

# Caterpillar to move headquarters from Peoria to Chicago

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14 February 2017

After more than 90 years in Peoria, Illinois, Caterpillar Inc. announced January 31 it would be moving its corporate headquarters—including top executives and several hundred support staff—to the Chicago area. The decision is ostensibly being made in order to locate executives and top managers closer to the region's top transit hub. Ultimately, it will have a devastating impact on Peoria and the surrounding area, which has seen its higher-paying manufacturing jobs disappear in recent years.

The news came as a shock to many in the area, as Caterpillar (CAT) is closely identified with Peoria, and the company had repeatedly stated its commitment to remaining in the city. As recently as February 2015, the company had announced plans to develop a large new world headquarters campus, consolidating 3,200 downtown Peoria employees into a single location.

Just seven months later, CAT announced it would be postponing those plans indefinitely, citing poor market conditions. This coincided with the announcement that Caterpillar would be eliminating up to 10,000 positions by 2018. In fact, this was a significant underestimate of layoffs, as 16,000 Caterpillar employees have lost their jobs since that announcement. Globally, CAT has shed more than 20,000 workers since 2012.

Revenue at CAT has fallen 44 percent from its high of \$66 billion in 2012, largely due to low demand for its construction and mining equipment caused by the ongoing global economic crisis and the resulting collapse in commodity prices. Through this period, CAT has seen its revenues decline monthly for over four straight years for the first time in its history.

Although CAT's sales outside of the US have made up a majority of its revenue since 1970, around the time that Peoria's population peaked, that proportion has continued to grow in recent years, making it more important for the company to have more direct links to the global economy.

CEO Jim ~~Peddie~~<sup>Wample</sup>by told ~~the~~<sup>the</sup> ~~Journal~~<sup>Journal</sup> "About two-thirds of our business over the last five years has come from outside the United States. We see a lot of growth coming in the international markets, and we believe that speed and agility for our senior leadership team to be able to travel around the globe is very important."

No doubt a factor in the move is a desire among CAT's top executives and managers to be closer to Chicago's cultural and material amenities. Indeed, under the administrations of mayors Richard M. Daley and Rahm Emanuel, Chicago has become a veritable playground for the wealthy as well as a nexus for national politics.

Although there have been no reports about Chicago offering Caterpillar any tax benefits for moving, it is entirely possible that Emanuel has cut some deal with the company to provide it with Tax Increment Financing (TIF) money. Large corporations are routinely provided tax breaks or even direct assistance via this enormous shadow budget, which siphons property tax money from schools and libraries.

While being a major provider of jobs in the area, Caterpillar has long been known for its ruthless attitude toward its workers. Throughout the 1990s, Caterpillar workers waged a series of militant struggles against the company, including a six-month strike in 1991-1992 and a 17-month strike between 1994 and 1995.

Those militant struggles were undermined by the United Auto Workers union (UAW) and resulted in utter defeat for workers. UAW leadership gave in to essentially every demand the company made, including tiered wages, rolling layoffs, and the use of temporary and part-time workers—pioneering developments that would ultimately be expanded to workers at Deere & Company and the Big Three automakers.

Although Caterpillar has claimed that only about 300 people will ultimately be relocated from Peoria to

Chicago, it is likely that with the move of the company's headquarters there will be less incentive to expand operations in Peoria, and less reticence to imposing layoffs and moving or merging business units to other areas.

This will continue to contribute to the protracted economic decline of Peoria and the region. The central Illinois city has a population of 116,000 with a median household income of \$45,552, compared to Illinois' median income of \$57,574, while its poverty rate is an astonishing 22.4 percent, nearly 9 percentage points higher than the state as a whole. Peoria's official unemployment rate lies at 6.6 percent, nearly a percentage point higher than the state average.

A WSWs supporter had the chance to talk to a few local businesses about their reactions to the announcement and what they thought it meant for the area. The one sentiment that was shared was one of disgust and betrayal, feeling that the company has been lying to the city and its residents about its plans.

In spite of this sense of betrayal, one business owner was not surprised by the news. She said Caterpillar had several buildings in the area, and individual floors on many more and, slowly but surely, they've been moving workers out of the area. Another worker said a friend of hers had repeatedly assured her Peoria had nothing to worry about, that Caterpillar headquarters would not be leaving the area.

In line with the demands imposed by globalized production, companies like Caterpillar are more than willing to pick up shop and move their operations to take advantage of lower labor or better communication and transportation links, regardless of the consequences to workers at "home." Consequently, workers will find no success in pleading with Caterpillar to "do the right thing" and stay for the good of Peoria. The only solution is to put an end to the capitalist profit-system, which pits nation states and even workers within the same country against each other in a race to the bottom.



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