DEPARTMENT OF THE TREASURY

PRESIDENT'S ECONOMIC RECOVERY ADVISORY BOARD

NOVEMBER 2, 2009 MEETING

The meeting was convened at the White House pursuant to notice at 11:24 AM (EST).

WHITE HOUSE ATTENDEES

Barack Obama, President of the United States
Rahm Emanuel, Chief of Staff
Valerie Jarrett, Senior Advisor and Assistant to the President
Lawrence Summers, Director, National Economic Council
Carol Browner, Assistant to the President
Austan Goolsbee, Staff Director and Chief Economist
Jen Psaki, Deputy Press Secretary
Adam Hitchcock, Office of the Chief of Staff

ADVISORY BOARD MEMBERS PRESENT

Paul Volcker, Chairman
Anna Burger, Chair, Change to Win
John Doerr, Partner, Kleiner, Perkins, Caufield & Byers
William H. Donaldson, Former Chairman, SEC
Roger W. Ferguson, Jr., President & CEO, TIAA-CREF
Mark T. Gallogly, Founder & Managing Partner, Centerbridge Partners L.P.
Jeff Immelt, Chairman & CEO, GE
Monica C. Lozano, Publisher & Chief Executive Officer, La Opinion
Charles E. Phillips, Jr., President, Oracle Corporation
Penny Pritzker, Chairman & Founder, Pritzker Realty Group
David F. Swensen, Chief Investment Officer, Yale University
Richard L. Trumka, President, AFL-CIO
Robert Wolf, Chairman & CEO, UBS Group Americas

DEPARTMENT OF THE TREASURY ATTENDEES

Timothy F. Geithner, Secretary of the Treasury
Emanuel A. Pleitez, Designated Federal Officer

The President's Economic Recovery Advisory Board (PERAB) held a meeting with the President to discuss long-term, innovation based ideas to sustain growth and continue to create jobs of the future at 11:24 AM (EST) on November 2, 2009 in the Roosevelt Room of the White House. In accordance with provisions of the Federal Advisory Committee Act, Public Law 92-463, and Federal Committee Management Regulations, 41 C.F.R. 102-3, the meeting was open to the public via internet webcast.

THE PRESIDENT: Hello, everybody. I am pleased to be joined this morning by my Economic Recovery Advisory Board. Each of these men and women have extraordinary and diverse expertise in the economy.

I want to especially thank Paul Volcker, who has been a terrific advisor to me since the transition and has continued to help steer this group in ways that are providing us some very practical advice as we move forward.

I've said before, but I think it bears repeating, that we have come a long way since January, when at that time we were losing 700,000 jobs per month and across the political spectrum I think there was fear of the possibility of another Great Depression. We have pulled the economy back from the brink. We got good news last week showing that for the first time in over a year the economy was actually growing once again. And we have seen some other indicators that manufacturing is beginning to pick up. That's all good news and we are pleased that the actions that we took swiftly through the Recovery Act helped to stem what could have been a disastrous situation for the economy and we are starting to see stabilization and, indeed, some improvement.

But the reason we're here today is because we just are not where we need to be yet. We've got a long way to go. We are still seeing production levels that are significantly below peak levels and most distressing is the fact that job growth continues to lag. Now, we all know that in every economic recovery there is going to be a lag between the economy growing again, businesses investing again and businesses hiring again. But given the severity of the job losses that took place at the beginning of the year and the need for us to make up a whole lot of job loss, is going to require I think some bold, innovative action on our part and on Congress's part and on the private sector's part.

It's also going to require that we look at new models for where future growth is going to come from, because one of the I think key understandings coming out of this past financial crisis is that a lot of our growth was debt-driven -- credit cards being maxed out, home equity loans being taken out to finance a lot of purchases. Consumers I think wisely recognized that they can't get that overextended anymore and businesses are going to be more cautious in terms of how they approach taking on a lot of debt. The government is going to have to get serious about reducing our debt levels.

And so one of our challenges now, and I've been speaking about this for many months now, is how do we get what I call a post-bubble growth model, one that is sustainable. That's what we're going to be discussing here today. As I said, we've got experts from a wide range of business sectors, and what we're going to talk about is, are there mechanisms that we can start putting in place where we see the kind of growth that used to characterize the U.S. economy -- export-driven growth, manufacturing growth, growth that pays high wages and provides high living standards for a broad-based middle class.

And I think that there are some excellent ideas that are already on the table. Some of them are being talked about in Congress. It's likely this week that we start seeing some discussion about potential tax cuts and credits that could make some difference in hiring, but we want to go beyond just tax policy.

So, for example, we've got John Doerr sitting next to me, who has been one of the leading venture capitalists in the innovation economy and helped to spur on the revolution in the computer industry. John has unequal passions for the possibilities of green job growth in the future, and how, through projects like weatherization and retrofitting of buildings, we could generate millions of jobs and create huge prospects for growth over the long term.

