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**THE ENTREPRENEUR'S ROLE
IN POST-DISASTER
COMMUNITY RECOVERY:
Implications for
Post-Disaster Recovery Policy**

EMILY CHAMLEE-WRIGHT
Senior Research Scholar

Elbert H. Neese Professor of Economics, Beloit College

VIRGIL HENRY STORR
*Senior Research Fellow and
Director of Graduate Student Programs*

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Emily Chamlee-Wright, Author

A Mercatus senior research scholar and the Elbert H. Neese Professor of Economics at Beloit College in Beloit, Wisconsin, Emily Chamlee-Wright earned her PhD from George Mason University. Professor Chamlee-Wright's research interests include development economics, cultural economics, and the way in which cultural and market processes affect one another. She is the lead researcher for Phase I of the Mercatus Center's Katrina Project and the socio-cultural category of research. She is also currently working on her third book, *The Learning Society* (University of Michigan Press), which examines how communities deploy social capital resources in the face of poverty and devastation. Professor Chamlee-Wright is a former W.K. Kellogg National Leadership Fellow.

Virgil Storr Author

Virgil Storr is a senior research fellow and director of graduate student programs at the Mercatus Center. Prior to joining Mercatus, he was the Don C. Lavoie Research Fellow in the Program in Philosophy, Politics, and Economics, Department of Economics, George Mason University.

Born and raised in the Bahamas, Dr. Storr earned a PhD in economics from George Mason University. Dr. Storr's writings in political economy have been published or are forthcoming in *The Cambridge Journal of Economics*, *The American Journal of Economics and Sociology*, *The Review of Austrian Economics*, and several other scholarly publications. He has also written a book on Bahamas' economic culture, *Enterprising Slaves & Master Pirates*.

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EXECUTIVE SUMMARY

The policy maker's standard formula for post-disaster recovery—large public investment; a plan for restoring damaged infrastructure, businesses, and homes; and “appropriate” public-private partnerships—stems from a fundamental lack of understanding of how communities rally from disasters.

To help communities truly rebound, policy makers must honor the roles that economic and social entrepreneurship play in the recovery process. Economic entrepreneurship strengthens communities by providing populations with needed goods and services. Social entrepreneurship focuses on creating societal changes directly. Social entrepreneurs may be community, business, church and civic leaders, activists, or educators, but not all social entrepreneurs are affiliated with non-profit organizations.

Using information gleaned from interviews conducted in the Greater New Orleans region over the last three years, this Policy Primer examines the role that economic entrepreneurs play in post-disaster community recovery and describes how social entrepreneurs promote community resilience. The authors conclude by proposing policy recommendations that would eliminate artificial barriers to economic and social entrepreneurship and improve the recovery process.

In particular, the authors recommend that policy makers relax unnecessary regulations, as in a post-disaster context, such regulations can become not only unwieldy, but also can impede recovery. They also urge policy makers to permit entrepreneurs to step in as soon as possible, because entrepreneurs are in the best position to assess local conditions and needs in the rapidly changing, post-disaster environment.

THE ENTREPRENEUR'S ROLE IN POST-DISASTER COMMUNITY RECOVERY: Implications for Post-Disaster Recovery Policy

INTRODUCTION

A NATURAL DISASTER not only damages property and devastates communities, but it alters the composition of a city. Such is the case with Hurricane Katrina and subsequent storm-related flooding, which displaced more than half a million households and caused more than \$100 billion in property damage in the greater New Orleans area.¹ Although some affected communities in metropolitan New Orleans are well on their way to recovery, some are not, and the composition of the city has been drastically altered.²

The generally accepted formula for post-disaster socio-economic recovery requires equal parts large public investment, a well-conceived plan for restoring damaged infrastructure, businesses, and homes, and appropriate public-private partnerships. Thus, if recovery is slow or irregular, it is tempting to assign responsibility to insufficient allocation of funds, ineptly designed or implemented development plans, and/or lack of engagement by the private sector. For example, in the years following Hurricane Katrina, both critics and policy makers have asserted that additional public investment and a renewed commitment on the part of public officials will correct for spotty recovery in post-Katrina New Orleans.³ This formulaic view of recovery may stem from a misunderstanding of how communities rebound from disaster and may underestimate the role that economic and social entrepreneurship play in community recovery.

To develop a more nuanced understanding of how communities recover from disasters, and thus offer recommendations for improving post-disaster recovery policies, it is vital to consider the role that both economic and social entrepreneurship play in the recovery process. Economic entrepreneurs (i.e. entrepreneurs operating within a market setting) and social entrepreneurs (i.e. entrepreneurs operating in a non-market setting such as a civic or charitable organization) play critical roles in every disaster recovery effort; New Orleans is no exception. In the run-up to a disaster, entrepreneurs are a key source of the information and resources that individuals need to prepare and protect themselves and their homes from the approaching danger. After a disaster, entrepreneurs provide the materials, services, and opportunities for employment that people need to rebuild their lives. Effective post-disaster policy that appreciates how entrepreneurs promote community resilience must avoid creating barriers to economic and social entrepreneurship.

