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Social Capital Regrouping in the
Wake of Hurricane Katrina

EMILY CHAMLEE-WRIGHT*

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* **Emily Chamlee-Wright** is professor of economics at Beloit College and affiliated senior scholar at the Mercatus Center. Her research interests lie at the intersection between economic growth and culture, and she studies how market processes and cultures interact. Professor Chamlee-Wright is a former Kellogg National Leadership Fellow and earned her Ph.D. in economics from George Mason University.

After the Storm:
Social Capital Regrouping in the Wake of Hurricane Katrina[*]

Emily Chamlee-Wright[1]
Professor of Economics, Beloit College
Affiliated Senior Scholar, The Mercatus Center

Abstract: This paper examines the role social capital is playing in the post-Katrina recovery process, in particular, how social capital resources are being deployed to overcome the collective action problem associated with post-disaster recovery. The usual assumption is that large-scale government response offers the only viable path towards successful recovery. Qualitative analysis presented here suggests that the resources found within civil society represent an alternative paradigm for how communities can rebound. We identify four patterns by which residents and business owners are creating and leveraging social capital assets in their interactions with each other and other elements within civil society. We conclude that government disaster response and redevelopment policy should be crafted and executed in such a way that it does not unduly inhibit civil society's ability to respond.

Key Words: social capital, collective action problem, post-disaster recovery
JEL Codes: B52, B53, D83, Z13

I. Introduction

A year after Hurricane Katrina hit the Gulf Coast, much of the region looks as though the storm passed through only a week ago. Entire communities and neighborhoods still feel like ghost towns. Though New Orleans' French Quarter and Garden District emerged relatively unscathed, neighborhoods like the Lower Ninth Ward have seen virtually no rebuilding. In St. Bernard Parish, only 728 of the 4,538 requests for house demolition have been completed. Mississippi Gulf Coast communities are experiencing more success in their redevelopment efforts, but progress is still painfully slow.

Nobel Prize Laureate Thomas Schelling has said, "There is no market solution" to the rebuilding problems New Orleans faces. Private decisions alone can not be the source of successful recovery. Schelling adds,

> It essentially is a problem of coordinating expectations. If [residents] all expect each other to come back, [they] will. If [they] don't, [they] won't. But achieving this coordination in the circumstances of New Orleans seems impossible.… There are classes of problems that free markets simply do not deal with well. If ever there was an example, the rebuilding of New Orleans is it (Gosselin 2005).[2]

In short, Gulf Coast residents displaced by Katrina face a massive collective action problem. A successful return requires residents to solve simultaneously several problems, many of which are out of their immediate control. Residents need a place to stay, a job, financial resources for rebuilding, schools for their children, transportation, and the services of utilities, area businesses, and local government. Businesses additionally need clients and employees. Absent some orchestrated effort, the residents and business owners that move back first take on disproportionate risk. If everyone waits for everyone else to move back first, the community fails to rebound.

From an aggregate view, Schelling's pessimism appears warranted, as the progress overall has been frustratingly slow, particularly when compared to other disaster recovery efforts (Horwich 2000). And yet, from the street level, one can see pockets of recovery. Some blocks and neighborhoods hum with activity and hustle. Some communities see school children returning, church attendance rising, construction repairs underway, and businesses with open doors—the things that make life feel normal. These pockets of resilience are not only in the neighborhoods that tourists frequented before the storm, but in suburban outposts as well; not only in those areas that received little flood damage, but also in communities that were entirely submerged under eight feet of standing water; not only in expensive neighborhoods, but in working class neighborhoods as well. While we acknowledge the slow pace of recovery in the

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[2] See also Schelling 2006 [1960], 1978 and Olson 1965.

Gulf region—indeed, the halting pace of the overall recovery effort is the focus of a companion study[3]—the pockets of resilience we observe in communities devastated by Hurricane Katrina also cry out for explanation, as they defy the logic of the collective action problem Schelling articulates.

The primary purpose of this paper is to demonstrate how private citizens in even some of the hardest hit neighborhoods find ways to solve the collective action problem by strategically deploying the resources embedded within the social capital structure. These strategies include mutual assistance, charitable action, commercial cooperation, and the restoration (or creation) of a key community resource.[4] Often, people use such strategies to advance their individual recovery plans. Sometimes they use them to serve an entire community. Either way, the strategies used generate positive externalities that help to overcome the coordination problems Schelling identifies in the post-Katrina context.

The analysis presented here thus calls into question the customary conclusion that large scale government response is the only way to achieve a successful recovery in the wake of catastrophic disaster. We find that civil society offers a competing paradigm for how robust recovery might proceed. By understanding some of the strategies private citizens use to overcome the collective action problem, policy makers could craft disaster response and recovery policies that would not unduly hinder civil society's ability to respond to catastrophic disasters.

In Section II we offer a brief overview of the existing literature on the role social capital plays in disaster contexts and describe and discuss the methodological approach we have taken. In Section III we examine the strategies by which individuals and communities are weaving patterns of resilience out of resources found or created within the social capital structure. In Section IV we conclude by considering the implications this analysis has for disaster policy.

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[3] See Chamlee-Wright, E. (forthcoming) "The Long Road Back," The Mercatus Center Working Paper Series.
[4] Our research revealed two other regrouping strategies: ethnic-religious networking, which is particularly important within the New Orleans Vietnamese-American community, and political action. These regrouping strategies will be the subject of future research.

II. Social capital analysis in the context of disaster

Network analysis is the body of literature that considers the specific question of how people use social capital resources to prepare for and respond to disaster. Network analysis conducted in the aftermath of Hurricane Andrew, for example, reveals that people who gain access to informal support generally do so through their "core network" of family and close friends (Beggs, et al. 1996a, Hurlbert, et al. 2000). It is well recognized that informal support tends to emerge through dense, homogenous networks of close (often kin-based) ties (Campbell, et al. 1986, Fischer 1982, Lin, et al. 1985, Wellman & Frank 2000). Core networks that have high proportions of kin and less well-educated people tend to be most effective at providing this kind of support (Hurlbert, et al 2000), probably due to the high levels of social integration among these groups and high expectation of mutual support (Marsden 1987, Wellman & Frank 2000).

While informal support tends to come from dense networks of tightly bonded friends and family, the information one needs to access formal support, such as from government relief agencies and the American Red Cross tends to come through loosely tied networks containing more highly educated and higher status contacts (Beggs, et al. 1996a, 1996b). This conclusion affirms an effect generally recognized in the literature: weak ties with a diversity of people (high and low status) tend to be the source of useful information not widely known by others (Granovetter 1973, 1985, Lin, et al. 1981, Campbell et al. 1986, Lin & Dumin 1986).

Taken together, the analysis suggests that social capital assets are heterogeneous—some forms of social capital are useful for some tasks, but may be useless for others (Hurlbert, et. al 2000, Coleman 1990, Podolny & Baron 1997). In this respect, our analysis is similar in that we focus on the complementarities among different kinds of social capital. On the other hand, we are asking a question that takes a different tack than what is usually addressed within network analysis.

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Network analysis generally asks questions like "How does the makeup of one's network…" or "How does one's status and position within one's network affect access to certain kinds of resources?" Our interest, on the other hand, is the variety of strategies people adopt in order to realize their recovery plans. Storm victims may activate core networks to meet their immediate needs, but they are likely to deploy other strategies as well. Our intent is to examine a range of strategies that can be culled out of civil society. Further, most of the network analysis on disaster situations focuses on individual or family survival,[5] not the problem of collective action in the face of catastrophic disaster and the long term recovery of entire communities. The analysis presented here, then, complements and extends the existing social capital literature with regard to post-disaster recovery.

Because our goal is to understand how people are cultivating strategies for recovery at a point when the collective action problem is most daunting, standard economic analysis is not likely to help us a great deal. Empirical analysis based upon statistical aggregates will not capture, even in a quantitative sense, what is happening within the pockets of successful community rebound. Further, even when it can be shown statistically *that* some cities or towns have rebounded more successfully than others, such analysis will still leave open the question of *how* such successes have been achieved.

