

A Mayoral Discussion on Exports and Trade

Interviewer: Nick Timiraos, National Economics Correspondent, The Wall Street Journal

Interviewee: Mayor Greg Fischer, Louisville, Kentucky

Speaker 1: Ladies and gentlemen, here is a mayoral discussion on exports and trade. Please welcome moderator Nick Timiraos, national economics correspondent, The Wall Street Journal, and he's joined by Mayor Greg Fischer from Louisville, Kentucky.

Nick Timiraos: All right. Good morning everybody. Thanks so much for having us. I'm thrilled to have Mayor Fischer here from Louisville to get into a discussion that can, we've got some of a global and national perspective from the last panel, and I look forward to getting a local perspective here in DC where we're talking right now about infrastructure, and trade, and health care, tax policy, and it'd be helpful to get a sense as to what you're seeing in a city, what the city's kind of take is on Washington, but before we get into that maybe just give me a sense as to how you got into public service. You're a business guy. You're an entrepreneur involved in an export industry so tell me a little bit about your background and how that brought you into public service.

Greg Fischer: Sure. Well, it's great to be with everybody today so yes, I'm a businessman, an entrepreneur that just happens to be the mayor of Louisville, so it really kind of informs my whole approach toward public service. I was a cofounder of a company. We really were one of these companies that started in a garage, almost went bankrupt three times, so the learnings of all that led to a good break in the fourth time where a partner and I invented these ice and beverage dispensing machines that, you know, when you push ice, push your cup up against for ice and then get your self service? We invented those, somebody has to invent for things like this, back in the early '80s.

But one day a guy walks into a trade show booth, the first time we were able to afford a trade show booth, and said, "Hey, I'd like to buy this product." He was from Taiwan. I thought to myself nobody wants to buy this product in America. Why does this guy want to buy this in Taiwan? I said, "We'll figure out how to do it." I just tell that story because that is the story of so many small and medium-size businesses relative to figuring out are you going to export are not? There's a tremendous amount of small and medium-size guys, and we'll call them \$10 million to \$500 million in sales or so, and that know they should be exporting but don't know how to do it, so a lot of it's a mindset.

Anyway, we ended up growing a great company, great global company with international sales in in JV and Milan and Shanghai, and sold that in the late 90s and done a lot of investing since then, but we brought this framework into the

city of Louisville. I've been the mayor there for six years and have worked on specific programs relative to export increases from our small and medium-size businesses with a partnership with our twin city of Lexington, about an hour away from Louisville, and have built a metropolitan economy regional business plan with the help of Brookings along with that, and have seen great results. The goals that we've set for company's exporting have been exceeded. We've set five-year goals. We've made them in three years so there's a thirst for small and medium-size businesses to learn how to export.

It's a lot easier to export them it is to invent something new so we just have to give people the tools so they know how to export.

Nick Timiraos: You come here to Washington DC, right now we're in the middle of, we're waiting to figure out I guess what we're going to hear on this administration on taxes and on infrastructure. We've seen kind of a fits and starts of the health care debate. What would be three things that as a mayor you think Washington could do this year to help you grow the economy in your metro area?

Greg Fischer: Well, mayors in general are not waiting for the cavalry to arrive from Washington to save us. 75% of the exports come out of the top 100 cities. 75% of the FDI goes into the top 100 cities. We feel like cities are the source of innovation. 85% of GDP of the country comes from cities. 95% of the GDP growth comes from cities so we have to kind of take care of business on our own, but when you think about the macro stuff that could help us, number one, things need to calm down. Obviously the biggest enemy of kind of continual progress, if you will, is just uncertainty.

I don't have to tell you guys all the uncertainty that's going on in the world but whether its trade policy, obviously NAFTA issues, TPP issues, well people say TPP's not going to happen. American companies are not going to quit exporting to the Asian Rim and so how are we going to figure this out in this post TPP world? It's a significant issue for all of America so trade policy, certainty around that.

Immigration reform obviously is super important for us. In my view the strength of our country is our diversity. We're having a big battle over that in this last presidential election, southern thing saying I guess, but that horse has already left the barn. I mean this is our country so how do we figure out how we're going to be more effective in terms of a pluralistic, diverse country, so we need to get immigration reform so that we have the best talent coming into our country.

Then maybe just the last issue, obviously coming off of this health care debate, that's a significant issue in terms of countries, or excuse me, companies and their expense profile. It makes no sense to the average business guy that we're spending 20% of the GDP on our country on health care while the next closest

Western industrialized competitor spends 10 to 12% and has universal healthcare already.

