GENERAL ELECTRIC'S CEO JEFFREY IMMELT – "A BLUEPRINT FOR COMPETITIVENESS"

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DAVID RUBENSTEIN: Welcome, members of The Economic Club of Washington, and our guests. Welcome to this luncheon at the Mandarin Oriental in Washington, DC.

We're very honored today to have as our special guest Jeff Immelt, the chairman and CEO of the General Electric Company. As I think all of you probably know, General Electric is one of the most enduring companies in the world. It was actually founded by Thomas Edison and was one of the 12 original companies in the Dow Jones Index and is the only company from the original 12 that is still in the Dow Jones Industrial Index. It's a company that today employs about 287,000 individuals around the world, and has a market capitalization of over $200 billion. It's an iconic American company and it's now led by Jeff Immelt.

Jeff Immelt took over on September the 7th in 2001, shortly before 9/11. Prior to taking over as CEO, he had run the medical systems division at GE and had been at GE since he graduated from Harvard Business School in 1982. He had – before Harvard Business School – spent 2 years at Procter & Gamble in his hometown of Cincinnati where, as is probably well known, his officemate was Steve Ballmer, who later went on to run another company that people have heard of, Microsoft. And they became very good friends at that time.

Jeff went to Dartmouth where he graduated 1978. He was a football player at Dartmouth and also an applied mathematics major. His father had spent about 40-some years at General Electric in the aircraft division.

Jeff has become very well known around the world for the job he's done in the 10 years he's been leading GE. But he has also become very well known for some of his responsibilities outside of GE. As I think most people know, he has been selected by the President of the United States recently to the chair the Council on Jobs and Competitiveness, which he is now doing. So it's my honor to introduce the CEO of General Electric, Jeff Immelt. [Applause.]

JEFF IMMELT: Thank you. Good afternoon. What I really want to do today is talk to you about how free markets and capitalism, I think, can still be a foundation for competitiveness and job growth in the 21st century. I'm an avid reader. And Douglas MacArthur once said that "there is no security on Earth; there is only opportunity." And I can tell you, after leading GE for a decade, those words are true.

We finished the last century at peace, victorious in the Cold War, unprecedented prosperity and really full of confidence that our assumptions in the 1990s would carry forward into a new century. And then we went through the bubble-bursting, that recession. Our country was attacked. Two wars began. A devastating hurricane nearly destroyed New Orleans. New economic powers grew in the world. A global financial crisis plunged us into the worst recession since the Great Depression. Last year, we had oil uncapped in the gulf for 3 months. And recently, there was a devastating earthquake and nuclear crisis in Japan.

Now, with all that, the economy we face in 2011 is getting better. We see signs of growing strength every day. Demand for products and loans are growing. The global markets remain strong. Deal activity is robust. And corporate borrowers are more optimistic.

But it's hard to take encouragement from all those signs if you've lost a job, if your mortgage is underwater, and if your income opportunities seem stagnant compared to those who are better off. So the global economy – and I've written about this and talked about this a lot – the global economy really has been reset. And in this reset world, we still do have opportunities to succeed beyond the achievements of previous generations.

Business can lead the American renewal. I think in many ways American business is in pretty good shape. Our productivity is high. The information technology industry is strong. And we still have some of the global leaders in important industries like aviation.

But we still have to rid ourselves of a few fallacies of the past. I'll recap just a few lessons that I think we've learned. We have to have a balanced economy built on both services and manufacturing. A trillion-dollar trade deficit is inconsistent with strength and success. We have to export more, innovate more, and manufacture more. We've got to save more and use leverage in moderation. Huge budget deficits create weakness and uncertainty in the future. And we all must care about inequality and unemployment.

Upon reflection, you know, what we call the good old days just weren't as good as they seemed. Excess leverage did create a little bit of a growth mirage in the 1990s and 2000s. And today, we have to fight again for our competitiveness and our reputation.

We have to win in a new economic cycle where growth is happening at multiple speeds. Developing markets like Brazil and China are experiencing fast growth, while much of the developed world is dealing with a sluggish rebound and fiscal constraints. China, unlike Japan before it, will be sustained as an economic powerhouse. And globally, governments are more active as they grapple with problems ranging from high unemployment to health care inflation to crumbling infrastructure.

Volatility has become a way of life. Commodity costs are increasing as the economy recovers. Geopolitical risk is also on the rise. Disruption in countries like Egypt and Libya can now shake the global markets. And for the first time in 2,500 years, global business leaders actually think about Greece.

So classic economic cycles have become shorter and more segmented; long-term growth will be interrupted by short-term volatility like we see today. I just think we're going to have to get used to massive new and great opportunities with just more volatility. Companies are going to have to invest to grow, while staying fast and productive.

It's a turbulent time. And I think when people lose confidence in their future, they're prone to act on fears and not their hopes. And I think we've begun a great debate in boardrooms and state capitols and government, which is really a great debate for this country. It's how do we compete? How do we create new jobs? And how do we win in this new economic era?

I think in modern times, companies have to serve two roles. We have to drive economic growth. But we also have to be a force for change. And GE tries to do both. We have not been immune as a company to the forces that rocked the world. But we're a resilient company. And we have certain pillars that stay the same through the ages – a commitment to integrity, a commitment to performance, and a commitment to innovation.

But at the same time, great companies have to embrace change. It's hard sometimes, particularly when you've been successful. I still get questions about GE's management practices from the 1980s, when 80% of our revenue was in the U.S., global competition was weak, and the world was at peace.

