



**Trump Is Half Wrong and Half Right:  
Eliminating FEMA, The U.S. As a Common Currency Area,  
The Professional Bureaucracy, and The Separation of Powers**

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**Federal Disaster Relief and the U.S. As a Common Currency Area**

*The Hill* reported recently that the Trump administration intends to eliminate the Federal Emergency Management Agency “as it exists today.”<sup>1</sup> Mr. Trump: “We want to wean off of FEMA and we want to bring it down to the state level. ... We’re moving it back to the states.”<sup>2</sup> And: “We’re going to give out less money. ... It’s going to be from the president’s office.” *The Hill* report noted also that “Republicans have, in recent months, become increasingly critical of the disaster agency after reporting emerged that an employee advised her survivor assistance team not to visit homes with Trump signs.”<sup>3</sup>

Whether or not “less money” for federal disaster relief would be appropriate conflates two separate issues. The first is the spending efficiency of FEMA as it implements its programs as negotiated with Congress. Like most government agencies, FEMA does not sell units of a good at some price; instead, it receives a lump-sum budget in exchange for a lump-sum basket of promised output. Congress has powerful incentives to discover the minimum cost of delivering that lump-sum basket because resources not spent on one set of constituencies can be spent on another; as discussed below, the bureaucracies have a very different set of incentives. The cost information problem confronting Congress is made more difficult by a number of factors, among them agency monopolies in the delivery

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<sup>1</sup> See [https://thehill.com/policy/energy-environment/5343144-trump-noem-fema-dhs-hurricane-season/?email=467cb6399cb7df64551775e431052b43a775c749&email=12a6d4d069cd56cfddaa391c24eb7042&emailb=054528e7403871c79f668e49dd3c44b1ec00c7f611bf9388f76bb2324d6ca5f3&utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=06.10.25%20E%26E%20RF%20JB](https://thehill.com/policy/energy-environment/5343144-trump-noem-fema-dhs-hurricane-season/?email=467cb6399cb7df64551775e431052b43a775c749&email=12a6d4d069cd56cfddaa391c24eb7042&emailb=054528e7403871c79f668e49dd3c44b1ec00c7f611bf9388f76bb2324d6ca5f3&utm_source=Sailthru&utm_medium=email&utm_campaign=06.10.25%20E%26E%20RF%20JB).

<sup>2</sup> This statement from Mr. Trump, however off the cuff, suggests an intent to eliminate the federal role in disaster relief. However, the “less money” and “from the president’s office” statements seem inconsistent with the “state level” statement; and in any event the “president’s office” has no resources to give to anyone in the absence of Congressional authorization and appropriation. That in turn would suggest the need for some federal agency to “give out less money.” At a minimum, Trump’s statements are less than wholly coherent.

<sup>3</sup> See <https://thehill.com/policy/energy-environment/4982576-fema-employee-terminated-after-telling-assistance-team-to-avoid-homes-with-trump-signs/>.

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of given services, and the complexity of agency budgets.<sup>4</sup> This spending efficiency problem is not of direct interest here.

The second issue is whether disaster relief — the core FEMA mission — is appropriate as a federal function, that is, whether “bring[ing FEMA’s functions] down to the state level” would be consistent with a standard efficiency model of the allocation of government functions between the federal government and states and localities under the compound republic institutions of federalism.<sup>5</sup>

On this question, Trump almost certainly is wrong. The U.S. is a common currency area: The exchange rate for dollars in one part of the country is 1:1 for dollars in another part of the country.<sup>6</sup> When there is a large adverse change in economic conditions in one region (or state) — say, because of a natural disaster — relative to those in other parts of the country, the dollar exchange rate remains at 1:1.

This means that exchange rates cannot adjust so as to cushion (or absorb) part of the ensuing sharp change in economic conditions. Instead, all such adjustments must take place in the form of shifts in relative prices, that is, in the allocation of real resources, labor prominent among them, across sectors. Because exchange rates cannot adjust in a common currency area, facilitating the geographic flow of resources needed for adjustment to post-disaster conditions, higher unemployment and greater localized resource shifts will be observed as a result of a large change in local economic conditions relative to those elsewhere.

