CEO Jeffrey Immelt Sees Bright Future for General Electric in the World Marketplace

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EXCERPTS FROM MR. IMMELT'S REMARKS

How the U.S. can accelerate economic growth: First, play to our strengths, starting in energy. The United States now produces more oil and gas than either Saudi Arabia or Russia. The North American energy complex, including Canada and Mexico, is the finest in the world. We should integrate our regional strength through investments like the Keystone Pipeline, and we should build on our leadership and not try to constrain it....

Another American strength, as yet unmatched, is the innovation that created the digital age. The U.S. leads in the consumer Internet behind companies like Apple and Google and Facebook. And the next wave of growth is going to be the industrial Internet, which will drive efficiency and productivity long in the future. We need to stay on that road, and we need to keep training and attracting many thousands of scientists and engineers who give us our edge.

Likewise, if we're really serious about higher growth in America, then we have to own the future of manufacturing. The sector is going through an incredible period of change. American manufacturing is coming back, and that could produce the middle class for a whole new generation....We view manufacturing as a major U.S. advantage. Manufacturing is about innovation today, not a labor arbitrage, and the U.S. can win this battle.

Policymakers should also think long and hard about the value and future of small- and medium-sized business....There's a purposeful and unshakeable bond between small and large business in the U.S....We've actually got a situation now with more small businesses going under than starting up....We should leave them more freedom. Then we would see a powerful trend in exactly the opposite direction – giving America more startups, more hiring, and more growth.

So there you have three major themes that could ramp up the growth rate: leverage our strengths in energy while doubling down on the digital age, own the future of manufacturing, and treat SMEs [small and medium enterprises] as the heart of the American enterprise. But there's a fourth test we need to meet in this country, and it's the biggest piece of the economic opportunity right in front of us right now. Nothing would put more life into this slow-growing economy than a firm, unequivocal commitment to trading, competing, and winning around the world.

How the U.S. can win in the world marketplace: The U.S. is the largest economy, with 25 percent of global output, but most of the world's purchasing power – not to mention 95 percent of the people – is to be found outside the United States....If you want to grow, you have to go where the people are.

That's why competition for new markets is getting so intense. That's why all the major economies are moving so fast to get trade deals in place and promote their exports. And that's why we in America have to decide our place in a global competition that's going to unfold whether we like it or not.

As an American company, we need two things: market access and tools that help us compete on a level playing field. Right now we have neither. We're struggling to pass Trade Promotion Authority [TPA], which is essential to completing the Asia and Europe trade agreements. Trade bills give us access. And our Ex-Im Bank will expire at the end of this month, and Ex-Im levels the playing field versus global competition.

What's the score on TPA? Who wins if TPA passes? Small businesses and export workers will win. This will create more jobs. And who wins if TPA fails? That's simple: our global competition. They have the market access and we don't. They'll set the rules and they'll grab the future.

What about the Export-Import Bank? The Ex-Im Bank debate has not been rooted in reality....We're fighting an economic war for exports, not a debate club. And sometimes what you can prove on a chalkboard in an econ class doesn't survive in the world as it is. In 27 countries – including South Africa, India, and Mexico – you're required to have Ex-Im financing just to bid on a large infrastructure project. And with the risk profile of many of our growth markets and new banking regulations, commercial banks aren't able to make those guarantees or invest. In country after country, you find the same thing: deals are structured around export credit financing. And without it, in many cases, you can say goodbye to those deals and to the jobs that go with them.

So who really gains if we get rid of Ex-Im? Who's going to mark this as a win for themselves? Well, a few think tanks in Washington will send out alerts that they won. And over in Berlin and Beijing, meanwhile, they'll really have cause to celebrate because they can point on a map to all the projects and deals that American companies won't have a shot at. And who wins if we continue to compete for exports around the world by reauthorizing Ex-Im? All of our suppliers and all of our communities and our workers, and of course American companies like GE. For commercial rivals abroad, including some very aggressive ones, doing away with the Ex-Im Bank basically clears the field of competition. Since 90 percent of direct Ex-Im users are small- and medium-sized businesses, they would be the victims.

Why did you sell GE Capital? We had been whittling it down really for most of a decade. We had sold the insurance business and things like that. But in some ways coming through the financial crisis we were on an island of one, right? We were the only wholesale-funded large finance company that made it through the financial crisis, right? And the only really goal that the Fed could have as a regulator was to make us like a bank, right? So that was where the regulatory world was going....We couldn't return our cost of capital in the financial service industry the way it was, and our investors valued our assets more highly outside of GE than they did inside GE. And the government gave us an off-ramp to look at ways to exit over time.

DAVID M. RUBENSTEIN: Welcome, everybody, to this 12th event of The Economic Club of Washington's 28th season. I'm David Rubenstein, president of The Economic Club of Washington. Welcome, everybody, to this luncheon event in the Grand Ballroom in the Mandarin Oriental Hotel, Washington, DC.

We're very privileged today to have as our special guest Jeff Immelt, who is the chairman and CEO of GE. As I think all of you know, GE is one of the largest companies in the world, one of the largest companies in the United States. Its history goes back to about 1890, when Thomas Edison helped to found it. It was one of the 12 companies on the Dow Jones Industrial Average in the beginning, and it's the only company still in the Dow Jones that was one of the original 12. Today the company has about $275 billion of market capitalization, about $150 billion of revenue, about $15 billion of net income, and about 305,000 employees.

Jeff Immelt became the CEO after a long career at GE. He went to GE after graduating from Harvard Business School in 1982. Previously, he had gone to Dartmouth, where he was a football player as well as the president of his fraternity. When he joined GE, he worked in many different parts of GE – GE Plastics, GE Appliance, GE Healthcare – and he rose up to be the chairman and CEO, appointed to that position and assumed that job on September 7th, 2001.

Since that date, he has helped to transform GE in many dramatic ways, most recently with the announced sale of GE Capital. He has been voted one of the best CEOs in the world three times by *Barron's*. He's also involved in a lot of philanthropic activities. He was the chairman of the Business Council. He is a member of the American Academy of Arts and Sciences. He is a member of the board of the Robin Hood Foundation, among other philanthropic activities.

So we're very pleased to have one of the most respected CEOs in the world here as our special guest, Jeff Immelt. [Applause.]

