

Remarks of

Harold McGraw III

**National Press Club
Newsmaker Event**

**Business Roundtable Priorities for
Congress and the Administration**

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Thank you, Mark, for those kind words.

And my special thanks to you and your distinguished colleagues for providing me the opportunity to speak at this prestigious venue.

As Mark mentioned, today I'm here in my capacity as Chairman of Business Roundtable. We're an association of the nation's CEOs, and we, like all Americans, have come together – Democrats and Republicans – to help find an urgent solution to this financial and economic crisis that is like no other before.

We are in uncharted waters. These are new and uncertain times, and no one can be completely certain about the outcome of actions being taken, or what may happen next.

But as President Obama said this week, the time for partisan politics has passed. We need to tone down the rhetoric, and act.

One area of significant urgency is providing aid at the state level.

Forty one states currently have budget deficits. And these deficits pose immediate threats to funding for a range of critical public health, safety, education and social services – including police officers, firefighters and teachers.

We must set aside partisan differences and work together in a positive, forward-thinking manner to get our economy moving again.

The role of the business community in achieving that goal has never been more important.

Consider just one telling statistic: The stimulus package before Congress will pump about 800 billion dollars into the economy. That is a huge number. But keep in mind that Business Roundtable's 160 member companies by ourselves generate more than *5 trillion* dollars in revenues *every year*. And we employ nearly 10 million people. Clearly, government by itself cannot get our economy moving again.

Business Roundtable and the rest of corporate America must play a central role. And we must find new ways to work together with government.

As Steve Adler, editor-in-chief of Business Week recently wrote, “The fact that smart people were wrong doesn’t mean there’s no value to business brainpower and accumulated knowledge, not to mention innovation.”

Indeed, our experience has shown that public-private partnerships can insure the greatest return on investments in economic growth.

Let me also say we can’t do this without the press. We need your help in sharing success stories and highlighting innovation.

We are here today to support completion of a targeted stimulus package and a legislative agenda focused on five priorities that are key to creating jobs and boosting consumer demand.

These priorities are:

- Education and workforce training programs;
- Tax relief for workers and consumers;
- Targeted infrastructure investment;
- A plan to revive the housing market, and
- Actions to stimulate business investment.

We’ve also been involved for quite a while in an issue now in the headlines – executive compensation.

As responsible business leaders, Business Roundtable members know that public trust is the basis of our free market system. Without it, customers will not buy and investors will not invest – and our economy will never recover.

We have worked hard to improve corporate governance. And we have long argued that executive compensation should be performance-based and closely aligned with the long-term interests of shareholders.

We also believe that compensation of the CEO and other top executives should be determined entirely by independent directors.

While reform may be needed, the best option is for directors to change bonus incentives that encourage reckless risk taking. The key is, however, we don’t want the government to become so involved in executive compensation that companies lose their incentive to take prudent business risks.

Clearly reforms also are required to ensure oversight of our increasingly complex global financial services sector, which has outgrown the regulatory process of individual governments.

We support prudent, “smart” regulatory reform for financial services that is globally consistent.

[Stimulus Package]

As I mentioned, we strongly support the quick passage of the stimulus package now before Congress. Unfortunately, as political leaders have worked on the issue, the stimulus program has been pulled in different directions, some good, some not so good.

We believe the stimulus bill should meet the criteria that Larry Summers originally set for it: it should be timely, temporary, and targeted.

We would add that it should also be “transformative,” laying the groundwork for growth and jobs that meet the requirements of a 21st Century economy.

It should be targeted in two ways.

First and foremost the stimulus must focus on jobs.

Not only have 3.6 million people lost their jobs since this recession began, but this terrible trend will continue if we fail to revive the housing market and restore consumer demand.

Second, the stimulus package must boost consumer demand.

You already know how grim the latest statistics are. Behind all these diverse and depressing numbers is one central driving fact: demand has collapsed.

Consumer demand was the driver of our economy for decades. To find a path out of today’s economic quagmire, the stimulus must jump start that demand.

We also need to make sure the stimulus package doesn’t raise protectionist barriers that would slow down much needed trade among nations. We need to understand that anything we do here in the United States will have ramifications around the world.

Now, let’s get specific about our legislative priorities.

[1. Workforce Education and Training]

First, education and workforce training.

Most of the recent discussion has centered on the size and shape of the stimulus projects. But even the best package risks failing, if America doesn't have skilled workers to fill the new jobs.

Right now American taxpayers spend billions of dollars on worker training and adjustment assistance.

We are pleased with the bipartisan, bicameral agreement announced last week to expand the current Trade Adjustment Assistance program to include workers in services industries, increase funding for training, and make health care more affordable for displaced workers.

It is unfortunate that this expansion may not be part of the stimulus bill. But it remains a top priority, as the current myriad of disparate training programs demands an overhaul.

Business Roundtable urges Congress and the Administration to focus on a range of education and training programs.

In particular, we call on our government leaders to do four things:

1. Fund green technology job training programs;
2. Expand federal dislocated worker training programs;
3. Provide a worker-training tax credit for employers; and
4. Support science and engineering research, as well as math and science education programs.

[2. Bolstering Consumer Confidence/Middle Class Tax Relief]

The second thing the stimulus should provide is tax relief to workers and consumers.

Lower taxes will bolster consumer confidence, unleash demand and create jobs.

In particular, we support

1. Permanent middle-class tax cuts;

2. Enacting a payroll tax holiday to temporarily reduce the Social Security tax rate for both employees and employers; and
3. Providing extended unemployment benefits for workers who are looking for jobs but whose regular unemployment benefits have run out.

