

Senate Democratic Policy Committee Hearing

“Shipping American Jobs Overseas: A Hearing on the Bush Administration’s Claim That Outsourcing is Good for the U.S. Economy”

Friday, March 5, 2004
10:00 a.m. - Noon
Dirksen 628

Sen. Byron L. Dorgan (D-ND)
Sen. Dick Durbin (D-IL)
Sen. Frank Lautenberg (D-NJ)
Sen. Barbara Boxer (D-CA)

Witnesses:

Terrance Antisdell: laid-off engineering associate, Lucent Technologies

David Doolittle: condenser operator, Electrolux

Ralph Gomory: President, The Alfred P. Sloan Foundation

Herman Daly: Professor of Economics, University of Maryland

Harris Miller: President, The Information Technology Association of America (ITAA)

Transcript:

Senator Dorgan: I call this committee to order. This is a hearing of the Democratic Policy Committee for the United States Senate. My name is Senator Byron Dorgan from North Dakota. I am joined by Senator Dianne Feinstein from California, Senator Debbie Stabenow from Michigan. We will be joined later by other Senators as well. Senator Jack Reed has just joined us.

We call this hearing today to talk about jobs. There’s a substantial discussion going on these days about jobs. The President’s Economic Report was delivered to the Congress and to the country recently in which the President’s economic advisor indicated that the export of American jobs overseas and the outsourcing of jobs was really a pretty good thing.

There are times in this business when you read something or hear something from someone and you scratch your head and you think, “How on earth could they be saying this?” At a time when we desperately need new jobs, at a time when our economy has faced significant challenges. For the chief economist of this administration to say that the movement of American jobs overseas is all right, it could be good for our country, is not only perplexing to me, it’s just flat out wrong.

Let me describe this for a moment as I give an opening statement what we face.

This morning the Labor Department issued its jobs report for the most recent month, the month of February. The *Washington Post* has just posted on its website, a story about that. It says “February Job Growth Surprisingly Weak.” I will say to you: none of us take any joy in this bad news. This is bad news for our country. They talk about in this report, the report that was released this morning, the economy created 21,000 new jobs this month, almost all of them government jobs. The private sector produced almost no new jobs in this past month. And in fact, we need somewhere close to 180- to 200,000 jobs every single month just to keep up. Now, for the forty-third month in a row in February we lost manufacturing jobs. Forty-three months in a row.

I might go through a couple of additional charts that we want to put up. The *Los Angeles Times* described in a story that the President supported the shift of jobs overseas. That comes from a report from the chief economist. And then the next day we had quite a debate over that. The President defended the economist, Mr. Mankiw, in his statement about how the export of jobs could be a very good thing.

And finally we have all seen this discussion about service sector jobs. I just described what’s going on in manufacturing. Service sector jobs. The prediction is 3.3 million service sector jobs being outsourced and exported by the year 2015. I described on the floor of the Senate a part of this issue using Huffly bicycles and let me describe it to you just briefly.

Huffly bicycles used to be made in this country. You could buy them at Sears, at K-Mart, and at Wal-Mart and in other venues as well. They had a little flag decal on the front, just between the handle bars and the front fender, an American flag. People that made Huffly bicycles make \$11 an hour in Ohio. And then they were fired because \$11 an hour is too much, according to some, to pay people to build bicycles. And those bicycles are now built in China for 33 cents an hour; people working seven days a week, 12 to 14 hours a day. And there’s no longer a flag decal of the American flag between the handle bar and the fender on a Huffly bicycle. It is now a decal of the globe.

Is this country better off because we’ve decided that paying \$11 an hour to build bicycles is too generous to American workers? Is it better off because we’ve decided we can find people who can make 33 cents an hour to do our production and therefore American workers are fired and foreign workers hired, in many cases workers who cannot join a Union because it’s not allowed. In many cases where they’re not working in safe workplaces, where there are no child labor laws, where there are no environmental laws to prevent the pollution—the chemicals from going into the air and the water.

Well, enough said. We’re doing a hearing on jobs. We’re going to hear from a number of people to hear about what’s happening with jobs in this country and what kind of policy implications there are for the Congress.

This is not some idle political debate. The question of whether the American people have good jobs that pay well, that provide security, is central to the question of whether this American economy works for everybody. This is not idle political debate.

This is central to the question of what our economy's going to be like and what America's going to be like for American families in the years ahead.

And so I appreciate very much those who are willing to testify today and let me introduce those who came in order of appearance. Senator Feinstein.

