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Remarks During a Quarterly Meeting of the President's Economic Recovery Advisory Board

May 20, 2009

The President. Everybody please have a seat. I apologize we're starting late. It's Rahm's fault. Where's Rahm? [*Laughter*]

Q. Still late. [*Laughter*]

The President. Right, exactly. It is good to see all of you again. I know that many of you have been busy working with Paul and others on some of the financial issues that we continue to confront in the economy. We're pleased that we've seen some progress, that there is some return to normalcy in certain aspects of the financial markets. We think that that will be helpful overall.

But obviously, one of the things that I've been concerned about since I took office is looking beyond the immediate crisis in front of us to find out what is a sustainable economic model post-bubble and bust. How do we create sound fundamentals on issues like education, on health care, and the topic that we're going to discuss today, energy, as well as all the innovation that's required around these various areas, so that moving forward, we don't find ourselves in a unsustainable economic model?

And we have seen this week some fairly extraordinary steps being taken around energy, which are promising. Yesterday I stood out in the Rose Garden and announced that the automakers, the unions, State and local officials, as well as the Federal Government, were coming up with a uniform national fuel efficiency standard that will provide certainty to the automakers and take a real bite out of our level of oil dependence and over time reduce our dependency on foreign oil.

At the same time, you've got an Energy Committee in the House of Representatives which is making more progress than we would have ever expected around the issue of greenhouse gases and carbon pollution.

So you're seeing industry, labor, and government working together more cooperatively, in a better spirit, than we've seen in a very long time. But this is a huge, complicated, difficult issue. I know that sometimes the slogans about clean energy and green energy may be a little more forward-leaning than the realities of the numbers of jobs that are currently being produced or the technologies that are currently available.

And so one of the roles that I thought we could play today is to try to flesh out a little bit: what can we get done; where are immediate opportunities that we should be taking advantage of; what are some major challenges; how realistic are some of our projections around clean energy and how much of them are dependent on technological breakthroughs that we don't yet foresee; and how does this affect those who are not in the energy sectors but have, nevertheless, a significant interest in how this will affect overall economic growth.

So I wanted to start with John Doerr, who's done as much work on this as anybody as a venture capitalist, but somebody who sort of digs in and gets his hands dirty on these issues and understands the technology behind a lot of these questions.

And, John, why don't you share with us sort of more broadly how you're thinking about some of these issues?

[*At this point, John Doerr, partner, Kleimer Perkins Caufield & Byers, made brief remarks, concluding as follows*.]

Mr. Doerr. I want to close with my views on an optimistic note, and that is that we are seeing breakthroughs in the technology that not only can get us where we need to be, but that can make sure that America is the worldwide leader in developing the jobs and the businesses and the wealth from this industry as it was the case with the Internet.

The President. Jeff, do you want to talk about this from a big manufacturing company that both uses energy, but also works on the technologies that might save in energy usage?

[*Jeffrey R. Immelt, chairman and chief executive officer, General Electric Company, made brief remarks, concluding as follows*.]

Mr. Immelt. I would say these 50,000 jobs in this brutal recession are the most robust jobs we have. We're shipping products around the world. We ship about 150 heavy-duty gas turbines. Three will go to the U.S.; 147 go to the rest of the world. So we're doing well.

The President. So this is actually an area—this is an area where we could develop a strong export market if we're——

Mr. Immelt. I think we have to think about it that way, Mr. President. We've got to move on. Other countries around the world are doing the same things, and there's no reason why we should cede leadership to other people.

The President. How far behind are we technologically to other countries, Jeff, John?

Mr. Immelt. Look, I would say that innovation exists here. You know, Europe's at 10 percent renewables; we're at 2 or 3 percent. Other nations of the world, like China, Finland, France, are building nuclear power. We haven't started yet. We're doing the first whole gasification plant in 25 years in Indiana. So the brains exist in this country. I think what we have to use is our domain to really build cost positions and competitiveness that can be globally competitive. But they're the types of products, Mr. President, that we can build great export industries around.