And I thought I'd share some of the big steps we've made in the last decade, give you a sense of what we've learned about competitiveness and a few views on how the company has transformed. I think if you think about where GE was in the year 2000, we've dramatically changed the company. Over the last decade, we sold 50% of the company – 50%. We charted a path, really as much as 10 years ago, to build a company around infrastructure, because we could see the growing needs for infrastructure on a global basis and financial services.

So we exited business like plastics and insurance. And now we're exiting our stake in the media business. And we created $20 billion or $30 billion of new businesses. GE has a $10 billion footprint today in oil and gas. We have a $2.5 billion business in the water industry. We've dramatically increased the infrastructure presence of the company, so today we're the world's biggest infrastructure player. And with $5 trillion invested in global infrastructure over the next 5 years, that's a pretty good place to be.

We repositioned financial services. Look, we had let GE Capital get too big in the context of GE. But we protected the franchise. We built the franchise around businesses in financial services so that we can really have a competitive advantage. And look, I like the way we look today in GE Capital. And I think it's going to be good for our investors and our customers over the long term.

So the point I'd make, number one, is that all of our companies have to stay contemporary. A company like GE can trade out 50% of its portfolio, reposition in a decade – pretty seismic change for a company our size. I think those things have potential for every company.

Second thing we did is we tripled the investment in R&D. We went from 2% of our revenue back into R&D to 6% of our revenue into R&D in a decade. We've always been good at the science of management, and that's a great thing. You also have to be good at the science of science. That's really how margins get set. That's how jobs get created. That's how the future gets built. And I think as a company, we had to reinvigorate our innovation and engineering base.

We focus on big complex systems like aircraft engines. We focus on more products at more price points so that we can serve India and Africa and all the countries around the world. But we've transformed GE into being a big innovation and science company.

Third, we repositioned our leadership around growth markets. We were 30% outside the United States in 2000. We're 60% outside the United States today. We're in excess of $30 billion in the emerging markets. And we're out there to tap the great growth markets of our time. And we're bigger and better than almost any of our competitors and most of our competitors in all those positions around the world.

We've really globalized to sell our products. We're a big U.S. exporter. We're always up there with Boeing and Caterpillar as the country's biggest exporter. We're a net exporter. We're doing – we're accomplishing what the President set out and doubling exports in 5 years. We went from $7 billion of exports in 2000 to almost $20 billion today.

And we've globalized around markets, not cheap labor. I just think the era of globalization around cheap labor is over. Today, we go to Brazil; we go to China; we go to India because that's where the customers are. That's where the markets are. So we did that.

The fourth thing we did is we reinvested on our operational capability. We wanted to make sure GE was good at making things. We wanted to make sure that we had a great manufacturing footprint. To that regard, we have insourced production over the last 2 years. Recently, we decided to move the production of our refrigerators and appliances back to the United States. We can run call centers now in the U.S. that are only 10% more expensive than India. So we dramatically improved the capability.

And the fifth thing we did is we positioned the GE brand around big things: clean energy, affordable healthcare, productivity and really try to build the brand around big solutions that are going to be relevant in the 21st century.

So I think when you think about competitiveness as a framework, and GE maybe as a microcosm, I think a focus on places where we can win – technology, manufacturing capability, exports, globalization solutions – that's what we did. And that's where we focused.

In the last decade, GE's cumulative earnings would rank third in the world behind only Exxon and Shell. And coming out of the financial crisis, our results are improving. And our earnings will accelerate throughout 2011. We have a lot of cash that we can use to plot our future: to build factories, to increase dividends, new acquisitions, to do buybacks. And I feel good about that.

I just have never been more confident about our ability to compete and win in the global economy. We persevered through tough times; it made us better. And perseverance is a source for confidence. And I'm privileged to lead GE, and that's my passion. But I think all of us also have a responsibility to serve the country that's made it possible for GE to succeed.

I run a competitive company, and remain an unapologetic globalist. GE is a private enterprise: We're not in the top 30 of government contractors, and only 4% of our revenue is sold to the U.S. government. But the world looks to America for leadership. And I'm committed to do my best through my role on the President's Council on Jobs and Competitiveness. And I work with other CEOs and public leaders to improve America's future.

Increasing our competitiveness for the opportunities in the reset world won't be achieved overnight. We're reversing trends that were put in place over a long time. And the solutions aren't easy politically, socially or economically.

Our Council is focused on jobs and competitiveness, not reducing the budget deficit per se. But I would commend the Simpson-Bowles Commission. Their thoughtful recommendations on everything from spending reduction to tax policy and entitlement reform, I think, provide a helpful context.

The Council is still new, but we're making progress. I think we've assembled a great group of leaders from some of our country's most inspiring small businesses and largest corporations, respected labor leaders and economists. We've identified some early areas of focus that have the potential, we think, to accelerate job growth.

We've created teams to foster the elements of long-term competition. And we're really focused on transparency, deliverables, and metrics like we would do on any corporate project that we undertook.

The fact is, is that from a business context, we need a jobs plan. Competitiveness depends on productivity. And U.S. productivity has to continue to expand to sustain growth. And productivity will accelerate job growth, and when it's driven by innovation and investment.

Job growth has been slow in this recovery. When we look at it, there appear to be structural shifts in sectors and geographies. There's training and talent mismatches between labor supply and demand; small-business formation is trailing historic norms; and business has been investing more in efficiency and less in innovation.

So with that context in mind, I'll just go through a few of the priorities we have at the Council as we get started on some of the key actions we're really driving. First, we're going to have a real, strong focus on small business. New business creation is down 23% in this recession, much larger than previous times. If this recovery had been more typical, small business would have created 1 [million] to 2 million more jobs in the last 2 years.