Thus, in order to address this "how" question, we use a qualitative methodological approach that deploys a guided, though open-ended interview structure, allowing for consistent lines of questioning across interviews, as well as flexibility to explore an issue in greater depth within the context of any single interview. Once a round of interviews was completed, we coded the interview transcripts for themes and patterns (such as the various strategies people are adopting in the recovery effort).[6] This approach is especially useful when identifying patterns of creative response, for capturing unanticipated strategies, and when working with subjects who find

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[5] See for example: Tatsuki, et al. (2005).
[6] The approach taken here is similar to Kathryn Edin's work (see Edin & Kefalas 2005) and earlier work by Chamlee-Wright (2002).

themselves facing unfamiliar and non-routine circumstances requiring ingenuity and discovery. In short, such an approach is particularly useful in a context of post-disaster recovery.

The interviews conducted for this study took place in New Orleans and the Mississippi Gulf Coast in February, April, May, and July of 2006, for a total of 63 interviews.[7] In our first round of interviews, our primary purpose was to expose the research team to the wide diversity of narratives emerging in the post-Katrina context, particularly with regard to the recovery effort.[8] Working from these various narratives—as well as a review of the relevant press coverage and scholarly literature—the research team then developed an interview guide for later rounds.

In the second round, individual researchers and two-person teams conducted interviews with various constituents within civil society.[9] The interviews generally lasted for an hour; longer if the interview subject seemed willing. We deployed both purposive sampling and random sampling within specific neighborhoods. The purposive sampling was based on a "hub-and-spoke" model. For example, some of the people we interviewed in the initial round were willing to connect us with associates in their network. In turn, some of those interview subjects were willing to connect us to their associates, and so on. By using social connections in this way, we were able to gain valuable and otherwise elusive access. Such access proved particularly advantageous in the post-Katrina context, as people are suffering from emotional (and often physical) exhaustion and have little patience for outsiders requesting an hour or more of their time. The downside of the hub-and-spoke approach is that it can track the research team into a narrow band of the social spectrum and limit the variety of perspectives to which the team is exposed. With this in mind, we complemented our purposive strategy with random sampling

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[7] We interviewed seventy-one discreet individuals in total. Some interviews included multiple subjects, and we interviewed some subjects more than one time.

[8] Interviews included members of the local press, grass roots community organizers, people working within philanthropic organizations, representatives from the local business community, and academics with a professional interest in Gulf Coast redevelopment.

[9] Our primary objective was to interview residents and business people from a wide diversity of neighborhoods and communities. Additionally, our interviews included school principals, community organizers, members of the clergy, people working with private voluntary organizations, and various civil servants, most of whom were also residents in the affected region.

within particular neighborhoods. In Louisiana, for example, we met with residents and businesspeople in the Upper Ninth Ward,[10] St. Bernard Parish, Central City, Gentilly, Algiers, Mid-City, and New Orleans East to help ensure a wide representation of socio-economic, racial, and ethnic diversity.

Despite our effort to capture a wide diversity of experiences and perspectives, it may still be objected that because we conducted the bulk of our interviews within eight months of the storm, it may be that the people represented here are exceptional, possessing above-average initiative or above-average affinity for their community. To the extent that this might be the case, this fact would only serve as a frame within which more explanation is still needed. Personal initiative and love for one's community alone do not comprise an effective recovery strategy.[11] We still need to pursue the particulars of how such people (whether extraordinary or ordinary) are overcoming the collective action problem.

III. Regrouping Patterns in Post-Katrina Recovery

Pointing to the heterogeneous mix of elements that make up social capital, some economists challenge whether social capital is in fact "capital" (Solow 2000, Arrow 2000). We, on the other hand, take seriously the idea that the complex mix of phenomena that make up social capital (friendships, faith communities, parent-teacher organizations, book clubs, and well-developed patterns of generalized trust and reciprocity) are in fact "capital-like." Individuals and communities can deploy resources such as these to "get things done" more easily and more cheaply than would be possible without them (Coleman 1988).

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[10] At the time of the interviews, there were virtually no residents living in the Lower Ninth Ward. Since that time, a handful of residents have returned. This community will be the subject of future qualitative research.

[11] A banner hanging by a subdivision on Chef Menteur Highway reflects this understanding, reading: "Adam's Court Subdivision is on the Road to Recovery[.] 'Hope is not a Plan[.]' Get-R-Done New Orleans."

The heterogeneous mix of elements that make up social capital requires an active creative response on the part of individuals to put them to effective use. Reputation, status, and past successes and failures are all indicators of an individual's success in navigating the social capital landscape (Bradach & Eccles 1989, Frank 1989, Grief 1989, Lin 1999, Podolny 1993, Ostrom 2003). The failure of one's plans, changes in one's personal circumstances, or changes in the social and economic environment require individuals to test out new social capital combinations. This is true even in the most mundane of circumstances. When people relocate, they find new sources of social support; when couples have children, they tend to realign friendships in ways that reflect their new circumstances. In this process, people discover what works, what does not work, and how to adjust the mix of elements to achieve their various ends. In short, social capital regrouping and the discovery that comes out of the regrouping process occur constantly. For most people caught in the wake of the devastation and dislocation wrought by Hurricane Katrina, the stakes of deploying the various elements of the social capital structure effectively have never been higher. Though social capital regrouping goes on all the time, in the context of post-Katrina reconstruction, effective regrouping strategies may make the difference as to whether or not people are able to return and rebuild their communities.

In this section, we describe the strategies private citizens are deploying to make use of and restore the social capital at work within their communities. Particularly in a context where virtually all previous plans have been turned on their head, people are forced to engage in regrouping strategies of some kind. In the aftermath of Hurricane Katrina, many have pursued the path of exit and are reestablishing their households in other cities and towns across the country. But among those who have decided to return, we identify four distinct regrouping strategies that have particular relevance for how civil society might solve the collective action problem. These regrouping strategies include practices of mutual assistance, charitable action, social-commercial cooperation, and redeveloping a key resource to ease the transition back.

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A. Mutual Assistance

Far and away, mutual assistance emerges as the most prevalent pattern of social capital regrouping among the subjects we interviewed. As opposed to one-way offers of charitable giving, mutual assistance is a strategy by which storm survivors support one another by exchanging labor, expertise, shelter, child care services, tools and equipment, and so on. As vital as external support has been to the recovery effort to date, the largely unsung small acts of mutual support that people offer one another in the moment of crisis and in the day-to-day struggle to recover play distinct and vital roles.

Mutual assistance plays a critical role in helping to solve the collective action problem. First, it is a source of material support. Second, it serves as a credible signal that friends, neighbors, relatives, employers, and employees are committed to participating in the recovery process. Third it helps to restore the social fabric of community that was torn apart by the storm.

Most people attempting to rebuild are simply incapable of meeting the physical demands of demolition, debris removal, and reconstruction without the assistance of others. People find ways to give to one another what they can not provide for themselves, at least not without significant cost. The direct material support offered through patterns of mutual assistance helps to overcome the collective action problem by reducing the "first mover" costs of returning residents, i.e., reducing the disproportionate risk taken on by early returnees.

As difficult as the physical tasks of recovery are, these challenges seem almost easy compared to rebuilding the fabric of human relationships that make a collection of houses a functioning community. For many, the fear that those relationships may never return puts in doubt whether rebuilding their physical homes is even a good idea. Any one resident may be ready and willing to do what it takes to rebuild his or her home or business, but only if he or she sees clear signs that others are willing to do the same. However, people may find those signals difficult both to convey credibly and to read. Mutual assistance acts as an effective signal that others are committed to the recovery effort. Given the desolate atmosphere of many

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communities, the presence of even a few neighbors serves as a positive sign that one is not

isolated in his or her actions. The mutual assistance neighbors provide one another affirms this

commitment and amplifies the signal.

The following example is typical of the kind of mutual assistance strategy being deployed.

Frank owns a hardware store that was flooded by eight feet of water, although his house suffered

only minimal damage.[12] His manager was not so fortunate. By making an offer of mutual

support, these two men could do for one another what would be extremely difficult to do on their

own.

