



October 27, 2011

The Honorable Patty Murray
Co-Chair
Joint Select Committee on
Deficit Reduction
United States Senate
448 Russell Senate Office Building
Washington, DC 20510

The Honorable Jeb Hensarling
Co-Chair
Joint Select Committee on
Deficit Reduction
United States House of Representatives
129 Cannon House Office Building
Washington, DC 20515

Dear Senator Murray and Representative Hensarling:

We write as American business leaders concerned by the direction, substance, and tone of our nation's policies and politics. We are hopeful that the work of the select committee will help the nation emerge from this period of economic uncertainty stronger, more competitive, and with a clear window of prosperity for all Americans.

As leaders within companies that collectively employ millions of Americans and operate and compete around the globe, we know this country can do better. Thus we offer below our ideas for (a) addressing the nation's structural challenges in a fashion that will stimulate growth and job creation and (b) stabilizing the U.S. debt.

Create Jobs and Ensure U.S. Competitiveness – Tax Reform

First and foremost, America's corporate tax system is globally uncompetitive and is woefully out of step with the world in which we currently live. Many of the companies that are signatories to this letter and the innovations that drive their businesses simply did not exist when the code was last revised in 1986. While the code has remained largely static over time (with piecemeal patches), the environment in which our companies operate has changed dramatically.

To attract – rather than lock out – capital and create jobs here at home, we must act in our short- and long-term interest. With regard to the first, we should take immediate steps to encourage U.S. businesses to repatriate the approximate \$1 trillion in accumulated foreign earnings that are locked outside of our country because of an antiquated and punitive tax code. As a nation, we are much better off with those dollars being invested here rather than elsewhere.

In the long term, we must reduce the rate, simplify the code, and strengthen incentives for job-creating activities such as research and development (R&D), and transition to a competitive territorial tax system.

Globally, in just the past four years, most of the major markets with which we compete have reduced corporate tax rates and transitioned to a competitive territorial tax system. In fact, our largest trading partners – Canada, Great Britain, and Japan – have all done so to become more competitive. Further, this exact approach to tax reform has been urged by many who have closely studied the issue including the National Commission on Fiscal Responsibility and Reform, and the “Gang of Six” U.S. Senators who proposed a solution to the debt ceiling crisis this summer.

Stimulate Growth – Targeted Investments

Second, there are other important steps that the select committee can take to stimulate growth, including making targeted investments. Not every dollar spent has the same effect on the economy. Thus, we recommend reducing or eliminating low-impact spending in order to create the fiscal space to focus on pro-growth investments. Within our companies we continue to invest in R&D even in tough times because that investment provides a rate of return that is a multiple of the expenditure. It is important that our government do the same. Thus, we recommend greater investments in those activities with clear economic benefits because of their transformative potential. Programs that support basic scientific research, improve our infrastructure, protect our intellectual property and create a 21st century workforce are smart investments.

Stabilize Debt

Finally, government spending is unsustainable. We all face difficult decisions within our companies and making cuts is often the most difficult but also the most necessary. That is the case for the U.S. Thus, as the committee works to identify the best deficit reduction approach, avoiding the hard decisions, such as entitlement reform, would be a mistake. There are steps the select committee can take that will contribute significantly to deficit reduction, and provide long-term growth opportunities for our economy. Those steps include:

- ***Spurring Innovation and Job Creation through Spectrum Sales:*** The Congressional Budget Office estimates new authority expanding the Federal Communications Commission’s spectrum auction authority to conduct voluntary incentive auctions (as included in S.911) could generate more than \$24.5 billion. Making more spectrum available for mobile broadband, including recognizing the benefits of unlicensed uses, is a win-win-win-win, creating jobs, benefitting consumers, fostering innovation, and reducing the deficit.
- ***Strengthening the U.S. workforce to raise direct revenue:*** Studies across the political spectrum confirm that increasing the number of employment-based visas for highly educated workers will not only strengthen our nation’s workforce and competitiveness, but could also generate direct revenues for the Treasury. Simple fixes such as awarding permanent visas to foreign-born students who earn doctorates and repealing the annual limit on the number of applicants per country who receive visas are simply good economics.

- ***Reducing spending through information technology***: The Federal Government uses information technology (IT) to great effect. As has been made clear, however, there is a gap in power and productivity between Government IT and IT across the private sector. The federal government can reduce spending by more than \$1 trillion over the next 10 years by adopting the latest technology-fueled private sector best practices in key areas, such as consolidating IT infrastructure, streamlining government supply-chains, encouraging adoption of cloud computing technologies, and reducing government energy use.

As markets lose faith in America's ability to meet its challenges and lead the world, investors look elsewhere and entrepreneurs fail to dare. We can do better. We humbly offer our thoughts on a few viable, but near-term and practical solutions. More importantly, we offer our commitment to working with you to move this great nation forward towards greater prosperity.

Thank you for your consideration.

Sincerely,

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Communications, Inc.

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Vice President
AMERICAN SYSTEMS

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