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Written by **Selwyn Duke** on July 25, 2013

When Atlas Shrugged at Detroit

Many of us have seen the striking video footage. Dilapidated homes and buildings, whole neighborhoods abandoned, large areas being reclaimed by nature and people growing vegetables where businesses once stood. It looks a bit like a post-apocalyptic world.

Some would say it's the apocalypse of government policy.

Detroit, Michigan's recent declaration of bankruptcy serves as a warning about the bankruptcy of bullying, bloated bureaucracy. So says businessman Don Wilkie, who tells us that "in 1950, there were about 296,000 manufacturing jobs in Detroit. Today, there are less than 27,000." And in an article entitled "How Detroit Almost Killed My Business," he presents his explanation for why.

Wilkie owned a business employing 20 people in Detroit, but in 1984 was "forced out," as he puts it. Rampant crime was a problem, but transforming his property into Fort Knox North had enabled him to remain. The city's notoriously poor educational system was a downside, but Wilkie's business didn't demand literacy of workers. And while Detroit's taxes were burdensome, the far lower real-estate prices and proximity to suppliers of industrial parts and services helped defray them. Rather, the beam that really broke the behemoth's back was built with "Unemployment Insurance, Workman's Compensation and Wrongful Discharge (i.e. age discrimination, sex discrimination, racial discrimination etc.) [lawsuits]," writes Wilkie. He says there's a dearth of jobs in the city because "in Detroit, hiring someone became the worst thing an employer could do, and being fired became one of the best days in an employee's life."

A big part of the problem is that it's so hard to find acceptable workers, says Wilkie, that "to get one good employee, I had to hire about 8. So to get an additional 15 people, I had to hire over ten years approximately 120 people. This is when doing business in Detroit really started to get expensive." Because even though Wilkie would be sure to fire bad employees for only documentable reasons to "avoid having to pay for unemployment," in practice it didn't matter; the state granted benefits in 8 out of 10 cases, and protesting the decisions was generally a go-fight-city-hall exercise in futility, with Detroit bureaucrats heavily biased against employers.

And the situation got even worse when the state "discovered" that Wilkie hadn't paid enough into the unemployment system and levied "a surcharge to cover the costs of the benefits paid to people who the State should never have allowed to get benefits in the first place." His unemployment costs skyrocketed.

But even this paled in comparison to the Workman's Compensation burden. Employees would game the system: When the unemployment benefits ran dry, a former worker would suddenly become hobbled — an ailing back being the injury of choice — and collect Workman's Compensation. And the chances of successfully fighting the city on a Comp claim approximated those of winning the lottery. As a result, Wilkie found himself in the "Assigned Risk" pool, which meant his "Workman's Compensation insurance costs doubled overnight."

The most frightening prospect for a business, however, was a fate Wilkie suffered three times: being accused of "Wrongful Discharge." An employer is then called before the "Civil Rights Commission," where he is guilty until proven innocent — good luck proving your innocence, too. And if the state ruled against you — which happened to Wilkie in two of his three cases — "the remedy was to pay all of an employee's wages from the time he was separated from your employ to the time of the Commission's finding. Since the system moved very slowly, an employer could be faced with paying as much as two years' salary," he writes.

But what Wilkie called the "final nail in the coffin" was when the federal government helped tag-team the private sector in the 1980s, handing down new Environmental Protection Agency regulations that rendered virtually all Detroit manufacturers' property "worthless, or worse," he says.

The good news is that Wilkie's business didn't die — he motored about 60 miles away from Motor City, taking his created jobs and taxes with him.

Unfortunately, this problem extends beyond Detroit and is becoming increasingly common. In fact, some respondents to Wilkie's article tell their own cautionary tales. (The following are edited for grammar, punctuation, and style.).

TruckinMack writes:

> I once had an employee quit to take a job somewhere else, where she got fired in about three months. For no reason I can fathom, the state charged my unemployment insurance. I sent a letter explaining that I did not fire her, that she quit to get a better job and her new employer fired her. The powers that be did not care about my letter in the least.
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> I could probably have hired a lawyer and "won," though I expected my unemployment insurance company to do that. Still, I am not in business to hire lawyers and fight the government. Having more important concerns, like keeping my business afloat, I let it drop.

northern vigor weighed in:

> People wonder why manufacturing packed up and moved to Mexico and Asia? This [Wilkie's] article explains it clearly. The smaller capitalists either moved or closed down.
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> I farm and used to hire help, but the workers' compensation and risk of lawsuits made me change. I am now back to a one man operation with bigger, modern equipment and no need for extra manpower. I contract out many jobs rather than hire anyone. And at a certain age I will need to sell to a bigger farm rather than hire help. The bigger farms will do all my land with the same manpower they have now.
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> The government has destroyed job creation with regulations.

And what is to blame for these policies? Critics such as author and columnist C. Edmund Wright put the onus on liberal ideology. As Wright opined today:

> Detroit is why we [conservatives] are right, and they [the liberals] are wrong, in the real world.

> Detroit is Obama, Bernanke, Jack Lew, MSNBC, Tim Geithner, Paul Krugman, Robert Reich, Al Sharpton, *et al*, in the economic flesh. Detroit is the unavoidable endgame of liberal Democrat control. It couldn't happen here, in Detroit, and yet it did.
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> … Detroit can happen everywhere…. There's a survey out this week showing that in 11 states, there are more welfare recipients than employed adults. This was not the case in all of Michigan, but it has been true for Detroit for a long time.
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> Meanwhile, many other cities, and various entire states, including mammoth California, are on the road to Motown at varying speeds. And in every case, Detroit-style liberals are in charge and generally have been for decades.

For sure, economic fortunes can fall fast. Haiti was once dubbed The Jewel of the Antilles, being the richest colony in the world; now it's the Western Hemisphere's poorest country. Likewise, Detroit was once America's most prosperous city. Will Atlas next shrug at America?