Jeff Immelt of GE -- down at the end -- has been at the helm of one of our greatest manufacturers, an international company. Jeff, I think, recognizes that if we don't do more to export, we are not going to succeed in a global competition. And so how we coordinate more effectively in our trade policies, in our approaches to working with manufacturing here in the United States -- if we don't do that effectively, we're not going to succeed.

Rich Trumka has been talking about infrastructure for a long time, as have I, and I think my team will testify when we got several trillion dollars worth of infrastructure that is falling apart, we need to put people to work, doing the work that America needs done. But we're also in an era of fiscal constraint, which means that we've got to start finding more creative, new approaches to financing these projects.

So those are the discussions we're going to be having, not just today but in the weeks and months to come. This is my administration's overriding focus. Having brought the economy back from the brink, the question is how are we going to make sure that people are getting back to work and able to support their families. It's not going to happen overnight, but we will not rest until we are succeeding in generating the jobs that this economy needs.

And I couldn't ask for a better group of people to bounce ideas off of, and we are going to be soliciting ideas from the private sector, from businesses large and small, from academia and from all political persuasions. If somebody can show me a strategy that's going to work, then we are happy to consider it.

And just -- I want to end by saying this. We anticipate that we're going to continue to see some job losses in the weeks and months to come. As I said before, there is a -- always a lag of several months between businesses starting to make profits again and investing again, and then actually rehiring again. But I want to emphasize I am confident that having moved the economy on the right track, that if we apply some good common sense and some -- and reinvigorate that sector of our economy that's based on innovation and dynamism and entrepreneurship, that there's no reason why we're not going to be able to not only create jobs, but the kind of sustainable economic growth that everybody is looking for.

So, thank you very much, everybody.

Q On the elections tomorrow?

THE PRESIDENT: Excuse me?

Q Off-year elections tomorrow, what do you think?

THE PRESIDENT: We weren't talking politics, we're talking jobs.

Thank you.

(Press pool leaves.)

THE PRESIDENT: All right. Well, you guys just heard our charge. It is a difficult one, but I'm confident that if -- we've got all the brainpower around this room and people beyond this room who are focused centrally on how do we create a sustainable, high-growth economy that's producing jobs that we're going to be able to get there.

And again, Paul, I just want to thank you for your leadership. I'm going to just let you make some quick opening comments, and then what I'd like to do is to spend about 15 minutes on each of the three topics that I mentioned at the top.

Exports -- we'll have Jeff and Monica talk a little bit about both from a multinational perspective as well as small business, what a strategy for export-driven growth might look like. John and Mark Gallogly are going to then talk about a green economy and is there a way for us to build on the extraordinary efforts that have already been made in the Recovery Act, but to essentially accelerate some of the activities that we've laid the foundation for.

And then we'll have Rich, Robert Wolf, and Charles Phillips all talk about infrastructure and how within an environment of fiscal constraint we could potentially do more to fill what everybody acknowledges is a significant need on the infrastructure front.

So, Paul, just any introductory comments?

MR. VOLCKER: I don't have to add anything to what you said. I do emphasize what you said initially, that we just want a recovery that is sustainable and that takes on new directions for the economy. Manufacturing and exports have not been doing well for decades. We really have to (inaudible) green economy, give some opportunity, we know about the infrastructure. Right now we've got a problem still obviously in the financial world, but that's a little different subject we're working on and continuing to work on (inaudible).

The idea of getting some of the orientation in the economy away from consumption, away from imports -- exports, manufacturing, infrastructure, green economy and I think these are all linked together and happily I'm very happy about the people who've been working on this (inaudible). (Inaudible).

THE PRESIDENT: Well, I think they've got some good ideas.

Jeff, we're going to start off with you. We recognize that even before the financial crisis we had an unsustainable situation in which essentially debt of all sorts we're financing an endless consumption binge on our part, but that the kinds of current account deficits, trade deficits we were developing were not ones that would serve as a model for long-term economic prosperity.

With the financial crisis that's just become more -- give me some sense, as a major exporter, a major manufacturer, and Fortune 500 company -- you see the environment, and what are the three, four steps that we could be taking. And I read the memo that you prepared at the outset, but I thought maybe just on the export issue, to tell me what are some of the impediments for us, moving in this new direction.

MR. IMMELT: So I would say, Mr. President, first of all, the economy -- fourth quarter sequentially is better than the third quarter, so the progress continues. I think the challenge we all have under your leadership is one that in each progressive time, business gets better at productivity. That's a good thing. But it means that output has to grow in excess of productivity in order to create jobs. So the context of with which I approach exports is a way to get output growing faster than productivity.

THE PRESIDENT: I just want to just stop you on this to make sure that I'm understanding, and I think, for those who are watching, that this is an important point. It appears that the pattern that's accelerated over the last several decades is that when a recession comes, businesses don't do what they used to do back in the '50s, '60s, '70s -- lay off, and then hire back. Essentially they've learned how to keep making the same amount with fewer workers.

