

HAZARDS OF NEOLIBERALISM: DELAYED ELECTRIC POWER RESTORATION AFTER HURRICANE IKE

ABSTRACT

This case study explores how neoliberal policies shape the impacts of a natural disaster. We investigate the reactions to major damages to the electric power system and the restoration of power in the wake of Hurricane Ike, which devastated the Houston, Texas, metropolitan area in September 2008. We argue that the neoliberal policy agenda insured a minimalist approach to the crisis and generated dissatisfaction among many residents. The short-term profitability imperative shifted reconstruction costs to consumers, and failed to upgrade the electric power system's infrastructure to prepare for future disasters. We illustrate the serious obstacles for disaster mitigation and recovery posed by neoliberal policies that privatize public goods and socialize private costs. Neoliberalism does not address the needs of a highly stratified public, nor does it act on behalf of the public's long-term interests and safety.

Introduction

This article analyses the actions of the electric companies serving the Houston, Texas area¹ as they and other relevant actors attempted to restore power and repair the electric infrastructure for several weeks after Hurricane Ike devastated the Houston metropolitan area in September 2008. The details of delayed power restoration after the hurricane show that neoliberalism's free market approach hinders efficient response, undermines mitigation efforts, exacerbates the impacts of disasters, and magnifies the inequalities in coping resources and suffering between privileged and less privileged communities.

Neoliberalism has dominated Texas' political and economic spheres for more than two decades. Therefore, Texas allows us to observe how this policy regime influences preparing for and coping with crises. Although neoliberalism has been widely adopted in many regions of the U.S., and has had transformative effects on the economy, public policy, and other institutions, little has been written about the ways in which it affects disaster preparedness and recovery. When economic structures are studied in connection with disasters they are typically considered in terms of the consequences a disaster has had on them (e.g., Albala-Bertrand 2006; Tierney 2006). Other scholars of disaster (e.g., Gramling and Freudenburg 1992; Picou, Marshall and Gill 2004) have studied the roles that large corporations have played in technological disasters. Perrow (2007) takes a broader view using an organizational analysis of the U.S. electric power grid to argue that concentration and deregulation have rendered the U.S. more susceptible to failures of many types (Perrow 2007: 211-247).

Recently, more explicit critiques of the effects of neoliberal disaster response have appeared. Drawing on Klein's (2007) concept of disaster capitalism, Gunewardena and Schuller

(2008) demonstrate the connection between neoliberalism and exploitative disaster reconstruction in an international and economic development perspective. Freudenburg and colleagues (2009) argue that the history of shortsighted decisions by private companies, and the blind support of them by local governments in the name of economic growth, caused Hurricane Katrina's devastating impact. These disaster scholars argue that the "Growth Machine" weakened the natural protection that allowed New Orleans to weather previous storms without the catastrophic consequences of Hurricane Katrina (Freudenburg et al. 2009: 57-60).

Considerations of how electric power provision and distribution shaped by neoliberalism hinders disaster recovery because of the lack of mitigation efforts are presented. In fact, neoliberal favoring of short-term business interests over those of the citizenry creates predisaster conditions that lead to increased damages and suffering after a disaster. While we provide empirical details of one aspect of recovery, our focus is unique in that it is not on recovery initiatives *per se*. Rather, we place recovery in a broader theoretical context to highlight the point that myopic neoliberal approaches in place *before* a disaster increase damages and therefore make recovery more difficult.

A mixed-methods approach was used to gather data for this article. Two of the authors lived through Hurricane Ike: experiencing property damages, extended power outages and higher electricity bills. As a result, they draw on experiences as participant observers to the storm and its aftermath. Information from field notes and conversations with residents of several north Houston areas in the days immediately following Hurricane Ike in September 2008 are offered as representative of broader public sentiments also reported in the media. The data are helpful as illustrative of issues reported widely in other sources.²

A discussion of neoliberalism and disaster preparedness and recovery introduces the broad contextual framework for understanding the case study. Texas is then presented as a model neoliberal state by providing evidence that state policy and business climates have wholeheartedly adopted neoliberal approaches. The actions of the electric companies in the aftermath of Hurricane Ike are then detailed and juxtaposed with original data on citizen reactions revealing intense dissatisfaction. The unequal social costs of the Hurricane Ike recovery due to differing impacts of the power outages are then examined. The official stance of the power companies and the state in the face of increased questioning due to slow, uneven recovery are presented. We close by linking the implications of this study to events unfolding around the Gulf Oil Spill disaster and highlight that neoliberalism makes us all more susceptible to disasters.