This Policy Primer uses information gleaned from interviews conducted in the Greater New Orleans region over the last three years to explore the role that economic and social entrepreneurs play in post-disaster community recovery. The interviews were conducted as a part of an ongoing investigation of community redevelopment in the wake of Hurricane Katrina. To date, the research team has conducted and recorded 238 interviews in Orleans and St. Bernard Parishes, LA and in Harrison and Hancock Counties, MS. A wide variety of stakeholders, including

1. John McMillan, "Nation Just Doesn't Understand Scale of Katrina, Official Says," *The Advocate*, November 10, 2006.
2. Adam Nossiter, "Largely Alone, Pioneers Reclaim New Orleans," *The New York Times*, July 2, 2007, <http://www.nytimes.com/2007/07/02/us/nationalspecial/02orleans.html>. More than two years after Hurricane Katrina, New Orleans remains a "patchwork city." Communities like the Vietnamese community in New Orleans East have very high rates of return, while communities like the Lower Ninth Ward and Gentilly are just beginning to show real signs of life.
3. George Lipsitz, "Learning from New Orleans: The Social Warrant of Hostile Privatism and Competitive Consumer Citizenship," *Cultural Anthropology* 21, no. 3 (2006): 451–468.

residents, business owners and managers, church pastors, non-profit directors and employees, and rental property owners were interviewed. As part of our standard interview structure, we asked residents about their interactions with entrepreneurs and the role that entrepreneurs have played in their recovery efforts. When interviewing entrepreneurs, we asked about the communities that they served and the services that they offer.

This Policy Primer also offers recommendations to policy makers considering recovery-related issues. The efficacy of these recommendations, however, reaches far beyond New Orleans. As communities around the globe prepare for or recover from natural and man-made disasters, it is imperative that policy makers at all levels understand the driving entrepreneurial force that strengthens a community's preparation for and response to such circumstances, and that they consider how to responsibly foster entrepreneurship in post-disaster contexts.

In this Policy Primer, we outline the role that economic entrepreneurs play in post-disaster community recovery, describe how social entrepreneurs promote community resilience, and propose policy recommendations that promote economic and social entrepreneurship by eliminating artificial barriers that can impede entrepreneurial activity.

I Economic Entrepreneurship and Community Resilience

1.A: Understanding Entrepreneurship in Market Settings

ADAM SMITH ARGUED that individuals pursuing their own interests in a market setting are led as if by an “invisible hand” to behave in socially beneficial ways.⁴ That is, they earn monetary profits by providing the goods and services that the market wants at a price

that exceeds the costs associated with producing and delivering those goods and services.⁵ Alertness to such profit opportunities, asserted by Israel Kirzner, constitutes entrepreneurship.⁶ Entrepreneurship occurs when an individual notices that he can acquire a good or the resources required to produce said good at one price and can resell that good at a higher price, thus, earning a profit. Opportunities to buy low and sell high, arbitrage opportunities, can be as simple as noticing that a product is sold for less in one market than in another. It may also involve noticing how newly developed or existing production techniques can be used to transform newly discovered or previously available raw materials to produce a marketable good that can be sold at a profit.

If, for instance, a plank of ash wood sells for \$2 in community A and for \$3 in community B, and that it costs less than \$1 per plank to transport the wood from community A to community B, (cost includes renting the truck, buying gas, and forgoing wages that might be earned during the time required to transport and sell the planks) an arbitrage opportunity exists. An entrepreneur, defined by his alertness to precisely such opportunities, notices the potential for gain by buying wood in community A and selling it for a profit in community B. An entrepreneur also notices that by using a new technology for cutting the ash into planks, he can save on labor costs and thus deliver wood to both markets at lower-than-current prices.

Entrepreneurs are, thus, the engine of the market process. In fact, entrepreneurship underlies every productive act in the economy. We build, buy, and furnish homes, and outfit them with appliances, computers, televisions, and stereos because entrepreneurs noticed that they could benefit by producing and providing those products. Similarly, we rent or purchase automobiles and maintain them because entrepreneurs observe that they can profit by producing and providing such goods and services.

4. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Indianapolis: Liberty Fund, 1981).

5. Below we contrast economic and social entrepreneurship. The chief difference between economic and social entrepreneurship is the existence of the market process in economic entrepreneurship, where entrepreneurs are guided by anticipation of profit and desire to avoid loss. No similarly robust feedback mechanism exists to guide social entrepreneurs.

6. Israel M. Kirzner, *Competition and Entrepreneurship* (Chicago: University of Chicago Press, 1973) offers a more detailed discussion of his theory of entrepreneurship; Israel M. Kirzner and Frédéric Sautet, *The Nature and Role of Entrepreneurship in Markets: Implications for Policy*, Mercatus Policy Series, Policy Primer no. 4 (Arlington, VA: Mercatus Center at George Mason University, 2006), http://www.mercatus.org/Publications/pubID.2492/pub_detail.asp. This Policy Primer discusses the policy implications of understanding entrepreneurship as recognizing opportunities to profit.