> Frank: My house survived pretty decently. … Meanwhile, we've been housing five
> other people that are living with us now, 'coz their houses didn't. But you know, my
> manager [and] another couple has been living with us with two small kids… So they've
> been living with us basically for the last eight months, which is unique at first. But we'd
> do it all over again if we had to.
>
> Interviewer: Were you able to pay [your manager during this time]?
>
> Frank: No… we haven't paid him a cent other than stuff that jobs we maybe did on the
> side to help pay cash so to speak, get money so to speak to survive.

For eight months Frank provided his manager a familiar (albeit a bit crowded), clean, proximate,

and safe home, a particularly precious resource in the post-Katrina environment. On the other

side of the coin, the opportunity for Frank to rely upon an experienced right-hand man, despite

the inability to pay his usual salary, was surely just as valuable to Frank in his efforts to re-open

his store.[13]

But notice in this story that not only are the two friends offering one another the material

support the other needs and lowering the costs of returning, the mutual assistance they are

offering one another has served as an effective signal. By giving and receiving mutual support,

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[12] When a first name (only) is used to identify a subject, it is a pseudonym. When a subject's narrative
identifies who they are, we have gained permission to quote them and reveal their name and title.

[13] One can view this in terms of a simple exchange (excess capacity in one's home for labor services) but
without the bonds of friendship, it is not likely that this arrangement could have been sustained for eight
months.

each of these men has affirmed for the other that someone else is willing to share the risks of returning.[14]

Though the signaling effect from neighbor to neighbor may be small in any one specific instance, the overall effect can be dramatic. Patterns of mutual assistance can serve as a signal to city officials and service providers, for example, that a community is on its way back and worthy of reinvestment. Neighborhood-based websites that encourage the exchange of services among neighbors can also be used to gather and disseminate information on the rebuilding plans of residents, thereby signaling the future viability of the community.[15] Community leaders such as Father Vien Nguyen of the Mary Queen of Vietnam Catholic Church in New Orleans East helped to organize crews of returning residents to assist one another in gutting and repairing homes. The early return of large numbers of residents and the quick progress they made in repairing their homes played a pivotal role in securing the return of services from the power company Entergy.

> Father Vien: [I]n order to justify [and] divert power out here, we must justify that there are people here planning to receive it… [Entergy] needed paying customers. …I gave [them] pictures that we took of our people in Mass, first Mass. First Mass was 300, second Mass was 800, third Mass we invited all the people from New Orleans, and we had more than 2000. So I had those pictures to show him. He said, "Those I get. But now we need a list [of people who have returned]." And so we went and got what he asked. We called our people to put their names down and their addresses. … So within one week, I went back to Lafayette, we went back to his office, I said, "Well, the city has 500 petitioners." So, the first week of November, we had power. And we were the only people with power.

The successful return of the Vietnamese-American community in New Orleans East, which represented much of the local business community, enabled the return of non-Vietnamese residents as well (Schaftel 2006, Cotton 2006). Thus, the signaling effect generated by patterns of mutual assistance can help to coordinate not only the expectations among people directly involved in the exchange of services, but among unknown others as well.

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[14] See additionally: Meghan Gordon, "With Their Paradise," *New Orleans Times-Picayune*, November 30, 2005; Fay Faron, "Pair Stayed for Storm, Count Their Blessings; Neighbors got together, made the most of it," *New Orleans Times-Picayune*, July 20, 2006.

[15] See for example: the Broadmoor Neighborhood Association website, http://www.thebna.org/, the Pontchartrain Park/Gentilly Neighborhood Association, http://www.pontilly.com/, and the Mid-City Neighborhood Organization, http://www.mcno.org/.

Because it tends to build upon local close-knit relationships, mutual assistance also plays a critical role in rebuilding sustainable bonds of social capital for the future. The redevelopment of place-based social capital has an indirect but important connection to the collective action problem. By affirming the presence of place-based social capital, mutual support not only lowers the costs of returning, it also increases the perceived benefits of sticking it out for the long haul.

As important as outside charitable support is in meeting the material needs of returning residents, external support will not create lasting forms of social capital in the local context. One Mississippi resident recalled that following the storm, the neighbors on her street would get together and work on gutting and rebuilding one another's houses.

> Marie: And we worked together like, you know, at night…. I had a swimming pool above ground. My pool did not go down, and I felt like God left it there for a reason, because the whole neighborhood used it as a Jacuzzi. We would take the pump and... it turned and cleaned the pool. So here there's no gas and we're running the pool. We were like, "Don't tell anybody we're using the gas for that pool." But I mean, you'd look out and then you'd say, "Oh hey," you know? [Marie smiles.] And to this day, there's still a bar of soap sitting on the side of our pool. And I think I'm gonna leave it there. I really do.

Though Marie spoke at length of her gratitude for the help that came in from outside the region, at the end of the day, it was the neighbors on her block with whom she shared an evening cocktail in the makeshift Jacuzzi that provided the most intimate support both materially and emotionally.[16] The exchange of labor and other resources often meant that friends and neighbors spent time with one another in ways their routine lives didn't afford and helped to reweave the social fabric of community.[17]

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[16] Providing help to friends and neighbors was the second-most frequently cited means of coping with the emotional stress associated with the recovery effort. Alcohol consumption was the most frequently cited coping mechanism.

[17] See additionally: Ann M. Simmons, "A Community Wastes No Time Starting Over; A predominantly Vietnamese American neighborhood has become a model of recovery due to its residents' initiative," *Los Angeles Times*, May 15, 2006.

The mutual assistance strategies involving children may hold the most promise in terms of rebuilding place-based social capital.[18] Schools, for example, are playing a central role in the recovery process, both because of the need for childcare, but also because of parents' strong desires to bring a sense of normal life back to their children. In turn, children old enough to understand the situation and old enough to help in the recovery have the opportunity to re-build (literally and metaphorically) their community. Such experiences create an opportunity for older children to feel a sense of investment in their community.

For the three weeks it took to secure a FEMA trailer, Renee McDaniel, assistant principal of Mercy Cross High School in Biloxi and her husband lived with the family of one of her students. Though their building was uninhabitable, the school managed to reopen in only three weeks by moving to a previously occupied space in another part of the city. As McDaniel describes the personal and professional challenges of rebuilding a school and a home, the role children and teens can play in redeveloping a community's social capital comes through.

> McDaniel: … when they heard Mercy Cross was coming back, [the parents said] "Well, we're coming home." They will live in a FEMA trailer, they'll live with friends, you'll live with people you would never imagine you would live with. I never thought I would live with students that I'd principled or that they'd even want me to live with them. The kids and the parents will tell you that Mercy Cross is what brought our community back together… Nothing stopped, we just played. [We] didn't miss one football game…

By McDaniel's account, the school's return served as the tipping point for many parents to take on the myriad inconveniences associated with the rebuilding process.[19] Further, it seems likely that the parents who offered their home to McDaniel and her husband recognized that in helping the McDaniels, they were helping to ensure the school's return. Parents were certainly willing to offer their support in other ways. Parents, teachers, and students volunteered their time during the month following the storm, salvaging what they could from the old school, cleaning off the mud and mold from classroom furniture and equipment, and moving it to the new location.

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[18] See additionally: David Cuthbert, "A Place to Play," *New Orleans Times-Picayune*, July 19, 2006; Karen Turni Bazile, "Hundreds Sign Up for School in St. Bernard; Classes will begin in trailers on Nov. 14," *New Orleans Times-Picayune*, November 6, 2005.

[19] See additionally: "New Orleans Schools Before and After Katrina," PBS NewsHour, November 1, 2005.

For McDaniel, these experiences seem to have created an opportunity for a new dynamic to emerge between her students, their school, and the community at large.

> McDaniel: My husband coaches [Mercy Cross'] cross-country team; they met in our neighborhood as soon as the roads were clear. We live in a circle, and we had practice with them here through the summer. And at night they would come to our neighborhood, and they would jump in our pool afterwards to cool off. All summer long I would have kids at 9 [or] 9:30, and my husband and I have to go to work tomorrow. "Can't we stay just a little while longer?" "No, we have to go to work." And [I thought], "how many high school students want to hang out with their principal?"

