EMBARGOED UNTIL DELIVERY
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ECONOMIC GROWTH AND JOB CREATION

REMARKS BY GOVERNOR HALEY BARBOUR
AS PREPARED FOR DELIVERY
CHICAGOLAND CHAMBER OF COMMERCE
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Thank you, for your gracious introduction and thanks to everyone for your warm welcome. I hope you'll forgive the use of this teleprompter, but this is President Obama's hometown, and, I just figured, "When in Rome …!"

It's an honor to be here today with so many of Chicagoland's business leaders to discuss what I expect is on many of your minds: The need to revive America's weak economy. And to change the damaging policies that pose an even greater threat to our economic future.

The professional economists tell us the recession is over. That's hard to see on Main Street, and I don't hear anybody celebrating. In the Heartland, this doesn't feel much like a recovery.

The simple fact is, our economy isn't performing anywhere near its potential. Instead of accelerating toward higher levels of growth and full employment, we're still limping out of the recession. The evidence is all around us.

Last month, the Commerce Department revised GDP growth down from 3.2 percent to 2.8 percent for the last quarter of 2010.

Median home prices in January crept back to where they were in 2004.

Our economy is not growing fast enough to replace the 7 million jobs lost since January, 2009 – much less accommodate the young Americans entering the workforce.

It's time we asked ourselves: Why is this recovery so flat?

In my view, it's not a failure of business or a failure of free enterprise – it's a failure of government policy.

In fairness: the Obama Administration arrived in office facing the worst economic conditions in decades.

But for more than two years, this Administration and its Congress have pursued policy after policy that create economic uncertainty or directly hurt the economy. Explosive spending, skyrocketing deficits, gargantuan debt, calls for record tax increases, government-run health care, out-of-control regulations and anti-growth energy policy.

The recent election seems to have given the President the zeal of a convert who just heard the Gospel. Now he's meeting with CEOs. Extending the Bush tax cuts. Even speaking at the U.S. Chamber of Commerce!

Talking to business leaders about the economy … Now that's "change" even I can believe in.

But, despite all the talk, there's no change in policy. And the policies embraced by this White House show little understanding of how our economy actually works. They seem to have no trust in business. No sense of how entrepreneurs build new companies. No insight into how small businesses create jobs.

Think about it: Is there anybody in the current Administration who ever signed the <u>front side</u> of a paycheck?

Their answer is always the same – more government. As if they can just tax, borrow, spend and regulate our country to prosperity.

You've seen it firsthand. Here in Illinois, your governor recently signed a massive, 66 percent tax hike, along with a business-killing increase in corporate taxes.

I heard Wisconsin Governor Scott Walker responded by telling companies they were welcome to move north of the border, where he's trying to balance the budget <u>without</u> raising taxes. In exchange, he sent Illinois 14 new Democratic Senators.
Doesn't sound like a fair trade to me!

Obviously, Illinois and Wisconsin are attempting to tackle their mountains of deficit and debt in two dramatically different ways. Back in Washington, DC, the Obama Administration is pursuing a third way: Ignoring the problem.

Despite the much-touted move to the center, President Obama's new budget would increase federal spending to $3.8 trillion next year – and increase the federal deficit to a mind-boggling $1.6 trillion. That deficit alone is bigger than Bill Clinton's entire budget for the whole federal government back in 1997.

If the current Obama budget were adopted, over the next 10 years, he'd add <u>another</u> $13 trillion to our national debt – on top of the more than $3 trillion in debt he's already racked up.

In fact, according to a House study, the amount of new debt proposed by the Obama budget is more than the total debt accumulated by the federal government between the founding of the Republic in 1789 and January 20, 2009 – the day President Obama was inaugurated.

Now let me ask you a question: Where do you think your business would be if your revenue was 42 percent less than your expenditures year after year after year? You could write a book about it. It would start at Chapter 11.

The financial situation of the country – out-of-control spending, deficits and debt – have given rise to a statement I'd never heard in a forty-year career around politics and government, but a statement I have heard regularly for the last eighteen months or two years: People say I'm afraid my children and grandchildren won't inherit the same country I inherited.

People see clearly that a bigger government means a smaller economy. So, it's time we made economic growth, not government growth our top domestic priority.

In Washington, DC and state capitals like Madison, Columbus and Indianapolis, Republicans are waging a courageous and necessary fight to rein in excessive government spending … reform unsustainable entitlement and public sector union benefits … and start chipping away at this mountain of debt by restoring government to its proper and limited role in society.

Of course, this isn't going to happen in a single session of Congress. Social Security, Medicare and Medicaid total more than half the entire federal budget.

You can't reduce or even control spending without dealing with entitlements, yet the President has been AWOL on the subject of entitlements.