Federal disaster relief is a substitute for a system of exchange rates that adjust to changes in localized conditions. It creates its own set of serious problems: incentives for too much physical infrastructure investment in areas prone to natural disasters, corruption issues created by the perceived need to deliver disaster relief quickly, and others.<sup>7</sup>

But “moving it back to the states” would not obviously ameliorate those problems and others, and a state subjected to serious adverse economic conditions as a result of a natural disaster might encounter substantial obstacles to raising large amounts of money quickly, although a policy of depending upon state-level disaster relief would provide some incentives for states to establish rainy-day funds to be used when disaster strikes.<sup>8</sup> But the

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<sup>4</sup> For a fuller discussion, see Benjamin Zycher, June 20, 2023, at <https://www.aei.org/wp-content/uploads/2023/06/Zycher-comment-OMB-Proposed-Circular-A-4-Regulatory-Analysis-June-2023.docx.pdf>.

<sup>5</sup> See, e.g., Dennis C. Mueller, *Public Choice III*, Cambridge: Cambridge University Press, 2003, at pp. 209-229.

<sup>6</sup> This has nothing to do with whether prices (or inflation rates) for aggregate consumption baskets are higher in one region than another.

<sup>7</sup> See, e.g., William F. Shughart II, “Disaster Relief as Bad Public Policy,” *The Independent Review*, Vol. 15, No. 4 (Spring 2011) at [https://www.independent.org/pdf/tir/tir\\_15\\_04\\_2\\_shughart.pdf](https://www.independent.org/pdf/tir/tir_15_04_2_shughart.pdf), pp. 519-539.

<sup>8</sup> This is not to say that the federal government is “wealthier” than given states or the states in the aggregate. Both the federal government and state governments must obtain resources from the private sector. The federal government can be viewed as “wealthier” only because it has more monopoly power in terms of tax rates than any given state, because it can acquire resources by inflating, and because unlike most states it is not constrained by some form of balanced budget requirement — even though many states

statements from Trump display no understanding of these fundamental problems and tradeoffs in public finance.

### **The Professional Bureaucracy and the Separation of Powers**

Mr. Trump's distrust of the federal bureaucracy is no secret; he believes, with considerable justification, that substantial parts of it are driven to undermine his objectives rather than to advance them.<sup>9</sup> Trust in FEMA cannot have been enhanced by the recent episode in Florida following Hurricane Milton in which "a FEMA employee was terminated after advising her survivor assistance team to not go to homes with President-elect Trump campaign signs..."<sup>10</sup> That this involved a single employee is likely to be irrelevant to Trump: It would be reasonable for him to ask why the culture at FEMA would lead an employee leading a survivor assistance team to believe that such advice would be followed.

This observation brings us to the effort by the Trump Office of Personnel Management to define "career employees with important policy-determining, policy-making, policy-advocating, or confidential duties ... as at-will employees," that is, as much more like political appointees than civil servants who can be terminated only with "cumbersome adverse action procedures or appeals."<sup>11</sup>

This proposal has received widespread criticism, in particular from a bureaucracy and its allies that together are a powerful interest group itself, and thus hardly neutral about the issue. "This widespread attack on federal workers will undermine the professional civil service, allowing for the elimination of anyone the administration views as potentially disloyal to the president's ideological agenda, and remake the executive branch into a partisan political weapon."<sup>12</sup> "The idea is to change the legal classification of numerous nonpartisan federal workers, allowing Trump to fire them for any reason — a recipe for reprisals against employees perceived as disloyal. Our nonpartisan civil service is a hard-won national treasure."<sup>13</sup>

This overall criticism of the Trump OPM effort is infantile, as it relies on a characterization of the upper levels of the federal bureaucracy as "professional," "nonpartisan," "nonpolitical," and implicitly as nonideological. The bureaucracy is political, or politicized, virtually by definition in that it has important interests: bigger budgets, more regulatory and policy authority, greater monopoly power in the delivery of

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circumvent those requirements regularly — so that federal bonds might be net wealth for the current generation.