So we plan to do a lot of outreach to small- and medium-sized businesses to see what is structurally happening, and how we can achieve more growth. In the meantime, we're going to improve the small-business financing vehicles for new growth. This would include SBA loans, or venture cofinancing. I think we can develop new markets for small business, like commercial-building retrofits.

And there's a lot big business can do alongside small business on supplier programs, export programs, and financing. But I think it's very important that the Council remain really focused on new business formation and small business as we get started on the Jobs Council.

Second, we're going to target a lot of leadership on technology R&D and innovation. We've got to encourage long-term prioritization, R&D spending in both public and private sector. In addition, we've got to reduce the skills mismatch in the labor market.

I think we need a continued commitment to reforming public education. Initiatives like Race to the Top, I think, show that competitive dollars can drive reform. We're very encouraged that 44 states have put standards in place that can drive more achievement in science and math. And I think this mix of state and local reform and partnership with private sector can really help us move the needle on delivering more engineers and scientists. I think this is important to help the U.S. compete more successfully.

Our universities are the best in the world, but they're graduating more people with degrees in sports therapy than electrical engineering. That is not a winning hand. [Laughter.] Intel, which is a great American company – it's well-positioned. You know, Paul and his company, they invest $7 billion a year in R&D. They're also investing in a skilled American workforce that will allow Intel to expand their manufacturing base in the U.S. And they made the hard, long-term investments in America's future that every company needs to do as well.

Changing our immigration policies is also going to be essential. Because our universities and colleges are the best in the world, students from all over enroll in them. Many of them excel, and would like to remain here and become loyal citizens, and make valuable contributions to America's progress.

The early focus of the Council will be in two areas around training and education. The first is, we're going to really develop a detailed road map to graduate and produce 10,000 incremental engineers in this country every year. We think this is the key to long-term innovation success. And at the same time, we're going to focus on community colleges and skills training to upgrade the training and education needed to build a more competitive workforce.

Then, we're going to focus on winning in a growing, global market. I think if you look at a great company like Boeing, more than 80% of their backlog is in overseas markets. GE would have a similar profile. Of our big products, 80% of them will be sold outside the U.S.

So we have to increase not only our exports to overseas markets, but the number of markets we can compete in successfully. We have to become the world's leading exporter. And to achieve that, we should quickly pass the three free trade agreements currently before Congress. The rest of the world, every country in the world, is signing trade agreements as we're sitting here today. The U.S. has to join that process.

Those who advocate increasing domestic manufacturing jobs by competing less in overseas markets, we think, have it wrong: 95% of the world's consumers live outside the U.S. And currently, the U.S. ranks lowest among all the largest manufacturing nations in export intensity. So this is a big opportunity for job growth. In working closely with Jim McNerney on the Export Council, we're going to really continue to deliver some good results there.

Next, I think we will really focus on real solutions for infrastructure, energy security, and affordable healthcare. These are the pillars that are going to ensure long-term competitiveness. Two crises, one in the Middle East and one in Japan, make us understand the critical role that energy plays in our economy. Volatile oil prices re-emphasize the need for more domestic supply, fuel diversity, and new technology. And while nuclear may be questioned, we must remain committed to the industry. And we'll learn from all the events that were created by the horrific earthquake and tsunami.

Energy policy is controversial. And it's unlikely that the U.S. will lead. But how many times do we have to watch massive energy price volatility before we do something? I truly believe that the U.S. can achieve energy security through investment in energy infrastructure and R&D. And I also know we can create jobs through energy efficiency retrofit programs, and other programs.

But America's infrastructure has declined dramatically in a generation: Crumbling roads and ports impair our ability to export; our broadband capability trails many of our global competitors like Korea. And in the end, infrastructure is the only way to simultaneously rebuild productivity and private-sector construction jobs at the same time.

So the Council will focus on infrastructure investment as a source of job creation and competitiveness. I think private capital exists to fund many of these projects, but many projects require investment certainty provided by clear public policy. And infrastructure ultimately will be a key to long-term economic growth.

Finally, we'll improve the collaboration between government and business. History, I think, has proved the superiority of market economies where private initiative and individual choice are the great engines of progress.

But business and government can work together to improve our competitiveness. Government should encourage business as it seeks to revitalize our manufacturing competitiveness with incentives for investing in R&D, opening new markets to our goods in trade agreements, and changing tax policies that discourage business from investing overseas earnings back in the U.S.

It's time to examine regulation and its impact on jobs. Now, regulations serve a necessary purpose: Clear rules of the road help businesses; they help our customers; they help society. But piling numerous and uncoordinated regulations on top of out-of-date regulatory processes creates needless uncertainty.

So the Council will make some constructive recommendations on tax policy and regulatory competitiveness; however, it's important that they be balanced. In other words, we must recognize the reality of the budget deficit.

Now, GE has taken criticism lately over our tax rate over the past 2 years. Like any American, we do like to keep our tax rate low. But we do it in a compliant way. And there are no exceptions.

The reason why our tax rate is low in 2009 and 2008 – or 2009 and '10 is simple: We lost $32 billion in GE Capital as a result of the global financial crisis. Our tax rate will be much higher in 2011 as GE Capital recovers.

But make no mistake; make no mistake. Business rarely speaks with one voice about anything – about anything. But we do on taxes. [Laughter.] That's because our system is old, complex, and uncompetitive. The purpose of the tax code should be that everyone pays their fair share, including GE. But it also should help to promote jobs and competitiveness. And it does the opposite today.

Like most of our business colleagues, GE favors closing loopholes, a lower corporate rate, and a territorial system. This would put us in line with every other developed country in the world: Germany, Japan, United Kingdom, all of them.