Despite his failure of leadership the structural changes needed to put entitlement programs on a sustainable path must be the centerpiece of the next stage of government reform that has been underway over three decades.

In the 1980s, President Reagan realigned the tax code to emphasize economic growth, rather than wealth redistribution. In the 1990s, the Republican Congress – with the acquiescence of President Clinton - realigned our welfare system to emphasize work over dependency. In our time, the challenge will be realigning entitlements so beneficiaries are protected without imposing a crushing debt on future generations.

It <u>can</u> be done – but it must be led by a President who is actually committed to change.

Let me make one thing clear: Cutting spending is not an end in itself.   It's a means to an end, and that end is economic growth and the job creation it will stimulate.

This Administration seems convinced massive government spending is the path to economic growth and job creation. Well, let's look at their record: in the last two years the federal government spent $7 trillion and our economy lost seven million jobs. I guess we ought to be glad they didn't spend $12 trillion!

Let me say it again: Bigger government equals a smaller private economy. The private sector can't grow and create jobs if government sucks up all the money.

If we don't act, within 15 years the US will be forced to borrow money from foreign governments to pay for our military. Perhaps even worse, in about 5 years, the amount we pay China in interest on the U.S. debt they hold will be enough to fund <u>their</u> entire military.

Clearly, entitlement reform and getting control of spending are necessary for reducing our debt but also for both long-term, sustained economic growth and national security. But, by itself, it's still an insufficient formula for economic growth and job creation.

For about three decades – between 1980 and 2010 – there was a relatively bipartisan consensus that <u>growth</u> should be the center of economic policy. It wasn't always stable or steady, but from 1982 to 2007 the world had the greatest era of economic growth and wealth creation in history – enough to enable a billion people to rise out of poverty.

Our growth policy was based on four key pillars:

First, a commitment to lower tax rates on workers and entrepreneurs. Between the start of the Reagan Administration in 1981 and the end of the Bush Administration in 2008, the top tax rate was cut from 70 percent to 35 percent and every American who paid income tax got a tax cut.

Second, an understanding that lower taxes on capital spurs investment, entrepreneurship and job creation. Every single president in that era supported lowering the capital gains tax, including President Clinton who cut the rate from 28 percent to 20 percent.

Third, a desire to open new markets to American goods and services through free trade agreements. Reagan, Clinton and both Bushes supported open markets and used free trade agreements to grow our economy.

Fourth, a belief in a stable monetary policy that focused on maintaining a sound dollar.

Beginning in 2009, those policies were abandoned. In their place, the Obama Administration substituted an unlimited faith in limitless government.

We were told that taxes should go up, even in a deep recession. That government spending, not entrepreneurial energy, was the source of job creation. That trade agreements which would increase exports should be reconsidered or renegotiated. That the Federal Reserve should try to juice the economy with easy money.

So as we enter this debate about how to eliminate the deficit and reduce our national debt, – I urge the country – and especially my fellow Republicans – to never lose sight of what we're really fighting for: A strong, growing economy that is capable of creating the good jobs and careers Americans need … providing the capital entrepreneurs and small businesses require to build new companies … and, yes, generating the revenues to fund the limited, but necessary functions of government.

Without sustained growth to keep us the most competitive nation on earth, all the budget cutting in the world won't matter.

My old friend and fellow Mississippian, Fred Smith, founder and CEO of Fed Ex, has a saying. Fred says, "The main thing is to keep the main thing the main thing."

Our focus on fiscal responsibility must go hand-in-hand with policies that drive economic growth and job creation. The main thing is economic growth and job creation.

Let me briefly mention four policies to achieve the main thing:

<u>First, we need the right incentives for American businesses to invest in the United States.</u>

There is a global battle for capital, and right now, American companies are sitting on more than $1 trillion locked overseas because of our mistaken tax code. We need to unlock that capital so it can be invested in new plants, new equipment and new jobs here in America, not overseas.

While we're at it, let's finally cut our corporate income tax rate as nearly every one of our competitors has done over the last decade.

We also need to fix our civil justice system so companies know our states are open for business, not just open for lawsuits.

<u>Second, we need to demonstrate to the rest of the world that the U.S. is the best place to invest and build businesses.</u>

For the foreseeable future, developing nations with low wages are going to be attractive places for manufacturing and call centers. Some believe the only way to address that is to erect trade barriers and penalize companies for setting up operations outside the United States.

But this is precisely the wrong way to look at the world. We ought to be doing everything we can to show the rest of the world that the United States is still the best, safest, most stable, and most innovative place to do business.

In my part of the country, we've done a good job of attracting Japanese and European automakers to build their factories here. We have Russian steelmakers, German transformer manufacturers and European aerospace companies. We ought to be just as aggressive in courting the growing businesses of India, China, and the rest of the world to invest here.

