

SNG-Illinois economic slide-1-7-19

Can Pritzker reverse state's relative economic decline?

By Jim Nowlan

A recent lead editorial in the Wall Street Journal contrasted the double-digit population growth in Florida and Texas over the past decade with the bottom-of-the-rung decline of almost 1 percent in Illinois.

Can Gov.-elect J. B. Pritzker reverse the population outflow and relative economic decline of our state, and how?

First, some context. The Illinois economy has been declining relative to the nation since shortly after World War II, and the net out-migration of our population, especially of whites, has been going on almost as long. In 1950, the Illinois per capita income stood at 130 percent of the national average (100 percent). Since then, our state has seen a slow but steady decline, to about 104 percent. We are still above average, but just a bit.

Years ago, I reviewed our state's demographic mix and found that from 1970 to 2000, our state saw a net out-migration (more people leaving than coming in, net) of two million whites, many to the sunny climes, job opportunities and low taxes of the South and Southwest. This net outflow has continued, I'm confident.

Until recently, the outflow of our residents has been masked by a natural increase of births over deaths and a net inflow of African-Americans, Latinos and Asian-Americans. For a paper of mine that I have on a shelf gathering dust, I noted that in 1970 the Illinois population was 11.8

percent minority and today stands at 37 percent, which I called in the paper the “changing faces of Illinois.”

This doesn’t excuse recent decline, yet it underscores the herculean challenge of turning things around on a dime.

So, I turned to a couple of savvy former directors of the state’s economic development agency for their assessments of the situation and of what might be done.

Jim Schultz of Effingham is a successful businessman who served in the director’s role for the first two years of the recent Rauner administration. Steve McClure of Springfield held the job under Gov. Jim Thompson three decades ago and has been a top business developer in Illinois and the Midwest since.

The two agree that our state has both great strengths as well as glaring negatives.

“In each of the five critical Rs, as I call them—roads, rails, runways, rivers and routers,” says old friend Schultz, “Illinois is in the top three among the 50 states.”

“The Illinois workforce has a good reputation,” adds McClure, and the state has a higher-than-average percentage of workers with college degrees. Our state’s location in the center of things doesn’t hurt, either.

Yet, businesses thinking of relocating or expanding here see a black-mark smudge the state can’t seem to erase—the huge state fiscal deficits, unpaid bills and obligations, and the uncertainty of how and who will pay them off.

And, because of this fiscal disarray plus a tradition of corruption, “Illinois has an image problem in a bad way,” says McClure.

What should Pritzker do to reverse our economic slide?

McClure says that if governor and legislature would simply pass an honest-to-goodness balanced budget, with prospects for more in the future, “It would be a breath of fresh air for the business development community.”

Schultz says the state Department of Commerce and Economic Opportunity has tax credit incentives similar to those in other states, plus a robust network of 11 business development offices around the globe.

“But we lack a pot of money in the governor’s office that can be used to lure business, such as the money Wisconsin governor Scott Walker used to draw tech giant Foxconn,” Schultz observes. “We need a separate fund of \$100 million for the governor to use.”

McClure notes that indeed our state had such a “closure fund” thirty years ago in a big bond program called Build Illinois. “It had infrastructure, incubator, loan and grant monies to help lure such as the Boeing headquarters to Illinois.”

Pritzker has put a big infrastructure program at the top of his “to do” list; it should include funds to seal business deals.

J. B. (don’t I sound like his best friend) is credited with having played a big role in development of the notable high-tech incubator in Chicago called “1871,” in the famed Merchandise Mart.

[(See my column about 1871, “Factory floor of the future” May 14, 2012, at my archives at [jimnowlan.com](http://jimnowlan.com).)]

So, Pritzker can begin to rebuild the once-robust image of Illinois by combining fiscal stability, business incentives, and a missionary zeal for trumpeting the state's unparalleled attractiveness in roads, rails, runways, rivers and routers.