

**As delivered**

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Economic Club of Washington  
June 22, 2010

*[Introduction by David Rubenstein, President, Economic Club of Washington.]*

Thank you, David, and good afternoon, everyone. Thank you for the very nice introduction. It's very nice to be here this afternoon. The Economic Club of Washington stands at the intersection between policy and business, which is where my Business Roundtable colleagues and I spend a good deal of our time these days. Based on your invitation list I see you've had a number of business leaders here recently to give their prescriptions for putting the U.S. back on the path to growth.

So in my remarks this afternoon I will try to add to this same conversation today. But first, I'd like to tell you a bit about Verizon and the enormously exciting industry we're in.

Before I start though, I might be the only speaker to encourage you to stay on your Blackberries. It's good for business.

Today, almost 2 billion people – about a quarter of the world's population – are connected to the Internet. Twice that many – 4 billion people – have mobile phones, which are themselves becoming smarter and more connected every day. On Verizon's networks alone, we carry more than 1.7 billion text messages, 50 million picture and video messages, 1 billion phone calls, 400 million emails and the equivalent of 4 million full-length movies – all in a single day.

Verizon invests some \$17 billion a year to put ourselves in the center of this expanding marketplace.

We operate Internet backbone networks that serve as the digital trade routes for the global economy. We're reinventing our legacy backbone telephone networks around fiber technology capable of delivering 100-megabit capacity directly to customers' homes. In wireless, we operate 3G networks across the country. Later this year, we'll start to roll out our fourth-generation wireless network, which will increase data speeds by up to 10 times and initiate the era of the "Internet of things." Soon, wireless will be embedded in everything we touch, infusing intelligence into all our systems and presenting us with a whole new way to run a home or an enterprise, or even a country.

When it comes to innovation in communications, the U.S. has a clear, decided edge. The smart phone revolution is centered in the U.S. The creation of tens of thousands of wireless applications is a U.S. phenomenon. Our 4G LTE networks – 4<sup>th</sup> generation networks - will leapfrog the world in wireless. Verizon alone has deployed more fiber-to-the-home than all the countries of Europe, combined. And a new ecosystem of devices, applications and operating systems is coming together around these platforms for innovation, spawning new businesses and driving our industry forward.

America's communications companies have made a big bet on this vision of the future, investing around \$130 billion in 2009 alone. Last year, total investment in information and communications technology accounted for an astonishing 43 percent of all non-structural capital investment in the U.S. And while private investment in general fell by almost 23 percent from 2006 to 2009, communications investment rose by almost 9 percent over the same period.

These investments are a major engine of our economy. Businesses report that every dollar invested in Internet technology creates four dollars of value in return. Robert Crandall of Brookings says broadband investment can produce more than half a million new jobs over the next five years, while creating new demand for computers, software, network equipment and applications. And on a global basis, one study estimates the annual economic benefits of the commercial Internet to be \$1.5 trillion – more than the global sales of medicine, investment in renewable energy and government R&D investments, all combined.

Broadband, wireless and global IP are at the heart of American competitiveness. At Verizon, we're excited about the future and believe – fervently – that our industry can continue to play a big role in addressing the challenges we face as a country.

Now, it's important that we not throw sand in the gears of this critical growth engine. You may have seen that last week the Federal Communications Commission began a proceeding to establish a new regulatory regime for broadband, which would impose old utility-style regulation on the Internet. We are very concerned that, in attempting to address legitimate issues about access to the Internet, the FCC has proposed basically an unimaginative and overbearing set of rules that essentially tries to retrofit a new industry into an old framework and expand their regulatory reach well beyond what is necessary. As we've said – and as we've demonstrated – communications companies will continue to work with the Commission and the other players in the Internet space to protect customers and ensure an open and robust broadband environment. The FCC's current course of action will really do little to achieve those objectives, but rather will cause uncertainty in the marketplace, create disincentives for investment and make one of the true success stories of the American economy less competitive on the global stage.

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Now, Competitiveness is also on the minds of the 170 members of the Business Roundtable, which, as David said, I am the chairman. Together, Business Roundtable companies generate more than \$6 trillion in revenues and employ more than 12 million people. We account for 60 percent of all corporate taxes, 60 percent of all charitable contributions, and one-half of all private R&D spending in the U.S. Our market capitalization is one-third of the total value of the stock market, and we pay some \$167 billion in dividends to individual investors, pension funds and retirement accounts. For every person employed by a BRT company, there are two more employed by the medium and small businesses that supply the goods and services that we need to keep our businesses running.

So obviously, the companies of the Business Roundtable have a huge stake in the success of the American economy. We create jobs all along the food chain. We invent and manufacture and sell the things consumers need. And we have the technology, expertise and capital capacity to play a huge role in contributing to our nation's economic growth.

