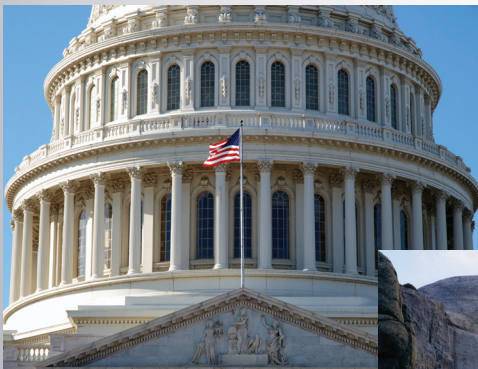


Taking Action for America

A CEO Plan for Jobs and Economic Growth

March 2012





Business Roundtable (BRT) is an association of chief executive officers of leading U.S. companies with over \$6 trillion in annual revenues and more than 14 million employees. Our companies generate an estimated \$420 billion in sales for small and medium-sized businesses annually. BRT members comprise nearly a third of the total value of the U.S. stock market and invest more than \$150 billion annually in research and development — nearly half of all private U.S. R&D spending.

BRT companies pay \$163 billion in dividends to shareholders and give nearly \$9 billion a year in combined charitable contributions.

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A CEO CALL FOR ACTION

America faces many challenges in working together to restore the promise of economic growth and security for the country, U.S. families and the American worker. The CEOs of leading U.S. companies believe in America and our ability to once again meet this challenge. This belief in the inherent strengths of the United States and its people enables them to see beyond America's short-term difficulties to the brighter future that lies ahead. That future directly hinges on America's ability to lead globally, make optimal use of its impressive advantages, and always remember that its greatest asset is American workers and their families. It is with this enduring faith that the CEOs of Business Roundtable (BRT) confront the current challenges facing the United States.

**One out of every
12 Americans who are
willing and able to work
cannot find a job.**

The challenges are both real and serious. Despite hopeful signs of economic recovery, America remains mired in the deepest jobs crisis since the 1930s. One out of every 12 Americans who are willing and able to work cannot find a job.¹ Approximately 13 million Americans remain unemployed.² Frustrated and discouraged, millions more have simply given up looking for work altogether. To be sure, the severe job losses experienced during the depths of the 2007–09 recession have ended, and the unemployment rate fell from 9.4 percent in December 2010 to 8.5 percent in December 2011.³ But vigorous and sustained job creation has not returned at the level required to put America back to work, and the numbers of long-term unemployed remain at record levels.

America also faces a serious threat to future U.S. competitiveness and has been slow to respond. While America's political system remains frozen in gridlock, unable to address virtually any of the big issues facing U.S. society, the rest of the world is not standing still. Other nations that compete with the United States for jobs, business investment and export markets are not taking a year off from meaningful policy changes until the U.S. elections are finished.

Americans recognize that Washington has failed to act. The public's frustration with Washington's inability to tackle serious issues crystallized during the debt ceiling debate, creating a negative impact on the economy. In the two months following that event, consumer confidence declined by 16 points — *more than the declines seen following the Iran hostage crisis, the 9/11 attacks or the collapse of Lehman Brothers.*⁴

While the near-term economic outlook remains uncertain, the CEOs of BRT have enormous confidence in the intrinsic strengths of America and its people. They believe that American ingenuity, hard work, productivity and entrepreneurship remain our greatest assets. In addition, our remarkable social stability, the world's finest legal system, a large and sophisticated internal market, abundant natural resources, and efficient capital markets continue to make America a great place to invest and grow. Putting America back to work, restoring robust U.S. economic growth, and creating economic opportunity for America's workers and families, however, require an active strategy that builds on America's advantages to create a business environment that allows companies to invest, grow and create jobs.

The CEOs of BRT have a plan to revitalize U.S. economic growth and job creation. They believe that America's business leaders have an obligation to bring their real-world experience on economic matters to public policy, especially in a time of widespread joblessness and economic distress. Job creation depends on economic growth, which cannot occur unless businesses are free to innovate, invest and grow. *Taking Action for America* is a comprehensive plan to jump-start new business investment and knock down barriers to economic growth. It includes pragmatic, actionable recommendations organized into three broad categories:

AMERICAN GLOBAL LEADERSHIP

Which must be secured through:



Sound Fiscal Policy



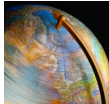
Smarter Regulation



Competitive Taxation

AMERICAN ADVANTAGES

Which depend on:



Open Markets for International Trade and Investment



Reliable, Affordable Energy



Protecting U.S. Technology Assets with Effective Cybersecurity



Contributions of Highly Educated World Talent

AMERICAN WORKERS AND FAMILIES

Who deserve policies that promote:



A Skilled, Prepared Workforce



Affordable, Quality Health Care



Stable Policies that Ensure Retirement Security

1 Bureau of Labor Statistics. (2012). *Current population survey*. Washington, DC: U.S. Census Bureau. Retrieved from www.census.gov/cps

2 *Ibid.*

3 *Ibid.*

4 McInturff, B. (2011). *Michigan consumer sentiment index*. Alexandria, VA: Public Opinion Strategies.

American Global Leadership

Which must be secured through:



Sound fiscal policy



Smarter regulation



Competitive taxation

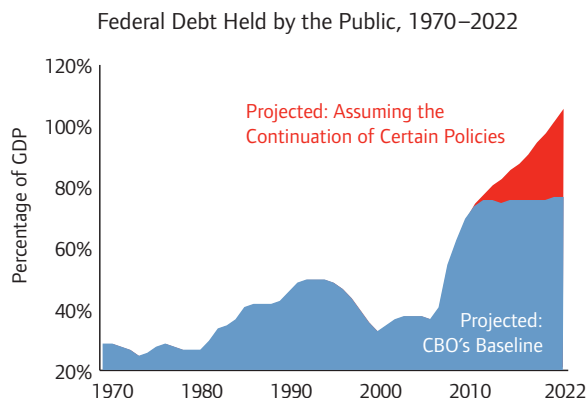
SOUND FISCAL POLICY



Fast Facts

- U.S. debt levels have jumped sharply in recent years. The ratio of publicly held debt to gross domestic product (GDP) has nearly doubled from 36 percent of GDP in 2007 to 68 percent of GDP in 2011.¹
- Under the Congressional Budget Office's (CBO) alternative fiscal scenario projection, which assumes the widely expected continuation of certain policies, publicly held debt will exceed 100 percent of GDP in 2022 and approach 190 percent of GDP in 2035.²
- Under the alternative fiscal scenario, the CBO estimates that national income will be 2 percent to 6 percent lower in 2025 and 7 percent to 18 percent lower in 2035.³
- CBO projects that spending on Social Security, Medicare and Medicaid will account for 53 percent of all federal spending in 2020,⁴ up from 28 percent in 1980.⁵
- Under the alternative fiscal scenario, the CBO projects that total spending will increase to 34 percent of GDP by 2035 — compared to an average of 21 percent over the last 30 years. Under this scenario, the deficit will exceed 15 percent of GDP in 2035. Interest payments on that debt will rise from about 1.5 percent of GDP today to 9 percent by 2035.⁶
- Stanford University and University of Chicago economists recently estimated that policy uncertainty has dramatically reduced economic activity in the United States in recent years.⁷ Eliminating uncertainty over future fiscal policy and adopting policies that stabilize the debt sooner rather than later would boost confidence among consumers, investors and businesses. These improvements would contribute to higher long-term incomes and higher living standards for American families.

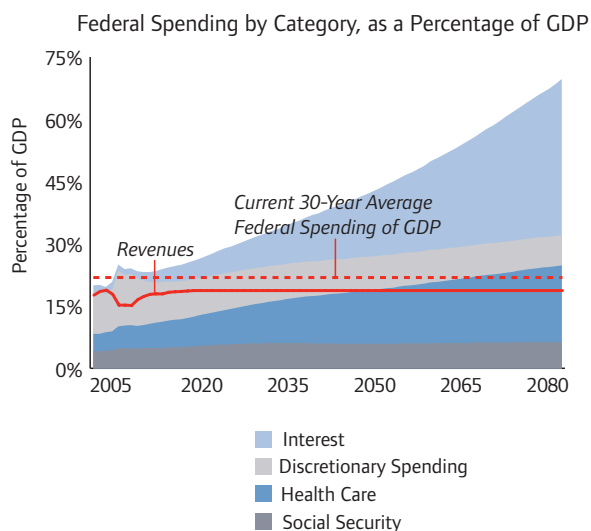
Without a meaningful policy response, the U.S. debt-to-GDP ratio is expected to soar to more than 100 percent by 2022.



Note: The projected debt with the continuation of certain policies is based on CBO's Long-Term Budget Outlook, Alternative Fiscal Scenario (June 2011).

Sources: U.S. Census Bureau, Statistical Abstract of the United States: 2012 (Table 470); CBO Budget and Economic Outlook, Fiscal Years 2012–2022 (Jan. 2012); CBO's Long-Term Budget Outlook (June 2011)

As a share of total government outlays, health care costs are projected to grow out of control in the coming decades.



Source: CBO's Long-Term Budget Outlook, Alternative Fiscal Scenario (June 2011)

Long-term fiscal health is a tangible indicator of effective governance and an essential aspect of an attractive business environment. Nations that manage their fiscal and monetary affairs responsibly are rewarded by the marketplace with low borrowing costs and strong currencies. Conversely, a growing and unsustainable debt burden can undermine confidence, increase business uncertainty, disrupt financial markets and increase government borrowing costs. If not addressed, large debt burdens will have painful economic consequences, including high unemployment, chronically weak consumer confidence and a slowdown in investment.

U.S. debt levels have jumped sharply in recent years. The ratio of publicly held debt to GDP has nearly doubled in the last four years, up from 36 percent in 2007 to 68 percent in 2011, driven in large part by the recession of 2007–09 and the financial meltdown of 2008.⁸ However, the CBO has estimated that even if the economy were operating at full capacity today, the deficit would be reduced by only about one-third, and total debt would continue to grow.⁹ As debt grows relative to the economy's ability to service it, private investment may be seriously reduced. As seen in Greece and other European nations, where unproductive economies cannot service fast-rising debt, the resulting loss of international confidence can cause interest rates to soar in a matter of months or even weeks — and quickly make a debt situation unsustainable. Economists Carmen Reinhart and Kenneth Rogoff have recently estimated that levels of indebtedness as high as those on the United States' horizon are associated with sharply lower growth.¹⁰

While some reduction in U.S. deficits should be expected as the economy continues to recover, the most significant long-term obstacle to reducing the nation's large and growing annual budget deficits is the increasingly unsound financial footing of the entitlement programs: Social Security, Medicare, Medicaid and other health programs. Driven by demographic trends and fast-rising medical costs, these programs will claim an ever-growing portion of the federal budget and, without meaningful policy reforms, will produce a number of negative consequences for the U.S. economy.

“Businesses know how to create jobs, create value, and win in a diverse global market. Most CEOs believe the fundamental engine of American business is sound. If Washington and business can once again find the ability to get aligned on fundamental priorities, American business will once again unleash America’s economic potential.”

*— W. James McNerney, Jr.,
Chairman, President and CEO, The Boeing
Company, and Chairman, Business Roundtable*

Projections of fast-rising government debt tend to erode confidence among financial markets and their investors. As the economy recovers, increased borrowing by the government will drive up interest rates, crowd out private investment, and make the U.S. economy more dependent on foreign borrowing and foreign investment. To the extent that private capital stock investment is smaller than it would be otherwise, the United States will experience a smaller productive capacity, reduced GDP and lower future living standards for American families.

Although an unsustainable debt position need not — and usually cannot — be addressed in a short period of time, markets and investors may be reassured by tangible and credible steps taken by political leaders seeking long-term solutions.

First, policies to enhance the credibility of long-term fiscal realignment, including immediate efforts to place Social Security, Medicare and Medicaid on a sustainable path, can boost consumer, business and market confidence in the near term. Second, medium-term and long-term fiscal consolidation must balance spending and revenues. Fiscal consolidation efforts undertaken primarily through cuts in government spending are likely to be more successful over the longer term than fiscal consolidation that relies primarily on tax increases.¹¹

Sound fiscal and monetary policies can reduce real interest rates and stimulate private investment. These results support higher levels of capital spending and employment, which in turn increase productivity and consumer confidence, creating a virtuous cycle of economic prosperity.

