

IPA-Why so much red ink-9-26-19

Why so much red ink in Illinois budgets?

By Jim Nowlan

In response to a recent essay of mine about our state's parlous load of debt and unfunded obligations, a reader asked: Why so much red ink? The answer, I aver, lies in an unsavory stew of human nature; our state's political tradition of careerist politicians, and the political self-admonition of "not on my watch."

When I was a graduate student decades ago, I recall a seminar with political psychologist Harold Lasswell. He said that people who enter political life have, generally speaking, an even stronger desire than folks in other pursuits to be approved of, liked. It's human nature, of course, but accentuated.

Second, in Illinois, somewhat more than in most states, many people who enter politics do so with the objective of making political life their primary pursuit. This has been true in both Chicago politics as well as in hard-scrabble, deep southern Illinois. From Houses speaker Mike Madigan and alderman Ed Burke in Chicago to former Secretary of State Paul Powell in tiny Vienna, elected officials have gotten rich through politics.

So, elected officials have a strong need to do things *for* voters (spend money on them) and not do things *to* them (increase taxes to pay for the spending).

Finally, our elected officials are determined that the pain of resolving the imbalances (doing things *to* voters) not be imposed "on my watch." That is, they kick the can down the road to a time they are likely to be out of office, certainly until after the next election.

Have you ever heard a candidate on the campaign trail proclaim: “If elected, I promise to sock it to you!” Of course not. They promise to do things *for* you, such as more school funding and better roads, often promising to reduce taxes at the same time, a true feat of legerdemain.

The same is true at the national level, where both Republicans and Democrats have been piling on trillions of dollars of debt, while reducing taxes that would pay for the debt.

Which brings us to the Illinois situation. A research group called Truth in Accounting declares that our state’s total shortfall for pensions, future health care promises, and unpaid bills approaches a quarter of a trillion dollars! That amount approaches \$60,000 per every household (averaging three persons) in our state.

Newbie governor J. B. Pritzker shares no blame for the state’s problems. He is trying to stabilize the state’s persistent, annual, multi-billion dollar deficits with his proposed increased taxes on the just the top 1 percent or so of earners. That makes political sense, of course. He is also promising to reduce taxes a smidgen on the rest of us, which prompts chuckles from my friends.

However, I fear the result of the tax on our top earners would be to drive more capital, creativity and jobs from our state.

Republicans claim that the governor’s plan is but the camel’s nose under the tent. That is, further tax increases on the rest of us would follow. And they may have a point. The \$3.4 billion the governor claims his tax on top income earners would produce is less than the \$5 billion gap the Center for Tax and Budget Accountability says will exist in just two years.

If Pritzker’s plan fails at the 2020 ballot box, when voters can approve or reject it, fiscal chaos might well follow. In our book *Fixing Illinois* (University of Illinois Press, 2014), co-author Tom Johnson and I proposed closing the annual budget gap, which has been building for at least two

decades, by broadening both the sales tax (closing scores of exemptions and including services) and the income tax, without raising rates. To close the gap would also require modest cuts in pension benefits.

The Nowlan-Johnson proposals are sensible (Nowlan writes, humbly), yet politically nigh impossible. For example, to identify just one of many political problems, who in the legislature would you get to sponsor the bill to broaden the state income tax to include pensions, as most states that have income taxes do? And of course, each sales tax exemption has staunch, often politically powerful, defenders.

I am not an alarmist by nature, yet I conclude that if the Pritzker proposal fails, fiscal chaos might well ensue, something akin to bankruptcy (defined as the inability to pay one's bills). This, because the legislature would not be able to get its arms around revenue options such as Nowlan-Johnson propose, which would impose political pain on everyone.

Obviously, we have a dilemma. And I'm out of space, another dilemma. For a way out of our fiscal woes, go to jimnowlan.com and click on my recent column: "Illinois' looming fiscal chaos."