Senator Feinstein: Thank you very much, Mr. Chairman.

I think you very well stated the case when you mentioned the *Washington Post* article this morning. And I'm told that we have to produce a net of 150,000 jobs a month just to stay even. So when we produce 25,000 jobs one month, 19,000 jobs another month you can do the math and see the number of people that are added to the unemployment lines.

We have had astonishing productivity. A 9 ½-percent gain in the third quarter of 2003 and a 4.4-percent gain overall of 2003. And that's well above the 10-year average of 2.5 percent.

But one of the problems that we have out there is one downsizing of companies, meaning that companies are increasingly laying off people. And secondly, and tied into the downsizing, is outsourcing of jobs. And that means that companies are increasingly turning to foreign labor in foreign countries to produce their jobs. And also to pressure, to increase those temporary non-immigrant visas to bring more and more people into our country to do those jobs, generally at one-third the cost of an American worker. Those are real problems and I can give you instances across the board.

Let me just give you one woman, Natasha Humphries. The former senior quality assurance engineer at Palm Inc., a maker of palm pilots. She recently told the House of Representatives Small Business Committee that she and other engineers were sent from California, my state, to India in late 2002 to train engineers there in software quality assurance testing. They returned to the United States. They were promised that their jobs would remain and they were laid off later that year. Fourteen engineers, or 40 percent of the firm's quality assurance work force, lost their jobs. Only one to date has found subsequent employment.

And I can go down the list. GE, 10,000 information jobs. Some from Georgia to India. Electronic data systems, 18,800 jobs to several nations. Microsoft's spent \$1 million on a new call center in the Philippines and on and on.

So while corporate earnings are up and the stock market is approaching 11,000, we are continuing to lose service sector and manufacturing jobs. In fact, since January 2001, this nation has lost 2.8 million manufacturing jobs. There it is right over there. My own state, California, which is bigger than 21 states and the District of Columbia put together, has lost more than 300,000 manufacturing jobs over that same period. Just look at that slide in California. That's a 16-percent decrease in the number of manufacturing jobs in the state.

Now we've, the question is: what do we do? And I believe that it's really a two-pronged approach. First, we have to provide those incentives for companies to keep jobs in the

United States, largely through the taxes, tax laws. And secondly, we've got to see that our immigration policies don't really make it so easy to replace Americans with foreign workers that it becomes the thing to do.

I'm very pleased that yesterday, the Senate voted overwhelmingly, 70–26, to discontinue using tax dollars to subsidize outsourcing. And essentially, that amendment would stop federal jobs from going to contractors who use off-shore contractors. I'm excited to say that we are in the middle of debating Senator Stabenow's amendment of which, to which I am a proud co-sponsor and that amendment would give manufacturers a 3-percent tax break. It's an important amendment. We should pass it. And when we go back on the bill, a week from Monday, Senator Breaux and some of us will be putting forward an amendment to allow repatriation of corporations' monies that are harbored offshore.

And believe me, they are harbored offshore by the tens of billions of dollars at the 5 ¼-percent rate only if they use these monies in new job generation, in research and development or for pension funding.

Now let me just say a word about immigration. In fiscal year 2002, the Immigration and Naturalization Services counted 27.9 million non-immigrant admissions into the United States. These are people on special visas. These are people coming and going. These are not usual immigrants that come in under various quota programs. In that same year, we admitted 1.3 million temporary workers, exchange visitors, and inter-company transferees into the United States. I think these statistics shed some light on part of the problem that our workers are facing in the United States. Let me give you an example.

The Senate recently passed the free trade agreements with Chile and Singapore. I oppose them—I'm a member of the Immigration Subcommittee of Judiciary, a member of the Judiciary Committee—because it was essentially an immigration program. And it was troubling, first because immigration falls within the sole jurisdiction of Congress and second because it created a new guest-worker program.

And the way it did it eroded temporary guest-worker programs because it essentially provided, that if you were an employee of either Singaporean-owned company or of a Chilean-owned company, anywhere in the world, you could be brought into the United States and given a job in either a Singaporean or Chilean-owned company in the United States. The way the agreement was, a Chilean or Singaporean company-owned setting up a business in the United States would not really have to hire a single American worker.

And we shouldn't pass those kinds of agreements. Those are agreements are contrary to the best interests of our own worker. And we certainly shouldn't let the USTR negotiate US immigration policy. I think we put a stop to it. We passed a resolution saying this cannot happen in the future. So I think that we ought to look carefully at these temporary programs. Right now, for those of us on Judiciary, pressure is building because of H1B, which is a temporary business Visa is full at 65,000 workers. So the pressure is to expand it. I say that we should withstand this pressure and I say that we should concentrate our policies on incentives and immigration policy to see that Americans come first in hiring.

