

SNG-Illinois slow growth to continue-11-14-16

Illinois slow growth likely to continue

By Jim Nowlan

I am writing this the day before the election, so as you read this you know much that I did not yet know. Thus I turn to broader topics: Where are we in Illinois at present, and whither are we tending?

Illinois has for years been growing more slowly than the nation and the rest of the Midwest, even though we have we have riches in transportation infrastructure, location, water and talent that most other states would die for.

In 1950, we were one of the four richest states in the nation, and Illinois per capita income stood at 128 percent of the national average of 100 percent. Since then, the state's wealth has been steadily declining, relative to other states.

We are now at about 104 percent of the national average, or right about in the middle.

But we were a big industrial state in the post-war era, when all other major economies were flat on their backs. The heady days of the 1950s are not likely to come back soon.

The "2016 State of Illinois Forecast" by Moody's Analytics, done at the request of our state government, suggests this slower-than elsewhere growth is likely to continue.

Illinois has always relied somewhat more heavily than most states on good-paying manufacturing jobs, which have been declining in numbers for decades, for reasons of both technological innovation and out-sourcing.

Our state lost 12,800 factory jobs in just this past year, for example. Many of these jobs were located downstate, in Peoria, Decatur and the Quad-Cities, according to Moody's.

And this contributes to population flight. In the 2000-2010 decade of the last census, small town and rural Illinois lost 12 percent of its population age zero to 44; many of those fleeing probably held factory jobs in town or were pushed out by continuing consolidation in farming.

On the other hand, central Chicago is doing well, as companies open offices to attract young high tech workers who are also attracted to the city lights.

Chicago is hot; Downstate is definitely not.

I think at least part of our problem is psychological; we're in a funk.

Nine of ten of our residents say the state is headed in the wrong direction. Nearly half say they would leave the state if they could, according to a recent poll by the Paul Simon Public Policy Institute.

Last year, 68,000 more persons left our state than came in.

And outsiders have a negative view of us as well. A 2012 survey across all states by Public Policy Polling found that more Americans have a negative view of Illinois than a positive one. We were among only six states with more negatives than positives.

I am guessing part of the state and national negativity is due to the widely publicized corruption scandals of the early 2000s.

So how do we turn things around? I turned to economist Geoff Hewings, head of the Regional Economics Applications Laboratory at the University of Illinois. He has been tracking the economies of Midwestern states for decades. He says:

“My sense is that without a fundamental change in the fiscal conditions in Illinois (that is, a strategic plan to address the budget deficits), Illinois will continue to underperform surrounding states and lag, as before, in employment growth.

“We need a governor who knows how to negotiate, and we need a new Illinois House speaker with a vision for the state rather than an objective function of maintaining his powerful position.

“Firms have enormous flexibility as to where they can locate or expand their businesses. The one thing they need is confidence that they will not be hit with an unexpected tax increase. If there is a plan and it is followed (even with stabilizing tax increases), then businesses know the operating environment, and they can make decisions accordingly.

“We have incredible assets in the state—especially embodied in human capital and in infrastructure—but without some long-term, transparent strategy, we will just limp along.”

Which brings us back to the Gordian knot—the implacable divide between Gov. Rauner and Speaker Madigan.

The only route that I can see to slashing through the knot is public pressure from you and me on our state lawmakers (only a couple of computer clicks away) to rise up to demand that their respective leaders sit down to sort out differences and develop a plan for our state’s future.

Failure to do so will only accelerate population and business flight from our state. It doesn’t have to be.