Solutions

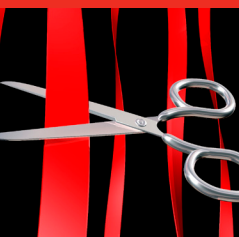
- ▶ Given the need to reduce future annual federal budget deficits by significant amounts, **keep economic growth as a core principle of fiscal reform.** Without healthy growth, it will be dramatically more difficult to reduce future deficits. Securing America's safety net — including Social Security, Medicare and Medicaid — for future generations in a sustainable and fiscally responsible manner must be another core principle of fiscal reform. A considerable amount of work has been devoted to fiscal policy reform. The Bowles-Simpson¹² and the Rivlin-Domenici¹³ plans, for example, represent thoughtful, nonpartisan approaches that include significant policy solutions for America's leaders to consider and take action upon.

Now is the time for the debate to stop and for our elected leaders to act by sending a powerful signal to the world: America is serious about addressing its fiscal challenges. BRT CEOs urge Congress and the President to coalesce around a multiyear growth and deficit reduction plan to restore long-term stability to the U.S. economy, including:

- Passing prudent reforms to reduce the growth of both discretionary and mandatory government spending, focusing on reforms to America's safety net. No area of spending should be off limits. Programmatic reforms — building from recommendations by the Bowles-Simpson, Rivlin-Domenici and other plans — will be needed to modernize and preserve the social safety net so that these benefits are available to future generations.
 - Enacting a modern and fiscally responsible competitive tax code similar to the rest of the world that spurs economic growth and job creation and funds government programs and commitments.
 - Stabilizing and reducing federal debt relative to the size of the economy by achieving a balanced federal budget, excluding interest payments on the debt, within the next five years.
- ▶ **Reach a consensus as a nation as to the size of government** that the United States can afford and the budget priorities within this target — mindful that employment, investment and growth often slow when government is an unsustainably large portion of the economy. It is clear that the government cannot take a larger percentage of the nation's GDP without sacrificing the opportunities of future generations.

Most Americans understand that neither families, nor states, nor nations can prosper if they persistently and dramatically spend more than they take in. Large-scale deficit spending has been the norm in the United States in recent years. The current fiscal path is unsustainable, and the nation can no longer afford continued inaction. BRT's members stand ready to contribute their experience, expertise and commitment to act. America's economic future and credibility in global fiscal markets depend squarely on its willingness to demonstrate leadership and solve these problems — now, not later!

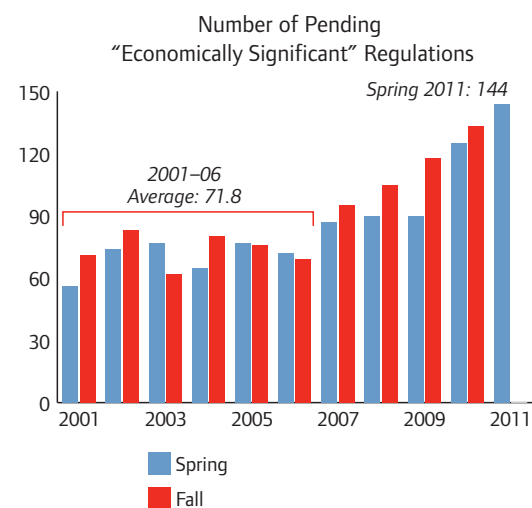
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Fast Facts

- The number of major rules is increasing. According to the George Washington University Center for Regulatory Studies, an average of 84 major regulations per year were issued in the last two years, compared to 62 per year during the Bush Administration and 56 per year during the Clinton Administration.¹
- An October 2011 Gallup poll of U.S. small business owners found that complying with government regulations is the most important problem facing small businesses today (22 percent) — more than either low consumer confidence (15 percent) or lack of consumer demand (12 percent).²
- The Office of Management and Budget (OMB) conservatively estimates the aggregate cost of 105 regulations issued by federal agencies in the past decade to be between \$44 and \$62 billion per year.³ OMB also estimates that “the total costs and benefits of all Federal rules now in effect (major and non-major, including those adopted more than 10 years ago) could easily be a factor of 10 or more larger than the sum of the costs and benefits reported.”⁴
- According to Massachusetts Institute of Technology economist Michael Greenstone, a former chief economist of the President’s Council of Economic Advisers, the total costs of regulation can be measured in the hundreds of billions of dollars per year.⁵
- The Small Business Administration pegs the total cost of all regulations at \$1.75 trillion per year, equal to 12 percent of U.S. GDP in 2008.⁶
- In addition to the cost burden imposed on businesses, federal agencies spent approximately \$47 billion in 2008 administering and enforcing existing regulations.⁷

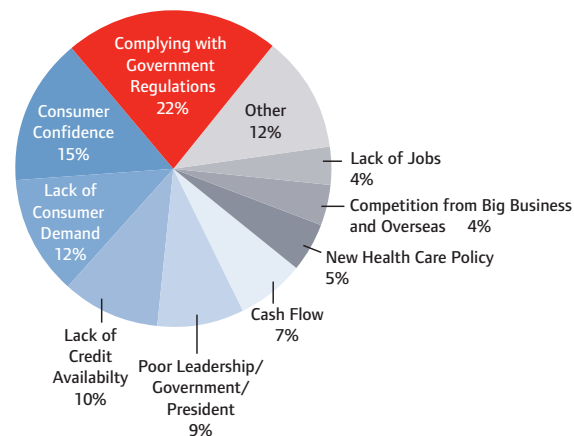
Volume of proposed federal regulation has increased in recent years.



Source: Committee for a Responsible Federal Budget, “The Case for Going Big”

Small business owners cite regulatory burden as a primary concern.

Poll: What is the Most Important Problem Facing Small Business Owners Like You Today?



Source: Wells Fargo/Gallup Small Business Index, Oct. 3-6, 2011

- ▶ Agencies do not always conduct or adhere to rigorous cost-benefit analysis when crafting regulation. The OMB estimates that in 2010, agencies quantified and monetized both the costs and benefits for only 27 percent of major rules.⁸
- ▶ The permitting process is often delayed due to overlapping agency jurisdiction, inadequate staffing, lack of prioritization and lack of accountability.
- ▶ The federal permitting process for a single energy project can require 35 separate federal permits — as was the case with Shell’s Alaska exploration program.⁹
- ▶ Issuing a permit for the \$2.5 billion Cape Wind renewable energy project off the shore of Massachusetts took 10 years.¹⁰
- ▶ Shell waited five years to obtain an air emissions permit for offshore operations near the coast of Alaska, idling thousands of U.S. jobs and more than \$2 billion worth of drilling leases.¹¹
- ▶ Obtaining the permits needed to build a mine in the United States takes an average of seven years — one of the longest wait times in the world.¹²

A nation’s regulatory system is one of the most telling indicators of its business environment. On the one hand, smart regulations that clarify the “rules of the road” and are in line with broad societal values over multiple election cycles can provide an environment of stability, inspire business confidence and accelerate investment. On the other hand, regulations that create uncertainty and reflect shortsighted political interests can impose unproductive cost burdens on businesses and consumers, undermine confidence, and delay investment. The key distinction, therefore, is not the quantity of regulations but the effectiveness and efficiency of regulations as well as the balance between their costs and intended benefits.

In recent years, the overall regulatory burden on U.S. businesses has grown substantially. Some experts estimate that regulations cost the U.S. economy hundreds of billions of dollars each year. As a result, there are good reasons to believe that excessive regulation is hampering economic growth and recovery in the job market. An October 2011 Gallup poll of U.S. small business owners found that complying with government regulation is the most important problem facing small businesses today — more than either low consumer confidence or lack of consumer demand.¹³

Several aspects of the rulemaking and regulatory process contribute to this negative impact on business activity and resulting drag on economic growth. A relatively small share of proposed regulations is adequately vetted to ensure that projected benefits justify costs. For those cases in which cost-benefit analysis is conducted, costs and benefits are often valued by multiple agencies working in isolation from each other using poor data and/or inadequate methodologies. In some cases, consideration of the economic impact of a regulation is explicitly forbidden, advancing some rules for which costs outweigh benefits.

“Regulations are beneficial only when they’re clear, consistent and wise. And, in large part, the U.S. regulatory regime is so complex and inconsistent that regulations hinder American manufacturers without helping anyone in particular.”

— Andrew Liveris, Chairman, President and CEO, The Dow Chemical Company; Vice Chair, Business Roundtable; and Chair, Business Roundtable Select Committee on Regulatory Reform

transparency and significantly reduce uncertainty for businesses and investors. Finally, streamlining and simplifying the permitting process would substantially lower the anticipated and unanticipated costs of conducting and expanding operations in the United States, increasing capital investments, creating and preserving jobs, and augmenting the competitiveness of the U.S. economy as a whole.

The complex permitting system established by multiple and overlapping regulations imposes a time-consuming and highly unpredictable constraint on businesses seeking to expand operations or productively deploy capital. Delays in permit processing cost businesses and the government billions of dollars each year. Regulations may open the door to excessive litigation and preliminary injunctions, which stall key projects regardless of merit and drastically increase costs to businesses.

Policymakers can take a variety of actions to ensure that the nation’s regulatory system creates an environment that welcomes new investment, economic growth and job creation. Thorough cost-benefit analyses of proposed major regulations using sound scientific and analytical methodologies would ensure that costs are not overly burdensome on the business community or a damper on overall economic activity. Importantly, such analyses should also account for the deterrent effect that costly regulations have on domestic investment. Requiring agencies to disclose their cost estimates for new rules early in the process would increase

Solutions

- ▶ **Objectively analyze the costs and benefits of proposed and final major rules** from all agencies, including “independent” regulatory commissions.
- ▶ To ensure objective analysis of costs and benefits, **follow established methodologies** for selecting studies and models, weighing evidence, performing risk assessments, and conducting peer reviews.
- ▶ **Publicly disclose the estimated costs** of planned regulatory actions early in the regulatory process and with greater specificity.
- ▶ **Streamline the permitting process** for siting and operating a new facility/project and:
 - Require agencies to process permits within defined time;
 - Designate a single agency with primary permitting responsibilities for each project; and
 - Establish a Transparency Portal for tracking government permits.
- ▶ **Consider changes to the Administrative Procedure Act**, particularly relating to the content of the rulemaking record and greater judicial scrutiny of that record.
- ▶ **Withdraw or modify each of the eight major proposed or pending regulations listed on the following pages** that were identified by BRT CEOs as posing the greatest threat to business investment, job creation and economic growth.

Proposed or Pending Regulations that Threaten Investment, Jobs and Growth

BRT members rank the regulatory climate as one of their most pressing concerns. The sheer number of regulatory initiatives, their potential cost and the uncertainty they create continue to weigh on investment decisions. These concerns have delayed investment and have contributed to subpar job creation over the past several years.

BRT members have identified more than 60 different pending or anticipated regulations of concern. A full listing of these regulations can be found on the BRT website, www.brt.org.

In reviewing the Administration's regulatory agenda, assessing the potential economic costs of these anticipated regulations and discussing the regulatory landscape with BRT CEOs, three broad categories of regulations emerge as the greatest concerns: environment, including upcoming greenhouse gas (GHG) regulations, the suite of proposed and anticipated regulations affecting hydraulic fracturing, and revisions to the particulate matter (PM) standards; implementation of the Patient Protection and Affordable Care Act, including imposition of new health care taxes and the definition of full-time and part-time employees; and implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act, including implementation of the Volcker Rule, regulation of derivatives and conflict minerals disclosure. Taken together, these proposed or anticipated regulations will affect virtually every company operating in the United States and are likely to impose many billions of dollars of new annual regulatory costs on the U.S. economy.

Environmental Regulations

- ▶ **GHG Regulations** — The Environmental Protection Agency (EPA) announced in December 2010 that it would propose Clean Air Act GHG New Source Performance Standards for electric generating units and petroleum refineries in 2011. The proposed rule for electric generating units currently is pending for review at OMB and is expected to be released within the next several months. It is not clear whether the EPA will propose a single electric generating unit performance standard, e.g., a standard equivalent to the emissions profile of a combined cycle gas turbine, or whether the standard will recognize various fuel types, i.e., coal, natural gas and possible subcategorization to recognize various coal types. Work practices are explicitly authorized by Section 111 (h) of the Clean Air Act if it is not feasible to propose a standard of performance.

