

State of Manufacturing Address at The Detroit Economic Club (Detroit, Michigan)

February 5, 2015

Hello, Detroit! Thank you for that warm welcome – and thank you, “Z,” for such a generous introduction. Thank you for all you and Ford do for your employees, your city, your state and your country. I’m proud to call you a friend, and a friend of manufacturing

I’d also like to recognize a couple of bosses I have in the audience: NAM Board Member Osamu [Simon] Nagata, who leads Toyota’s North American manufacturing and engineering operations. And another NAM Board Member, Mike Heneka, who leads the North American operation of the automotive equipment supplier Faurecia [for-SEE-uh].

Let me also say hello to Chuck Hadden, who is the terrific leader of the Manufacturers Association and a great representative of the many manufacturers who strengthen this state each day.

It’s great to be in Michigan, and an honor to be with all of you here at this esteemed institution. Nothing represents original American ingenuity and innovation quite like this city and this state.

Detroit and Michigan *are* manufacturing. Without you, the story of this great and indomitable country wouldn’t have been possible.

When we were torn apart by a bloody Civil War, manufacturing helped sew us back together.

When we were trampled beneath a devastating Depression, manufacturing helped us get back on our feet.

When we were tested by a world war, bravely fighting tyranny on two fronts, manufacturing helped arm the Arsenal of Democracy here at home that powered America into a new era of leadership.

When we were tripped up by the Great Recession and many wondered whether American automakers and other manufacturers in the United States were past their prime, we not only proved the doubters wrong, but have roared back even stronger.

Today, the state of manufacturing is as resilient and robust as ever. The auto industry in the United States is not just alive, but thriving – and it’s driving an economic revival. It’s why, once again, Detroit and America are rising.

As you know, it’s not just cars. Less than month ago the American Lightweight Materials Manufacturing Innovation Institute opened its doors in Corktown. That’d be exciting news on its own – but what’s even more exciting is that this lab lives in a building that sat vacant for the last decade. No more. Now it’s the place proud Detroiters go to work every day.

I’m so proud to go to work every day leading the National Association of Manufacturers – the unified voice that advocates for the promise of manufacturing in America – because I’m proud to be associated with innovators and problem-solvers. That’s what we do.

When manufacturers see a problem, they fix it. If they can’t find a solution, they create it. That’s who we are. And, by the way, isn’t that the American story, too?

Manufacturing in the United States has succeeded because our industry and our solutions are grounded on four fundamental values – values that also happen to be the foundational and unifying principles of the exceptional country we love.

The first of these is free enterprise: market forces that drive innovation and growth better than any other system ever conceived.

The second is competitiveness: our ability to invest and expand markets and succeed in the global economy.

The third is individual liberty: the creativity and entrepreneurship unleashed by protecting, defending and advancing the basic freedoms enshrined in our Constitution and Bill of Rights.

And the fourth is equal opportunity: our shared belief that every one of us, if given the chance, has the potential to prove we can contribute to the success of our companies, our communities, and our country.

These values unite all of us, even at a time when our country seems more divided than ever. And they can help move manufacturing to new heights.

Manufacturers in the United States hold fast to these principles because we're Americans with a deep sense of responsibility. We lead by example.

Don't get me wrong – this sense of duty we feel isn't grounded in patriotism alone. It's also getting things done. This is very much about economics.

Look at manufacturing's direct impact on the economy. We are creating more jobs, making more products, and making them better than ever before. Every year, manufacturing contributes more than \$2 trillion to the American economy – one of every eight dollars in that economy.

The more than half a million manufacturers in Michigan who are building motor vehicles and processing chemicals, who are making appliances and petroleum and plastics – you are responsible for nearly 20 percent of this state's output.

Yet we can't underestimate manufacturing's *indirect* influence, too: Manufacturing has the biggest multiplier effect of any industry. Every manufacturing dollar in America adds one dollar and thirty-seven cents to the economy – nothing else comes close. And a single manufacturing job can lead to the creation of three to five more jobs in other industries. What a great return on investment that is.

Manufacturing improves people's lives not just through the products we make, but through the economy we strengthen. You simply can't have a strong service sector, financial sector or education system without thriving manufacturing.

So you can see why manufacturing has a disproportionate responsibility to keep our economy humming.

But there's another side to this coin – and that's what I want us all to think about and speak up about and advocate for. All of this good news also means that inaction, gridlock and misguided policies in Washington disproportionately impact manufacturing, as well. That doesn't just matter to CEOs and workers – it matters to every single American consumer, family, and job-seeker. And students in this room, that means you.

We all suffer when our policies don't match our principles – chief among these being the four I mentioned: free enterprise, competitiveness, individual liberty, and equal opportunity.