JEFFREY R. IMMELT: Thank you very much. [Applause.] Thanks, David. It's great to be here. I really appreciate having the chance to be at the Economic Club.

I always think it's an honor to be interviewed by David because he's a guy who's left such a generous mark on the city. In fact, right after this luncheon, I plan to do a little sightseeing, but I only have a chance to go see one place. There are many that I could do. I'm thinking about the David Rubenstein Center for White House History and the David Rubenstein Family Giant Panda Habitat. It's a close call, but I'm probably going to go with the pandas.]Laughter.) And lucky for David, he gets to see Stevie Wonder, Prince, and me in the same week. So, David, congrats on that. [Laughter.)

Last time I visited the Club was 2011, when I was chair of the President's Jobs Council. That experience helped me think more broadly about the company and the economy. Our country needed to evolve after the financial crisis to find new ways to create jobs, opportunity and prosperity in a context of extreme uncertainty and slow growth.

It also reinforced to me that we needed to continue to change GE, and we've really reshaped GE today from a broad conglomerate to a more focused and competitive enterprise. Today GE is a connected, high-tech industrial company, the biggest in the world.

We compete in infrastructure markets like electricity and health care and transportation because they're growing, and they're what drive economic growth and progress around the world.

We remain a technical leader. We're placing big bets on the industrial Internet merging machines and analytics, harnessing the power of data to drive new levels of productivity in the industrial world. Every industrial company will have to be a software company in the future.

And we're restoring manufacturing. We're investing a lot in productive innovation, and we've opened 15 new plants in the last five years in the U.S. alone.

We're winning around the world. We're one of the country's largest global enterprises. And even at our size, we can grow each year organically by at least 5 percent. And we're investing about $15 billion each year to build our lead.

So as CEO, I'm comfortable with the bets we're placing. It's the direction of the whole American economy that concerns me, and I have a feeling that the people in this room would say the same. So I come here today to discuss the common purpose shared by business and government: that is, to create a faster-growth economy with benefits that can be shared by all.

Coming out of the financial crisis and even in 2015, the U.S. is growing too slowly. Almost all of our problems can be solved with stronger growth. We'll create jobs and reduce the deficit. However, none of the country's problems can be solved with the 2 percent GDP growth that we see today. We're not going to create middle-class jobs, we're not going to reduce the deficit, and we're not going to restore our economic standing in the world.

So in that vein, let me give you a few ideas that I think can accelerate growth. Note I'm not going to mention any major reforms – things like taxes, education, immigration, and the like – because they're just too hard to imagine right now. Rather, I would suggest that we create an optimistic tone that could make all the difference for accelerating growth.

First, play to our strengths, starting in energy. The United States now produces more oil and gas than either Saudi Arabia or Russia. The North American energy complex, including Canada and Mexico, is the finest in the world. We should integrate our regional strength through investments like the Keystone Pipeline, and we should build on our leadership and not try to constrain it. We can all see the huge advantages that's now ours to maintain: energy security, jobs, market opportunities, and more. Investment in energy of all forms – along with the technology to keep it safe, clean, and low cost – should be a permanent priority.

Another American strength, as yet unmatched, is the innovation that created the digital age. The U.S. leads in the consumer Internet behind companies like Apple and Google and Facebook. And the next wave of growth is going to be the industrial Internet, which will drive efficiency and productivity long in the future. We need to stay on that road, and we need to keep training and attracting many thousands of scientists and engineers who give us our edge.

Likewise, if we're really serious about higher growth in America, then we have to own the future of manufacturing. The sector is going through an incredible period of change. American manufacturing is coming back, and that could produce the middle class for a whole new generation. I've worked for GE for 33 years. I've never seen a time when the U.S. has been more competitive in manufacturing than we are today. New technology like model-based designed, advanced materials, and additive manufacturing are really what it's all about. We view manufacturing as a major U.S. advantage. Manufacturing is about innovation today, not a labor arbitrage, and the U.S. can win this battle.

Policymakers should also think long and hard about the value and future of small- and medium-sized business. I can tell you nothing makes you appreciate what it takes to run a small company than running a very large one. What they don't have is our staying power, our bargaining power, and our scale advantages. For every GE job, there are eight jobs of SMEs [small and medium enterprises] in the supply chain. There's a purposeful and unshakeable bond between small and large business in the U.S. They all hear themselves praised and flattered in political speeches, but we've actually got a situation now with more small businesses going under than starting up. And to point out the obvious, we should leave them more freedom. Then we would see a powerful trend in exactly the opposite direction – giving America more startups, more hiring, and more growth.

So there you have three major themes that could ramp up the growth rate: leverage our strengths in energy while doubling down on the digital age, own the future of manufacturing, and treat SMEs as the heart of the American enterprise. But there's a fourth test we need to meet in this country, and it's the biggest piece of the economic opportunity right in front of us right now. Nothing would put more life into this slow-growing economy than a firm, unequivocable commitment to trading, competing, and winning around the world.

Look, I joined GE in 1982. Eighty percent of our business was in the U.S. Time passed, I became CEO in 2001, and we were 70 percent inside the United States. Here we are in 2015, acquiring Alstom this summer, and at that point we'll be 70 percent global. We're the country's second-biggest exporter, heading towards $25 billion this year. American capitalism and exports can win. I know because I've led it.

Now, I wish I could tell you that this was some pioneering vision of mine, but all along it's the plainest of realities. Yes, the U.S. is the largest economy, with 25 percent of global output, but most of the world's purchasing power – not to mention 95 percent of the people – is to be found outside the United States. As a purely economic proposition, the case for opening markets, removing trade barriers, and setting fair rules pretty much is about arithmetic. If you want to grow, you have to go where the people are.

Now, that's why competition for new markets is getting so intense. That's why all the major economies are moving so fast to get trade deals in place and promote their exports. And that's why we in America have to decide our place in a global competition that's going to unfold whether we like it or not.

Right now China is moving forcefully. Their One Belt, One Road policy is being supported by huge investments, and they're seeking to reshape the global economic architecture through new institutions like the Asia Infrastructure Investment Bank. They're playing to win.

Germany, Inc. is moving around the world behind a weak euro and favorable government support. When Chancellor Merkel gets off a plane in Beijing, 25 CEOs get off behind her.