The strategy of mutual assistance offered a way to bring the school back swiftly and efficiently, but also created memories, stories, and points of contact between adults and young people that may bear fruit in the form of a greater sense of connection to the community in the long run.

Though material support can come in a variety of ways, mutual assistance plays a critical role in easing the collective action problem by facilitating a process of effective signaling between community members and providing the context in which the fabric of social capital can be rewoven. On the other hand, mutual assistance is limited, particularly in the context of widespread devastation, because people in need are relying upon friends and neighbors who are also in need. Thus, tapping resources outside the affected community will serve an important complementary role. It is to this strategy that we now turn.

B. Charitable Action

> *If it was not for the private sector, the church groups, all these relief things that are not government related, I don't know what kind of condition we'd be in, you know, 'coz the government just can't do it all.*
> —Gloria, Mississippi Gulf Coast resident and business owner

From an outsider's perspective, the most visible regrouping strategy at work in the post-Katrina environment is charitable action pursued by individuals and private philanthropic and religious organizations seeking to address the needs of immediate relief and long-term recovery.[20]

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[20] We wish to distinguish charitable action (mostly one-way transfers of resources) from mutual assistance. Generally, we consider volunteer support, financial contributions, and other forms of assistance coming from outside the affected area to be "charitable action" in that the donors do not anticipate any near-term individual or generalized reciprocity. See additionally: Patrik Jonsson, "In New Orleans, an Industrious

By providing critical support to those who return soon after the crisis, charitable action, like mutual assistance, can reduce some of the disproportionate costs shouldered by these early arrivals. Further, because charitable support draws primarily from resources outside the affected region, it complements well the mutual assistance strategy that often relies on people in similarly desperate straits. In *A Streetcar Named Desire,* Blanche DuBois observes that she can always rely upon the "kindness of strangers." Not only can strangers be kind, particularly in a moment of crisis, they often can spare resources that disaster victims desperately need. Diane's son worked for Harrah's Casino in New Orleans. After the storm, the casino relocated many of their employees to St. Louis where they had another facility. Upon registering, Diane's son met a woman who worked in the St. Louis facility.

> Diane: [This woman told my son,] "Oh, I'm buying a new house, I'm gonna let you and your wife live in my house for six months." She gave them this apartment for six months. She paid the utilities… and the month before my son left from St. Louis, the woman died of a heart attack. She was 52 years old, and she died very suddenly. He said he knew something was wrong because… she sent things to the babies all the time… and he hadn't [seen] her in about three days.… A gentleman called him, and he said, "I am calling on behalf of so and so.… She died, but she wanted you guys to stay in the apartment," and he said, "You stay there for as long as you need to because that's what she wanted for you all." It was just awesome because he had never met this woman. This woman's last action, her last gesture in life, was to give something to people she didn't even know. So they stayed there, and by the end of six months, they were ready for people to start coming back, and my son was in that first move back. But, the generosity of people has been overwhelming.

Though the story told here is not typical, it illustrates in a dramatic way the distinctive advantage charitable action plays relative to other regrouping strategies. Unlike mutual assistance, which tends to draw upon densely packed networks of support, charitable action can draw upon weak ties (Granovetter 1973, Lin, et al. 1985, Wellman & Frank 2000). This is particularly advantageous in the context of widespread disaster in which one's close friends, neighbors, and perhaps extended family may be in similarly difficult circumstances. Strangers

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Kind of Spring Break," *Christian Science Monitor*, March 17, 2006; Bruce Nolan, "Storm Victim Donations to Top Sept. 11 Giving," *New Orleans Times-Picayune*, December 14, 2005; Jacqueline Salmon, "$90 Million in Katrina Relief Awarded," *Washington Post*, December 8, 2005.

and people living outside the affected region play an important role in the recovery process because, in general, they can make short run sacrifices of time and resources more easily than other disaster victims.

More generally, the robust charitable response evident in the wake of the storm further problematizes the notion that a centralized government response is the only way to solve the collective action problem. Not only does the magnitude of charitable giving[21] suggest a private alternative, the decentralized structure of the private voluntary sector offers a competing paradigm to the customary view that disaster relief and response needs top-down centralized coordination.

Economists' understanding of how decentralized processes of social coordination could outperform systems of command and control matured in the early half of the twentieth century in debates regarding the workability of socialist economic planning. The role of market incentives was already well understood, but Mises (1932, 1949) demonstrated further that voluntary exchange serves as the only viable route for discovering the best use of resources. Property rights (or more generally, decision rights) dispersed across countless market participants inspire competitive engagement in the market process, as individuals bear the consequences (both good and bad) of their decisions. Out of the tugging and pulling of competitive processes emerge market prices, which in turn serve as meaningful guides to entrepreneurial planning and action. Absent a decentralized process of trial and error, no such meaningful guides to action emerge. As Hayek (1935, 1945, 1973) would later articulate, the system works not just *in spite* of the decentralization of decision making authority, but *because* of this decentralization. Once

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[21] In May 2006, the Center on Philanthropy at Indiana University estimated total philanthropic giving for Katrina relief to be more than $3.5 billion. The American Red Cross alone reports that 225,000 people, both employees and volunteers, worked in relief efforts under Red Cross auspices. According to an ABC/Washington Post poll, by mid-September 60 percent of Americans had already made a contribution to the relief effort (Applebaum 2005). Also, according to the *Washington Post*, 10,000 college students spent their spring break in New Orleans as part of the reconstruction effort.

societies consolidate decision rights into one central authority, decision makers no longer have access to the meaningful signals required for sound judgment.[22]

In the post-Soviet world, the general case in favor of economic decentralization has largely been won. But when it comes to disaster response and recovery, the default assumption is quite different, favoring instead greater centralization of decision-making authority. Legislation proposed in the wake of Hurricane Katrina, for example, suggests that federal policy makers are operating under this assumption.[23] Redevelopment planning initiatives proposed by local governments also seem to build on a paradigm that requires an orchestrated and centralized government effort.[24] Similarly, the inability of the Red Cross to meet the overwhelming challenges presented by this disaster has been attributed, inter alia, to the lack of effective oversight from its Board of Directors (Grassley 2006). The notion that the real source of the problem might be the monopoly status the American Red Cross maintains through its Congressional charter (and the extensive federal funding it receives) is the subject of little if any consideration. Further, even when private civil society is praised for its effective response to Hurricane Katrina, the assumption is that greater centralized coordination would have made this response even more effective.[25] A recent report commissioned by the Aspen Institute, for example, recommends the formation of a high-level coordinating body that would assign roles and direct resources to government agencies and the private voluntary sector in future disaster situations (Pipa 2006).

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[22] For a full discussion of the socialist calculation debate, see Lavoie (1985a).

[23] See for example: the RESPOND (Restoring Emergency Services to Protect Our Nation From Disasters) Act (HR 5316), which would expand the scope of government oversight in the provision of emergency services, the Loan Disaster Contracting Fairness Act of 2006 (S 2774), which would require federal rebuilding contracts to give preference to local contractors and subcontractors, and the proposed Amendment to the Stafford Act (HR 5392), which would extend unemployment benefits for Katrina and Rita affected areas to a total of 52 weeks.

[24] For instance, the task set forth for the planning committee of the Bring New Orleans Back Commission was "literally to bring order out of chaos." http://www.bringneworleansback.org

[25] See additionally: Bruce Alpert, "Senate Committee Endorses Plan to Enhance SBA Disaster Response," *New Orleans Times-Picayune*, July 14, 2006; Eric Lipton, "National Security Chief Vows He is Fixing What Hurricanes Showed Was Broken," *New York Times*, October 24, 2005.

