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THE MURPHY PLAN: Making Indiana a Jobs Magnet

Background

Although the American economy appears to be recovering slowly from the worst recession in decades, unemployment remains painfully high, with no prospect for real improvement anytime soon. Thanks to strong leadership from Governor Daniels, who has kept Indiana taxes and regulations low to attract new business, Indiana has fared much better than surrounding states. Still, at close to 10 per cent, Indiana's unemployment rate is far too high. The result is tens of thousands of Hoosier families in need, young people with dreams deferred, and a weakened state economy. Many of the counties in the 5th Congressional District have suffered even more than the rest of the state, with Howard, Huntington, Miami, and Wabash counties registering unemployment rates ranging from 11.8 to 12.6% last month.¹

Unfortunately, the policies of the Obama Administration and the Democrat Congress are making it less likely, not more, that the economy will recover robustly. The Democrats seem to believe that they can tax and spend America into recovery, even though it is the private sector – not government – that creates wealth, prosperity, and employment for Americans.

In its first year in office, the administration focused on two new initiatives – health care reform and a carbon cap-and-trade plan to combat the alleged effects of carbon dioxide

¹ Up-to-date figures from "Hoosierdata.in.gov", Research and Analysis Division, Indiana Department of Workforce Development

emissions, rather than jobs and the economy, which were and remain the American people's top priorities. And when the President did finally realize that he had to do something about jobs and unemployment, his response has been a series of uninspiring proposals that are, yet again, predicated on the false presumption that government spending can create growth, wealth and jobs.

In 2009, the federal government pumped billions of dollars into the U.S. economy. The result: 10% unemployment and a record \$1.6 trillion deficit. The Democrats' much-hyped \$787 stimulus bill, which was going to keep unemployment below 8%, has largely been a failure, and estimates of the number of jobs it has created or retained have been vastly overinflated. Now, in his recently released budget for 2011, the President proposes another round of stimulus spending. Administration officials claim this round will be focused on job creation (leading one to wonder about the point of the first stimulus program), and it does offer some useful tax cuts to small business. But, overall, the President's plan is uninspired and still focuses too much on using government spending to create economic growth.

It can hardly be surprising that businesses are reluctant to invest in the current environment. At every turn they are confronted with the prospect of new taxes on income, hiring, and raw materials, uncontrolled government spending and the creation of a vast new health care entitlement, and massive federal borrowing that threatens the stability of the dollar and America's future financial credibility.

America needs leadership now more than ever. It needs representatives in Washington who will fight for regular families and their hopes for a better future. Representatives who will resist the Democrats' plans to reallocate wealth and strengthen government control over our economy. Representatives who understand that the role of government is not to create jobs – it is

to create the conditions under which entrepreneurs, small business owners, and even large corporations, can grow and create jobs that are sustainable.

The next few years in Washington will be critical. The agenda of the Obama Administration and the Democrat Congress is increasingly unpopular. Republicans have a chance to take back the initiative and roll back the Democrats' efforts to create a government dominated economy. But we will be successful only if we can be both specific and persuasive in the policy choices we offer the American people, and if we can reestablish our credibility as the party of low taxes, restrained regulation, and limited government intervention in the economy.

In this brief paper, I outline some of my ideas for helping the country grow and getting Hoosiers back to work. But while these ideas offer real possibilities for supporting and enhancing our state's future economic prospects, I recognize that the most important thing I can do in Washington to support the economy of Indiana and America is propose and support policies that will enable businesspeople and entrepreneurs to do what they've always done so well; namely, to invest their money, ideas, and dreams in enterprises that create wealth and prosperity and jobs for all of us.

Here are some specific policies I will propose in Washington:

Reform Sarbanes-Oxley: Reform the compliance costs of S-O for small corporations and startups while maintaining the intent of the bill. Far too many jobs have been lost due to losing IPOs and startups to overseas stock exchanges due to its higher costs.

High-Speed Internet Access for Rural Areas: Assure that within three years that rural counties have ready access to high-speed fiber optics either landline and/or 3G/4G coverage. This will

allow rural residents to telecommute as well as put the world at these areas small businesses. I have already led in this area. I authored, along with my partner, Senator Brandt Hershman, a historic telecom deregulation law that has freed up market forces to create thousands of jobs and more than \$1.5-billion in private investment. Because of the Murphy-Hershman bill, 102 more Hoosier communities have access to broadband than three years ago.