As an American company, we need two things: market access and tools that help us compete on a level playing field. Right now we have neither. We're struggling to pass Trade Promotion Authority [TPA], which is essential to completing the Asia and Europe trade agreements. Trade bills give us access. And our Ex-Im Bank will expire at the end of this month, and Ex-Im levels the playing field versus global competition.

You know, there's a mistaken impression that trade deals are put in place to aid only GEs of the world, the large multinationals. That is not true. I support trade deals because they increase our influence, access, and growth. But as a global company, GE is in very good shape to navigate difficult international markets. The real case for trade deals is that they open markets and common standards reflect the interests of all concerned. And if any American companies are going to feel the results of a better trading environment, it'll be the smaller ones. They may not have access to the world's fastest-growing markets. By taking down trade barriers, SMEs will have the ability to sell to new customers. And for Members of Congress, trade deals are a chance to show that their concern for small business is more than just talk, because if you're on the side of SMEs you should be voting for free trade.

And there's a belief that the American worker suffers due to trade deals. This is despite the fact that trade-related jobs are the highest-paying and offer the most growth. GE's union workers are going to suffer if these trade deals don't pass. In our plants, almost all of the output is exported.

So let's keep score. Who wins if TPA passes? Small businesses and export workers will win. This will create more jobs. And who wins if TPA fails? That's simple: our global competition. They have the market access and we don't. They'll set the rules and they'll grab the future.

So here's the situation on fairness. There are 60 government export credit agencies globally that help their countries finance exports. China has invested more into exports in the last three years than the U.S. has in the last 50. Right now Congress is having a fractious debate over whether to reauthorize our own export credit agency, the Ex-Im Bank. If you had told me a decade ago that this would ever be something our country would eliminate, I would have said you're crazy. But here we are. Ex-Im Bank is going to expire on June 30th. In two weeks – in two weeks, the U.S. will have neither trade deals nor an export bank. And at that point, we're going to be in full retreat on the global economic stage.

The Ex-Im Bank debate has not been rooted in reality. We all understand that in theory everything moves towards equilibrium and with perfectly functioning capital markets. And if you assume all that, there's no need for export financing. The problem is, when the real world gets in the way. We're fighting an economic war for exports, not a debate club. And sometimes what you can prove on a chalkboard in an econ class doesn't survive in the world as it is. In 27 countries – including South Africa, India, and Mexico – you're required to have Ex-Im financing just to bid on a large infrastructure project. And with the risk profile of many of our growth markets and new banking regulations, commercial banks aren't able to make those guarantees or invest. In country after country, you find the same thing: deals are structured around export credit financing. And without it, in many cases, you can say goodbye to those deals and to the jobs that go with them.

So who really gains if we get rid of Ex-Im? Who's going to mark this as a win for themselves? Well, a few think tanks in Washington will send out alerts that they won. And over in Berlin and Beijing, meanwhile, they'll have really cause to celebrate because they can point on a map to all the projects and deals that American companies won't have a shot at. And who wins if we continue to compete for exports around the world by reauthorizing Ex-Im? All our suppliers and all our communities and our workers, and of course American companies like GE.

For commercial rivals abroad, including some very aggressive ones, doing away with the Ex-Im Bank basically clears the field of competition. Since 90 percent of direct Ex-Im users are small- and medium-sized businesses, they would be the victims.

And they're firms like Gaumer Process in Houston. Patrick Patel is the corporate controller for Gaumer and he's here in the room today. They manufacture control panels, fuel gas systems for power plants, and natural gas drilling projects for customers around the globe. They have 150 employees. Gaumer supplies companies like GE and Shell, who access Ex-Im financing. If Ex-Im shuts down, Patrick estimates they would have to lay off 60 employees and halt plans to expand their plant in Houston.

Mike Cartwright is the business development manager at National Peening, a GE supplier with facilities in North Carolina, South Carolina, Virginia, and most recently Ohio. Mike's here with us today. GE is one of National Peening's largest customers, and they do work for both Aviation and Power. Mike says the company's growing and been hiring new workers. In fact, the company hopes to build more facilities in coming years, provided the Ex-Im Bank stays in business. I would also like to acknowledge Kevon Makell from SEWW Energy and Mike Koesling from LAI International in Maine.

These are just four of GE's SME suppliers, altogether hundreds of firms and total purchases on the order of $13 billion each year. This company buys $13 billion from American SMEs every year. They're high-quality manufacturers. They keep hiring and prospering because they're gaining new markets abroad. If the Bank goes, so do those markets, at least as far as American companies are concerned.

Nationwide, we're looking at more than a million jobs and companies that have benefited from guarantees, buyer financing, and insurance the Bank was created to provide. In a world of competing countries and competing credit agencies, we're supposed to believe that shutting ours down is a good idea? Why, then, is ours the only government on Earth – the only government on Earth – even considering such a move?

At GE, we'd be left to make choices of our own because we're not going to lose this business. We'll build these products in places where export credit financing is available because we have to. What happens then? Good GE jobs in the United States will be moved to Canada and Europe. That's a mighty high price to pay for ideological purity, and it doesn't fit my idea of a national strategy for growth and jobs.

Over the last 10 years, we have grown our exports fivefold. We've invested in innovation and global growth. After 9/11, if we had depended only on U.S. airlines, the American aviation industry would have collapsed. Instead, we developed customers in the Middle East and China, and as a result the American aviation industry is the envy of the world. Every day the GE team is working around the world. Every weekend we're traveling away from our families. And we're investing in financing to create export jobs, and we're competing hard and we're winning. As we review our future investment decisions, we're only going to look at places where local and state leaders understand the global marketplace and the realities of competition that our business and workers face. If you're against trade and exporters, you're against our employees, you're against our suppliers, and we're not going to invest in your state.

Beyond that, our economic influence in the world is slipping. I was recently at the economic summit for Egypt, a pep rally to convince global investors to partner in critical parts of the world. Our global competitors showed up. Most governments from the Gulf offered billions in loans. The German government offered 10 billion euros to promote exports from Germany. The U.S. economic presence was sparse. If you believe that U.S. economic engagement is important in a volatile place in the world, then the U.S. has to show up. And I can tell you firsthand others are doing more.

