Disaster, Inc.: Privatization and Post-Katrina Rebuilding in New Orleans

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This paper examines the problems and limitations of the privatization of federal and local disaster recovery policies and services following the Hurricane Katrina disaster. The paper discusses the significance of the Homeland Security Act of 2002 in accelerating efforts to devolve and privatize emergency management functions; the reorganization of the Federal Emergency Management Agency (FEMA) as a service purchaser and arranger; and the efforts by the New Orleans city government to contract out disaster recovery activities to private firms. I situate and explain these three developments in the context of recent trends toward the neoliberalization of state activities, including the privatization and devolution of policy implementation to private firms and non-governmental organizations. On both the federal and local levels, inadequate contract oversight and lack of cost controls provided opportunities for private contractors to siphon public resources and exploit government agencies to further their profiteering interests and accumulation agendas. This article demonstrates how the privatization of emergency management services and policy constitutes a new regulatory project in which the state's role has shifted away from providing aid to disaster victims and toward the management and coordination of services delivered by private contractors.

Introduction

The impact and consequences of the privatization of government services and public goods have been hot topics in recent years. In the United States, privatization involves the transfer of ownership of public goods to private organizations or the contracting out of government services to private firms.[1] With increasing frequency since the 1980s, government officials and agencies have applied privatization strategies at the federal, state, and city levels to a wide variety of services, from road maintenance to weapons development to human service provision.[2] Over the last decade, prisons, public water supplies, public transportation, and military contracting have also become the targets of these strategies.[3] Privatization has long been attractive to public choice theorists and free market proponents as a policy that can promote democratic values such as freedom and efficiency, and help eliminate government waste and fraud.[4] Elected officials interested in reducing the size of "big government" have touted privatization as a means of curbing government spending and generating economic growth by relying on the private sector to deliver social services. Since the 1980s, each Congress has featured new bills proposing to expand the movement of federal government activities to the private sector.[5] Not surprisingly, attempts to restructure the provision of public goods and services through privatization typically elicit concerns over intentions and possible consequences. Indeed, privatization raises important questions about the nature of political power and influence, bureaucratic efficiency and economic growth, and equity and democratic accountability.

This paper focuses on the negative consequences of the privatization of federal and local emergency management functions and rebuilding activities following the Hurricane Katrina disaster. A variety of scholarly accounts, congressional investigations, and government reports have denounced the federal government's response to Hurricane Katrina as a policy "failure" and called for major reforms in the formulation and implementation of federal disaster policy.[6] The US House Select Bipartisan Committee investigating the disaster in 2006 found that the post-Katrina response was a "failure of initiative," while the Senate Homeland Security Committee's report *A Nation Still Unprepared* concluded that Katrina's devastation flowed from "the failure of government at all levels to plan, prepare for, and respond aggressively to the storm."[7] One

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prominent explanation locates the source of the sluggish response in the poor decision-making, frequent errors, and insufficient and poorly-trained staff of the Federal Emergency Management Agency (FEMA).[8] Other accounts focus less on the limitations of the federal government and more on the failures of state and local governments to respond adequately. Peter Burns and Matthew Thomas, for example, argue that much of the responsibility of the poor response to the disaster lies in deeply-rooted historical patterns of state/local political conflict, including intergovernment tensions over the control of recovery resources and the Louisiana governor's and state legislature's distrust of the city government of New Orleans.[9] While some researchers assign responsibility for the sluggish response to governments and public agencies, others identify "cronyism" or breakdowns in policy "coordination" as the main sources of government failure.[10] Still other accounts zero in on the actions of government administrators and elected officials they claim were responsible for the Katrina debacle, an explanation that downplays the importance of situating post-Katrina government responses in larger social processes and policy developments.

In this paper, I situate the limitations and problems of the federal and local government response to the Hurricane Katrina disaster with reference to longstanding policy trends emphasizing the neoliberalization of public services and resources. Although the term "neoliberalization" covers a variety of different policy strategies and activities, a useful definition encompasses the range of efforts by governments to move public functions into private hands and to use market-style competition to address regulatory problems.[11] Privatization is one dominant element of this neoliberalization that has become a central feature of the implementation of emergency management services. Scholars have spent much time investigating the impacts of privatization on different facets of government activity, but few studies have examined privatization in the field of emergency management and post-disaster rebuilding. This paper bridges this gap and points to the motivations, negative consequences, and implications of contracting out disaster aid and resources to private corporations at the federal and local levels.

I first discuss the significance of the Homeland Security Act of 2002 that accelerated longstanding efforts to devolve and privatize emergency management functions. Next, I identify the limitations of FEMA's heavy reliance on private contractors, no-bid contracts, and outsourcing during the Hurricane Katrina disaster. I then explain how the city government's reliance on private contractors to manage New Orleans's post-Katrina rebuilding program contributed to the fiscal crisis of the state. Finally, I examine a new phase of intensified privatization in which the operations and organizational culture of the public sector are increasingly restructured by government officials to anticipate, complement, and mimic competitive markets. I use the case of post-Katrina New Orleans to outline the regulatory failures and crisis-tendencies of neoliberalization and privatization trends and discuss their significance for government operations and policy. As I point out, the neoliberalization of emergency management functions does not entail a diminution of state authority or a reduction in the size of the state via the use of contracting-out strategies and other forms of privatization. Rather, neoliberalization represents the administration of privatization, and signifies the expansion of state activity in order to manage a growing network of public-private partnerships, private contractors, and quasi-state programs. Privatization is not a pragmatic or impartial response to governance problems or policy limitations; instead, it represents an assault on traditional relays of democratic accountability.

