Written by **Veronique de Rugy** on September 7, 2017

Government Barriers to Private Solutions

Americans are witnessing the power of private individuals and businesses to solve pressing problems stemming from Hurricane Harvey. From the boaters and monster truck drivers engaged in search and rescue operations to local stores opening their facilities to displaced families, there's no shortage of examples of private individuals and businesses stepping in to assist Houston in its recovery.

It's a good thing the private sector didn't wait for the Federal Emergency Management Agency to do all the work, because the government would have been unable to handle everything on its own. It's true of many disasters. Recall the tremendous support during the Katrina disaster of 2005. The American people stood on their own as an example of endurance and generosity — even more remarkable than the federal, state and local governments' responses.

Rather than dwell on government failure, it's more inspiring to remember how people and communities came together during Katrina to solve pressing and immediate problems. In their 2015 book, *How We Came Back: Voices from Post-Katrina New Orleans*, Nona and Virgil Storr and Emily Chamlee-Wright detail the many ways "individuals and communities found hope and help in the immensely generous philanthropic contributions of informal networks of voluntary social action, such as religious organizations, as well as in established nonprofits."

You would think government officials might learn not to interfere with private-sector rescue efforts, regardless of the perceived motivation. Unfortunately, there's a certain kind of help that the government is always stupidly turning away. Enterprising individuals and businesses are being warned away from helping fill supply gaps by Texas Attorney General Ken Paxton, who finger-wagged that "the Office of the Attorney General has authority to prosecute any business that engages in price gouging after a disaster has been declared by the governor."

According to the government, "gouging" is selling something at the highest level that the market will bear regardless of production costs. By that definition, any increase in the price of a good or service in the face of a decrease in supply is gouging. However, raising prices of goods and services to the highest level the market will bear is not only what entrepreneurs do on a daily basis but also the mechanism that gives people access to a supply of goods they wouldn't otherwise have access to.

This is particularly important during a disaster. As the Cato Institute's Peter Van Doren and Jerry Taylor wrote in 2003, "gougers are sending an important signal to market actors that something is scarce and that profits are available to those who produce or sell that something. Gouging thus sets off an economic chain reaction that ultimately remedies the shortages that led to the gouging in the first place. Without such signals, we'd never know how to efficiently invest our resources. Moreover, we'd have no idea what to conserve. It's no exaggeration to state that, without such price signals, our economy would look like Cuba's."

Sadly, this lesson is totally lost when it's needed the most, and gougers are promptly labeled "immoral." What is immoral, however, is the prolonged scarcity of, say, food or gas that inevitably follows the government's condemning gouging. Consider John Shepperson, who, after Hurricane Katrina, rented a U-Haul, bought 19 generators in Kentucky and drove them to Mississippi, where there was greater need. He did this because he thought that he could sell the generators for twice as much as he paid, because people really needed them. Unfortunately for him and his potential buyers, he was arrested and spent four days in jail, and the generators were confiscated, causing people to stay in the dark. The experience also stopped those who were going to follow in Shepperson's footsteps by bringing more generators to New Orleans, which would have not only increased the number of people with power but also decreased the price of generators, as the supply would have increased with every new gouger.

The same is true in Houston, where the government's aggressive stance against market enterprise is certain to delay the recovery.

As Floridians prepare for Hurricane Irma, they should refuse to participate in their attorney general's misguided efforts to pre-emptively stop price gouging by setting up a hotline to denounce those who might want to benefit from the disaster. As Van Doren and Taylor aptly note, "price gouging — like spinach — may be unappealing at first bite but it's good for everyone in the long run."

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