The thinking that seems to run through all these proposals is that effective disaster relief and recovery is essentially a problem of engineering, in need of some authority to seize control and optimally direct resources to appropriate ends. And for some concerns, such as providing emergency repairs to the levee system, pumping out flood waters from the city, or removing debris that inhibits evacuation and relief, the engineering metaphor is perfectly appropriate. But the larger problem to be solved is not one akin to engineering, but is instead a complex social process that cries out for decentralized experimentation. The diversity of private charitable response following Katrina suggests how wide-ranging and nuanced private response can be. Following Katrina, decentralized charitable action facilitated the provision of relief supplies (from both organizations and individuals), healthcare services, high-capacity housing facilities for volunteers, home demolition and construction, emergency childcare, relief support for artists, consulting support for small- and medium-scale entrepreneurs, and so on.[26]

Not only was private charitable response diverse, it was nimble.[27] After the storm, virtually every church near the affected region turned their available basements into shelters, and non-profits of all kinds transformed into relief organizations overnight. In Louisiana, the American Red Cross provided immediate shelter for about half of the 26,000 known evacuees, and 185 different faith-based groups and non-profit organizations took in the remaining 13,000 (Pipa 2006). These figures, assembled by the Louisiana Department of Social Services, do not account for any of the informal sources of immediate relief and shelter.

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[26] For post-Katrina healthcare services, see Common Ground Health Clinic, http://cghc.org/. For high-capacity volunteer housing, see *i*Care Village, http://www.morrellfoundation.org/iCareVillage.htm. For private charitable home demolition services, see Christian Contractors Association, http://www.ccaministry.org/. For volunteer services regarding home gutting, cleaning, and construction, see Hands on Network, http://www.handsonnetwork.org/ and Common Ground Collective, http://www.commongroundrelief.org/. For the provision of emergency childcare, see Project K.I.D., http://www.project-kid.org/. For the support for artists, see Tipitina's Foundation, Music Rising Foundation, Jazz at Lincoln Center, Knights of the Mau Mau and Ponderosa Stomp, and The New Orleans Artist in Exhile exhibit. For consulting services for entrepreneurs, see http://www.ideavillage.org/.

[27] See additionally: Christopher Swann and Holly Yeager, "Relief Efforts Boosts Conservatives' Drive to Fund Faith-Based Projects," *Financial Times* (US edition), September 15, 2005.

While some see this diversity and lack of centralized management as a liability of private charitable response, the decentralized character of the philanthropic process may be its greatest strength. Like markets, charitable action takes place within a context of widely dispersed decision rights, generating a decentralized system of experimentation at the local level. Just like their economic counterparts, social entrepreneurs drive the discovery process by having a stake in the outcome. In order to realize profits, market entrepreneurs must commit to and bet on particular ideas and learn from the results. This is no different for social entrepreneurs who must also commit to and test out particular ideas for what services to provide and how to provide them.[28] The experimentation exhibited within the philanthropic environment generates a complex diversity of response. And just as in the market environment, this diversity generates patterns of comparative advantage across organizations. This was certainly evident in the response to Katrina. The size and scale of the American Red Cross, for example, was clearly useful in getting cash in the hands of large numbers of evacuees, while leaner and more nimble organizations could attend to the specific needs of storm victims.[29] Out of the complex thicket of charitable response emerges a trial and error process that is the source of constantly emerging discovery.

The similarities between market discovery and philanthropic discovery are surely limited. Most significantly, people engaged in charitable activities can not rely on profits and losses to provide feedback on the effectiveness of their actions. But that does not mean social entrepreneurs are completely without meaningful guides to action. Just as in the for-profit environment, non-profit ventures rely on the local knowledge acquired and used in the course of

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[28] Michael Polanyi (1946, 1951, 1958) makes this point with regard to the scientific enterprise. Scientific progress depends not upon central direction, but on individual scientists "competing" with one another by committing to and testing out particular ideas. An overarching commitment to the pursuit of truth requires the scientist to abandon the idea if it fails, but the initial commitment (one that might be based as much on faith as on reason) is necessary for overall scientific progress (Lavoie 1985b, 1995).

[29] See additionally: Mindy Fetterman, "Non-Profits Pitch In, One Home at a Time; Charities, preservation groups aid in slow construction process," *USA Today*, April 17, 2006; James Varney, "Quake Experts Tell What Worked; Social networks are important, they say," *New Orleans Times-Picayune*, March 23, 2006.

carrying out their day-to-day activities (Lavoie 1985b, 1995).[30] The wider community's scrutiny

of the successes and failures further refines this local knowledge.[31] This scrutiny comes not only

in the form of formal assessment and review by donors and social scientific analysis, but also by

informal response from aid recipients, the popular media, and the reputation organizations gain

(or lose) among other organizations.[32]

Any relief worker on the ground has the capacity to acquire local knowledge, but those

operating outside the context of federal and state control are likely to be able to use that local

knowledge more effectively.[33] The flatter organizational structures that are more commonly

found within civil society put less distance between frontline responders who acquire this local

knowledge and those who possess the relevant decision rights to put that knowledge to effective

use. The deeply layered hierarchies more commonly associated with federal and state relief

agencies, on the other hand, tend to generate risk-averse behavior on the part of frontline

responders (Sobel & Leeson 2006). The first responder will bear any costs associated with a

creative decision (one based on accumulated local knowledge), while someone further up the

chain of command will bear any costs associated with strict adherence to the rules. The failure of

FEMA to allow private relief workers and supplies to enter the affected region following the

storm was a tragic manifestation of this dynamic (Applebaum 2005, Knight Ridder 2005, NBC

News 2005). Surely people on the front lines knew that the relief was necessary, but no one was

willing to accept responsibility for the potential costs of allowing private citizens into the area.

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[30] See additionally: Anne Rochell Konigsmark and Rick Hampson, "Amid Ruins, Volunteers Are Emerging as Heroes; As government agencies delay, non-profits are energizing rebuilding efforts on Gulf Coast – and giving hope," *USA Today*, December 22, 2005.
[31] Again, Polanyi (1946, 1951, 1958) makes this same point with regard to the scientific community. The contentiousness of scientific debate hones and sharpens knowledge and, along with the intellectual commitments of individual scientists, generates the overall order in the scientific enterprise.
[32] See additionally: Carl Hulse, "Lawmakers Criticize U.S. Response," *New York Times*, September 2, 2005; Tom Gardner, "Brown Accepts More Blame on Katrina," *Forbes*, January 19, 2006; Lara Jakes Jordan, "Katrina Criticism Deserved," *Washington Post*, April 13, 2006.
[33] See additionally: Joby Warrick, "Contractors Add to Woes After Hurricane Katrina," *Seattle Times*, March 20, 2006. Warrick describes how multi-tiered federal regulation of contractors has increased the difficulty of performing contract services and increased costs for consumers.

Centralized decision rights tend to suppress the capacity to deploy local knowledge in creative and productive ways.

Because disaster situations are by definition non-routine, creative reallocation of resources can prove vital to effective response. In the days and weeks following the hurricane, retailers who could not conduct normal business turned their storefronts and parking lots into relief centers. Churches served as hubs to provide relief services, including health clinics, soup kitchens, and communication centers.[34] Hardware stores and home improvement centers provided National Guard troops and local first responders with generators, chainsaws, and other equipment needed for cleanup operations. As the long process of debris removal ensued, some Jewish congregations relaxed prohibitions that would keep members from participating in Saturday volunteer cleanup efforts.[35]

Meanwhile, the constraints of the Stafford Act,[36] which specifies precise details of relief provision and provides for extensive (although far from foolproof) accountability measures, prohibited relief workers from making what would otherwise be sensible reallocations of resources. Many storm victims found it puzzling, for example, that FEMA spent $70,000 (or more) providing them with temporary trailers but would not allow those resources to be put toward safer, more attractive, and less expensive modular housing units ("Katrina Cottages") that could eventually become part of a larger rebuilt home (Kunzelman 2006).[37] However, the Stafford Act prohibits the use of federal disaster aid for permanent residential structures.[38] The point here is not that accountability standards are unimportant. Given the $107 billion in federal aid earmarked for disaster relief (Liu, Fellowes, & Mabanta 2006), accountability standards are

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[34] See additionally: Heather Moyer, "Volunteers Bring Hope to New Orleans Churches," *Disaster News Network*, February 7, 2006, http://www.disasternews.net/news/news.php?articleid=3049.

