



Written by [Charles Scaliger](#) on October 23, 2017

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## Natural Disasters and Government Aid

At 7 a.m. on Friday, September 7, 1900, the steamship *Pensacola* left the port of Galveston, Texas, en route to its namesake city on the Florida panhandle. Before long, the sturdy vessel ran into rough seas and rising winds, which by evening had reached 100 miles per hour. The ship's captain ordered the engines shut down, and the *Pensacola* dropped anchor to ride out the unexpected storm.



For the next day and a half, the ship was at the mercy of the storm, and was pushed far out into the Gulf once the powerful winds and waves snapped the anchor chain sometime Saturday morning. It was not until Saturday evening that the hurricane winds abated enough for the *Pensacola's* engines to be restarted. She managed to make it back to Galveston by Sunday evening, two and a half days after her departure, to be greeted by utter desolation. Where a bustling city — lately dubbed the “Wall Street of the Southwest” — had stood, there were only gigantic piles of rack and ruin. The harbor with all of its landmark structures was gone, as were all but a handful of buildings in the city. Hundreds of corpses were piled on the shore, while countless more bobbed in the surf. Captain J.W. Simmons and the *Pensacola* had managed to survive the worst hurricane, and natural disaster, in the history of the United States.

But many of the residents of Galveston Island were not so fortunate. The Great Galveston Hurricane, as it has since become known, inflicted an unspeakable toll on the city of Galveston and its surroundings, wiping out between 8,000 and 12,000 lives; the exact toll will never be known. The city of Galveston itself stood only seven feet above sea level on average, but the hurricane produced a storm surge more than twice as high that washed over the entire island, obliterating entire blocks of buildings in its destructive path. Among the victims were hundreds of people who fled to the upper floors of a three-story apartment building — only to find themselves trapped as merciless wind-driven piles of heavy debris demolished the building room by room, along with almost everyone inside. The storm also claimed all but three teenage boys of the more than 100 children and nuns living in an orphanage just outside of town, as well as more than 80 passengers on a train to Houston that was swept off the tracks by the raging waters.

In the storm's aftermath, the entreaties of hundreds more trapped deep in the rubble tormented the survivors. In an era before modern hydraulic equipment, many of them could not be rescued, and as the days passed, their calls for help fell silent. The task of disposing of the thousands of corpses proved almost impossible. Cut off from the mainland, surviving Galveston residents at first attempted burial — until the magnitude of the casualty count became apparent. They then attempted mass burials at sea, and paid men reluctant to carry out the grim work in bottles of whiskey. But these doughty first responders soon became too drunk to work effectively, and hundreds of bodies that had not been properly weighted down promptly washed ashore again. In the end, the survivors were forced to burn their dead on huge pyres, the smoke from which darkened the skies for many days.



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Remarkably, though, Galveston's recovery from the hurricane began immediately. Within a few days, mail and water services were restored, and within two weeks, shipments of cotton from Galveston harbor resumed. So total was the storm's destruction that Galveston never recovered its status as the economic capital of coastal Texas; post-1900, Houston's rise to prominence permanently eclipsed its coastal neighbor. But Galveston was rebuilt on higher ground, with a larger, sturdier sea wall. And 15 years later, when another hurricane of comparable strength again struck the city, the losses of life and property were minimal.

In the early days of natural disasters in the United States, such as the Galveston hurricane, neither federal disaster aid nor the modern agencies that administer it, such as the Federal Emergency Management Agency (FEMA), existed. Yet recovery from such terrible events was as rapid — or, in some cases, more rapid — than in our era, when the marshaling of vast federal resources to aid those stricken by floods, fires, storms, and earthquakes has become expected.

After a lull in Atlantic hurricane activity lasting more than a decade, Mother Nature's wrath has arisen with a vengeance in Texas, Florida, Puerto Rico, and the U.S. Virgin Islands in recent weeks, prompting calls for federal assistance, the declaration of states of emergency, and all of the other usual preludes to massive government aid. While no compassionate person could possibly oppose aid in some form to those suffering from natural disasters, it is appropriate to consider where such aid ought to come from, and who should be authorized to administer it.