While the EPA's GHG standards initially will be applicable only to the electric and petroleum refining sectors of the U.S. economy, they will establish a precedent that may become applicable to other major manufacturing facilities at a later time. The Clean Air Act was not designed to regulate ubiquitous pollutants such as carbon dioxide. The EPA should exercise its authority to set standards relying on work practices to ensure that market distortions do not occur.

- ▶ **Hydraulic Fracturing** — Multiple federal agencies are considering regulating hydraulic fracturing. The EPA has proposed a suite of new regulations for the oil and natural gas industry, including the first federal air standard for wells that are hydraulically fractured. These regulations include a new source performance standard for volatile organic compounds; a new source performance standard for sulfur dioxide; an air toxics standard for oil and natural gas production; and an air toxics standard for natural gas transmission and storage. These regulations are expected to be finalized in April 2012.

In addition, the EPA has announced that it intends to propose a rulemaking on disposal of fracturing water and fluids from shale gas extraction operations in 2014. In a related development, the EPA has announced that it intends to propose a rulemaking on the disposal of wastewater from coal bed methane operations in 2013. The EPA also announced a rulemaking on fracturing fluid chemical reporting under the Toxic Substances Control Act and is in the midst of a long-term study on the impact of hydraulic fracturing on ground water and drinking water. Initial results from the study are anticipated in 2012, and a final report is expected in 2014.

The Department of the Interior has announced that it intends to propose regulations in early 2012 for hydraulic fracturing on federal lands it administers, and the U.S. Forest Service has announced a new forest planning rule in the wake of two National Forests taking action against hydraulic fracturing.

Over the past four years, U.S. shale oil and gas production has increased dramatically. This increase has resulted from the application of new technology, including horizontal drilling and hydraulic fracturing, to shale formations that were once thought to be uneconomic to produce, unlocking vast new oil and natural gas reserves. These resources, if they are allowed to be developed, promise to dramatically improve U.S. energy security, reduce the balance of payments deficit and accelerate economic growth, particularly in energy-intensive manufacturing sectors of the U.S. economy.

Federal regulations must be carefully and thoughtfully tailored to ensure that responsible development of shale resources is allowed to continue. The Administration should work with industry proactively to ensure that any regulations reflect industry best practices and do not unduly burden beneficial development of shale resources. In addition, the Administration needs to take into account the pre-eminent role states traditionally play in regulating oil and gas activity within their borders.

- ▶ **PM2.5** — The Clean Air Act requires the EPA to promulgate primary and secondary National Ambient Air Quality Standards (NAAQS) for six air pollutants, including PM. Primary standards have been established for PM10 (course particles) and PM2.5 (fine particles). A required five-year review of the PM NAAQS is in progress, and a proposal to retain or revise those standards is expected this year. Power plants, forest fires, wood-burning fireplaces and stoves, on-road and off-road vehicles, agriculture, and construction activities are major sources of PM. Substantial reductions in PM have occurred and are likely to continue to decline as a result of a number of existing regulations, including the utility Maximum Achievable Control Technology rule, the Cross-State Air Pollution Rule, Regional Haze Regulations and motor fuel desulfurization efforts. Additional measures to further control for PM are likely to be extremely expensive. The EPA should consider the PM emission reduction benefits from rules already promulgated before deciding whether to lower the PM standard even more.

Health Care Taxes and Regulations

In implementing the health care reform law, rules should not require costly changes to the offering of employer-sponsored coverage or impose duplicative and unnecessary requirements, such as government-created paper forms on benefit coverage options. Implementation rules that affect employer-sponsored coverage and the creation of exchanges must address the impact of these rules on cost, quality and competition in the health care marketplace.

- ▶ **Health Care Taxes** — The health care reform law imposed several taxes on insurance plans, medical devices, pharmaceutical products and employer-sponsored health plans. One such tax is an excise tax on health insurance issuers and sponsors of self-funded group health plans with aggregate expenses that exceed \$10,200 for individual coverage and \$27,500 for family coverage. The amount of the excise tax is 40 percent of an amount considered to be an excess benefit. The health care reform law also added an annual fee on health insurance providers beginning in 2014. The health care reform law imposed a tax on fully insured and self-insured products to finance comparative effectiveness research (Internal Revenue Service [IRS] Notice 2011-35), imposing the tax in 2012 for most policies and plan sponsors. In addition, the Department of Health and Human Services released a proposed rule requiring all insurance plans and plan sponsors to contribute funding to state exchange reinsurance programs. The final rule is pending at OMB.

The health care reform law also imposed an annual fee on certain manufacturers and importers of brand name pharmaceuticals, effective January 1, 2011. The IRS issued Notice 2011-9 in January 2011, which defined the covered entities and fee calculation methodology. The new law also imposed an excise tax of 2.3 percent on the sale of any taxable medical device. The IRS delayed imposition of the tax until 2013. The IRS issued a request for comment regarding this tax in December 2010. These new requirements have a significant impact on the cost of health care coverage. All of these new taxes will be passed through to plan sponsors and their employees. Congress should eliminate unnecessary taxes on medical devices, insurance plans and pharmaceuticals, but unless and until Congress acts, their implementation should be delayed.

- ▶ **Definition of Full-Time and Part-Time Employees** — Starting in 2014, large employers will be assessed a penalty if they fail to provide affordable health insurance, at a minimum value, to any full-time employee who is then found eligible for a tax credit through the exchange. In May, the IRS proposed that a full-time employee be defined as one who has 130 hours of service in a calendar month and that this be treated as the monthly equivalent of at least 30 hours of service per week. Treasury and the IRS are also considering a look-back/stability period safe harbor under which an employer would determine each employee's full-time status by looking back at his or her hours over a defined period of not less than three, but not more than 12, consecutive calendar months, as chosen by the employer. The employee's status determined under this look-back would then persist for a stability period of at least six, but not more than 12, months. Additional rulemakings are expected. The final rule should permit employers to have flexibility in offering employees health insurance coverage.

Financial Regulations

- ▶ **Implementation of the Volcker Rule** — Section 619 of Dodd-Frank (Volcker Rule) aims to limit proprietary trading by banks. It will introduce new complexities and impose higher costs for businesses while slowing down the creation of new markets. The Volcker Rule is likely to reduce market liquidity by limiting the market-making and underwriting activities of market participants, thus increasing market volatility and costs. Foreign regulatory agencies have raised concern about the implications of these regulations, particularly their impact on market participation and liquidity. Regulatory agencies should exercise their discretion to ensure that bank market-making activities are not curtailed as a result of the Volcker Rule. As a first step, regulators should repropose the Volcker Rule, taking into account the legitimate concerns of market participants and heeding the intent of Congress in drafting the underlying statute.

- ▶ **Derivatives Regulation** — While the new regulatory structure for OTC derivatives is not yet completed, concerns are increasing over how the rules could restrict the use of derivatives to manage risks associated with business activities. The proposed new rules will create a burdensome structure that will make it more costly to enter into swaps. They also will create uncertainty in overseas markets. With more cash required to cover the increased costs imposed by regulation (including higher margin requirements), there will be less money for new job creation and growth. Managing and hedging risk is essential for many businesses, particularly with respect to increasingly volatile commodity prices, currencies and interest rates. Yet the proposed regulations do not reflect this reality. Regulators should ensure that derivatives rules provide an unambiguous end-user exemption from clearing, trade execution, margin and capital requirements to allow end users to prudently manage risk. Moreover, interaffiliate derivatives transactions, which pose no risk to the financial system, should not be regulated the same way as market-facing transactions. While it is important that regulators promulgate rules that take into account these concerns, legislative solutions are needed as well to ensure that congressional intent is carried out and to avoid harmful over-regulation.
- ▶ **Conflict Minerals Disclosure** — The Securities and Exchange Commission (SEC) proposed rules in December 2010 to implement Section 1502 of the Dodd-Frank Act, which requires public companies to disclose annually whether their products contain “conflict minerals” (i.e., gold, tin, tantalum and tungsten from the Democratic Republic of the Congo [DRC] or adjoining countries). The SEC’s proposed rules provide for a three-step process that requires companies to (1) determine if conflict minerals are necessary to the functionality of a product they manufacture or “contract to manufacture”; (2) undertake a “reasonable country of origin inquiry” to determine if their conflict minerals originated in the DRC or adjoining countries; and (3) provide an audited Conflict Minerals Report if the conflict minerals in its products, or those it contracts to manufacture, originate in the DRC or adjoining countries or it is unable to determine that they do not. As proposed, the SEC has vastly underestimated the costs of conducting the required due diligence, and achieving compliance is extremely difficult, if not impossible. The SEC should promulgate rules that are cost-effective and workable.

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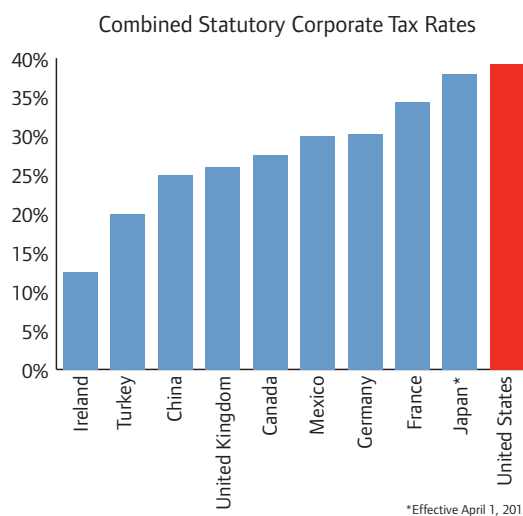
COMPETITIVE TAXATION



Fast Facts

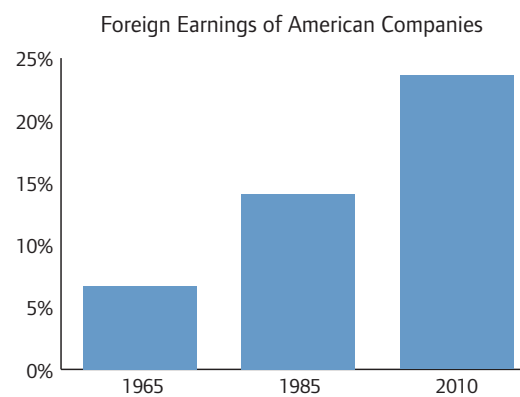
- ▶ The world economy has changed enormously since the last comprehensive reform of the corporate tax system in 1986. Rising incomes and new market-based economies around the world have created vast growth opportunities for American companies and American workers to provide goods and services to billions of new consumers. At the same time, American companies and American workers face significant new competition in markets at home and abroad. The U.S. tax system has failed to keep up with the demands of a modern, global economy and now hinders American competitiveness. Tax reform is needed now.
- ▶ The U.S. combined statutory corporate tax rate stands at 39.2 percent, now the highest in the Organisation for Economic Co-operation and Development (OECD) after Japan reduced its corporate rate this year. This U.S. statutory rate is more than 50 percent higher than the 25.1 percent average corporate tax rate in the rest of the OECD in 2011.¹
- ▶ Economic studies indicate that as much as 45 percent to 75 percent of the corporate tax burden is borne by labor, in the form of lower wages.² This linkage was recently acknowledged in the year-end report of the President's Council on Jobs and Competitiveness.³
- ▶ The high rate is not the only problem, as the United States is the only G-8 country that still taxes the worldwide income of businesses headquartered in America. Among the 34 OECD countries, 26 use a territorial tax system, whereby little or no additional home country tax is imposed on active trade or business profits earned abroad when those earnings are remitted home.⁴ The U.S. worldwide system of taxation significantly magnifies the damage done by the high U.S. corporate tax and significantly impairs American businesses competing in world markets.

Among its major trading partners, the United States has the highest combined statutory corporate tax rate.



Source: OECD Tax Database, Table II.1 and PricewaterhouseCoopers LLP (December 2011)

In 2010, American companies generated nearly 25 cents of every dollar of earnings from operations outside the United States.



