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### ***Speaking Up for American Capitalism***

First of all, let me congratulate all of you for the great work you do for our industry and business in general.

Last July, I authored an op-ed in the *Wall Street Journal* titled, "Speaking up for American Capitalism." The most gratifying thing about it was the hundreds of emails and letters I received in support of this cause. Today, I'd like to elaborate on this theme a little further.

Those of us in this room I think know that our economic system – the capitalist system -- offers the greatest opportunity for individual prosperity and freedom the world has ever seen.

And whenever that system comes under attack, as it has been for several years now -- we know we all have a duty as Americans to come to its defense. And that's just what we've done – and need to continue doing - both as individual citizens and through organizations like MEMA.

Despite negative broadsides fired from the White House and Congress, the surreal notion that an anti-business agenda could lead to job growth and robust economic recovery seems to have been dropped, at least for the time being.

We may never be able to drive a stake through its heart. But for the moment, there are signs pointing up. The new Congress has a mandate and I'm convinced it's a mandate for common sense policies and not ideological positioning.

At the White House, there was the compromise on taxes, the selection of Bill Daley – a practical man who understands both business and politics – as chief of staff, and the appointment of GE's CEO Jeff Immelt to head up the new jobs council.

Immelt's appointment bodes well for a number of reasons, among them the apparent recognition that the talk in Washington on job creation that focused almost exclusively on the needs of "small business," to the exclusion of "big business," is misleading.

Now, in my view, it's time to call an end to slicing out small business from big business. There's no doubt that small businesses power job growth. But, as all of us know, big business is critical for growing small businesses. We all drink from the same well and derive our strength from our interrelationships.

As the Business Roundtable has put it, "government policies targeted at just small business or just big business affect all firms, not just firms of a particular size," and "government policies should be aiming to promote investment growth and job creation for all U.S. businesses."

At Tenneco, we spend nearly \$400 million annually in the U.S. with about 1,800 companies that fit the Small Business Administration's definition of small business. As you know, that's pretty typical of our industry and of American business in general.

I think one of our suppliers put it very well. Gregg Panek is the President of Panek Precision, a \$22 million company, employing about 150 people. As he said, "we are pro-business, whether it's small or large. It's all the same thing" and he went on to say that "one of our problems is that we have too many politicians who have never been in business, they don't know it, don't understand it and that's unfortunate."

I know that's something all of you here today understand and I think it's an important point that we all need to communicate. Motor vehicle parts manufacturers represent our nation's largest manufacturing sector, directly employing over 685,000 Americans. But more telling, our sector contributes to an additional 3.2 million jobs across the country.

Those are impressive figures, and I know you'll carry them with you to the Hill, where Members need to understand that you can't be anti-business but pro-jobs at the same time.

Now, as I said, we're beginning to hear some positive signals from the Administration on dealing with business issues. Last month, in his much-publicized talk to the U.S Chamber, the President told business representatives that America has been successful because of the freedom "that has allowed capitalism to thrive."

True, a politician's position on issues may not extend beyond the date of the next election. But we can get a lot done in two years by pursuing a fiscal policy

focused on reining in government spending, reducing the tax burden, and pushing for a stringent review of regulations that hamper growth.

In these and related areas, the President has asked the private sector for advice and counsel. And for those of us who have spoken out against the scapegoating of American business for easy political advantage, this apparent new attitude is encouraging. And it's time to take advantage of it now.

Let's not let ourselves be run through the political grinder again. True, the last several years have been unique – an economic tsunami that for a time seemed to threaten the survival of our basic institutions. It was a complex and confusing period. At such times, the political imperative is to find someone else to blame. And that convenient someone else was us, the business community.

First there was the bankruptcy of Lehman Brothers, and the near collapse of the world's financial system, along with a recession, and of course, high unemployment, which is still a very real concern today. There were the travails of our auto industry, followed by the BP oil spill. All in all, several pretty tough years.

Through it all, business, in the dual role that politicians try to fashion for it – providing funds to government and all too often serving as a scapegoat – took a pounding, on Capitol Hill and at the White House.

We took it, and in large part we took it silently. In a sense, that's understandable. We were hit from several directions at once, and the financial crisis turned so quickly into a collapse of demand and manufacturing that our primary concern was just to survive and work our way out of the rubble.

