

As Prepared for Delivery

State of American Business 2017

Address by

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Washington, D.C.
January 11, 2017

The Economic Outlook

Good morning, ladies and gentlemen. Thank you for joining us today.

At this moment of significant transition for our country, the American business community is optimistic about the year ahead—optimistic...and also realistic about the hard work that will be required to make our optimism a reality.

We're optimistic—because even in the eighth year of an aging recovery there are no visible signs of another recession. We expect the economy to continue to grow modestly in 2017. We're optimistic—because the housing market is healthy, energy prices have stabilized, inflation is under control, stock markets are performing well, and consumer and business confidence have improved.

Most of all, business is optimistic because we see a once-in-a-generation opportunity to enact major reforms that could transform the American economy from a low-growth to a high-growth economy.

And that's how we bring the jobs back ... that's how we revitalize hard-hit communities ... and that's how we give every citizen the opportunity to pursue the American dream.

We do it with growth—sound, long-term economic growth.

There are also reasons for caution.

Good intentions are fine, but policymakers still must deliver the goods. That could take some time. New appointees must be confirmed and settle into their jobs. Bills must be passed and then they have to take effect—all before the economic benefits can be realized.

Uncertainty is always a factor in business. And there is plenty of uncertainty today—not just at home but abroad.

Many of our trading partners remain in a weakened economic condition.

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The U.K. is trying to figure out its new relationship with Europe—and then we must figure out our new arrangement with the U.K. There are critical elections coming up in France and Germany. Will the conventional wisdom be as wrong in those places as it was with Brexit and our own election?

In a global economy, decisions made by leaders in China, India, Japan, Russia, the Middle East, and elsewhere can have a big impact on the prospects of American companies and American workers.

Cybersecurity continues to be a major challenge. The potential for disruption is huge. The Chamber will continue to devote significant resources this year to equip companies with the tools, advice, and policies they need to protect themselves and their customers.

There is also the constant threat of terrorist attacks and geopolitical crises. Any major event could upend agendas and alter economic forecasts overnight.

Add up the various upside and downside risks I have mentioned, and what do we see ahead for our economy?

The Chamber is forecasting modestly improved economic growth in the range of 2 to 2.5 percent in 2017. Inflation will remain subdued this year, perhaps just above the Federal Reserve's target of 2 percent. Therefore, we can expect two or even three additional interest rate hikes from the Fed over the course of the year.

This means that U.S. monetary policy will be at odds with some of our trading partners—and so the dollar is likely to be under significant upward pressure. A stronger dollar will benefit America's consumers and importers and it may attract more capital here—but it will also make competing in global markets more difficult for our exporters.

That's why it is important that the new administration does not add to the burdens facing our exporters—or to the millions of American workers whose jobs depend on exports—by erecting barriers to trade.

Economic Growth—A Bipartisan Imperative

Now, some may look at our forecast of 2 to 2 ½ percent growth and breathe a sigh of relief. They should do no such thing. That level of growth is nothing to celebrate.

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It's not enough to re-employ the millions of Americans who are out of work. It's not enough to bring millions of Americans who have left the workforce back in—or to provide younger Americans with rewarding careers in their chosen fields. It's not enough to fuel a resurgence in small business start-ups, which have fallen to a disturbingly low level. And it's not enough growth to support the needs of an aging society—or to make even a dent in the funding shortfalls of our entitlement programs, or to slow the growth of the national debt.

To be sure, economic growth won't solve all our problems. This is particularly true when it comes to entitlements. Automatic spending in these programs, plus net interest on the debt, now eats up a 70%—and growing—share of total spending. Yet we have politicians from both parties complaining about spending and debt, while focusing only on the other 30%. The Chamber is going to challenge all who talk a good game on fiscal responsibility but refuse to address entitlement spending.

Nonetheless, it's very clear what our nation's top priority must be: to restore our country to vigorous economic growth in order to expand jobs, incomes, and opportunities for all Americans.

As a new government comes to town, the Chamber's overriding focus will be on those policies and reforms that can return robust growth to the American economy. We will judge every proposal on that basis, and we urge all policymakers to do the same. Ask a simple question: Will it speed growth or will it impede growth?

Numbers can be deceiving. If we are able to move our economy from 2 percent growth to 3 percent growth, that's not a one percent increase in our performance—it's a 50 percent increase. Yet ultimately, growth is not about numbers. Growth is about people. Increasing our growth rate 50 percent or more would have an extraordinarily positive impact on jobs, incomes, and opportunities—not just for the few, but for the many.

And let's not overlook what more growth means for the public services we all count on. It means revenues to rebuild our military, fix our schools, invest in research, repair our infrastructure, rebuild our inner cities, and properly care for the sick, the elderly, and our veterans.

