

State of Manufacturing Address at the City Club of Cleveland (Cleveland, Ohio)

February 6, 2015

Hello, Cleveland! Thank you for that warm welcome – and thank you, Paul [Harris] for such a generous introduction. Thank you for your leadership of the City Club of Cleveland.

It's great to see so many leaders of the business and manufacturing community here today, including:

- Bill Sopko, President of Stamco Industries, and Chairman of The Ohio Manufacturers' Association;
- Eric Burkland, President of The Ohio Manufacturers' Association, who joined us last night in my hometown of Chillicothe;
- Jon Schatz, President of United Resource Logistics;
- Mike Hilton, President and CEO of Nordson Corporation;
- Walt Rosebrough [Rose-Bro], President and CEO of STERIS Corporation;
- Craig Giffi, Vice Chairman, U.S. Automotive & Industrial Products Industry Leader for Deloitte; and
- Dan Carpenter, Vice President, Global Operations & Chief Technology Officer, Household Products Division of Energizer Holdings.

And just like Dan's Energizer bunny, I could keep going and going and going. Thank you all for your support of manufacturing and the National Association of Manufacturers.

It's so wonderful to be back home in Ohio, and an honor to be with all of you here at the City Club here in Cleveland – the place where manufacturing happens.

You can't talk about where this state has been and where it's going without talking about manufacturing – because like our great and indomitable country, that story wouldn't have been possible without, well, manufacturing.

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 manufacturing in the United States was past its 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 – and that's why, once again, America is rising.

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 take manufacturing to the next level.

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 about 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 660,000 manufacturers in the Buckeye State who are building cars and producing chemicals, who are making paper, petroleum and steel and so many other products – you are responsible for 18 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.

Americans know manufacturing provides pathways to the middle class, to a stable and secure retirement and to a brighter future for every generation. 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 manufacturing faces a disproportionate share of the burden of government regulations. That doesn't just matter to CEOs and workers – it matters to every single American consumer, family, and job-seeker.

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, starting with 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.

Now, the people in this room know all too well the damage to our businesses as a result of runaway regulations—and unelected bureaucrats in Washington going beyond their mandates. Making things in the United States means complying with so many regulations, that it feels like we're Michigan running backs trying to break through the Ohio State defense. If my five-year old daughter CJ was here—she probably would lift her right index figure right now to say, "O.H.I.O. Number One." She was beaming wearing her Buckeyes cheerleader uniform last month.

But folks, federal agencies in Washington are imposing new measures that unduly increase the cost of doing business. The Administration's 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. And they say that their regulation alone could be the most expensive regulation in history.

New regulations are too often poorly designed and analyzed and inefficiently achieve their intended benefits, if they achieve them at all. The information used to conceive them—scientific and other technical data—is sometimes unreliable. Regulations are allowed to accumulate with no real incentive to evaluate or update. And many times new rules come in only one size without the needed sensitivity to their impact on small businesses.

To put the point simply, 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.

The NAM represents over 14,000 manufacturers, from multinational corporations to family businesses all along Main streets. 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 can do better. We must do better.

Let's fundamentally change the regulatory process with the goal of improving the quality of the rules issued—by bringing more openness and public access to the process and limiting the influence of special interests. Let's look for bipartisan solutions.

We have to streamline and simplify the system. We have to increase accountability. And let's favor markets and adhere to sound principles of science, risk assessment and cost-benefit analysis when regulations are necessary.

Just think how many more Ohioans manufacturers in this state could employ – how much more these manufacturers could contribute to Ohio's economy and the American economy – if they didn't have to worry about running into such a tall and wide regulatory wall.

Then, of course, there are taxes. America leads the world in a lot of ways – ways we're all proud of. But the highest corporate tax rate on Earth? That's not a distinction to brag about. It's a problem to fix.

Every business leader in the world wants access to our market. But every one of them also has to ask: what is the cost of doing business in America? Our outdated tax code is turning too many of them away and driving investors out of our country.

Corporate tax reform won't do the job alone. We also need to fix the way our tax code treats the many—two-thirds of—manufacturers who are taxed at a personal tax rate. So if you raise individual tax rates, you are raising taxes on the majority of all manufacturers. And the President's proposed punitive tax increases on investments and small businesses would stifle economic growth.

We can start meaningful and long-overdue reform by making the research and development tax credit permanent, something the President supports. And we can continue by implementing a pro-growth tax plan with lower tax rates for the manufacturers who lead our economy. The NAM's economists have found this plan would add a full percentage point to our GDP every year. That means more investment, more innovation, more jobs, more money in the paychecks of more middle-class working families.

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.

Ask the folks at Lincoln Electric, which has operations and joint ventures in 19 countries and a network that reaches 160 countries. Or the folks at Eaton, who sell their power management solutions to customers in more than 175 countries.

International trade supports hundreds of thousands of jobs in Ohio – Buckeyes who trade with customers in over 200 international markets. And 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. 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. Just take a drive through most parts of America, on roads and bridges that were built for a bygone era.

This is a challenge of our time. And we have a choice to make. Whether our nation is to be yesterday's story or tomorrow's.

We need to undertake a partnership for prosperity—between government and the private sector—to fund, for the long haul, infrastructure investments. It's a partnership that would yield a significant benefit for our people. According to an NAM study, a sustained investment in infrastructure over 15 years, will bring about 1.3 million new jobs at just the onset of new funding, a \$3 dollar return on

every dollar invested in infrastructure, GDP growth and increases in the take-home pay for all Americans.

Washington needs to get back to the basics, making sure it does the basics well, to build a lasting foundation for America's renaissance.

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 is the only realistic choice. We can make the United States energy secure and North America energy independent. Manufacturers use one-third of the energy produced in America, so this is one of those problems we have a strong interest in solving. And shale gas is just one example of an opportunity we shouldn't miss. If we develop this resource correctly, we can create a million new American jobs over the next 10 to 15 years.

Getting the job-creating Keystone XL pipeline built is another great opportunity to seize. There are no more excuses; it's time to act.

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

Manufacturers are doing our part. We're making our products and the places where they're made more energy efficient. We're leading the way on recycling and reducing waste. We're curbing greenhouse gas emissions. And we'll continue developing sustainable solutions that power our economy and create jobs here at home.

But we can't do it alone. Americans need an energy policy around which manufacturers can plan – one that incentivizes, not inhibits, innovation.

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's a popular misconception about manufacturing. People think 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 meeting with young people, like I've been doing all throughout this tour – at Purdue University, with students in Detroit – 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 relationships with 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.