CASE STUDY

STRATEGIC MODELS TO REJUVENATE THE ILLINOIS ECONOMY: LESSONS FROM OTHER STATES

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This article considers four possible state policy models from which Illinois could draw in order to improve its economic performance. Data was collected primarily through case study analysis, including critiquing recent polices enacted by the four states considered: Massachusetts for its high-wage, knowledge-based economy; Minnesota for its egalitarian approach to economic development; Texas for its low taxes and business incentives; and Indiana for its manufacturing policies. The conclusion suggests that Illinois may be well-served by incorporating elements of each model in different regions.

Illinois' recent struggles with public finance and the execution of basic governance tasks are widely known. Beyond the highly-publicized budget crisis that was alleviated to some degree in the summer of 2017 after a lengthy impasse, Illinois continues to struggle to grow its economy and maintain its population base. In 1980, Illinois ranked 7th in per capita income, but by 2016, the state had fallen to 14th (U.S. Census Bureau, 2018, 1982). Population growth has been stagnant for many years and actually turned negative during the 2014 to 2017 period. Recently, Illinois fell behind Pennsylvania and is no longer the nation's fifth most populous state.

In light of Illinois' difficulties, it is instructive to look outside its borders for possible policy role models, especially given the long-standing reputation of particular states as "laboratories of democracy." Ideally, Illinois should aspire to be an economically prosperous state with low levels of inequality, high population, job growth—including in the traditionally strong manufacturing sector—and reasonable levels of taxation. This article considers Massachusetts, Minnesota, Texas and Indiana as possible models. Of course, no state can excel at everything; for example, states appear to face a choice between expensive, high-tax, high-service, knowledge-based economies, or a low-wage, low-tax, low-skill model (Florida, 2015). The former tend to have higher incomes, while the latter usually excel in job creation. Low levels of taxation may exacerbate inequality, depending on how revenues are spent, though states with knowledge economies can also suffer from this problem. Massachusetts and Minnesota both fit the high-cost, knowledge economy model, but Minnesota experiences greater income equality. Texas and Indiana epitomize the low-cost job creation approach, but Indiana has done more to nurture and preserve its manufacturing sector.

Of course, Illinois does not have the same history, resources or governmental structures as these other states. Even if Illinois emulated one of the other models, the response would need to be adapted to Illinois' unique circumstances. For example, Illinois is more urbanized than Indiana, Minnesota and Texas; it is less well known than Massachusetts for its universities, and it has a higher cost of living than all but one of the four states considered. Furthermore, Illinois' Constitution presently prohibits a graduated income tax, and its workers' compensation system places a greater financial burden on manufacturers than those in most other states. Nevertheless, much can be learned by looking across state boundaries and exploring what has been tried elsewhere.

Contemporary economic development strategies are often classified into locational or entrepreneurial approaches. The former tries to reduce the cost of production through deregulation or market-based incentives, such as favorable taxation policies, while the latter promotes growth by creating a more productive population and/or business sector (Jansa, 2018). There is a long-running, albeit unresolved, debate about the effects of various policies. For example, research on state tax incentives suggests that such policies can provide economic benefits, especially as businesses become less bound by location, but these benefits can also be overestimated (Bartik, 2005). Nevertheless, excessive tax cuts or incentive use can undermine a state's ability to invest in infrastructure, workforce training or education—areas that also foster positive economic outcomes (Clark & Montjoy, 2001).

Different ranking systems have emerged to assess the degree to which states adhere to these approaches. For example, the Tax Foundation's "State Business Climate Index" and various offerings from the business press tend to focus on tax levels and related cost-of-business factors. Alternatively, the "State New Economy Index," published by the Information Technology & Innovation Foundation, focuses on the ability of states to develop entrepreneurial, knowledge-based economies. A broader, more egalitarian approach is apparent in the "Opportunity Index," which measures educational opportunity, health and the strength of community institutions in addition to economic performance. This tool is the product of a partnership between two nonprofit organizations, Child Trends and Opportunity Nation.

