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Chicagoland is losing steam

By Jim Nowlan

My work as a consultant and researcher takes me into Chicago every week. Recently I joined a luncheon group to hear experts talk about the economy of that metropolitan region. What I heard was worrisome.

Chicagoland is losing momentum, and not just because of the recession. After performing well in the 1990s, the metropolis has been falling behind comparable regions. As Frank Beal, executive director of Metropolis Strategies, a policy think tank, said: “Chicago is experiencing anemic economic growth, lagging productivity gains and sluggish job creation.”

In the past decade, metro Chicago ranked 14th out of the 15 largest metro regions in economic growth, and near the bottom of all 363 metropolitan areas in the US. Anchored by the huge Chicagoland economy, the state of Illinois ranked 47th among the 50 states in growth in our gross state product.

We operate in the penumbra, or shadow, of Chicago, which serves as the hub city of the whole Midwest. Chicagoland has more than two-thirds of the population and three quarters of the taxable property wealth of the whole state. There are 4-plus million jobs in metro Chicago.

Always ranked among the top five or ten financial centers in the world, Chicagoland is also arguably the transportation hub of the nation. For example, the region ranks first in the nation in outbound domestic freight and sixth in the value of international shipments.

When metro Chicago does well, the whole state tends to do better as well. State tax revenues go up, and more goods and services flow both directions between our own cities and farms and Chicagoland. When that region prospers, jobs are created for young people who maybe can't find jobs in rural areas.

Why is metro Chicago lagging now, after doing well from 1985-2000? Beal, himself a former steel company CEO, speculates that the 1980s restructuring that was so hard on other Midwest cities like Detroit and Cleveland missed Chicago because it was the hub to which young professionals, capital and energy flowed when the smaller cities floundered.

But that migration had run its course by the turn of the new century, Beal thinks.

Beal and his colleagues have produced a report on "Restoring Chicago's Momentum," which laments the scores, maybe hundreds of fragmented, parochial economic development units in Chicagoland. He contends the uncoordinated, competitive economic development agencies tend only to move jobs around the metropolitan region, rather than create them.

For example, inducing United Airlines to move its headquarters from suburban Elk Grove Village to Chicago cost a lot of taxpayer dollars in tax increment financing (read property taxes) but didn't create one new job.

"Economic development is too often not about creating jobs but about generating revenues for municipalities," he says, as when a city uses TIF dollars to attract a car dealer from a nearby community.

And precious few jobs are gained by attracting firms from other parts of the country. From 1992-2008, job gains in metro Chicago from relocating firms represented

only 2.7 percent of the total. Nearly all new jobs came from hires at existing firms and new firms created within the region. And job losses from businesses moving out of the area also represented less than 3 percent of the total lost; most were lost through firm closures.

Beal figures that the region's multitudinous, parochial economic development units spend \$1 billion a year in government funding, workforce training, tax increment financing and state tax credits, yet have little to show for that huge investment.

That is why Beal calls for regional approaches to economic development, in which support would be provided to existing and new firms that cluster around the region's strengths in areas such as logistics, digital technology and pharmaceuticals.

Maybe ironically, downstate legislators can—and should—be helpful to Chicagoland policymakers. For example, Beal and his colleagues call for creation of an Illinois Freight Authority, which would coordinate and help fund the development of a first class intermodal freight system. At present, no government is responsible for freight, yet it is a linchpin of our economy. Downstate would also benefit from such an authority.

And our legislators could go further in helping Chicagoland, by supporting efforts among some in that region to give some authority, and part of that economic development funding mentioned above, to the Chicago Metropolitan Agency for Planning. In that way, CMAP could take more leadership in helping the region think as a region, rather than as 1,700 separate units of government.

If Chicagoland can once again build up a head of steam, we all win.