Recognizing its important role in the market process, economists and policy analysts concerned with development issues have increasingly turned their attention to understanding and promoting entrepreneurship. International development agencies from the World Bank to the Millennium Challenge Corporation have recognized that reducing barriers to entrepreneurship is key to reducing poverty and promoting prosperity.⁷ This trend is supported by the work of economists like Joseph Schumpeter, who have long argued that entrepreneurs, by identifying possible profit opportunities, improve not only their own lives through their efforts, they also improve the lives of others by providing them with desired goods and services.⁸

1.B: Economic Entrepreneurs in Post-Disaster Contexts

ECONOMIC ENTREPRENEURS PLAY an important function in post-disaster contexts.⁹ People trying to rebuild after a disaster need goods and services at levels not typically required in regular times. If local stocks of building materials were able to satisfy demand pre-disaster, for instance, they are bound to be inadequate—assuming they were not damaged or destroyed during the disaster—once rebuilding efforts get underway. When local entrepreneurs recognize and act on the opportunity to provide goods and services at a profit, and non-local entrepreneurs begin bringing in the desired goods, the community's infrastructure and its economic life begin to recover from the ground up.¹⁰

In addition to providing key materials and services, entrepreneurs send an important signal to policy mak-

ers and returning residents alike that a particular community is recovering. Those faced with the decision of whether and when to return find it difficult to return to a community devoid of economic life. Residents considering return must at least believe that they can meet their basic needs and have some prospects for employment.

Disaster not only destroys living spaces, but also the market spaces—public places such as neighborhood stores, restaurants, bars, and cafes—where members of a community interact professionally (such as over market transactions) and socially (such as through casual or meaningful conversations). Thus, entrepreneurs who open or reopen businesses in a post-disaster context not only provide necessary goods and services and respond to arbitrage opportunities, they also perform an important social function.¹¹ They create and restore these key market spaces and, in so doing, communicate a sense of recovery. By ensuring that individuals have access to the resources and services that they need to rebuild, by signaling to others that the community is rebounding and by (re-)creating the spaces where community members can form bonds and socialize, entrepreneurs play a key role in community rebuilding.

Ben Cicek's experience is a case in point.¹² He owns and operates Da Parish Coffee House in St. Benard Parish. Mr. Cicek had resided in the parish since 1999 and was displaced for several months by post-Katrina flooding. When he returned to the city, he realized that a coffee house could be a profitable enterprise given conditions in the parish. For months after the storm, he explained, there were very few places for people to get food, aside from the local department store, a few gas stations, and a few pizza places. Parish residents had to drive 40 or

7. Leora Klapper and Juan Manuel Quesada Delgado, "Entrepreneurship: New Data on Business Creation and How to Promote It," *World Bank Viewpoint*, no. 316, August 2007, http://rru.worldbank.org/documents/publicpolicyjournal/316Klapper_Delgado.pdf; Frédéric Sautet, Brian Hooks, and Daniel Rothschild, "The Challenge Ahead: Maintaining a Focus on Incentives to Enable Development," *Public Interest Comment on the Millennium Challenge Corporation's "Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in FY 2006,"* (Arlington, VA: The Mercatus Center at George Mason University, 2005), http://www.mcc.gov/selection/reports/Mercatus_Center_Comment_FY06.PDF.

8. Joseph A. Schumpeter, *The Theory of Economic Development* (New Brunswick: Transaction Publishers, 1983).

9. Steven Horwitz, *Making Hurricane Response More Effective: Lessons from the Private Sector During Katrina*, Mercatus Policy Series, Policy Comment no. 17 (Arlington, VA: Mercatus Center at George Mason University, 2008), http://www.mercatus.org/repository/docLib/20080319_MakingHurricaneReponseEffective_19Mar08.pdf.

10. In the absence of laws against price gouging, the increase in local entrepreneurial activity and the influx of non-local entrepreneurs would occur, because post-disaster shortages lead to large price increases and the possibility for larger-than-normal profits. Individuals would be encouraged by the opportunity to reap higher-than-normal profits to provide the desired goods and services. Laws against price gouging in post-disaster contexts, however, can dampen this signal.

11. Virgil Henry Storr, "The Market as a Social Space: On The Meaningful Extra-Economic Conversations that Can Occur in Markets," *The Review of Austrian Economics*, forthcoming.

12. Ben Cicek, interview by the Mercatus Center, June 2007.

50 minutes to the French Quarter or Slidell for a cup of coffee. He observed that opening a coffee shop would provide homeowners, as well as contractors engaged in the rebuilding process, with a product they wanted; and the unmet demand for a coffee shop would permit him to earn a profit while providing a much-wanted good. Mr. Cicek convinced the owner of the building where his coffee house is located that his idea was superior to those of other would-be entrepreneurs attempting to rent one of the few available spaces in that area. Mr. Cicek's risk has paid off. Since he launched his business, a steady flow of customers enjoy both a fine cup of coffee and the restoration of market space.

1.C: An Example from the Ninth Ward, New Orleans

A CLOSE EXAMINATION of one entrepreneur's experience in the Ninth Ward, one of New Orleans' poorest communities, illustrates how entrepreneurship can promote community resilience. Mr. Casey Kasim is an entrepreneur and long-time resident of New Orleans. During the last ten years, Mr. Kasim and his partners opened six gas stations and convenience stores in the greater New Orleans area.