<sup>9</sup> See, e.g., Reuters at <https://www.reuters.com/world/us/trumps-attack-diversity-programs-bureaucracy-sends-us-agencies-scrambling-2025-01-23/>.

<sup>10</sup> See <https://thehill.com/policy/energy-environment/4982576-fema-employee-terminated-after-telling-assistance-team-to-avoid-homes-with-trump-signs/>.

<sup>11</sup> See <https://www.whitehouse.gov/fact-sheets/2025/04/fact-sheet-president-donald-j-trump-creates-new-federal-employee-category-to-enhance-accountability/>.

<sup>12</sup> See <https://www.pogo.org/analysis/the-dangers-of-trumps-schedule-policy-career-executive-order>.

<sup>13</sup> See <https://washingtonmonthly.com/2025/02/10/trumps-schedule-f-plan-for-the-civil-service-would-be-a-disaster/>.

given services, ever-higher compensation defined broadly, immunity from termination, and on and on.<sup>14</sup>

In short, the bureaucracy is interested in a federal government bigger rather than smaller; “limited government” as a principle is not consistent with that objective. Such objectives largely must be pursued in Congress because it is Congress that has the power of the purse. That is an imperative that conflicts fundamentally with the constitutional requirement that the bureaucracy (“Officers of the United States” and their appointees) serve as a tool with which the president fulfills his duty to “take Care that the Laws be faithfully executed.”<sup>15</sup>

Pay no attention to the criticisms of the Trump/OPM effort to make the senior bureau officials answerable to the president. Only such a bureaucracy can be forced to adhere to the preferences of the citizenry as expressed in their election choices. A “professional,” “nonpartisan,” “nonpolitical” bureaucracy is fundamentally inconsistent with the separation of powers because it answers not to the president, but instead fundamentally to Congress. Again, a “nonpoliticized” bureaucracy is a powerful interest group with goals independent of faithful execution of the laws. It is “politicized” by its very nature, and it can surprise no one that the vast preponderance of government union campaign/PAC contributions go to parties and candidates advocating ever-bigger government.<sup>16</sup>

The duty of the president to “take Care that the Laws be faithfully executed” often is inconsistent with the interests of the bureaucracy, and thus with the fundamental principle that a president elected by the people in accordance with the procedures set forth in Article II of the constitution enjoys the executive power to preside over the executive branch. The 2024 decision of the Supreme Court in *Loper Bright Enterprises v. Raimondo Et. Al.* overturning the Chevron doctrine — which forced courts to adopt an agency’s interpretation of the law as long as it was “reasonable” — has made matters slightly less bad by reducing the power of the bureaucracy.<sup>17</sup>

Voters vote for a particular set of policies, at least in principle, and they are entitled to a bureaucracy that implements their preferences as defined by the president, rather than one that pursues its own interests. The common argument that a “professional” bureaucracy is thus nonpolitical is mindless, and too naive to be taken seriously. A spoils system of manning the bureaucracy, ironically, is the system consistent with the separation of powers and thus with the duty of the president to faithfully execute the laws. A “depoliticized” system of “professional” bureaucrats is not. On this matter it is Trump whose instincts are essentially correct.

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<sup>14</sup> See, e.g., William A. Niskanen, “Bureaucrats and Politicians,” *Journal of Law & Economics*, Vol. 18, No. 3 (December 1975), pp. 617-643, at <https://www.jstor.org/stable/725050>.

<sup>15</sup> See the constitution at Article II, sections 2 and 3, at <https://www.heritage.org/constitution>.

<sup>16</sup> See, e.g., <https://www.opensecrets.org/political-action-committees-pacs/industry-detail/P04/2024>, <https://www.fedsmith.com/2024/10/25/federal-employees-and-2024-political-donations/>, and <https://www.govexec.com/workforce/2024/11/federal-employees-donate-42m-presidential-race-mostly-harris/400760/>.

<sup>17</sup> See [https://www.supremecourt.gov/opinions/23pdf/22-451\\_7m58.pdf](https://www.supremecourt.gov/opinions/23pdf/22-451_7m58.pdf).