Before providing case studies of the various state policy models, it is useful to review the relative performance of states on different aspects of economic performance. Table 1 and Table 2 compare the states listed above, an unweighted group average of those in the Midwest region outside Illinois (defined as Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio and Wisconsin), and the country as a whole using different widely accepted outcomes. Table 1 shows Illinois' current status with respect to these goals, while Table 2 shows how the state has evolved between 1980 and 2015, an era of deindustrialization, income stagnation and increasing income inequality to which Illinois has struggled to adapt.

TABLE 1

ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS OF SELECTED STATES, REGIONS AND THE U.S.

STATE	PER CAPITA INCOME (2016)i	INEQUALITY RANK (2016 – GINI INDEX)i	PERCENT W/ B.A. OR HIGHER (2016)i	K-12 SPENDING PER PUPIL (2016)ii	STATE/ LOCAL TAX BURDEN (2017)iii	PERCENT EMPLOYED IN MANU-FACTURING (2016)i
Illinois	$31,502	8 (tie)	32.9%	$14,180	10.0	12.4%
Massachusetts	38,069	13 (tie)	41.2%	$15,593	9.01	9.1%
Minnesota	33,225	39 (tie)	34.2%	$12,382	10.24	13.5%
Texas	27,828	9	29.0%	$9,010	7.99	8.9%
Indiana	26,117	35 (tie)	24.6%	$9,856	8.63	18.8%
Midwest States	28,551	34	28.7%	$11,275	8.95	15.8%
Entire United States	29,829	25.5	30.3%	$11,762	8.57	10.3%

Sources: U.S. Census Bureau (i), Governing magazine (ii), WalletHub (iii).

There are two bright spots in the tables: Illinois is a moderately wealthy state and has a relatively high level of educational attainment. However, population and job growth are slow. Manufacturing jobs have decreased more quickly than in other Midwestern states, and taxes are relatively high. Income inequality is also well above the national average and exceeds rates in the traditionally egalitarian Midwest region even more.

TABLE 2

PERCENTAGE CHANGES ON VARIOUS DIMENSIONS FROM 1980-2016

STATE	POP-ULATION INCREASE	EM-PLOYMENT INCREASE	MANU-FACTURING EM-PLOYMENT CHANGE	NOMINAL PER CAPITA INCOME INCREASE (1979-2016)	INCREASE IN PORTION W/ B.A. OR HIGHER (OVER 25)
Illinois	12.5%	22.9%	-50.4%	291%	126.9%
Massachusetts	17.5%	27.0%	-64.2%	410%	106.0%
Minnesota	35.9%	43.5%	-36.9%	346%	104.8%
Texas	89.4%	103.6%	-50.2%	286%	81.3%
Indiana	20.0%	30.3%	-39.0%	266%	98.4%
Midwest States	14.9%	25.1%	-39.7%	293%	93.1%
Entire United States	40.6%	52.2%	-54.0%	309%	85.9%

Source: Author calculations based on U.S. Census Bureau data.

CASE 1 | MASSACHUSETTS

A HIGH-WAGE/HIGH-TAX KNOWLEDGE MODEL

The data in Tables 1 and 2 support the idea that Massachusetts is a state that has successfully adopted a knowledge-based economy. It has a wealthy, well-educated population, and a relatively high tax burden (albeit lower than Illinois'). As Table 2 shows, income growth in Massachusetts has vastly exceeded that in Illinois. Based on the U.S. Census Bureau's 2012 to 2016 American Community Survey's five-year estimates, a large proportion of Massachusetts' population (45%) works in high-end occupations focused on management, business, science and the arts; only 37% of Illinoisans work in such jobs (U.S. Census

Bureau, 2018). Education spending levels in Massachusetts are well above the U.S. average, while its universities, especially Massachusetts Institute of Technology (MIT), have generated much of the state's success in building high-technology companies. In fact, a study conducted in the 1980s found that over 70% of high-tech companies had been nurtured by MIT departments or labs (Osborne, 1988). A more recent analysis found MIT has the ability to "import" the founders of companies into Massachusetts (Roberts & Eesley, 2009).