The President. Rich, the—I know from a labor perspective, one of the biggest concerns you guys have is the decline in manufacturing.

Richard L. Trumka. Absolutely.

The President. And the—and we've actually got a task force that's working up some ideas about stabilizing and then growing our manufacturing base. This is one area where we're seeing some potential. I'm wondering if you just wanted to touch on sort of how the AFL–CIO is thinking about clean energy and its potential for creating solid middle class jobs.

[*Mr. Trumka, secretary-treasurer, AFL–CIO, made brief remarks, concluding as follows*.]

Mr. Trumka. Our members are excited. We've already started creating the training programs and the jobs. They're already starting to help green the country, and we think it's a win-win-win for this country and for the people of this country. And we applaud your leadership in the area.

The President. I want to open it up with—Martin, I'd be interested in your views on this. I mean, this is one of those areas where you can have some pretty fierce economic debates

around the efficacy of a cap and trade versus a carbon tax, whether the Government getting involved in this area helps in significantly sparking a clean energy revolution, or whether this is going to happen due to innovation in the private sector without Government catalyzing it.

And so to the extent that there's any skepticism in the room, and you're always good for that—[*laughter*]—I wanted to make sure that that got put on the table and that we had a realistic conversation about some of these policies.

[*Martin Feldstein, president emeritus, National Bureau of Economics Research, made brief remarks, concluding as follows*.]

Mr. Feldstein. The other point is about whether you auction or give away some of these permits. The price has to go up by the same amount. The cost to the consumer has to go up by the same amount, whether you auction it off or you give it away.

The President. Right.

Mr. Feldstein. So I have a hard time understanding the giveaway strategy, because it seems to me that just says we'll take some of the money that would otherwise be collected by the Government, that revenue, and give it to some of these firms that win this lottery to get some of these——

The President. Well, as you know, during the campaign, my original proposal was a 100 percent auction so that you didn't have the potential for political considerations or gaming of the system. The way I think that the Waxman-Markey bill is trying to address this is you've got regional differences that have to be accommodated; some of it has to do with how do you, if not hold the consumers harmless, then assure that the rebates or the allocations that are awarded are leveling out the cost to consumers.

So it may not—it ends up not being as arbitrary as, I think, it might seem in the abstract. In the particulars, there are just some regions in the country, particularly in the Midwest and the South, where their options for ramping up energy efficiencies quickly are very different from California or some of the northeast cities. And so you want them to make adjustments. On the other hand, if the adjustments are too onerous, too quick, not only is it brutal on those States, which are already having trouble, but politically it ends up being pretty difficult.

Mr. Feldstein. So this is for regulated electricity, basically?

The President. Mostly around the electricity issue.

Mr. Feldstein. Because for gasoline and other products——

The President. For gasoline that makes less sense. Now, I haven't seen all the details of the bill yet. Carol, you may end up having a better sense. Larry, do you want to chime in on this one?

National Economic Council Director Lawrence H. Summers. If we had—I'm having a cluck out of you—ask a student, Marty. I understood your—I understood very well the——

The President. Marty really doesn't like to admit to that, by the way. [*Laughter*]

Mr. Feldstein. No, I take great pride in my students, Larry high on that list.

[*Mr. Summers made brief remarks, followed by brief remarks by Assistant to the President for Energy and Climate Change Carol M. Browner*.]

The President. Jim, you've got some thoughts as a big manufacturer that operates internationally. You probably see some of these as opportunities, but I know you may see some risk as well, so I'm putting you in a competitive disadvantage.

[*James W. Owens, chairman and chief executive officer, Caterpillar, Inc., made brief remarks, concluding as follows*.]

