The 'moral hazard' & Sandy relief: Do federal funds invite disaster?
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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?