Beyond MIT, the state has used its public higher-education system to build on this advantage and promote economic development by nurturing human capital. The Massachusetts Department of Higher Education (n.d.) identifies the state's primary asset in economic competition as the "educational level of our people and our workforce and the inventiveness and competence of the creative individuals and organizational leaders who drive our innovation-dependent, knowledge-based economy" (p. 1). The state has also adopted several initiatives to promote its knowledge sector. Specific policies have included using community colleges to identify and nurture students for Science, Technology, Engineering and Mathematics (STEM) careers and connecting high schoolers interested in such work with college students already majoring in those subjects. More broadly, Massachusetts' focus on human capital includes proposed initiatives to improve career technical education, retrain adults in growth sectors of the economy, provide matching grants to higher education institutions to collaborate with industry on emerging technologies and fund apprenticeship programs (Massachusetts Executive Office of Housing and Economic Development, 2018).

Based on input from business and technology leaders in the state, Massachusetts' STEM Advisory Council was created in 2009 by former Governor Deval Patrick's Executive Order #513 and was later codified into law by statute in 2014 (Governor's STEM Advisory Council, 2013). The 20 to 30 members of the council are appointed by the governor and include members of Congress, public and private university presidents, school superintendents, representatives of business and labor, a teacher and others. Its mission is to coordinate the state's pre-K to university STEM education initiatives at an annual cost of approximately $1.5 million, funded through the Office of the State's Secretary of Education (Massachusetts Fiscal Year 2018 Budget, 2017). Due in part to the council's efforts, the state has been recognized by the National Governors Association and the State New Economy Index as a top STEM performer (Governor's STEM Advisory Council, 2013). Specific initiatives include @

Scale, which combines public and private sector funding to build upon existing sector strengths, supported by a STEM Pipeline Fund. In addition, the state hosts an annual STEM summit, runs a public awareness campaign directed at students and oversees a Data Dashboard to aid program evaluation.

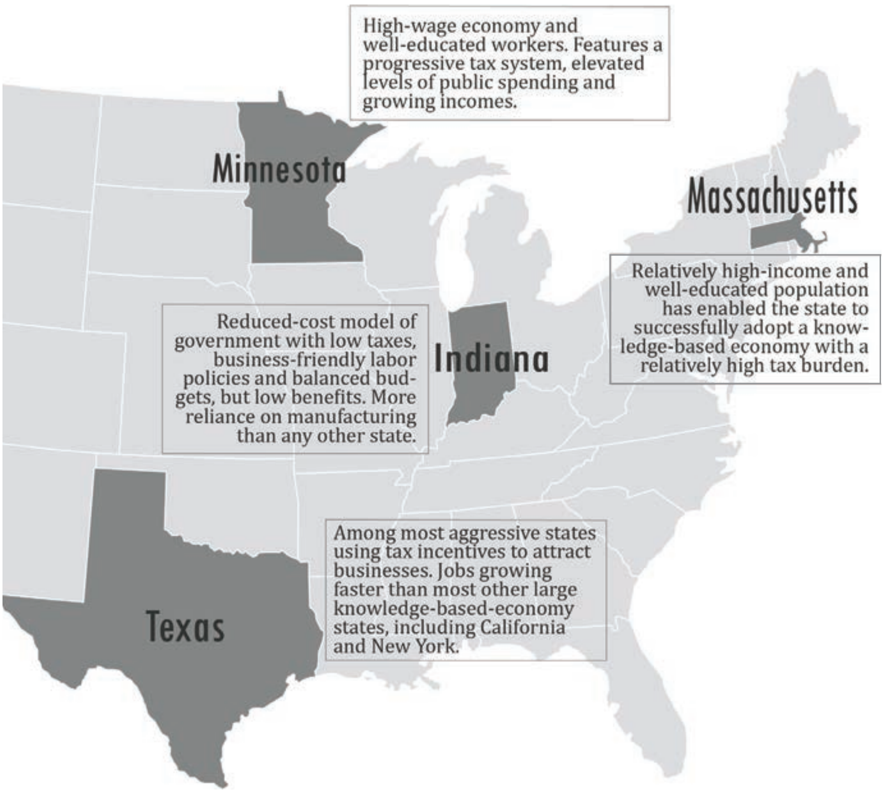
Illinois' relatively well-educated population, documented in the tables above, positions the state well to emulate Massachusetts' model. In the policy realm, Illinois has taken a few steps to emphasize higher education as a force for economic development, at least with respect to the role of research universities. Governor Rauner advocates creating a new branch of the University of Illinois, located in Chicago, that would promote applied research and the creation of new knowledge-based companies in areas related to computing and data, agriculture and other fields (Rhodes, 2017). In his 2018 State of the State address, he said, "What Stanford and Berkeley and Harvard and MIT are to the coasts, partnerships of the U. of I., U. of C., and Northwestern can even surpass for Illinois" (Rauner, 2018b). While Illinois' ongoing governmental dysfunction makes actual implementation uncertain, funding for the initiative was included in the state's FY 2019 budget.