Significant increases in profitability, oftentimes a company increases in productivity -- but it doesn't necessarily mean that you're closing their jobs gap. So unless we are also exporting and increasing output we're not going to be able to close the unemployment gap to where --

MR. IMMELT: Exactly, Mr. President. That's really got to be our fundamental premise, is that this is not a new issue, this has been going on for 30 years, and we have to change the slope of that line because the jobs might not come back in financial services and construction.

THE PRESIDENT: Right.

MR. IMMELT: So that's the premise. I look at exports -- right now the U.S. -- 7 percent of our GDP is exports; in Germany, that's almost 40 percent. So we may never get to Germany, but there's no reason why we should be so low.

So I think a couple of the ideas, three or four specific ideas, Mr. President -- the first one is we just have to make it a national priority. We do that by coordinating our selling efforts on a global basis. There is growth to be had out there. Asia, Middle East, Latin America -- these regions are all growing rapidly. They like buying American products. And coordinating our sales approach is extremely important, with you and Secretary Clinton and the Secretary of Commerce all working it very hard.

I think that financial avenues like the Ex-Im Bank -- you know, the Ex-Im Bank I think is an effective advocate -- allowing them to be even more aggressive I think is a very appropriate and important point.

And then I would say, Mr. President, clarifying some of our trade policies like the Doha Round, like both bilateral and unilateral trade agreements, really from the standpoint of making people understand that America is confident, that we're in business, that we're in business to sell, that we've got the kinds of technologies and products that can be very important. I would set the goal of maybe doubling exports as a percentage of GDP in some time period -- just doing that would create 3-5 million jobs, if we were able to do that.

The last thing I would say about that is that the jobs pay 15 percent more than the other jobs in the economy, and that each exporter job -- like each GE job -- pulls five supply chain jobs with it. So they're very productive jobs that we can create.

Two more points, and then I'll stop talking, Mr. President. One is, one part of driving exports is to be in those businesses that have the growth of the 21st century. At the top of the list is one that John will talk about, which is clean energy and water jobs. I am firmly convinced that there will be 10 million new jobs created in clean energy globally between now and 2015. We see it in our own company. The Germans want it, the Chinese want it, everybody else wants it. We need to move quickly to capture that. So having things like a price for carbon, a clean energy standard -- those things are really important.

The last thing I would say is that, you know, what Rich will talk about on the manufacturing base -- having better infrastructure makes us better exporters. Fundamentally there's no reason why any job, any product that has four hours of labor, five hours of labor, that we can't do as productively in this country than any country in the world. So the right training, the right focus on workers, will allow us to be productive in that range.

But I think, Mr. President, we've got to get back in the export business if we're going to be able to outpace this productivity engine that we've created very effectively. And I just don't think we've been at this for 25-30 years, and this has got to be I think a big part of our vision.

THE PRESIDENT: Good. Monica.

MS. LOZANO: Sure. Just a little bit different perspective because actually 2008 was a great year for small business and exports. You saw a 32 percent increase in the number of small businesses participating in exports. Over 90 percent of those have less than 500 employees. And two-thirds of them have less than 20 employees. So these are really micro-businesses who are engaging for the first time in the export industry.

But because they are micro, they don't have the internal resources to effectively access the export markets. And they use international trade associations, they use commerce organizations, but most importantly they use federal government assistance programs. And those assistance programs are not necessarily developed well enough to provide resources to a small business.

Three issues have emerged that I think would be important for us to think about: One of them is the issue of financing, the other one is technical assistance, and the third one has to do with interagency cooperation. And for all the reasons that Jeff said, you know, one job in exporting creates five supply-chain jobs. One taxpayer dollar spent to support small business export assistance creates $500 in taxpayer gains. So it's an important place for us to be.

But as I said, small business doesn't have necessarily the technical know-how, the resources, international trade law capabilities, understanding cultural language. So they depend on government.

Financing, you've actually made great progress. Your announcements recently around the 7(a) loans -- particularly important to the export sector -- there's two programs within 7(a) that are important: What's called the Export Express program, there are recommendations that that be moved from a $250,000 cap to a $500,000 cap. It allows money to come in quickly. It's got a 24-hour cycle. It has to go right back out. And then there's a working capital loan program, which under your recommendation, will now increase up to the $5 million, which is very important.

Jeff mentioned the Export-Import Bank. There was a congressional mandate that they spend 20 percent of all of their loans -- go to small business, and we need to make sure that that loan volume is going out to small business just as they've been mandated.

On the technical assistance side, we have a lot of organizations throughout the country, especially led by the FDCC and the SBA, that they are not expert -- export experts. We need to put in place financial experts at the local level that can help small businesses gain the knowledge that they need, create these technical assistance programs, expert finance specialists, and really gear up our export assistance centers to help small business. This is a new area for them, and they don't have the capabilities currently.

And then finally on interagency cooperation -- because it's complicated -- the Department of Commerce, the SBA, the Export-Import Bank, there are a lot of agencies that are out there set up to help businesses engaged in exports but they are not necessarily equipped to help small businesses, who are resource-strapped.