In 2004, Mr. Kasim observed that the residents of the Lower Ninth Ward had very few amenities and recognized the opportunity to open a convenience center that would offer such amenities as laundry facilities, gas and groceries, and a take-out restaurant.¹³ He invested \$2 million in developing a brand-new facility and reasoned that his most loyal customers would be the women in the community. In order to secure their patronage, he reasoned, he would need to create a safe environment. Thus, he ensured that the facilities were always clean and secure and, to avoid problems with loitering, chose not to sell alcohol.

According to Mr. Kasim, he was able to notice this entrepreneurial opportunity in part by looking beyond the poverty, crime, and race issues that had characterized the Lower Ninth Ward and that he claims kept other entrepreneurs from investing in this community. As Mr. Kasim explained:

[T]he impression of this neighborhood was very bad, very rough, that only the criminals lives here.

But it was just the opposite . . . I would even say 95 percent were very good people. A lot of people told me, "You're crazy. Why did you invest \$2 million here?" I told them I have lived with the black people or the African-Americans. They are good people. You do not need to be scared because they are not the same color like you.

In its one year of operation prior to Hurricane Katrina, Mr. Kasim's business facility became an important social space in the Lower Ninth Ward community and did much to create a sense of neighborhood. As Mr. Kasim describes, "[Most of my customers] were locals that come every day and you see them and you get to know them by name. You know their problems, you know their children, you socialize with them." In the short space of one year, Mr. Kasim and his customers had become more than buyer and seller; they had become social acquaintances.

As Hurricane Katrina approached, Mr. Kasim and his wife elected not to evacuate, but to stay behind and protect their Lower Ninth Ward property. His, like many others, is a harrowing story. Mr. Kasim tethered his boat to the building before the storm and weathered the storm just outside his facility in the boat. His is also a story of heroism. Mr. Kasim used his boat to rescue more than thirty people stranded in their homes after the storm passed but much of the Lower Ninth remained underwater. He brought them to the second story of his building and ensured that they had shelter, food, and water.

Although Mr. Kasim's facility was badly damaged during the storm, his was one of the first gas stations and convenience stores to reopen in the Lower Ninth Ward. Several months after the storm he opened a smaller facility a few blocks from his main store, and he reopened his main complex in March 2007. Mr. Kasim's business provided much-needed material support for returning residents and the people helping them to rebuild. By reopening his business, he also sent an important signal to other entrepreneurs deciding whether or not to invest in the community and to displaced residents deciding whether or not to return. As Mr. Kasim explained, "[I]f there is a gas station or convenience store in your place, you feel that there is life in it, if there is none—it would look . . . dead. If there is someone who can provide [gas and groceries], they can live around [there] and they can go on with their lives."

13. Casey Kasim, interviewed by the Mercatus Center, March 2007.



Ben Cicek

2

Social Entrepreneurship and Post-Disaster Recovery

2.A: Entrepreneurship in Non-Market Environments

THOUGH USE OF the term *social entrepreneurship*, which describes entrepreneurship aimed at social change rather than monetary profits, has become increasingly frequent in recent years, the activity that it describes predates the term by centuries. Abolitionists advocating an end to slavery were certainly social entrepreneurs. And well-known twentieth century figures like Mahatma Gandhi, Martin Luther King Jr., and Muhammad Yunus, who work(ed) to improve their communities not through commerce or government action but through advocacy and community organizing are also social entrepreneurs. Indeed, social entrepreneurs may be community, business, church and civic leaders, activists, or educators.

They often work through non-profit organizations, but they need not be involved in any formal organizations in order to be characterized social entrepreneurs. The common thread among them is that they possess short- or long-term social change agendas.

Alvord, et al., describe social entrepreneurship as “a catalyst for social transformation.”¹⁴ And Mort, et al., similarly observe that social entrepreneurs establish new social enterprises and promote innovation in existing ones.¹⁵ The goal of social entrepreneurship, they assert, is to solve social problems. That is, social entrepreneurs attempt to bring about social change by developing “innovative solutions” and mobilizing “the ideas, capacities, resources, and social arrangements required for sustainable social transformation.”¹⁶ While social entrepreneurs may engage in business or political action, profits and political power are not their chief aims.

14. Sarah H. Alvord, L. David Brown, and Christine W. Letts, “Social Entrepreneurship and Societal Transformation,” *The Journal of Applied Behavioral Science* 40, no. 3 (2004): 260–282.

15. Gillian Sullivan Mort, Jay Weerawardena, and Kashonia Carnegie, “Social Entrepreneurship: Towards Conceptualization,” *International Journal of Nonprofit and Voluntary Sector Marketing* 8, 1 (2003): 76–88.