What we see at the city level is as a country, our model, our social contracts have not changed to reflect the reality of this rapidly changing global economy that we're in right now. We will invest after the fact when it costs us more as a society. Incarceration's a prime example of that. Healthcare is a prime example of that. As a result we're spending so much more as a country than what we need to spend. If we invested properly in population and health our GDP number, let's at least move to 15%, get 5% GDP points. There's models in other countries that have figured out how to do that.

Unfortunately we have not changed with the times at the federal level and it's costing us an awful lot of money as a country. It affects us in the cities but mayors just say, "Okay, can't control that, so I can control what we do at home. That's what we're going to focus on."

Nick Timiraos: Trade, immigration, health care, big priorities or concerns for you. One thing we hear some about its infrastructure, right? President Trump is talking about a trillion dollar infrastructure plan and I wonder, you know President Trump likes to meet with a lot of CEOs and business people and maybe with some mayors. If you're sitting in the Oval Office with President Trump and he says, "Mayor Fisher, what is the one thing we could do that would actually help on our infrastructure policy? We're going to spend a trillion dollars." What are the one or two things they could do that would make the biggest difference in terms of federal action on infrastructure? What would you tell him?

Greg Fischer: Well, the top thing we've got to keep tax-free muni bonds in place. This is how infrastructure has been financed in our cities for the last 100 years or so. To remove that would increase the cost of our debt by a third to 40% or so which would lead to fewer projects. While they're going to be shooting for tax reform, let's see how that works out, tax-free muni bonds, in my mind, would be off the table and would be a real killer for infrastructure around the country.

Then coming out of that is putting the money where the needs actually are. What you see often times is, let's go back to this Metropolitan issue, rural issue. Too often we're putting infrastructure dollar in rural areas where the population no longer is, so focus that money and the metropolitan areas. Obviously that presents a political dilemma given the last election results, but it's certainly where the infrastructure needs are. You all travel around. We see the shapes of our airport, our rail systems, and it's D, D- rated. It's a shame for us as a country but to me it's a part of what I call the great American dream.

People want everything but they don't want to pay for anything and that's not how it works at home. That's not how it works in the city. That's not how it works in the country as well so this trillion dollar package, if it comes out, cannot be a shift money from those who need it to those who don't need it.

There'll be a huge uproar over that as well but if we can do it, and this is something the Conference of Mayors is very supportive of, it's a tremendous way to keep kind of the construction boom happening, or continuing, that's really happening in our country right now. You hear this, we've got a put people back to work. Our country's unemployment level is quite low. There's some people that are out of the workforce. Those folks are not living where the jobs are, typically, so we have this kind of multiple transitions that need to take place in the country.

Nick Timiraos: When you think about economic competitiveness, when I talk to mayors one thing I often wonder is when companies come to you, and they're looking to relocate, and they're considering Louisville as maybe we're going to set up a new headquarters or satellite office, what is it that companies are looking for when they consider where to locate, and what's your selling point?

Greg Fischer: Well, the number one issue in any city is going to be workforce skills. Has your population changed to reflect what the needs of this new economy are that we're operating in? It's not tax breaks. It's not any of these other issues. It's just are people ready to get to work? We heard on the previous panel, and I'll just repeat it is, the world has changed so much faster than most people's ability to keep up with it, so then how does a city develop a workforce strategy with our universities, with our software trainers, etc. that are reflective of what the economic development strategy of a city is?

In our case our metro area is about 1.5 million. Louisville's a city of about 800,000 people. We can't, we're not a New York, we're not an LA, so we select five specific areas to focus in from health innovation to advanced manufacturing, logistics and e-commerce, business services, food and beverage. You should know too, within food and beverage is the bourbon industry and everywhere I talk, since I'm Louisville Kentucky, I've got a talk about bourbon. 95% of the world's bourbon comes from Kentucky. The other 5% is counterfeit, so stay away from that, okay? But we have a whole new thing called the urbanism which is like people go to Napa Valley for wine. They come to Louisville as the trailhead for the bourbon trail, so if you're looking for an authentic cultural American experience come spend a weekend in Louisville.

What was the question? No, so we focus on these five areas and then build workforce skills around them, and if you do that you spent stand out as a city because that's the number one thing that everybody's looking for right now is the best talent in the world.

Nick Timiraos: On bourbon, you've been working with The Brookings Institution for the last five years on a regional program called the Bluegrass Economic Advancement Movement. Tell me a little bit about that. How did that come about? What does it do and what are the long run goals there?

