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## Cities On The Brink: Lessons From Detroit

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**Municipal leaders from across the country are trying to draw lessons from Detroit's bankruptcy. Host Michel Martin speaks with writers David Sirota and Mario Loyola about whether bad politics, or bad luck, got the motor city stuck in neutral.**


 

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MICHEL MARTIN, HOST:

We turn now to the debate about Detroit. It's been almost two weeks since Detroit became the largest municipality to file for bankruptcy in this country, but the debate on why it happened and what lessons, if any, other cities in the country can learn from it are still going on.

We wanted to dip into this debate, so we've called two people who've written about this. David Sirota is an author, a nationally syndicated columnist, and a commentator who wrote a piece called "Don't Buy the Right-Wing Myth about Detroit." He wrote this for Salon.com. Also with us, Mario Loyola. He's a regular contributor to our barbershop roundtable and he's a contributor to the National Review. And he wrote about this in a piece called "Houston, We Have a Solution." And they're both with us now. Welcome to you both, thank you both so much for joining us.

DAVID SIROTA: Thanks for having me.

MARIO LOYOLA: Thank you, Michel.

MARTIN: So David, what is the right-wing myth about Detroit?

SIROTA: Well, when I say...

MARTIN: ...In your opinion.

SIROTA: ...Yeah, when I say right-wing, I'm not talking about the parties, I'm not talking about Democrat or Republican, I'm talking about conservative ideology. And I think the - which, by the way, on economic policy, I think suffuses a lot of what both parties say. And the myth is that Detroit failed and went bankrupt primarily because of high taxes, and primarily because of mismanagement. And there certainly was mismanagement, but written out of this story is the idea, and, of course, part of the story is so-called big government, and we can get into what that means, but written out of that story, written out of that mythology are huge economic forces that bore down, in particular, on Detroit.

The job losses that were associated with the so-called free trade deals, corporate written trade deals, that outsourced - ended up off-shoring more than 100,000 jobs in Michigan. Detroit, the industrial capital, one of the industrial capitals of the United States got hit particularly hard by that. And then also, there's this talk that public pensions have bankrupted cities. That's another part of this mythology, that supposedly greedy municipal workers there, their demands for benefits bankrupted the city.

But when you look at the pension shortfalls in Detroit, they are tiny in comparison to how much money that city and that state of Michigan spends on massive corporate subsidies for things like stadiums. So those parts of the story are written out of the mythology and they shouldn't be.

MARTIN: And Mario Loyola, you say that that's totally wrong.

LOYOLA: Well, first of all, I don't even know anybody who believes the right-wing mythology that Dave Sirota refers to. Which may explain why he didn't refer to any actual right-winger in his story. But, I mean, I think that, you know, the stuff that he's talking about - high taxes and stuff, those are things that we criticize but those are things that we criticize as part of the wrong response to the challenges that Detroit faced. I mean, there's no doubt that Detroit faced a



major challenge at the beginning, you know, in the 1950s.

They had drawn hundreds of thousands of laborers. It was the fastest growing city in the world in the 1930s and '40s, and then all of a sudden you had automation - made a lot of that unskilled labor sort of superfluous. And, you know, what the government needed to do at that point was nothing. It needed to - those were going to be hard times, it was going to be a "Grapes of Wrath" moment maybe, people were going to have to pick up and leave with everything that they had and find greener pastures elsewhere. But what the government did in places like Detroit was the worst thing that it could've done. It adopted a combination of disastrous policies that created enormous labor market rigidity. It wasn't just taxes, it was protectionism, it was the corporate welfare - that Dave Sirota rails against - it was union laws, even minimum wage welfare. All of these things created a permanent unemployed class, locked in a cycle of dependency on government.

Now, Dave is right, I mean, free trade and competition are always going to cost some people their jobs, but the free market cannot create a permanent class of unemployed people. Only the government can do that, and it does that by adopting policies that create labor market rigidity, which gives people in positions of diminishing value and keeps them out of positions of increasing value. I think that's really part of the story of what happened here.

MARTIN: So in the time that we have left, clearly, well, first of all, neither of you is from Detroit - neither of you live there now, but clearly, both of you think that this is a terribly important issue and that we need to learn from this. So the question then becomes - what should we learn from this? David?

SIROTA: Well, I think, first and foremost, that we should learn that when we pass - and I don't like calling these deals free trade deals, because a free trade deal's written on one piece of paper. NAFTA, China, PNTR are thousands of pages - there are protectionist policies for corporations. They help corporations essentially offshore jobs. So I think the next time that one of these trade deals comes down the pike, we should ask, do we want to see another set of Detroit's?

