



President Obama's and Governor Quinn's Economic Philosophy: 'It's All Greek to Me'

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In his [weekly address](#) this past weekend, President Obama spoke specifically about corporate taxes on manufacturing and on outsourcing jobs, echoing his words from his [State of the Union address last month](#):

No company should get a tax break for outsourcing jobs. Instead, tax breaks should go to manufacturers who set up shop here at home. Bigger tax breaks should go to high-tech manufacturers who create the jobs of the future. And if you relocate your company to a struggling community, you should get help financing that new plant, that new equipment, or training for new workers. It's time to stop rewarding businesses that ship jobs overseas, and start rewarding businesses that create jobs here in America. And Congress should send me that kind of tax reform right away.

What President Obama calls a "tax break for outsourcing" is really no tax break at all. America has the [highest corporate tax in the world](#). America's corporate tax rate is nearly three times that of the financially flailing [Greece](#). Companies are not given a tax credit or subsidy specifically for outsourcing, but by outsourcing, their costs become lower as often the regulatory burden is smaller as are other costs. Additionally, [American companies](#) who have foreign subsidiaries pay taxes both to that foreign country and the US, and these companies pay taxes if those profits are repatriated.

As the [Cato Institute](#) notes "corporate income taxes are the most distortive, and hence the most harmful for economic growth." Making America's corporate tax rates competitive with the rest of the world will help drive jobs back to America, but the Obama administration has it backwards by suggesting the corporate tax reduction should follow companies "insourcing" jobs. Even in spite of the fact that [President Obama's deficit reduction commission](#) proposed corporate tax reductions and that he himself discussed reductions in his [2011 State of the Union address](#), he has not made any concerted effort to reduce the corporate tax. In fact, his administration has even recently spoken of levying a

[“global minimum tax”](#) to prevent American companies from “escaping doing their fair share” by outsourcing.

One only needs to look to President Obama’s home state of Illinois to find how dead wrong President Obama is on this issue.

Illinois has proven itself to be the microcosm of the United States. In the past seven months both the US and Illinois have received credit downgrades. [Illinois’ downgrade](#) was due in large part to severely underfunded pensions, and our [nation’s credit downgrade](#) was due in part to the fact that entitlement spending has yet to be sufficiently addressed. This extends to how both the state and the nation approach corporate taxes. In January of 2011, Governor Quinn signed a [46% business tax increase](#) into law. Rather than addressing pensions, like his neighbor to the north Governor Walker, Governor Quinn increased business taxes. This has led to continued fiscal problems for the state and massive job loss. His spokesperson indicated that his [upcoming budget speech](#) will not address any changes to pensions for FY2013—the key suggestion from Moody’s Illinois credit downgrade.

[Decatur based Archer Daniels Midland](#) says it will cut 1,000 jobs globally including [nearly 200 of those at their Decatur plant](#). Illinois based Caterpillar has noted that it [will build its newest plant](#) outside of Illinois. Letters to proposed Illinois locations stated:” Caterpillar’s previously documented concerns about the business climate and overall fiscal health of the state of Illinois still would have made it unpractical for us to select your community for this project”. The business climate in Illinois has ultimately forced Caterpillar to “outsource” its jobs from Illinois.

However, the situation that is most indicative of Governor Quinn’s failures is that of Sears. Last December, [Governor Quinn signed into law a tax break of \\$15 million over 10 years for Sears](#), which is headquartered in suburban Chicago, in order to prevent them from leaving the state. Just last week, [Sears laid off 100 workers at its headquarters](#). Similarly, President Obama’s friends at General Electric (GE’s CEO heads up President Obama’s jobs panel) had a more than [\\$3 billion tax benefit](#) due to tax credits, subsidies and the like in 2010, yet they have [shipped jobs overseas](#) themselves.

A recent [Wall Street Journal op-ed](#) called Illinois the “Greece Next Door”. Is it any wonder when Governor Quinn’s and Speaker Madigan’s economic philosophy is “it’s all Greek to me”. This, of course, is President Obama’s economic philosophy as well. Neither Governor Quinn nor President Obama wishes to seriously address either entitlement or pension reform. Rather than cutting corporate taxes to help spur economic growth which also would have broadened the tax base and increased revenues, Governor Quinn has raised corporate taxes, leading companies to “outsource” to other states. Even those to whom he has cut special deals like Sears have cut jobs. In the same light, even companies like GE who has received subsidies and breaks during Obama’s tenure continue to ship jobs overseas. If these destructive policies are not reversed, both Illinois and America has the potential to experience a similar fate as Greece.

