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# Tyler Morning Telegraph

## Detroit's problems not due to markets

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Last week's GOP debate in Detroit brought that failed city back into the spotlight. It's worth recalling what one of the nation's most prominent (if least accurate) economists said about Detroit's demise: "It's just one of those things."

Specifically, the New York Times' Paul Krugman said that for "the most part the city was just an innocent victim of market forces ... it's just one of those things that happens now and then in an ever-changing economy."

That's silly. Detroit was wrecked by forces working against free markets, not with them.

"Detroit was once one of the world's great cities," pointed out columnist John Hawkins in 2013. "It was the fourth largest metropolis in America, jobs were plentiful because of the auto industry, and Motown even kept it on the cutting edge musically. Unfortunately, from 1962 until the present day, the mayor of Detroit has been a Democrat."

The result, Hawkins wrote, is that "Detroit's population has dropped from 1.8 million to just over 700,000, the unemployment rate is over 50 percent if you count the people who've given up on finding jobs, property values have dropped so much you can buy homes in the crime-ridden city for \$500, and Detroit has gone bankrupt."

Liberals and progressives were unchecked in their control of the city's taxes, budgets and policies.

"Despite grotesque cuts in the level of city services, Detroit in 2011 still had around twice as many municipal employees per capita as cities with comparable populations such as Indianapolis and Columbus," reports the Cato Institute's Walter Olson. "Last year it was revealed that the city water and sewer department employs a 'horseshoer' although it keeps no horses."

It's not that Detroit is being neglected by the federal government, as some claim.

"Detroit is known for receiving, and misspending, vast sums in federal assistance," Olson notes. "The previous mayor, Kwame Kilpatrick, is serving time following a multi-sided scandal in which shakedowns of city contractors played a central role. In 2009, five school district employees were hit with felony counts as 'part of an investigation into alleged corruption and the

loss of tens of millions of dollars in school funds.’ The city administration, while wooing big business and the casino trade, remains indifferent at best and deeply hostile at worst toward small and informal businesses.”

Krugman, for his part, doggedly sticks by his claim that markets are to blame.

“Market forces have victims?” he asks. “Of course they do. After all, free-market enthusiasts love to quote Joseph Schumpeter about the inevitability of ‘creative destruction’ - but they and their audiences invariably picture themselves as being the creative destroyers, not the creatively destroyed. Well, guess what: Someone always ends up being the modern equivalent of a buggy-whip producer, and it might be you.”

That’s misreading the analogy. Buggy-whip producers were producers, and quickly adapted (or found some other work). Detroit’s failure wasn’t obsolescence. People still need cars, and American car companies are still producing them. Competition from abroad has only made them better.

What killed Detroit was mismanagement.