

A Jambalaya of Thoughts on Non-price Signals, Commercial Spaces, and Lessons Learned from Katrina: A Review Essay on Emily Chamlee-Wright's
The Cultural and Political Economy of Recovery: Social Learning in a Post-Disaster Environment

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Emily Chamlee-Wright's book is a major contribution to a variety of endeavors in the social sciences. The book and the research program that surrounds it have immensely expanded our understanding of one of the most important and fascinating events of this young century. Future scholars of Hurricane Katrina will have to take into account Chamlee-Wright's analysis of the recovery process as they provide their own explanations for how matters unfolded. One of the reasons this work will have to be taken so seriously is a second distinct contribution the book makes: Chamlee-Wright's use of ethnographic research to explore the recovery process is a model of how to do very powerful qualitative social science. What gives her analysis much of its rhetorical power is that it is rooted in the lived experiences of the real people touched by the storm and its aftermath. We gain a real level of understanding in this sort of work that we cannot gain through other methods. As Chamlee-Wright is at pains to note, this is not a perfect substitute for quantitative research, but a complement to it (Chamlee-Wright 2010b).

Finally, the book is a contribution to Austrian economics and the emergent order approach to the social sciences. The contributions it makes to Austrian economics are two-fold. First, she has expanded the theoretical toolkit of Austrians by taking the core insights of Mises and Hayek and their understanding of the market as a communicative process and broadening them to include non-price contexts. In addition, the development of an Austrian theory of social capital that informs this book is a genuine contribution to our knowledge. Second, the book stands as an example of how to do one type of Austrian empirical work. Aside from the general application of ethnographic methods this work represents, it offers Austrians in particular a way to get at the empirical evidence of the ways in which spontaneous ordering processes unfold even in the most challenging of environments. The care and level of detail that is evident in this book is what is necessary to establish empirical evidence that can stand its ground against the quantitative methods preferred by so many economists and other social scientists. If Austrians want to offer better analytic narratives, they will have to consider this sort of empirical work as one powerful way to do so, and Chamlee-Wright has given us an example of how to proceed.

In this brief comment, I want to raise four issues that I see emerging out of the book. I'm not sure that any of them are genuinely "criticisms," rather they are further questions or lines of research that were prompted by my reading of the text.

The analogy to the market

The only point approaching a "criticism" is that I'm still not totally persuaded that the process of social learning in non-price environments works as analogously to markets as I think Chamlee-Wright seems to think, and as I really wish were true. No doubt there is entrepreneurship in non-priced environments, and the success of those innovations can send a signal, and that signal can lead to imitation. The book has demonstrated this process very clearly, as has her earlier work (Chamlee-Wright 2008; Chamlee-Wright and Myers 2008). That such processes exist in social and cultural contexts other than the market should not surprise anyone who has thought about the idea of spontaneous order.

The question I would raise is exactly what do we know about this process and how reliable is it? More generally, is there any assurance that non-price coordinated social learning processes will consistently produce "good results" whatever that term might mean? In economics, we have a fairly precise understanding of the price coordination process and the ways in which prices, profits, and losses serve as knowledge wrapped in an incentive to both

inform and motivate market actors to mutually adjust their behavior in ways that enhance social coordination and better serve all of us as consumers. We understand, at least to a significant degree, the role played by Kirznerian entrepreneurs alert to those market signals and able to see what has hitherto been unseen. The question is just how well the analogs of these processes work outside of price coordinated environments.

I'm not denying that such a process takes place; the evidence in the book demonstrates that it does. What isn't clear to me is just how well it works and how much we can generalize about its beneficial powers. In particular, is there any signal in these environments that so powerfully combines both the knowledge and incentive necessary to generate coordinative behavior as do prices, profits and losses? Again, clearly such behavior does take place, but what is the standard of evaluation of its effectiveness? Moreover, how do we know if we've got it wrong? I believe that all of the examples in the book were success stories. The failures were often about policy-induced uncertainty. What I'd be curious about is whether there were examples of "failed social entrepreneurship" that we might study. Were there people who tried to send a signal, but it wasn't imitated? Were there people who thought they saw a strategy for recovery but were wrong? If so, how did they know they had made a mistake? As economists have had to remind the public quite frequently over the last few years: markets are a profit *and loss* system. The possibility of failure, and the signals it generates to enable others to learn what not to do, are central to the ability of prices to coordinate behavior. Is there an equivalent in a non-priced environment?