Neoliberalization, Privatization, and Emergency Management Policy

Over the past two decades, the ideology of neoliberalization has become one of the dominant features of the American political and governmental landscape. Neoliberalization is a policy orientation connected to the promotion of *laissez-faire* capitalism championed by Milton Friedman and Friedrich Hayek. As a political ideology, neoliberalism stresses the beneficence of the so-called "free market," private-sector implementation of state policies, and the deregulation of industry as solutions to social problems and keys to national economic global success. As Neil Brenner and Nik Theodore have written, "The linchpin of neoliberal ideology is the belief that open, competitive, and unregulated markets, liberated from all forms of state interference, represent the optimal mechanism for economic development."[12] In the United States, policymakers have long embraced neoliberal policies such as vouchers, magnet/charter schools, tax expenditures, and public-private partnerships for their potential to reduce "big government" and improve service quality by promoting competition between the government and private firms.[13] Scholars in law, economics, political science, sociology, and anthropology have studied the questions that neoliberalization raises: whether it marks a fundamental change in the nature of the democratic state, whether certain state functions are inherently "public," and whether neoliberalization threatens core democratic values.[14]

Privatization is one component of neoliberal policy strategies and has become increasingly central to the provision of social services in the United States. Although the term "privatization" covers a variety of different activities, most researchers view the term as encompassing a range of efforts by governments to move public functions into private hands through various contracting and outsourcing strategies.[15] Since the 1980s, federal and state governments have handed over more and more tasks to for-profit and nonprofit private enterprises, from the management of prisons to the provision of health care and welfare to the running of schools.[16] Although privatization is not completely new—contracting out goods and services (outsourcing) has been a major part of government for decades—what is new is the intensification of efforts to apply and expand privatization logics and strategies to more areas of social life. According to Craig Calhoun, "The early 21st century has seen a concerted effort to limit protections and privatize risk, to roll back public provision of public goods, and to restructure public communications on the basis of private property rights rather than any broader conception of communicative rights."[17]

Scholars across the social sciences have drawn attention to the regulatory deficits, negative outcomes, and contradictory effects of privatization. Standard objections to privatization of government services concern poor program quality; increased costs; intensification of social problems; evasion of responsibility and accountability for problematic services; greater opportunities for fraud, inefficiency, and waste; subordination of public interests to profit profits; and entrenchment of institutionalized racism and sexism.[18] Opponents also argue that privatization does not reduce the size or scope of state activity, but rather establishes new socio-legal regulations, increases spending through cost overruns, and creates larger government programs for managing and coordinating public-private networks and partnerships.[19] Critics have also charged that privatization reorders the priorities of government from the management and implementation of policies to the oversight of non-government entities—e.g., for-profit and non-profit organizations—who implement policies, a recent trend that has been the subject of congressional investigations and studies over the last decade.[20] Furthermore, Matthew Crenson and Benjamin Ginsberg maintain that privatization is a process of "downsizing democracy," as policies increasingly address citizens as customers and consumers, and the celebration of the "market" becomes a means for "structuring public policy without a public."[21]

In the last decade, scholars have noted that privatization has been a major driver of the development of modern networked forms of governance, characterized by complex webs of multi-organizational and multi-governmental relationships. Early on, Donald Kettl noted the expansion of "government by proxy"—e.g., the provision of government goods and services by nongovernment agents empowered through contracts, grants, and tax subsidies.[22] For Kettl, government by proxy reflects and reinforces several interlocking trends, including the proliferation of horizontal and vertical networks linking government and non-governing entities, and the multiplication of "administrative pathologies."[23] More recently, Stephen Goldsmith and William Eggers have examined the increased importance of "governing by network," in which governments are shifting their core responsibilities away from managing workers and providing services, to orchestrating networks of public, private, and nonprofit organizations that deliver the services that government once did itself. In this new model, government agencies are becoming less important as originators and providers of services and more important as service coordinators and facilitators.[24]

The increasing use and reliance on proxies to deliver services dovetails with what Nancy Jurik calls the "new privatization," in which "the organizational culture of government and non-profit sectors is restructured according to market principles."[25] New privatization agendas aim to infuse the principles of business managerialism and competition into public sector operations in order to "reinvent government" and create a more entrepreneurial government system.[26] Although new privatization agendas may include contracting out, they move beyond simply transferring ownership and control of government operations to the private sector, and attempt to reconstitute public sector organizations in the image of the for-profit sector. According to Jurik, the major components of new privatization include "the belief that competitive markets exist and are the most effective methods of management"; an emphasis on "the performance assessment or audit" to measure organizational success; "cost effectiveness" as the goal and outcome of operations; and the ideology of "empowerment" in which employees are coached to adopt an "organizational communitarianism" and thereby define their own self-worth in terms of the goals and success of the organization.[27] New privatization encompasses other forms of privatization, while also extending neoliberal principles in the service of "restructuring public sector organizations like government and non-profits to become more like businesses."[28]

Privatization especially in the realm of emergency management policy and disaster recovery services raises several issues fundamental to notions of civil society, community, and citizenship. By providing assistance to communities affected by disasters, the state aids its citizens, asserts its power, and reproduces its sovereignty. In shifting emergency management responsibilities from government to market, privatization addresses disaster victims not as citizens and members of an aggrieved community but as atomized customers, clients, and consumers. In doing so, privatization obscures liability and accountability for problematic post-disaster outcomes, and disarticulates public purposes from post-disaster recovery and rebuilding activities. Moreover, the consequences of privatization are hardly the same for all groups affected by disasters. Some groups and organized interests will benefit and others will suffer when the implementation of emergency management policy is shifted to private actors. In addition, privatization prioritizes the goals and interests of private companies and allows such groups to use public resources and power to achieve what are essentially private aims. Because of these issues, privatization is "an intensely political phenomenon" and cannot be easily conceptualized or analyzed as a benign or pragmatic policy adjustment to an extreme event or disaster.[29] Rather, the privatization of emergency management services and policy constitutes a new regulatory project in which the state's role has shifted away from providing aid to disaster victims and toward the management of services delivered by private contractors.