It should be equally obvious that our collective resources are not being sufficiently engaged.

The BRT has accepted our responsibility as partners in moving the country forward. My colleagues and I have worked closely with policy-makers across the political spectrum on matters from health care to trade and tax policy to energy and climate change. But frankly, we have become somewhat troubled by a growing disconnect between Washington and the business community that is harming our ability to expand the economy and grow private-sector jobs in the U.S. We see a host of laws, regulations and other policies being enacted that impose a government prescription of how individual industries ought to be structured, rather than produce an environment in which the private sector can innovate, invest and create jobs in this modern global economy.

In our judgment, we have reached a point where the negative effects of these policies are simply too significant to ignore.

In the search for short-term revenue fixes, we're doing long-term damage to growth.

By reaching into virtually every sector of economic life, government is injecting uncertainty into the marketplace and making it harder to raise capital and create new businesses.

Meanwhile, without a sufficiently comprehensive focus on growth and jobs, our unemployment rate continues to hover close to 10 percent. The CBO says debt

will rise to 90 percent of G.D.P. in 10 years. And last month's job report showed the private sector creating only 41,000 jobs, a figure the Economic Policy Institute says is "nothing closely resembling the job growth needed to dig us out of our very deep hole."

So, from our perspective, it's time to refocus public policy on creating the conditions that will drive private-sector jobs.

Recently, in response to a request from Dr. Peter Orszag of the OMB, the Business Roundtable and the Business Council polled our members about laws, rules and regulations that are inhibiting growth. We summarized our concerns in an extensive report, which we have already delivered to OMB, and I am very much encouraged that the Administration has already reached out to us to set up a process for discussing recommendations and ideas and set the discussion for the future.

From the avalanche of examples included in our OMB submission, let me share some specifics in three categories: taxes, trade and financial reform.

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One message we heard loud and clear from our members is that the current U.S. tax system is a major impediment to international competitiveness. Our corporate tax rate is the second highest among 30 OECD nations. We're one of only five OECD countries to tax companies on worldwide income. Moreover, since 1990 every other OECD country has lowered its corporate tax rates, while the U.S. is going in somewhat the opposite direction.

Recently, the House passed a tax extender bill containing several provisions that raise taxes on multinational companies. We believe these actions would impair America's competitiveness and harm American workers. Multinational companies account for 63 million jobs, nearly half of U.S. exports and most of the productivity gains in the U.S. economy – facts that need to be taken into account when making tax policy.

Sometimes the problem isn't too much action, but too little. Dividend taxation is one example. Next year, unless the Congress takes action, the tax on dividends is scheduled to rise to that of ordinary income, with rates topping out at 39 percent. On its face, this may seem to be an easy revenue-raising idea. But at a time of extreme market volatility, do we really want to disadvantage stable, dividend-paying stocks – and the retirement funds and millions of long-term dividend investors who depend on them?

Another area in which we fear good intentions will have unintended consequences is financial reform. Clearly, the government has an interest in ensuring a stable financial system, efficient capital markets and ethical and

transparent business practices. That's why the BRT completely supports the idea of financial reform. However, we believe some of the current proposals with respect to derivatives and proxy access go a step too far, imposing one-size-fits-all solutions on highly dynamic and diverse businesses. Instead of focusing on the inputs to a transparent and efficient financial system, the proposed reforms will increase risk and volatility at a time when just the reverse is required.

We also see a disconnect between objectives and actions in the area of international trade. The Administration has indicated its intent to double U.S. exports over the next five years, recognizing that with 75 percent of the world's purchasing power and 87 percent of its growth coming from outside the U.S., an export-focused trade policy will grow jobs here at home.

The Business Roundtable agrees wholeheartedly with this goal. But while the European Union is moving ahead in implementing free trade agreements, we have seen very little movement on pending agreements with Colombia, Panama and South Korea to name a few. Nor have we made it a priority to seek more expansive trade negotiating authority to keep up with foreign competitors.

We also could do more to make America a more attractive destination for foreign direct investment, which fell by nearly 60 percent from 2008 to 2009. Now, to be fair, much of that is due to the global recession. But the truth is, the U.S. share of global capital inflows has been declining for decades. A new survey by Ernst & Young found that, whereas 48 percent of global investors saw North America as a desirable location for investment in 2006, by 2010 this percentage had fallen to just 22 percent. The most attractive market is China, favored by 39 percent. To quote the Ernst & Young study, we're competing for capital in a "new multi-polar world" in which investors can shop the globe for "growth, talent, technology and productivity."

We need to make sure that the U.S. isn't a fly-over zone when it comes to international trade and investment.

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These are just a few of the issues we have laid out in our response to Dr. Orszag's request. The full report contains literally hundreds of separate actions and decisions that, taken together, create an increasingly hostile environment for investment and job creation here in this country.

