

## Caterpillar's Alarm Bell For Illinois

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**Commerce:** Caterpillar's CEO warned Illinois last week that the state's anti-business climate is forcing the company to consider leaving. The Illinois governor's response? No way. What planet does he live on?

The Pantagraph of Bloomington, Ill., reported last week that Caterpillar Chief Executive Doug Oberhelman had starkly warned in a letter to Gov. Pat Quinn that he'd been "cornered in meetings" and "wined and dined" to relocate his company to Wisconsin, Texas, South Dakota, Nebraska and other states lining up in the wake of Illinois' massive tax hike this year on business.

"I want to stay here," the CEO wrote. "But as the leader of this business, I have to do what's right for Caterpillar when making decisions about where to invest. The direction that this state is headed in is not favorable to business, and I'd like to work with you to change that."

Amazingly, Quinn responded that it was impossible that one of Illinois' largest employers and taxpayers would move out of state, then changed the subject. It was pure Louis XVI:

"Caterpillar is not leaving Illinois. They have well-skilled workers who know how to get the job done. They just signed an agreement with the United Auto Workers, I think for six years. I don't think we should get in a panic at all."

But even the local UAW boss was appalled at Quinn's nonchalance and told an NBC affiliate in East Peoria that Caterpillar does not bluff. "When they are talking to you, you better listen. Because if you don't listen, bad things can happen," said Local 974 President Dave Chapman, in authentic union vernacular.

The cold hard fact about Illinois is that Quinn's tax hike makes Illinois not only a high-tax state, but an absolute tax-eater.

According to the nonpartisan Tax Foundation: "The corporate income tax will rise from 7.3% to 10.9%, a 49% increase and (making Illinois) the highest state corporate income tax in the United States and the highest combined national-local corporate income tax in the industrialized world."

In other words, anyplace Caterpillar moves — and that means anywhere — the tax situation will be an improvement on what it faces in Illinois.

Before he pooh-poohs the possibility of losing Caterpillar, Gov. Quinn might review the company's history. Cat got its start not in Illinois, but in California in 1883 as the Stockton Wheel Co. After various incarnations and acquisitions through much of the 20th century, it became Caterpillar.

In 1967, the company moved its headquarters from Stockton to Peoria, where it now employs 23,000 of the 100,000 workers who make those gigantic yellow construction and mining machines that are among the best in the world, if not the best.

As Cato Institute economist Dan Griswold told IBD, Caterpillar is the "quintessential American company." That is to say, it's ultra-competitive, internationally oriented and answerable to shareholders with profits.

Such a company will always have tempting offers from other states and countries, even in the best of times. Tax breaks, free land, political benefits — it's the way the real world works.

Cat is already responding. Last August, it announced that it would build a \$120 million excavator plant in Victoria, Texas. It also announced a Winston-Salem, N.C., facility to produce axles. And it's acquiring South Milwaukee-based Bucyrus International.

More investment in Illinois isn't on the radar.

None of this, however, is getting through to Quinn. Like so many politicians these days, he's sitting there like a cow on the tracks, oblivious of the train barreling toward him.

Until the governor recognizes that businesses operate on real-world accounting, not the government's big-tax approach to business, he's looking at the migration of not only Caterpillar, but other big home-based enterprises — State Farm maybe, or McDonald's — to states where

entrepreneurs and world-class companies are treated as precious resources, not strip-mined for taxes to pay for unsustainable and inefficient government.

Caterpillar, of course, is lucky. It can move. Unfortunately, small towns that rely on business with Caterpillar workers will go under. So will many small businesses that aren't able to move after such tax hikes.

If Quinn doesn't think Caterpillar has given him reason to panic, he'd better think again. By his indifference, he'll learn the bitter lesson of how fast a state can become just like Detroit.

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