



The State of American Business 2010



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The mission of the U.S. Chamber of Commerce is to advance human progress through an economic, political, and social system based on individual freedom, incentive, initiative, opportunity, and responsibility.

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Address by
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Washington, D.C.

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Improvement and Uncertainty

At the outset of this New Year, there are some encouraging signs that the state of American business is improving. After almost two years in a severe recession, the economy began growing again in the third quarter of 2009—by 2.2%.

Fourth quarter growth could be significantly higher, but we should not assume that it signals a trend. Overall, the Chamber expects growth for 2010 to range in the vicinity of 3%.

While there has been some economic improvement, we must add another word when describing the state of American business—uncertainty.

Yet while there has been some improvement, we must add another word when describing the state of American business today—and that word is uncertainty.

Think for a moment about the nation's job creators—the men and women who run our small and large businesses—as well as those who lead our universities, our health care facilities, and the many other institutions that employ our workforce. If you were in their

shoes today, would you jump quickly into new investments and hiring? Or would you wait for some clarity, and some common sense, to take hold first?

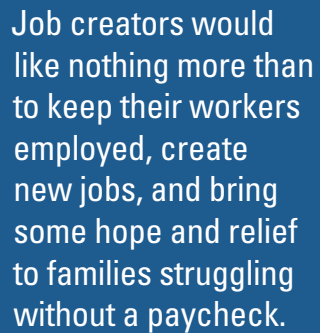
Most of these job creators would like nothing more than to keep their workers employed, create new jobs, and bring some hope and relief to families struggling without a paycheck. But when they look at what's going on in Washington, in the states, and around the world, what do they see?

They see massive tax increases on the horizon—not just the expiration of the tax cuts passed over the last decade, but also hundreds of billions of dollars in new taxes.

They see health care legislation that contains a burdensome mandate on employers and virtually no meaningful reforms to improve quality or control costs.

They see a climate change bill and potential EPA regulations that

could significantly raise energy prices and impose new layers of bureaucracy on their organizations. They see financial services legislation moving forward that could choke off their access to capital at a time when lending is already very tight.



Job creators would like nothing more than to keep their workers employed, create new jobs, and bring some hope and relief to families struggling without a paycheck.

America's job creators also see a renewed push by unions to pass card check and many other measures to control the workplace.

They see the trial bar working with their allies in Congress and with many state attorneys general to expand opportunities for new litigation. They see the rise of trade isolationism at home and abroad that could threaten their export markets—and now, renewed fears about terrorism.

And our job creators see the federal government planning to expand the national debt by at least \$9 trillion over the next decade—more debt than has been piled up in all previous years since George Washington. They see many states going broke as well. What will the impact be on their companies and employees?

These are the uncertainties that job creators are wrestling with—uncertainties that call into question how quick or strong our economic recovery will be. And no one is paying a higher price than the American worker.

The federal government is planning to expand the national debt by at least \$9 trillion over the next decade.

More than 7 million Americans have lost their jobs since the recession began. Ten percent of the workforce is unemployed—a number that soars beyond 17% when you add those who have stopped looking for jobs and the millions of part-time workers who want to work full time.

Job One—Putting Americans Back to Work

Our nation faces many big challenges, but no priority is more important than putting Americans back to work. And so the Chamber is calling upon leaders in government, business, labor, and across society to unite around the ambitious goal of creating at least 20 million new jobs over the next 10 years. With 20 million jobs, we can reemploy the unemployed and meet the needs of our young people and a growing population.

No priority is more important than putting Americans back to work.

We first articulated this goal last October when we made it the centerpiece of our new campaign to support free enterprise. We did so in part because we were troubled that policymakers in Washington seemed to be focused on everything but the creation of jobs.

“Job creation will ultimately depend on the real job creators: businesses across America.”
—President Obama

Today, almost everyone is talking about jobs and that’s good. But talk can’t create the jobs we need and, over the long term, neither can the government.

In his economic speech last month, President Obama said, and I quote—“Job creation will ultimately depend on the real job creators: businesses across America.” We hear you, Mr. President—and we agree. So let’s talk frankly and specifically about the policies that we must have to accelerate growth and put our citizens back to work.

The Chamber’s Jobs Plan

First—we can create jobs by doubling U.S. exports in five years.

This is an ambitious yet achievable goal. But to get there, we need a bold and aggressive trade policy—something we don’t have today.

