

UNIVERSITY OF MARYLAND SPEECH

Dean Anand, Members of the faculty, Students, and Ladies and Gentlemen:

I would like to sincerely thank all of you for coming and thank you for your hospitality. I appreciate your warm welcome. It is great to be here today. I

have always held University of Maryland in high esteem. University of Maryland is one of the foremost academic institutions in our country. All of you should be thankful for the opportunity to attend and graduate. I am honored and excited to be a part of Robert H. Smith School of Business as a member of the Advisory Board.

Before I begin my speech I would like to take this opportunity to thank your distinguished dean for inviting me to speak to you today on my book- *Renewing the American Dream: A Citizen's Guide for Restoring our Competitive Advantage*.

Although I am here today to speak primarily about my book, I am also here to talk about the future of America and the American Dream. Let me begin by focusing on some key words in the book's title. The word "Renewing" the dream was chosen deliberately - because the dream is at risk and needs to be renewed. Also the phrase, "restoring our competitive advantage" — because America is losing its advantage both at home and in the international arena. For America to prevail in the 21st century we must restore that advantage.

Please remember that we must renew and we must restore. My speech is directed at addressing those twin goals. I also want to talk today about the responsibilities we have to secure the future we all share.

Let me briefly outline what I want to talk to you about today:

- I will start with describing the co-authors and my personal story, the definition of the American Dream, and reasons for writing this book.
- Then I will share some ideas on manufacturing and how to restore America's competitive advantage.
- Next I will briefly review and comment on the President's plan for recovery and his new tax initiatives.
- I will then outline reasons for economic optimism
- Then I will conclude my remarks.

Let me tell you about myself and my co-authors

I built a business from one employee to 2000 employees in 12 years. George Munoz was Assistant Secretary of Treasury under President Clinton's administration and Ed Crego has consulted with various Government and private sectors. All of us have experience in public and private sector. We represent the diversity that is America. We have unique experience to bring balanced and objective perspectives to the America's current problems and to provide practical recommendations for addressing them.

Let me tell you about my personal experience of finding and living the American Dream

I left India when I was fifteen years old to pursue the American Dream. I believed in America and the American Dream. I believe if you aim high and if you work hard you should be able to pursue your dream. The American Dream brought me from India to America. My story should resonate well with millions of immigrants across the globe. It reaffirms the notion that any thing can happen in America and that America is a land of opportunity. I believe that in America there are no barriers to success. I am a living example of an American Dream. Through hard work and initiative, I was able to build an Information Technology business from less than \$100k to over \$300M in 12 years and sold the business to Ross Perot in 2007 for \$250M. I created 2000 jobs. Let me tell you starting business are all about taking risks, being focused, passionate, and committed. It is about confronting uncertainty with optimism, ingenuity and creativity. It is about getting out of comfort zone, and venturing into new horizons and experiencing new environments. I inspired my employees by setting examples.

I learned from my failures. Success taught me how to move forward, but failure taught me to never go backwards. I want to tell my story to others because I have a deep desire to give back to our country and to our community. I want to inspire others so that they can pursue American Dream. I know American Dreams are worth fighting for. My story shows the inclusiveness and openness and the quality of America. Those are the values and strengths that America can proudly embrace.

What is an American Dream?

I am sure that each of us has our own definition of the American Dream. For me, the definition is simple: It is the opportunity to be the best that you can be and to be recognized and rewarded for accomplishing that. It is the chance to be successful and to achieve economic security. It is the freedom to say or do what you want. The fundamental elements of the dream are getting educated and working hard in order to have a good job that pays decent wages, provide adequate benefits, puts food on the table, a roof over one's head, and allows for retirement with dignity.

Reason for writing this book

The reason for writing this book: disappointment, concern, and a sense of responsibility to our fellow citizens and the nation we all love.

Disappointment: In turbulent times such as these, we would have expected our political and business leaders to come together as they did after 9/11. We were disappointed and dismayed by this lack of leadership. We learned that we were not alone. This convinced us of the necessity for this book. It persuaded us that we are all in this together.

Concern: We were especially concerned because of the country's condition. Here are the cold facts. 2009 was an awful year for the United States. The first decade of this new century was a decade of serious decline for America and the American Dream. At the end of the decade:

we were involved in two wars

We had the highest unemployment rate

We had largest debt and deficit

We had largest trade imbalance

We had lost most of the Manufacturing Jobs to overseas

1 out of 5 Americans was un- or under employed

1 out of 8 mortgages was in default or foreclosure.

1 out of 8 Americans was on food stamps

1 out of 9 families couldn't make the minimum payment on credit cards

Income inequality was at the highest level in recorded history.