So let's work together to turn this around. Let's not try to pretend that we live in the 1950s. We've got to grab the future. I know that the American people can win around the world. I ask the people in this town to pass TPA and reauthorize the Ex-Im Bank. I give you my commitment that, at GE, we will grow our U.S. exports around the world. We will sell more locomotives, more engines, more turbines, more MR scanners made here all around the world. We'll gain share and we'll bring our suppliers with us. And we'll use all of our innovation and our balance sheet to sell American products, and we plan to grow export jobs. As a company, we will never be – never be – outworked. As a country, this room, this town should be more confident. All we need is a fair chance.

So the Ex-Im debate has taught me a valuable lesson: while organizations here in Washington are important, the action is in the field. Going forward, our coalition will be between GE and our suppliers. The same is true for Boeing and Caterpillar and other companies. And businesses should focus our efforts with the people in our extended enterprise – millions of them, in every district and every state – because they want to compete and grow. Together, large and small business will fight for our future.

Now, here we'll know soon enough whether Congress can still be decisive and bipartisan when those qualities are badly needed. Trade Promotion Authority and the Ex-Im Bank, these are easy calls if the objective is growth and job creation on the scale that this country is primed and ready to achieve. Two yes votes aren't going to be the endpoint of all that needs doing to match our performance with our promise, but this much is certain: those clear signals would tell everybody in the world that the United States is in the game to stay, leading, competing, and winning.

We can grow. This country can grow again. But we need to play on our strengths in energy and digital. We've got to win the future of manufacturing. We need to build a regulatory system where small and medium businesses can win. And we can win around the world.

So, thank you, and now I'm going to take some questions from David. Thank you. [Applause.]

CONVERSATION WITH DAVID RUBENSTEIN

MR. RUBENSTEIN: So, as much as we think The Economic Club of Washington is a great place, I don't think you came to Washington only to see us. I suspect you are going to see some Members of Congress today. So who do you want to lobby first, the Democrats on TPA or the Republicans on Ex-Im? What's your highest priority? [Laughter.]

MR. IMMELT: So, you know, the first one you say there's just a small kind of intellectual discontinuation between people that would vote for one and not the other, right? So I began a little bit with that. And then just to remind everybody, David, that really 5 percent of the world's population, 25 percent of the economy, the world is out there. The world is out there.

So, I would say to the Democrats on trade that we don't live in an isolation. China, Europe, there are bilateral trade negotiations taking place all the time. These are happening with or without us. And if we get left behind, our exports are going to decline. And I would say that the U.S. is primed to export. Our manufacturing base is stronger. We're more competitive. Our products are desired. People want American capitalism around the world. Exports can grow.

So, this notion that union employees don't benefit when their companies grow outside the United States certainly isn't the case in the United States. So if we try to make this a union/non-union story, if we try to make this worker against everybody else, that's just not true. It's just not true. And so we need more confidence on the Democratic side.

On the Ex-Im side, guys, I find it almost impossible to believe we're in the situation we're in right now. We just look incredible outside the U.S. to people around the world if you're in Canada or anyplace else. And there I just think there's this notion that public support of private enterprise is wrong. And I would say in a perfect world, right, where you had – nobody had an export credit agency, that's fair. But that's not the world we live in. When we compete against a Chinese company or German company in Africa or Saudi Arabia or anyplace else, they have all of the country behind them. So it's just a matter of a level playing field. It's a matter of driving growth. It's an institution that pays for itself, which is very rare in this town.

And there's this notion that we're all these big corporate fat cats, that all we do is spend time here, blah blah blah, all this other insanity, right? I'm traveling out there every day along with the GE team to sell our products. [Chuckles.] You know, that's the world I live. That's the world we live, is out there selling our products. And we're doing it every place in the world.

Let me tell you, I wish all of GE products could be sold in Chicago. [Laughter.] It's a great town. People pay on time. Everybody speaks English. That ain't the way it is, right?

[Laughter.] We're selling locomotives in Angola. We're selling turbines in South Africa. There are going to be a thousand narrow-body aircraft sold in China in the next six months. These are going to be exported from the United States if we're allowed to play.

Now, I'd make one last point on Ex-Im. Really, I need to make this extremely clear to people. If you're against Ex-Im, you're for our competitors. If you're in Cincinnati, Ohio, where our GE Aviation business is headquartered, and you vote no on Ex-Im, you vote yes to Rolls Royce. You vote yes to your constituents' competitors. That's intolerable to me. That can't be allowed to be the way we think about what it means to compete and win as a country. So I just discard some of the –

MR. RUBENSTEIN: So when you go up and talk to Republican Members in the House and Senate who are against Ex-Im and you make these arguments, what do they say to you?

MR. IMMELT: Shouldn't have a bank. It's purity, right? And I say, look, you know, I'm for purity, right, except that's in a textbook somewhere. It's not what I see when I go to Mexico. It's not what I see when I go to Brazil. It's not what we see when we go to Saudi Arabia. It's not what we see when we go to Europe. So it's the reality that's out there against what we – what we view – what would be a nice, neat little global model that we could play with on our desk, right?

I always favor the great philosopher Mike Tyson, which is – [laughter] – you know, everybody has a strategy till they get punched in the nose, right? [Laughter.] You want to execute a global strategy, go there. See what it's like to buy a company in France, right? See what it's like – see what it's like to – see what it's like to do things. You know, everything's nice in a textbook.

MR. RUBENSTEIN: So, selling GE products around the world, is that easier than dealing with Members of Congress, or not easier? [Laughter.]

MR. IMMELT: [Laughs.] You can answer that. [Laughs.] Maybe easier, I'm not sure.

MR. RUBENSTEIN: But what would happen on Ex-Im Bank, for example? Let's take Ex-Im. Very often Washington decides things when it really has to. If Ex-Im is not reauthorized by the end of this month, Ex-Im will still be in existence; it just won't be authorized –

MR. IMMELT: So it can't write new business.

MR. RUBENSTEIN: That's correct.

MR. IMMELT: So, one of the most important projects in the world is, we're doing gas turbine installations in Egypt right now, right? So this puts power on this summer. The first round was really financed a little bit in Egypt, but a lot by the Emirates in the Middle East. That's who financed the first round of electricity. The second round is going to be financed by either the European export bank, to help Siemens, or hopefully the Ex-Im Bank to work with GE. That's the next round. Now, if we can't, if the Ex-Im Bank expires, we can't use the Ex-Im Bank to –

MR. RUBENSTEIN: Explain this. You have as good a credit rating as virtually any company, and the U.S. government credit rating isn't probably as good as yours. So when the U.S. government is borrowing money, why isn't that more advantageous for you to borrow, in effect, from Ex-Im than to just borrow it yourself directly?