The rest of the world is not waiting around for the United States. Countries are busy making their own arrangements with one another and leaving us in the dust. We all know about the political pressure against trade coming from some of our unions. But that’s no excuse when America’s global leadership is at stake.

Washington is sitting on pending trade agreements with South Korea, Colombia, and Panama. If we fail to pass them, we will not only miss opportunities to create new jobs—we will lose existing jobs. South Korea, for example, is ready to proceed with a free trade agreement with the EU. If the Europeans go ahead while we continue to delay, an estimated 350,000 more Americans will lose their jobs. With millions of Americans already desperate for work, how could any member of Congress or the administration sit by and allow that to happen?

We must also modernize export controls, which today cost us billions in lost high-tech sales. Increase those sales and you create good manufacturing jobs here in the United States.

We need to fix the Buy American rules, which have delayed stimulus projects and new hiring while also risking trade retaliation against our workers and businesses.

We must seize the potential of small and medium-size businesses to export. They already account for 30% of our total exports. We can bring thousands of smaller firms into the international marketplace if we assist them with expertise, promotion, and financing.

We must also vigorously protect our intellectual property. The theft of IP costs our nation hundreds of thousands of jobs, threatens consumer safety, and puts our leadership in innovation at risk.

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At his recent White House jobs summit, President Obama said—and I quote—“If we just increased our share of exports to Asia by 1 percent, that’s about a quarter million jobs. If we increased it by 5, that’s a million jobs. That fills a big hole; it doesn’t cost us money.” Well, right on Mr. President! The business community is ready to work with you and with Congress to expand our exports around the world.

Second—we can create jobs by rebuilding America’s infrastructure.

Our economic platform is running out of capacity, and it is dangerously declining in quality and safety. In order to meet our infrastructure needs, we need to boost public investments while working to ensure that the money is spent wisely in areas of genuine need. Reauthorization of the nation’s core highway bill is essential.

The business community is ready to work with the president and Congress to expand exports.

But it is the private sector that can be the main driver of innovative projects in transportation, power generation and transmission, water systems, and communications. One study estimates that \$180 billion in private capital is available to build infrastructure projects. Put this money to work in conjunction with public dollars, and it could support more than 1.5 million jobs over 10 years.

To unleash this capital, governments must clear away regulatory impediments and legal uncertainties—and provide incentives so that public agencies include private sector participation in their efforts.

It takes too long to build anything substantial in this country—and everyone knows it. For example, the Federal Highway

Administration found that it takes about 13 years for major projects to go from initiation to completion.

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The Chamber is prepared to work with governments at all levels to remove unnecessary barriers. We can then put Americans back to work with private infrastructure investments that add long-term value to our economy and boost our global competitiveness.

Third—we can create jobs with major investments and breakthroughs in energy.

One of the great rallying cries of our day is, “Let’s create green jobs.” While we share in the excitement—and have supported alternative energy projects at every opportunity—we must balance our enthusiasm with some realities. We urge policymakers to do the same.

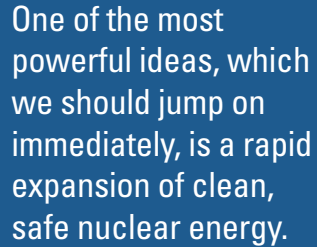
We also should produce more American energy on our land and off our shores.

The United States has the talent and the capacity to invent the green technologies here. But if we don’t address the excessive costs in our business environment, embrace an aggressive trade policy, or protect our intellectual property, the businesses, the jobs, and the technologies will go somewhere else.

We also should produce more American energy on our land and off our shores—including oil, gas, and clean coal—which would improve energy security, create jobs, and keep our economy competitive.

One of the most powerful ideas, which we should jump on immediately, is a rapid expansion of clean, safe nuclear energy. Nuclear power is a solution that doesn't have to be invented. We can use it now and make it a vital part of our climate change solution because it doesn't emit greenhouse gases.

License applications have been submitted for 26 new reactors. If all were built, they could support an estimated 240,000 direct and indirect jobs. And as time goes on, we'll need to build many more. But whereas other countries take two to three years to license a new reactor and less than four years to build it, a new reactor here takes five years to license and another five years to build. We must address these delays as well as the legal uncertainties and financial risks that stand in the way.



One of the most powerful ideas, which we should jump on immediately, is a rapid expansion of clean, safe nuclear energy.

Nuclear energy is not the only promising energy source facing such hurdles. The Chamber has identified more than 380 specific projects across the country—more than one-third of them wind, solar, and other renewable energy projects—that have been delayed or even killed by Not In My Backyard roadblocks. It's time to end the unnecessary barriers that cost jobs and threaten our energy diversity, security, and leadership.