Privatization and the Department of Homeland Security (DHS)

Since 1979, the Federal Emergency Management Agency (FEMA) has been the major executive branch agency responsible for organizing and coordinating disaster relief and aid among government agencies, and between government and the private and non-profit sectors. Over the years, the mission and goals of FEMA have been contradictory and unstable, shifting from a focus on "national security" during the 1980s, to a comprehensive all-hazards approach to emergency management in the 1990s, to the development of programs geared toward protecting against terrorist attacks after 2001.[30] During the 1990s, Clinton Administration officials reorganized FEMA under the banner of "reinventing government," applying a business customer service model to the agency and emphasizing private sector provision and implementation of emergency management policy.[31] This policy emphasis on promoting greater private sector involvement and leadership within government continued through the 2000s, as FEMA underwent several dramatic organizational transformations linked to government efforts to devolve and privatize emergency management policy. In its first budget, George W. Bush's administration proposed cutting $200 million from FEMA's budget.[32] White House spokesman Scott Stanzel explained that proposed cuts to federal emergency management programs were part of "an ongoing effort to shift control and responsibility to the states and give them more flexibility."[33] As George Bush's Office of Management and Budget (OMB) Director, Mitch Daniels, stated at a conference in March 2001, "the general idea—that the business of government is not to provide services, but to make sure that they are provided—seems self-evident to me" (Elliston 2004).

Joe Allbaugh, President George W. Bush's first FEMA director, expressed the Administration's interest in devolving the implementation of emergency management responsibilities in his May 2001 testimony before a Senate Appropriations subcommittee. Decrying federal disaster assistance as an "oversized entitlement program," Allbaugh complained that "[e]xpectations of when the Federal Government should be involved and the degree of involvement may have ballooned beyond what is an appropriate level." Therefore, the federal government "must restore the predominant role of State and local response to most disasters. Federal assistance needs to supplement, not supplant, State and local efforts." Guided by White House prerogatives, Allbaugh proclaimed that FEMA "will implement criteria empowering State and local governments to assume greater responsibility for people and property. . . . We will pay special attention to volunteers and non-governmental organizations responding to disasters. Faith-based groups [will] play critical roles in disaster relief."[34]

The tragic events of September 11, 2001 and the subsequent creation of the US Department of Homeland Security (DHS) intensified Executive Branch efforts to privatize and devolve emergency management policy and functions. The Homeland Security Act of 2002 moved 22 federal agencies and 170,000 federal employees under the control of the new DHS, a mammoth bureaucracy that President Bush proclaimed would "harness the expertise, energy and ingenuity of the private sector" to strengthen homeland security.[35] Changes in FEMA's structure and responsibilities occurred multiple times from 2001 through 2005. FEMA underwent several reorganizations in fiscal years 2001 and 2002, but the most significant change occurred in March 2003, when FEMA transitioned from a cabinet-level agency to a component of the newly created DHS.

As Table 1 shows, at least nine different federal programs and funding streams transferred into and out of FEMA in two years, from 2003 to 2005, a situation that caused considerable organizational instability and flux in FEMA's resources. As one GAO report found, fluctuating resources, changing responsibilities, and employee turnover were common during these years.[36] In addition, funds to staff, manage, and operate FEMA programs and day-to-day operations were unstable, and FEMA had to compete with other DHS and federal priorities for limited resources. In total, over $1.3 billion in funding for new or significantly expanded programs entered into FEMA between 2003 and 2004, and nearly $1.5 billion left the agency by 2005. The movement of programs and their funding in and out of FEMA nearly balanced in dollar terms.

What is important to consider is the volatility of the bureaucratic changes and the associated disruption, shifting responsibilities, and unpredictability that affected the agency. In some years, FEMA gained employees and new funding and responded to new and increased responsibilities, only to have programs and funding stripped away later. In the transition to DHS in fiscal year 2003, for instance, FEMA gained over $513 million in new programs from the Department of Health and Human Services (HHS). By fiscal year 2005, however, the White House had transferred many programs and most of their attendant funding out of FEMA. The Strategic National Stockpile had been returned to HHS, and the Department of Metropolitan Medical Response System (MMRS) had been transferred to another division of DHS. These changes left FEMA with just $34 million of the original $513 million in increased funding.

As Charles Perrow has documented, the post-9/11 reorganization of FEMA offered new opportunities to further

Table 1
Transfer of Programs and Funding among FEMA and Other Federal Agencies, FY March 2003 through FY 2005

Programs and funding moved into FEMA	Programs and funding moved out of FEMA
Department of Health and Human Services:	
National Stockpile ($429 million) (2003)	National Stockpile ($429 million) (moved back to HHS in 2005)
Public Health Programs ($34 million)	Emergency Management Performance Grant ($163.9 million) (moved to DHS in 2003)
Metropolitan Medical Response System (MMRS) ($50 million)	Fire Grants Program ($745 million) (moved to DHS in 2003)
	Inspector General ($13.9 million) (moved to DHS in 2003)
	Citizen Corps ($20 million) (created in 2003 and moved out of FEMA to DHS)
	Grants for Emergency Management ($70 million) (created in 2003 and moved out of FEMA to DHS)

Source: GAO 2007a.

other presidential agendas unrelated to disasters and terrorist threats.[37] Shortly after the establishment of the DHS, several senior deputies took lucrative jobs for the private sector as homeland security lobbyists. According to Perrow, "the number of lobbyists who registered and listed 'homeland,' 'security,' or 'terror' on their forms was already sizeable at the beginning of 2002, numbering 157, but jumped to 569 as of April 2003."[38] New public-private networks extended to other agencies within the DHS to form a complex web of corporate-government contracts. Contracting out for emergency management services is, of course, nothing new and dates back decades. What was new in the post-9/11 era was the intensification of federal efforts to integrate emergency management policy into homeland security functions to make the former more available to outsourcing and privatization.