In just a moment, I'll outline a few of the ways we can get to faster economic growth. But it is important to understand that growth is not just a proposal or a bill. Growth is a philosophy. You have to believe that economic growth is the foundation on which a prosperous, secure, and compassionate society rests.

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Growth is a choice—and not always an easy choice. It’s tempting, especially in politics, to put other priorities ahead of growth—priorities that may please the voters or satisfy the demands of one constituency or another.

Over the past eight years we have seen the consequences and paid the price of a philosophy that often put other priorities ahead of economic growth.

This must change. It’s a time for choosing—choosing growth.

And so, the Chamber is ready to go to work with the new administration, with members of both parties in Congress and others, to do our part to promote economic growth and equal opportunity for all.

So far, we’re encouraged by the strong emphasis that President-elect Trump, Vice President-elect Pence, and the House and Senate leadership have placed on economic growth as a priority.

We believe many Democrats will want to be constructively involved as well. After all, 25 Democratic senators are up for reelection in two years. That’s one good reason to be constructive rather than obstructive.

Naturally there will be debates, disagreements, and delays. Welcome to democracy. And you can bet that every time a deal is struck or a compromise is made, the absolutists on the right and the left will cry “sell out.” We must not allow a few to block an entire nation’s progress in the name of ideological purity or political expediency.

The American Growth Agenda

Instead, we must pull every policy lever we can to achieve the growth we need. Let me briefly mention several of them.

Regulatory Relief and Reform

To start, we need regulatory relief and regulatory reform. There is no justification for the regulatory overkill we have seen over the last 8 years.

No one has been hurt more by this overkill than America’s small businesses. Small companies account for much of the innovation and more than 60 percent of the new job creation in our country. An unelected fourth branch of government—the regulatory branch—is holding our small business sector back while imposing unnecessary costs on larger companies too.

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On January 20th President Trump can begin to eliminate the regulatory burden imposed by executive orders. We urge him to act immediately and continually. Congress can also move quickly on some of the recently imposed regulations by using the Congressional Review Act.

The process for tackling other excessive regulations—from the Overtime Rule to the Waters of the U.S. Rule to the Clean Power Plan to Net Neutrality—will take longer. So let's get started.

Some of the most egregious regulations are already being challenged in the courts. Our law firm helped put them there. You can count on the Chamber's Litigation Center to be very busy this year.

Much of the explosive regulatory growth we have seen can be traced to two mammoth laws that the Chamber originally opposed and predicted would not work—Obamacare and Dodd-Frank.

Obamacare

The new Congress is already preparing its first steps towards repealing Obamacare. That's the easy part. The hard part—replacing it—will take much longer.

The business community recognizes that there are many problems with Obamacare. Topping the list is the employer mandate, and all the reporting requirements that go with it. Then there are taxes such as the health insurance tax, the medical device tax, and the so-called Cadillac tax—all which will drive up the cost of health care.

As a new health care plan takes shape, it is important to remember that things were far from perfect before Obamacare. Repeal alone will not fix our health care system. And, there should be an adequate transition between the current system and a new plan.

The Chamber will work closely with Congress, the administration, providers, insurers, and businesses to address the many challenges facing American health care.

Dodd-Frank

We also have the opportunity to correct some of the missteps made in the name of financial regulatory reform.

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Policymakers have saddled the financial services industry with Dodd-Frank and many flawed regulations—such as the Volcker Rule and excessive and duplicative layers of capital rules. And that’s on top of rules emerging from international bodies and agreements.

Last fall the Chamber’s capital markets center released its report, “*Restarting the Growth Engine: A Plan to Reform America’s Capital Markets.*” This blueprint for financial regulatory reform includes over 100 recommendations, covering everything from repealing and replacing the Fiduciary Rule... to reforming the regulatory processes of the Federal Reserve...to holding the Consumer Financial Protection Bureau accountable.

Reforming the Regulatory System

As important as it is, regulatory relief alone is not enough. We need to reform the regulatory process itself.

For several years, the Chamber has been leading the fight for the Regulatory Accountability Act. This law would fundamentally transform how agencies implement major rules. And, it would begin to restore the balance of power between the executive and legislative branches. It would be the first major update to how federal agencies write rules in 70 years.

In its opening days, the new Congress has made it clear that passing significant regulatory reform is a top priority. We could not be more pleased that years of hard work may finally be paying off.

The Energy Revolution

Energy presents another huge growth and jobs opportunity for the American people.

Everyone is talking about how they want more things that are *Made in the U.S.A.* How about American energy?

We’ve got to prudently develop the abundant natural resources our country has been blessed with—and put them to work for our economy, our workers, our consumers, and governments at all levels.

We can do this while expanding emission-free sources like nuclear and renewables and pressing for greater gains in clean energy and energy efficiency.

