

Chicago Crisis Harvard Case Solution & Analysis



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Who does this affect?



- low income families
- retirees
- taxpayers
- bureaucrats

SUMMIT

How did this happen?

- low payments-15 years
- 1996: \$614 million
- 2016: \$7.6 billion

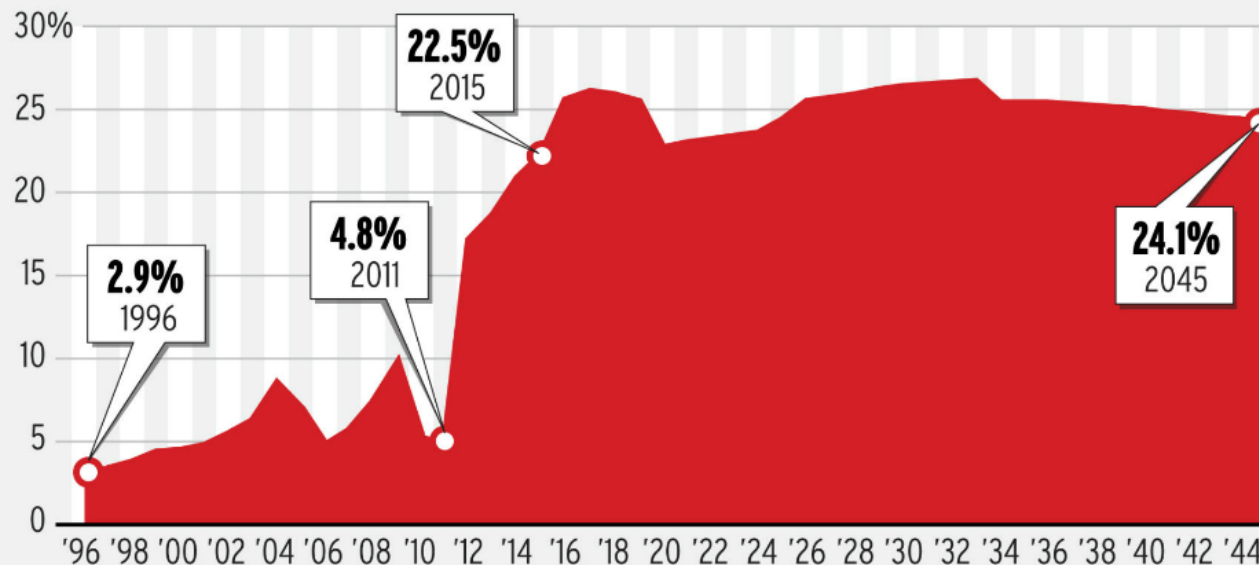


Jim Edgar

THE EDGAR RAMP

Set artificially low in the '90s, required payments to the state pension funds accelerated dramatically in 2012 and will stay high for the next three decades.

PENSION COSTS AS A PERCENTAGE OF TOTAL GENERAL FUNDS



Source: Commission on Government Forecasting and Accountability

Republican Gov. Jim
Thompson (1977-91)



Politicians!

Republican
Gov. George
Ryan
(1999-2003)



Democratic House Speaker
Michael Madigan



Democratic Gov.
Rod Blagojevich

Crisis Today

- Edgar Ramp is seen widespread as a failure
- Debt currently exceeds \$104 billion
- Gov. Bruce Rauner soon to come forward with a pension reform proposal



Solution 1: Enforcing timely payments

- Pay pensions timely
- enforcement; criminal charges



Solution 2: Tax System Reform

- Flat tax → Illinois Fair Tax
- Utilize progressive taxes over regressive taxes
- Focus less on "equal" and more on "equitable"