In late August 2005, Hurricane Katrina made landfall near New Orleans, leading to destruction and a loss of life on a scale not seen in decades for a natural disaster on American soil. The response of the federal government to the first emptying of a major American city since the Civil War was characterized by delays, red tape, mismanagement, and callous disregard for the plight of the suffering. Particularly appalling was the response of FEMA, which — in the name of bureaucratic coordination — repeatedly stymied local efforts to provide emergency services. One of FEMA's first acts was to order fire and emergency medical services not to respond to requests for assistance until authorized to do so through proper bureaucratic channels. In one particularly notorious instance of FEMA protocol, 2,000 firemen answered a call by the agency in Atlanta, expecting to be sent on search-and-rescue operations. Instead, they found themselves delayed for days by red tape, forced to watch videos on community relations and to endure politically correct anti-sexual harassment training instead of being dispatched quickly to the disaster area.

On the ground in Louisiana, FEMA acted as though preservation of their bureaucratic paramountcy were the overarching concern — rather than the well-being of Louisiana's hundreds of thousands of suffering citizens. Displaying almost inconceivable levels of pettiness and callousness, FEMA prevented Walmart trucks from delivering emergency water supplies, blocked the Coast Guard from delivering diesel fuel, prevented civilian aircraft from assisting in evacuations, confiscated emergency supplies sent to private hospitals, and commandeered a fleet of private buses dispatched by the Astor Hotel to carry guests to higher ground — ordering the guests instead to join thousands of refugees at the already overcrowded Convention Center. After FEMA officials cut the emergency communications line for Jefferson Parish, the local sheriff had the line repaired and put in place armed guards to protect it from FEMA officials. Commented then-Louisiana Senator Mary Landrieu:

The U.S. Forest Service had water-tanker aircraft available to help douse the fires raging on our riverfront, but FEMA has yet to accept the aid. When Amtrak offered trains to evacuate significant



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numbers of victims — far more efficiently than buses — FEMA again dragged its feet. Offers of medicine, communications equipment and other desperately needed items continue to flow in, only to be ignored by the agency. But perhaps the greatest disappointment stands at the breached 17th Street levee. Touring this critical site yesterday with the President, I saw what I believed to be a real and significant effort to get a handle on a major cause of this catastrophe. Flying over this critical spot again this morning, less than 24 hours later, it became apparent that yesterday we witnessed a hastily prepared stage set for a Presidential photo opportunity; and the desperately needed resources we saw were this morning reduced to a single, lonely piece of equipment. The good and decent people of southeast Louisiana and the Gulf Coast — black and white, rich and poor, young and old — deserve far better from their national government.

Indeed, after the Katrina debacle, Michael Brown, the FEMA director, was forced to resign after it became evident that he was not even aware of the refugee crisis at the Convention Center until several days had elapsed. Yet a dozen years later, FEMA is still with us, and continues to take the lead in disaster areas such as Houston and the Florida Keys. As former Houston-area congressman Ron Paul noted wryly, “When I served in Congress, I regularly voted against federal disaster aid for my district. After the votes, I would hear from angry constituents, many of whom would later tell me that after dealing with FEMA they agreed that Texas would be better off without federal ‘help.’”

Nor is FEMA the only federal player that has had a hand in exacerbating natural disasters. The National Flood Insurance Program, created by Congress in 1968, has — by offering federally subsidized home insurance for houses in areas at high risk for flooding — perversely incentivized heavy construction precisely in such areas. This fact has not been lost on Ron Paul and many others in Washington, but heavy lobbying from the insurance and construction sectors over the years has thwarted every effort to repeal the program. Moreover, the National Flood Insurance Program has been unable to meet its obligations for many years, and was approximately \$25 billion in the red before the arrival of Hurricanes Harvey and Irma, and will doubtless sink much deeper into insolvency as a result of these latest catastrophes.

