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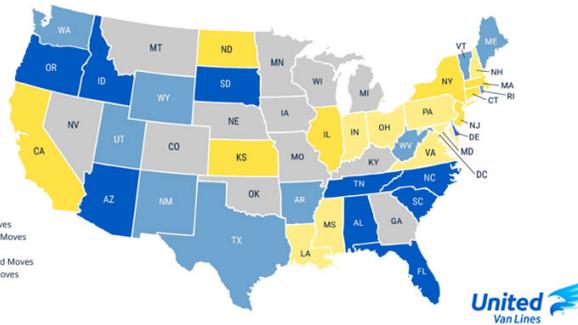

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Death Spiral States update: Where the takers outnumber the makers

Written By **Mark Schwendau** | Aug 7, 2021

2020 United Van Lines' National Movers Study



courtesy of United Van Lines



ILLINOIS: Almost ten years ago the term "Death Spiral States" began to get tossed around so investors could avoid hot spots around the nation where their money could be at risk. Forbes magazine was one of those resources that identified 11 states of our nation to avoid buying such things as real estate or bonds. ([Do You Live In A Death Spiral State?](#))

Concerns of a future rising tax burden, state finances deterioration, and a mass exodus of residents, place these state economies in peril.

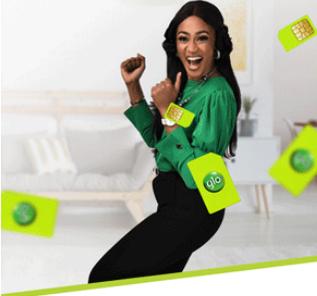
The list included the states of California, Hawaii, Illinois, Kentucky, South Carolina, Maine, Mississippi, Alabama, New Mexico, New York, and Ohio. It was created taking into consideration two simple factors: Whether a state has more takers than makers and a scorecard of state credit-worthiness, according to an analysis done by Conning & Co.

The logic was when takers (those who draw money from the state either by being a state pensioner or welfare recipient) outnumber makers (those who are gainfully employed paying taxes) the state's financial system starts to experience diminishing returns. In states where this occurs, it was reasoned employers and prosperous individuals would leave, making the remaining taxpayers even more burdened.

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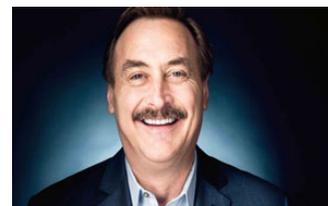
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The taker count was determined by the number of state and local government workers plus the number of people on Medicaid plus 1 for each \$100,000 of unfunded pension liabilities. Sources were the Bureau of Labor Statistics, the Kaiser Commission on Medicaid, and a study of state worker pensions done in 2009 by two academics, Joshua Rauh and Robert Novy-Marx.

The analytics proved out over time. It has been said that today 25 cents of every tax dollar in Illinois go to the state's unfunded pension liability.



The second element of the death spiral list is the scorecard of state creditworthiness done by Conning & Co.

The Conning & Co scorecard focuses more on dollars than body counts. Conning's formula downgrades states for large debts, uncompetitive business climates, weak home sale prices, and bad trends in the job market.

The advice was commonly given was...

"Don't live in a state where workers outnumber folks dependent on the state government."

The advice was given for investors to sell holdings such as bonds from the death spiral states and reinvest those funds where it would be unlikely for bondholders to get hosed.

While the term "takers and makers" was rather catchy and humorous, the more typical terms are those living on entitlements as opposed to those still working. Still, the term "entitlement" is offensive to many. Those living on entitlements are generally those who have retired as a state employee and are living on a state pension and those living on public assistance. Those who have worked and paid into a state pension resent those living on public assistance as an "entitlement". Is anybody really "entitled" to welfare?

Death spiral in states is said to occur when those living on entitlements outnumber those continuing to work and pay into the system. What often happens next is taxes go up. Prosperous citizens move out of the state. Employers move out of the state. And both of these factors make matters worse for those who remain.

Illinois makes for a good blue state example of how not to run a state where politicians remain criminals at large going unprosecuted.

Illinois has state pension systems that date back to 1939. They have always done well and performed admirably until about the year 2000 when Illinois began to have some unrelated financial issues. The politicians thought it would be okay (legal) to take what was termed a "pension holiday" and not have the state pay in its required share to the state's pension systems. Then, the infamous Governor Rod Blagojevich got busted for putting Obama's senate seat up for sale in 2008. The governor of Illinois gets to appoint a replacement for somebody who moves up from the Senate to the White House.

The FBI took him down by audiotape surveillance. Ironically, this was not the worst crime Rod committed. How about pension theft?

