Illinois Financial Crisis

RealClear Politics

Why Illinois' Government Has Become Predatory and Unjust

COMMENTARY

By Richard Porter | November 06, 2019

AP Photo/G-Jun Yam

While taxes imposed by municipalities and states are often debated on economic, efficiency or equitable grounds, the justice of taxation is rarely a subject for discussion. But we need to have that debate in Illinois, where our government has become predatory, perverse and unjust.

We believe government may justly compel a range of things, including taxation. The premise behind government of, by and for the people is that everyone is created equal and free, and that therefore just government does not rule, it serves; just government does not impoverish, it enriches.

So, taxation is just, even though compulsory, when imposed by an elected government pursuing common welfare. For example, we generally agree that taxes imposed for our common defense, to alleviate poverty or to enhance opportunities in the community are just because they create a better, stronger community for us all.

When is government unjust? When a strong few -- such as a king and his knights -- tax to enrich themselves, or when a government does the opposite of what it should do, such as taking something from the community, piling up what has been taken and burning it.

Predatory governments serve themselves, not the community as a whole, and perverse governments impoverish the community instead of enriching it.

Which brings us to Illinois.

Illinois is the least tax-friendly state in the nation, according to both Kiplinger's and WalletHub, and so Illinois' population shrinks while population in neighboring states grows. As people leave or decide not to come, property values fall; WirePoints estimates that Chicagoland homeowners lost more than $250 billion in recent years. This massive loss in property values not only dwarfs the revenue Illinois and its municipalities collect each year, it's greater than some measures of our unfunded pension debt. However, no one benefits from this property loss -- it's as if the government took a portion of each resident's wealth, piled it up and burned it.

Residents of Illinois do not receive better government services for their higher taxes; they receive less and less because an extraordinary growing share of all government revenues are devoted to paying past promises to Illinois' valuable government workers.

Government must offer competitive compensation to attract people who will provide excellent services to its communities. Taking care of government employees is necessary for any government to function. However, generations of politicians didn't actually put up the money to pay for their generous promises. As a result, funding those pension promises is becoming a core purpose of Illinois' government and the obsession of its leadership, making our government both predatory and perverse.

As Illinois keeps increasing taxes on middle-income Anne (who has no pension) to pay ever greater pension benefits to government worker Jay, not only is Anne paying more for the same or less service, but the value of Anne's house and nest egg for her own retirement falls too. When government knowingly causes Anne, with no pension, to lose money for her retirement to pay Jay's pension, government is serving Jay, not Anne.

Our government's focus on funding Jay's increasing pension is becoming futile as tax hikes raising money for him hurt Jay too -- because a shrinking tax base leaves less to fund his increasing lifetime pay.

Nor is increasing taxes on the rich a practical alternative: Illinois' liabilities are too vast and the rich are too few -- and they can leave too, which means more taxes for Anne and more uncertainty for Jay. Scaring rich or ambitious people away is unfair to everyone.

This is Illinois today: a place where government causes everyone to lose -- and that's perverse. The state has entered a self-reinforcing spiral of failure, with shrinking wealth, a shrinking population and shrinking pension funds too, despite the ever higher taxes to save them.

Illinois leaders need to face and fix the structural problem making our government unjust; government needs to restructure in order to refocus on serving and building communities. The only way out of this death spiral is lower taxes, which means we must reduce liabilities driving taxes higher -- which means pensions must be reset to be fair to workers *and* sustainable for taxpayers.

Richard Porter is Illinois' national committeeman to the RNC.

Journal Star

Richard Porter: Illinois must do better to serve the powerless

OPINION

By Richard Porter | October 09, 2019 | 11:46 AM

Illinois state government will soon take away money designated to fund services for low income residents of East St Louis and instead pay it to its municipal workers pension fund.

The state has taken similar actions in Harvey and North Chicago, two other low-income communities. As a result, each community has (or will, in the case of East St Louis) cut staff providing services to community residents.

These three low-income communities are not alone — according to Wirepoints, hundreds of other smaller Illinois communities have chosen to provide current services instead of fully funding required pension payments and will likely have their state aid money seized and redirected to their government employee pension plans.

This is because the State of Illinois' policy is to pay debts to Wall Street and pensions to former government workers first and then, if and only to the extent there's money left over, provide services to residents.

Abe Lincoln described our republic as "government of the people, by the people, for the people." The deepening financial crisis across the state now implicates first principles about government: What of government "for the people" in Illinois?

