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## USA

### Economic Agenda of the New U.S. Administration

Es ist mir eine Freude, Sie heute zu treffen, um über die Wirtschaftsagenda von Präsident Barack Obama in seiner zweiten Amtszeit zu sprechen. Es ist wie so oft – wenn ein Amtsinhaber wiedergewählt wird – auch jetzt der Fall, dass sich die Regierung umgehend an die Arbeit macht. Die Zeit steht nicht still. Es ist seit der Wahl so viel geschehen, dass es schwer zu glauben ist, dass sie erst vor etwas weniger als zwei Wochen stattgefunden hat. Nach einem sehr langen und harten Wahlkampf haben sich fast unmittelbar am Tag nach der Wahl führende Politiker sowie die Wirtschaft und Menschen, die sie vertreten, an die Arbeit gemacht. Sie beurteilen unsere Herausforderungen und Chancen sehr sorgfältig und realistisch. Und ich begrüße die Möglichkeit, das gleiche gemeinsam mit Ihnen zu tun.

I have spent a lot of time over the past year describing and discussing the American election campaign – both within the context of elections gone-by and challenges of the future. No matter what level of attention you paid to the campaign: whether you skimmed the headlines of your paper or online news aggregator of choice; whether you burrowed down deeper into the polls of your choice through Real Clear Politics or Politico or Nate Silver's 538 New York Times blog; or whether you actually got involved in the campaign of your choice, it was obvious to all that the economy was the major issue before American voters this year.

Lo and behold, however, as analysts churn through the mountain of data that an elec-

tion of the magnitude of this combined presidential, congressional, gubernatorial, and ballot issue vote produces, it is clear that this year, "it was not only just about the economy, stupid."

According to exit polls, the economy was the major consideration for voters. That's interesting and it was expected but the big story of this election was the changing demographic landscape in the United States. Demographic changes in the United States challenged the conventional wisdom and assumptions politicians made about what voters want and what voters need. The old rule, for example, about unemployment sinking an incumbent did not apply this year. Assumptions that the dragging economy would automatically turn voters against the President did not turn out to be justified. Many had adjusted to incremental economic growth. The recovery has been slow but steady; and it is not complete.

Election 2012 was a hard-fought campaign. There was frankly little of the poetry that former New York Governor Mario Cuomo was referring to when he said that "you campaign in poetry, and you govern in prose." I believe, however, that it is well possible that as President Barack Obama and Republicans and Democrats in Congress work together to find solutions to the immediate fiscal and budget issues the government faces as well as longer term challenges, we will indeed see some poetry in government.

The President has already started meeting with leaders of both parties at the

White House to start to build consensus around the challenges that can only be solved when people work together. He is also meeting with business and labor and civic leaders from across the country to get their ideas and input about how to raise revenue, maintain progressivity, reduce the deficit, encourage growth, and make sure the middle class isn't getting hit. He is open to compromise – and to new ideas. President Obama believes very strongly that America succeeds when it has a growing, thriving middle class. That was the core of the plan that he talked about on the campaign trail over the last year. One thing President Obama will not be willing to negotiate is his unambiguous campaign promise to raise tax revenues for incomes of \$250,000 or more. In this post-election phase, many Republicans have agreed on the need for more revenue from the wealthiest Americans as part of the arithmetic on reducing the deficit.

But more broadly speaking, the President's top priorities are jobs and growth and on building on the progress that has been made. That can be done: by rewarding manufacturers and small businesses that create jobs at home, not overseas; by putting people back to work rebuilding our roads, our bridges, and our schools; by providing more Americans the chance to earn the skills that businesses are looking for right now; and by keeping America at the forefront of research, technology, and clean energy. Let me say at this point how proud I am of the relationships between the United States and Germany in these crucial areas. Last year we signed a memorandum of cooperation between our two governments in the field of scientific cooperation. That memorandum made it official – because cooperation between German and American government-sponsored labs and institutions of higher education has existed for years.