Texas: Model Neoliberal State

Since the start of the Thatcher-Reagan Revolution in the late 1970s, neoliberal, free-market ideas have become hegemonic in the U.S., U.S.-led transnational economic governance institutions, and many other nations and governing elites. Pundits and policymakers have portrayed neoliberal policy (i.e., deregulation, privatization, financialization/securitization) as *the* chief driver of late 20th and early 21st century growth.³ They also have implied that neoliberal tax policies, emphasis on personal responsibility, reduced social spending, and deregulated markets have been crucial to political legitimacy and electoral success, especially in neoliberalism's Anglo-American heartland and model state of Texas.

Elected officials in Texas are typically dedicated proponents of neoliberalism.⁴ They see their state's affluence as a reflection of its thorough commitment to the neoliberal policy regime

and the consequent ‘pro-business’ climate. Since the 1980s, and especially after George W. Bush became governor in 1995, Texas embraced neoliberalism. In effect, the ascendancy of George H.W. Bush and George W. Bush to the presidency reinforced and spread Texas-style neoliberalism. The highly influential, neoliberal Texas Public Policy Foundation’s guide to legislators provides free-market approaches to virtually every public issue. The first three questions legislators are encouraged to ask about any program or agency under review are: 1) does it ‘protect private property?’ 2) does it ‘protect liberty (i.e., especially freedom from regulatory and redistributive threats)?’ and 3) does it ‘*enhance* (emphasis added) private enterprise?’ A ‘no’ to any question, the Foundation advises, should negate funding.⁵ The extreme neoliberalism embraced by most Texas officials sets virtually insurmountable barriers for funding initiatives that do not directly serve capital accumulation and business-related interests. In this way neoliberal policies subordinate public interests to private profits. The Texas Policy Foundation also emphasizes removing regulatory impediments to the state’s energy sector and holds that, ‘market-based pricing’ and expansion of consumer choice should rule (Texas Public Policy Foundation 2008: 28-38).

Governor Rick Perry, who took office following the election of George W. Bush to the U.S. Presidency in 2000, shares the Texas Policy Foundation’s extreme neoliberal views. Perry has sharply reduced state intervention, allowing market mechanisms to be the operative force in public life and leaving social service provision to the private sector and charities. He has argued that Texans must rely primarily on market forces, rather than the state, in coping with crises. Addressing the National Hurricane Conference in April of 2008, Governor Perry praised the contribution of corporations, such as Wal-Mart and Home Depot, to the recovery from Ike. He asserted that corporations: ‘...are essential to our success when it comes to meeting our *citizens*’

needs in crisis' [emphasis added] (Perry 2009:3). He also stressed that utilities and other businesses that provide infrastructure or services for the electric system be allowed to recover the costs of repairing damaged infrastructures from consumers, rather than investors. He contended: '[O]ne bill I do look forward to sign is [that] which better enables electric utilities to recover restoration costs after natural disasters (Perry 2009:4).' Blurring distinctions between public interest and private business, Governor Perry acknowledged power restoration as a state priority, but stressed that company actions are *the* means to achieve it (State of Texas Press Releases 2008:1-2).

Electric Companies in Hurricane Ike's Wake

In the early morning hours of 13 September 2008, Hurricane Ike made landfall near Galveston Bay, Texas and proceeded northward to the Houston metropolitan area (McLean and Korosec 2008). Ike caused thirteen deaths and damages estimated at over 15 billion dollars making it the third most costly hurricane on record after Hurricanes Andrew and Katrina (Patel 2010a; Insurance Information Institute 2008). A report commissioned by the Texas Public Utilities Commission (TXPUC) states that 13 million businesses and homes lost power as a result of the storm (Quanta Technology 2009: 10). At home, work, and in almost every social space, storm damages impacted residents, albeit to varying degrees.

After Ike hit, Houston-area energy company officials predicted that power would be restored within days for most customers (Cook 2008a). However, this was not the case (Cook 2008g; Ivanovich and Ratcliffe 2008). In the Houston area, about 2.2 million homes (over 7 million people) were without power for more than two weeks (Cook 2008a). Electric companies noted the severity of the damages to counter complaints about the discrepancy between the

recovery times promised and the much longer actual repair times (Ivanovich and Ratcliffe 2008). As public dissatisfaction with the recovery pace increased, questions were raised over the quality of the electrical infrastructure (Clanton and Cook 2008; Cook 2008f). Companies admitted that there was some weakness in the pre-existing infrastructure and that they were unable to mobilize the budgetary resources necessary for faster repairs (Cook 2008a; Clanton and Cook 2008). They maintained that the costs associated with repairs were so high that they precluded building a substantially more storm resistant electrical infrastructure. The electric companies argued that the infrastructure withstood the storm as expected and that creation of one that could withstand a storm like Ike more effectively was unaffordable (Cook 2008d).