Privatizing Federal Disaster Aid: The Role of Multinational Corporations

Hurricane Katrina provided the first major test of the newly established DHS that executive branch officials and managers had designed to make the nation safer and more secure against terrorist strikes and other disasters. As it turned out, the changes in FEMA's structure and operations from 2001 through 2005 had eroded the agency's capacity to coordinate and deliver resources to disaster-impacted communities. FEMA's resources were not sufficient to manage a massive and urgent logistical effort without substantial assistance.[39] As a result, a distinctive feature of the federal government's response to the devastation caused by the collapse of the Army Corps of Engineers's levees was its heavy reliance on no-bid contracts, outsourcing, and the use of large corporations to meet the recovery needs of local governments and displaced residents. FEMA even had to hire a contractor to award contracts to contractors.[40] In the weeks following the levee breaks, FEMA entered into no-bid contracts with four multinational corporations: Fluor Enterprises, Inc. (Fluor), Shaw Group (Shaw), CH2M Hill Constructors, Inc. (Hill), and Bechtel National, Inc. (Bechtel). These contracts tasked the firms to provide and coordinate project management services for temporary housing.

One of the limitations of this privatized system of disaster response was the federal government's execution of these initial contracts on the basis of pre-award authorization without pre-award audits or defined statements of work. By December 2006, FEMA had allotted approximately $3.2 billion to Individual Assistance-Technical Assistance Contracts (IA-TAC) organized by multinational corporations for hurricane relief. These contracts included $1.3 billion for Fluor, $830 million for Shaw, $63 million for Hill, and $517 million for Bechtel (see Table 2). The government entered into contractual arrangements to reimburse the firms for funds they spent, but did not define the terms and conditions associated with contracts or task orders. One FEMA assessment identified several problems with the use of private contractors, including, in some cases, that "contractors have invoiced the government for the cost of services in excess of the allowable level of reimbursement permitted."[41]

Through 2006, FEMA officials lamented the escalating dollar amounts of the contacts, noting that their total cost was spiraling out of control. FEMA officials complained that the agency had too few contract management personal to sustain the workload; staffing levels were "fluctuating greatly," and the agency had "little ability to plan and project accurate staffing levels." FEMA officials also expressed concern that "high turnover is hurting effectiveness, frustrating staff, housing managers and contractors."[42]

Table 2
FEMA Contract Obligations for Hurricane Katrina, 2005–2006

Contract Obligations	Total	Percentage of Total	Percentage of IA-TAC Contract
Total FEMA Contract Obligations	$10.8 billion		
Other Obligations	$7.5 billion	70%	
IA-TAC Contract Obligations	$3.2 billion	30%	
Fluor	$1.3 billion	12%	43%
Shaw	$830 million	7.7%	26%
Bechtel	$517 million	4.8%	16%
Hill	$63 million	0.6%	15%

IA-TAC stands for "Individual Assistance–Technical Assistance Contract"

Source: Williams, Adley, and Company, LLP. 2008.

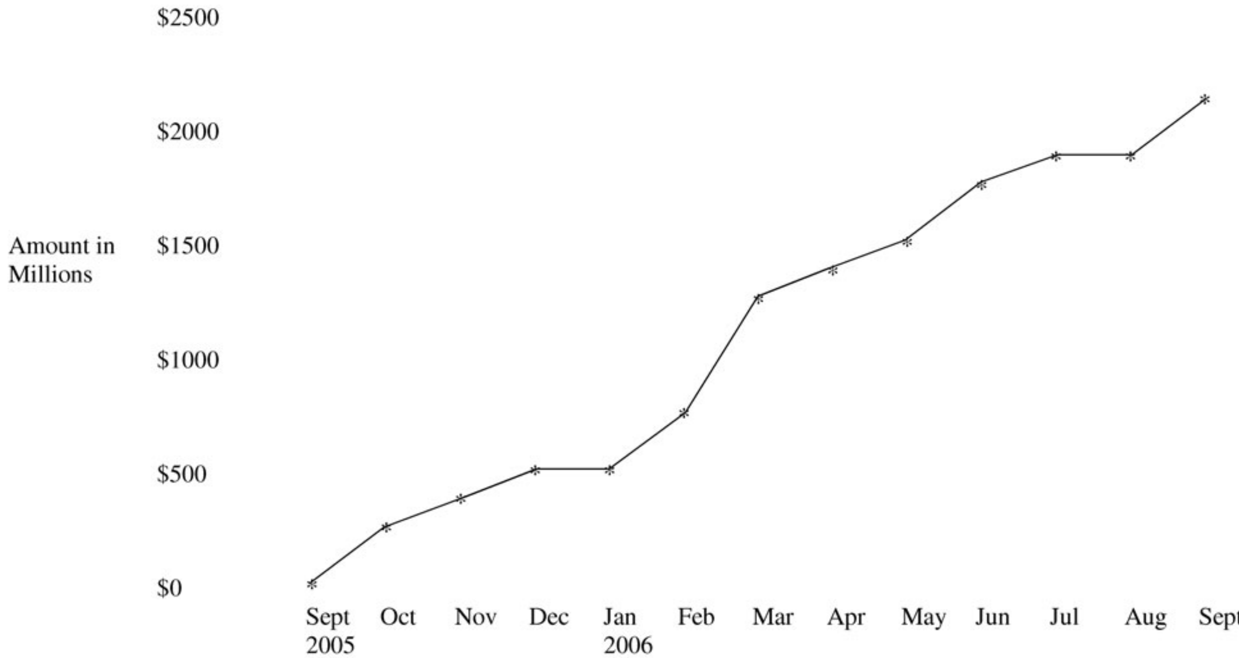
In January 2006, two of the four contractors, Shaw and Flour, threatened to cease disaster-related recovery operations if FEMA did not raise the $500 million ceiling on their contracts. In a February 2006 email, officials with the Shaw Corporation noted that the firm "will have to shut down in 4–5 weeks without a ceiling increase." During the same time, Flour complained of "potential demobilization due to contract ceiling amount." Flour noted, "[T]he citizens of Louisiana will have to suffer even more if we are forced to demobilize" and warned against "delay before another contract is mobilized and in place ready to respond." A month later, in March 2006, FEMA raised the Fluor ceiling to over $1 billion, and the Shaw ceiling to $950 million. FEMA officials continued to task these contractors with installing trailers for displaced victims of the flooding without performing cost estimates and negotiating prices. As Figure 1 shows, funding increased dramatically from September 2005 to August 2006.[43]