There were also some important declines relative to the rest of world. In 2000, U.S. GDP was 61 percent of the combined GDP's of the other G-20 countries. By 2010, that number dropped to 42 percent. In 2000, U.S. GDP was slightly more than eight times that of China, but it fell to slightly less than three times in 2010.

Sense of responsibility: As citizens we had a responsibility to our nation. We wrote "Renewing the American Dream" out of our sense of responsibility to call citizens' attention to this crisis because we believe that many do not grasp the gravity of the current situation. They think these tough times will pass and America will recover to where it was before. In this book, we make the case that America's decline is real, and could be permanent. The purpose of this book is to ask every citizen to participate in reversing the decline. We are not politicians or economists. Rather we are three Americans who have lived the American dream, who want to contribute to sustaining it and growing it.

We are at critical crossroads in America. The American Dream is at risk and the American Dream is in decline. The American Dream and "the shining city on the hill" have begun to slip into the shadow. We have become a deficit and divided nation — our economic and social fabric is in tatter. 2010-2019 will be the decisive decade. The decisions we make, and the actions we take, will determine the future of America and the American Dream for all of us.

Our book provides a comprehensive and integrated analysis of the American condition. This book includes how do we renew the American Dream by defining 21st century competitive advantage for the nation, and implementing policies and programs that create jobs, rejuvenate the middle class, reignite the manufacturing sector and unleash the potential of small business and entrepreneurs, ensure a vital news media and advance America's role in the world.

It is not just Government's or business responsibility to renew America. It is the responsibility of all of our organizations and all of us citizens working together to build and develop America for the future.

Achieving the dream today seems to be a bigger challenge than in the past. Do I believe this to be true, and why?

I definitely think that achieving the American Dream is still possible. However, it is a bigger challenge than in the past. Our weak economy is undermining the American Dream. I still think that it is possible to reach the higher rungs on the American Dream ladder.

On the other hand, I think that the middle rungs on the ladder have begun to disappear and may be more difficult. Research shows that in 1970, 40 percent of Americans lived in middle income households. By 2006 that number has declined to 35 percent. These are not good numbers. We are becoming a nation without middle class. If we allow that to continue, the American Dream will diminish and eventually disappear.

At the same time our international competition in the economic arena is getting tougher. China, India and Brazil are all growing quickly in terms of GDP and the earning power of citizens. The United States is in danger of losing the competitive advantage that we have established in the world marketplace.

In fact, since publishing our book, several key points from our pages has gone on to become focal points for various national debate and discussions on restoring America's greatness.

One recommendation that stands out, is our call to create a Presidential Board for Global Competitiveness in the 21st Century and a second on job creation. The President has appointed GE CEO Jeff Immelt to head a commission on jobs and competitiveness.

As you know the relationship between the US business and the White House has been a turbulent one for the past two years. But the President has build bridges with the business community. The President is now an advocate of business. It is now time for businesses to step up the plate.

We also advocated to extend the Bush tax cuts for two years for all Americans and to give two years payroll tax holidays to employees and to employers.

Let me say a few words about why Manufacturing Matters

America was built on manufacturing and it is still a major contributor to the economy. In 1987 manufacturing was more than 20 percent of the GDP. By August 2009 it had fallen to 11.7 percent. If we want to be a force in the world economy, we need to build our products here in America. Otherwise, we are ceding the future to our competitors.

Manufacturing has been losing large segments of whole industries due to closing of factories and off-shoring American jobs. The collapse of those industries and subsequent loss of jobs impacted entire communities causing them to disintegrate into ghost towns.

Our trade policy has contributed to loss of manufacturing jobs. Our Government has very fragmented policy towards manufacturing. In addition, overvalued U.S. Dollar, lower corporate taxes abroad, very aggressive investment incentives abroad, government pressure abroad versus none at home- have contributed to steadily move the manufacturing out of U.S.

We cannot have a strong and vibrant economy without a strong manufacturing sector. Our urgent challenge is to reorient the tradable sector of the economy, services as well as manufacturing, so that it creates jobs for middle class Americans. The U.S economy must become a more attractive place to

develop and manufacture new products. The best way to accomplish this is to balance the budget and lower corporate taxes and create strong and aggressive incentives for America's manufacturers to establish plants and manufacture products domestically. This is so vital to reignite manufacturing jobs here, to bring those jobs back to America. Once again we should be proud of "Made in America". However, we should not build trade barriers. We should find a way to tilt market incentives so that businesses are more willing to invest in the physical and human capital necessary to make American workers more productive, rather than simply outsourcing work overseas.

We should focus on innovation and cost reduction. We need to establish a trade agreement with China that is fair not just one-sided.

We also need to develop and fund an industrial and innovation policy focused on driving R&D in restoration of manufacturing in targeted sectors and provide targeted jobs tax credit for manufacturing jobs.