MR. IMMELT: Look, here's what I would say. We do a lot of financing of our products. So we still do aircraft financing, power plant financing. There's 30 countries that, without an export credit agency, you can't compete. As you well know, really, with the new regulations, there's no project finance market, right? So it's not like American banks or European banks can compete on any of these projects. And frequently, we're a fraction of the total project. So we can do some, limited, but there's billions that need to be done by export credit agencies.

MR. RUBENSTEIN: The critics of the Ex-Im Bank say that 75 percent of something like that of the loans are really done to two or three companies. And how do you respond to it's really a few companies, GE being one of them, that really are the beneficiaries, not all the small businesses?

MR. IMMELT: The first thing I'd say, to a certain extent this is a lot about who does the exporting today. So we are a huge exporter, as is Boeing. So on a relative standpoint, that's one key. Ninety percent of the users right now are small and medium business, and there should be more people that benefit from the Ex-Im Bank as it goes forward. So a lot of it lines up based on who actually is out there selling, and it's companies like GE.

MR. RUBENSTEIN: So, you have employees throughout the United States. Do you try to get them to talk to their Members of Congress because they might be influential in their certain districts?

MR. IMMELT: Look, I've learned something very valuable as part of this process, and that is, again, I think that the conversation of big companies with each other in Washington, D.C., this has limited utility, right? And to a certain extent, I think we can be criticized for playing the old way for too long.

The constituency that matters today is vertical. It's between us and our suppliers and our people, and it goes into every district and every state. And the same way with Boeing and the same way with Caterpillar and the same way with Honeywell. And we need to stitch those constituencies together because they're meaningful. These are great people who are living real lives with great jobs out in the Midwest and in the western part of the country.

MR. RUBENSTEIN: So, suppose a Member of Congress you might meet today says, "Jeff, I love you, I love GE. I'll give you one of the two. What do you want me to support?"

MR. IMMELT: Again, I'm not going to answer the question. I'm going to say, if you're for growth, if you're for small businesses, you have to do both. And if not – you know, it doesn't do any good for people to lament, of either party, that we're not growing fast enough to create jobs, we're not growing fast enough as a country, and then vote against trade bills or vote against the Ex-Im Bank. It's completely inconsistent, and people should hold them accountable for that.

MR. RUBENSTEIN: You mentioned ideological purity in your remarks. I mean, do you think one side is more ideologically pure than the other on these views, or they're both?

MR. IMMELT: No. Look, I think you could listen to any political speech – particularly, we seem to always be in the campaign season; we're certainly in one now – and people are going to their sides. People are going to their sides. That's not where most people live, right?

I love – I'm a long-term GE guy. My dad worked in a GE factory for his whole career, right? Nobody has to explain to me the value of a GE job, nobody. If you went out and had a roundtable with 20 production people at GE, great men and women who make our country great, they're not going to sit and complain – they're not going to say, my biggest problem is Goldman Sachs, right? I can tell you, those banks in New York City, they're my biggest problem as a human being. Or, God, I'm really philosophically against the Ex-Im Bank, I don't want it to pay – you know, help finance our exports. They want investment. They want training. They want job security. They want growth. That's what the men and women who are going to work every day really want. Now, we now have polarized it between Left and Right, but that's not what the people in the middle that are working – our great team -- not what they really are looking for.

MR. RUBENSTEIN: So, when you became the CEO on September the 7th, 2001, you called your father and mother and said I'm going to be the CEO of GE, what did they say? They must have been –

MR. IMMELT: Oh, gosh. You know, my – can you imagine anything that would be more special than that phone call? I'll never forget it as long as I live. And it's just such a special – such a special moment.

MR. RUBENSTEIN: So, obviously four days before 9/11, you become CEO. I guess when 9/11 happened you realized this is more complicated. You were hurt, particularly because aircraft sales were going down and so forth. Is that the principal impact that hurt you after 9/11, or?

MR. IMMELT: You know, again, I would only talk about 9/11 primarily about the impact it had, the tragedy it had, and the people involved. So I'd start there.

We own 1,200 aircraft, right? We had a huge reinsurance company. And we owned a network that went – no advertisements for four days. So the commercial aviation industry absolutely was at its nadir. And we had the insurance on World Trade Center 7, which was a billion-dollar write-off. Now, I'm just going through all this stuff, you know, 24 hours a day. And you know, for the billion-dollar write-off we took on World Trade Center 7 and reinsurance, we wrote a premium for $17 million. So I said, note to self: sell the insurance business as quickly as you can. [Laughter.] You know? It's not a very good enterprise.

But the other story I would tell, David, look, from 2001 to 2005 the commercial aviation business was the worst business on Earth. This was the worst business on Earth. And we doubled down in 2001. We basically extended credit to airlines around the world. We doubled down in the financial crisis. Today that business has $150 billion backlog and we have 70 percent market share. But it was the actions we took in the dip. So when things like oil and gas or other industries were in cycle, we use cycles to our advantage and not a disadvantage. So we kind of think about it as a time to invest.

MR. RUBENSTEIN: All right. So you work your way through 9/11, and then 2007 and 2008 came and you had some problems. At some point it looked like you might not be able to roll over your debt. Did you ever worry that if you couldn't roll over your debt that you would preside over GE going under?

MR. IMMELT: Well, you know, we were one of six triple-A-rated companies in the world at that time. We were going to be the first ones that got any credit that went. So I never really had that concern. And at that time, we put $30 billion from the GE parent into GE Capital. So in the end the fact was that the strength of GE is really what stood by and helped GE Capital.

MR. RUBENSTEIN: OK. So, you got through that, but you realized GE Capital, which was about 50 percent of the earnings of the company when you took over, maybe was more volatile than you want it to be. So can you take us through how you decided to sell GE Capital? Fifty percent of the earnings at one point, when you took over. Now you're getting rid of that. Why?