Incurring debts to finance capital projects and offering workers a competitive wage and benefit package is ancillary to a government for people. But, in Illinois, paying debts and paying lifetime incomes to the government's leaders and workers has become government's primary purpose.

So, our leaders obsess over raising revenue to pay the state's creditors, not to provide improved services. Kiplinger's just determined in a study that Illinois is already the most taxed state in the union — but toward what end?

The people hurt most as Illinois and its municipalities fail are those who need government services the most: the powerless. Illinois, Chicago and, at the state's behest, Harvey, North Chicago and East St Louis, serve their creditors to the detriment of their residents.

Where are the wise and good people demanding government restructure its debts to serve people? If the state's debts to Wall Street and retired workers are overwhelming the very purpose of our government — to provide for the health, safety and welfare of its people — then surely those debts must be cut and the pensions adjusted.

Under the Federal bankruptcy code, Illinois has the right to allow municipalities to restructure liabilities through a court process. Chicago pays very high interest rates because Illinois has the right under federal law to permit Chicago and other towns to reduce debts in a restructuring — and the hedge funds holding Chicago's bonds know Chicago's debts will indeed be restructured, sooner or later.

Other municipalities of every size and for many different reasons have availed themselves of this federal process for forcing losses on creditors and to assure that government serves its people first. Detroit is smaller than Chicago, larger than East St Louis, and its financial distress had other causes, but Detroit's renewal started with a bankruptcy restructuring that modestly adjusted pensions and imposed even greater cuts on bond holders.

Restructuring Chicago and other Illinois municipalities is inevitable, so sooner rather than later is best for Illinoisans. Once Illinois unleashes Chicago, Harvey, North Chicago, East St Louis to cut their debts and adjust their pensions, local taxes will stabilize, services will improve, and population (and the tax base) will stop eroding. It's the right move for government workers worried about their pensions, too: the stronger the tax base, the better and more sustainable a new pension deal will be.

Wall Street, on the other hand, benefits from a later bankruptcy filing because bond holders collect their premium interest rates longer, which mitigates their eventual losses. And Illinois politicians who are neither wise nor good also seek to postpone a restructuring to avoid a political reckoning for those that facilitated this financial crisis.

Our government of the people, by the people, for the people is not secured by the parchment on which our Founders set forth a structure for our government, but by the character and actions of the people who comprise the government in each succeeding generation.

In our lifetimes, Illinois succumbed to government of the corrupt, by the machine, for the benefit of its political leaders and others in government. The Land of Lincoln can and must do better: a government that prioritizes debt service over serving the people, especially the powerless, is perverse and deserves to perish.

Richard Porter is a lawyer in Chicago and is Illinois' National Committeeman on the Republican National Committee

RealClear Politics

A Tale of Two Chicagos

COMMENTARY

By Richard Porter | September 03, 2019


Ashlee Rezin Garcia/Chicago Sun-Times via AP

There are two Chicagos, and Mayor Lori Lightfoot declared her sacrificial commitment to one last week.

In one Chicago, half of the households earn less than $65,000. Forty-five percent own their own home; half of those homes are currently valued at less than $260,000. These homeowners pay property taxes at the second highest rate in the country, and most are seeing home values stagnate or fall. For the remainder of these Chicagoans -- those who rent -- they are paying an average of just under $2,000 per month for 750 square feet.

Relatively few of these Chicagoans have much in the way of savings. For most of those with a positive net worth, their home is their most important asset and a likely (if increasingly uncertain) source for retirement income. Almost none of these Chicagoans have a defined benefit pension to pay them a "guaranteed" income when they retire. While many of them have 401(k)s, the vast majority don't know if they will ever be able to retire.

The other Chicago is a smaller world with notable privileges. Nearly half make over $100,000 a year and have among the best health and other benefits available. They have job security — once hired, it is almost impossible for them to be fired — and generous work rules.

This smaller group is permitted to retire starting in their 50s, and when they retire they are entitled to pensions starting at 70% to 80% of their highest earning years — which is calculated including overtime as well as base pay. Plus, many are given large raises at the end of their (short) working careers, which allows them to "spike" their earnings for purposes of calculating their pension.

When they "retire" in their 50s, many of these Chicagoans are paid at or above their base pay while working.

Plus, that amount goes up 3% each year, no matter what.

These folks are very active politically. They give the vast majority of money that city politicians raise — and the same is true for those who run the state of Illinois.