<u>Third, we need to win the global battle for talent.</u>

As every governor knows, the quality of your workforce is a huge difference maker for growing the economy. One reason companies like Toyota put their plants in Mississippi is because they were impressed by the skills and work ethic of our people.

Today, the brightest engineering and science students from the developing world still come to our universities. But when a student from India gets a Ph.D. in engineering from Mississippi State, odds are he'll go home because we won't let him stay. So he starts a business in Mumbai that employs 1,800 people. We ought to staple a green card to his diploma, so he can start that business and employ 1,800 people in Memphis.

To win the global battle for talent, we need to dramatically increase the number of H-1B visas we make available.
We simply cannot keep losing this battle for the best and the brightest. We need to put policies in place to make America the first choice for the world's most talented engineers, computer scientists, chemists, and inventors. This is not an immigration debate. We still need to close and control our borders, but this is about making sure our country remains a global center of ideas, innovation, entrepreneurship, and high-end skill.

At home our schools and families must greatly improve our educational outcomes, so our children are again the best and the brightest. We must also stop judging politicians' commitment to education by how much money they spend and instead judge them by the results they achieve for our children. Helping young Americans get the skills they need to compete in a high-tech global economy will not only qualify them for better paying jobs – it will allow U.S. businesses to take the fullest advantage of the most innovative technology, improve productivity, and stay competitive in the world marketplace.

Fourth, we need an energy policy that ensures abundant, affordable energy for American businesses and consumers.

The Obama energy policy basically boils down to this: Increase the price of energy so Americans will use less. That's an environmental policy, not an energy policy.

To achieve this goal, the Obama Administration has made the moratorium on drilling in the Gulf of Mexico into a "perma-torium." More Alaska oil is being placed off limits. The hydraulic fracturing technology that unlocks natural gas from shale is under attack. And permits to mine coal in Appalachia are harder to get than a heart transplant.

We need an administration that's committed to more American energy, not strangling our own supplies, putting us even further at the mercy of often-hostile overseas oil producers, and increasing costs for small businesses and families trying to live on ever-tightening budgets.

In recent days the Obama Administration has pushed back on my criticism of its energy policy, saying oil production last year was the highest in several years. Probably unintentionally he also noted it takes years to explore for, find and then actually produce oil and gas. The production increases of 2009-2010 resulted from earlier decisions, mainly by the Bush and Clinton Administrations, not because of any Obama policy.

US oil production will decline this year. The Gulf of Mexico, from which we get 30% of our domestic oil, will produce 13% less oil because of this Administration's policies.

The market has judged this Administration's opposition to oil production. Its decision: Despite the fact there is 6 to 8 million barrels a day in excess petroleum production capacity in the world, oil was trading at $90 a barrel, before the turmoil in the Middle East.

Don't forget the last time we had $4 gasoline, in 2008, then Candidate Obama said he wished the price had gone up more slowly, but he never said $4 gas is bad, much less unacceptable.

Let me say flatly: $4 gasoline is bad for our economy, bad for small and large businesses and bad for American families. Period. No caveat.

Putting growth back on the national agenda requires more than a budget submission or a speech to a business audience about these four policy pillars. It requires an understanding of what makes our economy grow – and real work experience in making government work.

That's why I'm not surprised to see so much of the national debate shift away from an indecisive White House and to the state capitals. Governors in Ohio, New Jersey, Wisconsin, Indiana and Florida are showing that hard choices aren't impossible choices.

At the risk of sounding boastful, I know where they are coming from.

I stumbled into a political career late in college. I spent much of my professional life as a political strategist and as a lobbyist in Washington. I ran the political office of the White House for Ronald Reagan. I am very proud of the work I did. I understood Congress and the Administration. I saw the sausage factory up close. I started a business, which was deemed very successful.

But when I took the oath of office as Governor, I got a new perspective on government and how it affects real people.

All my life, Mississippi has been near the bottom of most lists of American achievement. I knew the people of Mississippi deserved better. And I knew everyone who came down and visited our state came away with a very different and quite positive impression.

Since becoming governor in 2004, my goals have been simple: grow our economy … run a jobs-friendly government where we live within our means … and let America and the world see my state as it really is – the progress we've made and the problems we still deal with.

When I took office, our state had almost no unallocated reserves. Lawsuit abuse had created a health care crisis, caused doctors to flee the state, and put every small business one lawsuit away from bankruptcy. Medicaid spending was out of control.

By getting control of spending and growing our economy, we dug out of a $720 million budget hole in two years without raising anybody's taxes. We rebuilt our Rainy Day Fund to the statutory limit so we would be prepared for a cyclical downturn in the national economy.

