

Maria Bartiromo talks to Alcoa's Klaus Kleinfeld

Maria Bartiromo, Special for USA TODAY 8:33 p.m. EDT October 20, 2013

Alcoa CEO talks about global economic outlook, company's 125th anniversary celebration.



(Photo: Paul Efirm, AP)

Story Highlights

- Klaus Kleinfeld is CEO of aluminum maker Alcoa
- Alcoa recently reported strong earnings %u2014 helped by the push for fuel efficiency
- Company is celebrating 125 years in business

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Now that the government has reopened and President Obama has nominated Fed Vice Chair Janet Yellen to succeed Ben Bernanke, the betting on Wall Street is that the so-called "tapering," or the winding down of the Fed's stimulus program, won't happen until mid-2014. That stimulus has been a key catalyst for the stock rally this year, as low rates have pushed investors to seek higher yields. The Fed says the decision to taper depends on the economic data to come. But some economists expect a weak fourth quarter because of the shutdown. I caught up with an industrial leader to get the deal on exactly where the economy is. Klaus Kleinfeld is the CEO of aluminum maker Alcoa, a metal used in everything from cars to your home and beyond. Our interview follows, edited for clarity and length.

Q: What are you seeing right now in terms of the global economy?

A: We have seen an air of confidence return to the world economy. But the lack of action in Washington acts like a Taser, basically freezing all economic activity. The administration must find immediate solutions to solve this. What is happening in every boardroom around the country is people saying, "Well, let's not invest. Let's wait a couple of weeks until this thing has sorted out, and I can see a clearer picture."

Q: Are you worried about what America is looking like to the rest of the world with these uncertainties?

A: I'm more worried about what the consequences would be of a default and what the consequences are of a continued conversation. Every day that goes by continues to take confidence away. Activity is frozen because everybody's worried what the next day would bring.

Q: What would be the consequences of a default?

A: A strong reduction of economic growth at a time when the economy has just begun to recover. In the U.S., we've been going into a phase that could bring us 3% growth again. We absolutely need that, because we need jobs to come back.

Q: What about your business? You reported strong earnings. Where are you seeing the vibrancy right now?

A: Aerospace continues to be very strong — there's an eight-year order backlog in this industry. It's very, very, good that we are in there so dominantly. Automotive, particularly here in the U.S., is coming back. All the car companies are doing really well. The most interesting thing for us is that we are going through a historic change here. As fuel efficiency becomes more important, and companies are going for light weight, aluminum is the material of choice. That's another great market for us, a once-in-a-lifetime opportunity.



USA TODAY contributor and Fox Business Network anchor Maria Bartiromo. (Photo: Todd Plitt, USA TODAY)

Finally, building and construction, which we are No. 1 in here in the U.S., that market is coming back. On top of that, the requirements are changing. People don't want to waste energy. They want to have a more energy-efficient building. We have products that cater to this market need.

Q: For a long time, we talked about fuel efficiency. But it wasn't really gaining traction. You're saying now it is?

A: On the automotive side, it depends on which segment you're looking at. Fuel efficiency for planes has always been an issue. Otherwise, it will not lift off the ground. That's one of the big contributions that aluminum brought to this world 125 years ago. Without aluminum, we would not have flight, and certainly, we would not have seen the world from outer space. Now, it's coming to automotive.

Q: What about the rest of the world? How would you characterize Europe and the emerging markets? These were the two areas of weakness for many companies in the last year or two.

A: As Henry Kissinger has said so wisely, there is not one telephone number for Europe. Therefore, you see very different pictures in Europe. Germany continues to do very well. They just came out with the lowest unemployment numbers for a long time. Spain just did a refinancing of a long-term bond, and demand for those long term bonds has been strong in

spite of the crisis. Even with a government crisis in Italy, Italian bonds don't show any signs of instability there.

Europe is finding a way out of the crisis. It's slow, but it's slowly recovering. Asia continues to be strong; China is pulling it. There are a lot of other tigers that are coming along with it.

Q: You are celebrating a big anniversary for Alcoa this year.

A: Yes, our 125th anniversary. It's a very cool story. It all started with two young kids in their early '20s more than 125 years ago. Young Charles Martin Hall was the sweet age of roughly 20. Asked his professor at Oberlin College, "What do I have to do to become the richest man on this planet?" The professor didn't have to think much. He said, "If ever anybody found a way how to make this miracle metal called aluminum in an industrial weight, I am sure that person will become the richest man on this planet." That gave him the shot in the arm. He had a great help, which is another great story with Julia, his older sister, who was also studying at Oberlin College. They both cracked the code. And here we are 125 years later. They brought industrial aluminum making to us.