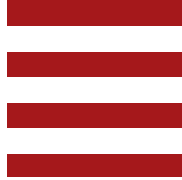




As Prepared for Delivery



The State of **AMERICAN BUSINESS 2016**

Thomas J. Donohue

President and CEO
U.S. Chamber of Commerce



U.S. CHAMBER OF COMMERCE



U.S. CHAMBER OF COMMERCE

"U.S. CHAMBER" and "U.S. CHAMBER OF COMMERCE" are registered trademarks of the Chamber of Commerce of the United States of America.

The State of **AMERICAN BUSINESS 2016**

Thomas J. Donohue

President and CEO
U.S. Chamber of Commerce



U.S. CHAMBER OF COMMERCE

As Prepared for Delivery

The Economic Outlook

Thank you very much, and good morning ladies and gentlemen.

Two days ago President Obama gave us his views on the State of the Union. Like any president would, he put the best possible face on the country's economic performance under his stewardship.

What I'd like to do this morning is look at how our economy and our country are doing through the eyes of America's businesspeople. The reality *they* see is a little different than the picture portrayed by our political leaders in Washington, D.C.

They see an economy with some strengths but many weaknesses. They see a country with a huge upside potential but with many downside risks. They see an America that is stuck in the worst economic recovery since the Great Depression, with little forward momentum or dynamism. And they know we could be doing much, much better than we are today.

Businesses see an economy with some strengths but many weaknesses. They see a country with a huge upside potential but with many downside risks.

Corporate profits peaked some quarters ago. Capital expenditures are down relative to prior years. New small businesses are forming at the lowest rate in many years. They can't find the capital. For those that have capital, there is little reason to make big new investments. The demand at home and especially abroad just isn't there.

For companies depending on exports, the strong dollar and weak growth abroad make them less competitive. For companies *and* countries that depend on the production, sale, and movement of energy and commodities,

they saw the bottom drop out of prices last year. How much lower will prices go this year?

Most of our businesses would like nothing better than to pay their employees more, hire more of them, and provide better benefits. But the current economy and current government policies are making that very difficult.

Just one example: Compliance with Obamacare is costing companies a fortune and is significantly driving up health care costs.

When you add together Americans who can't find jobs, who can't find full-time work, or who have given up looking, we're talking about nearly 10% of American workers. Meanwhile, the workforce participation rate is at a four-decade low. That, plus the failure of Congress to pass commonsense immigration reform, means that we not only have people without jobs—we have jobs without people.

Regulations and Mandates

The current administration is on a regulatory tear—and this will continue until the day the moving van backs up to the door of the White House next January.

I can tell you that businesspeople at companies large and small wake up each morning and wonder what the government is going to do to them today.

The current administration is on a regulatory tear—and this will continue until the day the moving van backs up to the door of the White House next January. It has unleashed a runaway EPA that is stretching the law—and in some cases breaking it—in order to assume control over local economic development across America.

The administration has given us a Labor Department and an NLRB that are against America's job creators—and in favor of their union benefactors who now represent just 6.6% of the private workforce.

And so many regulators have been turned loose on our financial sector that banks have been distracted from their principal purpose—to provide the credit and services that enable our businesses to grow and our entrepreneurs to thrive.

So many regulators have been turned loose on our financial sector that banks have been distracted from their principal purpose—to provide the credit and services that enable our businesses to grow and our entrepreneurs to thrive.

It's not just the federal government that concerns the business community. State and local governments are piling new mandates, taxes, and costs onto the backs of the private sector. We have an abusive enforcement system at the federal level and in many states that is extorting billions of dollars from companies with little or no due process.

Meanwhile, governments at all levels are accumulating massive levels of debt and unfunded pension and entitlement liabilities. One day, unless there is reform, this whole house of cards will collapse.

The International Scene

Let's look for a moment beyond the shores of our own country. Our key trading partners are struggling.

Europe—our largest trading partner—is barely keeping its head above water. Japan is stagnant. Brazil and Venezuela are flirting with potential depressions.

There are more geopolitical hot spots than any of us can remember in our lifetimes. Add to that the threat of major terrorist attacks that could happen anytime, anyplace.

The biggest question mark is China. Global markets have already been roiled by the prospect of a reduction in China's growth from its usually heady heights down to 4%, 5%, or 6%. Who says China can never have a recession of its own? This is a huge uncertainty for the global economy. And it could also impact internal Chinese stability and regional geopolitics.

Speaking of geopolitics: Business executives and owners read the same headlines as everyone else. From the Mideast to Russia and Eastern Europe to the South China Sea to North Korea, there are more geopolitical hot spots than any of us can remember in our lifetimes. Which one will flare up tomorrow and disrupt economies, markets, consumer confidence, travel, and supply chains?

