

*As Prepared for Delivery*

## **State of American Business 2015**

*Remarks by*

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Thank you very much, and good morning ladies and gentlemen.

I want to thank the U.S. Chamber Foundation for organizing this event. And thanks to all of you for being part of this annual Chamber tradition.

### **The Economic Outlook**

The state of American business is improving. Six long years after the recession technically ended, investing, hiring, and consumer spending are all firming up. The housing sector continues to recover in fits and starts.

Entrepreneurship and good, old-fashioned ingenuity in our energy sector have created millions of new jobs, though the recent drop in energy prices may slow this sector over the next year.

We've had a few good quarters of solid growth, surprising some of the experts. The economy should continue to improve moderately in 2015. The Chamber expects to see growth at 3% to 3.5% at least through the middle of the year. Interest rates, energy prices, and inflation should remain low for the time being. There's no reason to think that another recession is lurking out there on the near-term horizon.

But when you look beyond the near term, the outlook is less certain. Businesses are concerned about the health of their major customers overseas. China is slowing, Europe is floundering, and Japan may be sinking back into a recession. There is also the potential for disruption from a whole host of international conflicts.

Closer to home, employers are being saddled with another new health care mandate, and they're worried about what's coming next. At the current rate, some 4,000 new regulations will pour out of the regulatory pipeline this year.

The new Congress faces a series of government funding and debt limit deadlines this year. We hope that lawmakers and the administration will act responsibly and not add to uncertainty.

And everyone wonders when the Federal Reserve is going to raise interest rates. When the time inevitably comes, how will the markets react?

Adding to these uncertainties are all the questions about cybersecurity. What happened to Sony can happen to any business, organization, government agency, or media outlet. Government and the private sector *must* work together on this challenge, and we are calling on the new Congress to pass a cybersecurity information-sharing bill without delay.

Based on recent economic reports, it's understandable that the administration, the business community, and even the Chamber may want to take a victory lap. Not so fast. There's lots more to do.

We can't forget that 17.7 million Americans are still unemployed, underemployed, or have given up looking for work. Participation in the workforce stands at 62.7%, the lowest since 1978, reflecting a significant level of discouragement.

Current policies have eroded our economy's long-term potential rate of growth. It would be a serious mistake to think that higher taxes, a bigger debt, and more regulations can deliver more growth, jobs, and prosperity. They will deliver less.

### **Restoring a Governing Center**

The American people understand this, which is why last November they clearly rejected the economic course we are on. They voted for a new direction—one that puts jobs and growth first and demands competence and leadership from government.

The Chamber played a significant role in the midterm elections. We have since been meeting with leaders on Capitol Hill as well as with the administration. We are urging them all to become part of what we call a governing center—to solve problems and get things done.

A governing center suggests you can be a committed conservative, a passionate progressive, or even one of a shrinking number of moderates and still work together. Sometimes you can find common ground. But more often than not you acknowledge your differences and just make a deal.

That's how governing is supposed to work in a democracy. We've had divided government many times in the past and lawmakers still got things done. Why not now?

### **The Jobs, Growth, and Opportunity Agenda**

In 2015, we are asking the nation's leaders to rally around a common bipartisan cause—and that cause is stronger and deeper economic growth in order to create jobs and expand opportunities for all Americans.

How can we get there? First, we need a growth agenda that capitalizes on the extraordinary potential we have in trade, energy, technology, and infrastructure.

Second, we need a government reform agenda that eases uncertainty and supports growth by improving our immigration system, the regulatory process, the tax code, entitlement programs, the legal system, and our public schools.

With a return to regular order in the Senate and an expanded role for congressional committees, we hope that business priorities will get attention and see action—through the passage of bills and amendments and in the appropriations process.

To support our proposals on the Hill, we will further grow and employ our grassroots network of state and local chambers, associations, small businesses, and free enterprise activists. We will lay the groundwork *this year* for the pivotal elections next year. We will be very clear about what lawmakers in both parties need to do if they hope to earn or keep our support.

Outside of Washington, the Chamber will be busy in the states, fighting for legal reform, workplace freedom, and education reform. We will be working in the regulatory agencies to fix and improve new regulations. We'll be working around the world to open markets, defend the interests of American companies, and protect our intellectual property.

Last but not least, we will be extremely busy in the courts. Legal action—to stop government abuse and defend the rights and freedoms of the business community—will be a critical tool in 2015. Last year, the Chamber's Litigation Center successfully filed a record number of briefs in federal and state courts, and we'll likely surpass that record this year.

## **The Growth Agenda**

Let me continue now with some comments about things we can do right now to accelerate growth, secure our recovery, and create jobs.