MR. IMMELT: We had been whittling it down really for most of a decade. We had sold the insurance business and things like that. But in some ways coming through the financial crisis we were on an island of one, right? We were the only wholesale-funded large finance company that made it through the financial crisis, right? And the only really goal that the Fed could have as a regulator was to make us like a bank, right? So that was where the regulatory world was going. And in the end, David, sometimes things are just arithmetic. We couldn't return our cost of capital in the financial service industry the way it was, and our investors valued our assets more highly outside of GE than they did inside GE. And the government gave us an off-ramp to look at ways to exit over time.

MR. RUBENSTEIN: So, this is one of the biggest corporate divestitures in modern history. How did you manage to keep it secret that you were doing this until you announced it? It really wasn't leaked that you were going to do something like this. How few a number of people knew about this? And did your board come to this unanimously? And how long did they discuss this?

MR. IMMELT: So, the three things I've talked about more or less became clear at the very first part of this year. You know, so we knew what the regulatory, you know, construction was going to be. We had spun out a business, could see how it traded. It traded much better outside GE than inside GE. And there were speeches earlier in the year that talked about how do you de-designate as a financial institution. Those three things came together I'd say in the March time frame, and we already had been doing game boards and plans. And in the space of about six weeks, it was a unanimous board call, and in the space of six weeks we got it done.

How did we keep it secret? I don't know. I really – you know, typically, as soon as it gets to a law firm or an investment bank, somebody opens their mouth, right? [Laughter.] So in this case – in this case, you know –

MR. RUBENSTEIN: Didn't happen.

MR. IMMELT: It didn't happen.

MR. RUBENSTEIN: So, but the reaction of the market was interesting in that people thought this was a heroic decision, in a sense of doing something that was unusual and not expected. But your market – your stock hasn't gone up yet. Do you think it eventually will?

MR. IMMELT: Yeah, you know, so it went up 10 or 15 percent the first day we did it. It's now probably 7 or 8 percent above the day we did it. And I think people that are looking at the company – look, GE today is just the premium industrial company of the age, right? You got a bunch of people that want to own the stock.

MR. RUBENSTEIN: But you've reshaped – you've reshaped. And you sold the plastics business. You sold the appliance business. You sold NBC. You are now selling this. So what are the main things that you have kept? What are the main parts –

MR. IMMELT: So, if you think about the company today, if you think about the company going forward, we're about $135 billion what I call a high-tech infrastructure company. So we're power, health care, aviation, transportation, oil and gas, water. High-tech infrastructure, installed-base global businesses. So we have a very solid business model, I would say, that spans all of those businesses.

In my business – it's a little bit different than yours, David – you know, you could only be as broad as you are deep, you know. When the world's growing 4 ½ percent a year, the U.S. is the biggest in the world, you can be a conglomerate. It's not that discerning. Today, if you really want to play the way we want to play, you can only be as broad as you are deep. So we're a high-margin, high-tech industrial company.

MR. RUBENSTEIN: So, you've made a number of acquisitions as well. And most recently you bought the power generation business of a French company, Alstom. How hard was that, to get the French government to let you buy that? [Laughter.]

MR. IMMELT: Trick question here. [Laughs.] So, you know, I would say, look, if you're – we study all the businesses we're in, and there's always a game board of deals you'd think about doing or acquisitions you'd think about doing. So, you know, given our background in the power business, we had studied Alstom a number of different times over the years. So, when they put themselves in play, we knew exactly what we needed to do. And assets like this only trade once every generation, right? This is not a chance you get every year. You might get a chance like this every 30 years. So, we jumped on it.

Now, we had been a great French company for a long time. We had been a very strong investor in France for a long time. We're probably the one company that was very difficult not to allow us to complete the acquisition. So, it was a challenge to get it through, but in the end we were quite confident that we were going to be able to get this through.

I don't think I could have ever done this my first two or three years as CEO, because the way it works being a CEO is when you first become CEO you know everything, right? So 12 years ago, I was a know-it-all, maybe a little bit too arrogant for my own britches. Now I'm, like, so humble, you know? [Chuckles, laughter.] Now I feel like I don't know anything and just, like, say hey, you know, guys, let's work – let's work on it together and things like that. So your life actually you live in reverse when you run a company for a long time. You kind of go from arrogant to more humble. And so that helped as well.

MR. RUBENSTEIN: Go back to your background. Your father worked at GE. You were a football star in high school. You could have gone to –

MR. IMMELT: Schools like Duke. [Laughs.]

MR. RUBENSTEIN: – Duke to play football, but you went to an Ivy school.

MR. IMMELT: Who were, like, 0-11 back in the day. They're better today. [Laughter.]

MR. RUBENSTEIN: But Dartmouth under you did well, I guess, in football. But did you ever consider doing anything other than going to business, or you knew – weren't going to be a professional football player?

MR. IMMELT: Yeah, no, no. I learned that actually in high school. So I grew up in Ohio, Cincinnati. I grew up in a great football state and I played, like, in, you know, a Cincinnati all-star game when I was a senior in high school. And the guy across from me that I was trying to block was going to Ohio State. He was maybe the best player in the state. And so I didn't touch him once all night, right? [Laughter.] Quarterback is screaming, "my knee, my knee!" And I'm like – [laughter] – and I said at that moment in time I'm destined to be a businessman, right? [Laughter, applause.] So I knew right then – John Carney, who is here today, is a congressman from Delaware. John was a safety at Dartmouth and John was a good football player, and so we have a lot of –

MR. RUBENSTEIN: That other football player you were unable to block, what company is he running today? [Laughter.] So you went to Dartmouth and you became the president of a fraternity. This is not the one in "Animal House," though, right?

MR. IMMELT: Well, don't kiss and tell, OK?

MR. RUBENSTEIN: So, afterwards, you graduate from Dartmouth, you went to Procter & Gamble?

MR. IMMELT: Yeah, I worked there a brief period of time and then went back to business school. And at that moment in time, Steve Ballmer[1] was my officemate.

MR. RUBENSTEIN: Really?

[1] CEO of Microsoft.

MR. IMMELT: At P&G. We would have been voted the two employees least likely to succeed. [Laughter.]

MR. RUBENSTEIN: Wow.

MR. IMMELT: So, Ballmer was a crazy man even then, and we would play, like – worked in a bullpen with six of us, and we would play paper wad basketball for like an hour a day.

MR. RUBENSTEIN: So now he owns a basketball team.

MR. IMMELT: We were dreaming big, but we didn't know where that would lead us.