Add to that the threat of major terrorist attacks that could happen anytime, anyplace. A non-state terrorist group like ISIS has seized large swaths of territory, controls significant energy resources, and recruits and communicates through a sophisticated social media strategy.

Then there are the many threats to our cybersecurity, which have the potential to shut down companies, our critical infrastructure, and our way of life. Businesses and governments are already spending billions of dollars to try to shore up the defenses of our cyber systems. But everyone knows they are still vulnerable.

Political Uncertainty

And finally we come to election-year politics. We're in the middle of the most surprising and perplexing presidential campaign in modern history.

I used to call the lead-up to a big national election "the silly season." But given some of the rhetoric and proposals we're hearing from both parties, it's not silly—it's damn serious and sometimes a little scary.

We're in the middle of the most surprising and perplexing presidential campaign in modern history.

On one side we have candidates promising to double down on the current administration's policies—more spending, more entitlements, more taxing, and more regulating. I guess they figure that if something isn't

working, just do more of it. Does that make any sense?

And on the other side there are voices—sometimes very loud voices—who talk about walling off America from talent and trade and who are attacking whole groups of people based not on their conduct but on their ethnicity or religion. This is morally wrong and politically stupid.

What business wants to see in this campaign is a long overdue focus on economic growth. Growing the economic pie is the only realistic way to create jobs, lift incomes, reduce inequality, and expand opportunities for all Americans.

And you know what? That's what the vast majority of voters want to hear about too—jobs, growth, and opportunity.

So when you add it all up, the state of American business in 2016 is filled with uncertainty, risks, and challenges. Our businesses and job

creators are facing extraordinary political and geopolitical uncertainty ... economic weakness at home and especially abroad ... and massive new regulatory burdens pouring out of Washington.

Our country's unmatched potential and talent are going untapped. Millions of unemployed or underemployed Americans are sitting on the sidelines. For their sake and ours, we've got to get them back on the field.

The state of American business in 2016 is filled with uncertainty, risks, and challenges.

It may be that the coming year looks a lot like the last 6½ years—tepid growth of around 2%. But the downside risks are many, and the upside factors are few. And while the Chamber is not forecasting a recession—despite the many domestic and international difficulties—the last time we checked no one had repealed the business cycle. The current weak recovery is getting a little long in the tooth.

Prospects for Progress in 2016

Don't get me wrong. While it is natural for business leaders to worry about the markets in which they must operate, my Irish heritage means I am optimistic about the future of our country. We have tremendous capacities, talents, resources, opportunities, and freedoms that are simply unmatched anywhere on earth.

I am optimistic about the future of our country. We have tremendous capacities, talents, resources, opportunities, and freedoms that are simply unmatched anywhere on earth.

But a positive future will not come automatically. It will not happen through divine intervention. We must work for it. We must earn it.

How do we do that? We can't wave away all the factors that are holding our economy back or eliminate all uncertainty. But we *can* fix bad policies and remove impediments—in order to spur investment, jobs, growth, and opportunity.

At the Chamber, we follow some 300 important issues on an ongoing basis—and we'll continue to do so. But this year we are going to put our greatest effort behind a handful of key initiatives where we can make the greatest difference and the most progress. I'll lay them out for you in just a moment.

Some may ask whether the business community can expect to see any progress in Washington this year. The honest answer is not as much as we would like—but more than you may expect.

What happened in 2015 is instructive. A year ago, many commentators said that the government was too divided to get much done. The Chamber and others ignored their prediction and proved them wrong.

Working with others, we successfully advocated for Trade Promotion Authority, an end to the outmoded oil export ban, a multiyear transportation bill, reauthorization of the Ex-Im Bank, a new education reform bill, the permanent extension of several tax provisions and multiyear extensions of many others, historic permitting reform to speed up projects, and critical cybersecurity legislation.

And let's not forget that most of these victories enjoyed strong bipartisan support—and *that's* been a long time coming.

I know how fashionable it is to always beat up on Washington. But the fact is that Republicans, Democrats, our new House Speaker Paul Ryan, Senate Leader Mitch McConnell, and President Obama all deserve some credit for the progress that was made, especially at the end of 2015.

Electing the Right Candidates

So what areas are we going to focus on most aggressively this year?

First, at the tip of the spear, is politics. In 2016, the Chamber will work in key states and districts to elect candidates who understand that it's the private sector, not government, that creates jobs and prosperity—and that the overriding goal must be to *expand* the economic pie, not simply redistribute it.