But in the immediate short term, America faces a clear deadline that requires some big decisions on jobs, taxes and deficits by the end of this year. Both parties voted to

set this deadline that is known as the fiscal cliff. Let it be said that based on the tenor of his post-election discussions, the President believes that both parties can work together to make these decisions in a balanced and responsible way. There is an urgent need to negotiate a fiscal cliff deal that achieves some measure of deficit reduction from curbing social programs and medical entitlements but that also generates additional revenue, for example, through tax increases on the very wealthy. The President's current Chief of Staff Jack Lew will be central to the negotiations. Jack began his career as an aide in the Reagan White House. He was part of similar budget negotiations under both Presidents Reagan and Clinton. Jack speaks frequently about the importance of reducing deficits carefully, using a scalpel rather than a butcher's knife. He is truly a policy expert. He has gone so far as to describe a well-prepared budget as a work of art, a tapestry: When it's woven together, the picture amounts to the hopes and dreams of an entire nation.

There is a lot at stake right now. The economic impact could vary depending on how consumers, businesses, and markets respond both in America and countries and economies around the world. It is very possible, however, that the economy could go back into recession which might also affect other parts of the global economy, including Europe. That is in no one's interest.

And one thing is certain: neither the administration nor the Congress nor the American people relish the idea of having four more years of pitched battles over the budget. The next few weeks will be all about setting a tone and coming up with a framework to address the fiscal challenges we face so that we can move on as a nation and address the issues that make a difference to both businesses and individuals. That included, as I said, building modern infrastructures, stimulating innovation, improving our educational system, as well as implementing the health care reform of the last administration, and star-

ting to look at a process to reform immigration laws. Many Americans who did not support or vote for President Obama nonetheless told pollsters that they agreed with some of his positions on taxes, health care and immigration.

As I have said many times over the past year, American election campaigns are loud and noisy and messy. The focus is often more on what has gone wrong and not what has gone right. I for one am very optimistic about the future of my country – politically, economically, and from a cultural point of view.

We all make a mistake extrapolating America's current trajectory in trying to predict what comes next. We are leaving a decade that I believe historians will assess as 'einzigartig' in our history: 9/11; the two longest and costlier wars in our nation's history; the bursting of a financial and economic bubble unlike any since the 1930s. Don't plot the curve from here.

I also believe, by the way, that a sense of optimism will return to the political dialogue both within the United States and here in Europe.

From an economic point of view, the recovery in the United States has been slow but steady. I believe, however, that we are on the cusp of an economic uptick that you will feel across the Atlantic. The potential for upside growth remains very strong.

In addition to our well-known, entrepreneurial, 'we can do it all' spirit, there are new game changes afoot. Look at the recent announcements regarding America's energy future. According to the International Energy Agency, America will soon lead the world in the production of oil and gas because of its careful and strategic use of a process known as hydraulic fracturing or 'fracking.' Our potential energy independence is a stunning development in terms of economic growth, but I should add that on the environmental side, inexpensive natural gas leads not only to low

energy costs, but also lower CO<sub>2</sub> emissions. Emissions from energy consumption have decreased by 9 % in the last five years and are at their lowest levels in 20 years. Even as we came out of the recession and economic growth has increased, our emissions in the last two years have decreased. One of the main reasons is the shift from coal to shale gas.

From a cultural point of view, diversity has always been one of our greatest strengths. I believe that the discussion that will be taking place around America as a result of the dramatic demographic changes of the coming decades will lead to positive political and social change and enormous innovation.

I also believe that while we are adjusting the conventional wisdom on how things work in the United States, we also need to look very closely as the title of this conference suggests at the challenges and opportunities of the transatlantic economic relationship.

Taken as a bloc, the EU is America's largest trading partner, with \$1.5 trillion in annual trade flowing between the Atlantic. Transatlantic investments have combined annual sales exceeding \$4 trillion. That dwarfs any other bilateral trade or trade/investment relationship in the world. German-American trade volume alone is so large that even small incremental increases in trade can result in a massive amount of new business.

The conventional wisdom on the U.S.-EU relationship is that it is the foundation of the global economy. It forms the essential underpinning of a strong, rules-based international economic order. And I do not dispute that.

