Pavlov was right. Like dogs, people respond to goodies. That's the philosophy that drives politicians like Gov. Rod Blagojevich in offering United Airlines millions of dollars to move its headquarters downtown, or GOP gubernatorial nominee Judy Baar Topinka with her recent proposal to give manufacturers hefty payroll credits to keep and add jobs here.

I suppose candy is a necessary evil — assuming the cost is reasonable. But, given the complexity of international economic trends and financial dealings, how much of a difference do tax breaks et al. actually make in the end?

Some fascinating data regarding that question are contained in a report issued a few days ago by Geoff Hewings and his crew at the Regional Economic Applications Laboratory at the University of Illinois at Urbana-Champaign.

In general terms, Mr. Hewings' study analyzes job growth in Illinois and surrounding states since 1950. But more specifically, he suggests a partial explanation as to why the Chicago area has been so slow to recover from the post-Sept. 11 recession despite claims a few years ago that it had shed the husk of its Rust Belt past and blossomed as a global city.

Mr. Hewings projects that it will take Illinois until October 2008 to fully recover from the recession by surpassing its past peak jobs number, reached in November 2000. That lags the national recovery by 44 months, he concludes, but leads the rest of the Midwest, which won't surpass its former job peak until March 2009, five months later than Illinois.

Mr. Hewings terms the results "really surprising," since Illinois' economy resembles the nation's much more closely than it did two or three decades ago. He says more research is needed to figure out why Illinois' economy tanked. But he offers a partial reason: Illinois is still more hooked into the Midwest than to the world economy.

According to federal trade estimates, Illinois exports four times as much in commodities (manufactured goods and agricultural products) to neighboring states as it does to all other countries — $105 billion a year compared with $25.6 billion a year. Even if one assumes that some of those goods "exported" to Indiana and Michigan end up overseas, the general trend is clear: "The rest of the Midwest is important since they are our major trading partners," Mr. Hewings says. And if the neighbors aren't buying, we ain't selling, no matter how many tax breaks are on the books.

If, at least in manufacturing, Chicago is the capital of the Midwest rather than a global city, what about our "exports" of services, the kinds of things that the Loop's booming law firms, accountants and consultancies produce?

"The jury is still out," says William Testa, chief economist at the Federal Reserve Bank of Chicago. While employment in Chicago's business and professional services sector currently is growing 4% to 5% a year with little sign that it's being driven by Midwest demand, "I cannot conclude that Chicago's global connections are the source of demand, either," Mr. Testa says.

In reality, the answer likely is in the middle, suggests University of Chicago sociologist Saskia Sassen. Global demand for high-end services can be largely independent of demand for other goods, and Chicago has some characteristics of both.

What's that all mean? For starters, it means Chicago needs to work not just with its suburbs or even the Midwest but an even wider area on infrastructure, trade policy and other matters of mutual concern. Paul O'Connor, head of World Business Chicago, dubs it "the mid-continental economy," and he's right. From St. Louis to Toronto, "We have to get healthy together."

Mr. Testa says the city likely needs to broaden its markets. Mr. Hewings talks about changing our product mix. Everyone points to the local educational system, which can produce the raw material needed to hook into any economic network.

Enjoy the sweets. But they're just a piece of the solution. After a half-century of restructuring its economy, Chicago may have to do some more.

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