In 2016, the Chamber will work to elect candidates who understand that it's the private sector, not government, that creates jobs and prosperity.

Working in close partnership with state and local chambers, we'll back pro-growth candidates in upcoming primaries and in the general election. The Chamber's Institute for Legal Reform will engage in an aggressive voter

education program in state Supreme Court and attorney general races.

If candidates choose to beat up on business, they're going to hear from us.

Our goal is clear and our approach is simple: to protect the gains we made in the House and Senate in 2014 by backing candidates who support pro-growth policies and a free enterprise system and who want to come to Washington to govern and not just shut the place down.

And while we will not be participating in the presidential race, we will weigh in on presidential policy proposals. If candidates choose to beat up on business, they're going to hear from us.

Controlling the Regulatory State

We're going to vigorously challenge the vast regulatory state and work to reform the regulatory system itself.

We're going to vigorously challenge the vast regulatory state and work to reform the regulatory system itself.

The administration has already put business on notice that it's going for broke on regulations and executive orders in 2016—Congress and economic growth be damned. In its final year, the administration plans to issue new

or final rules that would restrict legal arbitration, create new and unworkable rules governing overtime pay, further regulate financial advisors, limit methane emissions from oil and gas drilling, and add incredible complexities to our federal procurement process.

This is on top of the massive number of rules already choking the economy, including Obamacare, a raft of EPA measures, and Dodd-Frank—a third of whose regulations have yet to be finalized.

We'll be employing all of our tools to challenge overregulation—working in the agencies, working with Congress through the appropriations process and the Congressional Review Act, and going to court.

On Obamacare we're going to push for more commonsense changes and work to preserve the employer-based system that is the bedrock of American health care. We'll work to fully and permanently repeal the Cadillac tax, the health insurance tax, and the medical device tax. We'll seek further targeted improvements to Obamacare, with the hope that major health care reforms will be considered in 2017.

On financial regulation, the Chamber called for major regulatory reform even before the crisis. However, what we got instead in Dodd-Frank

was an expansion of the maze of regulators and often conflicting regulations. It's astounding that Dodd-Frank champions like Senator Elizabeth Warren believe that the law must never be changed or refined. Do they really believe they achieved absolute perfection in a 2,300-page bill the first time around? We'll continue to work to fix the provisions that the law got wrong, add the provisions that the law left out, and replace the provisions that just don't work.

We're going to support reforms to the Consumer Financial Protection Bureau while insisting that it goes through normal processes to make rules.

Passage of the Regulatory Accountability Act would ensure that regulations costing over a billion dollars would be narrowly tailored, supported by credible data and evidence, and impose the least possible burden.

We will also place a particular focus on the Department of Labor's flawed fiduciary rule. This rule could actually limit small businesses' access to retirement services or lock them out of the retirement market altogether.

system itself. The permit streamlining bill passed at the end of last year is a major step forward. It will help speed up projects without compromising safety.

We're also working to modernize the regulatory

Passage of the Regulatory Accountability Act will be key to our efforts. It would ensure that regulations costing over a billion dollars would be narrowly tailored, supported by credible data and evidence, and impose the least possible burden while still implementing congressional intent.

The regulatory challenges we face are not just national—they are global. For example, no sector holds as much promise for America's

future than technology. Yet today our technology companies are facing a host of regulatory battles across the country and around the world. We must not allow the strong arms of government to put a choke hold on American technology and innovation.

Legal Reform and Advocacy in the Courts

One of the chief ways we're going to push back on some regulations is through courtroom advocacy. You can be sure that our Litigation Center will be busier than ever in the final year of this administration. Our law firm is already challenging the so-called Clean Power Plan, the Waters of the U.S. rule, and the administration's new ozone rule. There will be others.

You can be sure that our Litigation Center will be busier than ever in the final year of this administration.

Our Litigation Center will also be very active in dozens of Supreme Court, appellate court, and state court cases, with a special focus on curbing class action abuses and reining in irresponsible regulators. We were pleased that the Supreme Court appeared less willing to defer to the

legal interpretations of executive agencies like the IRS, the Equal Employment Opportunity Commission, and EPA.

Our Institute for Legal Reform will work to remove barriers to growth by pursuing legal reform at the state and federal levels. We will push back on an abusive enforcement system and on a trial bar that sees in every new regulation a multitude of new opportunities to sue American companies.

Expanding American Trade

In addition to politics and regulations, another key focus of the Chamber in 2016 is trade.