So perhaps it's no surprise that Illinois doesn't tax pension income; after tax, some workers are better off "retired" than working!

But who wants to sit around in their 50s? Most of these Chicagoans are vigorous — and obtain new employment, the pay for which does not offset or reduce their "retirement" pay. Some of these new jobs carry the right to be paid even more when they do actually retire. And they pay no state income tax on the second retirement income either.

The lowest paid of these Chicagoans are granted a lifetime income that has a present value of over $1 million. Higher-ranking members of this group will retire with lifetime income approaching $10 million.

These are Chicago's "Tier 1" workers. We appreciate their service and want to be generous to each of them. But our city's "Tier 1" compensation structure is, as Mayor Lightfoot has acknowledged, unsustainable; city worker compensation and benefits for older workers need to be equitable relative to younger workers and consistent with serving residents, not hurting or exploiting or driving them away.

Here's the rub: trying to pay for the imprudent promises that politicians have made to the good people who are city workers is hurting many more good people who have less, far less — and that's unjust.

Some say that high-income Chicagoans who don't work for the city should pay, but they are too few, too mobile and already too taxed.

There's only one answer: Chicago needs to prudently modify city workers' lifelong income in order to lower the tax burden on the many.

Mayor Lightfoot disagrees: "Let me be clear: I don't see the provision of pensions or city workers as the problem."

She acknowledges that "for every dollar you pay to the city, 80 cents goes to pay for the cost of personnel and benefits, along with pensions," but she doesn't acknowledge that half of that amount — literally half — is spent to pay former city workers not to work starting in their late middle age.

Mayor Lightfoot is unambiguously on the side of the Chicagoans in government: "I have made clear many times, pension obligations are a challenge we must meet. Dedicated city workers have fulfilled their careers with the agreement that they will retire with the dignity and the certainty pensions afford."

Indeed, she says she is willing to fight to the death of her political career; though "Give me pensions or give me political death" may stir the souls of those with pensions, it's not very inspiring to the rest of us.

Yes, great leaders are loyal to their troops, but leaders are judged ultimately by the goals they set and achieve. Mayor Lightfoot's goal is to convince Chicagoans to sacrifice more, save less and work longer so her troops who make more for life won't have to sacrifice at all.

If ever-increasing lifetime pay is their right and ever-increasing service to the government is our duty, then what has become of us — and is it any wonder that Chicago and Illinois shrink as other cities and states grow?

It doesn't have to be this way. A hypothetical mayor with courage would fight the politically powerful on behalf of all Chicagoans. This bold mayor would convince her allies running Illinois to grant legal authority for the city to seek a fresh start, cutting Wall Street debt and restructuring the lifelong pay and benefits of municipal workers into a more equitable, means-tested, sustainable and only slightly less generous overall package, in order to freeze or lower taxes while improving services for the benefit of all.

Apparently, Lori Lightfoot is not that mayor.

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An excerpt was published in the Chicago Tribune on Sept. 6, 2019.

CHICAGO
SUN*TIMES

Who Will Chicago Tax If the Rich Say 'Enough'?

COMMENTARY

By Richard Porter | August 30, 2019

Ashlee Rezin/Chicago Sun-Times via AP

The City of Chicago would like to spend a billion dollars more than it will raise under existing taxes and fees, so Mayor Lori Lightfoot is setting the stage for a tax increase.

Activists, union leaders and others in her coalition have a simple solution: Command the high-income earners to pay more! Their logic is simple: Middle-income folks are taxed too much already, but the very well-off are few, our demands are many and we control the City of Chicago — so make the high-income folks pay our bills!

It's true that they are outnumbered, that the city can impose taxes one way or another on folks that are outnumbered, and that every tax is a command that residents ignore at their peril.

The flaw in their logic is this: The well-off are free to choose whether to stay and pay or leave — and thereby leave everyone else with the obligation to fund the city's spending tab instead.

The city only has the power to coax; it does not have an effective power to command so long as we are free. Every tax, every law, every rule the city imposes is an offer, not a command: If you would like to live in this area, then this is what it will cost and these will be the rules.

And every resident, the high-, middle- and low-income alike, gets to choose: Do I want to accept the offer to live here under these costs and those rules?

Chicago's 2.7 million residents each independently and continuously considers whether to accept or reject the value proposition Chicago offers. The financial and other costs and benefits of staying or leaving are different for each of us, but as the net value of living here falls, more will leave.