Mr. Owens. Our concern and one of the things we've been very engaged with the U.S. cap initiative discussing is, we need to approach this in an international context. I think if we move unilaterally as the United States, with a significant cap and trade program that drives up the cost of carbon here significantly, and our international competitors, their countries don't move with us, it's going to create competitive problems for the core—let's call it the base industries: steel, aluminum, cement—the core feeder stock, if you will, for the manufacturing industry in this country.

But I think if we take that leadership role, as you've articulated it, and go to the—Copenhagen with that in hand as showing our commitment to move forward, I think there's a good chance that we'll find the Indians and the Chinese, for example, the two largest emerging markets—and big growth markets, by the way, for U.S. exports—likely to want to work with us. And I think there's more opportunity for collaboration on the international scale than some people are giving us credit for here.

The President. That's what we've been seeing.

Mr. Owens. I think there's—it's out there.

The President. Yes, well, I want to bring maybe some of the finance guys, because you crunch the numbers, you're looking for opportunities where it makes sense to invest, where it doesn't. Mark, how is this looking from a investor perspective, from a——

[*Mark T. Gallogly, founder and managing partner, Centerbridge Partners, L.P., made brief remarks, concluding as follows*.]

Mr. Gallogly. The second thing I think that could really impact this is whether you have a national standard or not. I know the administration supports a national standard, a national energy standard for alternatives. There's a real—there's been real success on a State-by-State basis, but many States, as you pointed out earlier, don't have alternatives, don't have the ability to produce alternatives. In the southeast there's not a lot of—if you're in the southeast, not a lot of wind, there's not a lot of real sun power, so you're not going to see much alternative generation there.

And energy moves across States, and so you've got to figure out a way, just as you're thinking through emissions for auto on a national basis, to think about a national standard for energy. I think if you did those two things, in addition to a carbon, then you have a realistic likelihood of achieving the goals. If you don't have those three coming together, I think the likelihood is less—materially less.

The President. Anything to add to that, Roger?

[*Roger W. Ferguson, Jr., president and chief executive officer, TIAA–CREF, made brief remarks.*]

The President. Now, one of the things that when our energy team gets together we talk about is that the lowest hanging fruit, the area where technology's already available, is on the

efficiency side. We don't need breakthroughs as much as we just need the proper incentives to take advantage of that.

And so I wanted to maybe just talk about that for a moment. And I'd be interested, Penny, from a real estate perspective, because buildings, it turns out, alongside cars, is the area where there is just enormous waste. On the other hand, the real estate industry as a whole, residential and commercial, are obviously under—feeling enormous pressure right now.

And so the question is whether there is an appetite for retrofitting old buildings, dealing with energy efficiency in what is already a difficult economic environment. And are there some additional things that we need to do if in fact we're going to move in that direction?

[*Penny Pritzker, chairman and founder, Pritzker Realty Group, made brief remarks, concluding as follows*.]

Ms. Pritzker. So I think incentives are enormously—I think you could put a lot of people to work doing this, because it's not only for the residential but also large commercial buildings. There's enormous work to be done.

The President. Thanks. Carol, do you want to talk to us briefly about some of the steps that we're already taking on the efficiency front, and are there questions for this group that we're still puzzling over?

[*Ms. Browner made brief remarks, concluding as follows*.]

Ms. Browner. One of the things we've been interested in is, are there other steps we can take. Yesterday the President exercised his executive authority in pressing his national car standards to an historic level of reduction. Are there things we could do on the efficiency side? We understand some of the appliance things we can do, but there are other things you all are aware of where we have some executive authorities that the President could exercise that would be helpful to know.

The President. John, did you want to comment on this?

Mr. Doerr. There's two thoughts. And I think the most powerful one would be somehow to use your bully pulpit to get the Nation's utilities to be rewarded just as much or more from saving electrons as they're now rewarded for producing electrons.

The President. And the California utilities have done some interesting work on that.

Mr. Doerr. The California experience with this has been terrific.

The President. Do you want to just describe that real quickly in case people aren't familiar with what they've done.

