



CAN NEW ORLEANS BE REBUILT?

In a speech given two weeks after Hurricane Katrina hit the Gulf Coast, President Bush took responsibility for the slow government response and promised to rebuild the devastated region.

President Bush has unveiled a massive rebuilding program for New Orleans and other parts of Louisiana, Mississippi and Alabama that he called "one of the largest reconstruction efforts the world has ever seen."

Although there are few details, the president's plan includes incentives for job creation and tax cuts for small businesses, especially minority-owned enterprises.

What's the plan?

President Bush and his advisors have outlined three steps to begin the long process of recovery.

First, agencies across the federal government are providing immediate aid to the evacuees. While the Department of Health and Human Services sends medical workers to temporary shelters, the Department of Labor is helping evacuees find temporary jobs.

Second, the president proposed that the federal government pay for the rebuilding costs, allowing state and local governments to save their limited funds.

Third, President Bush said he wanted to create programs to bring evacuees home "for the best of reasons -- because they have a real chance at a better life in a place they love."

The president proposed an Urban Homesteading Act, a reference to President Lincoln's 1862 Homestead Act which gave land to families willing to settle in the American West, provided they stayed for at least five years.

In President Bush's plan, poor evacuees would be given a plot of land in exchange for promising to build there.

Paying for the recovery

All these programs will cost billions of dollars, putting a significant strain on the federal budget. The latest estimates put the total at about \$200 billion -- as much as the war in Iraq.

The federal deficit was already expected to be over \$400 billion.

Even though the government is in debt, it is able to spend money by selling bonds, many of which are bought by foreign countries.

Nations like China and Japan purchase these bonds, in what is essentially a loan to the United States, with the assumption that the U.S. government will pay them back with interest.

Critics of "deficit spending" say it shifts the burden of paying for government programs to this country's youth because they will eventually have to pay back the debt to the foreign investors.

If the money is not borrowed it will have to come from cuts in government spending that would affect all Americans.

"Bridges, roads, parking structures, bike trails" are all budget items that should be cut to pay for Katrina recovery, said Alison Fraser of the Heritage Foundation.

What is funded and where the money comes from will likely be a critical issue in the House and Senate elections coming up next year, as well as the presidential election in 2008.

What kind of reconstruction?

While Congress decides how to pay for reconstruction, officials are debating how to best rebuild New Orleans and deal with the poverty and racial divides that the storm revealed.

"We have the opportunity, if we have the right principles and we have the right tools to give many of those low income families the ability to live in neighborhoods ... where they have access to good schools, safe streets and quality jobs," said Bruce Katz, who was chief of staff for the Department of Housing and Urban Development in the Clinton administration.

"That did not exist in New Orleans before this hurricane. And to some extent it didn't exist because the federal government had created enclaves of poverty with public housing and subsidized economy and so forth," he added.

And even though the broken levees will be fixed and strengthened, geological experts fear that another strong hurricane could cause a repeat of the recent floods.

We need a better plan for a huge storm such as Katrina and a coastal restoration program, said Mark Schleifstein, an environmental reporter for the New Orleans Times-Picayune.

"Both of those are very, very expensive propositions that haven't been addressed at all," he added.

Finally, local officials are also trying to figure out how to lure people back to the devastated cities.

In a Washington Post/Henry J. Kaiser Family Foundation survey of Katrina evacuees in Houston, 44 percent of respondents said they would "permanently relocate" to somewhere other than New Orleans.

-- *Compiled by Brian Wolly for NewsHour Extra*

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