Nuclear Power Act: Streamline the application process for construction and/or expansion of nuclear power plants. Maintaining cheap energy will keep jobs in the US.

High-Speed Rail: Form a private sector advisory committee to investigate high-speed rail between major Midwest cities that will traverse and have stops in key 5th District cities and towns.

Repeal Estate Tax: I will fight for the complete repeal of Estate Tax just as I have here in Indiana. Short of that, I will work hard for at least a \$10 million exemption on the federal estate , above the \$2-3 million it is now. I have already led in this area as well. I eliminated the Indiana inheritance tax for all Hoosier estates of \$100,000 or less. This includes one-half of all Hoosier estates.

Small Investors Capital Gains Tax Exemption: I pledge to support an exemption from the capital gains tax for small investors and a lowering of the rate for all others. This is not the time to discourage or penalize prudent investment in the markets.

Fair Tax: For years, I have been an advocate of the fair tax and I will continue advocating for this simpler tax system that will increase economic growth and serve as a job magnet. The current tax system creates many instances of double taxation, slows down growth, and it hinders job creation. In addition, the burdensome compliance costs for most individuals would be virtually eliminated. The fair tax would also create a system where all businesses are under the same rules therefore eliminating the political jockeying by certain industries for special exceptions so often lamented by the general public.

Corporate Taxes and Regulations: I would stress 'commonsense' and 'transparency' in regulation. At every turn I would work hard to reduce the red-tape and needless, redundant paperwork businesses have to comply with. Again, as the author of the 2006 telecom deregulation act in Indiana, I was able to eliminate vast quantities of bureaucracy. My bill is still a national model, and according to Indiana governor Mitch Daniels, is one the three or four most important developments during his administration.

Encourage Foreign Investment: Streamline procedures and rules for foreign investment from key allied and peaceful countries in the USA--especially Europe. Funding our enemies is no longer acceptable. We should reward our friends.

Protect America's Competitive Edge: I pledge to fight the Obama administration's plans to tax the foreign profits of American companies. If his scheme is adopted, the U.S. would be the only country in the world to tax these profits before they are repatriated. This tax would make American companies targets for takeover, and could threaten thousands of jobs in Indiana.

Visa-Reform: By improving and increasing the amount of visas the United States grants to those with advanced degrees, our country should be able to attract even more high-tech business.

Getting Hoosiers Back to Work – Prospects for the Indiana Economy

During the four years prior to the start of the recession, Indiana proved that it could compete effectively with any other state to attract new jobs and investment. The state's economic development corporation broke records in both categories for three years running. Indiana remains a manufacturing powerhouse, a strength recognized by companies such as Honda, Enerdel, Toyota, Cummins, Siemens, Berry Plastics, Cook Pharmica, and countless others who have created or expanded operations in the state. Indiana has made great strides in creating a business climate that is conducive to business success. In fact, the state now consistently ranks among the top 10 business-friendly states in the nation.

Indiana is failing, however, in two important categories. According to economist Graham Toft, Indiana performs poorly in the areas of: Access to capital; and our level of research activity.

As your Congressman, I will work to increase research grants directed toward our great research universities, Purdue, Indiana, and Notre Dame. These universities, while outside the 5th district, have tremendous potential to produce thousands of spin-off jobs from the commercialization of ideas and patents developed on their campuses. I will also work to create incentives for investors to provide venture capital and second-stage financing for start up companies.

Maintaining and Improving Hoosier Strengths

Affordable, High-Tech Energy Powering Hoosier Workers

Indiana's affordable energy costs are attractive to current businesses, small and large, as well as the myriad of potential investors and companies who will eye Indiana for expansion or relocation in the future. While working vigorously toward higher energy efficiency, cleanliness, and viable green technologies, Indiana's economic wellbeing cannot be sacrificed. Indiana deserves active, informed leadership to combat misguided energy policies currently being considered in Washington. The possible ruinous effects of a Washington imposed cap-and-trade system would be detrimental to every sector of the Indiana economy; higher energy costs will bleed Hoosier jobs pure and simple. Indiana's economy is inescapably dependent upon coal-based energy well into the future. Radical disruption of this cheap source of energy would cause utter havoc if not economic devastation as employers move elsewhere and working families see their bills rise dramatically. Instead, a multifaceted, nimble energy policy is needed to diversify Indiana's energy resources while improving the efficiency and cleanliness of Indiana's existing coal-based power. I helped create the Clean Coal Technology Center at Purdue seven years ago to jump start research into ways to burn Indiana coal in a more environmentally safe way, and to find new markets for the bi-products of coal. We are now creating jobs in southern Indiana, and near the Purdue campus as well. A sound energy policy, in other words, is sound a jobs policy. Hoosiers need Washington to be helpful and flexible, not dictatorial.

