# A Kemp Growth Plan for Detroit

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With Detroit filing for Chapter 9 bankruptcy, everybody knows major root-canal cutbacks are coming. Cutbacks of out-of-control government spending, pensions and health benefits. Major cutbacks. We know that.

We also know that the downfall of Detroit is again proof positive that the public-union collective-bargaining model has utterly failed. Unions just loot the benefit lockbox at taxpayer expense. That was the message of Gov. Scott Walker's victorious crusade in Wisconsin. If any good comes out of the Detroit debacle, it will be the spread of that message across the country.

But there's another important point here. If Detroit is to truly recover, a growth program of tax-free investment incentives must be part of the process. Specifically, Detroit should be made a tax-free enterprise zone, along lines proposed years ago by the late Jack Kemp.

The capital-gains tax should be suspended for new ventures. Investment spending and profitability should be made tax-free. Some kind of income-tax break should be put into place for the new employees of new companies. And property taxes should be waved.

Chris Edwards of the Cato Institute tells me that Michigan suffers from a huge business-property tax that's levied on machinery and equipment. He also points out that Detroit has the country's highest property taxes on homes, the top commercial property tax and the second-highest industrial property taxes. Get rid of all that. And then let's hope Gov. Rick Snyder keeps lowering Michigan's corporate tax rate.

But the point is this: A Kemp-like enterprise solution would be vital to Detroit's comeback. *Especially* a capital-gains tax cut, along with other direct-investment tax cuts. It can be done.

Not *forever*. Perhaps for three to five years. Something like that. But states and cities compete with each other on a tax basis. And you can bet the ranch that a tax-free Detroit will see investors pouring in, making for a rapid economic recovery.

Land and labor are pretty cheap right now in Detroit. Combine those low costs with a low-tax regime, and the city could snatch victory from the jaws of defeat.

The biggest additional problem is the crime wave. The Detroit homicide rate is high. According to National Review Online's Jim Geraghty, the city has been named among America's most dangerous for years.

Detroiters wait an average of 58 minutes for police to respond, compared to a national average of 11 minutes.
Years ago, when crime was a huge issue in New York City, Rudy Giuliani instituted new policing methods to make the city safe again. He accomplished that, *and* he lowered taxes too. Gotham had a huge comeback.

Now, I'm not suggesting that the outrageous public-union benefits shouldn't be slashed. That's the root-canal side of the reform equation. And it is crucial.

Steve Malanga tells me that 15,000 city workers currently pay lifetime retirement health care costs for 22,000 retirees. It's like financing a separate government. That one piece alone is about $5.5 billion.

And pension-fund accounting is as phony as a three-dollar bill. With a highly unrealistic 8 percent long-run return rate, the city government didn't have to make any more contributions to the retirement fund. And apparently the 40 or so municipal unions persuaded the city government to actually float new pension-obligation bonds just to fund their own bloated pensions. (Many municipalities use this fiscal gimmick.)

All in, Detroit is running a $350 million deficit with a near $20 billion total-debt position. They pay themselves a living wage and then spend way more on schools per pupil than the national average. The result is one of the lowest student-performance rates in the country.

I'm not going to go into the economic wreckage that the United Auto Workers created at Ford, GM and Chrysler. But the focus now should be on curbing the power and money of Detroit's municipal public unions, who have lined their own pockets at taxpayer expense. Taking a cue from Wisconsin's Walker, collective bargaining should be sharply cut if not eliminated. And hopefully a bankruptcy court will settle all the obligations at 5 to 10 cents on the dollar, as Detroit emergency manager Kevyn Orr tried to do but failed.

But again, creative economic-growth policies must accompany fiscal downsizing if Detroit wants to turn the streetlights back on, rebuild at least 78,000 abandoned homes and structures, and attract businesses and workers to erect a new Detroit.

It won't be about manufacturing this time. But like other recovering cities in the U.S., Detroit could morph itself into a technology/education/medical-research complex that makes use of all the firepower at its fine colleges, universities, hospitals and medical centers.

It can be done. But if ever there was a time and a place to put Jack Kemp's tax-free-enterprise-zone model into practice, now is the time, and Detroit is the place.

Don't forget the growth solution.