Massachusetts deemphasizes the use of large incentive packages to recruit businesses, compared to other states (Jansa, 2016). Instead, it targets sectors where it already has a competitive advantage, such as clean energy, financial services and life sciences/biotechnology (Baker & Polito, 2015). Building on the strengths of its existing research universities, it has dominated seed funding for biotech in recent years (Bloomfield, 2015). It has also led in attracting venture capital (Baker & Polito, 2015). Another facet of its strategy involves developing regional industry clusters "as a means of achieving job growth and economic prosperity outside the metropolitan Boston region" (Baker & Polito, 2015, p. 5). By contrast, observers of economic development in Illinois argue, "the geographic area outside Chicago lacks any long-term thinking" (Nowlan & Johnson, 2014, p. 90). Although there have been efforts in the past to adopt a regional economic development framework, they have not been sustained, as the state's fiscal crisis seems to have undermined long-range planning. A recent report by the Governor's Rural Affairs Council (2017) acknowledges that a lack of state resources may force more local efforts and initiatives in rural downstate areas.

In some ways, Illinois has set about adopting its own model of using higher education to stimulate the economy. In autumn of 2017, Illinois and Chicago leadership jointly announced a plan to establish "The 78," a major development on Chicago's near south side that will include residential, housing and cultural space. A vital component of this plan includes establishing the Discovery Partners Institute, a research institute led by the University of Illinois System. The objective of the Institute is to serve as a network for research and innovation among Illinois universities and to attract high-caliber students and companies to work collaboratively. It might also help to encourage skilled young workers to remain in Illinois after college.

FIGURE 1

FOUR STRATEGIC MODELS CONSIDERED AS CASE STUDIES



CASE 2 | MINNESOTA

A MORE EGALITARIAN HIGH-WAGE/HIGH-TAX MODEL

Despite its extensive social welfare system and an economic development plan that stresses equity and economic mobility, Massachusetts has failed to develop an egalitarian economy. As shown in Table 1, its record in this realm is closer to Illinois.' This failure is significant, as economic inequality could slow income growth, make middle-class needs such as housing unaffordable, harm public health and exacerbate social problems such as crime and drugs (Brown & Robinson, 2016; Florida, 2017; Metropolitan Planning Council, 2017). Relatively egalitarian compared to Massachusetts and Illinois, another possible model for Illinois is Minnesota, which enjoys a high-wage economy with well-educated workers and growing incomes.

Minnesota features high taxes, relative progressivity and elevated levels of public spending. Its progressive tax system has been a long-standing feature of the state's fiscal strategy. This became even more central to its strategy in 2013 when the legislature passed HF 677 on the final day of its spring session at Governor Mark Dayton's urging. The bill added a new 9.85% bracket, compared to the previous 7.85%, for the top 2% of earners. The new rate, which puts Minnesota among the top five nationally in income tax progressivity, kicks in at approximately $250,000 for married couples (Helgeson, Brooks, & Stassen-Berger, 2013).

Minnesota's progressive tax system has allowed it to pursue an economic strategy that enhances productivity and quality of life by "operating a high-quality public sector" (Kolderie & Blazar, 1988, p. 293). Reflecting this idea, Governor Dayton has argued, "To progress, we have to invest. We have to invest in jobs; in education; in transportation; in the health of our people, communities, and environment" (Dayton, 2011). An illustration of this penchant for investment can be seen in school funding. Minnesota accounted for 70.4% of total school support at the state level in 2016. Illinois, which depends much more heavily on local property taxes, funded only 24.8% of the aggregate that same year (National Education Association, 2017). Minnesota's tradition of equitable funding is rooted in its history; in 1971, Governor Wendell Anderson initiated the so-called "Minnesota miracle," hiking the state's share of educational expenditures from 43% to 70% while also substantially boosting the state's overall rank in state school spending (Elazar, Gray, & Spano, 1999).