Source: U.S. Department of Commerce, Bureau of Economic Analysis

- ▶ U.S.-based companies face increasing competition around the world. In 2000, 36 percent of global Fortune 500 corporations located their headquarters in the United States. By 2009, that share had declined to 28 percent.⁵

The U.S. corporate tax system has failed to keep pace with the changing global economy. The U.S. system is an outlier at a time when capital is more mobile and the world's economies are more interconnected than ever before. Modern, streamlined and fiscally responsible tax policies contribute to a competitive business environment that attracts new investment and supports strong economic growth and job creation.

Many countries have reformed their tax policies in response to the increasingly important role that national corporate tax rates play in many investment and plant location decisions. Unfortunately, the United States has not followed suit. The last significant overhaul of the U.S. corporate tax system was in 1986 — before the widespread use of the Internet, before the Soviet Union collapsed and before China became a modernizing economy — and much existing policy dates back to the 1960s and earlier. Most of the policies introduced in the interim have been patchwork solutions that are often temporary in nature. As a result, U.S. corporate tax policy has become increasingly outdated and overly complex, making the United States a less attractive site for new investment and placing U.S. companies at a disadvantage in the global marketplace.

*“American companies seeking to expand in markets at home and abroad are working with **one of the least competitive tax systems among developed countries in the world.**”*

Reforms of the U.S. corporate tax system must focus on two critical components: the corporate tax rate and the system of international taxation.

First, the U.S. combined statutory corporate tax rate currently stands at more than 39 percent, now the highest in the OECD after Japan reduced its corporate rate this year. In contrast, the average combined statutory corporate tax rate in other OECD countries was 25.1 percent in 2011.⁶ This difference actually understates the United States' disadvantage. Prospective investors will compare the United States not to the average but to the best country when it comes to tax rate comparisons.

— Robert A. McDonald, Chairman, President and CEO, The Procter & Gamble Company; Vice Chair, Business Roundtable; and Chair, Business Roundtable Tax and Fiscal Policy Committee

Although not as widely noted as the high statutory corporate tax rate, the United States also has a high effective tax rate on corporate income. A study of financial statement effective tax rates for the 2,000 largest companies in the world found that U.S.-headquartered companies faced a higher worldwide effective tax rate than their counterparts headquartered in 53 of 58 foreign countries over the 2006–09 period.⁷

Second, the United States continues to use a worldwide tax system that taxes U.S. companies on both the income that they earn at home and the foreign earnings of their subsidiaries, when those earnings are remitted back to the United States. In contrast, the vast majority of OECD countries use a territorial tax system in which little or no additional tax is typically imposed by the home country on active trade or business profits earned abroad because that income is already

taxed in the country where it was earned. The additional tax imposed by the United States on foreign earnings creates a barrier for U.S. companies desiring to access their foreign earnings that is not faced by their competitors headquartered in most other OECD countries. Foreign markets represent 95 percent of the world's consumers, and access to these markets helps expand the demand for U.S. goods and services.⁸ Accordingly, U.S.-headquartered companies and the jobs of their employees depend on their ability to compete and win in the global arena.

A competitive U.S. corporate tax rate and territorial system can enhance U.S. economic performance, including more jobs, more investment and increased economic growth with increased living standards for American families. A lower corporate tax rate will enhance the incentives for companies to locate here, attract high-value investments, reduce investment distortions across sectors and lessen the current incentives to rely on debt rather than equity in financing capital investments. Likewise, the adoption of a territorial tax system will increase the incentive for companies to incorporate in the United States, allow U.S.-headquartered companies to compete more effectively in foreign markets, and encourage existing U.S. companies to bring home their earnings from overseas and reinvest them in the United States.

Solutions

- ▶ **Modernize and simplify the tax code** to increase the competitiveness of the United States as a location for investment and employment by both U.S.-based and foreign-based companies. A stable, reliable, equitable and nondiscriminatory tax system that provides a level playing field is essential for long-term economic growth. U.S. policies should strive not only to make the nation competitive with the other world economies, but also to make the United States the best place in the world to launch a career, headquarter a business, hire employees and conduct business operations. In today's global economy, tax reform is absolutely essential to economic growth and job creation. BRT CEOs believe that these reforms can be undertaken in a fair and fiscally responsible manner, with the cost of these reforms to be offset as much as possible through appropriate base broadening. The key elements of a modern, streamlined and fiscally responsible corporate tax system include:
 - **A competitive corporate tax rate** comparable to the OECD average. A combined federal and state rate of 25 percent would create a U.S. statutory tax rate equal to the average of America's trading partners.
 - **A competitive territorial tax system** similar to the rest of the world. This fundamental reform recognizes the jobs created and the value contributed to the U.S. economy by successful American companies with worldwide operations. Fundamental components for a competitive territorial system include:
 - Providing a 95 percent or greater exemption of tax on foreign dividends of active business income; and
 - Following the practice of other countries. The U.S. system should not deny domestic deductions for expenses not directly allocable to foreign earnings. The U.S. system also should not include other features not adopted abroad — including antideferral rules for active income — that can impede the competitiveness of American companies relative to their foreign competitors.

- ▶ **Extend the business tax provisions** that expired at the end of 2011, including the research and development credit and important international provisions. While corporate tax reform is the priority, the extension of these expiring provisions should not be delayed while Congress considers overall reform.
- ▶ **Make every feature of the reformed U.S. corporate tax code permanent**, establishing the high-priority objective of eliminating corporate tax policy uncertainty.

Ultimately, any attempt to reform and modernize America’s corporate tax system must achieve the shared goal of creating a strong, competitive, job-creating U.S. economy. If the United States is guided by these principles and provides competitive and growth-promoting features for research and investments in plant and equipment, the nation will become more attractive for company headquarters and for the new investment that will increase production of goods and services. This approach to tax reform will foster economic growth, job creation and a higher standard of living.

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American Advantages

Which depend on:



Open markets for international trade and investment



Reliable, affordable energy



Protecting U.S. technology assets with effective cybersecurity



Contributions of highly educated world talent

OPEN MARKETS FOR INTERNATIONAL TRADE AND INVESTMENT



Fast Facts

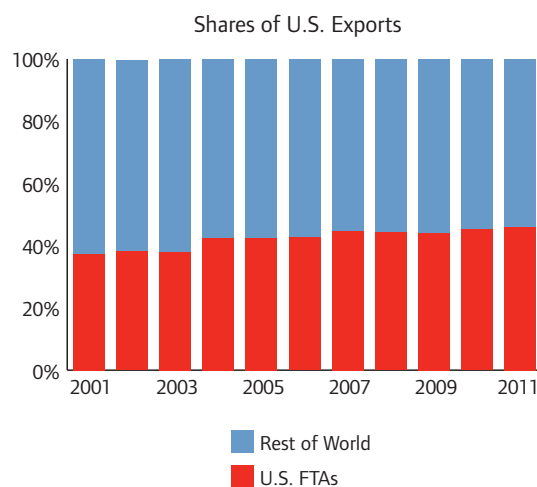
- ▶ In 2008, more than 38 million jobs in America — more than one in five — depended on international trade — exports and imports.¹
- ▶ In 1992, a year before the implementation of a series of U.S. bilateral, regional and multilateral trade agreements, the total of trade-related jobs in the United States was only 14.5 million.²
- ▶ The growth of 24 million new trade-related jobs for U.S. workers in two decades demonstrates clearly that trade is an important engine for economic growth and job creation.
- ▶ In 2009, more than 275,000 U.S. companies exported merchandise to customers abroad, and nearly 180,000 U.S. companies imported raw materials, components and finished products for U.S. manufacturers, services providers and consumers.³
- ▶ Exports also support higher-paying jobs. Positions in the manufacturing sector linked to the export of goods pay on average 18 percent more than other jobs.⁴
- ▶ Trade agreements are essential to creating economic and strategic benefits for the United States.
- ▶ The Uruguay Round of multilateral trade negotiations, which resulted in the creation of the World Trade Organization (WTO), was projected to add at least \$70 billion to global economic output. More than a quarter of this gain — \$19.8 billion — was estimated to accrue to the United States.⁵
- ▶ About 40 percent of U.S. exports now go to the nation's Free Trade Agreement (FTA) partners, and U.S. exports to FTA partner countries are growing faster than U.S. exports to countries that do not have FTAs with the United States. In 2011, the United States had a roughly \$50 billion manufactured goods trade surplus with its 17 FTA partner countries combined.⁶

U.S. exports represent a significant share of U.S. GDP and have increased over time, showing the importance of exports to U.S. economic growth and job creation.



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Existing U.S. trade agreements represent a large share of U.S. exports, and there is room for more agreements.



Source: Bureau of Economic Affairs, Foreign Trade Division, Exports to Foreign Countries, U.S. State Department

- ▶ The U.S. FTAs in effect in 2008 (before the global recession) generated \$305 billion in U.S. output (2.1 percent of GDP), expanded U.S. exports of goods and services by \$463 billion, and supported 5.4 million U.S. jobs.⁷
- ▶ The recently approved FTAs with South Korea, Colombia and Panama are expected to increase U.S. exports by more than \$10 billion and reinforce important national security and foreign policy relationships.⁸
- ▶ Investment in the United States is also essential to economic growth and job creation.
- ▶ U.S. affiliates of foreign companies employed 5.3 million Americans in 2009 — 4.7 percent of private-sector employment.⁹
- ▶ In 2007, more than 63 million¹⁰ Americans worked for U.S. multinational companies — either directly or through their supply chains — and U.S. multinational companies have accounted for nearly one-third of the growth of real private-sector GDP since 1990.¹¹
- ▶ With more than 95 percent of the world's population¹² — representing 80 percent of the world's purchasing power¹³ — outside the United States, U.S. economic growth and job creation depend on expanding U.S. trade and investment opportunities, so U.S. companies can sell more American products and services to these customers.

Vibrant and open markets for international trade and investment are a necessary prerequisite for generating new economic growth and job creation opportunities for U.S. businesses and workers. Increased use of bilateral and regional trade and investment agreements with like-minded countries and a strong system of multilateral agreements and rules under the WTO create these opportunities by eliminating trade and investment barriers and preventing discriminatory treatment of foreign goods, services and investment. In contrast, measures that close off markets from competition or are discriminatory quickly dampen international commerce and undermine economic growth and job creation. International trade and investment agreements are also essential to ensuring fair and competitive business practices across countries. They provide the rules under which the United States and its businesses and workers can enforce their rights to open markets and prevent discriminatory treatment.

The United States initially led the way in using bilateral and regional trade agreements to expand trade quickly by opening markets more deeply and setting strong rules for international commerce. Given that 95 percent of the world's population lives outside the United States and the rapid rise of the middle class in China, India, Brazil and other emerging markets, the United States needs to lead the way again. Today, all our major trading partners have aggressive bilateral and regional negotiating strategies to compete more effectively for these customers and grow their own economies. For instance, according to the WTO, 297 bilateral and regional trade agreements are currently in force internationally, with another 192 announced or under negotiation.

Until this year, the United States had only 11 regional and bilateral trade agreements in force. The recent passage of trade agreements with South Korea, Colombia and Panama and the ongoing Trans-Pacific Partnership negotiations will help U.S. companies and workers keep pace with their foreign competitors in opening markets for U.S. businesses and workers. However, they are not enough to help U.S. businesses and workers be competitive in world markets and to ensure that high U.S. standards for trade are adopted globally.

For U.S. companies and workers to grow their exports, maintain and create jobs, and improve their international competitiveness, the United States needs an active trade and investment policy designed to open foreign markets and keep them open. For many U.S. exporters — both small and medium enterprises and larger companies — and their workers, U.S. export credit financing from the U.S. Export-Import Bank is a critical piece of such a policy. The U.S. Export-Import Bank enables them to sell their goods and services to foreign customers in today’s highly competitive international marketplace, where many foreign competitors enjoy strong export credit support from their own countries. For example, in FY2011, the bank facilitated roughly \$41 billion in U.S. export sales by more than 3,600 U.S. companies, supporting nearly 290,000 U.S. jobs.¹⁴

“Open markets are essential for U.S. economic growth and job creation, and international trade and investment agreements are critical tools to open markets and keep them open.”