Fourth—we can create jobs by expanding credit across our economy.

We urgently need to find ways to ensure that businesses, especially small businesses, can get the credit they need to invest and create jobs.

Robust SBA lending programs, a strong Export-Import Bank—which carries no net cost to the taxpayers—and an openness to foreign capital are all important. But the real question is how to fix and revitalize our capital markets.

We must close regulatory gaps and take additional steps to protect investors and consumers. But we must *not* overregulate our markets and companies, limit consumer choice, or futilely attempt to drive all risk taking out of our system.

Businesses get the capital they need in very diverse ways. This is especially true for smaller businesses. They use every possible source—such as lines of credit on their homes, personal credit cards, asset-backed lenders, and loans from family and friends.



We must *not* overregulate our markets and companies or limit consumer choice.

We must preserve these credit options. That's why the focus of reform efforts on Capitol Hill should not be on limiting the choices available but rather on making sure they are sold responsibly by well-regulated firms. Unfortunately, the financial regulatory reform bill passed by the House moves us in the wrong direction. We hope that current discussions among the key Senate players will produce a better result.

It seems like everyone in Washington is meeting with the bankers these days. First, the bankers are told to build up more capital. Then they are told to hurry up and lend it. Then they face the prospect of having their loans and financial products second-guessed by regulators, lawyers, judges, state attorneys general, and Congress. This is precisely why it is important to establish clear, certain rules with strong oversight and then get the government and the politicians out of the business of micromanaging banks and other companies.

Strong capital markets and financial services provide the fuel that will power economic growth and jobs.

Strong capital markets and financial services provide the fuel that will power economic growth and jobs. Congress and the regulators must get this right.

Fifth— to create jobs, we must ease the uncertainty over tax increases as well as health, environmental, labor, legal, and fiscal policies.

Congress, the administration, and the states must recognize that our weak economy simply could not sustain all the new taxes, regulations, and mandates now under consideration. It's a surefire recipe for a double-dip recession, or worse.

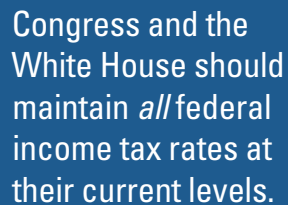
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Taxes

Instead, lawmakers should enact tax incentives—for example, preserve the reduced rates on capital gains and dividend income, shorten depreciation and extend Section 179 expensing, adopt a permanent fix to the death tax, and address the AMT for both businesses and individuals. Responsible pension reform is urgently needed as well. It could quickly free up billions of dollars for payroll without jeopardizing company retirement plans.

Congress and the White House should also seriously consider maintaining *all* federal income tax rates at their current levels for the foreseeable future. I know this flies in the face of some strongly held views. But taking this bold step would measurably reduce uncertainty. It would boost investment and jobs by leaving hundreds of billions of dollars in the productive economy. It would help small businesses and their employees succeed, since many pay their taxes using the personal rates.

The impact on deficits is a worthy consideration. But, remember, we are not talking about cutting income taxes below what they are today. We are talking about deferring a massive tax increase in a very weak economy—a tax increase whose clearly intended purpose is not to reduce the deficit but to pay for more spending.



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If we go ahead with these tax hikes, we will likely end up with even bigger deficits and greater economic misery.

Let me make one final point about tax increases. In the coming weeks, we expect to see numerous proposals for small business tax relief, and we'll strongly support many of them. But we'll also remind Americans that larger companies create a lot of jobs too! Larger companies sustain countless small businesses that are their suppliers and that provide services for their employees. And larger companies have the greatest ability and pressure to move their operations elsewhere if America does not remain competitive. When that happens, small businesses get hurt.

Thus, it makes no sense to rob Peter to pay Paul by offering one-shot tax cuts to small firms while imposing massive tax increases on larger ones. We need companies of *all* sizes to succeed.

Health Care and Climate Change

Congress and the administration also need to find more rational and affordable ways to address health care and climate change.

The Chamber supports a health care reform bill, and we have offered many positive ideas to Congress, the administration, and the American people.

Unfortunately, the legislation emerging from the House and Senate is not reform. It's not reform when you undermine the private, employer-based system while doing nothing to rein in costs. It's a prescription for fiscal insolvency and an eventual government takeover of American health care.