In addition to strong wages and income growth, Minnesota has performed well with respect to increasing employment and population, at least by Midwestern standards, as shown in Table 2. Recently, comparisons between Minnesota and Wisconsin, culturally and demographically similar states, have served as a "test case" of the high-wage/high-tax versus low-tax/job-creator models in the Midwest. Under Governor Scott Walker, Wisconsin has tried to shift to the latter approach in contrast to Dayton's more expensive investment focus. Both governors took office in 2011, but their administrations have followed dramatically different paths. While Walker has reduced collective bargaining for state employees and cut taxes and spending, Dayton has embraced progressive taxation, a higher minimum wage and increased state support for education (Jacobs, 2013). From 2010 to 2014, Minnesota's population, jobs and income all grew more quickly than Wisconsin's (Markusen, 2015). A later study found that these trends continued after the income tax increase of 2013 (Cooper, 2018).

Like Massachusetts, Minnesota has deemphasized the use of significant tax incentives to lure businesses (Jansa, 2016). Instead, it has favored more focused government interventions in the economy. Examples include encouraging direct foreign investment and targeting particular industries and regions as a form of proto-industrial policy (Elazar et al., 1999). Other states, such as Maryland, have adopted similar approaches, but Minnesota is a leader in this realm.

Minnesota's model is not without flaws. Its egalitarian policies do not necessarily cross racial lines, and gaps between whites and non-whites on measures such as income, poverty and educational attainment are higher in Minnesota than in most states (Gee, 2016). For example, it ranked last among the states in terms of financial equality among races and has failed to integrate diverse newcomers who have come to the state as a result of its economic success. Additionally, a 2013 survey by the Minnesota Chamber of Commerce found that one-fourth of Minnesota companies throughout the state had an unfavorable business climate (Jacobs, 2013). Specifically, businesses complain that high taxes discourage firms from locating or staying in the state, harming their ability to recruit highly competent executives (Davey, 2014).

These observations notwithstanding, Minnesota's example still provides much for Illinois to emulate. Its population diversified later than was the case with Illinois, and its strong income growth rates suggest the possibility of better distribution across ethnic and racial lines in the future. Similarly, its tax structure clearly has not precluded prosperity.

Several efforts are underway to move Illinois in the direction of Minnesota. The state legislature raised its personal income tax from 3.75% to 4.95% in 2017, in part to allow it to better support programs relied upon by marginalized populations. Furthermore, there is a discussion about whether the state should hold a constitutional convention to create a graduated income tax that would move the state away from its current flat-rate structure. A concerted push is being made to change the formulas through which funds are allocated to primary and secondary education to better support school districts that have limited ability to raise property taxes to pay needed expenses. The deep divisions in the state political establishment, however, suggest there is little consensus about the desirability of such actions.

CASE 3 | TEXAS

A LOW-WAGE/LOW-TAX/JOB-CREATION MODEL

As shown in Table 2, Texas is an exceptionally strong performer with respect to employment and population growth. The economy and jobs are growing more quickly than in other sizable knowledge-based economy states, such as New York and California (Kotkin, 2018). This success is sometimes credited to its low-tax, low-service-provision model of governance that reduces labor costs through its right-to-work law, low state minimum wage and minimal workers' compensation costs (Texas Public Policy Foundation, 2008). Moreover, Texas is among the most aggressive states in using tax incentives to attract businesses from elsewhere (Jansa, 2016). It has a wide variety of programs, including initiatives to attract high-tech employers and university researchers whose work can import or create jobs. It advertises its Texas Enterprise Fund as "the largest 'deal closing' fund of its kind in the nation" (Office of the Texas Governor, 2018). While it is difficult to confirm independently whether this claim is accurate, other states perceive Texas to be a leader in offering big-ticket incentives. For example, when trying to enhance funding for a similar program in Florida, former Governor Rick Scott dubbed the idea a "Let's beat Texas fund" (Brinkmann, 2015).

