



Why Obama doesn't dare speak about Detroit

By Jon Kraushar – July 29th, 2013

Does President Obama dare take the latest version of his revive-the-economy-and-boost-the-middle-class speech to the poster city for the bankruptcy of his ideas: Detroit?

Don't bet on it.

You don't hear the president talking about Detroit. Maybe the reason Detroit is bankrupt today is because for decades it was governed, in large part, by the Obama playbook: Soak the rich, choke small businesses, and squeeze the middle class with high taxes (in the case of Detroit that included sky high property, commercial and industrial taxes).

Out of control taxing and spending by government in Detroit was one reason a staggering 25 percent of the city's population moved out between 2000 and 2010.

A study by the Lincoln Institute of Land Policy in 2011 found that Detroit had the highest property taxes among the 50 largest U.S. cities on homes, apartment buildings, commercial buildings, and industrial buildings.

Yet President Obama keeps saying that he wants to tax the wealthy and businesses much more across the country to redistribute income to the middle class, the poor, and government.

Detroit tried that (with most of the money going down the government spending rat hole instead of to its citizens).

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Detroit stands as an extreme example of how an Obama tax system of "spreading the wealth" (actually, confiscating it) inevitably means that since there is not enough rich and business people's money to create a utopia of income equality -- government must inevitably tax middle income people, too.

Worse, most of the money ends up in government's coffers where it gets misspent and siphoned to special interests—instead of in the pockets of citizens whose spending and investing stimulates economic and job growth.

Here's how that works: Insure that unions and government workers get generous pension, health and other benefit packages that government can't fund, long-term, in exchange for their votes and political activism.

According to the Cato Institute's Michael Tanner, "Fully 99.6% of [Detroit's] retiree health-care liabilities are unfunded" and... "unfunded obligations account for \$9.2 billion of Detroit's \$18 billion debt."

Shortly before President Obama delivered his nearly 8,000-word "economic success" speech at Knox College in Galesburg, Illinois last week (without once mentioning the word "Detroit") Moody's downgraded the credit rating of Obama's home city of Chicago, Illinois by three notches. This was largely because Moody's calculated Chicago's unfunded liabilities at \$36-billion—nearly double of what the Windy City reported.

Looking at other cities across the country, Moody's estimates that cities are using accounting gimmicks to disguise their true unfunded government pension liabilities, which Moody's says are three times as bad as those cities are reporting. But if President Obama would dare to talk about this in Detroit (or in Chicago, for that matter), he would alienate unions and government workers who are among his biggest backers.

Instead, government officials strive to sell the power of big government to be the savior when it comes to major economic and social problems.

Detroit's mayors over the past 30 years tried various forms of government intervention to invigorate the city but clearly that failed. As Steve Malanga recently wrote in *The Wall Street Journal*, as early as the 1970's, when Coleman Young was Detroit's mayor, "the increasingly distressed city became a fiscal ward of the state and federal governments...by the late 1970s federal grants paid the salaries of up to one-third of Detroit's workforce."

As Detroit continued to demonstrate over the years, government bailouts only forestall problems that only responsible individuals must solve.

Mr. Obama did dare to speak of his economic vision in Detroit, in 2007, just a few months after he declared his first bid for the presidency.

At the Detroit Economic Club, Obama said, "I believe in America's great cities. I believe in America's great Midwestern cities. We have not had an urban agenda over the last six years. We need to restore an urban agenda."

He cited as his top priorities: education, "innovative ways that the federal government can spark economic development," and then touched on the topics of affordable housing and jobs.

Obama added that, "Obviously, the marketplace is the best engine of job growth."

In the six years since Obama spoke those words—and six months into his second term as president—President Obama is still campaigning as if big government can fix major economic and social problems in all the areas he cited as his priorities when he spoke at the Detroit Economic Club.

But the Obama administration's role in bailing out Detroit's auto industry didn't "save Detroit"—certainly not the city.

While Obama pushes for even more big government taxing and spending, here's what we see:

- Failed schools, especially in the minority neighborhoods of big cities.
- Real GDP growth that is limping along at barely over one percent.
- When it comes to affordable housing and job growth, Obama is long on claiming credit and short on producing results.

While the Obama playbook continues to play out in Detroit and elsewhere, the president continues to speak as if he and his administration are on the right track.

If the president ever does dare to speak in Detroit, expect from him what he accuses his critics of: "an endless parade of distractions, political posturing and phony scandals."