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Hurricane Irene-sparked Municipal Bankruptcies on the Rise?

The buzzword on everyone's lips is Hurricane Irene, especially if you live on the East Coast of the United States. Lots of news, alerts and warnings are being issued on the hurricane and its movements across the eastern seaboard. As individuals and families we have to brace ourselves and take whatever precautions practically possible to face the onslaught of Hurricane Irene. But for counties and municipalities, the total cost in wreckage could pose insurmountable financial problems.

Many counties and municipalities across the US are heading towards bankruptcy because of the prolonged economic crisis. First there was the subprime mortgage crisis and now there's the trillion-dollar budget deficit crisis, not to mention the economic woes of our European trading partners. All these spell potential financial ruin for many countries, let alone smaller regions like counties or municipalities. Despite market predictions and bond-selling strategies to raise funds, many counties and municipalities are not adequately prepared for large-scale natural disasters like Hurricane Irene.

At best, the municipalities are able to deal with the minor meteorological blips like the occasional heavy snow storm or forest fire, but generally, America's municipalities are currently living on razor thin surpluses, if any. All it takes is one strike from a very capricious and hardly predictable mother nature to tilt the balance between financial status quo and financial bankruptcy.

For example, look at New York City situation. Not too long ago, a snowstorm last year severely drained a major portion of the city's "reserve" budget. Now barely 9 months later, comes Hurricane Irene. It is rather obvious with New York City preparing itself to face such a potentially catastrophic disaster, it has scant financial resources to offset the damage that is coming with the city already straining to sustain present budget obligations.

This doesn't mean that the entire eastern United States will go bankrupt, but it merely points to the fact that all counties and municipalities should take whatever financial precautions necessary to deal with natural disasters that can cost millions of dollars. For however important pension, bond and voter obligations may seem to be in the immediate present, local governments must realize their duty is not only to appease bondholders and pensioners. They are to govern their entire jurisdiction with financial prudence.