So a couple of ideas that have been floated, and we would ask the administration to look at them. One is that within the USTR there be established a office for small business representation. Right now the USTR has a mandate to help small business, but there is not that deep focus. And the same thing within the SBA -- the SBA of course is there to provide financial capital. But in the area of exports, again there's not the deep focus and the capabilities within that organization.

And a final idea that's been brought forward is that the trade coordinating committee, which is already in place, 20 agencies be held to performance standards around small business lending for exports -- accountability and performance standards to make sure that small business is at the table.

So those would be the three recommendations. And I would agree with Jeff. I think we need to have a strategic focus, which is currently not in place, for small business to participate in exports; one that facilitates and promotes small business participation, ensures our competitiveness -- it's a great way to create jobs and it's sustainable.

THE PRESIDENT: Anybody want to -- before we move on to the issue of green jobs -- and obviously all three of these are -- there's overlap -- anybody want to comment just on the issue of exports generally and how we might accelerate progress on this front.

MR. VOLCKER: (Inaudible.) Well, there's a concentration on exports because I think (inaudible) -- but there's such a thing as too many imports, too. I think it's better we can compete with some of these imports -- you make the same kind of impact, and some of our major industries, I think they can do better in dealing with import.

THE PRESIDENT: I think it's an important point. And that will speak to the general premise here that part of what we've been exporting out is our manufacturing capabilities. And, you know, I thought the point you made about if a product takes four or five hours then we can compete. Obviously we are going to not be able to compete effectively and may not want to compete in very low-wage, low-productivity sectors of the economy where somebody is going to be doing those better.

But, you know, if Germany -- a wealthy, highly unionized, industrial nation -- can generate 40 percent of its imports -- or 40 percent of its economy is import-based -- export-based, rather, then it seems to me that there's something we're missing that they're doing right and we've got to figure that out.

MR. IMMELT: I think that's right, Mr. President. In other words, I think the -- the other thing I would say is that these markets are growing quickly and we can export behind technology into China, India, Brazil in a very effective way.

The only thing I -- you know, just to follow up on Paul's point, I don't think it's the definitive answer, but there are products we're moving back to the U.S. because we're closer to our customers, we've taken cycle time out of it, and I think we actually have to -- you know, we owe it to our own workforce just to make sure that we have a broad perspective on what's appropriate and fair. And so I think both have to be -- both have to work.

THE PRESIDENT: One thing I want to -- just on the point you made about trade policy that we didn't discuss. I mean, part of, I think, the goal of this administration is to break out of what I think has been a debilitating gridlock on trade policy in this country, where it's either open things up to unlimited imports without any strategy behind it about exports and how we are opening up other markets, or, conversely, we just draw up the drawbridge and we are fearful of competing internationally. And then part of what we want is an aggressive trade policy that says we can compete, we're not afraid of competing, we want to make sure that we're competing in a fair way and that other countries aren't seeing the U.S. market simply as their engine for their growth without any reciprocity. Figuring out how to get that balance I think is going to be very important.

Anybody else on this topic? Okay. John, you've got the floor; let's talk about green jobs.

MR. DOERR: Green jobs. So the economy is recovering, but I think the question before us is what kind of economy do you want to recover to, what's our view short-term for jobs and longer-term a couple years out. And it's kind of ironic, if you look at Amazon, eBay, Google, Microsoft and Yahoo -- what do they have in common? All five of those companies are American companies and they're innovators and they're the world leaders in every part of this Internet technology.

Now, if I list the top five for the most mature of the green sectors, which is wind, those names are Vestas, Gamesa, Enercon, Suzlon, and GE.

MR. IMMELT: Not in that order, though, John.

MR. DOERR: Not in that order. (Laughter.)

MR. GALLOGLY: Certainly not alphabetically. (Laughter.)

MR. DOERR: We're home to only two of the top 10 solar companies and only one of the top 10 battery manufacturers. So we have to change dramatically if we want America to be the worldwide leader in what's going to be the next greatest global industry. There's lots of important areas where we could generate new jobs that ties into manufacturing, that ties into investment, ties into research and development and education and all those things. We're now not on a path to be the worldwide leader in these businesses.

In the very near term, the way we can generate the most jobs, we believe, is through home retrofits. We have 17 percent of our construction workers who are out of work today, and there's about 200,000 home retrofits done per year in the United States. But over the course of the next 20 years, we probably ought to be doing (inaudible) each year, these retrofits, or saving the energy that's wasted, up to 40 percent in 100 million American homes. And I haven't begun to talk about our schools or our small businesses.

Were we to develop a program to do that, we could create hundreds of thousands, even a million jobs in a year, in a permanent new industry -- high-wage jobs, that are not going to be outsourced, and where the savings from doing this work, stay in the pockets of America's consumers.