We scored some big wins on trade in 2015. The Chamber and its allies helped win a huge fight over Trade Promotion Authority. We successfully advocated for a major expansion of the 50-nation Information Technology Agreement that will end tariffs on \$1.3 trillion worth of IT products.

We were a leading supporter of removing barriers to trade and travel with Cuba, and it's gratifying to see that effort finally bearing fruit.

This year the Chamber will build on these successes by vigorously supporting the Trans-Pacific Partnership agreement. As we build support for the agreement, we will also be encouraging the administration to work with Congress to address legitimate concerns expressed by industry and legislators about some aspects of the deal.

The Chamber will vigorously support the Trans-Pacific Partnership agreement, while encouraging the administration to work with Congress to address legitimate concerns expressed by industry and legislators.

We will also continue to push for another potentially historic agreement, the Transatlantic Trade and Investment Partnership with the EU. Both sides recently agreed to speed up the negotiations. Amen.

We're also working on a Trade in Services Agreement and pursuing bilateral investment treaties with China and India. And we're urging

the Senate to pass the Customs reauthorization bill and get it to the president's desk as quickly as possible.

Given the weakness in global demand, we must do everything possible to remove trade barriers, form new commercial partnerships, and aggressively market American goods and services in traditional and nontraditional markets.

The Chamber is uniquely qualified to help American companies expand their markets and fill their order books. We run 12 bilateral business councils and maintain a network of 117 American Chambers abroad. We're establishing new overseas offices in places like Turkey and Israel. We're developing new bilateral councils with countries like Cuba, and we lead high-level commercial dialogues with China, Mexico, and now Saudi Arabia. And we've just launched a new Africa Business Center.

We can never forget that 95% of the world's customers live outside the United States and nearly 40 million American jobs depend on trade. We could create millions more if we advance more pro-growth trade measures.

Expanding American Energy

Expanding America's energy supply is another priority where progress can and must be made. We can and should be developing *all* kinds of energy and discriminating against none.

America can and should be developing *all* kinds of energy and discriminating against none. Unleashing the power of our own energy will put our economy on a much stronger footing.

We have untold amounts of American oil and gas, and unleashing the power of our own energy will put our economy on a much stronger footing. As I mentioned, Congress took a major step forward by lifting the ban on exporting U.S. oil.

While prices will inevitably go up and down, we can count on the world's long-term need for energy to dramatically increase. America is now in the position of supplying countries with the energy they need instead of importing it from nations that use their energy as leverage.

The Chamber supports reasonable actions to deal with all environmental challenges, but the focus ought to be on what's proven to work.

By responsibly expanding production on federal lands, we can ensure that we have the energy we need to meet the needs of a growing economy and put folks back to work.

We want to expand emissions-free sources like nuclear and renewables and press for greater gains in energy efficiency. But we must end the regulatory assault on coal, which will be an integral part of America and the world's energy mix for decades to come.

It's hard to have a discussion about energy these days without mentioning climate change. The Chamber supports reasonable actions to deal with this and all environmental challenges. But the focus ought to be on what's proven to work.

Remember, the United States was the only country to meet the targets laid out years ago in the Kyoto accord, even though our country didn't even sign it. How? Through technology, efficiency, alternatives, and the cleaner use of traditional resources. Let's build on what works and reject unproven schemes that would put the government in charge of our daily energy use and choices.

Advancing Entitlement Reform

Now let me dare to go where most politicians fear to tread: The Chamber is going to bang the drum loudly throughout 2016 and beyond on the urgent need for entitlement reform.

The Chamber is going to bang the drum loudly throughout 2016 and beyond on the urgent need for entitlement reform.

Americans should think hard about this question: Who are the true champions of entitlement programs like Social Security, Medicare, and Medicaid? Those arguing for absolutely no changes—except to increase benefits—or those who support constructive reforms in

order to protect and sustain these benefits?

If we do nothing, Social Security and Medicare will become insolvent—and sooner than you may think. Neither of them will be able to pay full benefits in 20 years. Why? Because 10,000 baby boomers are retiring every day—and will do so for years to come.

If lawmakers make commonsense changes soon, we can ensure that the nation's social safety net remains intact for future generations.

By 2025, these programs—along with interest on the debt—will gobble up 77% of all federal spending. Without reform, there will be next to nothing left for other important national priorities like education and national defense.

But if we make commonsense changes soon, we can ensure that the nation's social safety net remains intact for future generations.

Pundits and the political class are quick to dismiss the idea that anything can get done on entitlements. However, we're somewhat encouraged by the "doc-fix" agreement reached last year, the first significant entitlement reform in two decades.