Houston-area power companies embraced the neoliberal guideline that the costs of recovery must be borne fully by customers, not the company and its investors. This is problematic in that it hinders infrastructure investment since, under the free-market system for electricity, private firms compete for customers. Companies are therefore under great pressure to keep rates low enough to attract and keep customers, but high enough to make business profitable. This system makes it difficult to upgrade infrastructure because investments do not translate directly into increased profits from a higher value-added product. Although upgrades might bring increased reliability, improvements are hard for consumers to evaluate, making them less willing to pay more for a product that they do not recognize as significantly better. Investors in electric companies cannot rely on future profits from an improved product and are unlikely to sanction costly infrastructure investments. In the privatized electrical industry upgrades in infrastructure are systematically avoided since the associated costs cannot be passed on without risking the defection of customers to companies that do not upgrade and therefore have lower rates. A CenterPoint representative argued against infrastructure upgrades saying: ‘...customers

are pre-paying for something that they may never use. You could have a hurricane in five years, or you might not have one for 50' (quoted in Cook 2008a). He and other power company officials acted as if it is not in their interest, or that of investors and consumers, to adopt a long-term perspective by providing an upgraded and more secure infrastructure. And most customers did not want to add to their burdens, when their utility rates had already increased and they faced other storm damage costs as well.

As difficulties with repairs mounted, customer dissatisfaction grew. Electric companies attempted to control news releases, and argued that unavoidable complexities blocked them from completing repairs more promptly (Cook 2008c; 2008d). Local news outlets posted daily maps of the area indicating the estimated times for power restoration. As completion times were unrealistically revised downward, calls from disgruntled customers jammed company phones. Since 'most couldn't get through or didn't get the answer that they were hoping for,' frustration and distrust soared (Cook 2008b:B6). One resident told us: 'Our neighborhood was supposed to have power three days ago, but I haven't seen anyone working on electric lines around here... These people [electric companies] are lying and cannot fix it I called, but I was put on hold for a long time and never spoke with anyone.' Another customer, in the same neighborhood, stated: 'I'm very unhappy with the way... [the electric company] is doing all this. They have no idea what they are doing and what they need to do. They are simply lying to protect themselves.'

Customers became increasingly unsympathetic to the industry's arguments, demanding restoration of service, and calling for investments to improve the infrastructure's quality and reduce probabilities of severe damages by future storms. 'We should have, and now need, to develop new standards to prevent the kinds of disruptions that people in Houston are now experiencing' stated the advocacy group Public Citizen Texas (Ratcliffe 2008). Additionally,

residents felt that companies should be responsible for upgrading infrastructures. A Houston City Councilman stated: ‘my constituents would say that CenterPoint has a very real responsibility to build an infrastructure that withstands the climate and the environment...’ (quoted in Ratcliffe 2008). They were also critical of companies’ limited readiness for disaster situations and frustrated by the attempt at corporate information control. A Texas State Representative, voicing the sentiments of his constituents, argued: ‘I want to know if their [the electric companies’] plan was designed to make the numbers look good or help those with the most damages’ (quoted in Cook 2008e:B5).

Complaints surged a month later when residents received their first ‘post-hurricane’ electric bills, which had ballooned to three to four times the usual rates. The much higher bills covered a month in which most consumers received drastically reduced service. One resident told us: ‘I used half of the amount of electricity last month and I’m paying double.’ Other residents, offline for longer periods, used even less electricity in that period. Another customer typified the mood of many residents: ‘This is so incredibly unfair. You have no power for God knows how many days and then you get a huge bill. What are we paying for? ...No electricity... This money is going straight to the fat pockets of the electric companies. This is not right.... In August I paid \$82 in September \$106 and I was without electricity for ten days.’ The idea that customers had to pay for repairs was hard for them to fathom, especially given the disruption of service. The *public* nature of the utility was invoked by residents who felt that the interruption of service and the companies’ externalization of costs to them were unfair given that electricity is a necessity: a public good.

In Ike’s aftermath, however, the ‘public’ nature of the electric companies surfaced almost exclusively in their ability to gain public funding to finance repairs from storm damage. Although, in Texas, electricity is now produced and distributed by private companies competing in the marketplace much like any commodity, it is a public good and therefore companies are eligible to receive federal and state compensation for services rendered to restore service and repair infrastructure. This contradiction of

the Texas electric industry is problematic. Free-market competition among private companies may bring short-term benefits like lower rates, but it is not without costs to consumers. These costs surface in a disaster. The pressure to keep rates low means a weakened grid and results in more widespread and longer power outages after a major storm. Companies then play the ‘public good’ card, handing consumers two bills: one for ‘disaster repairs’ reflected in higher rates and extra surcharges on their utility bills *and* one as taxpayers funding disaster recovery initiatives to private companies!

