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COMMUNITY REVIVAL IN THE WAKE OF DISASTER

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Chapter 1

Introduction

Hurricanes, typhoons, earthquakes, tornadoes, and fires can shatter lives, destroy property, and cause severe emotional trauma. Consider, for instance, some of the worst disasters of the past few decades. The 2004 Great Sumatra earthquake and subsequent tsunami in the Indian Ocean affected almost a dozen countries, resulted in over 230,000 deaths, and displaced over 1.5 million people. It was the third largest and also the deadliest earthquake recorded in history, and destroyed over 300,000 homes, and resulted in over ten billion US dollars in damage. It is not hyperbole to state that many victims of this disaster lost everything; their homes, their loved ones, and their worldly possessions were swallowed up by the sea. The scale and scope of the devastation caused by this disaster was, in a word, overwhelming.

Similarly, the 2010 earthquake in Haiti caused over 160,000 deaths and left over 1.5 million Haitians homeless. Many people who did not have much to begin with lost even the little they had. Many of the homes in Port-au-Prince, prior to the earthquake, were shacks with dirt floors and corrugated roofs. For a decade before the earthquake, GDP per capita in Haiti hovered around \$500 per year. The government in Haiti lacked the capacity to provide basic services for its citizens even before the disaster. It is difficult to imagine how this country could rebound from a disaster of this scale (i.e., one that cost as much as \$13.2 billion in damage) without extensive assistance from outside the country.

Likewise, the disasters that we focus on in this book—Hurricane Katrina and Hurricane Sandy—caused significant harm. Hurricane Katrina and the floods that followed, for instance, caused over 1,800 deaths, resulted in over \$100 billion in damage, and displaced over 400,000 Gulf Coast residents. Similarly, Hurricane Sandy caused over 180 deaths and resulted in over \$60 billion in damage.

Although disasters can devastate communities, and the challenges associated with overcoming disasters would appear to make post-disaster community rebound unlikely, it is not uncommon for communities to eventually bounce back after disasters. Any post-disaster situation is certainly difficult

and will seem nearly impossible to navigate, but communities around the world appear to be able to recover from disasters. How, then, do communities rebound after disasters?

Rebounding from a Disaster Is a Daunting Challenge

Community rebound after a disaster would seem to be a daunting challenge. Indeed, the costs associated with rebuilding after disasters are necessarily high. Rebuilding damaged or destroyed homes and businesses takes a great deal of time and a lot of money. Disaster victims have to buy building materials; hire builders; and replace lost clothing, furniture, appliances, and other household items. Rebuilding damaged or destroyed homes and businesses also takes a psychic toll on disaster victims. Picking through damaged keepsakes, recognizing that a space associated with key moments in one's life is now in ruin, and coming to terms with the sheer scale and scope of the loss can be extremely difficult. Moreover, the opportunity costs of rebuilding and not moving to start over elsewhere can be significant. The time spent attempting to "clear the rubble" where you lived prior to the disaster is time not spent building a life in a new community, seeking employment and building connections in that new place.

Often, community members lack the resources needed to rebuild a community after a disaster. Studies have found that the most economically and socially disadvantaged communities are also the most vulnerable to disaster.¹ Several studies have examined whether or not minority and low-income households have limited access to the resources that aid in preparing for, and recovering from, disasters. For instance, Peacock (2003) and Norris et al. (1999) found that minority and low-income households tend to be less prepared for hurricanes. Similarly, Blanchard-Boehm (1998) and Fothergill (2004) found that these households are less likely to have disaster-related insurance. Other studies have found that the poor suffer more injuries and deaths from disasters than the wealthy (see Wright 1979). Kahn (2005) found that developed countries, which have better-quality institutions, suffer fewer deaths after a natural disaster.

While the costs associated with community rebound after a disaster can be high and potentially prohibitive, the benefits associated with rebuilding are, at best, uncertain. In the wake of a disaster, every affected community member has to decide whether it makes more sense to move elsewhere or to attempt to repair or rebuild their damaged or destroyed homes and businesses. However, deciding whether or not to relocate in the wake of a disaster is a particularly difficult decision to make. One reason for the difficulty is that it is very hard for affected community members to predict what their community will look like in the months and years after the disaster. The questions that individuals must confront in mundane times are amplified after a disaster.