Taxes are an important part of jobs and competitiveness, and we think it deserves a healthy debate. So we're off to a good start. With a few focused ideas, government can work with business to improve the conditions to expand and create jobs. But it can't create and sustain those jobs for us; that's our job. The principles of capitalism, competitiveness, innovation, and markets that have allowed America to lead for generations – and we can win again today.

But we must invest more of our cash on the American worker, particularly manufacturing. They can compete, and they must be given the chance. Over the past decade, GE's employment is up, excluding our dispositions. Employment in our infrastructure businesses has grown 30% since 2000. Meanwhile, our exports have grown, as I said earlier, from $7 billion to almost $20 billion in a decade.

And in 2010 and 2011, GE will add 16,000 jobs in the U.S. comprised of manufacturing and high-tech services. And we've worked shoulder by shoulder with our labor unions in an incredibly constructive way to make that happen. And our union jobs will grow in the thousands this year in the United States.

American business should and can be competitive on manufacturing more of their products for global markets here at home. It doesn't mean business will be able to locate all of their jobs in the U.S., but we can create enough new jobs to give the middle class a better future.

So the U.S. has a growth challenge. We've come through a difficult time as a country. But anger and cynicism don't create jobs; only optimists invest in the future.

You know, over the past decade, I've traveled the world extensively and met almost every CEO. And in every corner of the world, business leaders believe in globalization, but they also root for their own country. That's true in India; it's true in Germany; it's true in France; it's true in Brazil; it's true in Japan; and it's really true in China. We can do the same here.

So we have the cash to create jobs. How do we create the confidence? The fact is, business can do a lot on our own. The political parties can disagree on policy; that's OK. But everyone, especially the President, wants to create a more positive environment where business can win.

So I would subscribe that the American Dream is not dead. We simply didn't respond as well as we could have when the world embraced the same economic values that we've always championed. But the eventful first decade of this century has caused us all to reset, and to see clearly where our great opportunities lie. And I think we know in the end how we can all become successful competitors in this global economy.

So there is no security in the world; there's only opportunity. And I know we can outwork and outsell everybody in the world. And I certainly feel in the case of GE and in the case of this country, we're just beginning – you know, the future is going to be better than the past.

So those are my comments. It's great to be with you today. And now, David is going to ask a few questions. Thank you. [Applause.]

QUESTIONS FROM PRESIDENT RUBENSTEIN

MR. RUBENSTEIN: Jeff, I don't think you were a political supporter of the president; I don't know. But when the president called you to ask you to head this up, were you surprised? And did you say yes right away? And how much time did you think it would take away from your job at GE?

MR. IMMELT: Oh, I was surprised, for sure. You know, again, something like this, you have to discuss with your board because it does have an impact on the company. Look, my inclination is always to be helpful, to try to help. It's hard to say no when asked. And so I think that's important. And I tried in my own mind to figure out how much time it would take. And look, I'm honored to be helpful and to try to lead.

MR. RUBENSTEIN: And –

MR. IMMELT: I didn't wake up that morning saying, gosh, I hope I can lead the Jobs – [chuckles] – Council. [Laughter.] I was trying to figure out – [chuckles] – how to do – how to do the thousand things – you know, I think when you run a company like GE, look, there's an infinite amount of work, right? So I only go home at night because I'm tired or I miss my wife. I don't go home because I say, well, I finished all my work – [chuckles] – today; it's time to go home. [Laughter.] I got, like, a thousand things on my mind all the time. So –

MR. RUBENSTEIN: So you weren't looking for another job.

MR. IMMELT: I wasn't looking for another job.

MR. RUBENSTEIN: Do you issue one final report the way the Deficit Commission did? Or is it a series of interim reports? And how long did you sign up for? Is it through the end of this Administration, whenever that is? Or how long will you be doing this?

MR. IMMELT: Look, I think, David, I could give you a fancy answer. But what I would say is, we've got, I don't know, 18 CEOs, a couple big economists, a couple labor leaders. You know, this thing works as long as it works. You know? My hope is that this is a great catalyst, that we have the right chemistry. I think in typical business fashion, we have, like, 90-day deliverables. We have process in place; we have dashboards, metrics.

You know, Steve Case is here with us today. Steve's kind of leading the group that's looking at outreach to small business and tone. And you know, every week – we have six teams – the teams do a teleconference. I plug in every other week and kind of go through all the team leaders. So we're running this in a process that has a cadence. And we want to be transparent; we want to do outreach. We want to have metrics. And we want to get some early wins.

And really, to me, everything – we've got some supportive staff – everything that we do is going to be tied to jobs. In other words, I want this to be pure play: Where are the jobs? How does it impact jobs? How do we create more jobs? Pure play – not philosophical, not partisan. Pure play – jobs.

MR. RUBENSTEIN: But these are – in the end, when you come up with ideas, its recommendations for the President?

MR. IMMELT: Recommendations. Hopefully, we can do things that don't take bipartisan – [chuckles] – legislation. You know, in other words – [chuckles] – we'll have a few things we have to park because it takes bipartisan legislation.

But you know, creating 10,000 more engineers every year in this country, we can do that in the business community. Getting trade schools – you know, there are 2 million jobs that stay open more than 90 days. Cutting the cycle time on an open job to 30 days, I don't think we need public policy for that. You know?

So there's a number of really small things that all add up to – and you know, we've done an analysis of where the jobs have been lost. I think if you just sat down and looked at three charts – you know, where have the jobs been lost, what's stratification economically, which industries – you don't have to be a rocket scientist to figure out, here are some early things that you have to do to be effective.