Since the Texas Enterprise Fund was created in 2003, it has spent nearly \$610 million through the end of 2016 (Office of the Texas Governor, 2017). Projects supported through the program must meet various criteria, including the number of jobs created, projected wages and demonstrated competition from another jurisdiction. The governor, lieutenant governor and Speaker of the Texas House of Representatives must all sign off on proposals. The current House Speaker, Joe Straus, has become critical of the program due to concerns that its benefits center too much on the Dallas-Fort Worth area at the expense of other regions. Previously, the State Auditor's Office (2014) issued a critical report on the Texas Enterprise Fund. Among other criticisms, it cited inadequate application reviews, including the lack of bona fide competition from outside the state for the awardee, an inability to determine the actual number of jobs created and a lack of sanctions when promised hiring goals were not met.

Texas is a favorite reference point for Governor Bruce Rauner when he discusses states that he believes Illinois should emulate. In his 2016 State of the State Address, for example, he exclaimed, “We should be kicking Texas’ tail! . . . Instead of letting Indiana and Texas take our workers, let’s go compete and take their jobs!” (Rauner, 2016). The subtext of these arguments is that Illinois needs to lower taxes and labor costs. Some aspects of Texas’ success may be difficult to copy, however, as its border location helps increase immigration and international trade. Illinois lacks these same primary resource extraction advantages (McNichol & Johnson, 2012).

Illinois has several natural advantages that suggest it could emulate parts of the Texas strategy. Most notably, the cost of living in Illinois is relatively low compared to those in coastal regions. As previously noted, Illinois’ Constitution prohibits the imposition of local income taxes, which is attractive to manufacturers and makes the burden of income taxes lower than in many other states. Furthermore, Illinois has extensive land situated in close proximity to major transportation corridors and airports, comparatively lax zoning laws and a relatively skilled workforce, particularly in manufacturing. Large parcels of land within or near metropolitan Chicago are also available at a relatively low cost, particularly south of the city, which sets the state apart from many others with respect to available land for new industries.

Texas’ experiences also suggest some of the limitations of the low-cost/low-tax model. While it has enjoyed strong population growth, Texas underperforms in areas such as educational attainment and health insurance coverage. It suffers from elevated income inequality, which may be a side effect of its pro-growth policies, and has the highest poverty rate of the states discussed in this article (U.S. Census Bureau, 2018). Furthermore, Texas has the largest percentage of minimum wage workers of any state, and many jobs pay low wages with few benefits (McNichol & Johnson, 2012). Disparities in educational opportunities between white and minority students could harm the state’s ability to compete in the future (Tienda, 2015). Summarizing the limitations of the Texas model, one textbook on the state’s political system notes, “For many Texans, modest wages, absence of fringe benefits like employer-managed health care, underfunded schools, hospitals and social services, and environmental degradation are the norm” (Jillson, 2014, p. 52).

CASE 4 | INDIANA

A MIDWEST LOW-WAGE/SMALL-GOVERNMENT MODEL EMPHASIZING MANUFACTURING

As noted, some aspects of Texas' success may not be replicable for Illinois. This caveat is not the case with regard to Indiana, which lacks any particular natural resource or locational advantages over Illinois. Like Texas, Indiana uses an economic development strategy that emphasizes low taxes and putatively business-friendly labor policies, such as right-to-work laws and heavy use of tax incentives (Hicks, 2018; Jansa, 2016). It has adopted a reduced cost model of government that features balanced budgets but low benefits. Pensions for state workers, for example, can be one-third less than those in Illinois in comparable jobs, although the Indiana system is actuarially sound (Powell & Davey, 2011).

On the whole, Indiana's budget and tax stability appear to promote job growth by creating a positive image in the minds of business decision makers (Kelly, 2018). During the administration of former governor Mitch Daniels, the state transformed its primary economic development agency from a traditional state government model to a public-private partnership structure. As the former governor's first priority in 2005, Indiana passed legislation to consolidate seven economic development agencies into one to adopt a more streamlined approach (Rathiel, 2005). Modeled after a similar structure in Michigan, the agency is directed by the governor and a hand-picked president in consultation with a 14-member board representing Indiana's various economic sectors and geographic regions. Designed to provide greater flexibility in offering tax incentives, the agency might have reduced the state's overall costs somewhat due to its less static emphasis on negotiation and deal-making (Sagamore Institute, n.d.). Due to its ability to respond quickly to private sector needs, the National Governors Association (2016) identified it as a trendsetter in economic development.