In order to assess the benefits of repairing and rebuilding damaged homes and businesses, disaster victims must find answers to many questions and

scenarios. What will this community be like in the future? What business opportunities will exist? Similarly, business owners must figure out what their customer base is likely to be once displaced residents decide to return or relocate. Business owners must also figure out whether they will be able to find employees with the desired skillset and locate necessary suppliers before deciding to rebuild their businesses. Similarly, since businesses as well as homes are destroyed by disasters, affected community members must also figure out if they will find gainful employment after the storm. Additionally, displaced residents and business owners must form a judgment regarding which public services will be available in their community once recovery is under way. They must also make a judgment surrounding whether disrupted social networks will be restored, whether their churches and temples as well as social clubs will come back, and whether their neighbors, friends, and family members will rebuild rather than relocate.

These questions are virtually impossible to answer for several reasons. First, the post-disaster environment is unavoidably an environment in flux. Second, and perhaps most importantly, everyone's answers to these questions will depend in part on the decisions to relocate or rebuild of many others who are similarly struggling to find answers to the same questions before deciding what course of action to pursue. Another reason for the difficulty in deciding whether rebuilding or relocating is more advantageous is that the greater the extent of the disaster the more difficult it is for disaster victims to coordinate their activities with one another. Because disasters often displace community members, it can be difficult, if not impossible, to locate and reconnect with customers and employees; with friends, neighbors, and fellow churchgoers; and even with family members in the days, weeks, and months following a disaster. Because disasters create such uncertainty, and because there is greater uncertainty with greater disasters, the victims and affected members often have similar difficulties formulating and articulating concrete plans.

Community recovery after a disaster, thus, constitutes a collective action problem (Chamlee-Wright 2010; Chamlee-Wright and Storr 2009a, 2010a).² Arguably, the most sensible choice for every affected community member to make after a disaster is to wait and see what others decide before committing to a course of action. Stated another way, the risks associated with being a first mover could very well be prohibitive, and so the dominant strategy for every community member would be to wait and see what others decide to do.³ If community members do not find a way to overcome this collective action problem, then community rebound after a disaster is unlikely to occur.⁴

Given the scale and scope of disasters, there is, not surprisingly, a tendency to focus on the various ways governments can help communities prepare and plan for, survive, and ultimately recover from, disasters. Governments, it is believed, are well positioned to marshal the resources and to mobilize the manpower needed to rebuild devastated communities after disasters.

There are, in fact, several ways governments have attempted to help communities rebound after disasters. They have sent in personnel to search for and to assist with the care for victims. They have sent in individuals to help

with the cleanup in the immediate aftermath of the disaster. They have provided temporary housing for disaster victims in the weeks and months following a disaster. They have offered funds to help disaster victims rebuild their homes or businesses. They have repaired and reopened damaged and destroyed schools, repaired and restored disrupted public utilities (e.g., water, sewage, and electricity), and provided public services (e.g., police and garbage collection). They have also attempted to develop comprehensive plans for post-disaster community rebound.

While it is true that there is a tendency to look toward governments for assistance after disasters, there have certainly been some issues associated with the government provision of aid after disasters. There is also a realization that governments alone cannot bring about post-disaster community rebound. Indeed, nongovernmental organizations as well as private donors and volunteers have greatly assisted disaster victims in the aftermath of disasters (Chamlee-Wright 2010; Chamlee-Wright and Storr 2009a, 2010a; Shaw and Goda 2004; Zakour and Gillespie 1998). Additionally, disaster victims often rely on their social networks for assistance following a disaster (Aldrich 2011a, 2011b, 2012; Chamlee-Wright 2008, 2010; Chamlee-Wright and Storr 2010a, 2011b; Hurlbert et al. 2000, 2001; Murphy 2007; Storr and Haeffele-Balch 2012). Social networks, just as in mundane times, can be an important source of financial and emotional support in post-disaster contexts. Entrepreneurs, we argue, also play a critical role in bringing about community recovery after disasters.