### ***Trade***

The first is trade. Ninety-five percent of the people we want to sell something to live outside of the United States—and we now have some great opportunities to open markets and increase American exports.

The administration is negotiating two historic trade agreements—the Trans-Pacific Partnership Agreement and the Transatlantic Trade and Investment Partnership. The Chamber has supported these initiatives from the start.

The president has said that he is committed to finishing the job on both pacts—and we congratulate him for that—but he's going to need Trade Promotion Authority to do it. He must really fight for it, especially before members of his own party. Enacting TPA so that we can finish these agreements is one of our top legislative priorities for this year.

We'll also continue to advance other trade priorities, including a revised Information Technology Agreement, a Trade in Services Agreement, and a Bilateral Investment Treaty with China. We'll work on successfully implementing the WTO's Trade Facilitation Agreement, modernizing our own borders with customs reform, and extending the charter of the Ex-Im Bank.

Our Global Intellectual Property Center will support efforts to improve intellectual property protections here and around the globe. We will work to improve our own rules on trade secrets while advancing IP protections in China, India, and in pending trade agreements.

## ***Energy***

Even with the recent decline in energy prices, abundant domestic energy still stands out as an extraordinary opportunity to generate millions of jobs, billions in revenues for government, and trillions in new investment while securing affordable energy for American consumers.

Congress and the administration should take the needed steps to unleash this energy revolution in an environmentally responsible manner—and we should reform export rules so that we can sell this energy around the world.

Our Institute for 21st Century Energy has issued 64 specific recommendations on how, for example, to remove barriers to oil and gas production; ensure the continued use of coal and nuclear energy; and enhance the competitiveness of renewable sources.

And we are going to keep pushing on the Keystone pipeline. The administration's own facts clearly show that this project will create jobs and energy security without harming the environment.

One more thought about energy: Over time, energy development can deliver hundreds of billions of new dollars to government coffers, and that would be a nice down payment on our rapidly growing bill for entitlements. Energy won't solve the entitlement problem or remove the need for reform—but it sure can help.

## ***Technology***

Along with trade and energy, American leadership in technology can continue to deliver great benefits to our economy and our quality of life. Yet as it grows bigger, our tech sector is also becoming more of a target of governments and activists at home and abroad.

This year our new Center for Advanced Technology and Innovation will be running at full speed and will spearhead a Chamber-wide effort to defend our technology companies and advance their policy interests.

Tech companies find themselves unfairly targeted by law enforcement and regulators in key markets from China to the European Union. Domestically, companies urgently need highly skilled talent as well as the expansion of spectrum and broadband capacity.

We recognize that the issue of net neutrality divides the tech community, but there can be no neutrality as far as the Chamber is concerned. We oppose efforts to regulate the Internet as if it were a 20th century public utility.

The Internet is one of the greatest drivers of prosperity and innovation in our economy. We need to develop better and smarter frameworks for data security and sharing—but the system must remain open, flexible, and innovative—and excessive government regulation of the Internet would just kill that goose.

### ***Infrastructure***

Infrastructure is another big growth opportunity. We're asking Congress to pass a long-term highway and mass transit bill with full funding—along with appropriate reforms. We must fully fund our aviation and water systems as well.

The big question is how to pay for these programs. The simplest and fairest way to do this is through a modest increase in the federal fuels user fee that hasn't been increased in more than 20 years.

I know the politics are difficult. But isn't this a pretty good time to try? Since last summer, the average price of gas has dropped \$1.45 cents. Isn't it reasonable to consider investing a dime or two of those savings back into our roads, bridges, and highways to put Americans to work, clean the air, grow our economy, and save thousands of lives?

The Chamber plans to make a strong case to Congress, the White House, and the American people in 2015.

### **The Government Reform Agenda**

Along with action on trade, energy, technology, and infrastructure, we must embark on a sweeping program of government reform.

### ***Immigration***

Let's start with immigration reform. I can assure you that we will continue to make this a top priority until it is done.

Meaningful immigration reform can only be achieved through bipartisan legislation. We are renewing our call for commonsense measures that not only better secure our borders but also provide the American economy with the workers it needs at all skill levels, improve the employment verification system, and deal with undocumented immigrants.

We know that reform is unlikely to happen in one big bill, and we recognize that moving forward cannot be "comprehensive or nothing." Yet there is more agreement in the country and in Congress than you may think—and it is in the political interests of both parties to act before the next election. That's why we believe a resolution is possible this year.

## ***Regulatory Reform***

Government reform must also address the regulatory system, which hasn't been significantly modernized since the Harry Truman administration. Remember him? I do—it was a long time ago!