MR. RUBENSTEIN: Well, he has a basketball team now, so.

MR. IMMELT: I reminded him when he bought the Clippers, I said, remember, I have a pretty good jump shot with the paper wad, but not – [laughter].

MR. RUBENSTEIN: So, you went to Harvard Business School in a very famous class. Jamie Dimon[2] was in your class, Seth Klarman[3], Steve Burke[4], who now works for –

MR. IMMELT: Works at Comcast, yeah.

MR. RUBENSTEIN: Works at Comcast. So, how hard did you find Harvard Business School? And were you convinced from Harvard Business School, with all the competition, you would wind up running GE someday?

MR. IMMELT: No, first of all, I'd say Jamie and I have been friends. So, we both played intramural basketball, and Jamie and I have been great friends since that time, have great affection for each other.

But I knew enough when I went to business school, I worked for Boston Consulting Group in the summer. But I always wanted to manage something. I always wanted to be a business person. I always wanted to kind of figure out how to run things and how to do things. And I thought, when I joined GE, I'd stay five years and then figure it out, and the five years went to 10 years and things like that. But I think anybody who actually goes to work at a company and thinks they're going to be CEO is just too weird to think about. I mean, there's something really wrong with you if you think that's going to be the only path. So there's just too much luck involved. And I always have just loved the company. I've loved the people and I've loved the company.

MR. RUBENSTEIN: So, you became the CEO at 45, and do you think that's too young for other people, other than you, to become the CEO of a company that big? Or you're kind of –

[2] Chairman, president, and CEO of JPMorgan Chase.
[3] Founder of the Baupost Group.
[4] Executive vice president of Comcast and CEO and president of NBCUniversal.

Jack Welch was 45 as well. Or do you think your successor, whenever that occurs, should be that young, or you're not sure yet?

MR. IMMELT: You know, I think, David, there's always been a sense in GE that tenure matters. It's just such a diverse company. There's always been a sense that we want the CEO to know thousands of people inside the company and thousands of customers and things like that. So there's always been a sense that capacity for time matters.

You know, I work without a contract, so in some ways there's no destiny involved. This is something you have to earn it every day, and you know, we've got a presiding director. And you know, believe me, today you don't tell your board what to do. You kind of say, hey, let's think – what do you think? You know, if you ever have to really intervene, it's probably going to be your last board meeting, in that sense, so you learn that.

I think by and large you become a CEO, that's the first day of your life, not the last day of your life. So I meet a lot of other CEOs that get into the trappings of the title and the job, and this is the crowning step of their career. That's not a good sign. This has got to be a job that you do 7-by-24, that you burn with new ideas, that you're passionate about the company. There's no job that's beneath me inside GE. The institution comes first every day in my life in everything I do. And whether you're 45 or 55, if you bring that kind of passion to what you do and you're a learner, you're not too young, you're not too old.

MR. RUBENSTEIN: So, you live – you live in Connecticut at headquarters.

MR. IMMELT: I do.

MR. RUBENSTEIN: So, like, you know, you're a big deal in Connecticut. You're a big deal a lot of places. But in Connecticut, can you go shopping in a store and not have a GE person come up to you and say –

MR. IMMELT: Probably not. But one of the sheer joys that I have is going to Walmart, right? So, there's a Walmart in Norwalk, right next to me, and you can see people sometime say, "That looks like Jeff Immelt" in the Walmart. [Laughs, laughter.] So, you kind of – I think you can –

MR. RUBENSTEIN: You're not getting paid enough?

MR. IMMELT: You can get around town a lot, and I lead a very private life.

MR. RUBENSTEIN: GE has a great consumer name, brand name, but you only sell maybe lightbulbs now. Like, if I wanted to buy something that has GE on it, what can I buy now that –

MR. IMMELT: Listen, I could sell you a gas turbine this afternoon, seriously. [Laughter.] I could do –

MR. RUBENSTEIN: But you can't finance it through Ex-Im Bank, though, right? [Laughter.]

MR. IMMELT: Exactly.

MR. RUBENSTEIN: OK.

MR. IMMELT: But you'd have to buy it here in Washington.

MR. RUBENSTEIN: Right, OK.

MR. IMMELT: I couldn't sell it to you if you went to Saudi Arabia. [Laughter.]

MR. RUBENSTEIN: So, you have a feel for the global economy, probably as good as anybody because you're so global. Where do you see the U.S. economy and where do you see the European economy and the Chinese economy now?

MR. IMMELT: I would say the U.S. gets a little bit better every day, but still not operating at full cylinder, right? There's still not enough capital expenditure in the U.S. Slow growth, I'd say, but positive growth. So I'm thinking the U.S. continues to get better.

China's going through more change today than I can remember. I'm a long-term China person, so I've been doing business there a long time. There is a lot of change going on in China today in terms of volatility and things, but still positive growth.

Europe's tougher, right? Europe's just slow growth. It's hard to see what's going to be the genesis of a faster-growing Europe over time, right? So I think you've got 60 percent of the world being Japan, U.S., and Europe that are in a slow-growth mode, and then the rest of the world is volatile but still growing. And even, you know, regions like, for us, the Middle East, North Africa, that's a $20 billion region for GE, and that's growing 10 or 15 percent this year even with all the geopolitical turbulence.

MR. RUBENSTEIN: So next year you'll hit the big 6-0, which I've said to you is like a teenager compared to me because I'm older.

MR. IMMELT: [Laughs.]

MR. RUBENSTEIN: But when you hit 60, you could stay to 65, do it for 20 years. Is it still fun being the CEO? And what's the most fun about being the CEO?

MR. IMMELT: Look, I love what I do. I don't feel old, you know? In other words, I'm so curious about everything –

MR. RUBENSTEIN: You're young, I think.

MR. IMMELT: I want to hang out with you. I'm going to stay as long as you stay at Carlyle. So that's –

MR. RUBENSTEIN: OK, all right. That's going to be a long time.

MR. IMMELT: But I think – [laughs, laughter] – I think that what I always love the most are the hundred elements that are part of running a company. So I like product reviews, plant visits, traveling around the world, stuff like that. I like the stuff that you do when you're a CEO. I've never thought about it as a collective. I don't walk into my office and say, you know, I am the CEO, give me a cup of coffee, you know, that kind of thing. I love the stuff we do. I love our products. I love our people. I love seeing what can exist. And the thing about GE is, you're going to figure out the world; you're going to figure out big industries like health care and energy and things like that; and you're going to really sit in the front seat of business history as part of our company. And that's what I love about it.