*— Douglas R. Oberhelman,
Chairman and CEO, Caterpillar Inc.,
and Chair, Business Roundtable
International Engagement
Committee*

To succeed, a robust strategic trade policy requires U.S. domestic policies that will build a highly skilled workforce, strengthen America’s leadership in research and development, enforce and protect U.S. intellectual property rights around the world, and institute globally competitive corporate tax policies. In addition to leveling the playing field for U.S. companies and workers competing abroad, improved access to foreign markets will spur domestic output and the creation of high-paying jobs in America. These benefits do not merely flow to large multinational companies. Indeed, as U.S.-based multinationals expand, they source more inputs from small businesses and the local communities that depend on them.¹⁵

Competition breeds innovation, and one of America’s greatest comparative advantages is its ability to generate new ideas, products and services. Supporting the nation’s entrepreneurs, global companies, local businesses and their workers will require a strong and proactive commitment from political leaders to pursuing a forward-looking and sustained trade and investment agenda.

Solutions

- ▶ **Develop and implement active international trade and investment initiatives** to help U.S. companies and workers increase their competitiveness in international markets and ensure that U.S. and foreign markets remain open for investment:
 - Provide the President with new and updated international trade and investment negotiating authority;
 - Aggressively pursue strategic bilateral and regional initiatives like the ongoing Trans-Pacific Partnership and a proposed Trans-Atlantic Partnership;
 - Revitalize multilateral and plurilateral negotiations at the WTO;

- Vigorously enforce U.S. rights to open markets and nondiscriminatory treatment under existing and future international agreements; and
 - Grant permanent normal trade relations status to Russia.
- ▶ **Constructively engage China and other emerging growth countries:**
- Target the elimination of market access barriers and discriminatory treatment of exporters and investors through more dynamic bilateral, regional and multilateral initiatives, including investment treaty negotiations;
 - Enforce U.S. rights under international trade and investment rules to ensure that U.S. companies and workers are not disadvantaged by discriminatory foreign policies such as indigenous innovation and other local preference requirements and that other countries comply with those rules; and
 - Enhance multilateral efforts to address currency issues, and resist counterproductive unilateral currency-related sanctions.
- ▶ **Reauthorize the U.S. Export-Import Bank on a long-term basis** before its current short-term extension expires, with a sufficient increase in its lending cap so it can continue to help U.S. exporters compete for sales abroad and support the U.S. jobs that depend on those sales.
- ▶ **Eliminate U.S. regulatory impediments to exports**, including through export control reforms.
- ▶ **Modernize and reform U.S. domestic policies** along the lines proposed by this *Taking Action for America* report to help U.S. companies and workers better compete globally to expand the U.S. economy and support jobs in America.

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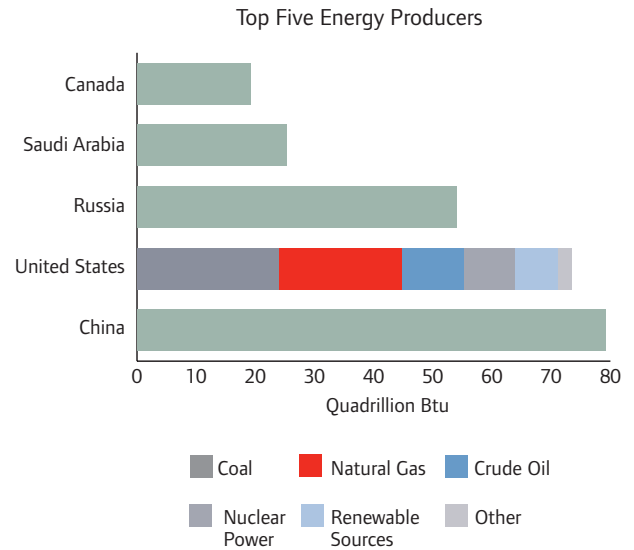
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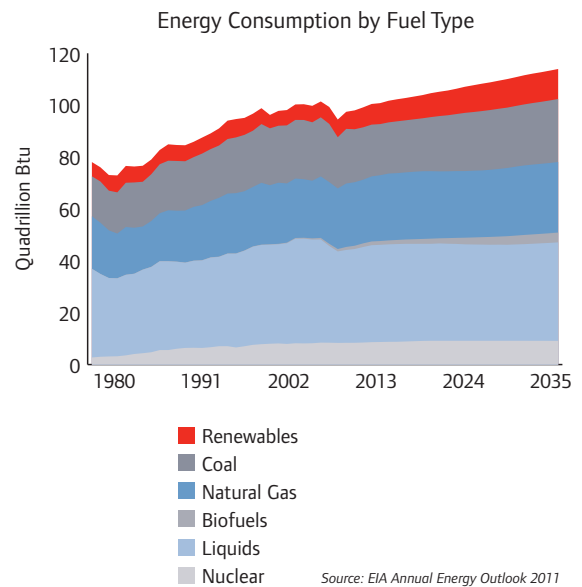
- Due to an abundant and diverse mix of energy resources, the United States is the world's second largest energy producer.¹
- A 10 percent increase in the price of oil reduces U.S. GDP growth by 0.25 percent.²
- Increased generation from renewable energy in the U.S. electric power sector, excluding hydropower, is projected to account for 33 percent of the overall growth in electricity generation from 2010 to 2035.³
- U.S. oil and gas production is rising, and America is likely to become a net exporter of natural gas by 2021, largely due to the discovery and exploration of additional shale resources and other increases in domestic production.⁴ These new resources and the growing abundance of natural gas in particular have significantly elevated the competitiveness of American manufacturing.
- Estimates suggest that the economywide net savings from energy efficiency investments could be more than a half trillion dollars over a decade as the cost of investments is more than offset by reduced energy costs.⁵

Relying on an abundant mix of energy resources, the United States is the world's second largest energy producer.



Source: U.S. Department of Energy, Energy Information Administration. International Energy Statistics; U.S. Department of Energy, Annual Energy Review 2011, Table 1.2

The U.S. relies on a diversity of sources to meet its energy needs.



Source: EIA Annual Energy Outlook 2011

“In the debate of energy generation vs. energy efficiency, the answer is to do both.”

— David M. Cote, Chairman and CEO, Honeywell International, Inc.; Vice Chair, Business Roundtable; and Chair, Business Roundtable Energy and Environment Committee

America needs an energy policy that ensures access to low-cost, sustainable sources of energy and power, which is key to GDP growth and job creation. Affordable and reliable energy sources can protect the environment while increasing energy and economic security, which in turn will enhance national security. This is the bedrock of a growing and competitive economy.

An effective national energy strategy must address energy supply and efficiency. Diversity of supply and greater efficiency are the two pillars of a pro-growth sustainable energy strategy. Energy efficiency — America’s great, untapped energy resource — can reduce consumption and lower cost at every step of the energy cycle: production, distribution and use. A comprehensive energy strategy should also address the aging energy infrastructure.

America has a variety of traditional energy resources, including coal, oil, natural gas, hydropower and nuclear generation. It possesses some of the best renewable resources in the world including, but not limited to, wind, solar, geothermal and biomass and first-class technology to harness those resources. America is also a leader in technologies to significantly boost energy efficiency, the lowest cost form of energy.

Additional U.S. energy resources and the untapped promise of much greater energy efficiency represent a new opportunity to dramatically improve America’s long-term access to energy. What is lacking is a coherent and comprehensive strategy to effectively leverage these advantages and realize the promise of this new opportunity.

Energy technologies will also support the “knowledge economy” by creating a growth opportunity for technology and engineering jobs. This, in turn, will make the United States more competitive on a global basis.

Traditional Sources

America is blessed with large endowments of traditional energy sources, including coal, oil, natural gas and nuclear power, and through the creative power of the U.S. people and the nation’s businesses, the country is developing new energy sources for the future. Technological advances have been a key driver of the expansion of all forms of energy, including traditional energy sources. For example, today compressed natural gas is used as a viable alternative for fuel. Another important innovation known as hydraulic fracturing is fundamentally altering the U.S. energy landscape and significantly boosting domestic supplies of oil and natural gas from shale formations. Shale gas currently represents 34 percent of America’s total natural gas production, and it is estimated that, based on current consumption rates, the country has more than a 90-year supply of this clean and affordable fuel.⁶

This bodes well for U.S. manufacturers that use natural gas both as a fuel and as a feedstock material. This same technology is also reshaping the oil exploration industry, with domestic production increasing from 5.0 million barrels a day in 2008 to 5.6 million barrels a day in 2011.⁷ The United States also has vast endowments of coal — the equivalent of nearly a 250-year supply at current rates of consumption.⁸ Through the development of clean coal technologies, the country will be better positioned to use these resources in a more environmentally friendly manner. Collectively, these resources represent a new opportunity to dramatically improve the nation’s long-term energy and economic situation after a long period of limited growth in domestic energy production.

The costs and benefits of producing and using these fuels, like all energy sources, vary greatly depending on changing market conditions and a host of other factors. This makes picking the most beneficial fuels and technologies an inherently challenging task. The market is better positioned than the government to make decisions regarding the appropriate mix of different energy resources. Government does, however, have the responsibility of ensuring that energy use decisions do not result in excessive external costs, such as environmental degradation or other market failures. To fulfill this responsibility, government should set broad performance standards to facilitate clean sources of energy, rather than adopt restrictive policies that mandate the deployment of particular technologies and fuels. However, the government should ensure, for all sources of energy, that viable projects are not unnecessarily delayed through an ineffective and slow permitting process.

Renewable Energy

BRT believes that renewable energy must continue to be a key component of the U.S. energy portfolio and the federal government has an important role to play in encouraging development of these technologies. New sources of energy will still be necessary to meet the needs of a growing economy. Satisfying these needs in a sustainable manner will require the deployment of technologies that leverage the nation's domestic resources, including solar, wind, biomass and geothermal.

New technologies often require government support for widespread deployment, which is the case with many new sources of renewable energy. To foster this energy innovation, the government should put in place policies and other finite supporting mechanisms that will lead to the deployment of renewable energy technologies that are economically and technically feasible.

Importantly, however, when supporting these technologies, the government should remain technology neutral — the government should not be in the business of picking winners or losers.

Energy Efficiency

Energy efficiency is the lowest cost form of energy. While further discoveries of traditional energy sources and development of renewable technologies will contribute to America's growing energy base, energy efficiency technologies and practices represent many of the least costly options for meeting the country's future energy needs. Some estimates suggest that the economywide net savings from such investments could be more than a half trillion dollars over a decade as the cost of investments is more than offset by reduced energy costs.⁹ These savings could be across sectors, including manufacturing, commercial and residential building, and transportation.

Nevertheless, many cost-saving energy efficiency improvements are unrealized due to information deficiencies, poorly matched incentives and "agency problems." For example, landlords that pass energy costs on to their renters often lack the incentive to make energy efficiency investments because they do not pay those bills. Also, renters who do not pay their own energy costs typically have no incentive to conserve energy. Meanwhile, many utilities may lack incentives to consider energy efficiency as a resource because many of their state regulators set rate structures that favor new-generation investments over demand-side efficiency improvements.

Government policies can help to better align incentives and reduce barriers to energy efficiency improvements. As major consumers of energy, local and state governments, the federal government, and the military can adopt proven cost-saving efficiency technologies, demonstrating their potential to other energy users and driving technological advancements that could further lower costs.

In New South Wales, government-owned or -tenanted office buildings of more than 1,000 square meters must achieve and maintain a National Australian Built Environment Rating System rating of 4.5 stars for energy and water consumption.

In Australia, the government implemented the National Australian Built Environment Rating System (NABERS), a program rating buildings' environmental performance on a scale of one to six stars in four key areas: energy consumption, water consumption, waste management and the built environment. The NABERS program is managed by the New South Wales (NSW) Office of Environment and Heritage. In NSW, government-owned or -tenanted office buildings of more than 1,000 square meters must achieve and maintain a NABERS rating of 4.5 stars for energy and water consumption.¹⁰ This simple change has had a meaningful impact on the adoption of energy efficiency measures in Australia.

Also, building codes and appliance efficiency standards can accelerate the adoption of technologies that lower the net costs consumers face. Government can play an important role in advancing energy efficiency by ensuring that consumers get relevant information prior to making investments in appliances and homes, while at the same time not picking winners or losers among the various energy efficiency technologies. This can be accomplished through greater information sharing, such as disclosure of energy usage prior to the sale of a home, or by leveraging the government's unique public outreach capabilities to directly inform consumers about the potential cost savings of energy efficient technologies.