MR. RUBENSTEIN: I'm sure you'll be hearing from the sports therapists, but – [laughter] – next time you need a therapist, I'm sure they'll remind you of the importance. But – [laughter] – you know, you were famously in a three-person horse race to become the CEO, one of the most famous job selections in American business in recent decades. What was it like to go through that? And someday, do you expect to do something like that to your successor? And what was it like to be selected? Were you expecting to be selected? And you know, what would you have done had you not been selected? [Laughter.]

MR. IMMELT: Oh, David – you know, I've been doing it now for, like, 10 – so I guess I can actually be honest. I didn't like the process. You know, I hated the process. I had a daughter who was in the 4th grade. It's so public, right? But it was what it was, you know?

You know, in other words, in 1990, 2000, it was – we were in an era of stuff, and so it was very fitting with the era. I think it was the way that Jack had been selected. And really – look, I love Jack. And I think he did it because he thought it was in the best interest of the company. Right?

You know, I read his book after he wrote his memoirs, and read about how great the succession process was. What did I feel when I was selected? It was like a guy that's just finished running an ultramarathon, you know – [chuckles] – and crossed the finish line and – give me water, you know? [Chuckles.] Give me water, please – [chuckles]. You know?

MR. RUBENSTEIN: I take it you won't be –

MR. IMMELT: So I don't think it's fitting with the times. You know? In other words, 2010 is so different – 2011 is so different from 2000. I think if you started a process like that, people inside your own company would laugh at you today. You know, it's just different today than it was then.

MR. RUBENSTEIN: When you took over, it was just a couple days before 9/11. So you must have felt like, you know, you've taken on this enormous responsibility right at a very difficult time. What was it like then? Did that affect GE?

MR. IMMELT: You know, I was scared. Look, I had – like everyone – all the fear that every American felt, right, seeing that tragedy, seeing that devastation take place. First let me just say, like every American, first and foremost I thought about the poor people who were part of that.

But I remember we were big in the reinsurance business, and we had about a billion dollar pretax write-off. And of the billion dollars, $700 million was for World Trade Center, which was one of the buildings. And for the $700 million write-off, we had received a $5 million premium. So I took out a pad of paper – you know, note to self, insurance is a bad business, you know. As soon as the crisis ends, go back to work on insurance.

MR. RUBENSTEIN: But you got out of that business.

MR. IMMELT: Oh, we got out as soon as I could. Yeah. [Laughter.]

MR. RUBENSTEIN: Now, earlier you did mention taxes, and that's been in the newspapers lately. I guess you probably know. And – [laughter] – you probably heard about it a bit.

MR. IMMELT: Just a touch.

MR. RUBENSTEIN: But like, let's say on a normalized year – let's say over the last 5 years, would GE have paid a fair amount of taxes, and –

MR. IMMELT: I think we've paid between $14 billion and $15 billion in taxes over the last 5 years, something like that. And like I said, you know, when the first quarter ends, you'll see a normalized tax rate for the company.

So you know, look. I mean, I can't pick every story that's written about the company. Right? And people have a right to write these stories. I think we have to defend ourselves and state articulately – but I don't fault this type of reporting. And I just don't. You know? It is what it is. You can't do any job like this unless you have thick skin.

MR. RUBENSTEIN: Well, all right. You go from the tax article to the nuclear regulatory problem in Japan. I think GE built the reactors, I guess, in those nuclear plants that were destroyed. Does GE have any liability for any of that? They were built 40-some years ago, I guess. And are you still an advocate of nuclear power? And do you think that will continue to be built around the world?

MR. IMMELT: You know, these were all plants designed in the 1960s. I think the guys in Japan are still sorting out the containment and the resolution. So we're just in the throes of all that. And I think we'll learn a lot about the industry as we go through that.

You know, back in the 1960s and '70s, the people did a very good job of what's called channeling law, nuclear liability law, so that basically suppliers did not have any liability as it pertains to these events that take place around nuclear power. And so they did a great job. So you know, that's not a concern at all of ours. I think what our concern is, is really the people in Japan, supporting our customers.

Now, the industry – I'd have to say, I'm quite proud of the U.S. and the way that people have been calm. You know? I mean, there's going to be concern. But I would say that the utilities, the way that it's been treated by the government – people are kind of saying, hey, look, let's learn everything we can learn. Let's take this process wherever it goes. But let's be smart about the nuclear industry going forward. And that's the way I feel.

You know, for us, it's a small business. You know, in 2006, we sold 40% of it to Hitachi. So we own – we're a 60-40 GE-Hitachi in the U.S.; it's 80-20 Hitachi-GE in Japan. So you know, it's small to us, but I think someday we're all going to be hoping that the nuclear industry has a prominent role in power generation in this country.

MR. RUBENSTEIN: Now, you've taken GE into the green energy area a great deal. And it's a major part of your business now. Who came up with the idea of ecoimagination? Was that an advertising agency? How did you come up with that idea? And how have you rebranded your businesses to fit within that?

MR. IMMELT: You know, we looked at it, really, in 2004. And we were looking across the company and a number of technologies that would be important for the future. And over and over again, energy efficiency, reducing water consumption, reducing carbon – you know, it was going from our appliance business to our energy business to our aviation business. So we saw lots of opportunities.

We never wanted to have a soft initiative. You know, for us, it's all about metrics. So when we started this, we had targets for revenue, we had targets for our own greenhouse gas reductions. We had targets for all these things. And so, David, we've gone from $5 billion of revenue to almost $20 billion of revenue in these products over that time period. And I think it's all about technology and innovation as time goes on.