Neither Mayor Lightfoot nor I knows exactly how many more will leave and how fast. Sure, some who own plants or lease offices here might take more time than others to make arrangements, winding down operations, as they relocate to places where a local government coaxes people to come.

And as people of every income level leave, they spend, they give, they build, they invest, they pay taxes ... elsewhere. Meanwhile in Chicagoland, property values fall as the supply of houses for sale goes up and demand fades. Civic organizations and charities see contributions flatten and fall. Ambitious people pursuing dreams of building something or getting rich don't come or make new investments elsewhere, and job opportunities are correspondingly diminished. After all, who wants to build something where the people seek to take it away?

Oh, and of course the government is "surprised" to discover that the revenue commanded doesn't materialize. Confronting a "new, unexpected" and even larger operating deficit, the folks running the city demand more money — now from you too.

Except now your property is worth less than it was, and opportunities for advancement are more plentiful elsewhere than here, and you are already paying more than you wish...

Sound familiar? The truth is that Chicagoland is already in this downward spiral of shrinking population from all income levels, falling property values, tighter civic and charitable fundraising, perpetual "surprise" operating shortfalls and diminished opportunities leading our parents to Florida and children to Austin where they start careers.

The city's financial failure is not a future contingency — it's our present reality.

It doesn't have to be this way. The City of Chicago is an entity with a legal standing independent of the people of Chicago. Its liabilities are not the personal liabilities of the people who live here — those liabilities are solely the obligation of that entity.

The City of Chicago is in this regard much like General Motors. Just 10 years ago GM found itself unable to pay for all the liabilities it unwisely incurred — because GM cannot command its customers to accept offers either. And so GM restructured its liabilities, reducing them to a level that permits GM to grow and thrive again by offering products and services that consumers choose to buy.

Just as a restructured GM works for consumers, suppliers, employees, and investors, so too a restructured city would offer all residents improved services at lower costs, empowering Chicago to coax people to come and build their future here instead of another city.

The only thing standing between Chicago's current cycle of failure and its potential future of success are the folks who run the city. They need courage and vision — and they need to work for you instead of all the folks to whom the city owes too much money.

Richard Porter is Illinois' national committeeman to the RNC.

RealClear Politics

Bankruptcy: Pain With Gain for Chicago

COMMENTARY

By Richard Porter | September 13, 2019


Ashlee Rezin/Chicago Sun-Times via AP

"Bankruptcy" is a dirty word that connotes failure, an ending — the antithesis of opportunity. For many, it's unthinkable "to go there," as if it were a dark place, replete with shame.

And indeed bankruptcy was once all of that. Those unable to pay their debts were thrown into dark jails to rot until relatives came up with money to pay off their debts.

Chicagoans should know that this barbaric treatment of debtors hasn't been our law for hundreds of years. In a great innovation that unleashed capitalism, the law turned the tables on creditors and set debtors free.

Bankruptcy erases burdensome debt, requiring those who finance and facilitate failure to bear the losses associated with that failure. Bankruptcy means freedom, a new beginning and fresh opportunities. Bankruptcy is a painful process, but it's pain with gain: a future free of excessive debt.

Mayor Lori Lightfoot revealed that the City of Chicago faces a deficit of nearly $1 billion, driven by debt, including bonds, unfunded pension and retiree health obligations and tort judgments. So far, she's only talking about increasing taxes on, or cutting services to, Chicagoans, but there's no upside to that strategy: It offers Chicagoans nothing but more pain. Instead, she should be talking about strategies for restructuring and reducing the city's debts now, including bankruptcy, before things get even worse.

While "Chicago" is a (beautiful!) geographic place, the "City of Chicago" is actually an entity, akin to a business corporation. The city's debts are solely the obligation of that entity, but the city passes its costs on to Chicagoans by imposing taxes and fees. These residents bear the municipality's costs only while they remain Chicagoans; when people leave, they owe nothing to the city. Our individual freedom to choose and move thus limits the city's power to pass on excessive costs through taxes. When government charges too much for too little service, residents search for and begin to choose alternative places to live.

Chicago's population is already shrinking, which is powerful evidence that the city is already taxing too much for too little service: for too many residents and potential residents, the cost imposed to live here now exceeds Chicago's many benefits, and so Chicago shrinks while dozens of other cities grow. As population shrinks, property values fall, increasing the burden of future expected taxes, driving the population and property values down even further. Increasing taxes further only exacerbates this cycle of failure.