Senator Dorgan: Senator Feinstein, thank you very much. We've been joined by other colleagues. Let me call them next in order of appearance. Senator Stabenow from Michigan.

Senator Stabenow: Well thank you Mr. Chairman, Senator Dorgan. Thank you very much for holding this hearing today on this extremely important topic.

Our state of Michigan has certainly been affected by the issue of the outsourcing, of exporting jobs, and in fact, last year, Michigan had the highest number of jobs lost and the highest unemployment rate. And so this is the number one issue for Michigan families and for Michigan businesses who are asking for us to create a level playing field so that they can compete and remain in the United States, creating jobs.

I want to particularly thank Dave Doolittle for being here and testifying today from Greenville, Michigan from Electrolux. And also thank Marcella Ort, who is also here as well from Greenville. They will talk about what has happened in Greenville, Michigan a community with 9,000 people where Electrolux has made the decision while even thought they make a profit they are going to move 2,700 jobs to Mexico because they can pay \$2.50 an hour with no health benefits.

The question that I had for the managers at the plant when I met there was, "Who will buy your refrigerators? Who in America will be able to afford to buy your refrigerators if they are being asked to make \$2.50 an hour and no health benefits?"

We're, we are right now seeing a race to the bottom and the pressure is on businesses and workers to work for less, for businesses to move, because we have not addressed the unfair playing field, we have not addressed trade policies that created the situation where we are losing jobs rather than having a middle class in Mexico and a middle class in China and so on where they can have a good standard of living and buy our products. We want them to buy our refrigerators from Michigan. We want them to buy our automobiles from Michigan. And our furniture from Michigan. As well as all of the other products that are made in this country.

Our standard of living has been based on our ability to make things in this country. We make things and we grow things and we do it well. And this is a fight for our standard of living.

I would only indicate, Mr. Chairman, in addition to the numbers that have already been talked about for February and the meager job increases, I would just note that the Administration has already readjusted their job numbers for December. They said we gained 16,000 jobs; it was actually 8,000. They said in January it would be 112,000 and in fact it was 97,000. This month, we are losing, in February we lost 24,000 construction jobs and I'm proud to say that the Senate passed a very very good transportation bill, a jobs bill, that if this administration and the House would support, we could put in place by construction season this year, and stimulate the economy with good paying jobs.

That's what we need to be focused on. We need to be focused on those things that will create jobs for our country and policies that will not rewarding those who are taking our jobs to other countries. So thank you, Mr. Chairman; I look forward to the testimony.

Senator Dorgan: Senator Stabenow, thank you very much. Senator Reed from Rhode Island.

Senator Reed: Thank you very much, Mr. Chairman, for holding this very timely hearing.

I just left a Joint Economic Committee where we had the commissioner of the Bureau of Labor Statistics report on the employment numbers for this period.

They are dismal: 21,000 jobs virtually none of them in the private sector. We need 125,000 jobs just to keep up with the growing demand for jobs. We are in fact losing ground each month, not gaining ground. Last year the Administration predicted that nearly 2 million jobs would be created in the second half of 2003. 510,000 they claimed, would be a result of the President's tax cut. The tax cut was passed benefiting the wealthiest of Americans, but American workers are still looking for jobs.

The current slump is the most persistent since the 1930s in terms of this jobs recession.

We have to do more and we have to do more particularly with respect to manufacturing. Manufacturing is not just about employment but it's about the social fabric of our communities. It's about jobs that pay well enough to afford a mortgage to take care of your families and to contribute to your communities.

Now we have to be very agile in a globalized economy. We can't allow all of our trade partners to abuse us and it is very disconcerting when we realize that countries like China are taking \$1.85 billion dollars in sales per year not as a result of their ingenuity but because of intellectual property privacy. Pirating those intellectual property, the ideas of our manufacturers.

I believe that the policy that we must ultimately incorporate must include balanced and fair trade agreements, comprehensive energy legislation, affordable health care, investments in education and worker training, and support of research and development for continued innovation.

We have to make a commitment to the working men and women of this country that they will have jobs. That is the essential role, I believe, of government in terms of economic policy. And this administration is failing in that essential mission. Thank you very much.

Senator Dorgan: Senator Reed, thank you very much. Senator Durbin from Illinois.

Senator Durbin: Senator Dorgan, thanks for your leadership.