Lawmakers should work quickly to rescind and replace the restrictive energy policies of the current administration so that we can unleash more growth and more jobs for Americans.

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Modernizing American Infrastructure

Producing more energy also requires building more infrastructure. We can generate more growth and jobs by making America's infrastructure the best in the world.

We should seize the opportunity created by the bipartisan support for infrastructure. But it would be a mistake to simply do more of the same old thing.

The projects we invest in must be determined by our national economic need for growth—not parochial politics. That means taking on large-scale projects—airports, seaports, pipelines, an expanded power grid, broadband, air traffic control, secure and efficient borders, and intermodal transportation links—projects that help the entire country.

To get this important work off the ground, we need a permitting process that works quickly and efficiently.

And yes, we need money. Private sector funding can and should play a much greater role in infrastructure.

Even so, a sustainable, long-term federal funding source must also be part of the equation. For years, the Chamber put an idea on the table—a modest increase in the federal gas tax, which hasn't been raised in 24 years. It happens to be the simplest, fairest, and most straightforward solution. Maybe that's why it hasn't passed! We're open to other ideas. Put them on the table. Let's have the tough conversations.

The bottom line is that bipartisan action on infrastructure is possible—maybe even likely. Let's make sure we do it right.

Pro-Growth Tax Reform

A real chance at major tax reform only comes around once in a generation, if you're lucky. We just might get lucky this year and next.

Our current tax code is suffocating American businesses and frustrating American families.

We need to lower the business tax rate, which is now the highest in the industrialized world when you add in state taxes. We need to significantly lower individual tax rates as well. Millions of small businesses file as pass through entities, and their marginal rates can exceed 50 percent in some states.

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We also need to institute an internationally competitive system of taxation. Currently, when a company based in America earns money overseas, that money gets taxed twice. First in the country where it's earned, and then again by the U.S. government. The U.S. is one of the only major economies that imposes that second tax.

Pro-growth tax reform should also end the current bias against capital investment. All capital investments should either be expensed or recovered using a significantly improved capital cost recovery system.

The Chamber strongly supports expansive, pro-growth tax reform and we are going to encourage everyone—including our own members—to look beyond the immediate impacts of various proposals and consider the longer-term benefits this reform can bring to our economy and our country.

Expanding American Trade

Now that we've discussed tax reform, let's shift to an easy subject—trade!

The reality we face is clear. If we want more growth, more trade would help a lot.

The president-elect says he wants to expand trade and negotiate strong, new trade deals for our country. We agree.

These new agreements should lower the barriers raised by other countries against exports of American products and services. They should protect intellectual property and our digital industries through tough enforcement. They should ensure that the investments our companies make abroad are protected by the rule of law, on a level playing field. And they should provide for the efficient, seamless, and safe movement of goods and data across borders.

The Chamber has led the fight for tough, enforceable trade agreements. We need more of them.

As for the Trans-Pacific Partnership, there ought to be a serious deliberation on how we can achieve the economic and geopolitical objectives of the TPP. Inaction on the part of the United States creates an opportunity for other countries to gain benefits for themselves at the expense of American workers, American businesses, and American influence.

We'll also encourage the administration to remember that our trade with Canada and Mexico supports 14 million American jobs — and much of that trade depends on NAFTA. But it's a fact that NAFTA is 23 years old, so we welcome the discussion on how it can be modernized and strengthened.

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The bottom line is that if we are going to “Hire American,” we are going to have to “Sell American”—sell our goods and services to the 95 percent of the world’s customers who don’t live in the United States.

Trade is already an enormous benefit to our domestic economy, to our small businesses, to the American consumer, and to the 40 million American workers whose jobs depend on trade.

Our big challenge is how to preserve and expand these benefits while also helping those workers and communities who have been hurt—not just by trade but by technology, automation, and the realities of a global economy.

A Competitive Workforce and Immigration

That brings me to my next topic. A well-trained, well-educated workforce is also critical to driving economic growth—and to making sure all Americans have a genuine opportunity to share in that growth.

We must begin by fixing our K-12 schools—not just with a few adjustments around the edges, but with bold and sweeping reforms.

We also need new thinking when it comes to training Americans for the jobs of the future. Many of these jobs require specialized training and lifelong learning—but not necessarily an expensive four-year college degree. And you can make a damn good living doing these jobs.

So, we need to help young people, as well as adults who need retraining, obtain credentials—degree, certificate, or otherwise—that are valued in the labor market. We need to encourage work-based learning opportunities and develop more partnerships between local business communities and local educators.

When talking about the American workforce, we must also talk about how to fix our broken immigration system. In the polls and through their votes, the American people have made it clear that they support reasonable levels of legal immigration—and, they want more done to prevent illegal immigration.