Struggling through hardships in the aftermath of the disaster⁶, many residents were critical of the lack of assertive public authority representing their interests and of the electric companies’ tendency to put short-term profits over fairness and prudence. A local resident stated: ‘I’m not sure what to think about this. But, it seems to me that someone should take care of all this.... The Government is not around and the electric companies take care of *their* business. We do the best we can, but who is taking care of the regular folks like me and you?’ For some consumers, the state was co-responsible for the slow restoration of services and unfair rate increases. Implicitly, they questioned the legitimacy of the neoliberal policy regime. That these consumers called for state assistance in the crisis revealed an expectation that the government should act to protect the public interest.

There were signs that a few companies responded to complaints. Serving 400,000 customers in twenty-seven counties, Entergy Texas sustained the most significant damages from Ike. In September 2009, *The Houston Chronicle* reported that the company was heeding recommendations of post-Ike reports by the TXPUC. The company installed new coastal transmission towers and poles with higher ratings for withstanding storms, and substation repair and replacement was completed with upgraded ‘storm hardened’ technology (Fowler 2009b; 2009c). Interestingly, the TXPUC report named Entergy as the *only* company that needed to take

selective ‘storm hardening measures,’ implying that the other companies’ infrastructures were adequate (Quanta Technology 2009).

Structural Conditions

‘Before deregulation, *utilities were always preparing for the future* [emphasis added]. Now they wait until it’s needed and then scramble to get it done’ said the business manager of a local Electric Worker Union (reported in Cook 2008a:D4). This assessment indicates that the weakness of the pre-existing infrastructure was a direct result of the deregulated electric system, and demonstrates that neoliberal policies create disincentives to invest in improved infrastructure (Cook 2008a; Ratcliffe 2008). Inspired by the desire to significantly reduce state intervention and supervision, the Texas electric sector was deregulated in the early 2000s. Deregulation and privatization relieved electric companies from responsibility for developing and upgrading infrastructure (Amin 2001; Kiesling and Kleit 2009; Ratcliffe 2008). Perrow (2007) argues that deregulation of the electric industry “has resulted in business plans by the utilities that minimize investment in transmission but instead perversely overload the burdened, unmodernized grid with long-distance transmissions that reap small benefits in cost in return for large risks of cascading failures and a large increase in vulnerability to deliberate attacks, accidents, and weather” (Perrow 2007:11).

Infrastructural investment is necessary to create electric grids that can better withstand natural disasters. However, in the deregulated system, the cost of building more storm resistant infrastructures is assessed in terms of its impact on companies’ short-term profits. Their cost-benefit analyses are strictly linked to companies’ immediate bottom-line prospects and thus favor less costly, short-term solutions. In the case of hurricane-related damages, investments in

infrastructure are viewed as unnecessary if: ‘upgrading the system would cost more than repairing it after the storm’ (Ratcliffe and Robison 2008:B3). Accordingly, companies resisted recommendations for prudent upgrading, even though they are located in an area where strong storms and weather-related natural disasters are common. As an industry publication underlines, Texas has experienced four hurricanes in four years (2005-2009) and, in the decade from 1998 to 2008, it was hit by fifteen named storms (Quanta Technology 2009: 15). Moreover, the state regularly faces severe thunderstorms accompanied by high winds and occasional tornadoes. After Hurricane Rita, in 2005, public groups and some legislators made repeated calls to strengthen Texas’ electric infrastructure, but the recommendations were opposed on cost grounds and the measures were largely ignored (Ivanovich and Ratcliffe 2008). However, Hurricane Ike repairs alone cost consumers an estimated \$750 million, due to the Houston-area’s system-wide rate increase (Cook 2008d).

Underinvestment also hindered the capacity to detect problems with the electric grid. As repairs began, electric companies relied on an obsolete computer warning system that significantly delayed the restoration of power (Clanton 2008). Problem spots had to be visually located before the damage could be detected and repaired. High winds had uprooted vegetation that, along with other debris, made this visual detection difficult and time consuming. Additionally, the restoration of power overloaded weak circuits in many neighborhoods, and blackouts followed. Often workers completed a job, but had to return and start again. A resident shared her view: ‘We were so excited when we got the power back two days ago. But we had a few blackouts yesterday morning and we lost power last night. We don’t have power now.’