The city needs to lower taxes to start growing again, but lower taxes would mean Chicago can no longer service its debts. Federal law offers a procedure for reducing those debts by commencing a case in bankruptcy court. A bankruptcy judge has the power under federal law to reduce the city's liabilities, change its pensions, reorganize its functions into a more efficient ongoing structure and eliminate some of its debts — but the judge does not have the authority to raise your taxes.

Bankruptcy is a painful process because it forces creditors who facilitated the city's failure to take a loss: bond holders, such as hedge funds, Wall Street bankers that sold the bonds and the people who are waiting to be paid for goods and services sold to Chicago, including past and current municipal employees. (The city can and will still be able to offer generous pension benefits to its workers, but perhaps with a cap limiting pensions of well more than $100,000 and without the automatic 3% COLA; the exact terms of any new deal would be hammered out in negotiations under the auspices of the court.)

But, bankruptcy offers an upside: a future free from fear of ever-increasing city taxes and improved services. If government confronts its problems now while Chicago's core retains its current vibrancy, the city will still offer benefits that make it a wonderful place to live -- the lakefront, our skyline, our restaurants, museums, people and jobs -- all at a lower expected future cost in taxes charged by the reorganized government. Bankruptcy offers Chicagoans relief from bearing the accumulated burden of a generation of imprudent administration.

Chicago's bankruptcy will likely be especially hard on the politicians who run the town. They bilked their base — the good folks who work for the City of Chicago — by saving only cents for every dollar of their promiscuous promises.

Understandably, municipal workers will not be happy with politicians for whom they campaigned and to whom they contributed millions upon millions of dollars over decades, even if the pension adjustments are modest in an absolute sense.

So, while reorganizing the city to lower its debts and trim liabilities would benefit Chicago's residents, it will embarrass our ruling party and undermine its coalition with the people who work for the government they ostensibly run. That makes bankruptcy an unspeakably dark place for machine politicians: Unless pushed, they will delay the inevitable (until they can retire and move to Arizona themselves).

Mayor Lightfoot isn't a product of the machine and so has latitude for action that machine politicians don't have. She won with a broad coalition seeking change. While she isn't "going there" yet, civic leaders should urge her to seek out a fresh start for Chicago by lowering taxes, restructuring debts and revamping the city's organization in court.

This is Lightfoot's moment: She didn't make this crisis, but if she seeks higher taxes and less services instead of reform, Chicago's population and property values will continue to bleed out. A bankruptcy restructuring is in Chicago's future; it's immoral to wait until empty buildings fill the downtown instead of cranes, and property values for "remainers" fall further toward zero.

Unfortunately, Lightfoot can't make this happen on her own. Under federal law, the state must first authorize bankruptcy filings by municipalities before the city can avail itself of this procedure to restructure its debts.

Instead of lobbying Springfield to ask residents of other towns to pay Chicago's debts, she needs Gov. Pritzker and the legislature to grant permission for the city to pursue a prudent financial reorganization and debt reduction through a federal bankruptcy procedure.

Convincing longtime politicians in her own party to permit this restructuring, many of whom will (justly) experience political pain for facilitating the city's financial failure, may seem a daunting mission, but it's the right thing to do for the people she sought to serve as mayor.

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Chicago Tribune

Commentary: Bankruptcy looms for Chicago if there's no pension fix

OPINION

By Richard Porter | September 26, 2019 | 2:05 PM

The Chicago skyline from West Fulton Market on Sept. 25, 2019. (Brian Cassella / Chicago Tribune)

People make judgments based on what they see, and in downtown Chicago people see beauty: buildings conceived by the world's great architects glimmering against the sky and Lake Michigan; sandy beaches, clattering trains, crowds, cars and brown bridges over green channels; and other people working, shopping, dining, living.

Chicago's beauty makes it hard to believe that our city government is broken. In fact, it is so broken that, unless the Illinois Constitution is amended next year to permit modest pension adjustments, a restructuring in bankruptcy court is Chicago's only practical path to prosperity.

The city of Chicago is an entity akin to a corporation that is distinct from Chicago the geographic place and the people who live there. The city's debts are solely obligations of that entity, and are not direct personal debts of the people. So, while the city attempts to pass the burden of its debts to residents through taxes, residents can choose to stay and pay or leave — and thereby leave their share of the burden behind for others to bear.