We should have legislation so that American businesses build products here if they use government funds or government-supported loans. In addition, if we give American Companies taxpayer dollars to innovate, then we should have requirements that products should be made in the United States.

The United States has a quality and productive work force and comparatively lower manufacturing costs than in Europe and maturing Asian markets. I believe high wages are not necessarily barrier to manufacturing success. Let us look at Germany with the highest industrial wages in the world runs a trade surplus in manufacturing. An important part of Germany's success is its adoption of "highroad" strategy seeking continuous improvement in the production methods from skilled employees This strategy benefits workers through high wages and consumers through high quality and innovative products and owners through fair profits all at the same time.

What role Small Business and Entrepreneurs play in creating jobs and renewing America

I am an entrepreneur and I have been owner of small business that created 2000 jobs. Entrepreneurs see an opportunity where others see only challenge. Entrepreneurs play a pivotal role in creating jobs. If we are going to renew the American Dream, we are going to need to think small to win big. Small Business constitutes 99 percent of the total business in the US and account for more than 50 percent of the nation's GDP. They are the engine that drives our economy. We should once again become hot bed for small business.

There is a fundamental flaw in our thinking that government can create jobs. But, governments cannot create jobs. It is business that creates jobs. We have to provide incentives for businesses and individuals to invest and take more risks.

Small business needs support from Washington. Banks should be encouraged to make loans to small businesses, but the banks are still not making these loans. I would like to see the government itself make more direct loans to business.

President's recommendations on job creation and on economic recovery

President Obama has also put forward some solid ideas to move the economy forward. I would like to comment on them as they relate as vehicles for renewing the dream and restoring our competitive advantage.

1. Extension of Bush tax cuts for two years.
2. One year payroll tax holidays for employees.
3. \$200B tax breaks for business that invests in plants and equipments. Write off 100 percent of new investments in plants and equipment through 2011. This is a good plan. This is very promising. This would give short term boost to the economy. The biggest flaw with this is that it is temporary. It should be made permanent.
4. 10 year- \$100B extension of business tax credit for Research and Development. This is not going to have any effect on economy. Less than 1 percent is employed by R&D Companies. To me making this permanent is good tax policy. We rank number 17th among major economies in the generosity of its tax policy toward R&D.
5. \$50B to improve infrastructure. This makes a lot of sense.
6. \$30B increase in lending to small business. I believe it is the right thing to do and the smart thing to do.

How can United States restore its competitive advantage in an increasingly global economy?

The question: will the United States renew its capacity to compete in global markets so that we can create jobs for our people here at home? If we do, America's best days are still ahead; if we fail, they will soon be far behind. It is about that simple.

A combination of the U.S. tax code, the declining state of the U.S. infrastructure, the quality of the country's education system and barriers to the immigration of the skilled workers and dysfunctional congress, and budget deficit and debt and declining capacity to manufacture cutting edge products are making the U.S. less attractive to multinational corporations.

Can we turn things around? Yes we can.

We need to make America a more inviting place to trade and to do business. We must win the race for global competitive advantage. I believe we are still home to the most creative and the most innovative business in the world. We have the most productive workers in the world, the finest universities, free markets and the world's largest economy. People all over the world still look to the United States for inspiration and culture of openness and the entrepreneurship and the willingness to try and fail.

In order for America to be competitive we need to focus on the following:

1. Innovation and cost reduction- Innovation will make us competitive thus allowing us to boost exports, thereby strengthening our economy and creating new industries. We need to build our economy on export and innovation rather than the credit driven consumption.

2. Have less regulatory requirements. This means we have to remove impediments to productivity. This means we have to remove outdated or unnecessary regulations. We need to remove burdens and take down barriers that impede creativity, innovations, entrepreneurship and new venture.

3. A sound and competitive tax policy. We should strike a balance between discouraging US firms from going abroad while encouraging investment at home. We should reform corporate tax policies. The aim of corporate tax reform is to lower the corporate rate while scaling back tax breaks and loopholes that allow many corporations to pay minimal taxes. We must encourage US-based multinational corporations to bring overseas profits home. Many US companies have been parking increasingly large amounts of their overseas earnings offshore, where they can avoid US taxes.

4. Emphasizing Free but fair trade. The current trade relationship with China is not reciprocal and it is one-sided. In 2010 the deficit with China was \$275B. China continues to keep their currencies artificially low, thus promoting the off-shoring of U.S. jobs to China. We have to level the playing field to ensure that we are involved in fair trade. So part of restoring our competitive advantage is to insure that we are in fair fights that benefit not only American companies but also American workers.

5. Partnership between business and Government on education and innovation where America can lead.

6. Reduce federal debt and the deficit. This means spending cuts and tax increases. Our tax policy should encourage private savings.