Adoption of energy efficient technologies has generated tens of thousands of new jobs in the industries that supply efficiency technologies (e.g., construction, manufacturing) over the past decade.¹¹ Energy efficiency does not, however, just drive jobs in those sectors. By making businesses more competitive and providing consumers with more purchasing power, cost-effective energy efficiency investments can unlock capital for deployment elsewhere and drive job growth throughout the broader economy, thus enhancing America's international competitiveness.

Solutions

- ▶ **Implement an effective national energy strategy** that addresses both energy supply and energy efficiency. America needs a coherent and comprehensive energy policy that ensures access to affordable and reliable sources of energy, which is key to GDP growth and job creation.
- ▶ **Allow the market, not the government, to make decisions** regarding the appropriate mix of different energy resources and energy efficiency technologies. Technology neutrality is key.
- ▶ **Put in place policies and other finite supporting mechanisms that will lead to the deployment of renewable energy technologies** that are economically and technically feasible. As is the case with many new sources of renewable energy, new technologies often require government support for widespread deployment.
- ▶ **Properly incentivize energy efficiency** to ensure widespread deployment.

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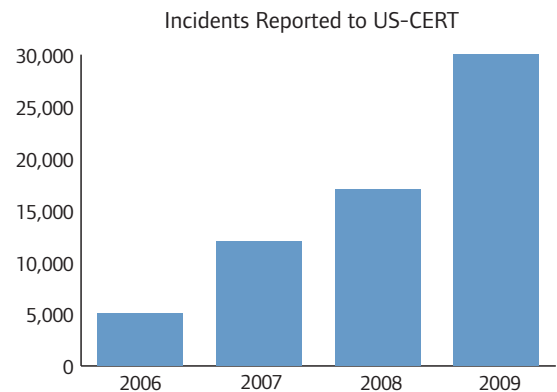
PROTECTING U.S. TECHNOLOGY ASSETS WITH EFFECTIVE CYBERSECURITY



Fast Facts

- ▶ The World Economic Forum calls threats to cybersecurity one of the top five global risks to watch, citing “the prevalence of cyber theft and the little understood area of all-out cyber warfare.”¹
- ▶ According to a broad investigation of data breaches in 2011, 92 percent of all breaches were caused by “external agents,” and organized crime was responsible for 58 percent of those breaches by external agents.²
- ▶ The Internet Crime Complaint Center, a partnership of the Federal Bureau of Investigation and the National White Collar Crime Center, reports that complaints of online crimes increased by more than 22 percent from 2008 to 2009. Moreover, the costs of these online crimes more than doubled, increasing from \$265 million in 2008 to nearly \$560 million in 2009.³

Cybercrime incidents continue to increase.



Source: GAO analysis of US-CERT data

With the spread of information and telecommunications technologies across the economy, the daily operations and long-term value of most economic enterprises in America now depend on the capabilities and security of their information systems. Moreover, the capacities and security of these systems have become critical elements of U.S. technological and economic leadership. As strategic economic assets, these systems must be protected. The government has a prominent role to play in this security realm. Unfortunately, this role is currently fragmented across many departments and agencies, as well as dozens of congressional committees and subcommittees, all claiming jurisdiction — and often lead status as well.

In addition, neither the government nor the private sector currently has the necessary information and analytic tools to assess and defeat the most serious threats to the cybersecurity of American companies. Meeting this challenge will require robust, collaborative public-private partnerships, which can respond to a rapidly changing threat environment for privately owned and operated information assets.

“Safeguarding America’s strategic information systems, most of which are privately owned and operated, is ‘mission critical’ for U.S. business and government.”

— *Ajay Banga, President and CEO, MasterCard Worldwide, and Chair, Business Roundtable Information and Technology Committee*

Solutions

BRT CEOs are committed to strong private-sector cybersecurity protections, including direct involvement and oversight by CEOs and their boards. They also call on government to do its part, including the following:

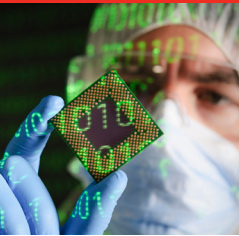
- ▶ **Coordinate and integrate the far-flung resources of the U.S. government to protect strategic information** in the United States, including the Departments of Defense, Homeland Security, Commerce, Justice and State; appropriate intelligence offices and agencies; and U.S. diplomatic, economic and security assets.
- ▶ **Avoid a top-down, prescriptive, check-the-box approach to cybersecurity** that cannot take effective account of the private ownership and operations of information assets and respond decisively to the rapidly changing threat environment.
- ▶ **Support the efforts of U.S. businesses to securely and effectively use the tools they need to combat global cybersecurity threats**, including:
 - Formal information-sharing mechanisms with appropriate legal protections;
 - Technical cooperation;
 - Strategic threat assessments; and
 - Strict criminal penalties and sentencing for cyber crimes.

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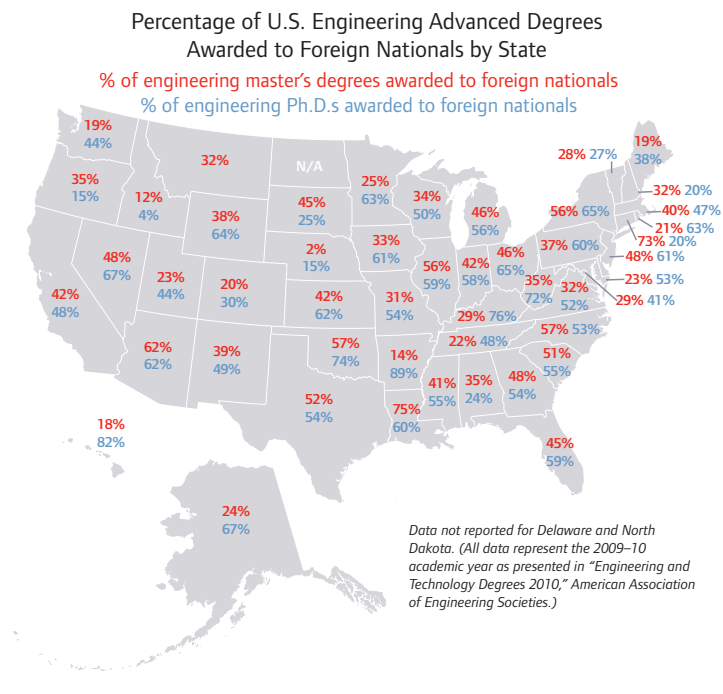
CONTRIBUTIONS OF HIGHLY EDUCATED WORLD TALENT



Fast Facts

- ▶ Immigrants or the children of immigrants founded 40 percent of Fortune 500 companies in the United States.¹
- ▶ More than a quarter of U.S. technology and engineering businesses launched between 1995 and 2005 had a foreign-born founder.²
- ▶ Foreign nationals residing in the United States were named as inventors or co-inventors in 26 percent of international patent applications filed from the United States in 2006, an increase of more than 15 percent since 1998.³
- ▶ Foreign nationals contributed to more than half of the international patents filed by a number of large, multinational companies, including Qualcomm (72 percent), Merck & Co. (65 percent), General Electric (64 percent), Siemens (63 percent) and Cisco (60 percent).⁴
- ▶ For every H-1B visa position requested, U.S. technology companies increase their employment by five workers.⁵
- ▶ In the field of engineering, more than half of the Ph.D.s (53 percent) from U.S. universities were awarded to foreign national students in the 2009–10 academic year.⁶

Foreign nationals account for a significant percentage of degrees in engineering.



Highly educated, foreign-born professionals have a long history of making great contributions to the United States. They drive economic growth, innovation and job creation. Immigrants are 30 percent more likely to form new businesses than U.S.-born citizens,⁷ and major U.S. employers, such as Intel, eBay, Yahoo! and Google, were all co-founded by immigrants. Among people with advanced degrees, immigrants are three times more likely to file patents than U.S.-born citizens,⁸ and for every high-skilled, temporary H-1B visa position requested, U.S. technology companies increase their employment by five workers.⁹

However, America's outdated, employment-based immigration policies shut the door to top world talent and all the great benefits they bring to U.S. economic growth and job creation. More than 1 million highly educated foreign-born professionals and their families are currently waiting for green cards, yet only 140,000 employment-based green cards are available annually, a cap set by Congress in 1990.¹⁰

While America fails to modernize its policies, the rest of the world has recognized the importance of welcoming top talent into their workforces. Consider that only 7 percent of the 1 million-plus green cards issued each year are allocated based on employment. Comparatively, Canada admits 25 percent of immigrants based on employment, Australia 42 percent, and the United Kingdom and Germany almost 60 percent.¹¹ Furthermore, opportunities abroad have become more attractive for foreign-born professionals. According to a Ewing Marion Kauffman Foundation survey, more than 90 percent of Chinese and 60 percent of Indian returnee entrepreneurs said the availability of economic opportunities in their countries was a very important factor in their return, and roughly 75 percent of Indian respondents and more than 80 percent of Chinese respondents said that the chance to start their own companies was better in their own countries than in America.¹²

Reforms to the U.S. immigration system for highly educated, foreign-born professionals, many of whom graduate with advanced degrees from U.S. universities in the critical science, technology, engineering, and mathematics (STEM) fields, must be enacted to ensure that America welcomes top world talent.

Unfortunately, as with U.S. policy on education and the workforce, immigration policy is stalled. Although there is widespread, bipartisan agreement that giving American employers greater access to highly educated, foreign-born professionals is good for U.S. growth and job creation, these reforms have been tied to passing more controversial comprehensive immigration reform, which has produced a stalemate in Congress.

In addition to building domestic talent, the United States should welcome the best and brightest from around the world. BRT will continue to promote changes in immigration policies for highly educated, foreign-born talent, particularly for foreign nationals who receive advanced degrees in STEM fields from U.S. universities. Clearly, as a nation, America also needs to resolve longstanding problems with both legal and illegal immigration, and BRT will begin to develop the substance and strategy for a path forward on comprehensive immigration reform.

“There are unfilled job openings in America today because employers can’t find the skilled workforce to fill them. If we want to continue to create economic growth we have to both comprehensively upgrade the U.S. education and worker training system and allow the world’s best talent to compete for jobs here.”

*— Ellen J. Kullman,
Chair and CEO, DuPont*

Solutions

- ▶ **Create a new STEM green card** for foreign students who graduate from U.S. universities with advanced degrees in STEM fields.
- ▶ **Recapture unused green cards** to ensure that the best and brightest have the ability to pursue their careers in the United States after graduating from top-flight U.S. universities.
- ▶ **Exempt from the employment-based green card quotas** individuals who meet the standard for a National Interest Waiver petition, and clarify the standard for a National Interest Waiver in light of current agency interpretations.
- ▶ **Do not count dependent family members** of the principal sponsored as an employment-based immigrant toward the numerical limit.
- ▶ **Eliminate the per-country limit** on employment-based green cards.
- ▶ **Increase the standard H-1B visa cap from 65,000 to 90,000 and remove the 20,000 cap** for advanced degree holders so that all foreign nationals who receive a master's degree or higher from a U.S. university can be eligible for an H-1B visa.
- ▶ **Create a new immigrant entrepreneur's visa** to fuel startups in the United States. Individuals must have a bachelor's degree or higher and create three U.S. jobs (for nonrelatives) within two years to receive green card; self-funding or venture capital financing would be permitted.