Perhaps because we were so thoroughly bashed, we seem to have allowed the financial crisis to unleash a general bashing of our whole free-enterprise system. Business may not have been in an apologetic mood; but by remaining silent we fed the notion of an unuttered apology and allowed the bashing to intensify.

But in fact, other than those companies that were part of the system of easy credit and disguised risk, American business has nothing whatsoever to apologize for. And, despite our relative silence, most Americans remain with us.

In no small part, they're with us because our free-enterprise system, with all its problems, is still the economic system that best represents the highest hopes and aspirations of men and women, both here and throughout the world.

In a recently published book, that I highly recommend, entitled *The Battle*, Arthur Brooks, President of the American Enterprise Institute, describes a struggle between two competing visions of America's future. In one, America will continue to be a unique and exceptional nation organized around the principles

of free enterprise. In the other, America will move toward European style statism grounded in expanding bureaucracies, increasing income re-distribution and government controlled corporations. Hereafter, I will refer to the later as socialism for simplicity. These competing visions are not reconcilable.

Mr. Brooks then points out that in poll after poll, when asked whether they'd prefer to live in a free-enterprise or socialist economy, 70 percent of those polled invariably choose free enterprise, with only 30 percent favoring some form of socialism.

Why? As Brooks argues – and I totally agree – the free-enterprise system is above all a *moral* system. As he puts it, “More than any other system, free enterprise enables people to earn success and thereby achieve happiness. For that reason, it is not just an economic alternative but a *moral imperative*.”

Perhaps because those of us who number ourselves among that 70 percent take our blessings so much for granted -- because the benefits of our free enterprise system are so apparent -- we accept that “moral case” as self-evident, and therefore in no need of defense. That may in large part account for the silence among the natural defenders of our system.

And it may also help explain the success of the dissenting 30 percent in taking charge of the argument. As Brooks points out, “the economic calamity of 2008 helped the minority fool the majority into thinking that the crisis was caused by the private sector and that the state knew how to solve it.”

James Madison once described the political response to a crisis as “the old trick of turning every contingency into a resource for accumulating force in the government.”

Today, that approach has been largely successful because of the political discussion that accompanies it: First, the government was in no way the cause of the crisis; Second, the government knows how to fix it; Third the way to save the economy is through government growth and deficit spending; and finally, only the rich, not the middle class, will pay for the fix.

This is an old and seductive song, and for decades now it's been the basic anthem of socialism. But in much of the world where socialism has been tried – and especially in Europe today – the music has suddenly stopped, and it's time to pay the piper.

As *The Economist* magazine recently reported, between 2005 and 2030, the working-age population of the European Union will shrink by 20 million, and the number of people over 65 will increase by 40 million. That means these systems must change or inevitably collapse under the tangible weight of their illusions.

In the end, mathematics is what kills socialism. And that is precisely what we have seen played out in Europe.

The forerunners of the European Union created an apparently healthy and largely socialist system that prospered for several decades.

But then the Wall came down, the Soviet Union fell, the captive nations were liberated, and suddenly markets opened and Europe was flooded with men and women eager to work – men and women who wanted what we have – satisfaction and success through meaningful work and individual initiative – men and women who wanted nothing more than to pursue the happiness that our free-enterprise system ultimately provides.

In Western Europe, with regional barriers down and global competitiveness suddenly setting the new rules of the game, the whole idea of socialism-lite began to collapse. All it took was an opening of markets and people willing to work harder and not expect six weeks of vacation, a 32-hour work week, national cradle-to-grave health insurance programs, and full state pensions at 60-- in some places, dropping to 55.

As one commentator put it, “Retirement at 60 in an ageing society is not a sign of civilization, but a cruel joke paid on the next generation.”

One danger here is that the politically encouraged perception that government can fix it all, whether scientific or economic, puts into play the law of unintended consequences, which often ends up crippling what we’re trying to fix.

As a result of the recent economic calamity, says *The Economist*, “Politicians are reviving the notion that intervening in individual industries and companies can drive growth and create jobs.”

But post-calamity perceptions have a tendency to change. Throughout our history, severe economic anxiety and doubt inevitably produce strong populist reactions. However, the populist winds currently howling through the business and political worlds may just be beginning to shift direction.