[3. Infrastructure]

The third important component is infrastructure investment.

Business Roundtable agrees strongly with the new Administration and Congressional leaders that the economy urgently needs substantial infrastructure investments to help spur job creation.

At the same time, we know that American families want jobs and economic growth that are permanent, not temporary. And they don't want to see tax dollars wasted.

That's why we believe that any new infrastructure investments must be both broad and focused: *broad* in scope, yet *focused* on results.

Business Roundtable supports building bridges, roads and buildings. But we also believe infrastructure investments must encompass other areas that are absolutely critical to the 21st century economy – such as energy, information technology, health care and the modernization of our scientific research facilities.

Business Roundtable supports stimulus programs in four key areas:

- First, we need to encourage production of renewable sources of energy and expand access to oil, natural gas and coal resources. We need to do both; this is not an “either/or” subject.
- Second, we need to modernize the nation's electric grid.
- Third, we need to expand energy efficiency initiatives.
- And lastly, Congress and the Administration should upgrade our science research infrastructure – including federal laboratories, university research facilities, and so on.

[4. Housing]

Our next priority is the housing market.

The new Administration must take on one of the most tragic dimensions of our economic crisis: millions of Americans are in danger of losing their homes; millions more see their hopes to buy a home evaporating.

For most Americans, owning a home is their primary method for creating wealth.

Simply put, this housing crisis is affecting every other part of our economy, and consumer confidence and demand will never fully be revived until the housing market comes back to life.

That's why Business Roundtable strongly supports government action to reduce mortgage rates to 4.5% or lower.

[5. Business Investment]

Lastly, let me now turn to America's most important engine of growth and jobs – business investment.

Business Roundtable members know all too well that when the business growth engine breaks down, families pay the price. At the same time, we know that business investment boosts the economy and can help provide each generation a higher standard of living.

That's why we are calling on Congress and the Administration to remove red tape and tax impediments. Even now these are making it hard to jump start business investment. In particular:

- We need to reduce the U.S. corporate tax rate, which today is the second highest in the world, behind only Japan.
- And Congress and Administration should allow further modifications to the stringent new funding rules adopted in the 2006 Pension Protection Act.

[Looking forward]

If Congress and the Administration can agree on a stimulus package along the lines I have laid out today, I strongly believe our economy will recover.

But we also have to ask, what happens next? What kinds of changes to our policies, structures and economy must we have so we can compete, succeed and grow *throughout* the 21st Century?

In my remaining time, I'll sketch out some of the transformative changes that Business Roundtable believes are necessary.

I'll start with health care.

Business Roundtable believes there are four critical health care reform challenges:

- We need to get greater consumer value out of our health care system by using health information technology and empowering consumers with more information about good, quality health care.
- We need to create more affordable options for Americans with an open, all-inclusive private market for health insurance that would replace today's fragmented, state-by-state market with multi-state markets.
- We need to ensure that Americans take an active role in their health care – obtaining health insurance either through their employer or through the private market, and participating in prevention, wellness and chronic care programs.
- Finally, if they can't afford it, then we must offer assistance to uninsured, low-income families to meet that obligation.

For our part, the members of Business Roundtable are committed to continuing to offer health insurance coverage to our workers. We hope all employers will.

Next, energy.

As we meet here today, energy costs are down. But when the economy recovers, I guarantee they will soar again and strain the budgets of American families and businesses.

Business Roundtable is convinced American enterprise has the intellect and the drive to meet our long term energy needs.

And we can do it in ways that protect our planet with environmentally-friendly practices, while strengthening our economy and providing long-term security for our nation.

Business Roundtable believes

- We should expand access to oil and gas reserves that, because of current government policies, are off-limits. We have the technology to ensure our coastline, and the surrounding habitat, remains as pristine tomorrow as it is today.
- We should diversify our supply by focusing more on coal gasification, bio-mass and nuclear energy.
- And we should set more aggressive goals for energy efficiency. If we put our minds to it, by 2025 we could increase U.S. energy efficiency by as much as 40%.

Finally, let me turn to our workforce.

After recovery, American workers must have the skills and training the 21st century economy demands.

That's why Business Roundtable will soon be announcing the formation of THE SPRINGBOARD PROJECT.

This new commission will be composed of leading thinkers from education, business, government, foundations, labor, and the online world. Its focus will be to help prepare workers for 21st century jobs – those created by the stimulus package and those that come after.

[Conclusion: Call to action]

Earlier today, we sent all members of Congress our new action briefing book called “Effective Leadership on the World Stage: CEO Memos to Congress.” This book expands on each of the priorities I just covered, and we look forward to working with Congress and the Administration on this agenda.

The good news is that the new Administration has already provided the first thing we need to get started – hope.

In closing, we are at a historic crossroads today. Our children and our grandchildren will read about the actions we take this week and next, and history will determine if we did enough.

Business Roundtable will not be a bystander to this economic crisis.

We have two messages to Congress.

First, our economy is deteriorating faster than we had imagined possible three months ago. Swift action must be our first priority. We urge Congress to work around the clock to finalize a bill to stem the loss of jobs.

Second, success of the final bill will be determined by execution. We have a proven track record of success and innovation. We pledge to work with the President's team and the Congress to ensure the stimulus achieves its goals. The American people are skeptical of government spending. We must ensure that the work does not end with a bill signing, but with jobs being filled and projects completed in an efficient cost effective manner.

Thank you again for the opportunity to talk about the plans we believe will strengthen our economy and get us back on the track to prosperity for many years to come.

I am happy to take your questions.

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