Entrepreneurs Are Agents of Social Change

We think of entrepreneurs as agents of social change. As such, our notion of who counts as an entrepreneur is quite inclusive, encompassing not only commercial entrepreneurs but also social, political, and ideological entrepreneurs. When we describe someone as an entrepreneur, we do not mean to suggest that the person is necessarily the decision agent in a commercial enterprise who notices and seeks to exploit profit opportunities by developing and offering goods and services to customers at a price. We also think of the individual who organizes a food drive in their neighborhood and the community leader who organizes community members to protest some societal injustice as entrepreneurs. We also think of the religious leader who cares for his flock as an entrepreneur. We think of the political and bureaucratic leaders who propose and pass legislation and who advocate and direct policy as entrepreneurs. And, we also think of the thought leaders, who convince community members to change their views on social issues, as entrepreneurs. So, we would describe both the Bill Gates who started Microsoft, a for-profit software company, and the Bill Gates who started the Gates Foundation, a nonprofit charitable enterprise, as entrepreneurs. We would describe industrialist Henry Ford, who revolutionized the production of automobiles, and President Woodrow Wilson, who pushed for a change in the ways nations interacted with one another, as entrepreneurs.

Although our conception of who counts as an entrepreneur is inclusive, and in some sense almost everyone can be described as acting entrepreneurially at various moments in their lives, it does have some boundaries.⁵ Entrepreneurs qua entrepreneurs notice opportunities (whether writ large or writ small) and move to exploit them to change the world. The functionary who is implementing the entrepreneur's vision is not an entrepreneur. Or, rather, he is not acting as an entrepreneur when merely carrying out someone else's vision to change the world. Similarly, the financier or donor who is merely bankrolling the operation is not acting as an entrepreneur. Or, rather, she is not acting as an entrepreneur when merely providing the resources to support someone else's vision to bring about social change. Likewise, the recipient or the customer who is benefiting as a consequence of the entrepreneur working to implement her vision is not acting as an entrepreneur. Or, more specifically, she is not acting as an entrepreneur when merely securing or enjoying the fruits of an entrepreneur's efforts.

When conceived this way, it is easy to imagine the critical role entrepreneurs play in societies in mundane times. After a disaster, entrepreneurs, we argue and hope to show, play an important role in helping communities overcome the collective action problem that characterizes community rebound. Specifically, we focus on their post-disaster efforts to provide necessary goods and services, restore and replace disrupted social networks, and signal that community rebound is likely and, in fact, under way. Each of these actions reduces the costs associated with rebuilding a damaged or destroyed home or business, increases the benefits associated with post-disaster community rebound, or helps to convince disaster victims that others also believe that the benefits associated with rebuilding outweigh the costs.

Bureaucrats, on the Other Hand, Should Be Seen as Promoting Stability

Entrepreneurs are creative, innovative figures who utilize their positions, experiences, and resources to identify opportunities and drive social change. Bureaucrats, on the other hand, are rule-following figures that sustain rather than challenge the status quo. The policies bureaucrats propose and the strategies they pursue are likely to be characterized by balance and predictability. Rather than being disruptive figures whose actions bring about change, bureaucrats are likely to adopt routines, advocate caution, and resist change.⁶

When we describe bureaucrats, it is important to note that we do not mean to suggest they occupy a particular position within an organizational chart, nor do we mean to suggest they are a part of any particular kind of organization. Instead, in describing someone as a bureaucrat, we are ascribing to that particular person in that particular moment a particular mind-set and suggesting that she is performing a particular social function. Bureaucrats, thus, can exist in both the public and private sectors, in both for-profit and nonprofit organizations, and at both the top and bottom of a given organizational

chart. Whereas entrepreneurs notice opportunities in all environments and move to exploit them for social change, bureaucrats can be seen as implementing plans, following rules, and promoting stability.

Different types of environments (e.g., monocentric versus polycentric systems), however, can either encourage and give greater scope for entrepreneurial efforts to bring about social change or can promote bureaucratic efforts to preserve the status quo. Monocentric systems are systems where power is centralized. Polycentric systems have multiple centers of power. Monocentric systems are typically characterized by strict protocols and chains of command and tend to limit innovation in favor of maintaining the status quo. Polycentric systems, however, give individuals the space to experiment and tend to allow for autonomy and encourage challenges to the status quo. Whereas monocentric systems tend to be rigid and hierarchical, polycentric systems are more decentralized. Bureaucrats are closely associated with monocentric systems, and entrepreneurs are more likely to thrive in polycentric systems.