In short, post-9/11 changes in the implementation of emergency management policy strained the capacity of the federal government to deliver disaster services to New Orleans and Gulf Coast cities hit by Hurricane Katrina. The dearth of resources created a situation in which FEMA was forced to contract out services and rely on multinational corporations to implement disaster policy. A DHS Inspector General Report from August 2008 concluded that there was a "correlation between deficient procurement practices and contract management procedures, and uncontrolled growth in the amount of funds obligated and expended under the contracts."[44] According to the report, "The contract ceilings continued to increase without the establishment of controls needed to contain costs."[45] The report attributed this cost increase to the number and complexity of the contracts, inadequate FEMA staffing, and unclear invoices.[46] It concluded that "FEMA exposed itself to greater risk than warranted because procurement and contract administration activities were not performed as required. . . . With limited controls over contractor performance or billing practices, there was an increased risk for fraud, waste and abuse of government resources."[47]

Far from saving the government money and speeding recovery efforts, FEMA's reliance on the multinational corporations to provide disaster relief aggravated the pains of displacement and generated several problems.[48] First, FEMA relied heavily for emergency housing on trailers and mobile homes and, at the behest of the White House, rejected alternative housing proposals, including a rental repair plan. As a result, the waiting list for trailers grew to tens of thousands of persons. FEMA could not keep up with demand and ordered up to 150,000 trailers through October 2005. According to the DHS Inspector General, FEMA "experienced difficulty in identifying acceptable sites to place units and was slow in identifying applicants to occupy units."[49] Trailers were extremely expensive and did not solve the problem of rebuilding permanent housing. According to a DHS Inspector General estimate, the total cost of providing a single trailer for 18 months was $59,160.[50] One FEMA official estimated that the cost of installing a larger mobile home in a group site could reach upwards of $100,000 per unit.[51] The total cost of manufactured housing, including the fees paid to private contractors who installed and maintained such housing, was over $5.5 billion.[52] By December 2005, FEMA recognized that trailers were not the most cost-effective housing option.[53] Two years later, a FEMA work group concluded that manufactured housing, when compared to repair of rental units, was "less cost-effective" and "does not assure permanent housing."[54] Also, the trailers contained high levels of formaldehyde that caused respiratory problems for occupants, a problem which subsequently became a target of congressional investigations.[55]

Importantly, the federal government's heavy reliance on no-bid contracts was a tacit admission that privatization was a flawed policy strategy. No-bid contracts violate a central premise of privatization—namely, that government

Figure 1
Funding Increase for FEMA IA-TAC Contracts for Hurricane Katrina, September 2005–September 2006



IA-TAC stands for "Individual Assistance – Technical Assistance Contract"
Source: U.S. Department of Homeland Security (DHS), Office of Inspector General, August 2008, 2–3.

and citizens will benefit from private implementation of public policies and services because firms will compete to deliver high quality and superior resources. To function properly, competitive markets require that producers face no barriers to entry in the market, and that buyers possess sufficient information to make rational purchases. If any of the conditions for competition are unmet, producers will be able to exploit buyers—in this case, a federal agency. Not surprisingly, the GAO identified widespread fraud, waste, and abuse resulting from control weaknesses and lack of accountability in the federal response to Hurricane Katrina.[56] In addition, markets will fail to produce quality services if there are too few firms to compete for government contracts. No-bid contracts undermine the principles of competition by acknowledging that competition either does not exist within a market, or is not important to ensuring the efficient delivery of services.

FEMA's reliance on large private contractors to undertake Katrina relief efforts reflected dominant policy trends, including the delegation of public functions to private bodies using strategies of contracting out and public-private partnerships. FEMA's establishment of its Private Sector Division in 2007 reflected federal efforts to cultivate public-private networks to support greater private sector influence, engagement, and input into the process of disaster policy formulation and implementation.[57] In 2008, FEMA began outsourcing much of the agency's logistics to private contractors, who became (and are still) responsible for acquiring, storing, and moving emergency supplies. This arrangement, known as third-party logistics, reflects the agency's interest in creating and strengthening networks with the private sector to deliver resources and plan for disasters.[58] The federal-level privatization of disaster provisions dovetails with state-level arrangements to contract out emergency management operations to large retailers, such as Wal-Mart and Home Depot, to provide water, ice, and critical supplies during crises. In fact, after seeing the sluggish federal response to Hurricane Katrina, the state of Texas established its own emergency management division to plan for catastrophes and provide disaster aid, the assumption behind the decision being that FEMA will provide nothing. If Texans can get supplies that way, a FEMA spokesperson told the Houston Chronicle in response to the state's move, "that's just one last thing we don't have to coordinate for."[59]

