



Detroit's Flirtation with Economic Suicide

BY LAWRENCE W. REED

Until recently, I had thought the city of Detroit had done everything in its power to drive people and businesses away. I was wrong. From deep down in its barrel of apparently endless crackpot schemes, the Detroit city council pulled out one more. And what a piece of work it was—proof beyond the most shadowy of doubts that getting elected to something doesn't mean you know up from down.

By a vote of 7–2 last September, the Council endorsed a paper titled “A Powernomics Economic Development Plan for Detroit's Under-served Majority Population.” It spent a reported \$112,000 for the document, written by a former low-level apparatchik in the Carter administration. It called for the creation of an “African Town” within the city, to be implemented by an overtly racist policy of dispensing city-financed loans and grants exclusively to black applicants.

Consider the backdrop. Perhaps no other metropolis in America has suffered more from destructive policies of government in the last half-century. Detroit's per capita tax burden is several times the average for the other municipalities in Michigan. The weight of its gargantuan bureaucracy and the extent of its legendary corruption are staggering. Its public schools are among the worst in the nation and, like the city itself, are teetering on the precipice of bankruptcy. Locally, city services have been likened to those of Third World backwaters. Racial tensions have gnawed at the city since the terrible riots of the 1960s.

Barely 40 years ago, Detroit boasted a population of more than two million. After decades of flight, scarcely 900,000 souls are left, many of them trapped in poverty and enveloped by some of the highest crime and welfare rates in the country.

The political establishment in Detroit is statist to the core. No failure of government is too big to prevent that establishment from throwing more public money at it. These remarks by economist Thomas Sowell, in a recent column about government in general, describe the powers that be in the Motor City quite well:

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It is fascinating to watch politicians come up with “solutions” to problems that are a direct result of their previous solutions. In many cases, the most efficient thing to do would be to repeal their previous solution and stop being so gung-ho for creating new solutions in the future. But, politically, that is the last thing they will do.

So facing a monumental, government-manufactured crisis, Detroit's politicians decided that turning the city's economy around required a new government program with race-based subsidies as its centerpiece. Non-black residents and immigrants need not apply. The *Detroit News* editorially blasted the plan, labeling it “a fraudulent and hateful document” and rightfully asserting that it “belongs on the shelf with Adolf Hitler's ‘Mein Kampf.’” *News* columnist Thomas Bray reported on the initial reverberations of the city council's action:

Hispanic-Americans, Greek-Americans and Arab-Americans turned out in force to protest, pointing out that [Detroit's] Mexicantown, Greektown and Chaldean businesses were built on

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sweat equity, not handouts from government. They also wondered why blacks, who constitute more than 80 percent of the population, should feel the need for something called African Town.

Shamefully divisive and destructively redistributionist, the “Power-nomics” plan was the last thing beleaguered Detroit should have been embracing. Because of its racist nature it might have ultimately been tossed in the constitutional dumpster by the courts. Fortunately, a thunderous chorus of criticism from all over the state forced the city council within weeks to abandon the worst of the plan on a 5–4 vote. The premise that economic development in Detroit should be driven by government programs of some sort, however, still governs the thinking of Motor City officialdom.

“Economic Development”

The term “economic development” is one of the most overused and least understood concepts in public discussion today, even though the broad concept is generally regarded as something in which Americans have historically excelled. In recent decades, it has come to mean something other than the largely spontaneous, private-sector-driven phenomenon of this country’s first century and a half. These days, the concept conjures up thoughts of an activist public sector directing resources, subsidizing specific firms, granting selective tax abatements, and making public “investments” in actual functioning companies. But studies by the boatload have shown that government does not create any net jobs and economic growth by robbing Peter to pay Paul or by

supplanting the incentives of private entrepreneurs with its politically motivated schemes.

Detroit’s “Power-nomics” plan is just the latest and perhaps most virulent form of the failed government-

focused approach to economic development. Indeed, expecting government to pick winners and losers instead of providing “a fair field and no favor” is an open door to abuse. Detroit’s city council just happened to add a racial twist to that abuse.

The fact remains that economic development is what happens when government protects private property and minimizes its burdens on those who develop the economy by constructively pursuing their own self-interest—taking risks with their own funds and bringing their dreams to reality. If all that government does is keep the playing field safe from force and fraud, without discriminating on the basis of irrelevancies like race, entrepreneurs and the economy

will flourish. Isn’t that a lesson we all should have learned by now?

In at least one previous column for *The Freeman*, I cited an entreaty of the nineteenth-century French economist and statesman Frédéric Bastiat that cries out for application in this 21st-century instance: “And now that the legislators and do-gooders have so futilely inflicted so many systems upon society, may they finally end where they should have begun: May they reject all systems, and try liberty.”

Detroit’s political leaders, responsible as they are for one case of “planned chaos” after another, need not fork over the taxpayers’ dollars for more statist schemes. They just need to get out of the way.

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— BASTIAT