It's this simple: There can be no solution to the nation's long-term fiscal imbalances and our exploding national debt that does not involve reforming Social Security and Medicare, and for state budgets, Medicaid.

This is perhaps the most predictable crisis in American history. Shame on our government and shame on all of us if we don't make it an absolute priority for reform—in both parties.

The Great Economic Debate

Ladies and gentlemen, the fundamental question facing us today comes down to this: How do we accelerate our growth and strengthen our economy so that it creates more jobs, rising incomes, and more opportunities for every American?

That's why we are supporting these policies and ideas. Not just to help business but to help the country. During its more than 100-year history, the Chamber and the business community it represents have stepped up to help the nation in times of great need.

The Chamber and the business community it represents have stepped up to help the nation in times of great need.

We did it by marshaling the vast resources of the private sector to help win two world wars and the Cold War. We did it by advancing pro-growth policies that created the strongest economy the world has ever known. We did it by supporting a strong national defense and

principled American leadership around the world. We did it through

technological innovation and strong protection of intellectual property rights that set the pace for the rest of the world.

We want America to be as good as we know it can be. We want all Americans to have a genuine chance to thrive and succeed.

We continue to do these things today—by helping our government fight cyberattacks and terrorism; by supporting our armed forces on active duty and our veterans and their spouses; and by projecting American ideals like free enterprise and the rule of law around the globe.

We want America to be as good as we know it can be. We want all Americans to have a genuine chance to thrive and succeed. We want policymakers and citizens alike to understand that a growing economy represents true compassion. How else could we ever hope to pay for a strong social safety net for the poor, the sick, and the elderly?

The Chamber is going to respond to the growing attacks on our free enterprise system and American business by folks on the left and the right.

In fact, it is the private sector that pays most of the bills in our society—for the schools, a clean environment, and a strong national defense.

We're having more than just an election in 2016. We're having a big debate over our nation's economic future—and the Chamber is going to be right in the middle of it.

We're going to respond to the growing attacks on our free enterprise system and American business by folks on the left and the right. The left tells us that our economy is hopelessly rigged and that the only reason some Americans are doing well is because they have managed to rip off other Americans. Their solution is to put politicians in charge

of the economy. How has that worked out wherever it has been tried?

From the right we hear charges of crony capitalism—the notion that government spends all day every day figuring out how to help business. Really? That’s not the Washington I know, and I’ve been here a long time.

It’s time to recognize that business *can* be that sturdy horse pulling the whole cart forward. Just give us a chance to show the American people what we can do.

We’re even seeing a dangerous effort to silence the voice of business, to demonize and even criminalize different viewpoints, and to actually rewrite the First Amendment of the Constitution. I don’t use this phrase very often, but that’s just plain un-American.

If we succumb to the demands of political correctness—rewriting our history, airbrushing the past, or censoring views that make us uncomfortable—then how can we learn from our mistakes and build on our successes?

Winston Churchill—who seemed to understand America better than many of our own citizens—once said: “Some regard private enterprise as if it were a predatory tiger to be shot. Others look upon it as a cow that they can milk. Only a handful see it for what it really is—the strong horse that pulls the whole cart.”

Ladies and gentlemen, private enterprise has been shot at enough. And it has been milked unmercifully. It’s time to recognize that business *can* be that sturdy horse pulling the whole cart forward. Just give us a chance to show the American people what we can do.

Today, Americans are hungering for leadership across all institutions and sectors of our society

Leadership that understands that a vibrant private sector working in a free enterprise system built the greatest economy on earth ...

The state of the American economy may be risky and uncertain, but our future is not. It's bright—*if we pursue the right priorities and policies.*

Leadership that knows we're the envy of the world because we reward innovation and individual initiative ...

Leadership that celebrates success and does not attack it ... that embraces the

principles of personal responsibility, limited government, and the right to take a rational risk, fail, and succeed ...

Leadership that believes that business is not the problem but a big part of the solution.

This is a challenging and uncertain time for America. We must reject the notion that government has all the answers or that we can isolate ourselves from people, trade, ideas, capital, and responsibilities across the globe.

The state of the American economy may be risky and uncertain, but our future is not. It's bright—*if we pursue the right priorities and policies.*

In the coming year and beyond, we're going to do everything we possibly can to win the policies that will create jobs, foster growth, and expand opportunity for every community and every American.

Most important of all, we want all of our children and grandchildren to know that we have *not* forsaken them. We are determined that they will know an America that is stronger, more prosperous, more confident, and more hopeful than ever before.

It *can* be done. Thank you very much.



U.S. CHAMBER OF COMMERCE

1615 H Street, NW | Washington, DC 20062
www.uschamber.com