Prior to the Obama senate seat scandal Blagojevich actually continued the illegal pension holidays but went one step further, he actually borrowed (a.k.a. stole) money from the state's teacher pension funds as they were performing so well and had what he deemed a cash surplus. Ironically, both teacher's unions, IEA and IFT, unions then re-endorsed him for a second term. Many teachers began to want to see Illinois shift to a "right to work" state after that betrayal.



An interesting aside of how right can trump wrong

When the pension crisis blew up in Illinois some tried to blame the pensioners for what they had worked for their entire lives with a motto of, "PENSIONS ARE NOT A PROMISE!", to which the pensioners added to their motto and owned them... "PENSIONS ARE NOT A PROMISE – THEY ARE THE LAW!"

One could never opt out of the Illinois pension system for something else such as a 401K, Roth IRA, or Social Security contribution. The pension system was required for employment in Illinois by law.

While Illinois has had both Republican and Democrat governors throughout history, it has largely been controlled by the Democrats since 1939. Illinois has proven itself as a swing state when it comes to its governor's office. As an example, billionaire Republican Governor Bruce Rauner was a one-termer who was just replaced by billionaire Democrat Governor J.B. Pritzker. Prior to Rauner's election, he was the chairman of R8 Capital Partners. Prior to Pritzker's election, he was co-founder of the Pritzker Group. The Pritzker family owns the Hyatt hotel chain.

An irony that is lost to many is the parallels between Illinois Governor J.B. Pritzker and President Donald Trump.

They are both billionaires who made much of their money in the hospitality industry. Because Illinoisans readily flip their governor from red to blue, many people had faith that Pritzker would straighten out Illinois because of his business background where Rauner had failed. Instead, Pritzker is seemingly is out for himself like so many other Democrats. Why does a billionaire need even more from the people's backs?

Illinois has nearly 7,000 units of local governments which is more than all the other states. Within those units of government are many thousands more of state employees. Most Illinois taxpayers figured Rauner or Pritzker would start to run the state like one of their own businesses and start downsizing or rightsizing it. With both governors, that never happened. Another thing that was hoped for was that the governors would work to attract more business and industry to the state. That also did not happen.

While Boeing did move their corporate headquarters to Chicago, Caterpillar, who has always called Illinois home, has threatened to leave the state. While it is staying, for now, it has opted to move its corporate headquarters from Peoria to Chicago. It has also closed two of its assembly plants in both Joliet and Aurora.

So since the report of "death spiral states" has not been revisited in about 10 years, was it bad science or economics or a flash in the pan of an idea? No, probably not. Other reports now out seem to confirm the concept of "death spiral states" was well-founded.

A 2021 report indicates ten states people are leaving the fastest (most to least) as:



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The study is conducted by [United Van Lines](#) moving company for the 44th year. The Tax Foundation produced a very similar list in their findings. Most of these states are considered blue states, meaning they are governed by Democrats. Such reports as these seem to confirm the concept of death spiral states. And their undeniable connection to the Democratic Party is a real thing.

Three observations immediately pop out after looking at this list of states:

1. The blue-leaning fake fact-checkers of the Internet that called the “Death Spiral States” a false narrative ten years ago were either lying to protect the Democrats or just wrong.
2. Even though the concept of death spiral states is now almost 10 years old, the list of 11 states listed years ago come up often again today as the same states where negative population growth is happening; California, Illinois, New York and Ohio. All but Ohio are considered blue states. Ohio is considered a swing state.
3. Almost all of these states of this year as well as yesteryear keep going from bad to worse.

Several times under the Trump Administration Chuck Schumer and Nancy Pelosi tried to stick extra money into Federal bills to help bail out failing blue states. President Trump would have none of that, and rightfully so. His reasoning was they got themselves into trouble and they should get themselves out of it.

Because Congress has been raising the debt limit so often and printing so much money that is really backed with nothing, it might be time to talk about America as a “death spiral nation”. How does America rank with other nations of the world in regard to their abilities to live within their means?

Every individual, state, and nation must learn to live within their means and not borrow on time. That is the bottom line to this story. Global warming is NOT the issue of our time. Our National debt IS!

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Read more from Mark Schwendau

About the author:

Mark Schwendau is a Christian conservative patriot and retired technology professor (CAD-CAM and web development). He prides himself on his critical thinking ability. Schwendau has had a long sideline of newspaper editorial writing where he used the byline, “- bringing little known facts to people who



simply want to know the truth.” Mark is on alternative free speech social media platforms after lifetime bans from Facebook and Twitter and shadow bans from Instagram and Fox News commenting.

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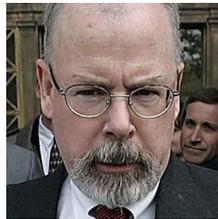


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