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Detroit Economic Club
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**Thank you. I'm always glad to be back in
Michigan.**

**First the good news: It's Columbus Day – that
means in Washington, the federal government is
shut down.**

**Here in Michigan, the Detroit Shock are world
champions again, and the Lions...They almost
won a football game!**

When Beth called me about coming to the Economic Club back in August, the original title that we agreed upon, was, "New Leadership for America - What Does it Mean for U.S. Manufacturing?"

Now, that's still highly relevant and increasingly important. With the final presidential debate this Wednesday, and the election three weeks from tomorrow, America's getting ready to choose.

In January, the new president and the 111th Congress will take office. Facing them will be very difficult economic conditions.

We have a huge worldwide problem on our hands. Manufacturers were highly supportive of giving to the Secretary of Treasury, the Fed, SEC, FDIC and other regulators a comprehensive set of regulatory and financial tools to get liquidity back into the system...ensuring that manufacturers and other enterprises will have access to the capital they need to keep operating.

Watching what companies like General Motors and Ford have been going through is a clear indication of how right Senators like John McCain, Barack Obama, and Carl Levin were to support the rescue plan and how wrong Senators like Debbie Stabenow were to oppose it.

Members of Congress who voted yes deserve our appreciation and support. The process of restoring global financial stability will not be easy, and it will not happen overnight. However, if Congress had not acted, one might question whether stability could be achieved at all.

Government regulators are going to be busy with this for a long time, as will the new Congress and the Administration. Meanwhile, the job for business is to keep doing what we do best – creating wealth, making products that strengthen our economy and enhancing the quality of people’s lives.

That’s what I want to talk about today. As I thought about my remarks, I was struck by the fact that conditions here in Michigan are as serious as I’ve ever seen them.

Some of these difficulties and challenges are the result of the way the world has changed, and others – I think it's clear – result from policy directions that haven't worked out as well as hoped.

Regardless, it seems that public confidence has been shaken to the core. So this afternoon, I'm not going to spend a lot of time simply listing again the problems and challenges facing Michigan and some of its key industries.

Nor am I going to suggest there are magic cures available, or there is a quick or simple fix. Fixing what we're facing is going to be hard work and a lot of it.

I have always believed in the genius and dedication of our working men and women. They are not powerless, and we are able to act.

First, we need to begin with an accurate assessment of where we stand – the bad and the good. The good:

- **We still are the largest, most productive manufacturing economy in the world.**
- **This year, manufacturing in the United States will generate more than \$1.6 trillion in wealth.**
- **And manufacturing still employs more than 13 million Americans in jobs that pay higher than average wages.**

The bad: The housing and auto sectors have been struggling for some time, and no light appears visible at the end of the tunnel yet.

Over the last three months, the nation has lost 107,000 manufacturing jobs. Nationally, unemployment is up across the board, reaching 6.1 percent in September. And Michigan's rate is almost 50 percent higher, at 8.9 percent.

No question about it, 8.9 percent unemployment is high. A lot of families are hurting.

Sadly, in Michigan - we've seen this before. You may remember the '70s – WIN buttons, Jimmy Carter in a sweater, malaise, and the misery index.

Recovering from all of that saw Michigan's unemployment top out at 16.9 percent.

There was considerable fear in those days that Japanese manufacturers were unstoppable, but by the '90s, the Japanese economy had cooled off and entered a no-growth decade.

Hindsight argues their failure to recover quickly was due to a lack of a vigorous response to their balloon economy going pop. History needs to be remembered not so we feel better about where we are today, but rather so its lessons are learned and its mistakes not repeated.

It will come as no surprise to the Detroit Economic Club that I continue to believe strongly that getting the fundamentals right is essential to success.

The fundamentals include a better, smarter tax policy; a national energy strategy; educational accountability; a commitment to economic growth that comes from trade; and support for leadership that gets things done.

This was true in the 1980s, when government and the private sector and government cooperated and created a climate that welcomed economic growth. In those days, government action to cut taxes and reform regulations unleashed a private sector that was ready to invest and innovate.

Today, unlike the '80s, government is having to play a larger role when the public is anxious about our financial system. Unless we have confidence that our financial institutions work, that our banks are healthy, and that risk is transparent, then economic activity will be hampered.

Government has a critical role in restoring the needed confidence. When that's done, it will still be up to the private sector to create economic growth...And the jobs that will mean futures for our families.

When I was at the Economic Club in May of 2005, I talked about growth and what manufacturing requires to provide growth.

On taxes, I feel like a broken record, but the fact remains: The United States has the second highest corporate tax rate in the world, and the rest of the world is leaving us behind.

A new report from the OECD shows that nine of the 30 industrialized nations had lower corporate tax rates in 2008 than in 2007, including Canada, Germany, New Zealand, Spain, the United Kingdom, Italy, Switzerland and the Czech Republic.

