Detroit & Pittsburgh: A tale of two cities

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The most recent jobs numbers are good news: Pittsburgh has almost completely recovered from the Great Recession. Employment in the metropolitan area hit its prerecession high of 1.19 million in July 2008. Area employers added more than 20,000 jobs in April, boosting the number of employed people to 1.17 million. Just one more month of 20,000 new jobs and we will have completely recovered from the recession.

And even if Pittsburgh's jobs growth returns to its typical 1,700 new jobs a month, we will surpass our 1.19 million high-water mark within a year. For Pittsburgh, the Great Recession is finally in the rearview mirror.

Not so Detroit. Unlike Pittsburgh, Detroit has not come back from the recession. Instead, our sister city to the west has seen its fortunes plummet to Depression-era levels. In 2000, Detroit hosted 370,000 jobs and the metropolitan area 2.2 million. Fast-forward 10 years to the Great Recession. As Pittsburgh's unemployment rate hit a high of 9 percent, Detroit's skyrocketed to 16 percent in the metropolitan area and a whopping 28 percent in the city itself.

To put that in perspective, in 1933 at the height of the Great Depression, the U.S. unemployment rate hit “only” 25 percent. Today, Detroit's unemployment rate is just under 10 percent in the metropolitan area and 16 percent in the city proper. While Pittsburgh is back to its prerecession fighting weight, Detroit is significantly worse off than Pittsburgh was at the height of the Great Recession. It appears that the Motor City has closed its doors.

Driving this point home, Detroit this month partially defaulted on its massive $18.5 billion debt, offering its creditors 10 cents on the dollar. This is unsurprising since Detroit's tax base has dwindled even as its debt has grown. There are not enough people paying taxes now to repay the city's obligations. Even those who remain have become part of the problem since many have stopped paying city taxes altogether. The city is so broke it can't afford to do anything about it. It is contemplating selling off its art collection to help keep the lights on. Not only has Detroit shut its doors, it's now talking about having a fire sale.

How did it come to this? Pittsburgh and Detroit were both largely single-industry cities that saw their single industries, steel and automobiles, collapse. Pittsburgh took the hit, got back on its feet and thrived. But Detroit just stayed down.

The reason is markets and government assistance. When Pittsburgh's steel industry collapsed, there were no government bailouts. The steel industry disappeared and with it, 85,000 jobs. Times were tough, as anyone who lived through it can easily remember, but Pittsburghers rolled up their sleeves and shifted their talents and resources to other things. Where once there was steel, there are now financial services, research, heath care and even tourism.

But Detroit came to depend on government. Rather than curing the automobile industry, the handouts and bailouts prevented the industry from dying and making way for more healthy industries. Now when we think of Detroit, we think of cars we don't want to drive funded by taxes we don't want to pay. Failure led to more failure, because politicians wouldn't allow Detroit's markets to do what they do best — divert our scarce resources and valuable talents to better uses.

Where Pittsburgh relied on markets, markets birthed a renaissance. Where Detroit relied on government, government created a wasteland.

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