Business recognizes the need for smart regulations. But with a \$2 trillion price tag in compliance costs imposed by a virtual fourth branch of government, it's time to bring the system into the 21st century.

The Chamber will launch an all-out effort to pass three regulatory reform bills that already enjoy significant bipartisan support in both the House and the Senate. The bills would modernize the process by which new rules are considered and promulgated, bring transparency and accountability to the now abusive process known as “sue and settle,” and streamline the permitting process once regulations are in place.

These are not pie-in-the-sky ideas that have no chance of passing. In fact, one bill has already passed the House. They are bipartisan measures that should be able to clear both houses. As for the president, we hope that by the end of the legislative process, he will find cause to reconsider his early reaction to these important bipartisan reforms.

## ***Regulatory Relief and Restraint***

While working to reform the regulatory process, the Chamber will also address specific regulations that we believe would hurt our economy and throw people out of work while achieving little or no public benefit.

EPA's proposal to lower the ozone standard and its Waters of the U.S. rule are two examples. And while we strongly support technological solutions to address greenhouse gas emissions, we do not believe that regulation of these emissions through the Clean Air Act is appropriate or workable.

In health care, we support congressional efforts to restore the 40-hour workweek to define who must be covered under the employer health care mandate. We'll work to repeal taxes such as the medical device tax, the Cadillac tax, and the health insurance tax.

On the labor front, we'll aggressively oppose measures that would unnecessarily amend our already complex workplace laws covering a whole host of issues—including those that would upset the delicate balance now struck by the National Labor Relations Act.

## ***Capital Markets***

When it comes to financial markets regulation, it is time we ask who is in charge of making sure that the overall regulatory system actually works for job creators and investors?

At the federal level alone, there are nearly two dozen financial regulators that often conflict, compete, and fail to work together.

Successful financial regulatory reform can't be measured by the sheer number of new regulations or the size of the fines extracted from financial firms. We need a modern regulatory system that both drives financial stability *and* encourages capital formation. And we need to educate Congress and the American people on how capital is actually formed and how, without it, we will not be able to expand our economy.

The Chamber has supported positive steps to strengthen corporate governance. However, we will continue to vigorously oppose using the proxy to advance special interest agendas. We will also continue to push for reform of secretive proxy advisory firms.

The Chamber will also seek further targeted fixes to Dodd-Frank. For example, the Financial Stability Oversight Council is considering overdue and necessary changes to its systemically important designation process.

In addition, both the Consumer Financial Protection Bureau and the Treasury Department's Office of Financial Research ought to be placed under the appropriations process.

And we are very concerned that the Department of Labor is considering misguided fiduciary duty proposals that could result in making retirement savings much harder for middle class families.

### ***Tax Reform***

The next target for government reform tends to divide the business community, but it is essential—and that is tax reform.

The United States has the highest corporate tax rate in the developed world. We adhere to a system of “world-wide” taxation discarded by most other major countries. As a result, American businesses pay taxes twice, first to the foreign country in which they do business and then to Uncle Sam after they bring their profits home.

And since 28 million businesses pay their taxes as individuals, we also need reform on the individual side of the code. We need to end the bias against investment and spur small business startups, which have been lagging yet are absolutely critical to new job growth.

Republican leaders and the president all say that tax reform will be a priority in 2015. The Chamber plans to be at the table—on the theory that if you are not at the table, then you are on the menu. We will encourage genuine efforts to create a simpler, fairer, pro-growth tax system. We will *not* support an approach that uses tax reform as an excuse to engineer another big tax increase on American business.

## ***Spending, Debt, and Entitlement Reform***

Turning to the nation's fiscal condition, short-term deficits have come down—but almost everyone agrees that they will soon rise again. The federal government has already piled up \$18 trillion in debt, and it will reach 74% of gross domestic product this year.

More than anything else, the nation's massive debt is being driven by entitlements. By 2024, federal spending will be \$5.8 trillion, and more than 76% of that will go to mandatory programs plus interest on the national debt. That leaves less than 24% for national defense, important domestic programs, and everything else.

One of the early tests for Congress will be passing a fiscally responsible budget that will lay the foundation for further action on tax and entitlement reform. This will be no small feat. The last time Congress produced a real budget was in 2009. We intend to be very aggressive in helping all interested members of Congress design that legislation.

America's leaders need to start telling the American people the truth. The entitlement crisis is an entirely predictable crisis. It demands action and leadership without further delay.

## ***Legal Reform***

There are two other sets of reforms we need, and the first is legal reform.