There are still speedbumps slowing us down – so let's get rid of them. And one of the easiest ways to remove those barriers is by giving manufacturers—and all Americans— a shorter, simpler, growth-focused —a competitive— tax code that will encourage, reward and promote success.

Since 2000, virtually every developed country except the United States has cut its corporate tax rate. Right now, the United States has the highest corporate tax rate among industrialized countries. We have fallen behind by standing still. It's time—well past time—to compete our way to prosperity.

You'd think our elected officials would be falling over themselves to help us win. Instead, this week the Administration released a plan for losing. Manufacturers expect more from this Administration. To the President's credit, he's focused the public attention on our industry like few presidents in modern history have. But his budget proposal doesn't live up to that legacy.

If the Administration's taxing and spending plan becomes law, business headquarters will be lost and investments will go elsewhere. And the difficult past in Detroit could be potentially be the future in so many communities in America.

A high minimum tax on overseas income creates an incentive for businesses to incorporate in another country. No other developed country in the world does this. A one-time mandatory tax on earnings made overseas, in many cases earnings reinvested by American companies in hard assets to expand their global business, will drain companies of the monies to grow, and to overcome, an increasingly challenging global economic environment. And for small, family-owned businesses, the president's budget seeks to add a third level of taxation to savings and investments as these businesses pass to the next generation. Again, manufacturers expect better. What America needs is a new direction.

No issue affects more Americans than tax policy. No single solution can better lift the ceiling on opportunity. A competitive tax code isn't a euphemism for elevating any one group, or taking another group down. It's about opening up new opportunities for the hardworking men and women of the United States to chase their dreams and better their lives.

To be clear, corporate tax reform won't do the job alone. We need to stop punishing small businesses—and the two-thirds of manufacturers who are taxed at personal rates.

We're glad the Administration agrees that one component of a pro-growth tax code is a strong and permanent research and development tax credit. And we can continue by implementing a pro-growth tax plan that updates our tax code so that it works better for today's families and businesses. This means lower rates for manufacturers of all sizes who lead our economy. It means reducing the cost of capital and improving cash flow—to enabling job creators to pursue a larger number of profitable projects, and increase both investment and employment. It means removing the tax code from the equation when manufacturers consider what types of investments to make.

And, yes, pro-growth tax reform also means adopting a modern, competitive international tax system designed to promote economic growth, not raise revenue.

The NAM recently released a study from several leading economists that found a pro-growth tax reform plan would contribute, over 10 years, \$12 trillion in GDP, increase investment by more than

\$3.3 trillion and add more than 6.5 million jobs to the U.S. economy. That translates into more innovation, more jobs, more money in the paychecks of more middle-class working families.

So what are we waiting for?

It's the same question we should be asking our elected officials when it comes to achieving a sane regulatory environment.

Nothing is more important than the health and safety of our workers and consumers. No question about it. But to the extent that we need regulations, they need to be fair and transparent—not controlled by special interest groups. Today's system is unnecessarily complex and inefficient. It costs small manufacturers nearly \$35,000 per employee per year. And as you know, every dollar that goes to compliance is one that doesn't go into a worker's paycheck—and comes out of a consumer's pocket.

So we have to streamline and simplify the system. We have to increase accountability. And we must insist on better analysis of the benefits and costs when they're necessary.

For starters, just look at the Administration's regulatory agenda. The Administration's proposal to impose an 80-year-old regulation on an open and free Internet will chill innovation in manufacturing and disincentivize investment in our broadband infrastructure. We all want faster connections; this would slow us down.

Its regulation of greenhouse gases would limit fuel choice, increase energy prices and make power less reliable. Its proposed ozone standard could shut down facilities and force manufacturers to scrap expansion plans – all of which harm growth.

The NAM represents over 14,000 manufacturers, from multinational corporations to family businesses all along Main Street. Those family businesses ask me all the time: how can we make the government understand that their regulations hurt small businesses more than anyone?

We're not reaching our potential. With smarter regulations and sound tax policy, we can.

The third choice our leaders need to make is about trade. Here's why: it doesn't matter what our manufacturers make if we can't sell it domestically – and internationally. That's one of the reasons the NAM was founded 120 years ago. And today, with 95 percent of the world's customers living outside of the United States, we need to be where they're buying.

International trade supports an incredible hundreds of thousands of jobs in Michigan – folks who trade with customers in more than 200 countries. It's not just Original Equipment Manufacturers: 90 percent of your exporters are small- and medium-sized businesses. A smart trade policy is the difference between growing those businesses and shutting their doors.

So free and fair trade – including Trade Promotion Authority – will give us greater access to the foreign markets we need and eliminate tariff and non-tariff barriers and other foreign government unfair actions. A long-term reauthorization of the Export-Import Bank is a necessary step, as well.