16. Alvord, Brown, and Letts, “Social Entrepreneurship,” 262.

Social entrepreneurship initiatives may draw on services and support outside the community, but successful endeavors often empower members of local communities to solve common problems by pooling resources, talents, and efforts.¹⁷ Domestic violence, for instance, affects rich and poor communities alike. It is also a problem that tends to be inadequately addressed by government officials and law enforcement officers who, in many contexts, are usually men. Social entrepreneurs around the globe, however, have employed a number of strategies that aim at curtailing this social practice, trying everything from mobilizing large groups of women to directly confront the abusers to organizing women to provide safe houses and Underground Railroad-style escape routes for battered women.¹⁸

A feedback mechanism akin to profit and loss guides social entrepreneurs in their local endeavors. Social entrepreneurs must rely on community support to drive their social-change agendas.¹⁹ But if they are not pursuing socially desirable ends or are not achieving stated goals, community members are quick to withdraw support (i.e. stop volunteering, attending meetings, contributing resources, etc.). While social entrepreneurs may lose the support of stakeholders and constituents in the same way that for-profit entrepreneurs lose the support of stockholders and customers, government-sponsored programs may be less responsive to community needs since their funding and staffing do not rely on local buy-in and they can continue to function long after community support has eroded.

Whereas entrepreneurs in market contexts are alert to profit opportunities, social entrepreneurs are alert to opportunities to change their communities for the better. Although they are not guided by monetary profit and loss like economic entrepreneurs, they nonetheless are concerned with behaving in socially beneficial ways.²⁰ They see themselves as trying to cure what ails society, and they judge their activities by their success in bringing about the societal transformation they desire.²¹

Though aiming at different ends, economic and social entrepreneurship are often complementary—and intertwined. That is, economic entrepreneurs may believe that engaging in social ventures is a necessary component of socially responsible corporate citizenship. Likewise, social entrepreneurs may need the capital accumulation from economic ventures to finance social ventures. Like for-profit entrepreneurs, social entrepreneurs play an important role in recovery efforts by offering communities the services they need and working to galvanize the support that is essential for community resilience. This, of course, is not to minimize the important role played by for-profit entrepreneurs nor is it to suggest that social entrepreneurs are substitutes for economic entrepreneurs. Rather, we view economic and social entrepreneurs as complements and believe that both must be given the freedom to maneuver after a disaster if communities are to recover.

2.B: Social Entrepreneurs in Post-Disaster Contexts

SOCIAL ENTREPRENEURS PERFORM important social functions before, during, and after a disaster. Not only do they serve as important information sources for the community about impending danger and necessary preparation, they also organize evacuations and ensure that community members reach shelter. In the immediate aftermath of a disaster, social entrepreneurs organize community members to search for missing family and neighbors, advocate for government resources and a restoration of public services, and pool resources to feed, shelter, and otherwise care for community members who have suffered during the disaster.

When a community suffers disaster, its members not only sustain damage to property, but—if forced to evacuate—lose access to social capital (i.e., social networks) as well. In the days, months, and years following a disaster, social entrepreneurship is critical to solving the collec-

17. Alvord, Brown, and Letts, "Social Entrepreneurship," 270.

18. For a poignant example, see Flavia Agnes' efforts at the Women's Centre in Bombay.

19. For an exploration of the subject, see Emily Chamlee-Wright, "Discovery and Social Learning in Non-Priced Environments: An Austrian View of Social Network Theory," *The Review of Austrian Economics*, forthcoming. Stated another way, they must enjoy high status and a good reputation.

20. While there is much to link economic and social entrepreneurship, key differences exist. Social entrepreneurship is driven by profits that are not monetary. Moreover, the coordinative process that results from economic entrepreneurship is not present in the case of social entrepreneurship. Social entrepreneurship is about discrete discoveries for social betterment that are generally not related to one another by the monetary system and, thus, cannot be subject to the systematic process of entrepreneurial competition present in markets. This does not mean that social entrepreneurship is not meaningful entrepreneurship. It does mean that one cannot claim that a market corresponds to social entrepreneurship.

21. Alvord, Brown, and Letts, "Social Entrepreneurship," 261.

tive action problem evacuees face regarding if and when to return. If evacuees return, it is possible that they can rejoin the social networks disrupted by the disaster. If, however, members of their networks elect not to return, evacuees' incentives to return are diminished. Other network members face the same dilemma. Returning is only beneficial if most people return; if they do not, it may be more beneficial to establish a new life elsewhere. By collecting information about evacuees, developing strategies that simplify their return, and providing necessary services (see example below) to individuals upon return, social entrepreneurs encourage dispersed residents to come back and promote community resilience.

Social entrepreneurs also assist community members in their rebuilding efforts. They organize teams to gut damaged houses or demolish unrecoverable houses; provide advice and information to help individuals overcome the bureaucratic and insurance hurdles that can slow rebuilding; serve as advocates on behalf of residents, expressing common frustrations and community needs to the government officials; and provide legal, education, and health services to community members.