So our committee has done a good amount of work on this, both reaching out of Washington, D.C., out into the country, where this work is being done, and working with the many agencies and groups who are doing work of this sort.

But the vision here is, done right, we could quickly stand up in the next year an American industry that would be sustainable for the next 20 years, retrofitting America's homes.

I think one of the keys to doing this is to engage private capital and the private sector in making that happen. The way I like to put it is, Cash for Clunkers mobilized all of America's car dealerships and caused change very rapidly. Well, the equivalent of that for home retrofits would be "Cash for Caulkers" -- (laughter) -- and what we would do is engage private enterprise, the likes of a Lowe's or a Home Depot, these organizations that have tens of millions of people a week coming into their storefronts, and use that private capital to incentivize consumers to then work with our out-of-work trades -- remodelers, production builders -- to do this kind of work. So we want to touch all three of those parties.

In closing on this idea, I don't want to lose sight of the big picture, and that is the most -- and we recommended it to you before -- we agree the most important thing we could do to have America lead in this industry and generate a lot of jobs fast is to put a price on carbon; a price and a cap on carbon. So we've got to stay the course with the climate legislation. And the reason is really simple: More money flows through private markets in a day than through all the governments in the world in a year. We can offer this incentive or that incentive, but once we put a price on carbon, all those financial markets, like a thundering herd of profit maximizers, are going to go invest in these homes, in these (inaudible), in all these innovations.

We've seen this work in other countries before. Denmark is a country with a population less than the state of Missouri -- had 1.8 unemployment last year; exported $10 billion; the number one maker of windmills. So put a price and a cap on carbon and some of these incentives, I think American entrepreneurs and innovators can rise to this challenge.

THE PRESIDENT: Mark.

MR. GALLOGLY: Just before I talk about financing, just two quick comments. One, Paul Volcker said, you know, the export story is one part of it and imports are the other. And since we're importing $600 billion-plus of oil, this does directly relate to what John is talking about. It really fits together.

The other is that if we say that there are -- of the top 10 companies, certain -- a small percentage of them are American companies -- one thing we want to think about is, why is that? And to me, independent of everything related to financing, one major issue that we face, which is not unique but is profound for this country, is that we don't have any increased demand in electricity. So unlike – you know, we had a great opportunity to sell people something they wanted – the Internet services, the apps, all of the things that go along with this -- yet we had no increase in demand. In fact this year it will probably be down 4 percent. And since our economy is already industrialized, China is not fully industrialized, they're growing 5, 6 percent demand on electricity, and it's heavily industrial-related with these greater levels of energy consumption than there is in residential.

So they're going to grow -- if they grow 5 percent a year for 20 years, they'll triple their electricity demand. Ours will be relatively flat because it will be less than GDP growth. And that's why you can grow an economy. So we have to do every -- we have to, therefore, work even harder to have something when we don't have fundamental demand for it.

As it relates to financing, it seems to me the stimulus program you put in place and the work that Secretary Chu and Matt Rogers and other people are doing on -- specifically on financing for energy make a lot of sense. That's been a boon to alternatives. But even with that, wind this year will be down 43 percent. Wind production in the U.S. will be down, new production, 43 percent. So last year we had 8.5 watts, this year will have 5.

Why? We put new incentives, but it's down. And the reason seems to be a couple. One is natural gas prices are down so the pricing is different. And the second and maybe most important reason is the financial crisis -- banks just aren't willing to lend and insurance companies aren't willing to lend, based on anything other than a 20-year purchase agreement. They used to be willing to lend on 10.

So what John and Jeff said is true; in order to solve that, everybody -- Carol and everybody else is saying, okay, let's put in place a clean energy standard and a price on carbon. And those two should drive -- should drive capital into it, right, it should flood into it. I actually think in the near term -- and for many years I doubt that happens without having some sort of financing mechanism in place, and both the Senate and the House bills have something called the CEDA, in one of those cases -- so Clean Energy Deployment Administration -- or a green bank. I think that's really important.

Even though it's not a natural instinct to say let's create a bank to do something that the other rules of the road should establish, in this case, because the energy standards allow for escaping them if prices differentiate too much, and because the caps -- based on allowances that come into play -- are going to take a while for that pricing to work, you need to figure out a way to make alternatives cheaper. And the average cost of capital is a big part of that.

So I'd support that, I think, the legislation that's in place, if structured properly, if it's limited in its life, if it's independent, if it's government-controlled but independent; I think that would be a good way to go and a way to get money into something that we need in order to achieve what John is talking about, or Jeff is.

THE PRESIDENT: On the green jobs area.

MR. FERGUSON: I'll jump in here. I'm representing obviously a big investor that has a real interest in these issues of green technology, et cetera, and there are three or four points I'd like to bring to your attention.

One, obviously from the standpoint of the private sector, as Mark has suggested, you're only going to get large amounts of capital coming in if they can get a reasonable market return. Having said that, there are four or five things I think the government can do -- one you've heard already, which is the question of being quite consistent about creating a price for carbon. I won't belabor the point; it's well understood.