Regardless of company leaders’ free market ideology, they seek state support for their organizations and stockholders. The result is that even as profits are increasingly privatized, risk

is socialized by passing risk-related costs on to customers and taxpayers.⁷ Like the banking system, utilities expect the State to be the investor of last resort when catastrophic economic, environmental, or other crises destroy infrastructure, paralyze markets, and threaten major business failures. The power grid and other aspects of the electric sector are too important to be allowed to fail. Houston electric companies obtained \$220 million federal dollars earmarked to improve the electric grid. CenterPoint Energy was awarded \$200 million of the support, and Reliant Energy received almost all of the remaining funds (19.9 million). The primary objective of these public grants was to improve the grid by installing equipment that reduces the risk of outages by identifying trouble spots early and allowing customers to better monitor their energy use (employing so-called ‘smart meters’). Although available before Ike, these improvements were not implemented until the receipt of public monies (Fowler 2009c; Patel 2010b). The companies’ neoliberal posture prior to Hurricane Ike was maintained after the storm by choosing not to invest to upgrade the infrastructure (Ratcliffe 2008). In the absence of federal action or a major shift in Texas politics, substantial system improvements will not be instituted.

Neoliberalism’s Social Costs and Inequalities

Employing neoliberal corporate decision-making and cost-benefit analyses, private electric companies resist infrastructural investments and ignore the consequences that consumers have to face in long outages (Cook 2008e). Focusing on profitability, companies systematically disregard the social costs of disaster recovery to vulnerable communities resulting from outdated infrastructure (Mechler 2003). Favoring nearly unqualified property rights and personal responsibility that privilege formal equality over substantive equality, their neoliberal posture brushes aside the disadvantages of low class position and minority status. Sharp inequalities in

material and social resources are magnified in any crisis situation, and were not sufficiently acknowledged or adequately addressed in Ike's recovery.⁸ Infrastructure upgrades that might sharply reduce Ike-type damages are excluded by cost-benefit analyses geared to maximize the interests of the company and its stockholders in the short term. Given the frequency and length of power outages, consequent impacts on public safety, well-being, and the local economy, infrastructural investments that minimize these social costs would result in huge public 'savings.' Unfortunately, these considerations struggle to find a place under neoliberal hegemony (Revezs and Livermore 2008).⁹

Post Hurricane Ike, some politicians questioned the electric companies' reliance on cost-benefit analyses. One Texas State Representative, from an affluent Houston district, argued that: 'most-cost-benefit studies overlook the hardship [a significant amount of time] without power caused people. The missing component is the people' (Ratcliffe and Robison 2008:B3). Long-term prudence and efforts to avert future damages are not easily factored into cost-benefit analyses. Such strategies also do not consider the highly unequal resources that customers from divergent economic backgrounds can deploy to mitigate the negative consequences of outages and other damages. Such analyses ignore the fact that people in poorer neighborhoods suffer harsher consequences than their more affluent counterparts. 'Most people in the [poor] parts of Houston cannot afford generators or a hotel room even if reimbursed by the Federal Emergency Management Agency' argued a State Senator, referring to the fact that class and its intersections with race, ethnicity and gender substantially impact the manner in which outages are experienced (Ratcliffe and Robison 2008:B3).

In Ike's wake, Houston residents realized that communities experienced the hurricane damages and recovery in very divergent ways.¹⁰ For example, a resident from a working class

neighborhood told us: ‘It’s harder if you don’t have a generator. I cannot afford one. I only hope that they [the electric company workers] come and fix my neighborhood. ...but I guess they won’t come and help us any time soon.’ Another resident, from the same neighborhood, added: ‘They [the electric companies] will go to [a more affluent area] before they get here [less affluent neighborhood]. There are too many more people who pay more money there. It’s always the same. It’s money.’

Rather than a narrow cost-benefit approach, a more appropriate analysis would posit the costs of current upgrades against costs of damage repairs and related losses according to current standards. The cost to infrastructure and to the public would be included. It is a messy arithmetic, but infrastructural investment for long-term improvement of the power system reduces risk, saves resources, and increases public well being and safety. Extensive and costly patch-up work on an increasingly outdated grid ultimately stalls progress, is more expensive and problematic.¹¹

Therefore, neoliberal resistance to infrastructure investment hampers disaster response, recovery and mitigation in two main ways. First, it minimizes public-sector intervention to lessen major inequalities at moments when private charities (in neoliberalism the entities tasked with the majority of response efforts) are overwhelmed. Second, it undermines political will to devise long-term strategies that better protect the most vulnerable individuals and communities.