The obvious question is this: Why are we holding this hearing on Friday? Why hasn't this hearing taken place during the course of the week with the regular committees of the United States Senate and House of Representatives? Look at the people who are gathered here today and those who are going to follow this on television. They understand there's a problem. Why don't the leaders in Congress understand there's a problem? We have to come together on a Friday as a Democratic Policy Conference to talk about the number one issue on the minds of Americans from coast to coast: jobs and what our future is all about.

The reason why the majority party doesn't hold a hearing is that they are in denial. They don't believe there's a problem. They don't want to acknowledge that we've lost millions of jobs in the last few years and they have some of their so-called brightest minds telling us that outsourcing is a good thing.

Mr. Mankiw, I've never met the gentleman. I'd like to meet him and I'd like to invite him to the state of Illinois or Michigan. Terrance Antisdell here from Lucent, who's going to testify. I'd like to bring him out and meet with some of the folks we've sat down with in Cane County and the outlying counties that have lost their jobs in the service industry.

But we can't get their attention. They don't want to talk about this issue. I can tell you that the American people are thinking about this issue and they are thinking about it every single day. Hard questions about whether or not there's a job tomorrow, whether or not health care benefits will be there for retirees. What in the world do we tell our kids to study so that they are going to have a future?

Well, we know what's going on now. We're losing jobs right and left to outsourcing. There was a time when we paid the Trade Adjustment Assistance Act that said when he lose jobs to trade there are going to be manufacturing jobs, jobs that make goods. Therefore we'll help employees find another job and that's a good thing. We never dreamed that a day would come—and it's already here—when we'd be losing service jobs; jobs, important jobs in computer-related industries and the like, to off-shore sourcing.

Now let me tell you two weeks ago I was in India. I spent several days in New Delhi. Many Americans are following the Presidential campaign, but none are following it as closely as the people in India. They are listening to this conversation and debate. They have a lot at stake: literally thousands of jobs in their country. Now they're good people. They're doing the best for their people. Shouldn't we do the same thing? Isn't that what this hearing is all about?

Globalization is as inevitable as gravity. It's going to happen. But if we're going to have trade we ought to play by the rules, both the United States and the other countries. And when China manipulates its currency and drives our manufacturers out of business, that's

an unfair trade practice, and if our Administration cannot respond, then frankly we ought to tear up our trade agreement with China.

And we need to change the Trade Adjustment Assistance and say that workers, whether you are producing a good or service, you are going to get a chance for unemployment assistance as well as retraining. This Congress consistently refuses to even provide for extended unemployment benefits to the people who are out of work across America. In fact, they're cutting overtime pay for those struggling to make ends meet by staying away from their families and spending a little longer on the job.

We need this hearing, Mr. Chairman. I'm glad that you've convened it.

Senator Dorgan: Senator Durbin, thank you.

Let me just, on the point that you make about this hearing. We held this hearing under the auspices of the Democratic Policy Committee, because the authorizing committees are not holding hearings on the outsourcing of jobs and the loss of jobs. Just as, for example, recently we held a hearing with respect to Halliburton and contracting abuses in Iraq and Kuwait. Senator Lautenberg had requested I believe three times of the authorizing committee to hold hearings on the contracting abuses and on the Halliburton issue and the authorizing committees refused so we held a hearing for the Democratic Policy Committee under our authority to do so. I would much prefer that the regular authorizing committees of the Congress to do that. If they refuse to do that we will because these issues need to be aired and need to be addressed. And we also say that we ask Mr. Mankiw, the President's Chief Economist to be present at this hearing and offer testimony but he declined.

So let me next call on Senator Lautenberg.

Senator Lautenberg: Thank you, Mr. Chairman.

And we—what we see here is enough to stir the cockles of your heart. Because what happens is we're talking to people who really care about what happens to our country. Every one of you, everyone who is concerned about the loss of a job, is a factor in the way that our country will continue its operations in the future.

I saw ads that the President's been running and he's got the most contented-looking people around him that I've ever seen. Of course they come from Hollywood. They don't come from real life. They even used an actor to portray a fireman in the aftermath of 9/11.

So we are looking at huge job losses. And now they're talking about new jobs. Well, they're not new if we got the two million something new jobs. We'd simply be replacing those that are lost.

Mr. Chairman, everybody's I'm sure heard enough from this group here. This committee, origination committee that we really want to do something positive but we are prevented from doing it. We can't get hearings, and if there are hearings and things get passed, we can't get into the conferences where things are passed between the Senate and the House.