Indiana relies on manufacturing as its economic base. In fact, its economy depends more on this historically important sector to the Midwest than any other state (Gabriel, 2016). Governor Rauner advocated emulating Indiana in his 2018 budget address, noting, "manufacturing jobs, many of which go to union workers, are up 110,000 in Indiana over the last eight years, while manufacturing jobs in Illinois are up only 8,000 in that same time period." The governor has also supported following Indiana in adopting a right-to-work law in Illinois, and some evidence shows that doing so could promote higher population growth (Hicks, LaFaive, & Devaraj, 2009).

As Table 2 depicts, however, Indiana's economic approach has not raised incomes. In fact, the state has trailed Illinois in this measure. In addition, further job growth might prove unsustainable if labor markets tighten. While Indiana's incentive-based approach to economic development subsidizes firms that hire new workers, when employees are hired away from existing firms that do not receive tax breaks, this practice ultimately adds little in the way of overall job growth when unemployment is low (Hicks, 2018). Unsurprisingly, this approach might also be perceived as unfair to existing businesses. Furthermore, such policies starve communities of funds that could upgrade physical or human capital.

Anticipating such concerns, Indiana has adopted two initiatives in recent years that temper the low-cost model by trying to foster wage growth and a more diversified economy. First, Indiana has used revenue from a toll road lease to create a venture capital fund to invest in the high-technology sector (Kelly, 2018). Second, and more publicly prominent, the state introduced the Indiana Career Council. Created in 2013 by HB 1002 to upgrade the skills of the state's labor force, the organization is overseen by a 16-member board that coordinates workforce development activities throughout the state. According to its strategic plan, "workers need different and higher-level skills, but not necessarily a four-year degree" (Indiana Career Council, 2014, p. 7). The plan emphasizes the idea of "working learners" who upgrade their skills throughout their careers, often while continuing to work; it also seeks to tie education more directly to the needs of employers. In 2015, Indiana was one of six states recognized by the National Governors Association for best practices in aligning training with employer needs, due in large part to the Indiana Career Council's initiatives.

Illinois has particular advantages in vocational training that could be leveraged to emulate the Indiana model to a greater extent. The state has an extensive community college system that offers vocational training at a low cost to students. The City Colleges of Chicago, one of the largest schools of its kind in the country, has more than 150 corporate sponsorships that support training programs. Furthermore, several public universities with programs emphasizing practical skills have suffered enrollment declines, and thus have the ability to take on many more students in vocational fields. However, fluctuations in state funding for the Monetary Award Program (MAP) grants, which support university educations for students of low-income families, suggest that our state's commitment to providing gateways into careers for disadvantaged populations has wavered. In the most recent state budget, however, MAP grant funding was slightly increased.

CONCLUSION

The case study approach used in this article prohibits clear conclusions about whether there are causal relationships between specialized policies and a state's wellbeing. Myriad policy changes, as well as social and economic factors not discussed in these brief cases, certainly affect states' incomes and levels of economic growth. Moreover, state economies are intimately tied to regional issues that undoubtedly involve clusters of states. As such, the information presented here should be viewed primarily as a springboard for further analysis and discussion.[1]

At the same time, it behooves Illinois to learn from the aforementioned state models. At least some Illinois officials agree; in his 2016 State of the State address, Governor Rauner said, "I am convinced that there is a way we can blend economic growth of states like Texas with the heart and compassion of states like Massachusetts." Although not explicitly mentioned in that address, Massachusetts' high income is another outcome to which Illinois should aspire.

Without dismissing the governor's reference to Texas, the high-income/high-tax/high-service knowledge economy model would fit Illinois well. Despite having substantial tax burdens, states such as Massachusetts and Minnesota have been able to grow income more quickly than Illinois. This is significant because a wealthier Illinois would have fewer budget problems due to natural revenue growth. Given its fiscal crisis, however, Illinois has not been able to budget toward nurturing good jobs, but instead, must pay off unfunded debt and pension liabilities. However, the state is not doomed by the 2017 tax increase. Less than a decade ago, California faced budget problems similar to those in Illinois. With a $27 billion deficit, a poor credit rating and high pension debt, it was widely regarded as ungovernable (Fallows, 2013). By 2013, the state had a budget surplus, and in subsequent years was able to invest more in services such as education. In addition, Illinois' choice to raise income taxes, rather than the sales tax, was probably a good one from the perspective of maximizing employment and minimizing inequality (Cutler, Shields, & Davies, 2018).

