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Detroit: Conquering Challenges

A Montana Public Radio Commentary by Evan Barrett

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The challenge in Detroit is two-fold: financial and economic.

There are sensible and proven solutions to both challenges. This country and its leadership need to move beyond dogma and politics to do the right thing for both Detroit and the nation.

The first and most obvious challenge is financial. Obvious because more than 90% of the news coverage about Detroit focuses on the amount of its debt, the future obligations the city carries and how impossible the situation looks to be for the long-term future. We all know the city has entered managed bankruptcy as a way to negotiate its way out of its long-term financial dilemma.

We also know of this challenge because it fits the favored narrative of so many in the political arena and so much of the media – that financial disaster looms for all of us here in the US -- even if that "disaster" narrative is as much fancy as fact.

But, as distasteful as it sounds, Detroit's bankruptcy does represent an opportunity to find solutions to some long term challenges. The solutions will be tough to come by, and often painful, but in the meantime, the city needs to be able to function, to provide services to its citizens.

Until Detroit gets through its bankruptcy, what can we, and our government, do to help the city sustain itself? We <u>can</u> provide Detroit a proven tool from the past -- "bridge financing."

Federal government loans or loan guarantees to Detroit, issued under favorable conditions, will insure that Detroit can continue to function. "Radical" you say? They said the same thing when New York City was in a major financial crisis. But, in 1975, President Ford (a Republican) signed the New York City Seasonal Financing Act, which released $2.3 billion in loans to the city. Over the next decade, until 1986, New York City accessed about $10 billion in today's dollars in loan guarantees and direct loans from the people of the US (through our government). And it worked. All those funds have since been repaid.

So while Detroit's bankruptcy process continues and long-term solutions are sought, we have it within our power to insure the short-term viability of one of America's major cities through a proven tool.

The second challenge for Detroit – one that gets less coverage – is economic. And keep in mind that the ultimate solution to the financial woes of Detroit and ALL struggling cities is a vibrant economy. But, current unemployment in Detroit is officially over 16%. Underemployment in Detroit in 2011 was estimated to be 50%. The economy in Detroit,

despite the recent gains of the auto industry (partially thanks to federal help), is in shambles. Money is not being spend on the streets and in the neighborhoods of Detroit. An economic death spiral has begun, a spiral that is almost impossible to reverse without a lot of money hitting the streets of Detroit.

At the same time, Detroit's infrastructure, like much of the rest of the nation, is falling into further disrepair. And more than 30,000 Detroit houses are abandoned and deteriorating.

In Detroit there is a nexus of people needing jobs, paychecks, education and retraining with infrastructure that needs repair or replacement and housing that needs to be demolished or rehabilitated. That nexus provides an opportunity to infuse capital into Detroit to help sustain and grow the struggling economy now and begin long-term economic restructuring over time.

With that opportunity facing us, Detroit should become the epicenter of a Marshall Plan for America's Cities. Rebuild our cities with our workers (in the case Detroit, educated, retrained and available from within) … rebuild our cities, with our workers, using our money -- which for the last decade has been frittered away by the trillions in the Middle East on military misadventures brought to you by the oil industrial/political complex.

A Peace Dividend of funds from ending or seriously reducing military spending in the Middle East can be used for the new American Marshall Plan for which Detroit would be the initial poster child.   Would that increased spending in Detroit help its economy and people? The evidence is indisputably "yes."

Economic activity and growth coming from government spending is a proven method, notwithstanding the current chorus of austerity whiners. They are wrong and the Keynesian economists are right. Despite the political rhetoric of the whiners, the demonized "stimulus" of 2009 and 2010 demonstrably helped pull the US economy from the economic brink. The flip side is demonstrated as well -- cutting government spending hurts the economy and costs jobs. The CBO recently estimated that the reduced spending in the "sequester" will cost us up to 1.6 million less jobs by the end of next year.

So we, as a nation, can and should invest in ourselves, as we have in the past, with Detroit being the model.

This is Evan Barrett in Butte, thinking about American Solutions for America's Cities.

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Evan Barrett, Butte, has spent the last 44 years at the top level of Montana economic development, government, politics and education. He is currently the Director of Business & Community Outreach and an instructor at Highlands College of Montana Tech. These are his personal views.