[35] See additionally: Jacqueline L. Salmon, "By the Thousands, Faithful Toil to Resurrect Gulf Cities," *Washington Post*, February 5, 2005.

[36] Robert T. Stafford Disaster Relief and Emergency Assistance Act (PL 93-288, as amended).

[37] See additionally: Jodi Wilgoren, "Vouchers in Their Pockets, Evacuees Find it Hard to Get Keys in Hand," *New York Times*, October 28, 2005.

[38] In June 2006, Congress earmarked $400 million for a pilot project to replace temporary FEMA trailers with permanent alternatives, but the underlying rigidity that created the need for this program remains.

clearly important. But the narrow field of discretion within which federal and state relief

agencies must operate and the greater flexibility exhibited by private civil society do suggest that

in many circumstances charitable action might respond more effectively to the particular context.

At the very least, charitable action serves as an essential complement to mutual assistance

and other regrouping strategies in the recovery effort. By providing valuable services, such as

home demolition, construction, and so on, charitable action is particularly helpful in reducing the

disproportionate costs born by early returnees. Moreover, despite a more modest resource

capacity, a decentralized private response possesses advantages that are difficult for government

agencies to mimic. Such advantages further problematize the notion that a centralized

government response is the only way to overcome the Post-Katrina collective action problem.

C. Commercial Cooperation

Most discussions about social capital leave market activity out of the conversation. Whether

this is generally a wise omission is not up for debate, but in the context of post-disaster recovery,

we must consider commercial activity as it plays an essential complementary role to other

regrouping strategies. Commercial cooperation—a regrouping strategy that puts business activity

at the center of one's recovery plans—serves a role that is functionally similar to mutual

assistance. Like mutual assistance, commercial activity 1) provides essential material support; 2)

helps to coordinate expectations by signaling commitment to a neighborhood or community; and

3) lays the foundation for the redevelopment of place-based social capital.

The material support offered by friends, neighbors, and volunteers is essentially useless if

not complemented by the necessary tools, equipment, and building materials. Business activity

provides these complementary assets. The return of home improvement centers, such as Home

Depot and Lowes, lumber yards, such as 84 Lumber, and locally owned hardware stores has

created an opportunity for return that otherwise simply would not exist.[39] Given that 40 percent

of Gulf Coast households did not have flood insurance prior to the storm, many people find

themselves doing much of their own construction work.[40] Again, if not for the availability of

low-cost, easily accessible materials, many residents would find it very difficult to rebuild,

rendering the collective action problem even more acute.

From the perspective of business owners and managers, the spirit of enlightened self-interest

drives the direct provision of material support to employees, clients, and other businesses.

Attracting and retaining employees in the post-Katrina environment can be extremely difficult.[41]

Offers of higher wages may help, but offers of a living space above the store or transportation to

and from work may be more effective routes. According to a survey of Gulf Coast firms affected

by the 2005 hurricane season, one third of employers offered their employees some form of

temporary living assistance. Others offered employees home repair loans (Salary.com 2006).

Also perhaps in the spirit of enlightened self interest, following the storm, suppliers

frequently bent over backwards to meet the needs of clients even if it was clear that payment

would be significantly delayed.[42] As a staff member of Hancock County Medical Center

explained,

> … [I]f it wasn't for some of our vendors, we would really still be in a bind.… GE, they
> brought us a microwave and some freezers to put food in to feed our patients and
> staff.… [Y]ou're on the phone begging, saying, "Look, I need beds; I'm ready to open a
> unit. I don't have any money, and I need to put some patients in beds. [The beds] are
> all wet. We need stretchers in our emergency room." Stryker [a medical equipment
> company based in Michigan] said, "Here's a dozen stretchers on loaner, take them and
> use them." If it wasn't for that kind of folks, I don't know how we would have done it.

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[39] See additionally: Greg Thomas, "Home Depot Plans New N.O. Store; Retail project is parish's largest since Katrina," *New Orleans Times-Picayune*, March 28, 2006.

[40] Even those employing the services of a professional contractor benefit from the presence of low-cost home improvement centers as they are the principal sources of materials for contractors as well. See additionally: M.P. McQueen, "Who Needs a Flood Policy?" *Wall Street Journal*, May 6, 2006.

[41] In addition to the obvious problems of finding housing, the extension of unemployment benefits and the competition for low-skilled workers from FEMA and other relief agencies have exacerbated the labor shortage. See additionally: Brett Anderson, "Feast or Famine? Katrina Takes a Big Bite Out of Business, but New Orleans restaurants are fighting back," *New Orleans Times-Picayune*, June 11, 2006.

[42] See additionally: Mary Judice, "Katrina Unleashes Flood of Past-Due Mortgages; But foreclosures in LA, Miss. Are fewer than in the past," *New Orleans Times-Picayune*, March 15, 2006; Kirstin Downey, "Mortgage Payments Lag in Katrina Zone," *Washington Post*, March 15, 2006.

Knowing their fates were linked, employers housed employees, suppliers extended credit to their clients, hospitals put private physicians on salary, neighboring businesses offered communication links, and banks even offered office space to direct competitors.

In addition to providing material support, commercial activity can serve as an effective signal that a community is rebounding. In order for people to return, they not only need a home for shelter, they need a social system that allows them to make their lives work. In the accounts gathered for this study, one of the most frequently cited sources of frustration was the lack of a nearby grocery store. In such an environment, the return of a familiar retail outlet is cause for celebration.[43] On September 17, the Wal-Mart in Waveland, Mississippi opened under a tent in the store parking lot. At first they sold only the basics, such as water, canned goods, chemicals solutions for toilets in RVs, and the supplies needed for cleaning homes that had been flooded. When coolers and freezers arrived a week later, they were able to sell ice and milk. People saw the store's re-opening as a sign that the situation had taken a turn for the better.

> Jessica: It was Wal-Mart under a tent. We were all thrilled. Oh, we can go buy pop, or we can get, you know, our essentials. So we were really happy about that. That was a forward motion. And then Sonic opened. We had the busiest Sonic in… the whole United States. It made more money in a shorter period of time than any Sonic did for a year in the United States. Amazing. It was like fine dining. Ooh, this is wonderful, you know, 'coz there was nothing else then. There was no stores. There was nothing that was even halfway resembling normal. I guess when businesses open up and they start being fully operational, it reminds us what normalcy used to be like.... Like Rite Aid [opened] and it was a one hundred percent Rite Aid.… I didn't go in to buy anything. I just went to walk around and be normal.

National chain stores have a particular role to play with regard to this signaling function. First, they have the ability to return swiftly (see Table 1). The pace of response by national retail chains is particularly dramatic when compared to some other essential services. A year after the storm, many residents are still driving an hour or more to receive their mail, for example. But businesses like Wal-Mart and Home Depot do not only provide much needed goods and services

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[43] See additionally: Astrid Ewing, "Big Box Store Can be a Good Neighbor," *New Orleans Times-Picayune* May 17, 2006.

quickly. Large scale reinvestment from a national chain sends an early signal that the community is worthy of reinvestment—not just for sentimental reasons, but for bottom-line business reasons. This may serve as a tipping point for smaller locally owned businesses to follow their impulses to return.

Table 1: Select retail store openings in Louisiana and Mississippi

Store	Location	Date Reopened	Days After Storm
Wal-Mart Supercenter Store #969	Gulfport, MS	09/07/05	9
Wal-Mart Supercenter Store #2665	Slidell, LA	09/08/05	10
Wal-Mart Supercenter Store #2715	D'Iberville, MS	09/08/05	10
Lowe's of Slidell, #1684	Slidell, LA	09/08/05	10
Lowe's of Central New Orleans, #2470	New Orleans, LA	12/02/05	95
Home Depot	Chalmette, LA	02/23/06	178
Wal-Mart Supercenter Store #5022	New Orleans, LA	03/22/06	205
Home Depot	New Orleans, LA	06/08/06	283

Finally, just as mutual assistance builds a foundation for the future development of place-based social capital, so too does commercial activity. The connection between business activity and community life is certainly not lost on the business community. Being the "first to return" conveys bragging rights, whether it's the first grocery store, the first bar, the first flower shop, the first head shop, or the first pet grooming business to reopen in a neighborhood. Shortly after the New Year, corporate offices in the Central Business District (CBD) of New Orleans posted signage announcing their return or promising that they would return. One of the larger office buildings in the CBD was draped with a banner that read "Laissez Les Bon Temps Rouler Encore." A Southern Comfort billboard along the parade route defiantly declared "Nothing Cancels Mardis Gras. Nothing."