Consider the efforts of Alice Craft-Kerney to provide free health care to residents of the Lower Ninth Ward, filling a critical gap in service and smoothing the path for residents wishing to return to the community.²² In the fall of 2006, she and a team of volunteers observed that, for the community to rebound, residents would require access to basic health-care services, and they determined to meet that need by establishing a health-care clinic. Building a clinic in the Lower Ninth Ward, however, meant starting from scratch. By Ms. Craft-Kerney's own admission, she had no idea how to move forward. She took what she describes as a literal leap of faith—away from a secure nursing job toward establishing a clinic—with no assurance that she would be able to provide for herself, much less build a clinic. Ms. Craft-Kerney's passion and vision inspired those around her. Her friend and fellow nurse, Patricia Berryhill, donated her former home in the Ninth Ward to house the clinic. Volunteers, contractors, and tradesman donated their labor. A Florida State University student, Joe O'Shea, took a semester off from his studies to raise money for the clinic. Organizations like Leaders Creating Change through Contribution raised \$30,000 to renovate the facility. Members of the medical community

donated equipment and advice. The clinic began serving patients in the early part of 2007.

2.C: An Example from the New Orleans East Vietnamese Community

EXAMINING THE ROLE that social entrepreneurship played in the near-total recovery of the badly damaged New Orleans East Vietnamese community illustrates its capacity to strengthen the resilience of a community. Two years after Katrina, 90 percent of the residents displaced by Hurricane Katrina had returned to the community—twice the return rate of other communities in New Orleans.²³ Father Vein, the pastor of Mary Queen of Vietnam Catholic Church (MQV) and social entrepreneur, has done a great deal to spur the return of his parishioners and the resilience of the community.

Prior to Hurricane Katrina, MQV was the center of spiritual, social, and commercial life for its 3,800 parishioners; most lived within a mile of the church. In addition to being a place of worship, the church space and the activities held there also provided a place and occasion to socialize. Of the seventy-five businesses that surrounded the church, all but a few were owned by parishioners.

When Hurricane Katrina hit, Father Vein did not evacuate. Instead, he weathered the storm in the church's school building, opening it to 500 of his parishioners. After the storm passed, but before the flooding began, many parishioners returned to their homes. Only hours later, however, floodwaters began to rise. Using boats and cell phones, Father Vein and several volunteers collected parishioners and returned them to the second floor of the school building.

Father Vein played a significant role in encouraging parishioners to return in the days and weeks after the storm had passed. He visited evacuation sites in Louisiana, Texas, Georgia, and Arkansas to check on his parishioners and to convey information about family members who had evacuated to distant cities. He began holding services quite soon after Hurricane Katrina, and issued calls to return to his far-flung congregants, and made judicious use of media to ensure that the public was aware of his community's swift return. These efforts sent

22. Leslie Eaton, "New Orleans Recovery Is Slowed by Closed Hospitals," *The New York Times*, July 24, 2007, <http://www.nytimes.com/2007/07/24/us/24orleans.html>; Daniel Rothschild, "Nursing the Ninth Ward," *The Wall Street Journal*, August 11, 2007, http://www.mercatus.org/Publications/pubID.4219,cfilter.0/pub_detail.asp.

23. See "Postcard from New Orleans," *Dateline*, aired June 15, 2007, <http://video.msn.com/v/us/fv/msnbc/fv.htm??g=a379983e-f187-4b40-af48-77178f4330a4&f=00&fg=email>.



Rebuilding in the Vietnamese community

a powerful signal to those who had not yet returned that the community would indeed rebound, mitigating the collective action problem evacuees face regarding if and when to return to a community after a disaster. The well-attended worship services also signaled to government officials that the members of this community intended to return and rebuild. Father Vein also networked with relief organizations, and MQV became both a site where parishioners could secure immediate necessities (e.g. clothes, blankets, water, food, and cleaning products) and an informal bridge between parishioners and government relief agencies.

Father Vein's vision for the renewal of his community, and his dedicated efforts to bring this about, have been quite effective. Less than two years after Katrina, the majority of his parishioners have returned, most of the businesses that they owned have reopened, and the neighborhood is well on its way to being rebuilt.

3

Challenges Entrepreneurs Must Overcome in Post-Disaster Contexts

UNFORTUNATELY, ENTREPRENEURIAL RESPONSES to disaster discussed above can, and have been, frustrated in many post-disaster contexts. While regulations always impose a cost on would-be actors, a number of the regulations governing entrepreneurial activity in non-disaster circumstances actually impede post-disaster recovery. They—justifiably in some instances—slow entrepreneurial endeavors and erect licensing, inspection, and, sometimes, financial hurdles that entrepreneurs must overcome. In a post-disaster context, however, slowing entrepreneurs and making them jump unnecessary hur-

dles before they can operate may hamper a community's socioeconomic recovery.

For instance, an adequate supply of day-care centers is vital to recovery, since parents wishing to rejoin the work force must secure appropriate care for their children. However, pre-disaster rules governing the ratio of children to adults in day-care centers often remain in force after a disaster. These policies stem from concerns that teachers who have too many charges cannot be effective.²⁴ In a post-disaster context, however, such policies make it difficult for parents to find care for their children, so that they can seek employment and rebuild their homes and lives, because the policies that regulate child-to-adult ratios prevent day-care centers from temporarily suspending this rule and thus expanding to serve disaster victims. Ironically, this shortage of providers occurs at precisely a time when more informal day care arrangements are likely to decline since family members, friends, and other social networks that parents rely on for assistance have been displaced or are directing their energies to rebuilding.