But I think there needs to be some policy certainty. In the '80s, there was a lot of investment in alternative technologies. When the price of oil dropped, government policies changed dramatically and it proved to be not sustainable to hold focus in. So I think there's got to be some consistency even as prices of energy go up and down.

The third thing is it would really be helpful, and the government can do this, to force some corporate transparency. There are large number of companies in America whose activities and behaviors are not consistent with a sustainable kind of environment. Getting that discussed, out there appropriately, allows investors such as my company to take a look and figure out who's got the better practices. So there may be some government incentives that could get the private sector businesses to disclose more what they're doing.

A couple of other things. One is the government itself might think about its own purchasing practices, to what degree are they encouraging these behaviors. And I know it's more controversial -- the government runs a very large retirement plan that has lots of securities that it owns, and one that they would line up with others and voting those securities for these kinds of behaviors would be important.

And then stuff that I know you want to talk about -- so I'll leave this as a segue -- while the private sector generally believes it can do a better job in terms of allocating capital, there clearly are going to be big projects of public infrastructure where the governments can lead the way, and I think that's another topic that could be talked about. But there are four or five things that those of us who invest in these activities would like to see from the government.

THE PRESIDENT: Okay. Anna.

MS. BURGER: I just want to jump in a little bit because I think that the work that John has done and everybody has done about the whole issue about weatherization and retrofitting has been incredibly exciting. And we have an opportunity to really put a lot of people to work, probably more people to work in the first quarter of next year in a faster way than most of the investment in new technology and new innovation. So we can actually put people to work quickly.

And I think we also have the capacity to have people prepare and train to do these jobs because, you know, we have, through the labor movement, we have got great training programs. The labor has been training about a hundred thousand workers about retrofitting homes and has (inaudible).

Our SEIU local in New York City has been doing the (inaudible) around greening commercial office buildings. There are joint labor management training programs across this country where we can actually get people into the training and move them out.

But I'd also pause and say that while retrofitting homes and weatherization for homes is really great, we really do need to take on the issue of public buildings and commercial office buildings, as well, and we can do it at the same time in a way that gives people an opportunity not just to get low-end jobs, but actually have training and opportunities to go all the way through the scale, because the higher-end jobs will be in places like commercial office buildings and (inaudible) systems that they have to manage going on.

And if we want to think about how to get people into a job training program that gives them lifelong opportunities for advancement, this is a great place to start. We can do a lot of jobs quickly, but we can actually move people on through.

And I would also say, as a person who talks a lot to ordinary people every single way, who all wonder what it means to weatherize their home and how do they know if the product is safe, I think the whole idea of having a standard is incredibly important. We need to make sure that whatever we do to weatherize and retrofit homes actually works. We need to be able to evaluate it, measure it, and make sure that people understand that when they buy these systems, or they have these folks come into their homes, it's actually going to work. And so I think the whole discussion that's been going on around having a star standard would be really incredibly important and we can actually say at the end of the day, not only did we put people to work, we actually held down energy costs and this is what it's doing for families long term. So I think it's a home run.

THE PRESIDENT: Penny.

MS. PRITZKER: I would just add to something Anna said, which is what we see on the commercial side is the existing building LEED standard is becoming something that many, many owners are striving for because their tenants are demanding it. So having standards is a really good thing. It is working out there in terms of, you know, building owners who are seeking to attain those standards, because it's part of their own marketing program. So I think it's terrific.

THE PRESIDENT: One question I have, though, which I think Anna raises, is -- I think, sort of, A-class buildings, A-class tenants, are demanding this stuff, but there are a whole bunch of -- obviously, you know, we could be retrofitting commercial buildings alongside public buildings for the next decade and keep ourselves pretty busy.

MR. DOERR: Or two.

THE PRESIDENT: Or two. So are there things that you think would be most effective? John, I think your plan is generally revolving around home ownership.

MR. DOERR: I focused on homes.

THE PRESIDENT: Is there something on the commercial side, Penny, that you think would be most effective?

MS. PRITZKER: I think you'd -- I think there does need to be some incentive created, but I -- for B- and C-class buildings, which are definitely buildings that show, let's call it, the least progress in this area -

THE PRESIDENT: But they are also probably the ones who are – that are already the least energy efficient, correct?

MS. PRITZKER: Exactly --

THE PRESIDENT: And the oldest.

MS. PRITZKER: -- and the least incentive that exists. And one of the questions is whether we can partner with our mayors in creating this as a big, you know, national incentive, because I think the mayors are looking for some kind of job program that they can promote locally, and this is something that could become -- you know, maybe there's local TIF financing available or different kinds of local tax incentives that could be used.

MR. GALLOGLY: The other thing I think you could do is identify which are the least efficient buildings. Clearly which -- you know, in a given city the utility knows who uses the most per-square-foot of energy, and identifying the highest return buildings is something that I think would be smart to do as opposed to offering it broadly.