The Power Companies’ View: Consumer Choice and Personal Responsibility Rule

Companies stress that infrastructural improvement decisions should be up to *individual* consumers, who make informed choices about the best option available in the deregulated free market. This view manifests the juncture between consumer freedom and personal responsibility; ultimate decisions are left to the individual. ‘So the decision comes down to, for a ratepayer: Do

you want to pay a significant amount of extra money to mitigate an outage that might take two or three weeks and that occurs infrequently’ said the Chief Executive of one of the electric companies (quoted in Ratcliffe 2008:A24). Electric companies argued that customers would not support the costs of upgrading, since their estimated monthly fee increases, strictly related to repairs, without upgrading, would cost each customer \$5 per month for 15 years (Cook 2008e). This ‘choice’ not to pay more makes sense, because the portion of the rate increases allocated for upgrades and that devoted to higher profit margins are not transparent to consumers. Any uncertainty about whether upgrading will substantially increase the security or value of their property also reduces willingness to foot the bill for improvements. When the crisis ends, even customers hard hit by past storm damages who are more vulnerable to future damages, are likely to favor lower rates over increased protection for the same reasons. People with modest or low incomes must weigh the possibility of uncertain future problems against immediate needs. A public option that increases these citizens’ taxation is likely to be equally problematic and unaffordable. Thus, mitigation costs must come out of profits, and therefore investors’ pockets. This is a hard sell particularly because Texas does not cap profits or mandate a storm-resistant infrastructure. Utilities are authorized to charge customers for the damage resulting from storms. Under normal operating conditions, privatized electric companies in the Texas market are careful not to raise rates excessively so as not to lose customers to competitors (Kiesling 2009). Competition among electric companies drives rates down according to a comparison of prices under competitive market conditions and the previous regulated regime in Texas (Kiesling 2009: 171). There is an inherent tension between the emphasis on competitive markets and maintaining the reliability of electrical system (Totten 2009: 109). In many ways, low rates for electricity are

desirable. However, we question whether the race to lower rates means a race to the bottom, neglecting critical infrastructure with disastrous consequences.

Manifesting the overriding interest in short-term profits, Houston-area companies kept electric lines on wooden poles, a technology from the late 19th century, when electricity was first made widely available for public and private uses. Although CenterPoint Energy alone lost 4,500 utility poles, a company spokesperson maintained that: ‘our infrastructure held out just as we thought it would [and] with this storm, building the infrastructure any different wouldn’t have been of any benefit’ (Ratcliffe 2008:A24). Burying power lines would protect them from high winds, but its cost would be tenfold higher than overhead lines. The underground option is not problem free either, since buried lines are more susceptible to problems in flood prone areas. The TXPUC post-Ike evaluation recommended ‘targeted storm hardening measures’ (Quanta 2009). Increasing the robustness of infrastructure at strategic points, deemed critical by the industry, represents a compromise between spending on mitigation to assuage public opinion and saving to maximize profits. However, profit considerations have not disappeared. The Chairman of the TXPUC declared: ‘At the end of the day, the customers are going to have to pay for all this’ (Ratcliffe 2008:A24).

That short-term gains are paramount is not new. After Hurricane Rita hit the state in 2005, regulators proposed new norms requiring stronger transmission infrastructure such as concrete and steel poles and properly trimmed trees. Electric companies aggressively fought all proposals to improve infrastructures, and hired lobbyists (sixteen by CenterPoint and twenty by Entergy) to influence TXPUC’s recommendations (Ratcliffe and Robison 2008). Watering down the original proposal, the final recommendations suggested only minimal changes and were never translated into legal regulations.

This was not the case for other states (Edgar 2008). After Hurricane Wilma hit Florida in 2005, state regulators imposed new standards for the inspections of utility poles and the trimming of surrounding vegetation. The new rules were quickly implemented. Aside from new concrete or steel transmission structures, TXPUC's original proposal mandated that all structures installed within 10 miles of the coastline be able to withstand 141 mile an hour winds (Ratcliffe and Robison 2008). Additionally, it called for the removal of all trees from utility rights of way within a year. Currently, tree trimming is not regulated in Texas. However, companies can be fined if found in violation of rules set by the North American Electric Reliability Corporation, a nonprofit organization that oversees industry standards. CenterPoint and Entergy were both fined in 2006 (Fowler 2008). Ultimately, however, even the modest Texas proposal, which would not have noticeably upgraded the system, was seen as too 'significantly costly' and 'unnecessary,' and was not implemented (Ratcliffe 2008).

The State's Position: Business Interests are 'Public Interests'

Neoliberalism informs Texas government actions, even in the agencies charged with *regulating* industries. Spence and Bush (2009) trace the development of the Electrical Reliability Council of Texas (ERCOT) in 1970 explaining that it was designed to avoid the regulatory jurisdiction of the Federal Power Act (Spence and Bush 2009: 9). Stipulating that ERCOT's members operate exclusively within Texas freed member companies from federal regulation, since interstate commerce was excluded (Spence and Bush 2009: 11-12). In 1996 ERCOT became "the first independent system operator (ISO) in the United States..." and Texas remains in a unique position in that electricity markets operate with the TXPUC as the sole regulator (Spence and Bush 2009: 14).