I think, I think it's fair to say the slogan of this committee—this party, the Bush administration really ought to be, "*Read my lips, no new jobs.*" That's, that's what they're talking about. Thanks, Mr. Chairman.

Senator Dorgan: Senator Lautenberg, thank you very much.

And finally, Senator Dodd. And might I add that Senator Dodd was on the floor of the Senate yesterday along with Senator Stabenow with amendments on these subjects. Senator Dodd.

Senator Dodd: Thank you very much, Byron. Thank you for doing this.

This is, it's a worthwhile exercise of the—of what the Democratic Policy Committee does. And let me thank all of you for being here. Those of you who come from all over the country and those of you in the neighboring states and areas this morning to talk about this.

This is a—this is, there is no more important issue than this one and I think it's been instructive that we've now been in session for five or six weeks. This is roughly the first opportunity we've had to discuss anything about this. We've talked about a lot of other matters that this Administration and Republican leadership want to bring up and when it comes to the most critical issue in this country, and that is whether people will have a decent job, we can't even get a hearing; we can hardly get a debate on the floor of the United States Senate.

Yesterday, we were able to bring up an amendment dealing with outsourcing. We were going to be denied a vote at all on this subject matter unless we made a couple of concessions, which we were pleased to do, but for the first time at least we put on record the fact that we don't think that the federal government, the *federal* government ought to be outsourcing American jobs. I don't like it when private industry does it but I can't do much about it at this juncture. But I ought to be able to do something about it when *your* tax money is being spent to hire someone overseas and take *your* job. And so at least yesterday, the Senate at least went on record as saying that, when it comes to American taxpayer money, you are not going to use those dollars to hire people outside the nation to put Americans out of work.

Now we made exceptions in the national security area, but I must tell you as well it isn't just the private sector. Forty states in this country outsource jobs as well.

We ought to stop using your money to do that. We ought to be doing everything we can to make sure those jobs stay at home, critical jobs. Not just because we want to keep jobs here but the critical mass, the technology, the expertise that this country is going to need in the 21st Century, ought not to be lost overseas. If we are going to remain strong economically at home, strong on our national security structures, then you need to have to critical mass, the technology, the synergies to occur for people to work everyday in the high-technology industries that produce the goods and services that our nation will need.

So we need to stand up on this issue. When you have the administration compare a manufacturing job to flipping hamburgers or hot dogs in a fast food restaurant, then you have a basic failure of understanding of what manufacturing is in this country. And the American people are speaking up about it, and I can guarantee you, this Democratic Party, under this leadership of the Democrats of the United States Senate is gonna speak up. We're gonna fight, and we're gonna win this battle, one way or the other. And I thank you, Mr. Chairman.

Senator Dorgan: Mr. Dodd, thank you very much.

You mentioned hamburgers. I'm persuaded to mention Fig Newtons. You know, even Fig Newtons left America. If you're talking about Mexican food these days, you're talking Fig Newtons, because Fig Newtons left the United States to go to Mexico, so Fig Newtons are now officially a Mexican food.

Let me welcome our witnesses. Thank you for waiting while we made some opening statements. We have... The first two witnesses today are David Doolittle, a condenser operator at the Electrolux plant in his hometown of Greenville, Michigan. And then joining us as well is Terrance Antisdell. He was an engineering associate for Lucent Technologies in Lisle, Illinois. He was recently laid off from his position after 35 years from that company. It is not easy for you to come here and testify. We very much appreciate your willingness to do that.

And why don't we begin, Mr. Doolittle, with you. Why don't you go ahead and present your testimony, and then we will ask Mr. Antisdell to present his, and then we will have some time for some questions. Mr. Doolittle? And would you pull the microphone as close as you answer. Thank you very much.

Mr. Doolittle: [prepared statement] Good morning, Senator Dorgan... Dorgan, I mean, and Senator Stabenow and other Senators. I thank you for inviting me to testify today.

My name is David Doolittle. I am a chief steward and a member of the Bargaining Committee at the UAW Local 137. I represent 2,400 production and maintenance employees of the Electrolux plant in Greenville, Michigan. I am 42 years old, and have worked at the Electrolux plant for 23 and a half years. I live in Greenville with my wife and my three children.

Electrolux is our biggest employer in Greenville, and also one of the biggest employers in Western Michigan.

On October 21, 2003, I showed up at the plant early, as usual, and went to the office and was surprised to see the North America Corporation executives there. The head of the human resources told me he wanted to meet with the local union committee at 6:30 in the morning.