Greg Fischer:

Well, Brookings has been a great partner of ours. When I started in office about six years ago I was looking for folks who would help us with a strategic plan for the city and they're saying, "That's kind of an antiquated way to look at planning." What's happening around the world are metropolitan areas obviously, accruing. Obvious example here, the DC Metro area here, the New York Metro area, so how do medium-sized cities like Louisville compete in this world that now is a metropolitan economy?

Our approach was to partner with Lexington, again, an hour away from us, so that's like traditionally the dreaded rival, Louisville and Lexington. The University of Louisville plays the University of Kentucky and everybody has their hair on fire. Well, that's an antiquated notion. The mayor of Lexington and I knew each other. We were both elected at the same time, a fellow business guy, and so we said, "Let's create a metropolitan business plan so that when we're competing for FDI or building our export economy we're doing it together."

It's been tremendously successful and what it does is it increases our metro profile from 1.5 million people to 2.5, 3 million people when you take in the southern Indiana region, so we're much more of a player, if you will, on the global stage, so two initial focuses. One was workforce development, and I've talked about that the importance of that, and then the second was increasing exports for small and medium-size businesses because we know that companies that are focused on innovation and globalization end up paying higher than above median wages, so that's been our focus, globalization, innovation, growing businesses around that.

As I mentioned the reaction has been fantastic behind this. We have another partner in this work with JP Morgan Chase that has helped us with several micro grants that average about \$5,000 per each one of these SMEs. Typically then that will give them the money to go to a trade show abroad but the average return from a revenue standpoint on that \$5,000 has been about 20 to 1, so again it's just getting people to think differently about their company.

What I say, if your product or service has international competitors and if you as the US company are not exporting, your days are probably numbered because they're coming after you. As we all know here in America our market has been big enough that we could kind of be just focused within our borders. That's no longer the case so it's just giving people the exposure to these and that's what this being policy has been all about with Louisville and Lexington.

Nick Timiraos:

You were elected in 2010. You've been mayor since 2011, running for reelection next year. How has being a mayor, how do you think being a mayor has changed versus say 20 or 30 years ago? How is that job different now than it was a generation ago?

Greg Fischer:

Well, as a good mayor, and I hope I'm a good mayor, is you're the chief executive officer of a city. Minimally you should keep everything running

smoothly in terms of what people think about the daily work of a mayor, so public safety, keeping a city clean, health issues, etc. but great mayors are trying to move their cities forward in a significant way so that there's more opportunities for their people to succeed in life.

That takes on a whole different perspective when you're just trying to kind of maintain versus trying to be the best in the world at what you do, and that's what our charge is in our city government is to be the best city government in the world and then hopefully set the tone for a city as it relates to a more entrepreneurial city, a more efficiently run city, to where private enterprise looks at the city government and says, "My goodness, I mean look at what they're doing. They're creating these opportunities." Let us come along for the ride and let the private sector obviously gin up the public sector because our job is to support the private sector so jobs are created. Obviously that's what it's all about.

Number one, you have to come up with a specific economic development strategy and I just reviewed what ours was because you can't be everything to everybody, but you can be the best in the world at where your competitive strength is, so that's our value proposition, if you will, for the city. Number two then is to develop a workforce development strategy behind that so as your growth occurs in the city, and about 85% of the job growth in any city will happen from the companies that are located there. Frequently you read about almost battling over these companies to move to our cities. That's the smaller part of the economic development activity that we have taking place as well.

Then be a partner so that you make sure that you're just creating this talent pool for what the city's employers need, and the third aspect of this is creating a culture of innovation at the public sector level so that citizens see that government is actually doing something for them, not just in the daily delivery of government services and the improvement of that, but then some breakthroughs that happen on top of that where people are kind of amazed by what takes place.

I could just give an example of that because we as a people are interdependent on each other. That's kind of the nature of a society. You know, we've, again, gone through a political election where people are trying to push us away from each other and not trust each other. That of course is super damaging to a city and a country, and so one of the few entities that can pull people together is government. In our case, I'll give you an example, we're located in the Ohio River Valley. Our air gets stagnant in there because of our geographical boundaries. As a result of that unfortunately we have a two point higher than average of people that suffer with asthma but we're trying to improve our air quality, so we asked for a thousand volunteers that would put a GPS device on their asthma inhaler so we know where emergency inhalers are being used.