The city's rapidly mounting debts — arising from bonds issued to Wall Street, tort judgments and woefully unfunded pension promises and other benefits offered to city workers — are now of such a scale that the numbers are numbing and lose meaning to many. One number, though, is a "tell" that Chicago and other parts of Illinois have passed a tipping point: Chicago's population is shrinking.

The Chicago Tribune's recent examination of the "exodus" from Illinois and Chicago found that, although people leave or don't come to Chicago and Illinois for many reasons, people rationally choose where to locate based in part on which government works best for them.

Our city government obsesses over raising revenue, rather than focusing on competing and improving the value proposition to its citizens. It drives away more value-minded taxpayers, which lessens demand for property and causes values to fall, thus increasing the expected tax burden and wealth loss for those who stay — which in turn drives yet more people away.

Chicago is in a hole that tax hikes only deepen; the only way out of Chicago's death spiral is debt reduction.

Under federal bankruptcy law, Illinois may authorize municipalities to reduce debt through a court proceeding, but Illinois has yet to seize this opportunity. Bankruptcy is a painful process in which the creditors that financed failure are forced to bear a loss, and the court proceedings can implement negotiated adjustments to pensions that could not be accomplished outside of federal court under Illinois' current constitution.

In fact, Chicago pays very high interest rates because Illinois has this right to empower Chicago to make Wall Street take a loss in bankruptcy — and the managers of the hedge funds holding Chicago's bonds know the numbers and understand those debts will indeed be restructured, sooner or later.

Chicago is not alone. Hundreds of other Illinois municipalities are finding it impossible to pay for the twin obligations of providing current services and keeping the exorbitant pension promises made in connection with past services.

News came recently that the state is being asked to divert funding intended to provide services to the people of East St. Louis to the city's pension plans instead. The state has taken similar actions in Harvey and North Chicago, two other low-income communities.

As a result, each community has (or likely will, in the case of East St. Louis) cut staff providing current services to the residents of that community. Illinois' perverse public policy is creditors first, no matter how great the debt, and services to the people only to the extent funds remain. Authorizing bankruptcy puts people first and will not impair access to credit for well-run municipalities. Instead, empowering municipal bankruptcies harnesses Wall Street to the mission of requiring prudent municipal management to the benefit of all people.

Other municipalities of every size and for many different reasons have availed themselves of this federal process for forcing losses on creditors and to assure that government serves its people first. Detroit is smaller than Chicago, larger than East St. Louis, and its financial distress had other causes, but Detroit's current turnaround started with a court-ordered restructuring that modestly trimmed pensions and imposed a greater percentage loss on bondholders.

No one wishes to see friends and neighbors who are city workers get less than they bargained for, but restructuring these pensions now — before more of our tax base moves to Austin or to Indianapolis — will make for better new pensions.

We need financial first aid in Illinois now. Waiting and wishing as prosperity bleeds away is cruel and immoral. Chicago needs to restructure and reduce debt now. Give Chicago the benefit of a bankruptcy we have already paid for.

Richard Porter is a lawyer in Chicago and Illinois' national committeeman on the Republican National Committee.

Chicago Tribune

Letters: Mayor Lori Lightfoot should seek bankruptcy authority

COMMENTARY

By Richard Porter | November 06, 2019

Mayor Lori Lightfoot was asked during her appearance at the Humanities Festival last week: "Richard Porter suggested in the Chicago Tribune that the city might be better off filing for bankruptcy. Can you tell me if that is something you're thinking about?" Lightfoot replied: "That can't be done legally."

Lightfoot is correct: The legislature in Springfield needs to pass a law to authorize municipal bankruptcies. Lawmakers need to pass a law; that's what lawmakers do.

Indeed, Democrats just passed 591 laws; Lightfoot needs her friends in Springfield to pass one more. She doesn't need help from President Donald Trump, Senate Majority Leader Mitch McConnell or any Republicans; there's no gridlock preventing this from happening.

Not that restructuring Chicago will be easy, but getting the issue on the table isn't hard. Lightfoot could give a speech or call Gov. J.B. Pritzker and say, "Governor, I can't in good conscience raise taxes on the people of Chicago; they are taxed too much already. We need to fix our finances and reduce our debt, so we need to authorize municipal bankruptcy."

She could even include language for the bill, which isn't complicated: "Illinois municipalities are hereby authorized to be debtors and reorganize debts under Chapter 9, Title 11 of the United States Code."