The city of Houston, unfortunately, exemplifies the follies of the National Flood Insurance Program, which, by indirectly subsidizing massive real estate development all across low-lying Houston’s most flood-prone areas, has created circumstances in which “500-year floods,” such as Hurricane Harvey, have become almost routine. As *Politico’s* Michael Grunwald observed:

Storms are natural events, but floods are usually man-made disasters. That’s because flood damage depends not only on how much water is involved, but on how many people and structures are in its path and how prior human intervention had affected that path. Government policies affect all three of those variables, which is one reason why ‘500-year floods’ — which are supposed to have a 1-in-500 chance of occurring in a particular place in a particular year — are becoming so common.

Houston itself has borne the brunt of three “500-year floods” in the last three years — the other two being relatively small local storms that nonetheless inflicted so much property damage that both qualified as among the 15 costliest floods in U.S. history.

How has Houston come to such a pass? By decades of government policies encouraging Houstonians to modify the environment, removing prairies and other water-absorbent natural protections against flooding, and replacing them with non-absorbent pavement — and then build massively on such



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modified, low-lying areas. In this way large portions of Houston, which lies at the confluence of two major bayous, have become low-lying water catchments, with all of the government's flood-control channels and dikes proving completely inadequate to the challenge of containing the runoff of even routine summer storms, let alone a truly epochal rain event such as Harvey.

None of which is to disparage the building of dikes, sea walls, drains, and the like. Post-1900 reconstruction of Galveston included a much higher, sturdier sea wall that has protected the city against numerous storms since then. But federal policies over the last 50 years have encouraged unwise development on a gargantuan scale, greatly exacerbating the dangers of flooding that such feats of civil engineering are designed to protect against.

When natural disasters such as floods and hurricanes strike, the real "first responders" are the people affected by the event — those who lose property and sometimes loved ones, and who face dangers such as disease, starvation, and loss of electricity and other services in the aftermath — and those who live nearby. Local law enforcement and other government services are often as hamstrung by the event as everyone else, and are unable to discharge their normal duties effectively. And even with some advance warning, federal officials often take days or even weeks to get on site, hindered not only by bureaucratic paralysis but also, quite understandably, by damaged or destroyed communication and transportation infrastructure.

In such cases, it is the immediate actions taken by private citizens that often save more lives than government intervention. As witnessed in Hurricane Katrina and again in Harvey, private citizens with boats can do an enormous amount of good rescuing and evacuating flood victims to high ground, a task the federal (or any level of) government simply cannot undertake, giving the number and allocation of government boats such as Coast Guard vessels. Countless tens of thousands of lives were doubtless saved by the veritable armada of Zodiacs, rowboats, outboard motor boats, and virtually any other private vessel able to float that converged on the flood-stricken areas of Houston even as the rains of Harvey continued to fall. To its credit, federal officials did nothing to impede this ad hoc rescue operation — although, as we have seen, the federal government has not always been so accommodating, as with the actions of FEMA in New Orleans post-Katrina.

But there is one aspect of private participation in disaster zones that routinely meets with condemnation and vigorous government opposition, by both state and federal authorities: the practice of so-called price gouging. In the aftermath of any disaster, critical goods, such as gasoline, generators, bottled water, food, blankets, and the like, are typically in very short supply. Accordingly, entrepreneurial individuals often attempt to sell such items in disaster areas at higher prices than normal market conditions would warrant, prompting cries of "price gouging."

While such actions may seem callous and exploitative at first blush, "price gouging" is in reality a natural market response to increased demand coupled with drastically reduced supply. True market transactions are neither just nor unjust; they occur whenever one individual, who values a certain amount of money more than an item he wishes to sell, encounters someone else who values the item for sale more than the amount of money he is charged in exchange. There is no such thing as an objective or intrinsic standard of value; the fact that market exchanges take place always means that parties to each exchange value the items to be exchanged differently: party A will always value party B's item more than what he offers in exchange, and vice versa.