We develop a heat map of where that's taking place and then we as a city can mitigate that with changing traffic patterns, putting in vegetative medicine, that's a cool way to say trees and shrubs, so it makes the air quality better, and then we take these thousand volunteers, we call them citizen scientists because that sounds cooler than volunteers too, but then what we found out was not only do we deliver this macro information that will make their lives better but we noticed that, let's say Nick uses his inhaler three times, or 1.5 times. That's the average. Greg uses his 20 times. Then have a respiratory therapist call Greg and say, "Do you want to talk about improving your healthcare because we have this information from you?"

What we found with that was we were able to decrease the use of inhalers by 80% amongst our affected population. We call that our innovation work and people are kind of blown away that the government just helped me improve my health outcomes by smartly delivering on an experiment to pull all of us together as a city. We could not do that if we did not do that as interdependent citizens using big data and new technology and smart analysis then to improve people's lives.

That's the kind of stuff that you're seeing in cities so citizens should expect just flawless delivery of services, setting the tone for business growth, and then occasionally be pleasantly surprised by innovation.

Nick Timiraos: When you took office, I mean that was if not the bottom of the downturn it was pretty close to it, have the challenges that you face in terms of economic development and economic policy changed because the economy's gotten better or are the challenges the same as they were six, seven years ago?

Greg Fischer: No, we have high-class problems now. You know, when you have a 10% unemployment rate you're just trying to survive basically so you're holding it together. You're in the trenches every day using kind of grit to do that, but you're preparing, so what we did during that timeframe was develop a really sound plan so that when we came back we'd be ready to roll. We started to work on the development on that plan as well and then we started working especially on innovation and figuring out specific methods so that we could be more innovative as a city because those are where your breakthroughs take place.

From my business past I know that if you do not give dedicated resources to innovation it's not going to happen, because in most every job you can just react to the day-to-day stuff that's going on, especially in city government. That phone is always ringing and we know something's going to happen every day. We just don't know what's going to happen and when it's going to happen, and it's usually not good, so you've got to be really good with your reactive skills in terms of taking care of business, but then you have to build a proactive layer on top of that in terms of strategy so you can move your city ahead and be competitively better than our peer cities that we're working against.

Nick Timiraos: Right. I've noticed there aren't as many ideologues in city government maybe compared to somewhere like Washington DC. Why do you think that is?

Greg Fischer: Well, because we actually have to get something done. What a novel concept. You know, I mean it's great being a mayor. I had a wonderful business career, but it is not just an honor but it is a super stimulating job because you deal with the full bell curve of civilization or citizens. Everybody's on our team. You don't get to select who lives in your city as opposed to running a company where you can select your customers or employees. The very nature of our job, I mean it's very real to people and when you ask people in these surveys who are the most important elected officials to them it's typically the president of the United States and the mayor because you've got to get things done and you live with your people as well.

A good man should be approachable and kind of in the field a lot with the people. It's very easy to get the feel for what the needs of the city are if you're working with folks day in and day out, so we're accountable, directly accountable in ways that people are not that are in the state capital 100 or 200 miles away, or certainly in the national capital that can be 500 or 2,000 miles away. It gives you a different perspective and sense of urgency, and when you are with people that are hurting you have, I think, a different sensitivity that we need to get this solved.

You see this now play out on the large level, at the national level. I mean healthcare is not some esoteric issue. I mean it is a life and death issue for people in our cities, and when you're seeing those folks every day and you see the struggles that their kids have, I mean it should affect you. The lack of equity in our country right now is probably the biggest issue that we have behind the alternative facts thing. That has really changed the way people are debating issues now. We see that certainly at the national level and the local level. We're no longer moored kind of in the same data which allows improvement. It's a problem but when you think about the riots that took place in our country post-Ferguson we've kind of forgotten that since the last one was in Charlotte. Because of all this presidential transition we've had going on we've forgotten that but unfortunately they will be coming back and they typically happen because of an officer involved shooting.

But what the street is telling us is, "I feel disconnected and hopeless about the future. I do not have the skills to be part of something that I'm optimistic about." This was the same message, obviously, that came out of our rural areas, many people in the rural areas, during this last presidential election as well. That is telling us we need to fundamentally change what our social contract is with our population. Our welfare system no longer works. It does not result in skill development for our people so they can be competitive in the 21st century. Nobody runs up to me and says, "I'm excited about being on welfare." They're saying, "Can you help me find a job? I have some obstacles in my way."