Members of TXPUC employ minimal regulation and reject requirements to reinforce infrastructure. The TXPUC Commissioner argued that replacing wooden structures would not prevent debris from damaging utilities. She stated: ‘If you’ve got a lawn chair that’s flying through the air at 100 miles an hour, it’s going to take out a line’ (quoted in Ratcliffe 2008:A24). As a result, no action was taken. Simultaneously, Texas did not replenish its Disaster Contingency Fund (designed to help cities and counties pay for repairs prior federal disaster assistance), which was virtually exhausted *before* Ike hit, despite the state’s significant budgetary surplus in 2007 due to high oil and gas revenues (Ratcliffe and Robison 2008). A robust state emergency fund provides for the general public’s well-being and security. However, state government, like the electric companies, did not support the needed upgrade measures. Although state funds were not invested in the Disaster Contingency Program, Governor Perry was quick to establish a nonprofit ‘Texas Disaster Relief Fund’ and urged private individuals and businesses to contribute to it (Ratcliffe and Robison 2008). Donations were tax deductible, and allocated to local governments and organizations involved in the recovery (Ratcliffe and Robison 2008:B3).

The same urgency was not stressed in the deployment of public monies. Governor Perry recognized the need to replenish the Disaster Contingency Funds, yet this action must wait until the next legislative session in 2011 (Ratcliffe and Robison 2008:B3). Most importantly, he sided with the electric companies, arguing that TXPUC’s less stringent standards were appropriate. ‘The idea that you’re going to, from Washington, D.C., or for that matter from Austin, Texas, have a fiat that will protect all Texans on all days is a bit of a stretch’ the Governor stated. ‘Can you ever have standards in place that will withstand the wrath of Mother Nature? The answer is no’ he added (quoted in Ratcliffe and Robison 2008:B3). By questioning the ability of regulators to foresee nature’s forces, Governor Perry supports the passive, hands-off approach that prevents

mitigation. Government inaction with regard to providing robust infrastructure demonstrates that corporate profits trump public interests or are considered one and the same.

Contradictions of Neoliberalism and Disaster Recovery

Neoliberalism's class inequalities and socio-economic and environmental problems make the regime unsustainable in the long-run.¹² Its conditions and crises can have sweeping, enduring regional, national, and global impacts. Disasters' immediacy, intensity, and publicity, which demand State intervention and resources, greatly magnify the neoliberal regime's contradictions, make them visible to wider, formerly oblivious segments of public, and sometimes foster challenges to its legitimacy. The actions of Houston-area, privately-owned, utility companies reveal a core strategy of neoliberal policymaking and chief source of tension – *privatizing public goods and socializing private costs* – that the case study shares with responses to other natural disasters and the financial bailouts. In particular, the exceptional costs of disasters, potential private “losses,” are socialized to preserve profit margins and equity prices. The public takes on risks that are supposed to be assumed by businesses and especially equity owners. This fundamental neoliberal policy, operative in a deregulated climate, creates what economists call a ‘moral hazard,’ ‘insuring’ executive decisions to avert investing in hardening electrical infrastructure and safeguarding against future storms. The executive's fiduciary responsibility is to the stockholders' interests, not to those of the general public. This strategy is part of what David Harvey (2005) theorizes as ‘accumulation by dispossession,’ transferring resources from lower and middle classes to well-off strata, and a chief facet of his vision of the neoliberal ‘restoration of class power.’ He adds that neoliberalism bends physical and ecological conditions to serve capital accumulation (Harvey 2006: 78, passim 77-90).

In the U.S., three decades of neoliberal policymaking devastated poor and low-income workers, brought stagnant wages, reduced retirement and health benefits, and decreased job security for most middle-class workers, and weakened the social safety net. After the 2008-2009 crash, those parts of the middle class reliant on stock market investments, highly leveraged homes, and cheap, widely available credit to pay for their health care, retirement, children's education, and other large or unexpected costs suffered a painful financial squeeze. Moreover, unprecedented numbers of people lost their homes through foreclosures. Prior to the crash, state legislatures slashed tax rates, relying on increased revenue from soaring stock values and other taxable assets, inflated by the financial bubble. Later, states lacked resources to pay for usual administrative costs and public goods, and many of them instituted draconian cuts to avert tax increases (often cutting higher education and programs for the poor, disabled, and K-12 public schools). As we write, more extreme, widespread cuts are projected. The financial crisis and recession raises questions about neoliberalism's sustainability, and opens opportunities for recasting public discourse about the regime and alternatives to it (Judt 2010).

