specific challenges that must be overcome and the incentives to identify the solutions that best meet the needs of crises survivors. Storr et al. (2015), for instance, identify how local commercial, political, and social entrepreneurs promote disaster recovery by providing needed goods and services, repairing and replacing disrupted social networks, and signaling that disaster recovery is likely to occur and might already be underway. Similarly, Aldrich (2012), Chamlee-Wright and Storr (2010b), and Storr and Haeffele-Balch (2012) have pointed to how community members can access needed information and resources through their social networks. Indeed, social capital has proven to be a critical resource for crisis

recovery in a number of different scenarios (see Bolin and Stanford 1998; Hurlbert et al. 2000, 2001; Shaw and Goda 2004; Paton 2007; Chamlee-Wright 2010; Aldrich 2012; Storr et al. 2015). Additionally, Coyne (2008) has proposed that trade rather than top-down post-war reconstruction efforts is likely to be effective in promoting community development in post-war contexts. Big businesses, like Walmart, have been found to aid local communities after disasters (Horwitz 2009). Further, even vulnerable populations such as children (see Peek 2008), the elderly (see Aldrich 2019), and citizens of weak and failed states (see Murtazashvili 2016; Galbraith and Stiles 2006; Bullough et al. 2013) actively participate in community response and recovery efforts.

Although these bottom-up strategies have proven to be robust in the wake of multiple crises, due to the scale, scope, and complexities of crises as well as the collective action problem faced by those affected by crises and hoping to rebound, there is often an expectation that central governments play a key role in crisis management. Specifically, top-down solutions may have an advantage over bottom-up responses to crises in (1) providing needed resources, (2) coordinating and mobilizing response and recovery efforts, (3) responding to crises that were created by or exacerbated by government action, and (4) ensuring that individuals, community leaders, businesses, nonprofits, and local governments have the space to act. Significant resources are often needed to effectively respond to crises. Government may provide personnel to respond to security threats, rescue stranded residents, clear debris, and rebuild infrastructure after a storm; may provide supplies (e.g. water and food), services (e.g. health care), and shelter; and may provide financial assistance to individuals, small business, and state and local governments to rebuild buildings and reestablish utilities and public services. National governments and supranational governmental organizations often have access to a wide variety of public personnel and funding that can aid individuals, communities, and local and state governments. Likewise, coordinating and mobilizing response and recovery efforts often requires being able to communicate across a variety of organizations and prioritizing a myriad of activities. Funneling activity through a central node can help organize activity and take advantage of economies of scale (see Pipa 2006; Tierney 2007; Thaler and Sunstein 2008; Springer 2009; Fakhruddin and Chivakidakarn 2014; Coppola 2015).