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Lessons from '27: Crisis as Opportunity

by Jack Hoffman

On Nov. 30, 1927, a little less than a month after floods ravaged the state, Vermont Gov. John Weeks opened an emergency session of the General Assembly with a summary of the damage that had been done to the highway system. "Approximately 1,258 bridges were destroyed or severely damaged," the governor said. He put the estimated cost of the bridge damage at just over $5 million—and added $2.7 million in destruction of federal aid roads, state roads, and town roads. The Vermont State Hospital in Waterbury suffered extensively too—as it did during the floods last month when Tropical Storm Irene came through Vermont. In 1927 the water reached the second floor of the hospital, taking a heavy toll on the buildings and equipment. And, Weeks told the Legislature, "the entire dairy herd and nearly all of the other livestock [at the hospital] were drowned."

Private property—railroads, businesses, farms, and houses—was devastated too. Estimates varied, but most put the physical damage at around $30 million. In 1928, Vermont Congressman Ernest Gibson testified that, counting lost business and other indirect losses, the cost of the storm came to $100 million.[1] To get an idea of how much that was in 1927, to run the entire state government for fiscal 1928 the Legislature had appropriated about $7 million.[2]

TABLE 1

Highway System Damage, Flood of 1927
In 1927 dollars

Federal Aid System	
120 bridges	$1,920,000
Roads	$940,000
Total	$2,860,000
State Aid Roads	
342 bridges	$1,790,000
Roads	$1,040,000
Total	$2,830,000
Town Roads	
794 bridges	$1,330,000
Roads	$735,000
Total	$2,065,000
Grand total	**$7,755,000**

Source: Weeks, Message to the Joint Assembly

Challenges and Dangers

The governor understood that the toll of the Flood of 1927 was unprecedented. He also recognized the possibilities that lay in moving past the crisis. "Vermont has a future before her that she has not realized," Weeks said in his address to the emergency session. "I want to personally consecrate every ounce of my strength to the work of making Vermont a stronger force in the outside world and a happier place to live in."[3]

Much has changed in Vermont and the U.S. in 84 years. But Irene—whose damage in Vermont is likely to total $1 billion or more[4] —is not unlike the Flood of 1927 in this way: The calamity, like every crisis, holds challenges, dangers, and opportunities. Vermont can respond with actions and policies that strengthen its future and make it a happier place for all its citizens—or not.

As Naomi Klein argues in *Shock Doctrine*, the chaos of a crisis can provide cover for the consolidation of wealth and power. She documents the way Sri Lankan fishing families were prevented from re-building after the tsunami in 2004 so that large corporations could build luxury hotels on the beachfront property.[5] Crises can lay bare government's failure to respond with competence and compassion—as during Hurricane Katrina in 2005, when Washington left thousands of people on their own to find food, drinking water, and shelter. In part thanks to government policies, New Orleans is a different city now. The historically low-income African-American population has been displaced by middle-class whites.

And crises, like Tropical Storm Irene, can open the way for policies that strengthen an economy and make all citizens' lives better. As Vermont rebuilds, what lessons can we learn from 1927 and the policy choices, intentional or not, that were made at the time?

Rethinking Government

Washington's relationship to the states

The lore that has grown up around the 1927 flood is that Vermont refused to accept outside help—that Governor Weeks vowed, "Vermont will take care of its own." In fact, Vermont, albeit reluctantly, did ask President Calvin Coolidge for help and in the spring of 1928 received $2.6 million as part of a federal aid package approved by Congress.[6]

Such aid was also a new idea for Washington. But in the spring of 1927 there had been massive flooding along the Mississippi, and the southern and midwestern states devastated by those floods had been appealing to the federal government to help with both disaster relief and flood control.

In 1928, six months after the Vermont floods, Congress approved a relatively modest package of less than $5 million in aid for Vermont and Kentucky. Reluctant to set a new precedent, however, Congress included language in the bill declaring the relief aid was a "contribution" that did not imply any liability on the part of the federal government.[7]

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— Gov. John Weeks, 1927

At the same time, Congress also approved the flood control plan for the Mississippi Valley with an estimated cost of $325 million. According to Deborah and Nicholas Clifford, in *The Troubled Roar of the Waters*, the flood control project sowed the seeds for the massive public works projects that President Franklin Roosevelt would propose a few years later to try to pull the country out of the Great Depression.[8]

Today, we have FEMA—the Federal Emergency Management Administration. Only a few hardcore libertarians question whether the federal government should help states when natural disasters strike. But federal support is not necessarily a given, either. The U.S. House wants any disaster relief funding to be offset by cuts elsewhere in the budget. The Senate has resisted, and the fight has been put off to another day. But if the House prevails, it will mark a major shift in the federal government's role in times of emergency.

The state and its towns

Just as Vermont prized its independence from the federal government prior to the flood, its towns preferred autonomy to centralized state control, especially when it came to roads. At the time of the flood, state law limited aid to towns to $5,000 per bridge. But nearly 800 town bridges had been destroyed or damaged, and local communities couldn't cover the repairs on their own.

In his Inaugural Address 11 months earlier, Weeks—a longtime advocate of modernizing the highway system—had urged the Legislature to raise taxes to pay for the expansion of "hard-surfaced" roads in the state. "For the necessary and convenient purposes of daily use, as a public investment and as a means of attracting visitors who may become permanent residents, good roads are no longer a luxury but a necessity," Weeks said. The towns had balked, because they didn't want to bear the cost or give up local control in return for state funding.