The more Indiana takes a lead on these and similar innovative energy initiatives the more high-tech jobs will flock to our state. Washington needs to let businesses and local communities invest and plan with long-term certainty in their energy bills; policies that arbitrarily pick

technology winners and losers will not fully unleash the innovative capacity of Indiana in this burgeoning field, but likely outsource decisions and jobs outside the state. This cannot be allowed to happen.

We must do everything we can to ensure the success of Enerdel's lithium-ion battery manufacturing project, which is slated to bring 1,400 jobs to Hancock County. The Indiana workforce is well prepared to provide companies like Enerdel with the necessary expertise to make the 5th district a world center for energy storage and propulsion research and manufacturing.

Overall economic growth and innovation coupled with a sensible clean energy policy, is the best means to arrive at the viable green technologies of tomorrow. In the meantime, we cannot sacrifice Hoosier jobs for top-down energy policies whose most likely impact is further downturn, not renewed growth. With so many energy technologies still unproven in the long term it is important to remain flexible and open-minded. I remain committed to exploring and finding the many energy solutions to keep Hoosier businesses running and workers working. With active, sensible leadership in Washington the employment potential of this sector throughout the state is set to grow and bring high-tech, good-paying, sustainable jobs to Hoosiers. Indiana needs a proponent of unshackling safe, clean, efficient nuclear energy in Washington.

Commonsense, Pro-Jobs Regulation

The federal government must maintain fair yet simple and consistent business regulations that do not unduly burden enterprise from small businesses to multinational corporations. The government's role is to regulate interstate commerce only to the extent that all states have a fair

shot at economic success. Hoosier businesses appreciate that the state must compete nationally and internationally, but all too often politicians in Indianapolis and Washington do not. In this global market all too often the decisions and regulations made in Washington rule Indiana out. Businesses appreciate that taxation comes with any location, but those with high rates, complicated regulations and layers of bureaucracy are those most likely to be passed over by potential employers. I will work toward eliminating senseless bureaucracy and red tape while streamlining and improving commonsense regulation. Moreover, tax credits and incentives for high-paying startups and expansion of existing operations should be a legislative priority. This is the pro-growth, pro-jobs policy I have pursued in the Indiana state house; let's take this capable, informed approach in Washington.

The Hoosier Businesses of Tomorrow—Globally-Minded and High-Tech

High-technology, human capital-intensive business is the future of work in Indiana. Creating (or building) a diversified, well-paying state economy without abandoning our many manufacturing industries is not only wise, but essential. Indiana is poised to situate itself in the various production chains, whether it is from research and development, to drawing-board design, to actual manufacturing, and to the services surrounding its marketing, sale, and maintenance. The Hoosier workforce is skilled enough to participate in all these value-added steps; retaining and attracting businesses from a diverse range of economic sectors will not only contribute to Indiana's dynamism, but insulate the state from future downturns.

Indiana must continue to attract investment, especially foreign investment. The Indiana Business Research Center issued a report this autumn stating unequivocally, "Indiana has been

one of the nation's top beneficiaries of foreign direct investment."² This study found in 2006 foreign-owned firms accounted for 4.6% of Indiana's private sector employment; the state is ninth in the nation in its proportion of FDI generated jobs. Already among the nation's best destinations for foreign capital during the 2000s, Indiana outshines all of its Midwestern peer states in terms of foreign company-based job growth. The majority of these jobs have been in manufacturing. From this strong foundation Indiana can not only maintain its attractiveness to foreign investors but improve its competitive profile in national and international terms. Other states, not to mention countries, will be vying for future investment; in order to successfully compete in the global labor and production site market. Hoosiers must not stand still.

The United States will likely continue to be a leading destination of foreign investment and, with Indiana already a known quantity to many foreign investors, it will have a tremendous opportunity to strengthen old ties as well as establish new ones. Indiana's leaders need to appreciate that in certain economic sectors more jobs are likely to arise through closer contacts overseas, for example, with Japan, the United Kingdom or Germany just as much, if not more so with Ohio, California, etc. The 5th Congressional District contains British, Canadian, Chinese, Dutch, German, Irish, Japanese, Spanish, and Swiss amongst others, employment-generating investments. From IT firms such as Baker Hill Corporation in Carmel to Oxford BioSignals, Indiana's 5th Congressional district has proven its capacity to recently attract DFI. We can do more, we can do even better. Examples of sites awaiting development include the large, state of the art facilities at Grissom Joint Air Reserve base, or the ample facilities and industrial zones of Kokomo.

