



[The 'moral hazard' & Sandy relief: Do federal funds invite disaster?](#)

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GUESTS: HOWARD KUNREUTHER and SCOTT KNOWLES

This morning, the Federal Emergency Management Agency is briefing Philadelphia and Pennsylvania leaders about applying for federal aid in response to the storm called Sandy that ravaged the region at the end of October. The briefing by FEMA underscores the importance of federal funds in rebuilding the battered beaches and coastal communities, as well as the National Flood Insurance Program. But the nearly \$51 billion emergency aid package from the federal government to stricken states, plus ongoing other costs, are endangered by the automatic cuts due Friday and known as the “sequester.” Harder questions are also being raised about federal funding of Sandy relief and rebuilding that center around the term “moral hazard.” In a nutshell, critics of federal disaster aid and especially coastal planning contend that paying for building along the ocean provides an incentive for unsustainable behavior. Put another way, if the federal government bails out today’s devastated coastal communities, does that encourage tomorrow’s coastal communities to risk lives, buildings and future funds by rebuilding in the same places?

Joining us to wrestle with the question of a “moral hazard” in Sandy relief is **HOWARD KUNREUTHER**, a Wharton Professor of Operations and Information Management, Decision Sciences, Business Economics and Public Policy, co-director of the Wharton Risk Management and Decision Processes Center and co-author of the new book, “[Insurance and Behavioral Economics: Improving Decisions in the Most Misunderstood Industry](#),” and **SCOTT GABRIEL KNOWLES**, Drexel University associate professor of History & Politics and author of “The Disaster Experts: Mastering Risk in Modern America,” out this month in paperback.



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