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American Workers and Families

Who deserve policies that promote:



A skilled, prepared workforce



Affordable, quality health care



Stable policies that ensure
retirement security

A SKILLED, PREPARED WORKFORCE



Fast Facts

- Only 34 percent of U.S. 4th graders can read at or above the proficient level, according to the 2011 National Assessment of Educational Progress. Thirty-three percent of U.S. 4th graders are reading below the basic level.¹
- On the 2009 OECD Programme for International Student Assessment (PISA), among 15-year-old students in 65 countries, the United States ranked 31st in mathematics, below the OECD average. The United States fared slightly better in science, ranking 23rd, with student performance equal to the OECD average.²
- In December 2011, the unemployment rate for U.S. high school graduates was more than twice as high as the rate for Americans with a bachelor's degree or higher. For those without a high school diploma, the unemployment rate was more than triple the rate for college degree holders.³
- By 2018, 63 percent of new and replacement jobs will require a credential beyond high school, and of these jobs, more than half will require a bachelor's degree or higher. Jobs for middle skill workers (workers with some college, a certificate or an associate degree) will make up 29 percent of the workforce.⁴
- While 68 percent of high school graduates go on to two- or four-year colleges in the fall after they graduate,⁵ only 28 percent of students receive an associate degree within three years, and just 57 percent receive a bachelor's degree within six years.⁶
- Over the past decade, growth in STEM jobs was three times greater than non-STEM occupations, and this trend is expected to continue.⁷
- Science and engineering degrees, excluding social and behavioral sciences, comprise roughly 16 percent of U.S. bachelor's degrees, substantially lower than the percentage of bachelor's degrees awarded in the same science and engineering fields in China (44 percent), South Korea (37 percent) and the European Union (24 percent).⁸

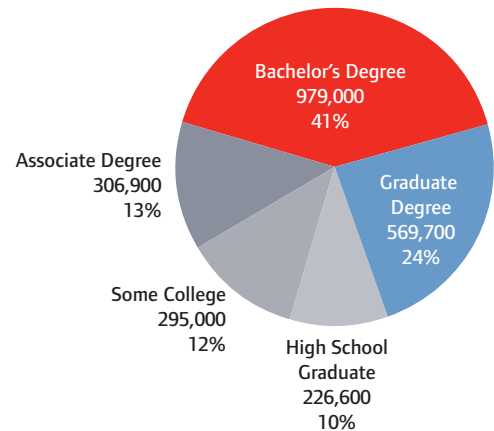
Earning a college degree increases the chances of finding and keeping a good job.

Education Level Achieved	December 2011 Unemployment Rate
Less than High School	13.8%
High School Graduate/No College	8.7%
Some College or Associate Degree	7.7%
Bachelor's Degree or Higher	4.1%

Source: U.S. Bureau of Labor Statistics, Table A.4. 2012

Jobs in the STEM fields are growing.

Employment Projections of STEM New and Replacement Jobs through 2018: 2.4 Million



Source: Georgetown University Center on Education and the Workforce, 2011

Education attainment is the lynchpin of a productive and prosperous society. A young person who chooses not to finish high school makes a life-altering decision that limits his or her lifetime earnings and ability to succeed in today's global economy. Dropping out of high school, as almost 7,000 U.S. students do daily according to the Alliance for Excellent Education, is the single biggest mistake a person could make.⁹ A high school diploma is not enough to meet the education requirements of the fastest growing new jobs, and continued employment and higher pay increases are more likely with additional education credentials.

U.S. economic performance and job creation require a workforce that possesses the skills and knowledge that employers need, particularly in STEM fields and fast-growing occupations that require STEM skills. But there is a mismatch between the education and skills that many Americans have and what employers need. Although more than 13 million U.S. workers are unemployed, businesses report more than 3 million open jobs, jobs that cannot be filled by previously displaced workers because of gaps in skills and training.¹⁰

Despite the indisputable value that education provides, America's education system continues to lag behind its peers. It is not that U.S. education is getting worse; performance is generally flat — and in some cases is improving. However, even in the areas where U.S. performance is getting better, it is not improving as fast as other countries, and American workers are falling behind their international counterparts in terms of education attainment. On international assessments of math and science achievement, U.S. students score significantly behind their peers in top-performing European and Asian countries.¹¹

A recent study of the highest-performing school systems, based on the standardized OECD PISA, shows that a central attribute of the best systems is the focus on the selection and training of teachers to improve the quality of instruction in the classroom. This study shows that top-performing systems typically recruit their teachers from the top third of graduating classes, are highly selective, and in some cases, pay for teacher training tuition and fees.¹²

Moreover, high-performing schools systems do a better job of training teachers over their careers with a focus on building practical skills, coaching and best-practice sharing.¹³ Some of the higher-performing school systems spend substantially less on their education per student than lower-performing systems (e.g., the United States).¹⁴ Despite substantial (73 percent) increases in spending and many well-intentioned reform efforts in the United States (including class size reduction), actual student performance has not improved significantly in decades.¹⁵

Reforms and initiatives supported by business and other leaders have produced some positive developments in education and workforce policy. Tools and resources have been developed that are helping focus reform efforts on better results. For example:

- ▶ Forty-five states plus the District of Columbia adopted higher Common Core State Standards in English/language arts and mathematics. Common state science standards are currently being developed.

“A high-quality workforce, especially in the areas of math, science, technology, and engineering, is critical for the ability of countries and economies to successfully compete and prosper in the 21st century.”

— Rex W. Tillerson, Chairman and CEO, ExxonMobil Corporation, and Chair, Business Roundtable Education and Workforce Committee

- ▶ The No Child Left Behind Act exposed gaps in student achievement, which had been hidden by average scores in schools and districts. Research and the successes of individual schools in response to their student achievement data demonstrate that these gaps can be closed while all students improve.
- ▶ New state data systems are providing more and better information on school and student performance, from prekindergarten through postsecondary education and the workforce.
- ▶ There is increasing attention to and demand for career pathways from high schools to community colleges and other one- and two-year programs that lead to credentials valued by employers, including high school diplomas, workforce certifications and associate degrees.
- ▶ After decades of focus on access to college, state and federal policymakers recognize that access is necessary but not sufficient, and they are beginning to hold institutions accountable for completion rates.
- ▶ New public/private partnership models are emerging that bring together research universities, entrepreneurs and government.

While these developments are positive, they are not enough. The high school dropout rate remains unacceptably high, and many who do graduate lack the skills needed to succeed in college or work; proficiency in reading, math and science remains unacceptably low; achievement gaps between racial, ethnic and income groups persist; and U.S. students' interest and achievement in STEM are insufficient for future workforce demands.

After decades of involvement in education reform initiatives by individual companies and organizations such as BRT, but only incremental improvement to show for it, CEOs believe it is time to take a fresh look at the changes needed to produce significantly better results. Incremental change that tinkers around the margins is not producing the results needed for individual success or national competitiveness.

Based on benchmarking best policies and practices in the United States and around the world, BRT will focus on the following education and workforce issues in the next year:

- ▶ **Implementing Common Core State Standards** in math and English language arts, as well as Next Generation Science Standards (now under development).
- ▶ **Tying data and accountability systems to core standards.**
- ▶ **Improving teacher training and support**, with emphasis on the critical need areas of:
 - STEM, K–12 and postsecondary education, and
 - Early learning, with an emphasis on ensuring that every 8-year-old can read.
- ▶ **Aligning community college technical skills training** with business needs.

BRT will provide a business perspective on how the federal government can play a more effective, although limited, role in education and identify the work of best practice leaders that should be replicated. BRT CEOs will continue to work with Congress and the Administration to improve and reauthorize the Elementary and Secondary Education Act — with an emphasis on higher standards, accountability, transparency and teacher quality.

Solutions

- ▶ Use research from high-performing school systems in the United States and around the world to **change teacher training and support policies and practices**, with an emphasis on STEM and early reading.
- ▶ **Support adoption and implementation of Common Core State Standards** in math and English/language arts and Next Generation Science Standards when they are developed.
- ▶ **Continue to promote more consistent and useful data systems**, and tie data and accountability for students graduating from high school prepared for postsecondary education and careers to achievement of core standards.
- ▶ **Streamline federal workforce training programs**. Make it a priority for institutions to offer and for participants to receive workforce certifications or degrees that are recognized and valued by employers.
- ▶ **Establish partnerships with community colleges** that align technical skills training with business needs and employment opportunities.

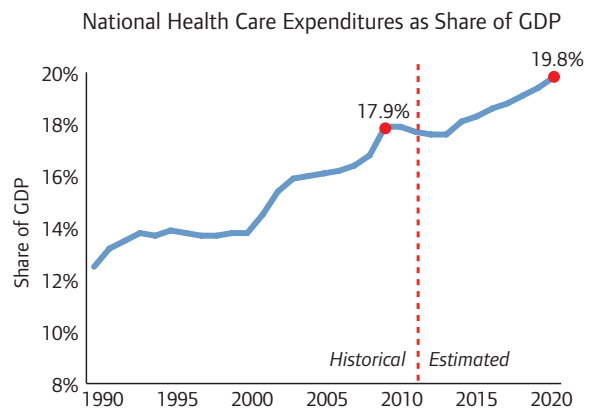
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Fast Facts

- Health care costs are skyrocketing. At \$2.6 trillion, they accounted for 17.9 percent of GDP in 2010 and are estimated to increase to 19.8 percent by 2020.¹
- Medicare and Medicaid are significant drivers of health care spending in the United States. Total federal health care expenditures in 2010 were \$810 billion — 5.6 percent of GDP.²
- Medicaid is projected to increase from 7.6 percent of federal spending in 2011 to 10 percent in 2020.³
- Demographic trends contribute to increasing costs. Americans ages 65 or older are expected to grow to 17 percent of the population in the next 10 years.⁴
- Significant costs are also associated with medical liability and malpractice claims. A 2010 study found that the practice of defensive medicine cost an estimated \$45.6 billion in 2008.⁵
- The employer-based health care system insures 169 million Americans.⁶
- The average annual premium for employer-based family coverage was \$15,073 in 2011, up 9 percent from 2010 and 113 percent from 2001.⁷
- Studies indicate that preventative medicine can lower health care costs. A study by the Trust for America's Health found that investing \$10 per person per year in disease prevention programs could save \$18 billion (2004 dollars) in annual health care costs

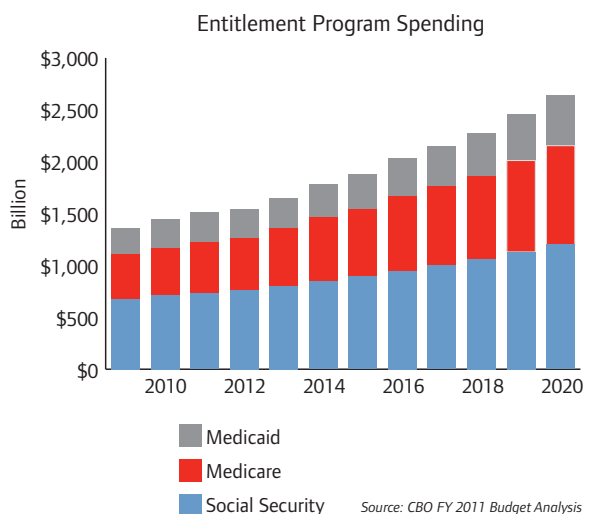
Health care costs are projected to rise from 17.6 percent of GDP in 2009 to almost 20 percent by 2020.



Note: 2010–20 projections were based on the National Health Expenditures released in January 2011. Projections include impacts of the Affordable Care Act.

Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Bureau of the Census

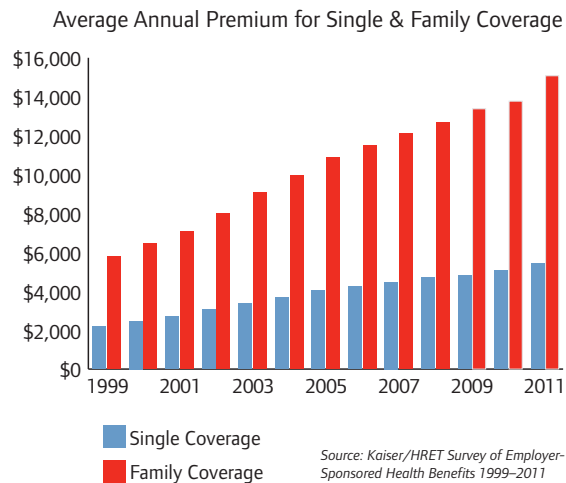
Spending on entitlement programs, including Medicare and Medicaid, is on an unsustainable pathway.



within 10–20 years, producing a return on investment of 6.2-to-1.⁹ Health information technology (IT) could produce up to \$81 billion (2004) annually in efficiency savings.⁹ This is roughly equivalent to 25 percent of annual out-of-pocket health care expenditures for the average U.S. household.¹⁰

- ▶ Widespread adoption of health IT could reduce medical errors, which a Milliman study estimated cost the U.S. economy \$19.5 billion in 2008.¹¹

Average annual premiums for employer-based coverage have increased sharply during the past 10 years.