Although the differences between a monocentric system and a polycentric system are quite stark and are likely to be readily apparent to anyone operating within them, it is difficult to determine whether an organization promotes entrepreneurship or bureaucratic behavior by studying its organizational chart. For instance, two organizations might have similar formal hierarchies—say, they each have a president, senior managers, middle managers, and staff—but one may encourage entrepreneurship at various levels within the organization and the other might discourage it. Instead of looking at the organizational chart, it is important to examine the actual characteristics of and dynamics within the organization. In other words, examining the rules, roles, and expectations that in fact govern interaction within an organization is key to understanding the nature of that organization. Stated another way, it is the rules-in-use and not the rules-in-form that ultimately matter. For instance, the owner of a small company with a few staff members and a flat organizational structure may, nonetheless, tightly control the organization and give little scope for employees to act outside their prescribed roles. While the owner may be acting entrepreneurially in bringing new products to the market, he may close off the possibility of his employees acting entrepreneurially within and on behalf of his firm. Likewise, a large company or a federal agency may have formal structures that appear quite hierarchical but might also give middle managers autonomy to make decisions on the ground.

When the challenges confronting a community are complex and the circumstances are uncertain and constantly changing, such as during and after a disaster, there arguably needs to be an even greater scope for entrepreneurial efforts than in mundane times. Moreover, if too many people adopt a bureaucratic mind-set within government agencies tasked with assisting communities and within private organizations affected by disaster, they might actually retard rather than promote recovery. Stated another way, polycentric rather than monocentric systems are likely to be better able to bring about community rebound after a disaster. This is, of course, not to say that during

and after a disaster there is no role for bureaucrats who simply follow orders and work to accomplish the tasks put before them. It is difficult, for instance, to imagine any medium- or large-scale operation that could be effective if all the people taking part in it were simply told to look for opportunities to promote change and pursue them. Instead, pointing to the importance of entrepreneurship after disasters highlights that, given the challenges associated with post-disaster community recovery, bureaucrats alone cannot bring about recovery, and that failing to give entrepreneurs enough scope to act will hamper community recovery.

And, so, This Book Argues That ...

Entrepreneurship is a key force behind community rebound after disasters. After a disaster, entrepreneurs, conceived broadly as individuals who recognize and act on opportunities to promote social change, play a critical role in helping communities overcome the collective action problem that characterizes post-disaster community rebound. Specifically, we argue that entrepreneurs promote community recovery after disasters by providing necessary goods and services, restoring and replacing disrupted social networks, and signaling that community rebound is likely and, in fact, under way. Given the importance of entrepreneurship after disasters, we argue that policymakers should recognize that bureaucrats alone cannot bring about recovery and should attempt to create environments where entrepreneurs have the space to act.

This project should, thus, appeal to (1) those interested in disaster recovery and community rebound as well as (2) those interested in how coordination problems are solved in the real world. The first group of scholars, policymakers, and interested nonspecialists (i.e., those interested in disaster recovery and community rebound) tend to be concerned with how communities are impacted by disasters, how communities can recover from disasters, and what can be done to make communities more resilient. Arguably, the members of this group tend to emphasize centralized disaster management approaches and tend to discount the role of decentralized efforts in helping to solve the massive problems that affect entire communities.⁷ Our project, however, suggests that this group overemphasizes the importance of monocentric approaches to bring about community recovery and underemphasizes the role of entrepreneurship after disasters.

The second group of scholars, policymakers, and interested nonspecialists tend to emphasize the role of entrepreneurs in overcoming real-world coordination problems. Not surprisingly, members of this group tend to argue that commercial entrepreneurs are better positioned than entrepreneurs in nonmarket settings and certainly better positioned than bureaucrats in government to solve complex coordination problems.⁸ Our project suggests that this group underappreciates the potential of nonmarket entrepreneurship—such as social, ideological, and political entrepreneurship—to solve coordination problems and bring about social change.

Community Revival in the Wake of Disaster is organized in nine chapters. Chapter 2, “The Entrepreneur as a Driver of Social Change,” begins with a discussion of Israel Kirzner’s and Joseph Schumpeter’s seminal theories of entrepreneurship in the commercial sphere. While Kirzner stresses that entrepreneurs notice profit opportunities, Schumpeter emphasizes the role of entrepreneurs in introducing new goods and services and developing new ways of producing or delivering existing goods and services. We argue that their theories of commercial entrepreneurship can be extended to explain social, political, and ideological entrepreneurship. We further argue that there are important similarities between these different kinds of entrepreneurship and that we can conceive of entrepreneurs more generally as social change agents.

