



More Corporate Welfare for Detroit

By Jarrett Skorup

Summary

In the wake of Detroit's bankruptcy, a possible solution to "saving Detroit" should not be further subsidies of sports arenas or entertainment venues, such as a new Red Wings arena. This does not boost economic activity in an area and will be a waste of taxpayer funds.

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There are many issues that led to bankruptcy in Detroit and everyone and his brother seems to have a theory.

Rather than rehashing the reasons why Detroit went bankrupt, let's discuss what did not save it: Flashy projects.

Back in 2005, my colleague Michael LaFaive compiled a partial list of bold proclamations about projects in the Motor City:

- Fox Theatre. "Their moving downtown (from the suburbs) was one of the pivotal events in turning things around down here."
— Michael Hauser, marketing manager, Michigan Opera Theatre, on renovation of the Fox Theatre and office complex ("Fox Theatre's rebirth ushered in city's renewal," *The Detroit News*, Sept. 18, 2003).
- Comerica Park. "Still, the mayor contended that Comerica Park was crucial to Detroit's comeback, if for no other reason than as a morale boost. 'Comerica Park will help restore the excitement of urban living that has been missing far too long from downtown Detroit,' Archer said." (*Gambling Magazine*, April 11, 2000).
- Comerica Park and Ford Field. "Ford described the \$505 million, two stadium deal reached at dawn Tuesday as historic. 'It will mean a rebirth for the Lions and the city,' he said."
— *The Detroit News* quoting William Clay Ford ("Detroit Comeback," Aug. 21, 1996).
- Ford Field. "Twenty years from now when people come downtown, they will look back at this day as the turning point in Detroit's comeback."
— Deputy Executive for Wayne County Mike Duggan (*Detroit Free Press*, April 11, 2000).
- Compuware Headquarters at Campus Martius. "Campus Martius was Detroit's town square in John Mullett's 1830 city plan, and officials hope the development project that borrows its name will be the rebirth of the city's once bustling central business district." (*Detroit Free Press*, April 10, 1999).



Projects like the building of Comerica Park (pictured above) have held promises of restoration for the city of Detroit, but have not fulfilled those expectations.

Similar claims were also made about the Detroit People Mover and the Renaissance Center, neither of which could be even remotely considered a success at fostering a broad recovery for the city.

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In politics, some things never change.

A new arena plan for the Detroit Red Wings, with large government help, has been unveiled and the project architect told MLive that “the sky is the limit.” Gov. Rick Snyder said, “This is a project that will help revitalize Detroit.”

But economists who study large-scale stadium subsidies are skeptical. Dennis Coates, a professor at the University of Maryland, told MLive he has “never seen a boost in overall economic activity from a new arena.”

The problem with these types of projects is that they get lots of media and political attention but the actual economic results are poor. The reality is that these projects, while high profile, make up only a small part of the overall economy.

The best systems of government encourage business and private investment with tried-and-true public policies: low taxes, fewer regulations, a fair and level rule of law and generally limited government.

Favors to select businesses only mask the real problems that the city faces.

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