But the market is not merely a cheerleader for social capital: it is a principal provider of social capital. Cafés, bars, and restaurants, for example, provide an opportunity to reconnect old

ties and create new ones.[44] Barbara Motley, proprietor of Le Chat Noir cabaret theatre opened the

bar November 1 and began staging productions later in the month. She believes that hers was the

first cabaret theatre to reopen in New Orleans, remarking that it was more than just a business

decision that inspired her swift return: it was her duty, as a member of the community, to reopen

her cabaret.

Gathering places such as these are the sites of strangely similar conversations between

neighbors and acquaintances. If they are seeing each other for the first time since the storm, it is,

"How high was the water in your place?" "Are you back?" "Is your wife still in Houston?"

"Have you got a trailer?" Complaints about contractors, or FEMA, or the insurance companies

invite strangers to chime in. As at a wake, all the assembled, even if strangers, have shared in the

same tragedy. Social spaces can indeed be the sites at which people exchange practical advice

and network connections, but even if the advice is questionable and the connections never

materialize, people are re-weaving the fabric of social capital. A cup of coffee or a cocktail and

the conversation that goes along with it offer people a break from the gutting, cleaning, and

rebuilding and perhaps remind them why they are going through the trouble in the first place.

Particularly in New Orleans, many within the business community have recognized the

importance of supporting the efforts of artists and musicians to return.[45] For nightclubs, galleries,

and theatrical venues, the return of artists, musicians, playwrights, and directors is an essential

piece of their own recovery plans. Such venues have been the source of emergency loans and

grants for artists displaced by the storm. Though the amounts are generally small—anywhere

from several hundred dollars to several thousand—these resources can help replace ruined

equipment or help with the costs of relocating to the area. The owner of Le Chat Noir mentioned

above manages one of these funds. She reports that though they had planned to shut the fund

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[44] See additionally: Trymaine Lee, "Shelter From the Storm; Neighborhood taverns have become anchors for New Orleanians still reeling from Katrina," *New Orleans Times-Picayune*, April 30, 2006; Steve Hendrix, "Is New Orleans Ready for Tourists?" *Washington Post*, January 29, 2006.
[45] See additionally: Kelli Moore, "Lacombe Spring Art Exhibit Keeps on Growing; Display draws talent from throughout LA," *New Orleans Times-Picayune*, April 2, 2006

down in February, as of mid-April, they were still receiving contributions and they continued their grant-making activities.

Beyond those businesses directly affected by the plight of the artists and musicians, some donors within the business community credit the creative culture of New Orleans with the ability to attract the entrepreneurial talent that will drive innovation in the post-Katrina era. Tim Williamson, President of Idea Village, a non-profit organization providing networking and support services for entrepreneurial ventures, saw that after Katrina Idea Village's own business model had to change to include the support of artistic talent if it were to fuel an entrepreneurial culture. After the storm, Idea Village helped to raise $350,000 in private donations for relief aid, $50,000 of which went to musicians.

Much of the social capital literature appreciates the importance of social capital for the smooth functioning of markets. Norms of generalized trust and reciprocity, for example, lubricate market exchange by reducing transactions costs and uncertainty (Putnam 1993, Fukuyama 1995, 1999). What is less well recognized, or at least what captures less attention in the academic literature, is how important commercial activity is in the development of social capital. As a regrouping strategy, commercial cooperation blurs the customary distinction we find between market activity and civic activity.[46] The accounts of Katrina survivors, be they business owners, teachers, artists, or religious leaders, suggest that social capital redevelopment is intimately connected to and dependent upon market redevelopment: in the extraordinary circumstances of post-disaster recovery, commercial cooperation plays a central role in the restoration of community life. It offers residents a key piece of the puzzle for how they might orchestrate a successful return and offers at least part of the solution for how communities might once again thrive.

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[46] For example, in his magnum opus on the deterioration of social capital in America, Putnam (2000) never considers business as a systematic source of social capital, but instead implicates it as part of the problem.

D. "Build it and they will come"

Another key regrouping strategy being deployed in the post-Katrina context is the creation or redevelopment of a key community resource—what we label the "build it" strategy. The logic here is that by solving one crucial piece of the rebuilding puzzle, or reducing the costs in one dimension of life, or dramatically improving one piece of the overall picture, the likelihood of residents' return increases. Consistently across the cases in which residents deploy the "build it" regrouping strategy, we observe a core group or single actor at the hub of a much larger effort, leveraging its position in the community, such that its efforts generate widespread positive externalities for the community as a whole. Of course, not everyone holds a position that can be leveraged in this way, so not surprisingly, individuals deploy this regrouping strategy much less frequently than the others we identify. Nonetheless, the impact of these efforts may prove disproportionately large, given the importance of the resource being redeveloped.

The non-profit, market, and public service sectors are all potential settings for the "build it" strategy.[47] The vision of Tim Williamson of Idea Village, for example, is to re-invent New Orleans as an entrepreneurial city. Though the vision includes the creation of a place-based entrepreneurial community in the center of the city, the more immediate goal is to use the wave of university-based voluntarism the city is receiving to draw in entrepreneurial talent. Idea Village has launched a program that will match recent college graduates with MBA students at Tulane University to provide consulting support for upstart companies in New Orleans. By connecting young entrepreneurial talent to leaders in the local business community, Williamson hopes that at the end of the year, program volunteers will decide to stay in New Orleans and help create a new entrepreneurial culture.

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[47] See additionally: Allen Johnson, "New Orleans Jazz Stages a Comeback," *The Australian*, April 28, 2006; Dennis Persica, "Post-Storm Business Activity Grows in Jefferson; JEDCO chief cites 'thirst for information,'" *New Orleans Times-Picayune*, July 20, 2006; "Musicians' Village part of recovery; Alliance has plans to build 300 homes," *New Orleans Times-Picayune*, July 15, 2006; Daniel Terdiman, "Burning Man Vets bring Wi-Fi to Katrina Region," CNET News, March 1, 2006; Manuel Torres, "Against All Odds," *New Orleans Times-Picayune*, November 15, 2006.

Even the return of a retail establishment can take on this role. Surely, the corporate decision to return a Wal-Mart or other retail store to an area is made in anticipation that redeveloping the store will profit the company. But in order to execute that plan quickly, the national company has to rely on leadership at the local level. Even though he and his young family had lost their own home, James Cox, the store manager of the Waveland Wal-Mart mentioned earlier, saw the reopening of the store as an important step towards redeveloping the community.

> Cox: If you don't do something to help this community and give them a place to buy groceries and give them a place to buy the necessities of life to rebuild their lives… it probably would not be worth your while to [rebuild].… Granted, you know, our customer base probably was cut more than in half. But it probably would be decreasing today had our store and other businesses not decided, you know, just take a stance and come home, you know, and build this thing and get it back up and running as fast as they can.… You have to take a stance, because you have a vested interest in the community. You have a home.

A consistent theme across all the cases of "build it" we observed was the exercise of entrepreneurial leadership by a key individual or group. By "entrepreneurial leadership" we mean the ability to see a situation in ways that most others have missed—to recognize the grain of opportunity in a sea of obstacles—and then act to seize that opportunity. When a person in a position of influence possesses such entrepreneurial leadership, the effect can be dramatic. The creation of the Unified School in St. Bernard Parish exemplifies this dynamic.