7. Investing in the infrastructure

8. Produce more college graduates in math, science and engineering.

9. Double real federal investment in basic research in math, the physical sciences and engineering. My recommendation is to give every U.S. citizen who graduates with an undergraduate degree in science and engineering a 100 percent tax deduction for his/her tuition costs.

10. Promote and expand U.S. exports. We need to aggressively promote a global marketplace that benefits US business and consumers. Policy makers must work with the private sectors to identify and reduce barriers to U.S. Exports.

11. Develop skilled and educated workforce.

12. Revise immigration laws. America is losing top talents and endangering its economic recovery by expelling foreign born university graduates. We should liberalize visa and quota allowances to attract and keep the best and brightest from the rest of the world. As Nobel Prize- winning economist Paul Krugman suggests: The United States should offer green cards to every foreign-born graduate of America's top colleges and universities. By allowing the world's most brilliant foreign born graduates, America can spur technological progress and maintain the youthfulness of its workforce.

I agree with President Obama statements "we must out-innovate, out-educate, and out-build the rest of the world to win the future". The president also said "it is a future that is ours to decide, ours to define, and ours to win."

Reasons for Cautious Economic Optimism

Even though the economy is fragile, there are a few green shoots, and it appears that there are signs that the economy is turning around. The financial system is stable, GDP is expanding, and the stock market has recovered more than half its losses. The US Economy will grow close to 4 percent during 1Q11 and we expect GDP to rise 3.5 percent over the course of the year. Here are five reasons for economic optimism because the US Economy is moving from recovery to expansion as we enter 2011:

1. Saving rate is rising.
2. Credit healing is underway.
3. Manufacturing production is up.
4. Housing market continues to improve.
5. Exports are rising which will help domestic growth.

So the economy is beginning to bounce back. However, we still have double digit unemployment rate. I believe it could be years before the recovery is fully realized. The recovery would accelerate this year and the economy will continue to grow for several more years. But peak would not come before 2015. It could be 4-5 years before unemployment rate returns to the 5-6 percent range.

Just when we thought the economic recovery seemed to gain momentum, the new threats in the Middle East especially turmoil in Libya and other Arab Nations could undermine our economy. In addition a massive earthquake and tsunami in Japan have also added to the unusual array of economic and environmental shocks that have hit the global economy.

Why Education Matters

Before I close my remarks I would like to say a few words why education matters. Education is the key ingredient of success. Education empowers people. It plays a pivotal role in creating jobs and building prosperity, and it is a powerful engine of innovation and entrepreneurship. We need to prepare today's students for tomorrow's jobs. We need to make education more affordable and accessible. Education is the best investment we can make to build our future. We need to once again lead the world in college graduates, as President Obama said in his first State of the Union address to Congress. The President also said "all of us must recognize that education and innovation will be the currency of the 21st century."

The United States has the finest education system in the world. We have the best universities that attract the best mind. Consider that Sergey Brin and Larry Page, the founders of Google, met at Stanford University's computer science graduate program, where they originally conceived of their search engine design. Brin, a Russian immigrant, came to America to study at one of its most esteemed institutes of higher learning.

In closing

Every American has a right to pursue their dreams, but the dream must belong to all Americans who are willing to get educated, work hard and pursue their life goals. If we restore our competitive advantage and ensure that translates into the right opportunities for individual economic well being, then achieving the American Dream will still be difficult but no more difficult than in the past. I must stress that key word here is “opportunity” not guarantee. As long as we protect opportunities, the American Dream will prevail.

All of us will do well to remember all things are possible when we work together, when we learn from one another, when we listen to each other and when we set aside our differences to work for shared goals. I know the American Dream is still possible for those who have the drive, desire, and discipline. What is so unique and distinctive and important about America are the American people. Americans believe in their ability and the ability of their children to get ahead. Americans are strong, vibrant, responsible and resilient, and we are a country of dreamers and doers. Our country was founded on the premise that if you can conceive it and believe it, you can achieve it. In America no hope has been too large and no dream has been too far out of reach and for America anything and everything is possible. Therefore I am confident that if all of us work together to build America and to revitalize all aspects of America and the American Dream I can say America’s best days will be ahead of us and not behind us.

Thank you for giving me opportunity to speak with you today. Thank you for your time. I wish all of you continued success in the future. All of you have a role and responsibility to shape our country’s fate and future. I believe it is imperative for all of us to take a more proactive and prominent role in the quest for America’s future. We have to recognize that American Dream is a continuous journey. That journey began, and is sustained by the contributions of individual citizen. As Adlai Stevenson once put it “As citizens of this democracy, you are the rulers and the ruled, the law-givers, and the law-abiding, the beginning and the end” . Remember as long as we believe in ourselves, the future will always be ours. We must renew people’s faith in the promise of this country. -

If you need a copy of my speech please visit my website www.frankislam.com

Thank you and God bless you.