Business Roundtable CEOs believe maintaining an affordable, innovative and efficient health care system is a critical factor to ensuring a better quality of life for all Americans and a more productive and competitive U.S. workforce.

Although the United States is recognized as a leader in medical technology, research and quality of care, the costs of its health care system are quickly becoming unsustainable. Constituting almost 18 percent of GDP in 2010 and rising at more than twice the annual rate of inflation, soaring health care costs place a growing burden on family, business and government budgets.¹²

A variety of factors endemic to the current U.S. health care system contribute to its escalating costs. Most notably, the U.S. health care system is fragmented, and consumers are insulated from the cost and quality of the services they are provided. Cost-effective prevention and wellness-based programs are often left undervalued, underused and underfunded. Medical care is dispensed and received with relatively little knowledge of its full costs and likely benefits, and doctors and patients are encouraged to pursue treatment more aggressively when earlier preventive measures would have been more effective.

*“Business Roundtable CEOs consistently cite rising medical care costs as their number-one cost pressure. These costs are inhibiting job creation and **damaging our ability to compete in global markets.** Medical care costs are also putting a strain on the household budgets of many Americans.”*

— John Engler, President,
Business Roundtable

Government-funded Medicaid and Medicare entail significant inefficiencies and rapidly increasing costs, and providers are not rewarded for high-quality and cost-effective care. As the number of retirees grows, the cost of medical services remains unchecked and competition among private health care providers is limited, these programs will continue to exert a burden on taxpayers.

Efficiency-enhancing and cost-cutting reforms can be introduced at several points in the U.S. health care delivery system while retaining its existing employer-based system, which provides health care coverage to 169 million Americans.¹³ Regulations should recognize the ability of market forces (primarily purchasers and consumers of services) to implement innovative solutions and bring down health care costs.

BRT CEOs believe the private market can drive innovation in the way medical care is dispensed so that consumers can have information on the cost, benefits and outcomes related to the quality of care from physicians and hospitals readily available to enable them to make informed decisions. Moving rapidly toward a health care system that uses electronic records will significantly reduce health care costs. In addition, addressing the issue of medical liability has significant potential to cut costs.

Ultimately, reforms that unleash private market innovation and preserve the ability of employers to offer affordable health benefits will curb costs and allow savings to be passed down to consumers, the business community and government. If America gets health reform right, families win, and the nation becomes more secure economically and financially.

Solutions

- ▶ At every opportunity, **adopt policies that provide greater transparency** to unleash consumers to reduce costs and seek quality health care services. Today, almost anything can be found on the Internet, yet in health care, consumers still cannot access understandable information on cost, quality and outcomes. Policies should empower consumers in the health care marketplace by ensuring that they have cost and quality information, access to wellness and chronic care programs, and competitive coverage options.
- ▶ **Enact medical liability reform** to ensure that patients do not lose access to physicians and a full range of health care services.
- ▶ **Adopt policies that seek to expand the private health care market** and promote market-based competition.
- ▶ **Fix what is wrong with the current health care law**, including eliminating unnecessary or duplicative requirements and eliminating unnecessary taxes on medical devices, insurance plans and pharmaceuticals that raise the cost of care without improving quality. Regulation should enhance competition and transparency — and avoid regulating the cost of health care coverage.

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STABLE POLICIES THAT ENSURE RETIREMENT SECURITY

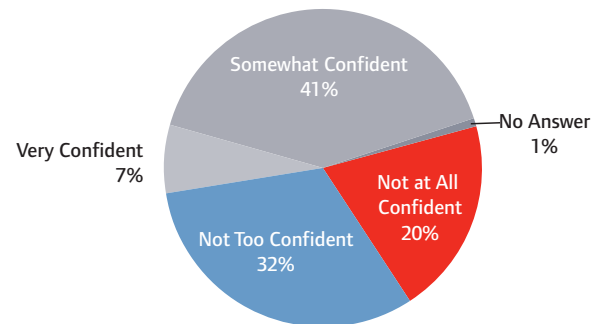


Fast Facts

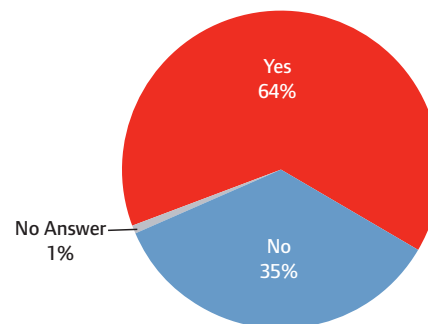
- ▶ As of September 30, 2011, tax-qualified retirement plans held \$17 trillion in assets. These assets provide long-term investment capital, fuel growth, create jobs and boost economic security.¹
- ▶ In the private sector, there were 67 million participants in defined contribution plans and 19 million participants in defined benefit plans as of 2007.²
- ▶ Seventy-three percent of full-time private-sector workers have access to a retirement plan at work, and employer-sponsored retirement plans paid out \$836 billion in benefits in 2010.³
- ▶ In 2010, Social Security paid \$577 billion in retirement benefits to 44 million people.⁴
- ▶ By 2036, the combined Social Security Trust Funds will be fully exhausted, and program income will cover only about 75 percent of expenditures.⁵
- ▶ Fifty percent of workers indicated that they are not confident about having enough money to live comfortably after retiring,⁶ and nearly three-quarters of baby boomers report that they intend to work past their retirement years.⁷

Recent survey data suggest that Americans are increasingly pessimistic about their retirement finances.

Looking ahead to your retirement, how confident are you that you will have the financial resources to live comfortably during your retirement?



Do you think you will do any work for pay after you retire, or not?



Source: Associated Press-LifeGoesStrong.com survey, October 2011

In the late 1930s, when Social Security first started, roughly half of the U.S. population lived to be at least 67 years old. Today, more than 80 percent live to be at least 67, and half the population will reach the age of 82.⁸ As America continues to age, promoting prudent retirement saving and ensuring a fiscally sustainable Social Security safety net become ever more essential public policy goals.

Stable and predictable policies that promote retirement security and economic growth are essential to ensure a reasonable standard of living for most Americans in retirement and to make the United States a more attractive place for skilled workers and businesses. While the primary responsibility for ensuring a secure and comfortable retirement lies with the individual, employers and government also play key supporting roles through Social Security and employment-based retirement plans and in informing Americans about their retirement options.

Social Security

Social Security has provided a reliable level of retirement security for decades, but demographic changes mean that the system is not sustainable in its current form. Social Security reform is needed so that it can remain the bedrock of Americans' retirement security. Reforms that bring Social Security into long-term financial balance should be made as soon as possible to minimize disruption and allow time to plan.

Although Social Security must meet its promises to current retirees and those nearing retirement, long-term benefit promises must be based on demographic and economic realities. In particular, further increases in payroll taxes are not a panacea; they would increase costs of employment and should be viewed through the lens of potential job loss and slower economic growth.

“Pension policy must provide employers with the certainty that will allow them to make new capital investments, to hire new employees, and to make R&D investments.”

— Larry Zimbleman, Chairman, President and CEO, Principal Financial Group, Inc.

Employment-Based Retirement Plans

Robust employment-based defined benefit and defined contribution retirement plans are an indispensable component of America's national retirement savings strategy. The success of those plans is predicated on tax rules that create incentives for employers to contribute to retirement plans and that encourage workers to save. In the past, retirement tax policy has sometimes been changed based on a short-sighted focus on immediate budgetary savings, without consideration of the potential long-term economic and social damage caused by such changes. That approach is counterproductive. Policies that promote long-term savings and investment offer the best path to sustainable economic growth and ensure greater retirement security.

At the same time, complex and burdensome new regulations, along with a growing threat of unjustified legal actions, continue to increase costs and discourage employers from establishing and maintaining retirement plans. To compete in a global marketplace, employers must have flexibility to implement retirement plans that attract and retain qualified employees. In particular, the current funding rules inadvertently impose volatile and unpredictable contribution requirements on employers, which is contributing to slowing the economic recovery and hampering job creation.

Individual Responsibility

To achieve financial security in retirement, most Americans will need to make regular additions to savings. They also will need to make responsible decisions about when to retire and how to spend down their retirement savings prudently. Current policies can create disincentives to continued work, impose barriers to phasing into retirement and discourage employers from educating workers about retirement issues.

Solutions

- ▶ **Retain current tax policy**, with its strong, consistent incentives for employers and employees to contribute to defined benefit and defined contribution retirement plans. These contributions are a key component of America's national retirement savings strategy.
- ▶ While it is important that all defined benefit plans be systematically funded to ensure that benefits are paid, **modify the current private-sector funding rules** to eliminate volatile and unpredictable contribution increases, especially during periods of economic downturn.
- ▶ **Ensure that laws and regulations safeguard retirement fund assets.** They should not subject employers to costly administrative burdens or penalties, unwarranted litigation, or excessive Pension Benefit Guaranty Corporation premiums.
- ▶ **Ensure that policies do not discourage retirees from continued work or phasing into retirement.** Regulations should not discourage employers from informing workers about saving for retirement and aiding employees with investment decisions or other financial choices.
- ▶ **Enact reforms that bring Social Security into long-term financial balance** as soon as possible to minimize disruption and give Americans the lead time to plan appropriately.

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CONCLUSION

BRT CEOs believe that America possesses enormous strengths, including a large and sophisticated internal market; abundant natural resources; and a culture that values hard work, investment and entrepreneurship.

They believe that, while the urgency of the nation's current condition is very real, the United States and its people have the wherewithal to "Take Action for America" and address these challenges head on.

The recommendations in this report, which are summarized below, are a blueprint for American recovery that, if enacted, will create a robust platform for business investment, economic growth, enhanced U.S. competitiveness and greater opportunity for all Americans.

AMERICAN GLOBAL LEADERSHIP



Sound Fiscal Policy

Stabilize and reduce the federal debt relative to the size of the economy by achieving a balanced federal budget, excluding interest payments on the debt, within the next five years.



Smarter Regulation

Streamline the regulatory process, require cost-benefit analyses of all federal regulatory agencies, encourage early engagement with regulated industries and establish a Transparency Portal that enables the public to track the progress of federal permits.



Competitive Taxation

Adopt a competitive U.S. corporate tax rate comparable to the Organisation for Economic Co-operation and Development average and a competitive territorial tax system similar to the rest of the world.

AMERICAN ADVANTAGES



Open Markets for International Trade and Investment

Develop and actively pursue international trade, investment and regulatory initiatives to help U.S. companies and workers increase their competitiveness in international markets and ensure that U.S. and foreign markets remain open for trade and investment.



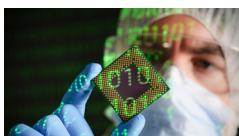
Reliable, Affordable Energy

Adopt a coherent national energy strategy that makes U.S. energy systems more diverse, more domestic and more efficient.



Protecting U.S. Technology Assets with Effective Cybersecurity

Integrate the full resources of the U.S. government to protect America's strategic information systems; develop flexible, responsive and collaborative public-private partnerships to share information and coordinate responses; and provide U.S. businesses with the tools they need to combat global cybersecurity threats.



Contributions of Highly Educated World Talent

Reform America's employment-based immigration system so that it welcomes top world talent and all the great benefits they bring for U.S. economic growth and job creation — especially foreign nationals who have graduated from a U.S. university with an advanced STEM degree.

AMERICAN WORKERS AND FAMILIES



A Skilled, Prepared Workforce

Prioritize education and workforce reforms in the next year to achieve the greatest impact, including Common Core State Standards; data and accountability systems that are tied to the Common Core; teacher training and support, with a focus on science, technology, engineering and math (STEM), K-12 and postsecondary education, and ensuring every 8-year-old can read; and aligning community college technical skills training to business needs.



Affordable, Quality Health Care

Empower consumers with health care cost and quality information; fix what is wrong with the current health care law — including eliminating duplicative requirements and unnecessary taxes on medical devices, insurance plans and pharmaceuticals; enact medical liability reform; and promote competition.



Stable Policies that Ensure Retirement Security

Preserve tax incentives that encourage employers and employees to contribute to retirement plans; reform federal entitlement programs to achieve long-term fiscal balance; and avoid pension funding rules that impose volatile and untimely contribution requirements on employers, especially in the current economic climate.



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