But just as America's demographic, economic and cultural landscape is evolving; so too is the 21st century transatlantic partnership. Let's be honest. There are some things we still just don't get about each other. Sometimes we think we understand

each other better than we actually do. That, by the way, is also a topic that I have spoken on frequently over the past year.

A few examples: We have spoken for years about a US-EU Free Trade Agreement. Why hasn't it happened yet even though it would be in our mutual interest?

In order for a treaty or agreement to be ratified by the United States, it requires approval by the Senate. In the past few weeks, I think we have all seen many maps, colored in blue and red, of the United States. How many of those states have strong agricultural interests? Lots. A treaty that does not address the agricultural interests would not be approved. So, we have to look for some common ground on agriculture, including biotech.

Many people in the US frankly don't understand the widespread fear that is prevalent in Europe regarding the dangers of biotech products. Technology and innovation are so important to our economies. We need to have broader conversations about the boundaries of safe science.

I also have to admit that Americans need to learn more about Europe, for example, the concept of the social market economy – die Sozialen Marktwirtschaft. Some Americans hear the word "social" and think socialism. In fact, however, Dr. Ludwig Erhard, the German Minister of Economics who in the early years after the end of World War II is often given credit for implementing the concept by sparking West Germany's Wirtschaftswunder had a very different vision.

In the opinion of US High Commissioner John McCloy, the Marshall Plan helped to support German recovery, but it was the Germans themselves who accomplished the »economic miracle. "In fact," he said, »You have to give the accolade to Ludwig Erhard. We thought he was going too fast on removing economic controls but he insisted. He had a good touch for it and it came at the right time. The Germans were

there, skilled workmen who knew how to make the things that the world was athirst for at that time." And they still are.

This is what Ludwig Erhard himself said about the concept of the social market economy: "Je freier die Wirtschaft, umso sozialer ist sie auch."

Here's another perception that causes some problems: Europeans often think that it is difficult to do business in and with the United States. They may incorrectly assume that the legal system is arbitrary or that it is difficult to work across state lines. Prospective investors often have questions about how to deal with a heterogeneous, diverse workforce. Well, the Department of Commerce has spearheaded a number of government-wide initiatives to answer those kinds of questions and concerns. Select USA, for example, provides easy access to federal-level programs and services related to business investment in the US and our export initiatives. If you have any ideas about additional services that would make sense, Consul General Patterson and her colleagues are the people to talk to.

And so finally, how can we learn more about each other? Meetings like this are good; but on-the-job or at-school experience is better. I am a big supporter of executive-level transatlantic positions. I know how much I learned as a banker being on the spot here in Germany and later in Asia. And there are other ways. The US is learning from Germany's concept of vocational training. Germany is learning from the US through the development of innovative MBA programs.

Last week by the way was International Education Week. In 2011, nearly 300,000 Americans studied somewhere outside our border and nearly one million students came to the United States for a world class education. German students lead the list when it comes to Europe. The Department of State has always recognized the power of studying abroad to build bridges of understanding. That's why the Fulbright

Program was created in 1946. Today, it is stronger than ever with thousands of scholars traveling to and from over 150 countries. Another shout-out to Germany: the German Fulbright Commission is one of the largest in the world – thanks to excellent support from the German government.

Over the past three-plus years, I have spoken to countless students who have participated in exchange programs, like the Fulbright (and there are others). Studying abroad is not only a rewarding and en-

lightening personal experience. These students will also help shape our common future. Hopefully they will know some of the things some of us older people don't seem to get.

Finally, I would like to leave you with a last thought about the new spirit of compromise and consensus that I believe will characterize President Obama's second term.

I mentioned Ludwig Erhard earlier. I would like to share with you what he once said about compromise.

»Ein Kompromiss,“ sagte er, “das ist die Kunst, einen Kuchen so zuteilen, dass jeder meint, er habe das größte Stück bekommen.«

I call it win-win.

Vielen Dank für Ihre Aufmerksamkeit.

*Speech by Ambassador Philip D. Murphy at the Hamburg Institute of International Economics (HWWI) (Hamburg, November 19, 2012).*