MR. RUBENSTEIN: You travel today how many days a year?

MR. IMMELT: Oh, a third of the time I'm outside the United States. Probably about 60, 70 percent of the days I'm out, you know, away from my own house.

MR. RUBENSTEIN: And do you have a big entourage that travels with you when you go?

MR. IMMELT: No, no, I always think that's a turnoff to people. You know, a guy walks in like Muhammad Ali with 15 handlers and people coming in and saying – so I always think it's good as the leader to travel pretty much by yourself, get a chance to see people in their natural setting. Don't get me wrong, I travel in a nice fashion – [chuckles] – so it's – you know, I'm not – I don't want to overdo it here, but the – [laughter] – you know, I –

MR. RUBENSTEIN: I'm sympathetic to that perspective.

MR. IMMELT: [Laughs.] Exactly. [Laughter.] I like to see things – I like to see things on my own terms, you know. And I think if you see things on your own terms you don't have to read an article about China to know what's going on in China. You' don't have to read an article about Saudi Arabia to know what's going on in Saudi Arabia. I know it because I've been there, I know the people, things like that.

MR. RUBENSTEIN: So, you were the chairman of the Business Council for a number of years, and you've met obviously the great business leaders around the world. Are there certain business leaders that you enormously respect for what they have done or are doing?

MR. IMMELT: You know, my favorite people are founder to executive. So, if I look at Fred Smith, you know, Fred Smith has been running Federal Express for 40 years. He was the crazy entrepreneur that bought the first plane, and now he's the CEO/executive. And he's made this incredible life journey and been willing to look himself in the mirror every day and say, I'm not good enough, I have to be better, what worked for me in the 1970s is not going to work for me this year. And I think I have the greatest affection because, in some ways, I have the luxury of plugging into a great institution for more than a hundred years. You know, you've created Carlyle and made it an incredible company. That's what I value the most.

MR. RUBENSTEIN: OK. And at some point, when you do step back, as I've said to you before, the highest calling of mankind is private equity. [Laughter.]

MR. IMMELT: [Laughs.]

MR. RUBENSTEIN: Have you ever considered a post-GE career, whenever you decide to go – to do something else? Or would you say I'm going to retire and just relax?

MR. IMMELT: No, I'm not going to relax. I really – I think, like, I'd sleep in the first day, which means instead of getting up at five I'd get up at 6:15. And then by 10:00 I'd be looking at my watch saying, OK, what's next? [Chuckles.] You know, so I'm always going to do something. You know, all I think about is GE. I've never really thought about what else I'd do, but I'm going to do something.

MR. RUBENSTEIN: How do you stay in shape traveling around? You have to eat a lot of these dinners and lunches and so forth.

MR. IMMELT: I try to exercise. I exercise almost every day. And you know, when I was young and a salesman, I'd go to a hotel and say, where's the nightclub? Now I say, where's the health club? [Laughter.] You know, – [chuckles] – you make that transition at some point in your life, and I've made that transition.

MR. RUBENSTEIN: What would you like to see as your legacy at GE when you eventually do leave? And you're not leaving anytime soon, but what would you like to see as the legacy you leave behind for GE?

MR. IMMELT: I think in our case – and again, I don't mean to be overly simplistic about this – the company's definitely more technical, more global, closer to the customer. We're going to make GE a software company, one that grew up as an industrial company.

But in our case, David, it's really about the institution. In other words, we are all about the totality. And so what I would like people to say is GE is better, whenever it is, than it was in 2001, and that the team that is in place is going to make it even better still. So for us, we're all about the totality and not really about any one individual.

MR. RUBENSTEIN: And you have the luxury of having your parents still see what you're doing, right?

MR. IMMELT: Yes.

MR. RUBENSTEIN: So, they must be very proud of your having done this for quite some time. Did your father say here's what you should do a little bit better or different?

MR. IMMELT: He's got a little advice every now and then, you know, on things like that. But in general, look, I am fortunate because I had great parents and I was able to go from the middle class to running GE. So, I would say nobody has to explain to me what that means, nobody – not a union leader, not a politician, nobody. I've lived it and I continue to live it, and that's the nature of GE. GE is a working person's company.

You know, we don't have the luxury of promising outcomes for people that work for us. We just don't. We live in a competitive world. Our businesses are very competitive. If we don't win in the marketplace, it's going to have an impact on people. But we guarantee them process. We guarantee them that we will never be outworked, we will never be out-innovated, we'll never be outspent, and that from the top to the bottom we're going to win.

David Joyce runs our aviation business. David is gone every weekend. He's in Paris right now, collecting $17 billion of orders over the last two or three days. We'll never be outworked as a company.

MR. RUBENSTEIN: Well, I appreciate everything you've done for GE and GE's shareholders and employees, and I'm going to let you go up to Capitol Hill and deal with the easy Members of Congress who are ideologically pure in some cases. But I hope you can turn them around.

On behalf of the members of The Economic Club of Washington, I 'd like to present you with a copy of the first map of the District of Columbia.

MR. IMMELT: Good. Thanks, David.

MR. RUBENSTEIN: Thank you very much.

MR. IMMELT: See you. Thanks. [Applause.]

Jeffrey R. Immelt
Chairman and CEO
General Electric Company

Jeffrey R. Immelt has held several global leadership positions since coming to GE in 1982, including roles in GE's Plastics, Appliances, and Healthcare businesses. In 1989 he became an officer of GE and joined the GE Capital Board in 1997.

Mr. Immelt has been named one of the "World's Best CEOs" three times by *Barron's* and since he began serving as chief executive officer, GE has been named "America's Most Admired Company" in a poll conducted by *Fortune* magazine, and one of "The World's Most Respected Companies" in polls by *Barron's* and the *Financial Times.*

Mr. Immelt was the chair of President Obama's Council on Jobs and Competitiveness. He is a member of The American Academy of Arts & Sciences. Mr. Immelt earned a B.A. degree in applied mathematics from Dartmouth College in 1978 and an M.B.A. from Harvard University in 1982. He and his wife have one daughter.