Remarks by Randall Stephenson
AT&T Chairman and CEO
Jim Blanchard Leadership Forum, Columbus State University
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[Introduced by Jim Blanchard, former Chairman of the Board, Synovus Financial Corp]

Thank you, Jim. I appreciate the kind words. It's great to be here, and it's an honor to share the stage with one of America's great business leaders.

Jim Blanchard is a special person. He's obviously an incredible businessman; his record speaks for itself. But what makes Jim special – as a board member, counselor, confidante and friend – is that he is the complete package of experience, wisdom and grace. But any of you who have ever been on a golf course with Jim also know his competitive side. This nice southern gentleman smiles at you, is so pleasant and nice … while he's pummeling you and taking your money. Jim, thank you for all your contributions, and thank you for inviting me to be part of this event.

I want to spend the next few minutes speaking on a subject that I believe is at the very core of effective leadership. Anybody who studied biology in high school remembers the four essential elements for life – hydrogen, nitrogen, oxygen and carbon. And just like biological organs, societal organs – organizations – have their own essential elements for life. I do not pretend to know all of those elements. But there is one element that I believe is foundational for a healthy, thriving organization, whether it's a company, a church or a book club.

That one essential element is a commitment to growth. An organization that isn't growing is an organization that is slowly dying.

That commitment to growth must come at all levels of the organization. It begins at the top and permeates to everyone in the organization. It's important for the organization to grow, which means it's important for the people who make up the organization to grow individually.

As we watch the current economic turmoil play itself out in our own country, this essential element – a commitment to growth – seems noticeably absent from the debate.

What I mean is this: We all recognize that we're in an unsustainable situation as a country. We have amassed an impressive debt burden, and most everyone agrees it's an issue that must be dealt with. So we debate how to deal with it, and there are a couple of options on the table: Cut spending and/or raise taxes. The issue at hand is: What is the right combination that is fair and produces the best results?

Now, I would be the last person to argue that reducing government spending should not be a priority. Few companies and households are spending more in 2010 than they spent in 2007; it would be rare to find an exception to that. The one exception would be our federal government. We all know intuitively that government must consume less, and concerning taxes, everybody has an opinion on the right level. So, we tend to get an either/or kind of debate – spending cuts versus taxation.

But we spend so little time discussing the third option, which is the most essential element for an organization. That's growth. Over many decades – centuries even – the United States has produced unprecedented levels of prosperity and growth. We've been the economic model for the world. But over the past couple of years, through a severe economic downturn, the United States has been hit with the stark reality that prosperity is not our birth right. Growth is something that must be pursued as a matter of policy and priority. It doesn't just happen.

And while spending and taxes are critical elements, they need to play a support role; their purpose should be to support the higher-order priority of growth.

I am convinced that the most important question for the United States of America for the next 10 years is, "How do we grow?"

A few weeks ago, Federal Reserve Chairman Bernanke made a very simple but powerful comment. He said: "A basic economic principle is that growth requires investment." Growth requires investment. It's common sense, and it's a very important point, especially now.

Today, countries around the world are competing aggressively for capital and jobs, and what we know is that the world's capital flows like water. It moves effortlessly to the highest returns. If we make the cost to operate here too high, capital will simply flow to a higher-return alternative. Jobs and prosperity will follow.

So, how is the U.S. doing in attracting this flow of capital investment that is so critical for growth? We're dead last. In fact, we trail all G20 nations in gross fixed investment as a share of GDP.[1]

Here's an example that I'm close to. Every year, AT&T invests billions of dollars in capital, $18 to $19 billion this year alone. Over the past three years, we've invested more in the United States than ***any other*** company. Where we invest, we create good-paying, high-tech jobs.

And beyond the 270,000 people AT&T employs, there are more than 62,000 companies in our global supply chain, the vast majority of them small or mid-sized firms. That's a huge economic multiplier.

Now, it's probably no surprise to you, our top investment priority is mobile broadband, for devices like the iPhone, the iPad and Blackberries. I'm guessing many of you have one or more of these devices with you this morning. And we're already deploying the next generation of this new technology – what the engineers call 4G.

So, earlier this year, we announced the vendors for this new 4G mobile broadband network: It was a multi-billion-dollar award. There were four potential primary suppliers for this technology: Nokia-Siemens, Huawei, Alcatel-Lucent and Ericsson.

Does anything strike you as odd about that list?

Let me give you a hint. Not one of them is headquartered in the United States.

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[1] Thomson-Reuters, A Beauty Contest for the G-20, Jan. 2010. 20-Year average: U.S. is 15%

Think about this for a moment. The next decade will be all about mobile broadband networks. These networks will drive the next wave of productivity and economic growth around the globe. And our country is leading the way; we're driving demand in these services.

But the companies that are developing and building the gear that goes into these networks – the companies with whom we plan to spend billions of dollars and create thousands of jobs – all of these companies are based outside the United States.