[*Mr. Doerr made brief remarks*.]

The President. Let me bring in some of the folks who I haven't had the chance to hear from—Robert, any thoughts on this from a banking perspective?

[*Robert Wolf, chairman and chief executive officer, UBS Group Americas, made brief remarks, concluding as follows*.]

Mr. Wolf. So I would just say we have to be—I think we shouldn't—we should fast-forward it because of the importance, but I do think we should make sure that we understand what we're going to be trading and who are the participants, because, as we know from what—the industry I'm in, once we see something that's an openly traded free market, we will have

many more participants than we thought. And I think we have to be very careful on it, therefore. And I know that we're going to add that to some of the language in something we're going to be sending you soon.

The President. That's important.

Larry, we've been talking about how we—mechanisms—the—avoid some of the problems that Robert was discussing.

Mr. Summers. Absolutely, yes. We've been working very much to have the right kind of framework in so that the markets function in the right—function in the right way, yes.

The President. David, have you got anything to add on this?

[*David F. Swenson, chief information officer, Yale University, made brief remarks, followed by brief remarks by Mr. Immelt, concluding as follows.*]

Mr. Immelt. I think that's the way to accelerate some of these projects, is to get the financing for big projects going forward. And I think not in a stimulus way, in terms of just purely Government, but taking an energy bank, quote, unquote, and allowing private business to invest side by side on these projects, whether it's smart grid or wind power or any of those. I think that could be a stimulative impact to get that going. I know some of those discussions have been going on with the Department of Energy.

And then beyond that, just ramping up the Ex-Im to get behind some of these products as we globalize. I think that's another tool that we've got to get things going faster.

The President. Right.

Monica, do you want to talk about this from a small-business perspective? Are you seeing an interest among small businesses and—on the energy front? I've seen some small businesses that are starting to do—take advantage of some of the retrofitting and weatherization opportunities.

[*Monica C. Lozano, publisher and chief executive officer, La Opinion, made brief remarks*.]

The President. What I'd like to do, I think—how much time do we have? I think we have probably about 10 minutes—10, 15 minutes. What I'd like to do is broaden the conversation a little bit. I want to make sure that Charles and Anna, Laura—I haven't heard from you guys, so feel free to—Bill—feel free to talk about energy.

But this—Monica offers, actually, a pretty good segue. One of the things that we're wrestling with is how do we deal with job creation and employment. We expect that—and I'm not making any predictions here, because this is being web-streamed—[*laughter*]—we expect that there's going to be some stabilizing of the economy, that the contraction will end and begin—the engines of the economy will start to turn again.

But as all of you know, employment is a lagging indicator. We have shed a huge number of jobs during this deleveraging period. And the concern that we have is, even in a stabilized situation, there is the prospect of higher unemployment for some time to come. And so I've been really pushing my economic team around the issue of job creation and, alongside the issue of job creation, being able to create career paths for people so that they're upgrading their jobs and upgrading their incomes, because one of the problems that we saw during the

nineties, even with very low unemployment and robust job creation, what you weren't seeing was significant increases in real incomes.

So those are two areas that we're spending a lot of time thinking about. Clean energy is, obviously, a huge opportunity for job creation. We've talked about that, but if people want to broaden it to some other areas or give us suggestions of things we should be looking at that you haven't been seeing us look at or pay as much attention to, that would be helpful.

So, Charles, do you want to—start with you?

[*Charles E. Phillips, Jr., president, Oracle Corporation, made brief remarks, concluding as follows*.]

Mr. Phillips. But no one talked about this 5 years ago, and now every single conversation, before people can decide where to build a data center, they want to know how they can get the power.

The President. So it's not just my 10-year-old daughter, keeping her iPod plugged in and not taking it out of the socket. [*Laughter*] That's just one small manifestation of the larger problem.

Mr. Phillips. Right, and ours have to stay on 24/7, so we consume a lot of power. And so if we can get alternative sources, I think it actually opens up roads for our industry.