Chamlee-Wright recognizes all of this to a significant degree, pointing out that signals in the non-price sectors are more "blunt" than in the market, and hence less able to do what market signals do. Despite that bluntness, they are nonetheless there and enable us to overcome dispersed and tacit knowledge and generate social coordination. That such signaling processes *exist* is probably more important than how well they perform, particularly for both understanding how order emerges in a post-disaster environment and avoiding policy mistakes that can interfere with or shut down those signals, reducing whatever level of coordination they are capable of creating. Still, I think the book raises all kinds of interesting questions about the analogy and what exactly is meant by social coordination in non-price environments.

The role of the commercial sector in creating social capital and non-price coordination

My second point is not so much a criticism as something I wished to see more of. There is a nice discussion on pp. 50-54 about the role of commercial life as a signal about recovery and as a site at which community relations can be renewed and rebuilt. Put differently, commercial life is a social space in which social capital can be built and deployed. This is true during normal times but seems especially pertinent in times of crisis and recovery. We all have to engage in buying and selling, perhaps with even more intensity and attention as we face the economic challenges of recovering from a disaster. I wish there had been more discussion of the role of the commercial sector in the recovery processes as I think commercial activities can send a particularly important signal about recover at least as much as schools and government services. When people see businesses returning to an area, and entrepreneurs willing to take economic risks, during the recovery process, it is a very powerful signal that others can coordinate around. As much as Father Vien's social entrepreneurship led to the effective recovery in the Vietnamese community (Chamlee-Wright 2010a: 57-79), or as much as the entrepreneurial spirit of school superintendent Doris Voitier in St. Bernard Parish (Chamlee-Wright 2010a: 90-96) got things up and running, the efforts of everyone from Walmart to local shop owners to restaurant franchisees to get their businesses open to serve the community were equally crucial (Chamlee-Wright 2010a: 50-54; see also Horwitz 2009). Everything that Chamlee-Wright says about these other leaders would be true of businesses that led the way back. Again, this is in the book, but I think its importance is greater than the number of pages devoted to it.

Beyond its role as a signal about the possibility of rebuilding, the commercial sector is crucial in re-establishing social networks. As I wrote in a paper on the role of the commercial sector in the rebuilding process (Horwitz 2010: 186-7):

That networking function is exactly the role played by the private sector in the lives of returning residents. Interviews with residents who returned to the devastated areas of the Gulf Coast reveal a common theme of finding trips to the store, particularly "general store" types of places such as Walgreen's or Wal-Mart, to be not only important economically, but socially, as it provided them with opportunities to reconnect with friends and extended family and to catch up on the latest news in the community. The "general stores" were especially effective in this regard because they supplied both a large variety of goods and ones that everyone needed. The variety increased the number of different people likely to patronize the store at any given time, increasing the number of possible connections that people might make on any given trip. The necessities meant that individuals were likely to

make repeated trips there, increasing the probability of encountering any given person on any given trip. The combined effect was that the commercial sector was a source of sociality and networking that was important to rebuilding devastated communities.

I want to highlight the two reasons “general stores” are so effective at creating opportunities for people to expand their social networks and enhance their social capital – the fact that they have a wide variety of goods and that many of their goods are “necessities.” This combination would seem to maximize such opportunities because such stores would see both a large number of customers and repeated business. With a large number of potential contacts and many people making multiple trips, the social networks in such commercial spaces are both extensive and intensive.

In Austrian terms, this can be understood as a widening and a deepening of the structure of social capital (Chamlee-Wright 2008b). Just as the structure of economic capital can be lengthened and deepened by new complimentary combinations of goods, so can social capital see its structure expanded by more and repeated interactions. In a post-disaster context, where the relative value of social capital is higher given the destruction of physical capital, the opportunities for rebuilding and intensifying social capital are particularly valuable. The commercial sector became a crossroads at which people struggling to rebuild their physical and social structures were able to enhance and deploy their social capital.

The crisscrossing of commercial activity also creates many opportunities for serendipitous encounters, especially for people with a high degree of alertness to entrepreneurial opportunities in the social realm (Horwitz 2010: 187):

Several interviewees indicated that chance meetings at stores put them in touch with friends and family, or with people who were able to inform them about where they might get some good or service they had been searching for. One evacuee in Houston reported that many of the new friends he had made in that strange town were the result of chance meetings and conversations in the local Wal-Mart.

These ways in which the commercial sector enhances social capital in post-disaster recovery are legitimately referred to as a “cultural” or “social” role as opposed to being narrowly “economic.” This social-cultural element of the role of commercial society is a “non-price” role. Here we are looking at the private sector not as a profit-seeking engine of growth, but as another, in the sense that Virgil Storr (2008) uses it, “social space” that constitutes community. In the process of recovery, those commercial spaces perform an absolutely crucial social function, not just in the way that re-opening signals recovery, but in how

they are crossroads of social interaction and networking that enables people to accumulate and draw on social capital.