You have to wonder why.

I would suggest that our country has become less attractive for capital investment – for a couple of reasons, starting with taxation. The United States continues to tax corporations at the second highest rate among OECD countries – in fact, 50 percent higher than the OECD average[2].

Meanwhile other countries have moved in the opposite direction. Major competitors, including Canada and Germany, have responded to the economic slowdown by lowering their corporate tax rates[3].

In my own company's case, last year alone, we remitted more than $20 billion in taxes. That includes everything from income taxes to property taxes to sales taxes – at all levels of government. Let me put that into perspective. We invested more capital into the Unites States than any other telecom company last year. Yet, we remitted more in taxes than we invested in capital, and our tax bill was bigger than our payroll.

Now, we all recognize that taxes are a logical and expected cost of doing business. But as companies decide where to invest and where to locate their operations, taxes play a big role. And on that count, our country has become less competitive.

As a matter of common sense, if society wants less of something, the logical choice is to tax it, make it more expensive. Tobacco is the classic example. Likewise, if society desires more of some activity, the logical action would be to avoid taxing it.

So, does it make sense, at this time, to increase the tax on investment? Not if we want more of it. But we're headed in that direction. For example, U.S. tax rates on capital gains and dividends are scheduled to increase in January. These are taxes on investment and capital formation. The bonus depreciation on capital expenditures expired this year. That means the cost for businesses to deploy new capital has gone up – another tax increase on investment.

It's fairly basic: We cannot increase taxes on capital and investment and expect to get more growth and more jobs.

And taxes aren't the only deterrent. Over-regulation also increases the cost of investment.

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[2] Wall Street Journal "Time to Junk the Corporate Tax," May 6, 2010. (US average is 39%, including state taxes. OECD average is 26%)

[3] Ibid

When regulation is fair and consistent, capital flows, jobs are created, and innovation flourishes. In my industry, fair and consistent regulation is the formula that has driven the United States' Internet and wireless industries – two industries that have delivered explosive growth for our economy.

Today, America leads the world in Internet investment. We enjoy the broadest choices of wireless services and devices. We consume more wireless capacity than anybody else. And we have prices for wireless usage that are among the lowest in the world.

Now, despite this impressive record, the Federal Communications Commission is proposing to regulate the Internet, for the first time ever. Essentially, they propose subjecting 21st century technology, like the iPad, to rules that were written in the 1930s for rotary dial telephones.

Frankly, it just doesn't make a whole lot of sense. At a time when the telecommunications industry is one of the few bright spots in the economy, it's hard to understand why the FCC would be compelled to change anything. Especially, when we can't explain exactly what needs to be fixed.

We have a model that is setting the pace for every economy in the world. It has attracted huge amounts of investment, and it has driven tremendous growth. Yet, we can't resist the urge to tinker with this proven model.

Right now, every policy decision we make should be viewed through a lens of investment and job creation. Remember Mr. Bernanke's comment: "Growth requires investment."

This brings me to one last point. A macro level of growth is not sustainable without individual growth. That's why any successful organization recognizes the need to develop its people. Without training and individual development, there is little improvement in productivity. Without productivity, there is no prosperity.

Consider this. By 2020, just 10 years from today, it's estimated that three-quarters of all jobs in America will require high-level skills. That means 123 million people will be needed to fill those jobs. But at current high school and college graduation rates, only 50 million Americans are projected to qualify for them.[4]

In business budget-speak, we call that a gap. And just like capital, today's jobs are fungible. If the skill level doesn't exist here in this country, those jobs will go elsewhere. This is a serious threat to this country's long-term competitiveness.

I commend President Obama's Race to the Top initiative to improve education and address the high school dropout crisis.

As a country, we must grow our skilled workforce. That's why we decided a few years ago to launch a a program called AT&T Aspire – a $100 million initiative to invest in education – and give 100,000 kids the opportunity to job shadow with AT&T employees.

It's important for young people to see the skills they'll need to get a job and prosper.

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[4] Edward Gordon, The Global Talent Crisis, The Futurist, September-October 2009

Education is an issue where those of us in the business community have a responsibility to speak up, and we have a responsibility to lead. Because no one understands the importance, or the challenges, of finding qualified workers better than we do.

But beyond an economic interest, I also believe we have a moral imperative to make sure our nation's young people are equipped to succeed in tomorrow's workforce.

Let me close by saying that I believe our nation is at a crossroads. Will we spend our time trying to solve for zero-sum equations on taxation versus government spending? Or can we muster the courage to pursue growth?

If we desire growth, make no mistake about it, growth requires investment. Capital flows freely; it flows to environments with the lowest capital costs, consistent and fair regulation, and highly skilled work forces.

Frankly, I hope we choose growth.

That concludes what I had prepared. Thank you again for inviting me today.