Over the past two years, government has grown significantly, spending more than an estimated \$1 trillion on problems related to the great collapse of 2008. In the rush to spend, Congress has enacted a massive health care bill and an equally massive financial reform bill, passed by politically panicked legislators who hadn’t read either, and probably still haven’t.

Yet despite the astonishing growth of a bureaucracy ostensibly designed to eliminate what the administration perceives to have brought on the recent crisis – thereby ensuring that Washington will likely never have an unemployment problem -- the systemic problems remain.

And there are many who argue, convincingly, that it was actually government, and its involvement in the mortgage market, that was the prime cause of the 2008 housing collapse. Personally, I think there's plenty of blame to go around. However, there's no doubt that although politicians don't want to talk about it, government involvement played a key role.

Government has positioned itself as savior. But 2011 is not 2008, and our current financial distress is increasingly being seen as the result of out-of-control government spending. But for the moment at least, the rhetorical barrages seem less frequent as the politicians take a pause before warming up for 2012.

In fact, we just may have some thinking space – space to step back, take a deep breath, push aside the partisan politics and ideological one size fits all approach, and try to work together toward sound solutions based on perspective from both sides.

The truth is, when it comes to the big areas that shape and define our society and our well-being – energy, mobility, shelter -- government can do nothing without the active cooperation of business and industry.

Nor, for that matter, can business function in this fiercely competitive global marketplace without the active assistance and encouragement of government.

From government, business wants free markets, reasonable levels of taxation, and tax and regulatory policies and initiatives that don't shift or change with each new crisis, each new election, and each new Administration.

But that relationship has slipped badly out of balance, as roles and functions became confused in the swirl of self-interested political maneuvering. Nor do politicians always seem to understand that there's one basic difference between business and government. Business is not just a profit system; it's a profit and *loss* system.

If you appropriate enough of those profits in the form of taxes or increasingly complex compliance requirements, then eventually profits become losses, and government runs out of funding for its social and economic programs. In effect, to paraphrase Al Smith, you've shot Santa Claus.

In the end, from a business perspective, too much government is the ultimate in too much overhead – a pure subtraction from productive use of the Gross Domestic Product. All GDP is created in the private sector, and whatever is spent in the public sector is reinvestment of private sector dollars – dollars that can't be invested in growth or creating new jobs.

In this regard, it's worth noting that combined federal, state and local government spending as a percentage of GDP has reached over 40 percent as compared to the 40 to 50 percent levels you see in Europe. To say the least this is a huge cause for concern.

So, what's our call to action? I think it's time to unleash our free enterprise system to do what it does best – generate growth. It's time we once again take our game plan up against the world.

We want our officials in Washington to ask a few simple questions when proposing a new economic program or regulation: Will this help our companies compete globally? Will it help convince our global partners that the United States is the best country in the world to headquarter a company? Will it persuade them that it's the best country in the world in which to manufacture and innovate?

Fiscal responsibility, expanded trade, more competitive and consistent tax policies, a comprehensive energy policy, a realistic regulatory approach, approval of free-trade agreements – it's in these and related areas that our government can most effectively ensure that we maintain our preeminent position in the world.

By putting these considerations at the center of economic policy-making, our government would once again enable business to be at the top of its game and – perhaps most important today – be positioned to deliver a strong economic recovery.

At its best, government is the facilitator and guarantor of the freedom to create, to lead, to innovate. That is what American business has long done best. And that's what it will continue to do.

I realize my remarks here today have been directed at the economic problems we face including all the talk we hear about the U.S. leadership role going forward. However, I also believe there are good reasons to be optimistic about our future.

Perhaps it's because I believe the battle lines are less clearly drawn than they appear to be at the moment – and as they always seem to be at moments of great strain.

And perhaps it's because I believe that men and women of principle, who believe strongly in their stands, are frequently open to compromise when the best interests of their nation are clearly at stake.

In fact, that has in large part been the story of our nation. No matter how intractable the issues or how intense the partisanship, in the end we've always come through together.

It's very easy today, I know, to get down on politicians. And it can be demoralizing to watch how business is done in Washington.

But look back at our history. I recently reread Edward Larson's splendid book, *The Magnificent Catastrophe*, a history of the election of 1800, which involved our country's first presidential campaign, a campaign I might add that appalled George Washington.