When the national recession caused our revenue collections to drop in the last two years, I cut $700 million from the state budget, as I'm authorized to do under state law. Our local media whined and moaned, predicting these cuts would inflict hordes of locusts and Biblical plagues on our people.

You know what? Most Mississippians didn't even notice!

My administration also didn't shy away from entitlement reform.

As I mentioned, when I became governor, Medicaid costs were skyrocketing by more than 16 percent per year. Accountability was so weak that the year before I took office, Medicaid spent $79 million in state funds that wasn't even entered as a cost on its books. Under my predecessor, Medicaid rolls had shot up from about 500,000 to 750,000.

To fix this mess, we didn't resort to accounting tricks or weaken the program. We just put in place the kind of management controls you use every day in your business. And we made sure the people we were serving were actually eligible for the benefits.

Because of these changes, Mississippi's Medicaid error rate dropped to just 3.47 percent. While your business wouldn't, couldn't tolerate an error rate so high, that's less than half the national average and the fourth lowest in the country. Our management reforms have saved state taxpayers nearly $50 million a year and federal taxpayers almost $150 million annually. If the national error rate for Medicaid and Medicare were reduced to our level in Mississippi, it would save taxpayers tens of billions of dollars every year. People talk about cutting waste, fraud and abuse, we've done it.

Changing the way government did business was a priority. But if we were going to create a better future for our citizens and show the world what Mississippi could do, we had to attract investment, jobs, and people.

So my first year in office, I called a special session of the legislature to pass what the Wall Street Journal called the most comprehensive tort reform law in the country.

Within one year, medical liability lawsuits fell by 90 percent. Malpractice insurance premiums are down 61 percent. Small businesses had the sword of Damocles lifted from above their heads.

Many in the trial bar actually knew the reforms were needed. I just hope the rest of them didn't move to Illinois.

We also reformed our workforce development programs. We cut our state payroll tax for unemployment insurance. We increased accountability in schools and test scores are up.

Our overriding goal was to show the world Mississippi was open for business.

Because of our pro-growth policies, we now have a new manufacturing base with companies like Toyota. We've become a center for advanced manufacturing with advanced materials – where companies like GE Aviation build composite jet engine fan blades and assemblies. Global companies like PACCAR and Severstal have built major operations.

Mississippi has also grown one of the strongest, most diversified energy economies in the country. Companies like Chevron, Gulf LNG, Southern Company, and others have helped bring more than $10 billion in capital investment to our state.

Even in the darkest days after Katrina, when tens of thousands of homes and businesses were literally wiped off the face of the earth, we stayed focused on our growth strategy. The assistance of the federal government and the hundreds of thousands of volunteers and faith-based groups was critical. But I knew – and Mississippians knew – that getting back on our feet and rebuilding bigger and better than ever required more than a helping hand. It meant implementing an effective plan to attract investment, business and talent.

Suffering the worst natural disaster in American history, Mississippians faced the crisis head on, hitched up their britches and went to work; went to work helping themselves and helping their neighbors. America and the world looked at these strong, resilient, self-reliant people and liked what they saw.

The results: today, parents and grandparents see their children and grandchildren deciding to stay in our state – or to come back home, because they recognize Mississippi as the best place to build their future, to launch a successful business or career, and to create a good life for their families.

We still have more to do in Mississippi. But we have made great progress and are laying a foundation for the future.

Ladies and gentlemen, what I learned as Governor of Mississippi is that "winning the future" doesn't start in Washington, DC. It won't be accomplished through government boondoggles like taxpayer-subsidized high-speed rail or other pet projects. It can't be achieved by having the government elites take control of our automakers, financial sector, health care system and energy industry.

What America needs today is a commitment to economic growth, not government growth: An absolute dedication to appropriately reforming entitlements coupled with an understanding that budget cuts must be matched by policies that promote growth and spread prosperity.

A different American president from Illinois, a truly great one, once made a simple, yet profound statement about the proper course of economic policy in America:

"I don't believe in a law to prevent a man from getting rich; it would do more harm than good," Abraham Lincoln said.

He wanted <u>every</u> man [quote] "to have the chance when he may look forward and hope to be a hired laborer this year and the next, work for himself afterward, and finally hire men to work for him! <u>That</u> is the true system."

Lincoln called this "progress" – from worker to entrepreneur to small business owner – the "<u>great principle</u> for which this government was really formed."

Lincoln understood that entrepreneurial capitalism is the economic equivalent of political freedom. He believed our government exists to protect our right to prosper in the economic sphere as much as our right to vote in the political sphere. In doing so he gave us the enduring key to keeping America's economy the strongest, most competitive in the world.

In this 150th anniversary of his inauguration, we should rediscover the timeless wisdom of Abraham Lincoln.

Thank you again for inviting me. God bless you and God bless America.

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