Now, we did customer sessions, we did public research, we did consumer research. Our tagline is "imagination at work," so ecoimagination was an important part of that. And it's very global. You know?

When we have an ecoimagination memorandum of understanding with the National Development and Reform Commission in China – so the Chinese government is moving forward on clean energy. If you look at the 12th 5-year plan in China, you know, one of the pillars of it is to clean up the environment. So we see great opportunities – so for us, it was never a fad. It was never greenwashing; it was never a fad. It was always about business and cost reduction. And so that's why, you know, we're pretty encouraged on the future as well, where we think –

MR. RUBENSTEIN: It's like – something like when those ads came out of the dancing elephants and everything, did you review all the ads? Or do you do – [laughter].

MR. IMMELT: Look, I have to say, I pick every ad that goes on the air for the company. It's all about brand. You know? And in the end, our brand and reputation are my responsibility. So there's not one piece of copy or not one ad that I don't – my problem is, I laugh at my own jokes. [Chuckles.] You know, I'm one of those guys who thinks I'm funnier than everybody else thinks I am? [Laughter.] So you know, that's dangerous when you're the guy that's picking the ads. But brand is really – [laughter] – is really important. When I see everybody else going like this, I say, God, that is so great. [Laughter.]

MR. RUBENSTEIN: But have the advertising agencies ever come to you with the conventional technique of saying, you should be the star of the ads, and you should make the appearances in the ads?

MR. IMMELT: No, thanks. [Chuckles.] No, thanks.

MR. RUBENSTEIN: They haven't proposed that? And when you became the CEO, what was the biggest surprise? I mean, you saw Jack Welch. He did it for 20 years. You're 10 years into it. So you were in the company for many years. What was the biggest surprise about being CEO that you didn't anticipate?

MR. IMMELT: I think there's two, really. You know, one is environmental, where there's just so much volatility, you know? I just think you have to get hardened to the fact that you're not going to know every answer, and you can't be surprised. I mean, I think about the end of the bubble economy, 9/11, Hurricane Katrina, Lehman Brothers bankruptcy, BP oil spill, nuclear crisis in Japan, Egypt. Nobody was modeling Libya, Egypt, all those things.

You know, the financial crisis in Europe last year made the markets go down 20%. And when you think about it, that's – so just the general volatility.

And then, I think the other thing is that, in this era, people look at CEOs almost like we're elected officials, you know? That there's a – there's just more public scrutiny, there's just more transparency. And I think I've had to get used to both those things.

MR. RUBENSTEIN: When Jack Welch became CEO, he was 45. And you became CEO at the same age. And most CEOs in the United States become CEOs at public companies a little bit older, and they stay on average about 6 years or so. You are maybe on track to do it for 20 years, as Jack Welch did. Do you think that's – [laughter]. Do you think that's too long to be CEO? Twenty years? Or do you think it really gives you the ability to look into the long-time horizon?

MR. IMMELT: I think there's a sense in GE that you have to be able to be there long enough to have accountability for your own decisions, and that you can make the right investments over the long term. I don't know if there's a right point in time.

And then, I just think for me, it's really about intellectual stamina, to ability to bring heat every day. This job is more about can you really stay on edge? Can you really stay paranoid – [chuckles]? Can you really bring heat every day? If you can do that, you ought to keep going. But you know, when you can't do that, it doesn't matter if you've been there 8 years, or 10 years, or 12 years. You've got to step aside and let somebody else step in.

MR. RUBENSTEIN: Well, if you do it for 20 years, if you were to do it, you would be still a relatively young person. Increasingly, I think, people in their 60s are younger and younger. [Laughter.]

MR. IMMELT: So do I, by the way. [Chuckles.]

MR. RUBENSTEIN: Right, right. So would you ever consider a full-time job in government, or anything like that? What would you do after you left GE?

MR. IMMELT: I'd probably call you, if you're still – [laughter]. Isn't that where – [laughter, applause]. I always view that the private sector is just like farm teams for private equity. [Chuckles.]

MR. RUBENSTEIN: [Inaudible.]

[Applause.]

MR. IMMELT: But would I ever be in government? I don't think so. [Chuckles.] I don't think so.

MR. RUBENSTEIN: Now, historically, GE has had a triple-A rating. And obviously, it's lost the triple-A rating. So, is it possible to get it back? And is that part of your plan, to try to get it back? Or is it not that significant in the way you operate the company now?

MR. IMMELT: You know, it's funny. We are so superior in every metric today than we were when we were – [chuckles] – triple A – I mean, in every metric. So I think in some ways, I'd rather be like a really good double A – [chuckles]. And we have no desire –

MR. RUBENSTEIN: So it doesn't affect your business?

MR. IMMELT: That doesn't affect our funding costs, our business. You know, it was a – look, all things considered, I'd rather be a triple A. Don't get me wrong. You know? It was a source of pride, and I hated it when we lost it. But you know, I think in the end, it's all about financial strength, liquidity, and those things. And so I'd say today, we're so much different and stronger.

MR. RUBENSTEIN: On the liquidity, during the Great Recession when there was all the turmoil and so forth, and the financial crisis, did GE ever have problems rolling over its debt? Or you never were worried about your liquidity at that time?

MR. IMMELT: Look, we never had one problem rolling over our commercial paper. You know, the maturities came in, and stuff like that. But look, I mean, I think we were all worried about the system at that point in time.

Look, I think every company, whether you were in financial services or an industrial company, benefitted by what I would consider to be the surefooted decisions by the government after Lehman Brothers went into bankruptcy for the subsequent 6 months. Whether you were a computer company or a car company or a bank, or no matter who you were, I think we all benefitted by some really surefooted performance.