FEMA's Private Sector Division and realigned logistics program reflect and buttress trends toward "government by proxy" and "governing by network," in which for-profit and non-profit organizations increasingly deliver disaster services and implement emergency management policy.[60] Rather than originating and delivering disaster services, FEMA now finds itself managing contracts and a plethora of networks that stretch from the federal government into state and local governments and the private sector. This increased reliance on partnerships among government and non-government organizations also reflects what Harvey Feigenbaum and Jeffrey Henig call "systemic privatization," which involves the restructuring of legal and political institutions so that there are more opportunities and incentives for private and public actors to rely on and use market-oriented remedies to address social problems.[61] Systemic privatization shifts the mechanism of policy implementation and regulation from public bureaucratic and political structures to less-accountable private actors and firms, and creates new opportunities for private interests to exploit government to further their profit-making agendas. In the case of DHS and FEMA, privatization has not only blurred policy responsibilities and lines of accountability, but has also helped nurture a new market of entrepreneurs and firms that view disasters as major money making opportunities. Naomi Klein's discussion of the "disaster-capitalism complex" draws attention to disasters themselves as major new markets and sources of corporate planning and investment.[62] In the policy realm of emergency management, privatization has helped promote the growth of new markets, and created new political opportunities for corporations to leverage public resources for private gain.

Privatizing Disaster Recovery Services: The Role of the Local Government

Since Hurricane Katrina roared ashore, city governments along the Gulf Coast have relied heavily on funding from the FEMA Public Assistance Program to repair and rebuild their storm-damaged streets and facilities. Unlike other types of federal grant programs, FEMA Public Assistance is a cost-reimbursement program that covers costs to complete eligible work. To be eligible for reimbursement, work must be necessary to repair damages that are the direct result of a declared disaster. To ensure that costs are reasonable, FEMA rules require competitive procurement of contracts, as well as contract terms and contract management practices that keep costs under control.[63]

In December 2007, the City of New Orleans awarded a one-year contract worth $150,000 to MWH Americas, Inc. (MWH) to manage the City's program for repair and rehabilitation of City-owned buildings, facilities, and streets. The contract initially encompassed approximately 150 projects with a total estimated design and construction cost of between $450 and $600 million. Over the next two years, the City amended and expanded the contract to authorize MWH to provide "staff augmentation" services to various City departments, and authorized the use of over $7 million more in federal Community Development Block Grant (CDBG) funds to compensate MWH. By December 2009, the City estimated the expanded portion of the contract to be worth as much as $48 million.[64]

As a result of this contracting arrangement, the City privatized major responsibility for managing the local government's rebuilding program. Early on, the City transferred dozens of city management functions in the Chief Administrative Officer's Capital Projects Administration for building projects, and in the Department of Public Works for street projects, to MWH employees or subcontractors. Through this privatization operation, the City tasked MWH employees and subcontractors with developing administrative practices for the City, including project planning, procurement, and contract management. From 2007 through 2009, the privatization of rebuilding programs placed huge burdens on the City to maintain control over the work and the cost of the programs, as well as MWH's fees. According to an evaluation by the New Orleans Office of Inspector General (OIG):

"The contract terms negotiated by the City did not provide appropriate controls or incentives to contain costs [, and] City contract oversight was inadequate to protect against excessive fees and inappropriate charges. The City's RFP process, which allowed MWH's proposal for a $150,000 scope of work to mushroom into a contract worth hundreds of times that amount, nullified any meaningful competition for the contract."[65]

Another example of the privatization of disaster rebuilding was the City's decision to use MWH in "piggyback contracting," which involves expanding an existing contract by adding on additional services. FEMA forbids this practice because it is noncompetitive and does not ensure reasonable prices for work performed. Two examples are relevant. First, in February 2009, the City awarded MWH a contract to advise and assist with FEMA policies, reimbursements, and practices. In turn, MWH subcontracted out the FEMA consultant services to Integrated Disaster Solutions (IDS). In the five-month period from February 2009 through June 2009, MWH billed the City more than $640,000 for services provided by IDS, even though MWH played no role in directing or supervising the work. Second, in June 2009, the City directed MWH to enter into a contract with Wink Design Group, LLC (WDG), an architectural firm, to prepare a facility condition assessment report for the Chevron Building. The City paid MWH $187,640 for the report as part of a proposed plan to purchase the property for a new City Hall. There is no evidence that the services procured through these extensions to the MWH contract were advertised or subjected to public scrutiny.[66] In both of these examples, the City used the MWH Contract as a vehicle for procuring other professional services that circumvented both normal channels of public scrutiny and FEMA's requirement for competitive procurement of services.

The problems of escalating and excessive costs, lack of oversight and accountability, and explicit rule violations plagued other city contracts to manage the disaster recovery program. In December 2006, the City signed a one-year contract with Disaster Recovery Consultants, LLC (DRC) to assist with FEMA claims for damages caused by Hurricanes Katrina and Rita. The City's initial contract with DRC included a maximum compensation amount of $600,000. Over the next few years, this contract was amended eight times, extending its term through December 31, 2010, and increasing the maximum compensation to $7,350,000. Importantly, the contract terms included no specification of timetable of completion, deliverables, or system for tracking DRC's progress. Like the contract with MWH, the City expanded the DRC Contract by adding services that were unrelated to FEMA Public Assistance. These services included processing real estate tax bills, reconciling IRS tax deposits, and other accounting and audit functions that have little or no relationship to the FEMA reimbursement process. An OIG investigation of this contract found that the City "failed to include contract terms to ensure accountability or to exercise effective oversight" and "did not attempt to determine whether the services needed could be obtained more cost-effectively through another contract or by using City employees before extending the contract."[67]

Through 2010, the City continued to extend contracts with private firms without evaluating the efficiency or cost-effectiveness of contracting out to provide staff for City departments performing non-FEMA related functions. As one *Times Picayune* newspaper article from May 2010 noted,

> It's long been a mystery how much the city spends on private vendors, largely because city budget documents generally do not list contracts as line items. But the fact that private vendors have supplanted civil servants in performing many basic government functions became clear in recent years as contractors and subcontractors, especially in the areas of technology and recovery, moved into city offices—and sometimes even handed out city business cards.[68]