In prolonged financial crises or cataclysmic environmental disasters, publically supported benefits that accrue to corporate executives and wealthy equity owners may be seen in a new light. Less than a month before the Gulf Oil Spill, Louisiana Governor Bobby Jindal declared: 'There has never been a challenge that the American people, with as little interference from the government as possible, cannot handle' (quoted in Pitts 2010). As awareness of disaster's scale grew, Jindal and other leading, neoliberal 'small government' champions complained about that the federal government's response was too slow and meager. The Gulf Oil Spill is a prime example of how rapacious neoliberal policies increase risk to lives, property, ecosystems, and parts of the private sector. As ongoing investigations reveal, regulatory failures, foregone

maintenance, and other myopic cost-saving strategies have pervaded the causes and responses to the spill. Also evident are attempts to socialize the costs of the spill as calls for government assistance are repeated. Although more consequential on a much wider, long-lasting scale and made visible by the much larger federal role and national media coverage, these contradictory facets of the spill are hauntingly similar to those that weakened electrical systems and made recovery so lengthy and costly after Ike and other storms.

The public is not a homogeneous mass with equal resources; this reality is especially evident during and following a major disaster, which devastates the most vulnerable and poorest people in its path. In Katrina's wake, the underbelly of neoliberalism and the sharp inequalities it creates in its richest, heartland nation, suddenly became shockingly visible to a global audience, if only for a moment, in the desperation of New Orleans' stranded people from different races, ethnicities and class backgrounds. Taints of these problems can be found after Ike and other less severe or less visible disasters. To cope with economic and environmental crises, the State should acknowledge the public as a distinct, yet variegated social entity, take a long-term perspective toward its protection, and set rules of governance that regulate and plan for its preservation. Neoliberal privatization, deregulation, and aversion to planned change, taxation, and public goods scuttle the tools for coping with disasters. Neoliberal capitalism undermines efforts to reduce risks by privatizing public goods and socializing private costs. Unplanned exponential growth, consequent sharp inequalities, and ever-growing throughput of resources and production of wastes on a global scale increase the chances of major disasters and erode the socio-environmental foundations of capitalism.

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Notes

¹ The largest of these companies was CenterPoint Energy with 2.3 million clients in 2008. Entergy served 400,000 customers in the Northeastern portion of metropolitan areas while The Texas-New Mexico Power CO had about 112,000 customers mostly located in the coastal areas (Cook 2008b). Other small companies also serve the area. 'Clients' indicate subscribers, mostly households and business establishments. The actual number of people served by these companies was much greater.

² Two authors observed the impacts of the storm. One investigator spoke more selectively with 26 residents, who experienced damages and power outages. An attempt was made to speak with residents from various socio-economic and racial ethnic backgrounds.

³ Our treatment of neoliberalism is schematic, focusing on issues that illuminate major themes in our study. For detailed discussions of the topic, see Stiglitz 2003; Reich 2007.

⁴ For more detailed accounts of the neoliberal posture adopted by the state of Texas, see Barkdull and Tuman 1999 and Samples 2004.

⁵ The next four questions concern measurement and evaluation of outcomes of the Foundation's first three overriding policies (Texas Public Policy Foundation 2009: 20).

⁶ Lack of electric service was only one of many problems facing Houston area residents in the aftermath of Ike. Many suffered severe flooding and wind damage. While electric power was restored in a few weeks, other damages took a much longer time to be repaired (a year or more in some cases).

⁷ See Perelman (2005: 118) for more on the socialization of risk.

⁸ For an overview of research on inequality and disaster see Bolin (2006).

⁹ Revezs and Livermore (2008) argue that cost-benefit analysis is not inherently bad, but has been distorted by anti-regulatory agendas. Butler (2010) would concur, advocating implementation of 'pragmatic' cost-benefit analysis. Farber (2008) also suggests critical review cost-benefit analysis' role, and Chichilnisky (2006) highlights the need for new tools based on the law of large numbers and private-public collaboration. Although full consideration of cost benefit analysis' importance is beyond the scope of this article, the authors note that its use drives risk assessment and shapes investment decisions.

¹⁰ According to the Center on Budget and Policy Priorities (2002), Texas ranks third highest in income inequality of U.S. states. It is one of eleven U.S. states in which the average income at the top quintile was at least 10 times greater than the average income at the bottom.

¹¹ For an example of analysis showing that investment in mitigation initiatives saves money in the long run, see the Multihazard Mitigation Council (2005).

¹² See Antonio 2009 for detailed discussion of the environmental issues above.