Chapter 3, “How Entrepreneurs Promote Post-Disaster Community Rebound,” outlines the challenges associated with recovering from a disaster and highlights several key ways by which entrepreneurs help bring about post-disaster community rebound. Specifically, we focus on entrepreneurs providing needed goods and services, restoring and replacing disrupted social networks, and signaling that community rebound is likely and, in fact, under way.

Chapter 4, “How Entrepreneurship Promotes Community Recovery: The Cases of Hurricanes Katrina and Sandy,” describes our empirical approach and offers further details about the challenge of rebounding from and the extent of the damage caused by Hurricane Katrina and Hurricane Sandy.

Next, chapters 5, 6, and 7 offer specific examples of entrepreneurs promoting community rebound after these disasters. In chapter 5, “Goods and Services Providers,” we argue that entrepreneurs provide needed goods and services during mundane times, and that it is reasonable to think they may also provide key goods and services in post-disaster scenarios. As we discuss this topic, a growing literature does in fact support the theory that entrepreneurs may effectively provide goods and services in hostile environments (Bullough et al. 2013; Galbraith and Stiles 2006). Following a disaster, victims often require food, water, and shelter. They may also need clothing, day care services, or transportation. As rebuilding begins, the goods and services demanded may shift to items related to construction, appliances, and furniture, as well as the specialized skills offered by architects, plumbers, and electricians. Indeed, entrepreneurs provide all these things and more. For instance, we examine how one entrepreneur started a health clinic in the Lower Ninth Ward after Hurricane Katrina and how the leader of a civilian patrol in Bayswater and Far Rockaway used his existing group to help ensure community safety in the aftermath of Hurricane Sandy.

In chapter 6, “Regrowing Uprooted Social Networks,” we focus on the entrepreneur as a restorer of social networks in a community. Entrepreneurs can reach out to investors and donors, employees, and volunteers, as well as customers and clients who may be dislocated as a result of the disaster, and they can communicate to others information about available resources and may be able to obtain resources for disaster victims. Again, we study several

entrepreneurs who have helped to restore and replace social networks in their communities following a disaster. We illustrate, for example, how the leader of a local community organization in New Orleans used the organization's membership records to reconnect with residents who had evacuated and not yet returned, as well as how a resident of Bayswater used his own connections within the community to engage with a larger social network, including those who wanted to provide disaster assistance and those who needed such assistance.

In chapter 7, "Entrepreneurs as Signals of Healthy Community Rebound," we describe how entrepreneurs can coordinate recovery efforts and serve as important focal points. For instance, we explore how a pastor of the Mary Queen Vietnam Catholic Church took deliberate steps to signal members to return to his community, and how the owner of a convenience store in the Lower Ninth Ward worked hard to get his business back up and running and, in so doing, convinced community members in the surrounding neighborhood that recovery was under way.

In chapter 8, "Fostering Resilient Communities," we argue that giving entrepreneurs the space to act is crucial for fostering resilient communities. The work of Vincent and Elinor Ostrom provides a useful distinction between monocentric systems, which are characterized by strict hierarchy and tend to promote the status quo, and polycentric systems, which are characterized by decentralized and competing nodes of authority and tend to promote entrepreneurial activity. Since entrepreneurs play a crucial role in promoting community rebound after disasters, we argue that policymakers should create polycentric systems as opposed to monocentric ones for disaster management, and they should encourage entrepreneurial efforts in both the public and private sphere to bring about post-disaster community rebound. We do not argue, however, that the government does not have a role to play in helping communities to recover after disasters. In fact, it is possible to imagine policymakers accepting our policy recommendations and still pursuing a sizeable government response to disasters. Our recommendations do not argue against government responses to disasters per se, but we do argue against government responses to disasters that limit the scope of post-disaster entrepreneurship. Our recommendations speak against structuring government responses in a way that does not allow for experimentation, innovation, and decentralized responses to disasters.

Finally, in chapter 9, "Conclusion," we offer concluding remarks. In summary, the entrepreneur is a driver of social change and is a driving force behind post-disaster community rebound. Specifically, entrepreneurs provide needed goods and services, help community members restore or replace disrupted social networks, and signal that community rebound is likely and, in fact, under way. Since entrepreneurs play such a critical role in promoting post-disaster community rebound, policymakers should ensure that entrepreneurs have the space to act.

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