

SNG-Can IL be salvaged?-5-2-16

Can Illinois be salvaged?

By Jim Nowlan

A reader asked: "Can Illinois be salvaged?"

I take it he wonders if our state can stem its population out-flow, return to an economic growth rate comparable to that of the nation, and get a handle on our huge state debt and pension albatross.

To this, I think the answer is Yes, but it will take a number of years and concerted effort by leaders of both parties.

If he meant, can Illinois return to the old days of good-paying factory jobs for all who want them, the answer is clearly No. We live in a new world. Such jobs are evaporating, largely because of technology.

I will have to reprise elements from various earlier columns to respond to the reader.

Illinois is at its lowest point in my 74 years. As I pointed out recently, Illinois suffers from decades long net out-migration of its population and persistent slower economic growth than for the nation and, even more worrisome, among our neighboring states as well.

Some of this was maybe to have been expected. The blistering Sunbelt has air conditioning it lacked when I was a tyke, and Illinois always had a larger manufacturing base than most states, so the other states suffered less loss over the years.

Illinois was also much richer than most of the country when I was young. While we have been growing slowly, other states have been catching up. This was probably also to be expected; Illinois is now just above the average among the states in per capita income.

But Illinois has also suffered self-inflicted wounds over the years. For decades, the state failed to put aside enough money for its public employee pensions and also increased benefits unreasonably.

As with other states, Illinois saw a dramatic increase in spending for Medicaid, the health care program for low-income folks.

As a result, here is the inflation-adjusted (to 2014 dollars) per capita spending by Illinois for key programs since 1978:

	1978	2014
Pensions	\$ 94	\$ 640
Medicaid	\$ 339	\$1293
K-12 education	\$ 700	\$ 700
Higher education	\$ 283	\$ 189

Largely because of the spending pressures created by pensions and Medicaid in recent years, we have recently seen unprecedented pathological stasis at the highest levels of our state government.

The resulting uncertainty and unpredictability are causing havoc to our economy (who in his right mind would invest here when future taxes and obligations are unknown?) and harm to our fundamental growth engines like higher education.

Yet our fundamental core strengths are unmatched by most states.

We have 2,300 miles of Interstate arteries pulsing into and out of our state, more than any states but Texas and California. One-third of all railroad container cars start in Chicagoland; one-third end there, and one-third pass through!

Our central location, unmatched airline connections and copious water supplies are the envy of much of the world.

So the elements for recovery are in place.

Yes, we will have to pay somewhat more—roughly the equivalent of about 1 percent in the rate of the individual income tax—for a couple of decades to cover pension underfunding sins of the past.

As many readers know, the overarching problem at present is the unbelievable rancor existing between the governor and House speaker, unmatched for the damage their behavior is causing.

The coffee drinkers at the back table at Connie's Country Kitchen in my hometown just shake their heads at the self-absorption of these two men.

I worry that this injurious test of wills may continue for the remaining two plus years of the governor's term, and that in the interim the two men will be incapable of sitting down together, with others at the table as well, to map out a plan for the recovery of Illinois.

Big men would have done so long ago.

I can't imagine I am writing this, but if the impasse isn't resolved soon, we should start thinking recall (of the governor) and rebellion (against the speaker in the House to pull him off his perch).