

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

**Excerpts from the Signature Event featuring Doug Oberhelman,
Executive Chairman, Caterpillar INC. & Immediate Past Chair,
Business Roundtable**

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A strong national economy is the foundation for everything we do and are provided for in life. To meet our most basic needs requires economic survival, at a minimum. And the more economic growth, the better living standards for all, no matter where you are on the spectrum. So a country with a solid economic footing, with a sound education system, with opportunity for income growth, where investment and innovation flourish, is always more stable and secure. It's a country where everyone has freedom to gain skills, change jobs, make more money, and believe in a better future.

But the U.S. economy hasn't been growing fast enough to provide that freedom. And why is that? We can point to specific policies and regulations, and there are many reasons. I also think, though, as a Nation we're still feeling a malaise that dates back to 2000, even before the terrorist attacks of 9/11 and the Great Recession seven years later. Today we're politically divided and antagonistic towards those that don't share our views. Many have accepted slow growth with fewer opportunities as the new normal, because that's the way it's been for so long. The source of this is more than just policies; we've lost our national optimism, our belief that it can be done. We just can't seem to get together and get our country and our government together and moving.

The U.S. is not broken, not at all. Of course we can do better. We always can and we should always try. Our current period of discontent started around 2000. Remember, the Twin Towers fell only nine months after the wrenching Bush-Gore recount. And from that election, we've probably never really healed. And if we had healed, this last election ripped the wounds wide open again.

My solution isn't revolutionary. It's pretty basic. I think we start coming together again through economic growth and strength.

A strong economy lifts red boats, blue boats, progressive boats, conservative and independent boats, and all boats. An economy growing by more than 2 to 3 percent a year consistently can lift people and families all across the United States.

The (Business) Roundtable is unique among Washington trade associations in that our members are the CEOs and only the CEOs of our Nation's leading mature global and publicly traded companies. We have a combined \$6 trillion in annual revenues and nearly 15 million employees.

What we want is broad-based economic growth. And we'll work with President Trump, just as we worked with President Obama and President Bush and President Clinton, to help get that done. You won't be surprised that BRT wants to see tax reform, with more competitive rates and international tax rules to promote growth and investment. We'd like to see smart, more effective regulations. We believe regulation is absolutely necessary, and that we can safeguard our people and our environment without also sacrificing competitive advantage.

BRT members also support opening and expanding markets through trade. Because of our location – the United States is like an island, albeit a powerful one – we need markets for our

foreign exports. We have to find a way to engage and ensure that there are more winners than losers when it comes to trade.

There are many more things we can do to bring back growth to the long-run historical average, which is about 2.7 percent, but there's no magic formula. It'll take a lot of hard work, a lot of political compromise, a lot of government restructuring, and a whole lot of optimism. To adapt a phrase we hear a lot these days, let's make America optimistic again. If we pull together our potential is unlimited, and we can create an economy where every boat is really lifted for all of us.

. . . there are some things that we have to do to help preserve what manufacturing is here and grow it. Manufacturing employment has been declining for many, many decades. Manufacturing output of GNP (gross national product) has not been declining, it's been growing. So there's ways in which we can make that improve and make manufacturing for the things that we can do here very competitive. I'm sure we'll get to these things like tax reform, things like how do we accomplish our R&D (research and development) here in this country, to protect our intellectual property, those kind of things that we really need to get done and can be more aggressive about.

. . . *[With]* the world going from 7 billion people to 9 billion people in the next 25 years, a need for basic infrastructure – people want to live like we live here around the world . . .

. *[so]* we'll *[Caterpillar]* be in fine shape over that period of time. We make electric power through generator sets. We make big engines for oceangoing cargo vessels. Wherever there's infrastructure, we're in the middle there somewhere.

I personally am not for a total repeal of it (Obamacare), but I think everybody realizes it's kind of sinking of its own weight and needs help.

The BRT and I were very, very vocal supporters of a Trans-Pacific Partnership. It's dead now for sure. One of *[thereasons we were so supportive]* is just the fact that that Asian trading group of a dozen countries or so, excluding China, is where a lot of growth is. We were going to be able to write the rules in that area based on our values, our trading system, what we want, with the WTO (World Trade Organization) behind us. Now that we pulled away, we let the rules be written by somebody else, and China's working on it. I worry about the system because now all these small countries that are important to us as markets are going and trying to link up with China. So it's very worrisome now.

. . . if, as the President has stated, we can do bilateral agreements with every one of those countries and get something done, I'm all for it. But we've got to move – we've got to move, because our competitors – China and others – aren't waiting for us.

. . . Dodd-Frank is another one where there have to be some adjustments. I don't think anybody would say repeal Dodd-Frank in its entirety because there are some good things in there. But at the same time, there are some things that really need to be changed and adjusted.

. . . a strong dollar . . . has always been interesting and controversial. The Federal Reserve chairmen, Presidents of the country never say a strong dollar is good for the country. A strong dollar is not good for exporters. It's good for importers, but it's not good for exporters.

We actually started peaking in infrastructure investment to GDP back in the '70s and '80s, and we've been going down ever since. . . . it's going to take public-private partnerships in some places. It's going to take some tax revenue in some places. The gas tax hasn't been adjusted. A carbon tax is being discussed again. Something's going to have to give; we've got to pay for this. You can't go out and borrow a trillion dollars, run up the deficit, and lay a bunch of asphalt.