Not surprisingly, child care posed an acute problem in post-Katrina New Orleans. More than two years after the storm, only 94 of the 275 pre-storm day-care centers had opened.²⁵ Many that did open were forced to operate below pre-Katrina levels, because they were unable to engage enough staff. Finding day care was also a problem for evacuees, who overwhelmed the child-care industries in places like Houston and Atlanta. Unfortunately, rules regulating child-to-staff ratios, center director qualifications, and the physical environment of out-of-home centers remained in force, if weakly enforced, after the storm.

Efforts of the social and economic entrepreneurs discussed earlier in this Primer were also hindered by the pre-disaster regulations that remained in force in the wake of Hurricane Katrina. Zoning restrictions and

building codes delayed by nearly six months Ms. Craft-Kerney's efforts to open her much needed health clinic. New Orleans' building inspectors did not permit the Lower Ninth Ward Health Clinic to open, even though the facilities were completed, because it was "a commercial entity" on a block that was zoned as residential. Inspectors also cited the clinic for other violations, such as a handicap ramp built with a hand railing on only one side.²⁶ Mr. Kasim was not permitted to reopen the laundromat for several weeks after it was rebuilt, while he waited for the city's inspector to first inspect the facility and then forward the necessary paperwork to Entergy, the power company servicing the Lower Ninth Ward.²⁷

Maintaining non-disaster occupational licensing requirements also poses a problem in a post-disaster context. In non-disaster circumstances, these regulations may be advisable, but in a post-disaster setting they hamper entrepreneurial responses—and, consequently, community recovery. New Orleans requires individuals practicing trades critical to community recovery, such as carpenters and electricians, who wish to operate legally, to obtain a license. In January 2006, the city temporarily suspended city inspections and permitted licensed electricians or electrical contractors to inspect the electrical work themselves. However, it did not relax licensing requirements. Other jurisdictions, the state of Florida for example, have relaxed occupational licensing requirements following disasters, and communities have reaped the benefits of this flexibility.²⁸

In some post-disaster circumstances, the rules governing historical preservation are roadblocks to entrepreneurial activity and community recovery. Historical preservation regulations are often restrictive, requiring homeowners to use particular colors and types of paint, as well as specific styles and grades of building materials. These regulations often require special approval before homeowners are permitted to make upgrades or repairs. When homeowners sustain severe damage to their historically

24. Kenneth N. Asher and Marilyn T. Erickson, "Effects of Varying Child-Teacher Ratio and Group Size on Day Care Children's and Teachers' Behavior," *American Journal of Orthopsychiatry* 49, no. 3 (1979): 518–521. These rules are also based on research demonstrating that class size affects strategies teachers employ to control their classes.

25. Joe Gyan, Jr., "Few N.O. Day-Care Centers Running," *The Advocate*, November 3, 2007; Barri Bronston, "Child-Care Industry Called 'Missing Piece' to Recovery; About 81% of Sites Suffered from Katrina," *The Times-Picayune*, April 28, 2006.

26. Casey Kasim, interview.

27. *Ibid.*

28. David Skarbek, "Occupational Licensing and Asymmetric Information: Post-Hurricane Evidence from Florida," *The Cato Journal* 28, no. 1 (2008).

4 Implications for Policy

4.A: Create an Alternative Regulatory Regime Appropriate to a Post-Disaster Context

protected homes, preservation rules are unwieldy and may make rebuilding extremely difficult. After Hurricane Katrina, some historic New Orleans neighborhoods were under eight feet of standing water for several weeks. In that environment, rules around historic preservation can make it even more difficult for contractors to service certain home owners.

Regime uncertainty, or signal noise, is perhaps the regulatory activity most harmful to entrepreneurship. Signal noise occurs when officials announce conflicting policies or make conflicting statements about the prospects for, or desirability of, the recovery of a particular community.²⁹ Effective entrepreneurs need a predictable regulatory environment because entrepreneurship requires one to be alert to and interpret signals in the marketplace or community—such as the need for a gas station or for free health care—and responding accordingly. Unclear and contradictory statements about government post-disaster policies may either paralyze entrepreneurs or redirect their energies into socially wasteful directions by distorting signals they rely on to guide their decision-making process.

As an example, residents of some New Orleans communities were not permitted to return to their residences until months after the storm. Complicating the return process were conversations during the city's redevelopment planning, in which some officials discussed openly the prospect of buying out residents, and others recommended declaring a moratorium on rebuilding. Such signal noise precluded residents and entrepreneurs alike from ascertaining whether particular neighborhoods would be *permitted* to rebound, even if residents were committed to rebuilding.

It is this kind of uncertainty and more overt pressures from the city that led Father Vein to directly engage the political process. Rather than assisting his congregants with the concrete and difficult task of rebuilding their homes and businesses, he had to redirect some of his energies to guarantee that his members would have a right to rebuild if they desired and the services that they needed in order to return.