Within the last year, Germany cut its corporate rate from 38.9 percent to 30.2 percent – going from the third-highest overall rate in the world to the seventh-highest. We stood still.

But when we stand still, and everyone else moves ahead, we fall behind.

A popular definition of globalization is this:

Competing with everyone from everywhere, for everything – all the time. Sort of like the Olympics for manufacturing, except we don't get four years off between games.

When political candidates or elected officials denounce companies that “outsource jobs overseas,” well, the truth is, that may be a competitive necessity. It is a great slogan to say let’s keep it Made in America but when more than 6 billion of our customers live outside the United States...We may want to go after their business.

For example, General Motors is No. 1 in Brazil, Ford is strong in Europe, GM is strong in China – all because we invest outside the United States.

That strength is critical today – because despite overseas profits the domestic industry is struggling at home. As our auto executives told Speaker Pelosi in a letter recently, the factors affecting auto sales “have the potential to severely impact tens of thousands of employees and have a lasting effect on industrial production in the United States.”

The threat to the U.S. economy is so acute that the Congress promised last year, as they were toughening environmental requirements and raising CAFE standards, that they would help provide financial assistance in the form of low-interest loans to meet the expense of compliance.

Again, the National Association of Manufacturers thought it critical to support this investment in our manufacturing economy, and now that the \$25 billion has been approved, it is imperative that the loans be executed promptly.

I was alarmed last week to read that the Department of Energy thinks it may take months to work out the loan details. This is the same department that took more than two years to implement loan guarantees for the nuclear power industry and then failed to get them right. GM, Ford and Chrysler need help now.

So, today, I call on the White House to intervene and ensure that these loans are processed promptly. Look at the treatment of General Motors and Ford in the markets last week – rising bond yields and plummeting stock prices are ominous

signs. It's not a time for meetings; it is a time for action.

If the Energy Department can't work through the weekend and get this done, then they need to stand aside and let the Treasury Department take the lead.

Led by the bipartisan efforts of the Michigan delegation, the \$25 billion loan to the auto industry represents a commitment to a key industry that affects the jobs of millions of American manufacturing workers.

For political and elected officials more work remains to be done. Loans will be helpful – but loans with the right policies are even better.

On my list:

- **We must cut the very high corporate tax rate.**
- **I believe that when General Motors earns money in Brazil or China they ought to be able to bring that money back home to the**

United States. The Treasury department has now said you can loan your foreign earnings to yourself for up to 60 days at a time three times a year, without subjecting them to the high U.S. tax rate.

- A couple of years ago we had a tax holiday that let companies bring foreign earnings home at a much lower tax rate. More than \$300 billion of earnings came back home to the US. Our policy should encourage bringing**

earnings home, so what's wrong with having a permanent lower tax rate?

- **While we're at it, since our companies are global, along with their money, I believe they ought to be able to recruit the best talent in the world to work in their headquarters and research labs here. That requires immigration and visa reforms.**

- **Back in 2005, when I last came here, I called for a comprehensive energy strategy for our nation. It's 2008, we no longer have a moratorium on offshore drilling, but we still do not have a strategy. We need more domestic exploration and production, and we need to stop spending \$700 billion buying energy from around the world, including from nations who do not wish us well.**

- **We need a resurgent nuclear power industry in America. Manufacturers use a third of the nation's electricity, and the Chevy Volt is going to require what? Even more electricity. Nuclear power is safe and will create thousands of jobs. We need to get started.**
- **We need a permanent R&D tax credit, and it needs to be more generous and more competitive with those around the world, and we need it now.**

- **We need to fix our aging infrastructure and tackle problems like rail bottleneck around Chicago, antiquated air traffic control, better border crossings like a U.S.-Canada bridge.**

- **Everything I'm talking about means more innovation. Good schools and great science, technology, engineering and math programs – the federal investment has been increased but we need to do even more...In Washington and in every state that wants to lead in the innovation economy.**

Who sits in the White House matters when it comes to many of these policies. It matters, too, who represents Michigan in Congress.

On key issues, like the \$25 billion loan, the Michigan congressional delegation has put politics aside and worked across the aisle, unanimously, to get the right result.

One of the strengths that Michigan's congressional delegation has is its seniority, and I

want to commend the dean of the delegation, Chairman John Dingell on the leadership he's provided, not only on the auto loan but also in the climate debate. No debate may matter more to the auto industry than this one in the coming years.

Last week Chairman Dingell and Congressman Rick Boucher released a 460-page draft bill that should form the basis for debate in Congress next year. Already, the Dingell bill is under attack from environmental extremists and those who hate the auto industry.

One of the priorities of the Michigan congressional delegation has to be to strongly support Chairman Dingell, who is reported to be under pressure today from the Speaker of the House, who has a unique San Francisco view of the auto industry.