MR. RUBENSTEIN: And you did a deal with Warren Buffett, I think, at that time. And do you think that was a good deal for GE? Are you happy with it? Or would you have done it again? Or –

MR. IMMELT: You know, look, to be honest with you, I never rethink stuff like that. You know? It was the right decision at the moment we made it. I've never looked back on anything else. And you know, really, it's protect the company, do what's right. People are going to hate you that day. But if you're a good company, they'll like you again someday.

And so you know, I had a number of decisions I had to make where I know on that day, people hated the decision. But I knew that we were a great company, and you know, we would blast through this recession a better company. And you know, if you start taking the dividend up again – and they say, you're not horrible anymore. We like you a little bit again.

MR. RUBENSTEIN: GE is famous for its leadership training and its training facility in New York, and so forth. Tell me about, if you could, how you use that training facility, and how you train future managers. I mean, is that an important part of what your responsibilities are?

MR. IMMELT: So 30% of my job, I spend on people, developing, coaching, nurturing people. We spend about a billion dollars a year on training and education. You know, for a company our size, with our breadth and the number of countries we do business in, you need kind of one common melting pot for culture and values. And that's the way we use Crotonville, as a way to really blend the varied backgrounds and cultures into one kind of common culture. And so it's very important for us – incredibly important.

MR. RUBENSTEIN: Now, a few months ago, you were quoted, and maybe misquoted, about the difficulties of doing business in China. So China, I assume, is a very big business and market for you. What are your views about the difficulties of doing business in China?

MR. IMMELT: I just think China requires nuance. You know, there's not a one, universal strategy that's going to work all the time in China. But at the same time, look, the arc that they've gone on for the past 25, 30 years, the government is so good at execution. I have so much respect for what they have done. I mean, they're not without errors, but they've been so good.

It is a big, important part of GE and our future. And we have a nuanced strategy. You know? We have some where we're always, you know, kind of investing more. We've got some strategies where we won't sell in China, but we'll compete with the Chinese.

I think what's important is, in the end – you know, what I've always advocated in Beijing is the same thing I've advocated for here in Washington, D.C.: Free means free. Right? Free trade means free trade. It's a two-way street. And so I've tried, maybe sometimes better than others – [chuckles] – to advocate that free means free. And that's really all I can ask for on either side.

MR. RUBENSTEIN: And today, when you're traveling to China or elsewhere, what percentage of your time do you actually travel, or you're on the road? And what percentage are you actually at the corporate headquarters in Fairfield?

MR. IMMELT: I'm out of the office about 60% of the time, and half that is outside the United States. So I'm about 30% outside the United States. I've done probably five global trips so far this year. And you know, the relationships – really, globalization, it is the one thing that I would say my generation of people has to get right inside our companies. And the way you can do that, you have to be personal about it.

So you know, the people – you know, I'd say the average employee we have in India has been with the company less than 5 years. They need to know who their leader is. They need to be able to touch the person and see the person. And the combination of that with our own people, plus – you just want to have – you know, I've always tried to have the best contact list of anybody in the world. I know more customers. I can pick up the phone to call any airline in the world, if we're in a campaign. I can pick up the phone and call the CEO because I've met him. I know them. I know their business. And I want to have those things, particularly on a global stage.

MR. RUBENSTEIN: When you're traveling, how do you keep in touch with your office? Are you an emailer, a faxer, Facebook, Twitter? What do you do to keep in touch or communicate with people?

MR. IMMELT: Email, email and phone. You know, I find that –

MR. RUBENSTEIN: You don't use a Facebook page to tell people what you're doing or anything like that? [Laughter.]

MR. IMMELT: My general counsel advises against Facebook. [Laughter.] I know that there's at least 15 or 20 of my favorite lawyers in the room here today. I've found that emails aren't all they're cracked up to be, you know? So I use phone plus I find that inflection gets through better on the phone than emails.

MR. RUBENSTEIN: So when you do have a modest amount of time to relax, what do you do?

MR. IMMELT: You know, golf is my only real hobby. I'm an avid reader. I love to read. I read all kinds of stuff. And then I like my family. Like your job or anybody in this room, I think when your job is so complicated and so intense, it's great to have people who really just don't care about that. So I try to spend time with my family.

MR. RUBENSTEIN: So your handicap is not so low that people would be worried you're doing too much golf. But it's not so high that people don't want to play with you.

MR. IMMELT: Exactly, it's perfect. I'm a 14. Don't embarrass myself.

MR. RUBENSTEIN: So what would you like to see as your legacy at GE, you know, when you ultimately do leave GE, maybe 10 years from now? What would you like to have people say, this is what I accomplished at GE?

MR. IMMELT: I think what's important for GE today is more global, more technical, because I'm just one of these guys that just thinks the best ideas always win. You know, the best technology, the best ideas always win. It's just a question of how long. And then, just closer to the customer; a real external focus – I think if we did those three things, I'd be happy.

MR. RUBENSTEIN: I assume one of the great frustrations you must have is that all the changes you've made have not moved the stock price up. So is that one of your goals – I assume it is – to move the stock price up? And how much do you focus on the stock price compared to the other things?

MR. IMMELT: Look, we all have to care about the stock price. I think to a certain extent, you know, GE was 50% financial, 50% industrial, 50 P/E stock that probably – that's not going to happen again. So we had to go through our own form of P/E compression, which we've done. And today, I look at the company and say you've got the best infrastructure businesses in the world. You've got a very profitable financial service business. You've got a lot of cash. So from an investor standpoint, I think if you look at our dividend and the chance to grow earnings, it's a pretty good place. And you know, in the end, it is what it is. If you execute well, people want to own the stock.

