

State of Manufacturing Address at Purdue University (West Lafayette, Indiana)

February 3, 2015

Hello, Boilermakers! Thank you for that warm welcome – and thank you, President Daniels for such a generous introduction. This state and this university are better for your leadership and your commitment to America's next generation of dreamers and doers, and I'm proud to call you a friend, and a friend of manufacturing.

I also want to thank Pat Kiely for being here, and for his nearly quarter-century of service as the president of the Indiana Manufacturers Association. Pat, your commitment to this state is legendary and appreciated. And it's great to see incoming IMA president Brian Burton here, as well.

Let me also recognize Kevin Brinegar, Mayor John Dennis and Mayor Tony Roswarski. And to the Dauch family – Sandy, David, and Rick – a family that is so rightfully respected on this campus – thank you for being here and for upholding Dick's esteemed legacy through your great work.

And I welcome Tom Easterday from Subaru of Indiana, who is also one of my bosses on the NAM Board; Dick Giromini of Wabash National Corporation; and Stu McMillan of Task Force Tips, another one of my bosses and a proud Purdue alum.

It's great to be in Indiana, right next to my home state of Ohio, and an honor to be with all of you here at Purdue. Nothing represents American ingenuity and innovation like this campus. You can feel it everywhere you go around here – and even as far away as the moon, where it's stamped in the shape of Boilermaker Neil Armstrong's first footprint. It's why iconic companies like General Electric are investing in Lafayette and in Purdue.

Purdue University is the kind of place that you simply can't imagine without engineering – just like you can't imagine America without manufacturing.

That's because without manufacturing, 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 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.

You see, America's success depends on manufacturing's success. That's because manufacturing is everything.

The alarm clock that annoyingly woke you up this morning. The breakfast you ate and the refrigerator that kept it fresh – that's manufacturing.

The car you drove to get here and the GPS that helped you find your way – that's manufacturing.

The Wi-Fi network you're connected to right now, the light filling this room, the seats you're sitting in, this podium I'm standing behind – manufacturing is everything.

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 about pragmatism. 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 half a million manufacturers in the Hoosier State who are building cars, computers and medical devices, paper, petroleum and steel – you are responsible for 30 percent of this state's output. And more than half of all the employment here has some connection to manufacturing.

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. Manufacturing is everything.

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. Students, 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, 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—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. Because every regulation, well-meaning or not, increases the cost of doing business.

For starters, just look at the Administration's regulatory agenda. 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. And the Environmental Protection Agency itself said that their regulation alone could be the most expensive regulation in history.

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?

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 an individual 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.

And, students, here's something else. You're getting a world class education at Purdue, but it won't matter if taxing and spending in Washington limits your opportunities. The President's budget plan will shut the doors you want to walk through.

We can start meaningful and long-overdue reform by making the research and development tax credit permanent. 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 down in Seymour, Indiana, who work at Cummins, making diesel engines. Nearly 70 percent of the engines they make are sold overseas.

International trade supports more than 750,000 jobs in Indiana – Hoosiers who trade with customers in more than 200 countries. And 85 percent of your exporters are small 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. 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. Think about this: every year we sell so much more in manufactured goods to free-trade partner countries than we buy from them – \$60 billion more. But for countries with which we don't have free trade agreements, we're running a trade deficit exceeding \$500 billion. What does that tell you?

We simply can't afford to sit this one out or cede market share to our competitors.

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. Just take a drive through most parts of America, on roads and bridges that were built for a bygone era.

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 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.

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.

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 – a claim undermined when it forces through ambush elections and other misguided rules that create tension between employers and employees where none currently exists. 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. That's why young Americans, like a lot of you here at Purdue, know the great potential of a career in manufacturing – jobs, by the way, that pay better than they ever have and better than most other industries.

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 in a room like this, 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 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.