As I said before, it would be better to re-focus public policy on creating private-sector jobs. In general, among BRT CEOs there is remarkable consensus around a few fundamental pillars to achieve this growth.

First, we need tax policies that promote capital formation. As Fred Smith, CEO of FedEx, noted recently in the *Wall Street Journal*, the correlation between

domestic job growth and business investment is very strong. He calls for an extension of accelerated depreciation tax provisions as a way to give an immediate boost to the economy. According to the Institute for Policy Innovation, every \$1 of tax cuts devoted to accelerated depreciation generates about \$9 of growth in G.D.P.

Second, we need to increase exports and improve our international competitiveness. Here, the rhetoric from policy-makers has been right but the actions need to be better aligned through an emphasis on trade agreements, corporate tax reform and other initiatives to put us on more competitive footing internationally.

Third point, we need infrastructure investment to create jobs and build the platforms for 21<sup>st</sup> century growth. Jim Owens, the Chairman and CEO of Caterpillar, points out that since the 1970s, U.S. investment in infrastructure has grown at only half the rate of G.D.P. growth. Roads and bridges are in disrepair and the power grid is inefficient. In particular, we need to upgrade our transportation and energy systems with communications and information technology to create “smart” grids that will radically improve efficiency and productivity. You’ve heard the story before. Some of this will take public investment, but most can be done by the private sector, if we don’t impose so many rules and regulations that it becomes an uneconomic proposition.

The fourth area is education. We fully support the Administration’s actions to shore up America’s educational system, particularly in science, technology, engineering and math. Verizon is directing more than \$25 million this year from our charitable foundation this year to support education, working with partners like the New York Hall of Science, the National Academy Foundation, Jobs for America’s Graduates and the many educational partners in our on-line educational resource, Thinkfinity.org. This is also a top priority for the Business Roundtable, which is leading a business-wide initiative to increase the number of American students with college degrees in STEM fields.

And the fifth area of Business Roundtable’s CEO focus, we need to promote the innovation and entrepreneurship that are the beating heart of the economy. While the government has a lot of innovation initiatives, we need better focus and coordination in this vital arena. We need a permanent tax credit for research and development, more effective protection for intellectual property, and sustained federal investment in basic research. Both government and private sectors have a critical role to play here. Now, government invented the Internet, mapped the human genome and developed GPS technology – extraordinary advancements. But it took private industry to commercialize these discoveries, develop real businesses around them and make them available to average Americans. There are many areas, from renewable energy to transportation to homeland security protections, where government and industry can and should be working together to develop the technologies that will create new industries and new jobs. To do

that, though, we need a more favorable environment for investment and new business formation.

The BRT believes that these five areas – capital formation, exports, infrastructure, education and innovation – are the necessary inputs for creating growth and private-sector jobs. We also believe that, if we can focus on the big goal and stop trying to micromanage industries, we could make real progress in these areas immediately by taking some of the pragmatic, targeted actions I just mentioned.

As further evidence of our commitment to being a good partner to the public sector, the Business Roundtable is forming an initiative around fiscal reform with the goal of providing constructive suggestions and input to government about deficit and entitlement reform. The single most important step government could take to stabilize the financial markets and create an environment for growth would be to show a real commitment to fiscal discipline and a recognition that sustainable growth will only occur when the private sector – not the government – is expanding.

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Now clearly we have a lot of work to do. The U.S. Department of Commerce estimates that each \$1 billion of capital spending generates about 18,000 new jobs for U.S. workers. This means that if we could stimulate an additional \$50 billion in capital spending we could create nearly 1 million new jobs. That same \$50 billion in capital would also accelerate productivity growth by one or two basis points a year. Over the past 10 years, U.S. productivity growth has averaged 2.8 percent a year. Raising that by a single basis point -- to 2.9 percent a year -- would raise real incomes for Americans by 1 percent over the next ten years, injecting an additional \$200 billion into the economy.

We have so much untapped potential, if we can come together around a pro-jobs economic strategy.

To do that, we need to focus on the inputs required to create investment and private-sector jobs.

We need a world view that embraces engagement abroad to support growth here at home.

Most of all, we need accountable leaders in government as well as the business community who reject the false choices between job creation or deficit reduction, growth or sustainability, serving consumers or investors, managing for the short term or the long term, being profitable or doing things right.

Real leadership isn't about making false choices – it's about finding solutions to real problems.

Every one of us should find it unacceptable that so much capacity for growth is sitting on the sidelines. It's time for us all to raise our game and embrace the power of the private sector that will create real value and real growth for our country. If we work together to unleash the private sector's investment and innovative power, I have no doubt that America can accelerate its competitive footing and lead the world in the industries that will create jobs and raise living standards for many decades to come.

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