MR. RUBENSTEIN: Now, you're pretty close to the President now. You're working for him on the Competitiveness Council. When the Secretary of Defense stopped the production of the F136 engine – and there's no production of that and you were producing that – you didn't call the President and say, you made a mistake here? Or what's your view on that?

MR. IMMELT: I'd hate to be his enemy if that's what the friend was. [Chuckles.]

MR. RUBENSTEIN: Well, I mean, so what is your view on the stopping of the F136 Joint Strike Fighter?

MR. IMMELT: Look, it's a particularly difficult debate, particularly right now. I think there's three facts I'd just want everybody to keep in mind today, whether you don't like GE or do like GE or however you feel about the engine. The General Accounting Office has said that a second engine reduces cost by $20 billion. The General Accounting Office is quoted by everybody, right, $20 billion, number one.

Number two, the program is $100 billion over-budget – the Joint Strike Fighter program. So I personally don't think the second engine is the culprit there. And number three, the primary engine, it is over-budget by more than what it would cost to do the second engine. So if the debate is ever about defense procurement reform, competitiveness, long-term cost savings, you want a second engine. The facts are on our side.

Look, I may run a powerful company. But next to a highly respected Secretary of Defense and a highly respected President, I'm a nobody, particularly in this town. And that's okay; that's the way it should be. So the fact that we're still there says that our facts are pretty compelling. No matter what happens, I don't want anybody in this room to think poorly of GE over this item. Whether it's funded or not, don't feel poorly – don't leave the room thinking that we've pushed too hard or anything else - $20 billion on a program that is $100 billion over-budget against a primary engine that is over-budget by more than what it will cost to get the second engine produced. Those are the facts.

So look, I respect greatly the Secretary of Defense – greatly – and I respect the President. Look, the President and I are going to disagree on stuff. And this is one of them. But I don't want people in this room to leave here the way it's been cast as pork and earmarks and all that stuff. This is about an engine that is 85% done. It's been funded for 15 years. This is not like a bridge to nowhere or something.

MR. RUBENSTEIN: So you think a decision can be reversed or will you try to reverse it?

MR. IMMELT: Sure. [Laughter.] Look, I mean, I work for GE investors and you know, the employees who work on this stuff. I love them. But don't leave the room with a different view. Follow the facts.

MR. RUBENSTEIN: And let me ask you, are there role models that you –

MR. IMMELT: How many more do you have? [Laughter.]

MR. RUBENSTEIN: A couple more. I have two more questions.

MR. IMMELT: I'm in real trouble.

MR. RUBENSTEIN: Two more questions – are there role models that you have had in the business world that you really look up to and people that you emulated when you kind of took this position, or not really?

MR. IMMELT: Oh, you know, no. Look, I have worked for a great guy. We're different people. I got a chance to work for one of the finest CEOs who's ever lived. And then, you know, one of the best parts about running GE is that everybody will have lunch with you once. You know, so I've had a chance to get to know –

MR. RUBENSTEIN: No more than that.

MR. IMMELT: Warren Buffett, Bill Gates, who are real role models. You know, Steve Case, Steven Jobs, all the high-tech pioneers, Jeff Bezos, A.J. Lafley is on our board. Ken Chenault is a good friend. Shelly Lazarus is on our board. So you know, I really have learned from so many people. And one of the most fun parts about being a CEO is that you can learn – you know, you get the chance to learn as much as you're willing to get out there and learn things. And that's a blessing.

MR. RUBENSTEIN: One last question – it is this. If you were starting your career all over again today and you were a young person today coming out of Harvard Business School, would you recommend going to GE as a place to rise up in the business world or would it be difficult?

MR. IMMELT: You know, my pitch to people when I go to colleges – and I probably visit a college once a quarter somewhere — and I always pitch them to say, look, we're a big company. So I can't tell a 22-year-old there's no bureaucracy at GE, or my nose would grow. We're a big company. But I'd say, look, if you want to sit in the front seat of history, right? If you want to be where big things are going to happen and you want to see history get made, come to work for GE. Whether or not we're going to see China develop, we're going to see clean energy develop, we're going to work on electronic medical records. No matter what your passion is as a young engineer, if you want to sit in the front seat of history, come here. And it works every now and then.

MR. RUBENSTEIN: Well, thank you very much for being here today and I appreciate you giving us your insights. I'm going to give you a gift. [Applause.] This is a replica of the map of the – the original map of DC. So thank you very much.

MR. IMMELT: Awesome. That's cool. Thanks, David. That's great. [Applause.]

Jeffrey R. Immelt

Jeffrey R. Immelt, Chief Executive Officer of the General Electric Company, is also the ninth Chairman of GE, a post he has held since September, 2001. GE is a global corporation with a set of businesses focused on helping to build the energy, health, transportation, and technology infrastructure of the new century; offering an array of financial products and services aimed at enabling commercial businesses, consumers, and markets worldwide to build a stronger, better future, and meeting today's information and entertainment needs through NBC Universal, one of the world's leading media and entertainment companies.

President Obama announced on January 21, 2011, that he has asked Mr. Immelt to lead the President's Council on Jobs and Competitiveness, a new economic advisory council the Administration has formed to focus on broader efforts to improve the U.S. economy and create jobs. Mr. Immelt is one of the well-regarded corporate executives in the world. Since he became Chairman, GE has been named "America's Most Admired Company" in a poll conducted by *Fortune* magazine and one of "The World's Most Respected Companies" in polls by *Barron's* and the *Financial Times*. He also is a member of The Business Council and of the board of the New York Federal Reserve Bank.