While we're watching from the sidelines, the rest of the world is busy negotiating free trade agreements.

Of course, bringing goods to market isn't a challenge only overseas. The slowdown at our West Coast ports slams manufacturers.

The challenge of managing inventory has forced one global manufacturer with plants in multiple states to limit overtime for thousands of its employees in January and February – and in some cases, it's eliminated overtime completely. That means millions of dollars in lost wages.

Washington has to act, of course – the administration should increase pressure on the parties to resolve the slowdown. But manufacturers have to act, too – all of them, large and small, all businesses and all citizens. Everyone has to encourage the parties to reach an agreement to return the ports to normal business operations – so that we can eliminate this uncertainty, and keep global commerce moving.

Beyond this challenge, too many of our ports, roadways, railways and runways are getting worse by the year and are in desperate need of repair. The needs of business – both here at home and as we compete in the global economy – demand that the government invest in improving our aging infrastructure.

Now, let's take a look at energy, because the time is right—energy that fuels our success as manufacturers and as a country. This is a tremendous moment of great opportunity. America has an unprecedented and incredible global advantage in reliable and affordable energy, and it's driving manufacturing's resurgence.

If we're going to keep building on our strength, and creating jobs with the potential that energy exports represent, an "all-of-the-above" energy approach that taps every resource we're blessed with here at home, like shale gas, is the only realistic choice. We can make the United States energy secure and North America energy independent. And shale gas is just one example of an opportunity we shouldn't miss.

Getting the job-creating Keystone XL pipeline built is another great opportunity to seize.

Altogether, the combination of oil, natural gas, coal, wind, solar and other sources will mean more jobs, lower utility bills, and more growth across the board.

There are also a number of other ways to be as competitive as we need to be. Our health care system needs to reduce costs, increase options, and help employers and employees make informed decisions. Policymakers should eliminate the medical device tax that doesn't just hurt manufacturers – it stifles research and development of medical advances that keep people healthy and safe.

Comprehensive immigration reform has to become a reality, not a wedge, if we're going to create opportunity for today's workforce and tomorrow's innovators. And because it's simply the right thing to do.

We also need to hold the National Labor Relations Board accountable and remind it of its role as a neutral referee. And that's why the NAM's Manufacturers' Center for Legal Action, which is bringing manufacturers together on several fronts to protect and defend the law, has filed a lawsuit against the NLRB to stop ambush elections and its abuse of authority.

Fair and transparent regulations, more competitive taxes, free and fair trade, 21st-century infrastructure, diverse energy options, immigration reform, health care and legal reform – the menu is long because the moment is significant. But I'm confident we can do this – and do it in a way where everyone wins.

Why do I worry about whether our elected officials will get these critical questions right? Because I know our workers are the best and most productive in the world, and I believe they should have the best environment in which to innovate, invent and invest.

This is not just about reviving an economy, but perfecting our union. It's about creating a new, brighter future for everyone, by dreaming it, by building it, and by making it – right here at home – as we've always done when we're at our best.

Ladies and gentlemen, there are two popular misconceptions about manufacturing. The first is that its best days are behind it. People think of burned-out smokestacks and boarded-up factories. They think of the old ways of doing things.

That couldn't be further from the truth. Manufacturing is about incredible new technologies – 3-D printing, nanoscale chemistry, energy efficiency, satellite technology, medicines that are saving lives and changing the world.

The second misconception is that manufacturing is just about machines. It's about people, and the potential we can unleash.

I know this firsthand. My grandfather left the family farm to stand in line for six months at the local paper manufacturing plant in Chillicothe, Ohio. He went back every day until he got the job that would move my family into the middle class.

I think about his persistence every time I meet one of the great men and women who've chosen this career that's so important to our country. And every time I'm with students like those who've joined us today, I wonder: who will be next? Who will take a risk? Who will make a sacrifice? Who will become a manufacturer with a dream of giving their children and grandchildren new opportunities – just like my grandfather did for my family?

Manufacturing is about those people. It's about people who stay true to, and who rise with, the principles of free enterprise, competitiveness, individual liberty, and equal opportunity.

When the world needs America to help make it out of a rough patch, it's manufacturers in the United States who make the things that make it happen. They're the ones who make anything possible.

But here's the takeaway for today: That doesn't happen on its own.

Like any manufacturing process, we need to put the right pieces in place. That begins with the right public policy – one that advances manufacturing and keeps America as exceptional as ever – the world's best example of opportunity and optimism.

We need to generate ideas and designs, calibrate the technologies and develop the logistics—that starts with our business leaders, and our workers, and with each other.

And like any machine that makes anything, nothing happens unless we push the “start” button – and that starts with you – the work you do, the voices you raise, the quintessentially American values by which you live, and your support of manufacturing in the United States of America.

Thank you very much.