AS THIS PRIMER demonstrates, entrepreneurs respond creatively to the unique needs that arise in post-disaster contexts and, in so doing, promote community recovery. Given a community's need for entrepreneurship in a post-disaster circumstance, governments should minimize the challenges facing social and economic entrepreneurs, scaling back, at least temporarily, the regulatory burdens developed in non-disaster contexts. Specifically, policy makers should be clear about which regulations will stay in force and which they intend to relax (and for how long), since uncertainty about the regulatory environment hampers entrepreneurial activity and, consequently, socioeconomic recovery.³⁰

To this end, governments at every level should consider creating an alternative regulatory regime that would automatically take effect after a major disaster. Creating, prior to a crisis, a post-disaster regulatory regime that reduced burdens on entrepreneurs would allow decision makers the freedom to more soberly consider the tradeoffs between efforts to protect consumers and the need for a fast recovery. Such an alternative scheme would reduce delays that result when governments are forced to make ad hoc regulatory concessions after a disaster. An alternative regime would also reduce non-compliance, as entrepreneurs would have a clearer sense of which regulations government officials intend to enforce or are unwilling to change, and which they are willing to disregard. In the months following Hurricane Katrina, for example, New Orleans was forced to bend or break a number of rules—like the inspection suspension discussed above—in order to move the recovery process along; and some unworkable regulations have been subject to widespread evasion.

Cities, counties, and states should carefully examine their regulatory regimes and determine which could and

29. Emily Chamlee-Wright, "The Long Road Back: Signal Noise in the Post-Katrina Context," *The Independent Review* 12, no. 2 (2007): 235–259.

30. For a further discussion, see Emily Chamlee-Wright and Dan Rothschild, *Disastrous Uncertainty: How Government Disaster Policy Undermines Community Rebound*, Mercatus Policy Series, Policy Comment no. 9 (Arlington, VA: Mercatus Center at George Mason University, 2007), http://www.mercatus.org/Publications/pubID.4458/pub_detail.asp.

should be relaxed after a disaster. Careful consideration of the experiences of other jurisdictions that have faced major disasters, should aid jurisdictions in determining which changes to regulatory regimes work, and which do not.

4.B: Let Entrepreneurs Step in as Soon as Possible

AFTER A DISASTER, conditions in the affected area can be both dynamic and confusing. Those with access to local knowledge are often in the best position to assess local conditions and needs, particularly in a rapidly changing environment.

Many government-led responses to disaster encounter impediments because, though officials possess requisite expertise, they may lack the necessary local knowledge to apply that expertise effectively. Local entrepreneurs, on the other hand, succeed in post-disaster environments, as in non-disaster circumstances, because they are integral to the community. Thus they possess and can act on local knowledge.

Entrepreneurs, moreover, learn quickly when their efforts are not useful, but the feedback mechanisms that guide entrepreneurial activity are less readily available to government officials. In a market context, entrepreneurs who provide desirable goods and services earn profits; those who do not garner losses. Profit and loss not only guide the actions of entrepreneurs, they also signal to would-be entrepreneurs the goods and services to which a community will likely respond. Similarly, social entrepreneurs who behave in socially desirable ways and provide useful services gain both support and reputation. Those who do not are unable to operate because they lack the necessary local support. After a disaster, these signals can be an important mechanism for attracting the kinds of resources and services that are needed most.

Entrepreneurs play an essential role in community recovery efforts, and permitting them to operate in a post-disaster context as soon as possible often jumpstarts community recovery. However, standard relief efforts can actually retard rather than encourage entrepreneurship, thereby slowing recovery efforts. As an example, in post-disaster circumstances, it often seems feasible to provide direct financial support in the form of unemployment benefits to affected residents. This form of relief can actually make it harder, however, for businesses to recover,

because it may be more difficult for business owners to hire needed employees since, at least temporarily, they do not need to work to earn a living. Relief efforts can also crowd out or otherwise impede social entrepreneurship and, thus, hamper community resilience. (This may prove particularly problematic if government officials cannot credibly commit to the sustained, focused attention on a particular social ill typically allocated by more mission-centric social entrepreneurs.)

5 Conclusion

ENTREPRENEURSHIP PLAYS A critical role in post-disaster recovery. Economic entrepreneurs provide essential products and services, serve as a signal that others are committed to the rebuilding process, and help to restore the social fabric of a community. Social entrepreneurs promote the social well-being of their communities, providing key social services, and helping displaced residents to solve the collective action problem that complicates their decisions about whether and when to return.

Policy makers can do a great deal to hinder creative entrepreneurial responses to disaster. Entrepreneurs can be crowded out by relief efforts, they can be constrained by unnecessary regulations, and their energies can be diverted toward superfluous activities as a result of non-neutral tax regimes. This Policy Primer offers two policy recommendations:

1. Relax unnecessary regulations. In a post-disaster context, these can become not only unwieldy, but can actually impede recovery.
2. Permit entrepreneurs to step in as soon as possible. They are in the best position to assess local conditions and needs, particularly in a rapidly changing, post-disaster environment.

Policy makers tend to focus on government responses to disaster, equating successful recovery with sufficient government investment in disaster areas. The role that entrepreneurs play in recovery, however, should not be undervalued. If recovery efforts are to succeed, policy makers must ensure that policies create conditions conducive to entrepreneurship.



Casey Kasim



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3301 North Fairfax Drive, Suite 450
Arlington, Virginia 22201
Tel: (703) 993-4930
Fax: (703) 993-4935