

Blaming Everything (Even Floods) on Growth

by John Cobin, Ph.D. for *The Times Examiner*
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On August 3, 2004, a rare storm (of the 10-year or 100-year variety—depending on whom one asks) dumped six inches of rain in a span of two hours over a section of Greenville, South Carolina. The result was intense flooding with water levels rising to the rooftops of Cleveland Park's stables, homes filled with water and silt, and a loss of power to the downtown area and St. Francis hospital. The Reedy River, a tributary of the Saluda River that runs through the center of the state, received far more run off (especially in the developed downtown area) than it could adequately displace. Millions of dollars in property damage were recorded, much of which was not covered by insurance. Greenville made the national news that day and FEMA inspectors hurried to town to assess damage.

Locally, affected residents and businessmen were predictably distressed. And why not? Not only were business opportunities lost, and property ruined, but considerable time and energy now had to be devoted to cleaning up the mess. Surely, somebody or something had to be blamed for the inconvenience and hassle. The local liberal rag, *The Greenville News*, ran a front-page story on August 6, 2004 entitled "Growth made flood worse". It claimed that roads, buildings and parking lots in urban areas prevented adequate seepage, making floods worse due to the increased run-off. Inadequately planned culverts and pipe sizes, brush and debris-ridden creek and river beds, the river straightening project several years ago (that reduced the Reedy's natural flood plain), and failed government planning for proper bridge sizes over rivers, were some of the specific reasons the story cited as contributing factors. The report also cited experts who cautioned that floods are common and cannot be prevented. Hence, all that people can do is find the best way to cope with floods.

Experts *do* admit that government failure was at least partly responsible for the recent flood damage. But do growth, civilization, and progress make floods and natural disasters worse? Do these things make our lives more inconvenient? Apparently, liberals think so. And, to be honest, they are partly right. All production and progress leaves by-products, undesirable after-effects, and pollution—all of which may be minimized (but hardly avoided) over time. Economists call these by-products *costs*. However, let's be careful to note that production and progress also generate *benefits*. For instance, Greenville's jobs, infrastructure, and many amenities are a result of progress. Residents enjoy a very high standard of living, a reasonable climate, and pleasant surroundings. Do these benefits exceed the costs of progress? For most people, they do.

So, on the one hand, growth can worsen flooding and exacerbate social problems. On the other hand, growth also markedly improves our lives. How many reasonable people in Greenville would be willing to do away with the entire center of town just to prevent the bad consequences of a rare but severe flood? Not unlike most liberal arguments, the *Greenville News* chose to highlight the costs of progress without mentioning the tremendous benefits from it. As the old adage goes, a half truth is worse than a whole lie.

Another piece missing from this (and other) liberal analysis is the matter of the market. Just how do markets deal with catastrophes? We all know that insurance, when available, plays a big role in transferring risk from property owners to a larger syndicate. But the price system also serves a very important, although often overlooked, role. The value of any property, or the price of a lease on a commercial building, depends on its location, quality, age of accessories and utilities, etc. Moreover, value is also a function of anticipated risk and the expected cost of insurance (or the inability to acquire insurance to manage risk). Risks that commonly fit into this calculus include the likelihood of criminal activity and natural disasters. For instance, given two buildings of equal

qualities and amenities, the one that is located in a flood plain will most likely command a considerably lower price. And that price will be driven down even further if casualty insurance is unavailable or if insurance rates are extraordinarily high because of the greater risk potential.

In other words, people and businesses that locate in higher risk areas automatically get a benefit by way of a price break. When the inevitable flood happens, who is to blame? Well, no one is to “blame”. Those who located in flood-prone areas did so because of the economic benefits. They assumed the added risk, and when catastrophe occurs they realize those added costs that were considered or subsumed in their initial venue selection. If the same real properties were located on a hill, or otherwise away from the threat of a flood disaster, the price paid would have been higher.

Liberals are, of course, stunned by such logic. They believe that people who chose the flood area should get both a lower price and be indemnified by someone else—even though the tragedy was predictable. Liberals fail to see that human suffering in floods or other disasters is often the result of personal choice. Indeed, people (or firms) might raise their exposure to certain risks as a means of cutting costs. Having the option to do so is a virtue—not a vice—of a free market system. (As an aside, speaking of personal responsibility for one’s choices, I think one might rightly call into question the record of liberals—like Bill Clinton.) Moreover, liberals also fail to see is the good things that positive *net* growth provides. Sure, there are big costs associated with growth, but the benefits of growth are even greater.

While it was sad to see so many people in Greenville adversely affected by the August 3, 2004 flood, let us remember that the “victims” had accrued benefits in lower prices for many years. Don’t let the liberals ruin your day with their anti-progress agenda. Instead, let’s show them how in a free market, kind-hearted and generous people will be willing to voluntarily lend a hand and help those who suffer adversity. There is no need to blame growth or any other scapegoat for the flood disaster. We know that the property owners took a gamble on flooding and lost. So the best thing we can do is show some compassion, and forget the inane and silly rhetoric of the liberal media.