Now, we can moralize all we want about people, well, you shouldn't be in that situation. You shouldn't be that. People have rationally responded to the systems that we as a government put in place. Those systems need to change. The problem obviously is big system change is really hard in state capitals and certainly in Washington DC as well, so you keep going through these issues. We need to reset the table and somehow we need to elect the leaders in this country that will do that at the state and federal level. If you send 100 mayors up here to get the job done we'd get it done.

Nick Timiraos:

You talk about a skills gap. One of the things we hear a lot when we talk to executives in almost any industry right now but especially in construction and home building we hear, "Well, there aren't enough workers and there aren't enough skilled workers." What do you think cities can bring to the table with respect to helping with that skills gap? Why has it gotten to this point? Why are we hearing all the time, "Well, workers just don't have the skills we need?" Has always been like that?

Greg Fischer:

Well, the nature of work has changed obviously. It used to be if you had a good strong back and you would show up for work every day you'd be able to work in a factory, retire with a pension, and basically live out the rest of your life with dignity. That is no longer the case and we will be paying the price for that 10 and 20 years from now when we have a bunch of folks that are aging out, that have no money, that are homeless, that we'll looking at ourselves as a society and saying is that who we want to be?

The nature has work of work has changed. What cities have to do is make sure that training programs that are in place with our technical colleges, with our third-party institutions, with work that we control through our workforce investment boards, which is a very important part of our federal funding stream, so that we are proactively helping people get the employment.

The second issue is around second chance employment, so people that are leaving jails, are leaving our prisons, that when they come back into our cities we say, "Okay, you've got to buck up and get your money back in place, and pay your child support or whatever it might be." but we don't have the jobs, and they've got all these obstacle for jobs, so we're making huge progress in that area as well. So there's quite a few tools that cities can use.

Nick Timiraos:

You know, in this last election we heard a lot about trade, concerns about the loss of these jobs that aren't coming back. There's been more focus maybe in the media on automation and I wonder as the mayor, to the extent that we're going to bring back, say, manufacturing jobs, but as some of the folks on the last panel talked about maybe we're not going to hire as many people. You know, the output's going to be there but the employment's not going to be there. That creates a policy challenge for you. What are you doing to deal with the potential for, I mean is it a concern yet or is this something that we're 20 years away from having to worry about?

Greg Fischer: No, no. This is right here with us today. We have 75,000 manufacturing jobs in Louisville. Ford and GE have a large presence in all the supply base that feeds into that, so we're seeing tremendous increases in productivity and quality but not a corresponding increase in employment because of automation. It is real, so we train folks for those new jobs in advanced manufacturing that are good jobs, but then also we have to obviously expand the economy, so health innovation is growing, so we develop a pipeline from high school through our summer jobs program, making sure kids, whatever they're interested in, they have that experience in the summer then they can take that all the way either through a two-year degree ...

About 75% of the STEM jobs in the country only need a two-year degree, not a four-year degree, and not a huge amount of debt, so it's also informing parents and their kids about what the pipeline is to how many jobs are open and what they pay, so you can find that online in our city. A lot of it's about providing information and training for this new economy that we're moving to.

Nick Timiraos: All right, last question since we're almost out of time here and I'll do a riff on the last question from the last panel, but I won't to ask about black swans since those are hard to anticipate but I wonder what gives you I've reason for optimism right now? Is there anything you see in Washington that gives you reason for optimism and then what keeps you up at night as a mayor?

Greg Fischer: Well, what gives me optimism here, the people have been shaken up and obviously there's more people talking about the political process than I think ever before, or at least certainly within our lifetimes, and so you're seeing tremendous amounts of engagement at the city level with people marching, rallying, getting involved, volunteering. This is a good thing for democracy. Now, we've got to do this messy work and come together so that we move forward more productively as a country where everyone is along for the ride. If we can do that I'm optimistic, but obviously that is going to take some work to get us there, but ultimately we'll get there. It's just a minor question of how much pain there will be between now and when we get there, so I'm optimistic about that from a big picture standpoint.

Nick Timiraos: What keeps you up at night?

Greg Fischer: It's the human pain of this job. Unfortunately last week we had an officer involved, lost in the line of duty. That just rips your heart out when you see that kind of human anguish that's associated with that officer, Nick Rodman. You have the anguish when you see the single mom trying to raise her kids in a neighborhood that has violence in that neighborhood, and she's just trying to get her kids out, and just needs a break to get it out. That's the reforming, the programs that we're talking about. We do it on the level but boy, it'd be doing great if we could do that at the federal level as well.

Nick Timiraos: Great, well thank you very much for spending time here and thanks to you all for hearing us out.

Greg Fischer: Okay. Thank you.