The President. That's interesting.

Anna.

[*Anna Burger, secretary-treasurer, SEIU, made brief remarks, concluding as follows*.]

Ms. Burger. The partnership that's gone on between the environmental communities, the truck drivers with the Teamsters, and the larger, broader community has really come up with a new model that will have energy-efficient trucks, which will be good for the workers, good for the community——

The President. Energy-efficient trucks that aren't just sitting there idling.

Ms. Burger. And so a change in the whole mechanism of how you do it is important.

[*Ms. Burger made further brief remarks, concluding as follows*.]

Ms. Burger. I think that there are lots of ways if people—public workers can get together and talk a lot about what they could do to retrofit their buildings, to have better energy practices, to really think about greening it. So I think that this partnership opportunity is here because you're leading it. And I think that if we all got to come together, we can actually move this forward.

The President. Good. Bill, any thoughts on some of the general questions that we've been asking? You have, obviously, experience in regulating big markets. We're looking at creating a market here. Robert raised some questions about the potential problems involved. I'd be interested in your views on that.

[*William H. Donaldson, former Chairman, Securities and Exchange Commission, made brief remarks, followed by brief remarks by Mr. Immelt.*]

Mr. Feldstein. For those of us who work in the service industries, like education or health care, we don't want to knock that too much.

Mr. Immelt. No, no, no——

Mr. Feldstein. That's been the only thing that's provided jobs——

Mr. Immelt. I just think there's going to have to be some balance——

[*Mr. Wolf made brief remarks*.]

Mr. Immelt. When I came to work for GE in 1982——

Mr. Volcker. Increase our productivity rating——

The President. Well, I think the fact that some really good math whiz kids are going into engineering as opposed to derivatives is not a terrible thing.

Mr. Volcker. Fewer financial engineers and more real engineers.

The President. But I think that there's no doubt that manufacturing is not going to return to the share of the economy that it was in the 1950s, regardless of what our policies are, just because our manufacturing is extraordinarily efficient compared to what it was.

On the other hand, what is true is that if we are going to at least have a larger element of exports, for example, as a proportion of our economy, which I think we're going to need—we've had this idea that we can just be the consumers of everything and not—and borrow and spend. And at some point, we've got to start selling something. Some of that is going to have to be top-notch products.

Some of it will be services and that helps our current economy as well. But if on energy, for example, we're just importing Spanish windmills or wind turbines, as opposed to some that are made here in the United States, that would be a shame, and I think we need to take advantage of that.

Penny, you wanted to jump in.

Ms. Pritzker. I just wanted to underscore something Anna said. We've had some of the best innovation, in terms of clean activities, in our hotels coming from our employees, and it's come from the bottom up. We challenged our employee base to come up with creative ideas of how to do cleaning without using chemicals, how to better recycle, how to use less.

And so I think there's a really interesting opportunity to use the bully pulpit and to highlight how the partnerships are working at the local level in some very major——

The President. Telling some good stories, yes.

Ms. Pritzker. ——and to really celebrate that and raise the pride as to this is really an important endeavor in our country.

The President. Okay.

Laura, I wanted to get you in here and the—you're a wonderful generalist, as well as a specialist. One thing I was interested in is how this fits into what you're seeing internationally, because there is a concern voiced by Rich, but I suspect Jim and others are going to be concerned about it, we're moving in an area where, as Marty said, there are going to be some increased costs related to this. And if we don't see some concerted action on the other side, we're going to be placed at a disadvantage.

[*Laura D'Andrea Tyson, dean, Haas School of Business, University of California at Berkeley, made brief remarks*.]

The President. We're out of time. Jim, you want to jump in right quick; Mark, you want to jump in, and then Paul, I'll let you wrap up.