With the Chamber's Institute for Legal Reform leading the way, we have made progress in curbing the excesses of the class and mass action trial lawyers and educating voters in state court elections. But America still has the costliest legal system in the world.

Even more disturbing, America's enforcement system has turned into a shakedown operation. Enforcement officials find a company that may or may not have done something wrong, threaten its managers with commercial ruin, and then force them to pay an enormous fine to drop—or not file—the charges.

Our agenda includes curbing these excesses, plus reforming legal systems in key states and jurisdictions, preserving the availability of arbitration, passing the FACT Act to help prevent fraudulent asbestos claims, and challenging foreign governments that are foolishly considering the adoption of American-style class actions.

## ***Education Reform***

Finally, education reform. It's fundamentally unfair that some of America's children get high-quality educations while others are left far, far behind. This is where the real inequality in our country resides.

The harsh reality is that a young person without basic skills in reading, writing, math, and computing won't be able to hold down a good 21st century job of any kind.

We must ramp up efforts to reform public schools—to toughen the standards and measure them against prior years so that we know when students are falling behind. We also need to remove bad teachers and pay good teachers more, create more innovative charter schools, and ensure that parental choice is an option not just in wealthy communities but in all communities.

### **An Appeal for Competency and Leadership**

Ladies and gentlemen, hopefully I've helped you understand what the Chamber stands for and what we will fight for this year and beyond.

Let me underscore: This is no time to be complacent. We've had a few good quarters of economic growth. But we're not out of the woods. There are many risks and challenges facing our economy that have the potential to send us right back to the doldrums—or worse.

That's why our elected leaders, divided as they may be, must work together to put jobs, growth, and opportunity first.

We hope that the new majority in Congress understands that it has something to prove to the voters who elected them. They need to legislate. The president needs to engage. Together, they need to govern.

### **Conclusion—Defending Our Rights and Freedoms**

I have focused in these remarks on what needs to be changed. Yet there are some things that must not change—and that is a set of fundamental American values that define who we are as a people and explain why we have been able to build and sustain the most free, most prosperous, and most compassionate country on earth.

I'm talking about the right to speak, the right to due process under the law, and the right to participate in a free enterprise system where you can take a risk, work hard, and achieve your dreams. We should all be concerned by the steady erosion of these rights and freedoms.

The Chamber will fight to ensure that all Americans have the right to petition their government without fear, intimidation, or undue regulation. We'll fight for due process under the law, free of abusive tactics by federal and state agencies and prosecutors. We'll fight for everyone's right to speak and even to voice controversial opinions without being tarred and feathered in the public square—or having the IRS threaten his or her tax status.

And we'll fight to preserve the spirit of enterprise in America, which begins with the right to risk, to fail, to try again, to succeed, and to be rewarded for your efforts.

Contrary to what some of our political leaders have said, businesses really do create the jobs. They really do build things. Whether they reside on Main Street or even on Wall Street, businesses are not the enemy. They are a big part of the solution to the challenges we face as a nation and a people.

Of course, business does not do it alone—and yes, business needs the government to protect our security and maintain the economic platform of our country.

But what business needs most of all from government is wise, competent, and courageous leadership that knows when to get involved and when not to interfere—a government that is judicious and responsible in the exercise of its extraordinary powers to tax, spend, and regulate.

Today we're hearing a lot of talk about so-called economic populism. Its advocates claim they are standing up for the average citizen—but what they *really* stand for is the unbridled growth of the central government and a state-run economy.

We already have real economic populism in this country, and I'll tell you what it is. It's 28 million businesses of every conceivable size and endeavor that have sprung to life in every town, city, and community.

It's millions of businesses invented around a kitchen table, in a garage, or in a college dorm. It's millions of women- and minority-owned businesses whose owners are persistently laying claim to their share of the American Dream.

And it's tens of thousands of larger businesses, many of them with a global reach, that are providing jobs, services, health care, retirement savings, and charitable giving for the entire nation and the world.

American free enterprise is the economic populism we need and must support. It has built the most successful economy in history and built it from the bottom up. Not everyone succeeds, and not all outcomes are equal. But our enterprise system is the envy of the world. It's why people from rich and poor countries alike are beating a path to our door.

We must reject trickle-down government and support, expand, and celebrate the entrepreneurial spirit and make sure that it thrives—not just in business but in every field of endeavor in our society.

So as the Chamber pursues a full policy agenda focused on economic growth and government reform, rest assured that we are reserving a good measure of our fight, our spirit, and our passion for that which must not change—the unique American rights and freedoms that made this country great and that will carry it forward into a bright future.

Thank you very much.

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