Under the electoral system of the day, after Jefferson defeated Adams, the election ended in a tie between Jefferson and Aaron Burr, who had been expected to finish second and thus be elected vice president.

Eventually Alexander Hamilton's Congressional Federalists threw the election to Thomas Jefferson, their ideological enemy, rather than to Aaron Burr, a man they viewed as a self-promoting opportunist.

Larson's book is fascinating for the historical narrative and the light it shines on the politics of the period, which could be every bit as noxious as anything we see today.

At this point in their long relationship, John Adams didn't like Jefferson, to say the least, nor did Hamilton. Neither liked Burr, and Burr returned the sentiments. Jefferson was labeled a Deist infidel and a friend of France, where the French Revolution was in full swing. Adams was an elitist friend of England, and Burr a crass opportunist who'd start a war to win an election.

As the campaign heated up, partisan ranks solidified, debate gave way to mudslinging, principle to pragmatism, and George Washington's dream of the selfless public servant went up in smoke.

Yet despite the birth of sharp and often bitter partisan politics – and maybe even because of it -- our Republic survived and flourished. Perhaps it's because of the freedom of our system and the human ingenuity it encourages.

And when we go through periods of great crisis – periods more severe than we're experiencing today – Revolutionary War, Civil War, two World Wars, Depression, assassinations, civil strife – we've invariably thrown up leaders equal to the occasion.

Washington, Lincoln, and FDR immediately come to mind.

A more recent example was Ronald Reagan, who also inherited a deep economic recession and the overall malaise left by the previous administration. Reagan relished the role of seizing the baton, and restoring hope and pride to a badly battered nation.

In his politics and beliefs, Reagan never left any doubt that he was a dedicated conservative, and when necessary a committed partisan. But he also listened to, understood, and respected his opponents' point of view. And this accounts for much of his success in office.

It's true that at this moment in history we seem to lack the sort of political leadership on both sides of the aisle that the times demand. But over the years, our elected leaders have proved themselves able to rise to the occasion when the chips are down. And new political leadership is always just an election away.

In fact, the recent election has flooded Washington with a new group of legislators, seemingly eager to get working on the nation's economic problems. You'll be meeting many of them tomorrow. And I know you'll give them our message, loud and clear.

As an American, I'm a defender of our form of government and our economic system, which continues to provide a beacon of hope throughout the world. This free-enterprise system, hard-wired into our DNA, has created more wealth and lifted more people out of poverty around the world than any other system devised by man.

I'm proud of that system, and I'm proud of the role our industry – the automotive industry -- has played in building our society into this great industrial civilization. For some time now we've found ourselves located at the center of much of the national debate, where science, technology, business, economics, ideology and politics all intersect.

At times, the problems posed to our industry by these often conflicting forces have seemed nearly insurmountable. But we've always come through. And in the process, we've played an historic role.

We have always believed that given a problem, we can meet it or solve it. Give us a dream, and we can make it a reality. And here in America and throughout the world, we have done just that.

That is the defining characteristic of the American free-enterprise system, our gift to the world. In our business, we've helped to give people everywhere an unprecedented measure of mobility; and by providing that mobility, we've helped give the world an unprecedented measure of human freedom.

"Life, liberty, and the pursuit of happiness" – a simple but elegant statement of a guiding moral principle, giving life, vitality and purpose to our free-enterprise system, and serving as a beacon of hope to all the people of the world.

We have a powerful story to tell. It's the story of an economic system that has given shape and substance to one of humanity's oldest dreams – to rise just as far as our talents and abilities can carry us, and to realize life's ultimate satisfaction in the successful pursuit of our dreams.

Finally, let me leave you with this.

Let's never forget where we came from, the foundation of our free enterprise system, or what we have built on that foundation. Let's never forget that despite differences and disagreements, we've always come together as people to solve those problems and move our country forward.

That approach is as critical today as it has been throughout our history, and it's essential that business make its voice heard today, loud and clear, in defense of American capitalism.

Your voices need to be heard on the critical issues that impact not just your individual businesses but our entire free enterprise system. It's time to be a part of the dialogue on fiscal policy, market access, government regulation and our energy and environmental policies. So, I congratulate all of you here today for the role you're playing in that process.

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