Our new leaders must therefore chart a balanced course that improves security and enforcement while modernizing America’s legal immigration and visa systems.

Sensible reforms will help, not hurt, American workers—because more companies will locate, expand, and keep their operations on U.S. soil if they know they can find the talent they need at all skill levels.

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Advancing Legal Reform

There's one other issue I want to address as part of our growth agenda—and that's reforming the legal system.

When you talk to potential job creators, excessive litigation is one of the first things they mention that is holding them back.

This year, the Chamber's Institute for Legal Reform sees significant opportunities to advance its goals—such as fighting third party litigation financing and defending arbitration. ILR will also work to ensure medical liability reform is included during the coming debate over health care. And, it will fight trial lawyer fraud and abuse in asbestos lawsuits.

Abusive Prosecutions and the Rule of Law

Just as troubling as lawsuit abuse is the legal extortion whereby government prosecutors, regulators and agencies force companies to fork over billions and billions of dollars in penalties and settlements.

These extorters know that most companies have no choice but to surrender. The alternative is to risk the whole enterprise with an indictment, which could include the loss of any business with the government.

The American people have a right to know where all these billions of dollars collected by government agencies are going. The Chamber is going to explore these questions in the weeks ahead and we urge the new administration, the new Congress, and the media to do the same.

Free enterprise thrives when the rule of law is promoted and constitutional protections for all are honored. We hope that President-elect Trump's nominees to the Supreme Court understand that their role is to interpret the law as written—and not to look for new ways to expand liability or undermine the freedom to speak and other treasured rights.

Conclusion—Listening to Main Street

So this is how we begin to transform America from a low-growth economy to a high-growth economy.

We do it by removing and reforming regulations ... by producing more energy ... by modernizing our infrastructure ... by overhauling our tax code ... by expanding our trade ... by educating and training an exceptional workforce ... and by fixing our legal system.

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We also do it by unleashing the technology that drives our economy and strengthens every sector and every industry. And we do it by allowing ingenuity and innovation to flourish, creating unimaginable intellectual property that can in turn lead to more growth. The Chamber has two distinct organizations dedicated to advancing technology and preserving intellectual property. I encourage you to follow and participate in each of these vital programs.

And most of all, we get to more growth by making growth the priority and the choice—every time.

Ladies and gentlemen, with their votes, Americans sent a strong message. They want a real change in the country's economic course. They want their children and grandchildren to be able to dream big again—to really believe that the future will be better, not worse, than the past.

Americans sent another message as well—that not all the wisdom resides in Washington or in New York or in big government, big media, or even in big business.

We agree—and so to fill in the outline I have offered today—and perhaps add to it—we will soon convene a series of regional growth summits across the nation in partnership with state, metro, and local chambers of commerce. At these summits, it will be the small businesses, the entrepreneurs, and the local employers who will do the talking. We'll do the listening.

We'll gather up what we've learned and convene the final summit here at the Chamber. We're going to invite leaders in our new government to come—so that they can do some listening.

The businesspeople Washington should listen to are the ones who fight the battle for the country's shared economic success every day. They are the ones who see an opportunity, who take a risk, who work unimaginable hours, and who put up with all the roadblocks and bureaucratic nonsense from government at all levels. They are the backbone of our great free enterprise economy—and today that backbone is under tremendous stress and strain.

Since government is doing so much to hold our businesses, workers and entrepreneurs back, it is government that must change direction.

But don't misunderstand—government cannot create wealth or generate growth. It cannot grow the pie. It can only rearrange it, and more often it shrinks the pie for everyone.

It is American free enterprise—embodied in some 30 million businesses of every size—that spurs the growth, generates the wealth, creates the jobs, and expands the opportunities.

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In the coming year, our top priority as an organization will be to listen to these Main Street businesses—and make sure Washington listens to them as well. We’re going to create a powerful grassroots army out of our nearly 400,000 smaller companies, and ensure that no one can ignore their voice—not in policy, not in politics, not in government, and not in the public square.

There’s been a lot of talk about populism of late. The truest and most positive form of populism rests in those many millions of small, medium, and large companies.

It is real populism because it is open to all people. It is hopeful, optimistic, and inclusive populism. It’s comprised of men and women and families from all backgrounds, all circumstances, and all walks of life.

Some hit it big. Some stay small because they want to stay small. Some fail and try again. Some bring their entrepreneurial spirit to larger organizations—not just businesses but all the institutions of our society.

And when they succeed, we all succeed.

The reforms we seek here in Washington—and which we can achieve if we are patient and realistic—can reignite the spirit of enterprise across the nation. If we do that, there is nothing our country cannot achieve—not just for some of us, but for all of us.

Thank you very much.

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