Are there lessons for small-scale disasters?

As these words are written, the US is going through a tornado season unlike any other in recent memory. Whatever the causes, it has been a spring of large and destructive tornados and they have struck in larger cities than has been the recent norm. The damage from tornados is usually fairly compact and their ability to damage infrastructure is typically small. However, the violent storms that have hit the US this year have been much larger in size and have cut through more densely populated areas, taking out infrastructure and significant portions of the commercial sector, as well as hundreds of homes. The damage in Tuscaloosa, Alabama and Joplin, Missouri is not anything like the breadth of a hurricane, but some of the problems are similar.

Do the lessons learned from the way in which communities responded after the destruction caused by Hurricane Katrina apply to these smaller-scale disasters? That question is one that I think is worthy of more research. One element Chamlee-Wright features is the need for recovery efforts to emerge from the “bottom up” through the communities themselves, rather than top down through various bureaucracies, especially distant ones. In Tuscaloosa, local radio stations played a crucial role as information clearinghouses for people both looking for resources or other people and alerting the community to where various resources were needed. These stations were serving as “nodes of coordination” in the process through which that community began to reconstruct itself. It will be interesting to see as recovery continues the degree to which these communities make use of some of the processes identified in the book, although on a smaller scale.

Post-disaster recovery and recession recovery

Finally, there’s another potential application of the lessons learned in Chamlee-Wright’s study of Katrina recovery: what lessons does recovery from Katrina have for economic recovery from a recession or depression? As the US economy continues to recover slowly from the 2007-09 recession, is there anything we can learn from recovering from natural disasters to help the process along?

The most obvious connection in the book is the destructive role played in both contexts by what Bob Higgs (1997) has termed “regime uncertainty.” Chamlee-Wright documents the way in which the lack of clarity coming from

the political sector and its constant moving back and forth between different policies created what she calls “signal noise,” making it harder for actors to know what choices would be likely to have positive outcomes and which choices would even be possible within the rules established by the various levels of government. Higgs’s original use of “regime uncertainty” was in the context of recovery from the Great Depression and referred to the ways in which the same sorts of inconsistencies and interventions coming from the federal government led private investors to hesitate in bringing resources back into the market to spark recovery. Both disaster and recession recovery clearly require that the rules of the game are clear in order to encourage the deployment of private resources, whether in the form of social or economic capital. But beyond that insight, are there other parallels that can be exploited in understanding both processes?

For example, are there first movers in purely economic recoveries? What sorts of steps are, or might be, taken by private sector actors that would signal to others that the investment environment has improved sufficiently to bring resources back into play? Is there a first mover advantage? Are there “big players” akin to Father Vien? What distinct coordination problems exist in economic recoveries that we do not see in other forms of market interaction? Asking the kinds of questions about recession recovery that Chamlee-Wright has asked about disaster recovery might turn up important new insights on how such recoveries take place.

Consider social capital for example. What role do social networks and social capital play in helping reduce unemployment during a post-recession recovery? This question might be particularly relevant where such recoveries require major structural shifts in the nature of employment. How is that people find what sorts of jobs are now in demand and what sorts of skills such jobs do, or will, require? Are there social learning processes outside of the price-market nexus that help generate the needed coordination? Does Granovetter’s (1973) “The Strength of Weak Ties” figure in here? Are there commercial or other public spaces that play a role in this process? I do not have answers to these questions, but I think they are important ones and show the fertility of the line of research represented by this book.

Conclusion

As I hope my brief comments show, I think Emily Chamlee-Wright’s book is a very valuable addition to the broad work on emergent order as well as to Austrian economics and the academic literature on disaster response. Aside from the creative deployment and application of fundamental ideas in spontaneous order theory and Austrian economics to new areas, the

ethnographic method employed breaks new ground in how to do empirical work in these traditions. Finally, the insights she has generated about disaster recovery may have important implications for other work in economics and beyond. Looking at the response of individuals and a community up close during a time in which so many long-standing structures and points of orientation had failed is a perfect opportunity to understand how people can self-organize in the absence of that institutional normality. The lessons learned from Chamlee-Wright's book are new and important and will certainly be deployed over and over in other contexts as we struggle to understand problems of self-organization and emergent order.

Acknowledgements: The author thanks participants on a panel at the 2011 Association of Private Enterprise Education meetings, especially Emily Chamlee-Wright, for feedback on an earlier draft.

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