Overall, the City's decision to contract out for FEMA Public Assistance expertise and privatize the capital repair program contributed to the post-disaster fiscal crisis, as contract oversight was inadequate to protect against excessive fees and inappropriate charges. As of August 2010, New Orleans was running a deficit of $67.5 million. On July 29, 2010, Mayor Mitch Landrieu announced a package of spending cuts to compensate for falling revenue amid the ominous deficit. Other actions to address the fiscal crisis include reducing overtime, renegotiating contracts, cutting pension payments, laying off some Police Department personnel, using $23 million in one-time money from an insurance settlement, and requiring almost all city workers to take eleven unpaid furlough days during the final five months of the year.[69] In short, rather than alleviating the financial problems of city government, privatization has exacerbated the fiscal crisis of the local state.

Since the Hurricane Katrina disaster, the renewed interest in privatization has layered new challenges on New Orleans institutions and efforts are underway to restructure city government following the competitive logics of the private market. In an effort to combat the fiscal crisis and reduce costs, Mayor Landrieu began to adopt a more business-like approach to city operations. The mayor has pushed city agencies to adopt new performance standards to promote consistency and cost-effectiveness. Messages about cost-containment are paired with the promotion of a new public-private partnership, the NOLA Business Alliance, to create and implement a business growth and retention plan for the city. Created in August 2010, the NOLA Business Alliance is governed by a seventeen-member board, with seven members chosen from the public sector, seven from the private sector, and three from nongovernmental organizations. "This is a landmark step for our city," said Mayor Landrieu, when the board was created. "For the first time, both the public and private sector will partner in a single coordinated effort to deliver new jobs and economic opportunities for this city. And we will facilitate economic growth by linking government, the private sector and the nonprofit sector while leveraging our resources. It's another step in our goal to restructure and transform city government by implementing best practices that improve our quality of life."[70]

Mayor Landrieu's comments are further illustrations of Jurik's "new privatization." in which the culture and activities of local government are restructured according to market principles.[71] Whereas direct privatization involves the relocation of public activities and government activities to the private sector, new privatization is the application of competitive logics and market-style mechanisms to the public sector. In New Orleans, city elites and elected officials now view business-like procedures as essential for reducing costs, maximizing success, and promoting community vitality. New privatization strategies aim to infuse business principles into government operations and emphasize entrepreneurialism as a standard of quality. In the case of New Orleans, the post-disaster recovery period is notable for the restructuring of government to mimic the features and logic of the private market. These findings resonate with the broad literature on neoliberalization, especially the work of Gerard Duménil and Dominique Lévy, Jamie Peck and Adam Tickell, and Jason Hackworth, who have drawn attention to how privatization strategies rearrange the institutional assignment of public responsibilities, shifting basic decision-making processes from the public realm to the private realm.[72] Rather than shrinking the state, privatization strategies transform the state by creating new horizontal and vertical networks that interconnect, integrate, and enmesh private and public actors and institutions.

Conclusion

Recovery from large-scale urban disasters exposes national as well as local political dynamics, and reveals long-term political trends and policy priorities.[73] Privatization, outsourcing, and contracting out are the latest policy trends affecting the formulation and implementation of disaster policy at the local, state, and federal levels. These policy trends are a major component of the neoliberalization of government policy that combines a commitment to the extension of markets and the logic of competitiveness with a profound antipathy to public sector planning and collectivist strategies.[74] Yet privatization trends are not the outcome of intentional, concerted, or comprehensive planning processes. Rather, the post-9/11 approach to emergency management policy has entailed a series of ad-hoc, piecemeal, and uncoordinated policy actions that have had two major outcomes. First, funding for federal emergency management policies and services has been reduced and implementation has been devolved downwards to states and localities. Second, federal policies stressing privatization have become the *modus operandi* of FEMA and other agencies responsible for disaster mitigation, response, and rebuilding. These trends are consistent with the policies and decisions of other federal agencies, such as the Army Corps of Engineers and the Environmental Protection Agency (EPA), who have increasingly shifted from providing resources and services to purchasing and arranging them.[75] These agencies now find themselves managing contracts amongst a labyrinth of complex networks that stretch from the federal government into state and local governments and the private sector.

As this paper illustrates, privatization is altering the face of social provision to disaster-devastated communities. Private firms have long been involved in delivering disaster aid to governments and communities. What is new is the increased reliance and dependence on large, multi-national corporations to implement emergency management policy, a development federal officials have supported and nurtured through neoliberalized policies and socio-legal regulations. Much like homeland security policy, large corporations are now key players in an expanding arena of emergency management: privately-delivered disaster aid and recovery resources. Recent post-Katrina policy reforms emphasizing greater community-level participation, increased reliance on public-private partnerships, and proactive federal leadership do not break with or challenge long-term policy trends stressing privatization.[76] Rather, privatization has increased the amount of public dollars being funneled through government service contracts to private firms in charge of delivering disaster aid and services. More and more, the pace and trajectory of recovery and rebuilding in cities affected by disasters will depend on government decisions about how to allocate public service contracts. These decisions will greatly impact the local availability of key disaster services like housing, food, infrastructure rebuilding, and so on.

Interestingly, privatization does not involve the withdrawal or downsizing of government. Rather, privatization depends on the creation of new modes of expanded state intervention in the form of rules, laws, and policies to stimulate private investment and compensate for the failures and negative consequences of private sector action. Privatization is associated with an expansion of the state, because state policies and statutes provide the socio-legal regulations to create and enforce market transactions between the public and private sectors. Layers of bureaucracy are needed to promote and regulate private-sector actions. In addition, privatization necessitates state action to manage the inevitable problems and negative consequences of privatization. In response to the problems with city contracts with DRC and MWH, the New Orleans city government has created an Office of Inspector General (OIG), a new layer of public bureaucracy, to evaluate and oversee the privatization of disaster services that has occurred since the Hurricane Katrina disaster.