THE PRESIDENT: John, do you want to just make a last comment, and then we're going to move on.

MR. DOERR: Remember how NetDay mobilized all Americans -- labor, parents -- to go wire the schools to the Internet? Well, we could have a national energy day and audit the schools, get auditing in place for those other buildings and have kids learn about energy efficiency and make a big difference in our energy bills.

THE PRESIDENT: Good. All right. Well, let's move to our last topic. Everything that we've been talking about is connected to the issue of infrastructure, and as Roger pointed out, some of it's private, some of it's public. Rich, this is something obviously that, at a time when you're seeing a real shift in the housing market and the housing construction market that probably is not going to return to pre-crisis levels, at least relative to population growth, so we can see increases, it will bounce back, but it's not going to be -- we're not going to see hyperactivity in that sector the way we saw. Infrastructure becomes that much more important particularly for a whole bunch of well-trained workers out there and tradesmen and craftsmen who could be rebuilding our infrastructure.

So this is obviously important to you. Why don't you start us off, and then I'll call on Charles and Bob to talk a little bit about how we might find answers.

MR. TRUMKA: The first thing I'd say is that unemployment in construction right now in this general area is over 30 percent. That's the starting point.

But, Mr. President, let me thank you for your leadership and your vision on the economy, because without the Recovery Act and other timely actions that you took with regard to auto and housing and a number of other things, we really believe that the economy would be spinning out of control right now -- so all of us owe you a tremendous debt.

We know that we still have a long way to go, and the AFL-CIO is going to be working hard over the next couple of months to make the case for immediate federal action to create jobs. But today we're talking about mid-term and long-term things. So the reality is that we had a job shortage, and particularly a good job shortage, before the crisis ever came. And the reality is after this recovery comes we're still going to have a job deficit, we're still going to have wage stagnation, depressed retirement assets.

So we can't go back to the bubble economy, and as you said, we really must have new engines of growth to replace the debt-fueled consumption we had in the recent past. So we believe that the most effective path to sustainable growth is an ambitious long-term public investment agenda in infrastructure.

And we learn from the Recovery Act that we have to do two things simultaneously. We have to create jobs now to make up for the collapse of the private sector investment, and we have to do so in ways that really provide the foundation for future growth, productivity, and competitiveness. And given the political constraints in Congress, the Recovery Act made remarkable progress towards both of those goals, with significant down payments in all of those areas.

And had the country followed your blueprint and dedicated more of the first stimulus package to infrastructure, we think we would have been a lot further along and a lot better off right now as a country. But we continue to lose jobs, and we know that the American Society of Civil Engineers says that we have a couple of trillion-dollar deficit when it comes to infrastructure which threatens not only our health and safety, but as Jeff noted, threatens our competitiveness.

So given all this, we believe that the federal government should be preparing to invest over a longer period of time, probably the next 10 to 15 years on the infrastructure and in green jobs. This is an area where many of the PERAB members of business and labor alike have found common ground. We need to invest in modern transportation, communications, schools, energy, water, and waste management (inaudible). And to achieve the maximum employment return for the investments, we really should ensure that the production materials are produced domestically to the largest extent possible.

And in particular, we support accelerating the reauthorization of the Transportation Act, because our aviation, mass transit, Amtrak and freight, highway and bridge, port and waterway systems are suffering from decades of neglect. And the under-investment is threatening our global competitiveness as well as our safety.

So we've also looked at clean energy, and that will address the threat of climate change, reduce our dependence on imported and non-renewable energy sources, and create good jobs here at home.

Now, you've done a tremendous amount with all of those things, when it comes to retrofits, smart grid, support for wind and solar energy, research in clean coal technology, and many others, and we support you very much on your efforts, and thank you for the leadership that you've shown so far. And we know that there's about $10 billion worth of urgent school repairs needed. So if public investment is sufficiently ambitious, sustained and well-targeted, we believe it will crowd in public investment by creating the preconditions for profitable real economic activity.

And so, Mr. President, the production of goods and services and range of wages really must be the engine for more sustainable and equitable growth in the United States and globally, and we believe that mid-term and long-term investment and commitment in infrastructure and good green jobs is the way to get us there. Thanks.

THE PRESIDENT: Charles, Robert, I think, as I said, everybody agrees on the need for infrastructure. Financing is an issue. Obviously we're entering into an era of greater fiscal restraint as we move out of deep recession into a recovery.

And the question I've had is people still got a lot of capital on the sidelines there that are looking for a good return. Is there a way to channel that private capital into partnering with the public sector to get some of this infrastructure built?

So Charles or Bob --

MR. WOLF: So, thank you, Mr. President. We've been hearing you talk about infrastructure for now more than two years, and so we're very excited about it. Our PERAB sub-group on jobs have been spent – has spent over four months and have come up with the idea of truly creating a national infrastructure bank. Members around the table, I'm sure, will have comments, and Laura Tyson and Jim Owens have been a part of our sub-committee, as well. We think it's a way to expand for future in both productivity in jobs.