Now the governor used the flood as clear evidence that the state had to step up and take control. The federal aid the crisis brought could be used not only for reconstruction but also for modernization. "Bridges and highways are no longer built and maintained principally for the good and convenience of the people of the town where they are located, but for the good and convenience of the people of our entire State," he told the Legislature. He proposed that the repair of the highway system be put under control of the State Highway Department.

In its first statute of the special session, the Legislature agreed to "aid all municipalities…to the full extent of the flood damage to public highways and bridges." In return, it placed the supervision for all work in the hands of the state highway board and gave the state emergency board ultimate authority to resolve any disputes between the highway board and the municipalities.

The state and individuals

The governor's message to the Legislature focused exclusively on the loss of public property, and the action of the Legislature was limited largely to repairing and replacing public buildings and infrastructure. There was no mention of appropriating money to help flood-stricken individuals and families directly in either Weeks's address or any of the bills passed in the daylong special session. That job was left to a large, voluntary fundraising effort, as well as extensive efforts by the Red Cross.[9]

The closest the Legislature came to providing aid to individuals was in the creation of the Vermont Flood Credit Corporation, which provided loan guarantees for businesses or individuals who borrowed money to repair flood damage. The loan guarantees reduced the risks for banks that made loans to flood victims.

Providing loan guarantees to individuals and businesses turned out not to be much help, however. All of the farmers and most of the businesses that applied for loans received them—but very few applied. Only 38 individuals and businesses received guarantees on loans that totaled about $270,000.[10] It's possible the program wasn't well advertised or well run or, as the Cliffords suggest, that many farmers simply couldn't afford to take on more debt.

Today FEMA provides grants of about $30,000 to individuals to help with cleanup and repair. Clearly, that is not enough to help a family whose home has been washed away. Low-interest, guaranteed loans also will be available through a variety of agencies and programs. But many Vermonters will be in the same straits as people in 1927: They already have debt—a mortgage on the house they lost, college tuition loans, or car payments—and they can't afford to take on more.

As Vermont began to do in 1927, the administration and the Legislature, along with help from Vermont's Congressional delegation, will have to find creative ways to aid Vermonters who cannot borrow more—at least through conventional means—to replace their losses.

Modernizing after disaster

Governor Weeks seized the opportunity presented by the flood to modernize Vermont's highway system. After Irene, some state officials appear to be thinking along similar lines. Lt. Gov. Phil Scott, for example, has suggested that restoring the State Office Complex in Waterbury might not be the wisest use of the tens or hundreds of millions of dollars it could cost. Mental health officials are going forward with strategies already under way to move residents of the Vermont State Hospital into therapeutic community settings. Whether or not the state decides to use the complex in Waterbury, the administration and the Legislature should be looking beyond simply renovating or replacing the facilities the state had prior to the flood. The opportunity now is to reassess the state's needs and determine how best to invest public money on infrastructure that will adequately serve Vermonters for the next 50 to 100 years.

Gov. Peter Shumlin has drawn the connection between global climate change and the change in Vermont's own weather patterns. One adjustment to that change, which the Agency of Transportation is reviewing, will be how to redesign bridges, culverts, and the built landscape to accommodate a new, wetter climate.

Fiscal policy: People before money

Governor Weeks had been an advocate of "pay as you go" fiscal policy. It wasn't as rigid as the "manage to the money" approach Vermont has followed in recent years—the idea that the state can only spend whatever revenue comes in at current tax rates, regardless of Vermonters' needs or larger economic conditions. Pay-as-you-go meant that while Vermont shouldn't spend money it didn't have, the state could raise taxes to cover necessary spending.

In the 1927 crisis, Weeks saw the urgency of breaking with the usual way of doing things. In his address to the emergency session he asked the Legislature to borrow $8.5 million to tackle the immediate job of rebuilding the state. "It will be expensive," he said, "but let us not eliminate from our minds what it means to restore the waste[d] places of Vermont." The Legislature also moved into new territory when it instituted a system by which the state could help individuals and businesses borrow in times of general crisis.

It will be expensive to rebuild after Irene, as well. But the state has no choice. This is one of those events that requires people to shift their thinking and accept that the next several years won't be what they expected. That includes shifting expectations about public spending and taxes.

Once all the damage estimates are in and it's clear how much federal aid is available, Vermont should look for the fairest and most efficient way to raise the money it needs to rebuild state and municipal roads, bridges, buildings, and other public infrastructure. Just as Governor Weeks recognized that many local communities simply couldn't afford to replace their roads and bridges, the administration and the Legislature will need to look beyond the property tax as a source of recovery revenue. The hardest-hit towns not only lost bridges, roads, and culverts; some of their property tax base was washed downriver, as well.

All of Vermont has a stake in helping these communities rebuild for the same reasons that residents of these towns are helping their neighbors get back on their feet. In the end, it's not about the money, it's about people—Vermonters, their quality of life, and their hopes for a brighter future. In Weeks's words, the task ahead is to make "Vermont a stronger force in the outside world and a happier place to live in."

ENDNOTES

1. Deborah and Nicholas Clifford, *The Troubled Roar of Waters* (University of New Hampshire Press, 2007), 32-33.

2. Vermont General Assembly, Public Acts of 1927, 24-37.

3. Vermont Press Bureau, "Text of Governor Weeks' Message to the Legislature," *Burlington Free Press*, December 1, 1927, 2.

4. Anne Galloway, "Irene damage edges toward the $1 billion mark," VTDigger.org, September 20, 2011.

5. Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism* (Metropolitan Books, 2007), 9.

6. Clifford, *Troubled Roar,* 73.

7. Ibid., 123.

8. Ibid., 124.

9. Ibid, 105-106.

10. Ibid., 107-108.

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