Finally, this article reveals the fundamental incompatibility of privatization logics and democratic governance. Over the last two decades, scholars and policy analysts have debated whether privatization means providing services without producing them, transferring public services to the private sector, abandoning public responsibility to the private sector, or a combination of all three strategies. As we have seen with the case of Hurricane Katrina and emergency management policy, privatization is a larger component of the neoliberalization of government that entails various forms of deregulation and dismantling of government programs and the corresponding liberation of markets and the private sector from public regulation and democratic oversight. Privatization is not a neutral policy adjustment, but instead reflects and reinforces relations of domination and subordination through the redistribution of public resources to the private sector. The tyranny of the bottom line and the single-minded pursuit of profit organize and motivate the decision-making actions of private sector firms and their web of contractors and subcontractors.

The idea that disaster victims have a democratic right to aid and recovery resources as members and citizens of a sovereign nation-state is antithetic to private sector logics and management. The point is that privatization undermines national sovereignty, since there is no reason for having a state in the first place if it cannot protect and aid citizens affected by a disaster. By transferring emergency management functions to the private sector, privatization undermines the meanings and definitions of citizenship, since private firms engage disaster victims as fragmented clients whose claim and access to resources depends on their ability to pay. In doing so, privatization contradicts the values of a democratic public sector while creating new institutional relays through which elite business interests can commandeer public resources and directly shape the content and implementation of policy.

Notes

1 Kettl 1988a; Crenson and Ginsberg 2002.
2 DeHoog 1984, Seidenstat 1999, and Smith and Lipsky 1993.
3 For overviews, see Jurik 2004, Roland 2008, Mansfield 2008, and Dickinson 2011.
4 Savas 1987.
5 Kosar 2006.
6 The literature on the federal response to Hurricane Katrina is vast: see Birkland and Waterman 2006, Gotham and Greenberg 2008, Waugh 2006, Cooper and Block 2006, Daniels, Kettl and Kunreuther 2005, GAO 2007a and 2007b, and Van Heerden and Bryan 2006.
7 US Senate 2006a, 3.
8 US Senate 2009.
9 Burns and Thomas 2008.
10 Dreier 2006, Birkland and Waterman 2006.
11 Brenner and Theodore 2002, Hackworth 2007, and Antonio 2012.
12 Brenner and Theodore 2002, 350.
13 Butler 1985, Moore and Butler 1988, Savas 1982 and 1987, Chi and Jasper 1998, and Crane and Boaz 2005.
14 Antonio 2012.
15 Scholars recognize that privatization is a multidimensional concept that has a variety of meanings and outcomes (for overviews and discussions, see Kettl 1988a and 1988b, Crenson and Ginsberg 2002, and GAO 1997).
16 Salamon 1995, Marwell 2004, and Dickinson 2011.
17 Calhoun 2006, 258; see also Hacker 2006.
18 For an overview, see Kosar 2006.
19 GAO 1990 and 1996; Peck and Tickell 2002.
20 GAO 1998 and 2010; Winston et al. 2002.
21 Crenson and Ginsberg 2002, 202.
22 Kettl 1988a, 1988b, 1993, and 2000.
23 Kettl 1988a and 1988b.
24 Goldsmith and Eggers 2004.
25 Jurik 2004, 10.
26 Osborne and Gaebler 1993.
27 Jurik 2004, 4.
28 Ibid, 5.
29 Feigenbaum and Henig 1994, 186.
30 Stehr 2006, Morris 2006, and Moss, Schellhamer, and Berman 2009.
31 Osborne and Gaebler 1993.
32 Stehr 2006, 497; Anrig 2007.
33 Claiborne 2001, A12.
34 FEMA 2010b.
35 Office of Management and Budget (OMB) 2004, 156.
36 GAO 2007a, 1–14.
37 Perrow 2005.
38 Perrow 2006, 17–18.
39 Birkland and Waterman 2006.
40 Klinenberg and Frank 2005.
41 US Senate 2009, 111
42 Ibid.
43 Ibid, 111–2.
44 DHS 2008, 1.
45 Ibid, 3.
46 Ibid.
47 Ibid, 6.
48 US Senate 2009.
49 Written statement of Richard Skinner, Inspector General, Department of Homeland Security, quoted in US Senate 2006b, 60.
50 Ibid, p. 60.
51 US Senate 2009, 8.
52 FEMA-DHS, "Written response to US Senate Subcommittee on Disaster Recovery," cited in US Senate 2009, 8.
53 FEMA, "Strategic Plan for Reducing Hotel Occupancy in Louisiana," cited in US Senate 2009, 8.
54 FEMA, "National Disaster Housing Strategy (draft)," cited in US Senate 2009, 8.
55 US House of Representatives 2007 and 2008.
56 GAO 2007b.
57 FEMA 2010.
58 FEMA 2008.
59 Phillips 2007.
60 Kettl 1988a and Goldsmith and Eggers 2004.
61 Feigenbaum and Henig 1994.
62 Naomi Klein 2007.
63 FEMA 2007.
64 City of New Orleans 2010.
65 Ibid, 5.
66 Ibid, 26–7.
67 Ibid, vi.
68 Krupa 2010.
69 Eggler 2010.
70 City Council of New Orleans 2010.
71 Jurik 2004.
72 Duménil and Lévy 2011, Peck and Tickell 2002, and Hackworth 2007.
73 Stehr 2006, Tierney 2007.
74 Peck and Tickell 2002, 33–4
75 Kettl 2000.

76 Johnson 2011; Moss, Schellhamer, and Berman 2009.

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