As your congressman, I will work to create special re-investment zones around our

² Matt Kinghorn, "Foreign Direct Investment in Indiana," *In-Context* Vol. 10, No. 5 (September-October 2009).

BRAC properties nationwide, with specific emphasis on Grissom. Grissom is a perfect example of the potential for giving new economic life to areas surrounding former active duty military installations. With the help of forward-thinking Republicans, then-Mayor Steve Goldsmith of Indianapolis was able to privatize the former Naval Avionics Center by leasing it to Raytheon. Hundreds of jobs were preserved, and tremendous research talent was kept in Indiana.

Broader job growth and opportunity for Hoosiers will rest upon a sound policy in maintaining and attracting additional manufacturing industry, not moving away from it. As the Indiana Business Research Center concluded this autumn, “The key to improving Indiana’s economic performance moving forward will be to maintain Indiana’s position as a national leader in manufacturing while expanding opportunities in other high-growth production or service industries.”³ I remain committed to the modernization of Indiana’s plants, workshops, and mills, not abandoning them.

Creating the "Connecting Infrastructure" to Attract New Business

It is critical that Indiana improves its already attractive image as a world-class location for businesses and their employees to work and raise their families. Though perhaps counterintuitive, Indiana’s workforce will benefit from attracting additional skilled workers; startups, plant expansions, and new enterprises almost always source the majority of their workers locally. This will attract capital and skills to create clusters of activity and innovation within Indiana’s borders. Moreover, Indiana must demonstrate its decades old tradition of openly welcoming those to its community. The best of Hoosier values are conducive to sound business and responsive government—employers and employees will come to appreciate this as other

³ Matt Kinghorn, “GDP Dynamics Shed Light on Economic Downturn in Indiana,” *IN Context* Vol. 10, No. 6 (November-December 2009).

states increase their debt burdens, taxation, and onerous regulations.

Indiana must complete and maintain its system of federal interstate highways. Central Indiana's placement at such a critical junction of highways has been and should remain a strong economic asset. The presence of a new international airport, and logistical support, such as the major FedEx hub will help keep the "donut counties" as attractive places to expand businesses. There are other areas of the 5th district that equally deserve our attention however. I-69 must be completed as quickly as possible. The U.S. 31 bypass around Kokomo will provide the first unhindered freight route between South Bend, Indianapolis and all cities in between. The area around the intersection of U.S. 31 and U.S. 24 will then grow as a potential jobs magnet. Indiana must also upgrade its power grid to be more efficient and more dependable; reliable, cheap energy is not simply a product of power production, but delivery as well. Internet 2 must be made accessible to all institutions of secondary and post-secondary education in Indiana and across the nation. Bandwidth of 100 megabytes is the minimum standard for high schools. Universities will soon be dealing in terabytes and petabytes, amounts of information and speeds that are almost unimaginable to the average Hoosier today. These are the tools small businesses need to compete and remain viable; this is the connecting infrastructure of tomorrow that corporations will come to expect when choosing where to locate. Let us not accept any portion of Indiana without the physical, energy, and communications infrastructure needed to keep good jobs as well as attract them.

Conclusion

Indiana possesses a unique set of attributes which are attractive to various types of employers and entrepreneurs. The cost of doing business in Indiana is low for a variety of

reasons, from a lower cost of living, cheaper energy, and business-friendly regulation and taxation, as well as the presence of a skilled, motivated workforce. It is critical that Indiana maintains these advantages over its Midwestern peers, but also works to hone and improve them; elsewhere in the world others are catching up and surpassing us. In order to capitalize on their strengths Hoosiers will need leadership that will address these problems now. Moreover, Indiana needs lawmakers that will keep as many decisions and choices as possible in Indiana, not in Washington.

I pledge to lead in Washington as I have in Indiana, by freeing up market forces, encouraging investment, supporting improved infrastructure, and lessening the regulatory and tax burdens on all Americans.

Together Hoosiers across the state can realize the American dream, with good-paying, secure, and rewarding jobs. Let's make Indiana the ideal place to do business and, in turn, the ideal place to live and work.

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