[*Mr. Owens made brief remarks, concluding as follows.*]

Mr. Owens. You asked about what do we have to do structurally different going forward. That's one of the reset buttons we've got to hit, and that's a tough one. It's tough for political leaders to help bring about that change, and I think the business community has got to be part of helping the public understand. We've got to save more, invest more, and grow our international competitiveness as a key to our future success.

The President. Mark.

Mr. Gallogly. I was just going to add something to follow up on what Laura said. If you think about the competitive dynamic internationally for green, since other parts of the world are just growing their demand for energy just much faster than we are—so China is high single digits, low double digits—and because they have a centralized authority that can allow for, for example, a smart grid being put in place much faster than we can, those two things will naturally result in them developing better technologies faster, because their whole market actually has more demand. So we're fighting a fight that will require us to be more on our game than we have to be in a general sense because they have a natural, clear advantage, but governmentally and demand-wise.

The President. Okay. Paul.

[*Mr. Volcker made brief remarks, concluding as follows*.]

Mr. Volcker. The only other point I'd make, all the time this is discussed, and the cost, there isn't enough emphasis, it seems to me, on the cost of what happens if we don't do anything. If any of these projections are halfway correct, it's going to cost amounts of money that make this stuff we're talking about trivial. And I don't think that that's impressed enough upon—I know it's out in the distance so it's hard politically, but there it is. And I just don't——

The President. I haven't found anything that was easy politically yet. [*Laughter*]

Mr. Volcker. We'll produce that at the next meeting.

[*Austan Goolsbee, Staff Director and Chief Economist, President's Economic Recovery Advisory Board, made brief remarks.*]

The President. Well, you guys have done a terrific job. Obviously, there have been a bunch of smaller groups that are working intensively with our economic team.

Mr. Volcker. We've got five or six things——

The President. They've got five or six things already on the plate. This has been extraordinarily helpful. I appreciate all of you coming in.

If you can keep your seats just for a moment, we're going to bring a pool spray in just to record who it is that was in the meeting, although we've had some press folks in here taking assiduous notes, I'm sure.

Go ahead.

[*The White House press pool entered the room.*]

The President. Hello, everybody. Well, you will have a record of everything that was said here, so we don't need to repeat it.

I just want to publicly thank this group, chaired by Paul Volcker, staffed by Austan Goolsbee. They are doing extraordinary work, separate and apart from meetings with me, on a whole range of issues. We talked about energy today, but they are helping to advise us in our approach to the financial regulations regulatory regime that we are looking to put before Congress this year. They are helping us in thinking about employment, manufacturing. There is a whole host of issues that this group is providing wonderful expertise for.

And interestingly enough, as Paul mentioned at the end of this discussion, there is impressive consensus, not perfect consensus, but an impressive overlap of views about the importance of us getting out front on energy; the enormous job-creation potential that exists; the requirements to create a more efficient energy system in order for us to remain competitive.

And I'm excited about the opportunity. We've seen some great progress this week. We're going to see more because of the contributions that are made around this table.

So thank you very much, everybody. Thank you, guys.

NOTE: The President spoke at 9:38 a.m. in the Roosevelt Room at the White House. In his remarks, he referred to White House Chief of Staff Rahm Emanuel. Also participating in the meeting was Christina D. Romer, Chairwoman, Council of Economic Advisers. The transcript released by the Office of the Press Secretary included the full proceedings of the meeting.

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Names: Browner, Carol M.; Burger, Anna; Doerr, John; Donaldson, William H.; Emanuel, Rahm; Feldstein, Martin; Ferguson, Roger W., Jr.; Gallogly, Mark T.; Goolsbee, Austan; Immelt, Jeffrey R.; Lozano, Monica C.; Markey, Edward J.; Obama, Malia; Owens, James W.; Phillips, Charles E., Jr.; Pritzker, Penny; Summers, Lawrence H.; Swenson, David F.; Trumka, Richard L.; Tyson, Laura D'Andrea; Volcker, Paul A.; Waxman, Henry A.; Wolf, Robert.

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