I would also say that when we look at municipal pensions and the questions of municipal budgets, we shouldn't be saying that workers, as many officials, public officials, are saying that many workers - that the workers should bear the brunt of the cuts to their public pensions. We should actually have everything on the table and say, well, wait a minute, why if when Detroit has a \$300 million a year public pension shortfall - why are we only talking about that and we're not talking about the fact that Michigan spends six-and-a-half billion dollars a year on corporate subsidies.

That's every single year. Why are we only talking about cutting public pensions and yet preserving massive corporate welfare, including a new Detroit Red Wing stadium at the cost of \$300 million in taxpayer expenditures. We need to have everything on the table.

MARTIN: Mario, what about that?

LOYOLA: Yeah, I mean, I think that it's very important. Dave and I are on the same side of the corporate welfare issue. I mean, I know plenty of Republicans who support corporate welfare. I know - for example, I know plenty of Republican who support farm subsidies. I know Republicans who supported the bail-outs of Chrysler and GM. I know Republicans who support ethanol and renewable energy mandates. I know a lot of Republicans who support stuff like Solyndra, throwing billions of dollars at these alternative energy companies.

But those are not conservative policies, those are left-wing policies. Born - I mean, those are the policies of the new deal of Franklin Roosevelt, which is when America got into the habit of throwing big government solutions at every problem, no matter how small. I mean, I think at the end of the day, look, Bill Clinton has a really smart point about the effect of free trade. He was obviously, you know, had to really think through NAFTA on his watch, and he makes the point that, yes, free trade agreements, in the end, create more jobs for the society as a whole, but the pain is suffered in a localized way by particular communities, and it's our duty as a society to come in and help these people with some kind of a social safety net.

That's true enough, help people through transition and stuff like that. But you've got to know that government policies that protect you from competition, that protect you in positions of declining value and keep you from going into jobs of increasing value, are like poison for a healthy society, right. I mean, because what you've got to do when you're facing a challenge like this, when you're facing the challenge of competition, is to reallocate your human and material resources as quickly as possible. And that's what policies in the Rust Belt didn't do.

MARTIN: To your point, to both of your points, Governor Rick Snyder is a Republican - he says spending state tax revenue on a new hockey arena is an investment in the city, which will ultimately help Detroit. So we have two minutes left and I want to ask each of you to share that time. You both clearly have very different and strong philosophical - completely different philosophical perspectives about what should happen here with one bit of overlap.

The question I have is, is there any way to reconcile those points of view, or is this just something that has to be fought out in the political arena? I mean, is this essentially what elections are for? Or is there any - do you see any sign that the two sides can come together to intervene - to minimize some of the pain that people in Detroit, and other cities, are going through right now? So David, I'll go to you first. And Mario, I'll give you the last word.

SIROTA: Yeah, I think so. I mean, I think the fact that there is an overlap - kind of trans-partisan overlap among honest conservatives and honest progressives as about corporate welfare spending and whether that's a good investment versus investment in people. I think there's a potential there. But let's be clear about the trade issue, 'cause it's so important.

It's not fair competition when you put workers in Detroit in competition with people in, for instance, a place like China, who have no minimum wage protection, no environmental protection, no labor protections - it's a human rights disaster over there. That's not fair competition. That's not honest competition, and that's not a free market. That's a rigged market, and that question I'm not sure there is going to be consensus on.

MARTIN: OK, Mario, final thought from you.

LOYOLA: Yeah, I think that the way that the left and the right can come together on this is to stop looking at this as, you know, one side is in favor of the working class and the other side is in favor of business. That's not right. I mean, I wake up in the morning, I work on public policy, the only thing that concerns me is to better the lot of people and working families across America.

You know, Houston has a reputation, for example, of being pro-business. I don't think that's quite right. As Dave points out, Michigan throws billions of dollars at corporations, much more money than we throw at them in Texas, right. In Texas, the policy is pro-competition, not pro-business. So you look at what happened in Houston during the '80s when the oil bust started, the oil companies cried out for competition and people like Senator Phil Gramm said, over my dead body.

MARTIN: OK. We have to leave it there for now, Mario. Sorry to cut you off. Mario Loyola is a contributor to the National Review. David Sirota is a nationally syndicated journalist and former political activist. He was with us from Colorado Public radio in Denver. Mario was with us from member station KUT in Austin, Texas. Gentlemen, thank you.

SIROTA: Thank you.

LOYOLA: Thank you, Michel.

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