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This being the case, it is universally true that, the scarcer the item relative to normal supply levels, the higher the price it is likely to command, because both the purchaser and the seller will tend to value it more highly, albeit for different reasons. Entrepreneurship always consists in trying to supply goods and services that the entrepreneur judges that consumers will value more than he does — or in other words, will be willing to offer to the entrepreneur a larger amount than what he has paid for them. Raising prices as high as the market will bear is what successful entrepreneurs do every day, whether under “normal” economic conditions or in the aftermath of a disaster. And price levels provide valuable market information to other would-be participants; high prices and steep profit margins offered by supply shortages encourage other entrepreneurs to jump in and compete for market share, driving down prices until the shortages disappear.

Yet the myth of “price gouging” persists, and government does its best, however unintentionally, to interfere with such market mechanisms in times of crisis, greatly hindering a return to market equilibrium. For example, an enterprising Kentuckian, John Shepperson, bought 19 generators in the aftermath of Hurricane Katrina, loaded them in his truck, and drove down to New Orleans, expecting to sell them to people in need for a hefty profit. To those who have never had to pay attention to the “bottom line” in a business setting, this might seem like a cynical act. But Shepperson paid a considerable expense for the generators out of his own pocket — probably in excess of \$10,000 — and also used his own truck, time, and money to transport the generators to the area where they would be most needed. However, we will never know how much of a profit Shepperson would have made — nor how much suffering would have been eased by access to 19 additional electrical generators. Shepperson was caught and jailed by law enforcement, and his generators confiscated. Thus, in the name of cracking down on “price gouging,” Shepperson’s potential customers were denied the enormous benefit of electricity in Katrina’s aftermath, and Shepperson went home a much poorer man.

As for price gouging in general, gasoline prices in this author’s hometown of Tucson have soared by more than 30 cents per gallon in the aftermath of Hurricane Harvey, as they have all across the nation, because so much of our refining capacity was damaged in the Houston area. Does an almost overnight jump of around 15 percent in gas prices constitute price gouging? What circumstances, in the view of those opposed to “price gouging,” do constitute grounds for sudden price hikes, if not natural disasters? And to whom do such standards apply? Like so much else in economics, popular misunderstandings rather than sound reasoning tend to drive policymaking. Alleged crimes such as “price gouging” are impossible to define clearly and objectively, allowing magistrates the latitude to mete out arbitrary punishment in times of crisis.

Hindsight being 20/20, it is easy to criticize such government policies that have exacerbated the impact of natural disasters. Katrina, Harvey, Irma, Maria, and numerous other natural disasters have run their course, and lives and property destroyed cannot be replaced. But is there a better way to prepare for and deal with the Katrinas and Harveys of the future?

From a constitutional perspective, the federal government has never enjoyed any authority to engage in any sort of charitable activity, including disaster relief. The powers allocated to the legislative and executive branches in Articles I and II, respectively, of the U.S. Constitution do not authorize disaster relief, or any other kind of charitable activity, with public monies. This is significant because, as the 10th Amendment — the last entry in the “Bill of Rights,” which was intended to clarify and underscore certain of the Founders’ intents in framing the Constitution — makes crystal clear, all powers not





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expressly granted to the federal government are understood to remain with the states or with individual citizens. Hence, while Article I, Section 8, which spells out the powers granted to Congress, has much to say on government powers such as taxation and the military, no mention is made of disaster relief (or, for that matter, any other form of government largess, such as unemployment, Social Security, healthcare subsidies, and so on).

