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Public Pensions Are America's Greece.

Bruce Rauner, a Republican, liked to talk tough about unions and public-sector pensions when he was campaigning for governor in Illinois.

"The system is full of fraud and self-dealing and abuses, such as folks who have a pay rise in the last years of their career [so their pension is higher] or folks who moved in and out of certain jobs, so they could get a pension," he said in August 2013.

With two or three pensions, some are making as much as half a million dollars in retirement pay, he claimed. This, he thundered, is a rip-off of taxpayers and other workers.

But as soon as Mr Rauner was elected last month, the self-made millionaire toned down the rhetoric. The size and complexity of the public-pension mess suddenly hit him, and, aware that he had to bring together Democrats, unions and creditors, he began to backtrack. He declares now that it is most important to "protect what is done–don't change history. Don't modify or reduce anybody's pension who has retired, or has paid into a system and they've accrued benefits."

Illinois is like Greece in one obvious way: it overpromised and underdelivered on pensions and has little appetite for dealing with the problem, says Hal Weitzman of the University of Chicago Booth School of Business. This large Midwestern state, with a population of 13m (Greece has 11m, though a far smaller GDP than Illinois), has the most underfunded retirement system of any state and the largest pension burden relative to state revenue.

It also has the highest number of public-pension funds close to insolvency, such as the one looking after Chicago's police and firemen. According to the Civic Federation, a budget watchdog, Illinois has piled up a whopping $111 billion in unfunded pension liabilities, in addition to $56 billion in debt for health benefits for pensioners. The state devotes one in four of its tax dollars to pensions, which is more than it spends on primary and secondary education.

Mainly as a result of this gargantuan pension debt, Illinois's bond rating is the lowest of all the states, which means dramatically higher borrowing costs. When the state government failed to address pension underfunding in its budget for 2014, two credit-rating agencies, Fitch and Moody's, cut the state's bond rating, which in Moody's case put Illinois on a par with Botswana. (An incensed editorial in the Chicago Tribune asked what Botswana had done to be so insulted.)

The main reason for the pension debacle is decades of underfunding. "Everything was always done with a short-term view," says Laurence Msall, head of the Civic Federation. "Unique to Illinois is the idea that you don't have to pay for pensions and you don't have to follow actuarial recommendations."

Whereas most other states follow the rules set by the Governmental Accounting Standards Board (GASB), which, however imperfect, require some budget discipline, Illinois has mostly ignored them. In 2013 the state paid $2.8 billion into its pension fund for teachers, one of its five pension funds, but GASB rules would have required a contribution of $3.6 billion, says Joshua Rauh, a professor of finance at Stanford University.

According to Mr Rauh's calculations, Illinois's true unfunded pension liability is $250 billion. All the other calculations, he says, are based on over-optimistic assumptions. For example, the state assumes an average annual return on its investments of 7.75% over 30 years. But according to Mr Rauh it has only a 25% chance of achieving gains of that order.

After the public-relations disaster of the credit downgrades, Pat Quinn, the outgoing governor belatedly pushed for pension reform. In December 2013 the legislature approved a bill that reduces annual increases in pension payments, increases the retirement age and caps pensionable salaries. Some have welcomed it as Illinois's first actuarially sound pension-funding scheme, designed to get the five plans fully funded in 30 years. Mr Rauh, however, thinks that the reform "does not even come close to addressing the problem".

Mr Quinn's changes were supposed to become law in June, but were held up by legal challenges and ultimately rejected by Judge John Belz of the Sangamon County circuit court for violating the state constitution, which makes existing pension contracts virtually untouchable. (Only New York and Arizona have similar safeguards in their constitutions.) Lisa Madigan, the state attorney-general, has appealed against the ruling to the Illinois Supreme Court, which is looking at the case.

James Spiotto, a lawyer at Chapman Strategic Advisors, argues that if a state is unable rather than unwilling to pay its pensions, then the well-being of its citizens overrides any constitutional protections. The Supreme Court has consistently ruled that states cannot abdicate their responsibility to provide essential services and infrastructure. And if Illinois cuts public services yet further the state will lose more taxpayers, resulting in "a death spiral", says Mr Spiotto.

Union representatives disagree with this scenario. Dan Montgomery, the president of the Illinois Federation of Teachers, believes Mr Quinn's reform is illegal and that the state must find ways to pay up, for instance by extending the repayment schedule of its debt and increasing tax revenue by closing loopholes and expanding a sales tax on services.

Mr Rauner was elected on a promise that he would not make his predecessor's temporary increase of income and corporate tax permanent. But he has not explained how Illinois will cope with the loss of more than $7 billion in annual revenue. Nor has he laid out any broader plans for fixing the pensions mess. For a start he might look to Washington and the budget deal hashed out in Congress. This allows some distressed private-sector pension plans to cut the benefits of retirees. In Illinois, though, more inventive measures may be needed.

In 2015 Illinois will either sink further into a Greek-style morass of debt or start its long-delayed rehabilitation. Mr Rauner has warned of a rough 24 months ahead. "I ain't going to be Mr Popularity for a while," he says. Voters may not mind, if he is able to sort this disaster out.

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