Given Illinois' regional divisions, divergent models might be more relevant to different parts of the state. Massachusetts might be a good model for the Chicago area, while downstate might want to emulate Indiana. There can be little doubt that Chicago's status as a global city benefits Illinois as a whole (Nowlan & Johnson, 2014). Moreover, the city's downtown has become one of the most dynamic job-creating urban knowledge economies in the nation, with the most highly educated population of the five biggest U.S. cities (Hinz, 2018). While U.S. Census Bureau (2018) data rank Illinois 11th overall in graduate/professional degree attainment, this highly-credentialed workforce is concentrated in the Chicago metropolitan area.

Downstate Illinois lacks this advantage. Also, it must contend with a relatively high tax rate and stricter labor regulations in competing for manufacturing jobs. For example, past minimum wage increases have had minimal impact on employment in the Chicago metropolitan region, where prevailing wages are higher, but the same wage increases have caused job losses downstate (Powers, 2009). This impact should be acknowledged when future hikes are considered. Similarly, high workers' compensation costs in Illinois are more likely to affect the viability of the downstate economy.

Illinois then may want to nurture the knowledge economy in the Chicago area while emphasizing job growth downstate. This strategy could include Governor Rauner's idea of local right-to-work zones, which would make downstate manufacturing more competitive with states such as Indiana. More importantly, Illinois should adopt Indiana's strategy of training workers for the more highly skilled manufacturing jobs of the future. This emphasis is especially vital given trends toward offshoring and automation that are likely to affect the lowest-paid, least skilled jobs first. Large incentive packages, to the extent that they are used, should be targeted more toward downstate areas while avoiding excesses such as Wisconsin's recent Foxconn deal, which could cost the state over $200,000 per job (Stein, 2018).

As the Massachusetts' example suggests, attending to regional economic needs is of utmost importance, followed by knitting those strands into a larger whole. In practice, this means nurturing some aspects of the knowledge economy downstate. Rust Belt areas with colleges and universities have best withstood the region's broader economic decline (Austin, 2017).[2] Illinois could also learn how to better administer economic development programs from other states. Massachusetts law requires each new gubernatorial administration to develop and publish a strategy in this area within a year of taking office (Baker & Polito, 2015). This practice could benefit Illinois in terms of long-term planning. Indiana has privatized some economic development functions to make them less bureaucratic and nimbler; Governor Rauner attempted to follow this example, but his efforts have been partially stalled due to legislative infighting (Geiger, 2016).

Further research could more systematically examine the outcomes associated with various approaches. For example, it could build on existing econometric analyses of the effects of tax policy on state economies (Reed, 2009). Alternatively, it could revisit efforts to measure the impacts of policies designed to enhance productivity through education and training (Hart, 2008).

Nothing in the above discussion should imply that policy change alone would likely rejuvenate Illinois' economy. States' relative economic positions change little, even over extended time frames; states such as Connecticut typically stay the wealthiest, and those in the Deep South, like Mississippi, remain poorest (Gelman, 2008). Perceptions matter a great deal in this realm as well, and Illinois has not built a reputation for effective governance or business climate (Nowlan & Johnson, 2014). By looking at other states as role models, however, Illinois could improve policy, perception and performance.

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FOOTNOTES

[1] A pervasive issue in this line of research involves the difficulty of isolating the impacts of specific policies on state economies. To address this concern, one approach would be to examine border areas of states that adopt different economic policies. Comparisons between Minnesota and Wisconsin after their 2011 policy divergence are ripe for analysis. However, more systematically assessing the economic outcomes in border counties of such states would be a particularly effective experiment. As states change their approaches to incentive programs, raising or lowering taxes, or investing in education and training programs, economic outcome data at the county level could provide researchers with a better sense of causality.

[2] Research in other Midwestern states has found that rural school systems often lavish the most resources on students who are least likely to stay in their hometowns, leaving those who do remain with insufficient skills to find success in the contemporary economy (Karr & Keflas, 2009). This practice is something downstate schools need to be aware of when designing curricula.

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