As a matter of principle, charity administered on a private, voluntary basis is charity indeed; “charity” dispensed by government, however urgent or well-intentioned, is in fact the involuntary redistribution of public funds. All government money, be it remembered, is acquired via taxation, not donation, and officials who dispense it are not volunteers but paid functionaries. For this reason, the framers of the Constitution regarded public funds as sacred trusts, not to be dispensed at the whim of legislators for political expedience. This is why the rules for the appropriation of public funds are so clearly spelled out, as, for example, in the seventh clause of Article I, Section 9, which stipulates that no public monies may be spent without being authorized by a legal appropriations bill, and that all spending and taking in of public money must be published regularly.

In one famous story involving no less an eminence than celebrated frontiersman-turned-politician Davy Crockett, the moral and constitutional objections for using federal funds for the purpose of charity were spelled out to Congressman Crockett by an irate but very well-informed constituent. As recounted by an article in *Harper's* magazine in 1867, Crockett had returned to his district to stump for reelection. Encountering a man plowing in the field, he stopped to chat with him, only to be told that the man knew perfectly well who he was, that he had voted for Crockett in the previous election, and that he had no intention of voting for him again. Taken aback, Crockett asked why. The farmer responded that Crockett had violated his oath of office by voting for a \$20,000 appropriation for residents of a Georgetown neighborhood who had lost property in a major fire. Crockett allegedly responded that “nobody will complain that a great and rich country like ours should give the insignificant sum of \$20,000 to relieve its suffering women and children, particularly with a full and overflowing Treasury, and I am sure, if you had been there, you would have done just as I did.” To this the farmer replied:

It is not the amount, Colonel, that I complain of; it is the principle.... The power of collecting and disbursing money at pleasure is the most dangerous power that can be intrusted to man.... If you had the right to give anything, the amount was simply a matter of discretion with you, and you had as much right to give \$20,000,000 as \$20,000. If you have the right to give to one, you have the right to give to all; and, as the Constitution neither defines charity nor stipulates the amount, you are at liberty to give to any and everything which you may believe, or profess to believe, is a charity, and to any amount you may think proper. You will very easily perceive what a wide door this would open for fraud and corruption and favoritism, on the one hand, and for robbing the people on the other. No, Colonel, Congress has no right to give charity. Individual members may give as much of their own money as they please, but they have no right to touch a dollar of the public money for that purpose.... There are about two hundred and forty members of Congress. If they had shown their sympathy for the sufferers [of the fire] by contributing each one week's pay, it would have made over \$13,000. There are plenty of wealthy men in and around Washington who could have given \$20,000 without depriving themselves of even a luxury of life. The congressmen chose to keep their own money, which, if reports be true, some of them spend not very creditably; and the people about Washington, no doubt, applauded you for relieving them from the necessity of



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giving by giving what was not yours to give. The people have delegated to Congress, by the Constitution, the power to do certain things. To do these, it is authorized to collect and pay moneys, and for nothing else. Everything beyond this is usurpation, and a violation of the Constitution.

While elements of the story appear to be embellished (the fire under discussion was in Alexandria, not Georgetown, for example, and the existence of the farmer referred to has been called into doubt), Crockett's voting record makes clear that he, along with a large number of fellow legislators of the day, was scrupulous in avoiding spending public monies on "charity." Moreover, as the fact that such a story could appear in one of America's most widely circulated magazines attests, this sentiment was shared by a large portion of the American public. And this remained substantially the case until comparatively recently, when popular ignorance about the Constitution combined with a burgeoning culture of entitlement to create the almost universal notion that, whenever disaster rears her ugly head, it is the sacred duty of the federal government to do something to alleviate human suffering.

As we have seen, on both Constitutional and practical grounds, the federal government should have as little involvement with domestic disaster relief as possible. As events teach us again and again, private citizens are far more effective at dealing with such crises than the federal government. Local and state governments can also be effective, when free from the deadening weight of federal bureaucracy. Although it has become unpopular to point it out, even in extremities such as floods and hurricanes, less government involvement and more private action almost always produce a better outcome than FEMA and the Army Corps of Engineers could ever hope to achieve.



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