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The Chamber also supports a strong climate change policy—both domestic legislation and a

global agreement. But the bill passed by the House last year would tie economic activity in knots and eliminate jobs from one end of the country to another. That's why a growing number of Democrats in the Senate are running from this approach just as fast as they can. And they share the concerns voiced by the Chamber and many others regarding the potential economic impact of EPA's endangerment finding.

Workplace Rules and Litigation

America's job creators also have to worry about whether they are going to face new union organizing rules such as card check and a provision to have federal-appointed arbitrators force a first contract on newly unionized companies—as well as 90 other regulations being considered by the Labor Department.

We fought these ill-conceived policies successfully last year. We'll pull out all the stops again this year. The seemingly endless expansion of litigation gives employers great pause as well. The Chamber's Institute for Legal Reform will continue its comprehensive program to stop lawsuit abuse, while our in-house law firm, the National Chamber Litigation Center, will vigorously defend employers' interests in the courts.

Creating Jobs and Finding Workers

Ladies and gentlemen, that's the Chamber's jobs plan. Yet we must also ensure that America has well-trained workers to fill those jobs. That's why we need comprehensive immigration reform and flexible guest worker programs.

We must also recognize that no economy or society in the 21st century can succeed over the long run if it allows 30% of its young

people to drop out of high school. This fundamental failure tears away at the fabric of the American Dream and our nation's promise of equal opportunity.

The Chamber has been working with school reform leaders across the nation and the Obama administration to promote major reforms in K–12 education. We are pushing states to develop rigorous standards in the basic subjects. And we strongly support the administration's efforts to emphasize math and science at all levels and the Race to the Top program.

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Driving the Agenda Forward in 2010

Let me conclude with a few comments about how we plan to drive our agenda forward.

I believe the country is ready and eager to rally around the cause of creating jobs and putting Americans back to work. I'm confident we will find a lot of common ground with the administration, Congress, and the states on this priority effort.

We also understand that nothing grabs the attention of our politicians more than an upcoming election. Last year, we generated 1 million citizen contacts to Capitol Hill on key issues—and we're just getting warmed up! This year, we plan to organize and carry out the largest, most aggressive voter education

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and issue advocacy effort in our nearly 100-year history.

We don't get involved in presidential politics—period. But as Americans choose a new House and new senators this fall, the Chamber will highlight lawmakers and candidates who support a pro-jobs agenda and hold those who don't accountable.

Nothing grabs the attention of our politicians more than an upcoming election.

We'll also continue to make job creation the substantive centerpiece of our positive campaign to support free enterprise. After only three months, our campaign has already enlisted 300,000 free enterprise supporters—Americans from all walks of life who believe that our economic freedoms are worth fighting for, who believe that free enterprise, with all its faults and occasional excesses, is the only system that can create 20 million jobs and lead us back to prosperity.

We're going to significantly expand the campaign throughout the year. We aim to create a new dynamic in this country so that every time a lawmaker is prepared to take a position or cast a vote, he or she first stops and considers—is this going to strengthen free enterprise and create jobs? Or will it undermine economic freedom and destroy jobs?

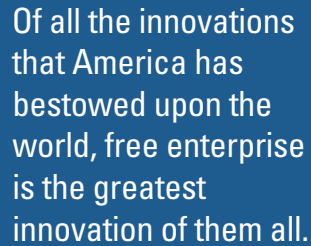
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Free Enterprise—the NEXT Great Idea

Some see American free enterprise as the last great idea—an idea that has failed in its mission, an idea that is simply not up to the big challenges of our time. How wrong they are! Free enterprise is the next great idea!

Of all the innovations that America has bestowed upon the world, free enterprise is the greatest innovation of them all. It renews and reinvents itself every day. It is never old and tired. It is always young and vibrant. That's because its strength and goodness rest on the enduring principles of individual liberty, personal responsibility, and the basic human right of every person to be and do his or her best. And when that happens, society is well served.

Free enterprise breathes life and energy into the American Dream. Sadly, today the American Dream seems like an impossible dream for millions of workers and their families. We must pull together as a country to change that. We must stand up for our economic freedoms and ensure that all Americans can share in freedom's bounty.



Of all the innovations that America has bestowed upon the world, free enterprise is the greatest innovation of them all.

Despite all of our hardships, challenges, and uncertainties, we are so blessed to live in the United States of America. Let's never forget what made this country great and why millions still yearn to come to our shores. It's the freedom to dream big. It's the opportunity to stand on your own. And it's the promise that if you work hard and never give up, you can create a better life for your children and grandchildren.



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