Surrounded by water on three sides, St. Bernard Parish experienced surge depths of 20 feet, and the entire parish was underneath several feet of water for weeks following the storm. Doris Voitier, Superintendent of the St. Bernard Parish Public School District, was in an unenviable position. The Red Cross has a policy of not providing shelter assistance below Interstate 12, and it was the charge of the local schools to provide shelter of last resort for those who could not evacuate. After five days of helping to control what can only be described as a desperate situation, Voitier was set with the responsibilities of addressing the immediate concerns of the school district, such as ensuring that the $1.5 million payroll was dispersed to the district's employees, and making pivotal decisions regarding the fate of the school district itself.

Recognizing the central role the school system would play in the future of the community, by mid-October Voitier pledged that the district would have a place for any student who registered at the November 1 registration. She would soon find out, however, that the state and federal government agencies she thought would assist her in honoring that commitment often offered more hindrance than help.

> Voitier: Well at this point, we were talking about modular building, modular classrooms, and we were gonna go with the mission assigned to the [Army] Corps [of Engineers].… But I quickly found out that they weren't able to make anything happen in a reasonable amount of time. First they said 90 days, then said well, maybe. But then it got to be, oh not till February or maybe not till March or April. Now this was back in October. I said, well, heck with y'all. We'd do it ourselves. I'll send you a bill, 'coz I was so aggravated. So I got a local contractor. And we found some portable classrooms in Georgia and in Carolina that were not being used. We had them shipped down. And in three and a half weeks, we put a school together in the parking lot of Chalmette High School with 20 classrooms.

Given the level of devastation, Voitier had expected no more than 50 students to register at the November 1 registration. Instead, 703 students said they would come back to school sometime between November 14, when classes resumed, and January, when the new semester would begin. When the semester ended in January, over 1,500 students had returned, and by April, some 2,246 children were attending classes. More than 3,000 students are registered to begin the fall 2006 semester.[48]

A critical element of the "build it" regrouping strategy is deploying the resources under one's control in creative ways that address the new context. In addition to educating and feeding students two meals a day, the Unified School District runs after-school programs (at which younger children can stay until 6:00 PM) and sports programs so that children can stay occupied and safe. The district also ran a summer program that combined summer school, sports, and day camp functions. These services are particularly important in a context where people are living in cramped and uncomfortable quarters and where construction debris creates a hazardous environment for unsupervised play.

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[48] See additionally: "Students Are Ready, But What About the Schools?; Parents, children may face a disorganized first day," *New Orleans Times-Picayune*, August 6, 2006.

The "build it" regrouping strategy was deployed not only in the case of public schools, but in private schools as well. Renee McDaniel, the assistant principal of Mercy Cross High School in Biloxi profiled in our discussion of mutual assistance, certainly deployed this strategy. Similarly, given the right leadership, the newly formed charter schools in New Orleans are fertile ground for this strategy to take hold.[49]

Similar to the other regrouping strategies that have been discussed, the "build it" strategy provides an essential form of material support, in this case of a key community resource that is difficult (or impossible) to provide on one's own. The build it strategy also helps to overcome the collective action problem by signaling the rebound of a community. Effective signaling in this case depends on entrepreneurial leaders making credible commitments to the surrounding community—for example, a commitment that public services will begin on a particular date. When such commitments are honored, elected officials gain the trust of citizens and can leverage their position on behalf of the community in the future. (Of course, failure to honor those commitments has the opposite effect.) The more effective that local leadership is in providing critical resources, the more likely a community is to overcome the problem of collective action. Finally, in some circumstances, the build it strategy can inspire the redevelopment of place-based social capital, thereby increasing the perceived benefits of committing to the long term recovery process.[50]

IV. Conclusions

Even in the absence of an orchestrated government-led reconstruction effort, the strategies described here, and the complementarities among them, offer Gulf Coast residents tools for solving the collective action problem presented in the wake of catastrophic devastation. Private

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[49] See additionally: Stephen Hales, "Start-ups Are Messy, But Schools Have Promise," *New Orleans Times-Picayune*, August 10, 2006; Adam Nossiter, "Plan Shifts Power to New Orleans Schools," *New York Times*, January 17, 2006.

[50] Reopening a Wal-Mart is not likely to have this effect, but reopening a high-quality school very well may.

civil society has been the source of essential material support and helps mitigate the disproportionate costs incurred by early returnees.[51] Further, civil society provides multiple avenues by which residents and business owners affected regions can effectively and credibly signal their commitment to the long-term recovery process. This signaling process helps to coordinate expectations and addresses a central challenge posed by the collective action problem. Finally, by redeveloping place-based social capital, action taken in the context of civil society increases the perceived benefits of committing to the long term recovery process, thereby reducing the severity of the collective action problem.

Nothing that has been said here suggests that government might not also have tools at its disposal that could be leveraged toward a successful recovery effort. But the analysis does suggest that at least within the pockets of successful community rebound we have seen so far, people are relying upon a complex decentralized social process. Embedded within civil society are tools and strategies that might be difficult for public policy to mimic. More importantly, it is essential that disaster response and redevelopment policy not unduly inhibit the complex discovery process unfolding within civil society. With this caution in mind, government at all levels would be well advised to adhere to the following principles.

First, governments should resist calls to impose order on what is essentially a decentralized process of community, economic, and philanthropic discovery. Such oversight will only strip civil society of its ability to adapt quickly to local needs and opportunities and is unlikely to create a more effective long-term response. If, on the other hand, government were to recognize the decentralized nature of civil society, overall response could be far more effective. For example, while FEMA is required by law to provide temporary housing in the aftermath of major disasters, it is not required to purchase one-size-fits-all travel trailers. If it had instead issued housing vouchers, markets and philanthropic organizations would have been able to respond

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[51] See additionally: Gwen Filosa, "Group Lays Foundation to Rebuild Lower Ninth; Idealistic youth are committed to area," *New Orleans Times-Picayune*, May 1 2006.

much more quickly to storm victims' housing needs with a far wider variety of options. Such a policy would also stimulate rebuilding of the local housing stock.

Second, government should avoid action that is likely to crowd out private response. This means scaling back relief efforts relatively quickly so that private philanthropic organizations, mutual assistance, and businesses can take over. Further, governments should avoid the temptation to create large-scale public works programs that will only compete with private industry for scarce labor. This leads to a misallocation of resources that stunts the recovery process and makes it much more difficult for the local economy to begin providing goods, services, and jobs that are crucial to recovery.

Third, government should avoid disaster response and recovery initiatives that distort or drown out signals emerging from local communities. For example, cavalier suggestions by government officials and planning commissions about which neighborhoods might or might not be allowed to rebuild have rendered otherwise meaningful signals inconsequential.[52] To the extent possible, redevelopment planning authorities need to restrict their activities to setting and clearly announcing the institutional rules of the game and not be in the business of picking particular winners and losers in the redevelopment process.[53]

The policy suggestions in this conclusion are merely preliminary examples of how the analysis presented in this paper might be incorporated into plans to reform public policies on disaster response and recovery. A more developed analysis of such recommendations is the subject of the ongoing study of which this paper is a part.

Much of the analysis assessing the effectiveness of government response to Katrina and its aftermath has been highly critical. And yet, the solutions offered generally involve the expansion

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[52] See additionally: Kim Cobb, "Rebuild at Your Risk, Nagin Says: New Orleans' mayor airs plan to bring the city back," *Houston Chronicle*, March 21, 2006; Michella Krupa, "Evacuees Want to be Told Whether to Rebuild; Area's viability is up to city group says," *New Orleans Times-Picayune*, March 26 2006; "Lower 9th Ward Residents Can Go Home; City only needs OK on water test results," *New Orleans Times-Picayune*, May 6, 2006.
[53] See additionally: Gwen Filosa, "Experts Excoriate Recovery Leaders; Nagin, council are failing N.O., they say," *New Orleans Times-Picayune*, July 29, 2006.

of government resources, increased centralization of effort, and greater government oversight and control of private response. Our analysis suggests that this approach is ill-conceived and may lead to deleterious consequences with a real negative impact on individuals and their communities in both the short and long terms. Post-disaster recovery is simply far too complex a process to direct centrally. Rather, communities and the individuals that comprise them need the full range of private sector response—from for-profit market response to individual and organizational voluntary action—to meet the challenges posed by a disaster of Katrina's scale.

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