Such a view is very comfortable with the concept that California or any other state should be allowed to set its own emissions or mileage standards – a rather expensive proposition for an industry that’s already struggling.

To get her way, the Speaker is privately signaling that she wants members like Congressmen Ed Markey or Henry Waxman to take the lead on the climate debate.

Chairman Dingell has 50 years of experience. He understands the auto industry. He knows what is needed if we are to save thousands of jobs.

Compare that to Congressman Markey, who is always accusing the auto industry of bad faith.

The Massachusetts Democrat said last year:

“Innovations such as the plug-in hybrids should not have been sitting on the shelf for so long. After all, this isn’t rocket science; it is auto mechanics.”

Maybe somebody should tell the Member from Massachusetts that today’s car has more technology in it than the first rocket that went to the moon.

With an attitude like that, it's clear the Michigan delegation needs to stand united in support of Chairman Dingell.

I've talked a lot about the Washington agenda, and perhaps some of your questions will touch on other topics I haven't covered, such as trade.

Let me close with a few comments about Michigan because it is difficult to read stories as I read on the front page of the Washington Post on Friday, which recounts the human toll and the

**community and governmental impacts of
Michigan's ongoing economic crisis.**

**While our governor continues to blame
Michigan's woes on globalization – which is
similar to the Lions blaming the NFL for their poor
performance – the fact remains there is much
Michigan can do and needs to do.**

Let's start with accountability – at every level, in all programs. Education...It is the largest – let's start there:

- **Every child in school.**
- **Daily attendance. Zero dropouts.**
- **Graduates ready for college without needing remediation, or,**
- **Ready to enter the workforce or military with skills that are measured or certified.**

Around the Great Lakes, look at Indiana under Governor Daniels or Wisconsin under Governor Doyle.

Indiana, with the help of Cummins, is marrying Ivy Tech, the statewide community college network, to the K-12 system....Wisconsin, with the help of Harley-Davidson, is launching a statewide certification system to teach skills and to verify them with credentials.

Accountability on budgets: Governors in Virginia and Maryland are balancing budgets by making tough decisions. That same Washington Post paper reported on these states and their early responses to fiscal problems.

Perhaps one difference between those four states and Michigan – and one difference between Michigan in Lansing and Michigan in Washington – is seniority and experience.

The Michigan congressional delegation is one of the most senior delegations in Washington. There is great value in their years of experience and legislative know-how.

If you look at the federal financial rescue legislation, you'll see that freshmen legislators – especially those in contested seats – voted overwhelmingly no. It took people with perspective and experience to cast one of the most important votes they've ever been required to cast.

The lesson for Michigan is this: Michigan has to modify the current term limits law. Inexperience in the legislative branch has resulted in a government often unable to respond to inexperience in the executive branch. When that happens, Michigan suffers. The fiasco over Michigan's taxation system was embarrassing to watch...But worse, it hurt many, many job providers.

Michigan citizens need to come together, regardless of party and agree that the experiment approved in 1992 to limit members of the House

of Representatives to no more than six years of service – six years in their lifetime – has failed.

The chaos that has surrounded Michigan fiscal management on the tax and spending matters in recent years has had consequences.

It's resulted in rankings like CNBC's "Top States for Business," which listed Michigan as 40th.

It's also meant a lot of missed opportunities. Just as we are restructuring and re-engineering entire sectors of the economy, so too must government face hard questions about its priorities.

And let me be clear, I'm not talking about the phony restructuring contained in a politically motivated constitutional amendment targeted specific members of the judiciary or certain legislators in the House or Senate.

I believe accountability demands a system wide, top-to-bottom review. The availability of technology in the 21st century offers possibilities not even imagined as recently as 1961 and '62,

when the current Michigan Constitution was written.

Today, accountability and transparency are as essential to government at all levels as they will be to our financial institutions in the aftermath of our current crisis.

One branch of government that has been impressive in the deployment of technology is Michigan's judicial branch. Today, all decisions and orders of the court at nearly every level are quickly available online for all to read.

The current Supreme Court has been together for 10 years and today is recognized as one of the most outstanding Supreme Courts in the nation. Continuity and experience have certainly enhanced their effectiveness.

There are times – like now – where it seems the challenges we face are so overwhelming as to be impossible. I think it was George Will some years ago who articulated the “first rule of holes.” It’s real simple: If you’re in a hole and trying to get out, stop digging.

Well, Michigan is in a hole, and we do face very difficult challenges, and business as usual is unacceptable. It’s time to pull together, set some clear priorities, and get busy.

Michigan leaders faced the global challenges of the 20th Century, two world wars, the Cold War, a depression in the '30s and stagflation in the '70s, all the while helping to build the greatest nation the world has ever seen.

The 21st Century will not have national security or economic security without a strong manufacturing economy. Michigan must help lead the way, right here, right now.

Thank you.