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Texas is “open for business”; why not Illinois?

By Jim Nowlan

Sky cranes ought to be the state bird of Texas, based on my second extended visit to the Lone Star state in the past three years. [I am in the Dallas-Ft. Worth metro area, which at 7.4 million residents rivals metro-Chicago.]

Texas has grown 13 percent since 2010, top among the 50 states; Illinois registered a minus 0.22 percent in the same period, 48th in the nation.

[The two states have different collective personalities. Texans tend to be individualists on steroids. Illinois overall is sure not communitarian, yet it has always provided a better safety net for its citizens than does Texas.]

The Texas Way is heavy on swagger. “Come down here, hustle and make money. Texas makes it easy for you.”

“If you don’t want to hustle, shame on you; don’t count on us to take care of you.”

As a result, the Texas per capita state and local tax burden of 7.6 percent in 2011 (latest year available from the Tax Foundation) ranks 46th from the highest. In Illinois, our burden was 11 percent, 5th highest.

The Texas corporate tax rate is actually higher than that of Illinois. But most small and mid-size business owners don’t pay a corporate tax; instead, they are organized to pass their taxes through

to the individual—and there is no individual income tax in Texas. Any lawmaker even hinting at an income tax would surely be strung up by his thumbs the next day.

[Texas is also thought to have lax environmental regulations, passing on any external costs in the future to all Texans, rather than to businesses themselves.]

Esprit de corps, or state pride, is another element central to the Texas Way. Texans sing “The Eyes of Texas Are upon You” with gusto; Illinois has no such statewide rallying cry.

As a result, Texas has, at least as perceived by CEOs, the best climate for business among the states; Illinois, one of the worst.

So, what can Illinois learn from much different Texas?

I think the most important Texas-like message Illinois must send to all is: “We’re open for business!” And we can say it, and mean it, in some ways even more telling than that of Texas. Yet our message has to be different, because our circumstances are different.

First, Texas is a Right to Work state, as are all those in the booming South, as well as in states neighboring Illinois. This means employees do not have to pay union dues, which weakens unions. Illinois is not RTW. (I am working on a column about the future of the labor movement, but need to do much more research.)

For many businesses, RTW says, “We’re open for business.” If a state isn’t RTW, it waves a red flag proclaiming the opposite, correct or not.

RTW will, however, never happen in Illinois via the legislative process. Unions are much diminished from their heyday in Illinois but still strong inside the Democratic Party, and Dems rule the roost in our General Assembly.

This issue may be partially “solved” for Illinois this spring, when the U.S. Supreme Court is expected to rule, in a case from Illinois, that state employees do not have to pay unions dues.

This may be a precursor to national GOP efforts to make the whole nation RTW.

Illinois needs to simplify its state and local regulations as well. I am told we make it more difficult to start a business here than in other states. We should have one-stop shopping for state and local regulations.

Unfortunately, Illinois cannot offload its present high tax burden, much as libertarian think tanks in Illinois contend can be done. The fact is the state’s oppressive unfunded public employee pension liabilities represent an anvil on our backs, which no one has figured out how to unload.

The state high court has basically said we cannot reduce pension obligations promised. (Illinois *has* reduced pensions drastically for new employees.)

On the positive side, however, Illinois has pluses for business that Texas can only dream of. We are better educated, which is critical. One third of Illinois adults have college degrees; only 27 percent for Texas, and 12.4 percent of us have advanced degrees, versus 9.4 percent for Texas.

Then there is water. We have copious amounts and, well, you know the predicament of arid and drought-prone Texas.

Plus impressive infrastructure, arguably the best in the nation, and located in the heart of America. For example, Illinois has much richer networks of Interstates and railroads than Texas.

Our biggest, most challenging, problem is an overall lack of a “can do” spirit. Rahm Emanuel and his Chicago have some of it, but many of the rest of us have become defeatist. Fist-pumping leadership will be required to turn our attitudes around.

Texas is booming because it believes in itself. Illinois used to. Can we again?