How the Midwest is frittering away its shot at economic development

By Joe Cahill February 12, 2014

During a quick trip to Arizona last week (you don't want to know what the weather was like), an item in the local paper caught my eye.

The Arizona Daily Star in Tucson reported Arizona Gov. Jan Brewer and Gov. Guillermo Padres of the Mexican state of Sonora are planning a **joint economic development trip** to Israel. They're going to pitch Israeli companies on investing in both states.

That's right. Governors of neighboring states cooperating on economic development. Across an international border, no less.

Here in the Midwest, meanwhile, we can't get the governors of Illinois, Indiana and Wisconsin in the same room at the same time. Even for a meeting on regional economic development.

For us, economic development is still a zero-sum game in which each state tries to lure businesses away from the others. Indiana runs ads targeting businesses "Illinoyed" by high taxes. Wisconsin airs television commercials in Chicago extolling the business advantages of America's Dairyland.

COMPETITION VS. COOPERATION

"With economic development, there's more of a mindset of competition," says Tom Garritano, spokesman for the Chicago Metropolitan Agency for Planning, a federally designated planning body for the portion of metropolitan Chicago that's in Illinois. "Competition isn't in the interests of the entire region over the long run."

It's discouraging to see this kind of activity still going on two years after a **report by the Organization for Economic Cooperation and Development** hammered home the need for more collaboration in the tri-state region centered on Chicago. Current approaches to economic development trap the region in a "race to the bottom" that impedes long-term growth, says the report, which was commissioned by the Chicagoland Chamber of Commerce.

Despite having nearly 10 million people, world-class educational institutions, manufacturing capabilities and transportation infrastructure, the region stretching from Milwaukee through northwest Indiana has managed to lag national economic growth rates.

Internecine competition only makes all three states weaker. A job moving from Illinois to Indiana produces no net regional gain. But a new job created by outside investment in any of the three states benefits the entire region. One look at the stream of cross-border commuters traveling through the region should tell you that.

Any state that thinks it can rise while its neighbors fall doesn't understand the global economy. To win the worldwide competition for capital and jobs, Illinois, Indiana and Wisconsin must join forces.

GOVERNOR GET-TOGETHER

As the OECD report says, regional cooperation would improve performance in key areas like workforce development, transportation and innovation. Job training programs at local schools lack a regionwide view of employers' needs. Disjointed transit planning causes bottlenecks that cost businesses money. Innovation lags as various overlapping research projects pass like ships in the night.

A collaborative workforce development program would ensure that students learn the skills employers across the region need. In transportation, a joint infrastructure plan would speed up shipping times. Breakthrough innovations will come faster when researchers put their heads together.

So far, the most concrete result of the OECD report is the formation of a "Tri-State Alliance for Regional Development," led by business executives from Illinois, Indiana and Wisconsin. The group is charged with drafting a plan to implement the OECD recommendations.

More than a year after the alliance was formally launched, there's no plan, much less any implementation. Chicagoland Chamber spokesman Chris Johnson says the group is still trying to raise funds to carry out its mission and persuade local governments to play ball.

The alliance's biggest accomplishment to date has been the "summit on regional competitiveness" last fall. All **three governors appeared** — separately, of course — and Mr. Johnson notes that state commerce secretaries actually crossed paths.

"That to us was a positive moment," he says.

ALL FOR ONE

I guess so. But states, counties and municipalities across the region keep slashing at each other with tax subsidies and other come-ons for businesses that move across city, county or state lines.

That's political reality in our region. Local officials rarely are willing to put long-term regional objectives above short-term parochial interests. At the same time, state-level economic development operatives play to "win" with cross-border poaching campaigns.

But that's not the only reality that matters. Economic and business reality is that our region is falling behind because we can't bring our full power to bear in the global contest for jobs and investment.

Other regions grasp that reality. A single agency oversees long-range economic development strategy and transportation planning for greater Philadelphia, which spans southeastern Pennsylvania and southern New Jersey. The Arizona-Sonora collaboration, meanwhile, presents a border-blind package of manufacturing assets and technological savvy to overseas companies looking for North American beachheads.

A pitch like that will make sense to business executives and investors, who don't see the world in terms of political fault lines. They see markets, assets and talent.

We have plenty of each here at the south end of Lake Michigan. If only we could put it all together.