Let's discuss the pros and cons of raising taxes versus cutting debts and modifying pensions in bankruptcy. Will Chicago be a better place with higher taxes or with affordable pensions and less debt?

Tribune readers know: The city's debt has increased by $7 billion since 2015, despite recent tax hikes; Illinois is the least tax-friendly state in the Union; the exodus from Chicago and Illinois is underway; as population falls, so do property values, which undermines retirement savings for most Illinoisans; and increasing debt on a declining population scares away employers and decreases opportunities.

If you think taxes are high enough and it's time to fix Chicago's finances, you need to speak up. Keep after the mayor!

And if any lawmaker says, "We can't — bankruptcy is against the law," please point out that lawmakers are supposed to make laws to help people, and the people of Chicago need help now.

Illinois national committeeman, Republican National Committee, Northfield

The Center Square

Op-Ed: The 'fair tax' is actually a 'scare tax'

By Matthew Besler | October 31, 2019

Illinois Democrats are attempting to muscle through a so-called "fair tax" by amending the Illinois Constitution to eliminate the flat tax. Their strategy has all the subtlety of a shakedown.

Given Democrats' "pass it or else!" attitude, the "scare tax" seems a more appropriate name. Here's a Halloween peek at the Democrats' two-step strategy for raising taxes in 2020 and beyond.

Step 1 is eliminating Illinois' flat tax via constitutional amendment. First, Democrats will try to convince voters why this is necessary. Due to the Trump revenue bump, Illinois enjoyed a surprise revenue surplus. This bit of good fiscal news was the grease for getting a budget passed.

But spending increased much more than revenue did, and overspending in 2019 helps the Democrats as we enter 2020 and 2021. Here's how:

This year's spending spree creates room for spending cuts next year, just as rug merchants of lore raised prices to offer exaggerated discounts to lure the unwary. Indeed, Democrats are already rounding up ideas for cuts, but they are not discussing, much less driving, the structural reforms needed to address Illinois' fundamental financial problems.

That's because Illinois' fundamental financial challenges are a result of the Democrats' "Chicago Way;" offering government employee unions sweet deals in exchange for support. With reforms that impact their governing coalition off the table, Democrats obsess over raising revenue to fund their status quo – and they understand that spending cuts will be demanded in connection with a tax hike.

So, much like Inspector Renault did in Casablanca, Democrats round up spending cuts they can live with to feign fiscal probity.

Spending in 2019 will exceed revenues, creating a deficit in the 2020 budget; we should expect an "unanticipated fiscal crisis," which will justify the Democrats' pro-tax push next year.

"Shocked" by this "surprise" deficit, Democrats will argue this crisis can be fixed with more revenue and that all of the revenue will be obtained from the rich – but only if voters know what's good for them and vote for the "fair tax."

And if voters don't agree to do as Democrats demand? Democrats will argue that the government will fail without new taxes. Those taxes have to come from somewhere; so, tax the rich or be taxed yourself!

And what will happen if the people of Illinois approve the "fair tax," thereby eliminating the constitutional protection against arbitrary tax rates? Will doubling the tax on the rich spare the rest of us from paying more taxes too?

Of course not.

The Democrats' "scare tax" won't spare anyone for two reasons: First, their tax won't raise as much as Democrats advertise because the proposed new tax and Illinois' entrenched structural problems are already scaring people away to more tax-friendly havens. Second, Illinois' structural problems are simply too severe to be fixed by raiding the pockets of a few thousand people.

Which brings us to Step 2 of the Democrats' strategy: tax everyone else.

Lower-than-projected revenues from the "scare tax" will leave a large and growing hole in Illinois' finances. Guess whose pockets Democrats will raid in 2021, seeking the billions they inevitably need. Having doubled tax rates on the vanishing rich, Democrats will seek a "much lower" increase in taxes on everyone else.

Make no mistake: taxing the rich is only a speed bump on the road to higher taxes for everyone. The only way to avoid higher taxes is to stop enabling Democrats by raising taxes every time Democrats yell "Boo!"

It's time to force Democrats to fix the structural financial issues fueling Illinois' demise. That means voting no on the "fair tax." Cutting off new tax revenue will force Springfield politicians to deal with its fundamental problems. That is the first step toward inviting back to Illinois the productive and ambitious who have been scared away.

Matthew Besler is president of the Illinois Opportunity Project.