The main objective would be straightforward. It's to finance large, innovative, national, cross-state, significant, regional projects. Projects would be whether it's green transportation, water treatment, so on and so forth, everything that people spoke about today.

The national infrastructure bank's approach, it would be merit-based. It would be very transparent. Financing would be on a cost-benefit analysis, which would include a need for jobs. It would be a separate agency. It would not be part of necessarily the appropriation process that's done today. And the appropriation process is under-funding infrastructure.

Where appropriate, it would be -- there would be public-private partnerships at the project level. So we think there is a lot of money to be done at the project level.

I want to be clear, though. This is to supplement, not replace, municipal bonds or Build America bonds or the TIFIA program or even the green energy outfits. It's to add to. And the truth is there is no discussion of high-speed rail going national, because where does it begin the discussion, or a national electric grid, or where water treatment is needed in regional basis.

You know, we talk a lot about hope, and it seems like those who are unemployed, they want hope. And we think a national infrastructure bank will bring quality jobs on the horizon. And it's not something that you can wave a wand and say it's going to happen today, but we think that you have many great ideas that are part of the stimulus package where you still have another I think $500 billion to spend. So over the next 18 months, you have programs in place that just need to mature.

But our idea is, what's the next step, you know, whether – and obviously John and Mark and others -- and so we spent a lot of time on it. We want to be clear -- this is not the next GSE. This is not going to be some levered company that has a moral hazard to it. We have a great 40-page index to go over with your administration at some point, and we have done, we think, really good work on this.

THE PRESIDENT: Charles, anything to add?

MR. PHILLIPS: The infrastructure investment is slowing right now and the reason that is, is that these loans that are only backed by the monoline insurers, and the monoline insurers are basically -- they're out of business or the ones that are left are certainly in (inaudible). So there's a lack of insurance in the market right now, and that's where the government could help.

Since 2006, there are about 72 new private equity funds, private investment funds, focused on infrastructure. But what they're doing right now is, is basically refinancing existing assets. So they'll buy a toll road or buy an existing bridge, which for them is cheaper to do, is less risk, but doesn't really improve or expand infrastructure. And the states need the money so they're selling these assets on the cheap. So it's really, in the short term, probably not a good thing, but that's what happening. But the funds are there.

So if the government were to step in and co-invest with them and replace the monolines in terms of confidence in the market -- and you could split it anyway you want; 25/75 ratio -- but you expand the pool of capital available and you bring the confidence back in the market. That's what missing right now, at least in our view.

And then secondly, to us it's a lot more acceptable if the source of funding for this bank is redirected appropriations -- in other words, money that would have been spent anyway. We spend about $80 billion across various agencies, we just do it very inefficiently right now. And so right now it's (inaudible) -- airport -- rail, airports, and everything else. And you can't look across projects and compare them -- different ROI, different capital consumptions.

If you had an expert panel of people who did this for a living, I think you'd get better decisions. And in some cases the answer isn't to build anything. Sometimes you need to look at congestion pricing or a smart traffic system. But right now the states are incented to ask for more money because that's the only system that's set up to do. So if you had experts who could look at this on a broader basis, and the bank that could leverage private capital, I think you could get the market started again.

THE PRESIDENT: Good. Anybody want to comment on this? Or any questions?

Well, look, the three presentations that have been made focus on things that I think have enormous promise and I think the American people can get behind. The devil is always in the details. So my assumption is, is that each of these groups have written up some very specific recommendations, that they'll be reviewed by Larry Summers and Tim and Christy Romer and the rest of our economic team.

And what we'd like to be doing over the next two to three weeks is to sift through a lot of these proposals, start refining them. Congress is going to be looking to act on some of these fronts. And to the extent that we have very clear, crisp recommendations that we can present before them, and do so soon, the better off we're going to be.

But let me make one closing comment, which I think everybody will agree on, and it picks up on the point John made, that in a single day more money is circulating through the private sector than an entire year's of government spending. We are not going to be able, through government spending, replace business investment. And we are very mindful of the fact that the most important thing we can do is create an environment in which business investment is triggered and they are leading us on this path of economic growth.

We do think, though, that government policies can help create the right incentives for business to move in, and it goes beyond just tax policy. One of the interesting things that we've been hearing as we've been talking to a lot of employers out there is tax policy a lot of times is the second or third thing that comes up in our conversations, and coordination between agencies on exports or how we're approaching the pricing of carbon or making sure that our education system is functioning effectively or getting a handle on health care costs – all those things are as important if not more important.

And so on the one hand, we know this has to be lead by the private sector. We do think that smart policy on our part can send the right signals to the private sector. And you guys are helping us do that. So thank you very much. All right.

ADJOURNMENT

The meeting of the President’s Economic Recovery Advisory Board adjourned at 12:20 PM (EST).

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.

Paul Volcker, Chairman, President's Economic Recovery Advisory Board

Paul A. Volcker

Emanuel Pleitez, Designated Federal Officer