At the meeting we were told, unfortunately, that the corporation was considering closing the Greenville plant. We were stunned. No one had heard even a rumor about the closing. At the start of the first shift the company called all the employees together and shut down the production lines, and the plant manager told everyone at the plant that they were considering moving our work to Mexico. Everyone was in shock. A few of the first shift workers were so upset that they even asked to go home and were granted that. Outside the plant there was police cars and Pinkerton guards dressed in tactical uniforms. I guess the company wasn't sure how the people would react. Everybody was very somber and quiet, and there was no need for security.

At the UAW's request, the union and the company met the next day in Grand Rapids. The corporate representatives explained how the company could operate for \$81 million less in Mexico. That's because the hourly wage in Mexico is \$1.57 and a total wage benefit package would be \$3.64. At the Greenville plant our hourly wage is \$15 and the company spends \$5.75 in benefits and \$2.24 in taxes.

When we got the word on October 21, we immediately contacted the local, the state government officials to let them know that the company was thinking of moving the plant to Mexico. The Nitty Gritty Committee was formed, composed of the state, local officials, as well as the union representatives. The committee put together a package, tax abatement government grants for Electrolux totaling \$121.2 million over 15 to 20 years.

When the UAW presented their final package to the company on January 15 of 2004, therein totaled \$34.2 million in labor concessions. This was on top of the incentives put together by the "Nitty Gritty Committee." The company representatives left the room for 17 minutes, and when they returned they told us our proposal still fell far short of the \$81 million.

On January 16 the company called the employees together and announced their final decision to move the plant to Mexico. They said that they had no choice, that all the other competitors were moving their jobs to Mexico because of the cheap wages, so they said they had to try to get a jump on them.

The people were devastated by the announcement. Before they had hoped that they could turn the company around, but now the hope was gone. Let me emphasize Electrolux is a profitable company, and it makes a profit in Greenville at the plant. The company decided to shut the plant and move the work to Mexico because they could be more profitable there. Everyone back home is still devastated, not just in the plant, but in the entire community.

We have seen many plant closings and big layoffs in Western Michigan. People are scared. We do not know where to find the good-paying jobs when the plant is closed.

In the spring, Wal-Mart is planning to break ground at the new store in Greenville. It is likely some of the folks will lose—that will lose their jobs at Electrolux will work at Wal-Mart. If so, this will mean going from jobs that pay \$15 an hour with health care and dental insurance and good, defined benefit pension plans to a job that pays \$8 an hour and have inadequate health care insurance and no guaranteed benefit pensions.

I have a daughter in college and two kids... that will be going in the next couple years. I don't know where we'll be able to find good jobs, especially health care benefits and real pensions. It's agonizing to us at Electrolux and to our families. It's like having a stomachache that won't go away.

In closing, I would like to ask that Congress stands up for American workers and American jobs, and we cannot afford to have any more bad deals like NAFTA that ship our jobs overseas. And Congress must close the loopholes in the tax code that actually encourages American companies to send jobs offshore. I'm afraid unless Congress acts soon to stop the exodus of our jobs, there will be no more good-paying, manufacturing jobs in America. Thank you. [end of prepared statement]

Senator Dorgan: Mr. Doolittle, thank you very much for sharing that with us. The plant is not yet closed but it's going to be closed, is that correct?

Mr. Doolittle: Yes. It's scheduled to start eliminating operations in 2005, November 2005.

Senator Dorgan: Well, we understand the emotions. We understand its impact on families and on communities, and again, I know it's not easy to come and testify, but God bless you for doing it.

Let us hear from Terrance Antisdell and then have some questions. Mr. Antisdell, you're from Melrose Park, Illinois, and we appreciate your being here today. Thank you for being willing to testify. You may proceed.

Mr. Antisdell: [prepared statement] Good morning, Chairman Dorgan and members of the Democratic Policy Committee. I want to thank you for holding this hearing on offshoring and for recognizing the effects that this issue is having on the backbone of the country—the American workforce.

My name is Terrance Antisdell, and I'm former International Midwest Area Vice President for the International Federation of Professional Technical Engineers (IFPTE),

the President of IFPTE Local Area 81, and former employee of Lucent Technologies, Incorporated. For those of you who may not be familiar with IFPTE, it is an AFLCIO-affiliated labor union representing upwards of 80,000 white-collar workers in the U.S. and Canada. IFPTE membership consists of workers from the federal, public, and private sector.

For 35 years I was employed as an engineering associate with Lucent, and as such my job included several tasks, from advising customers with their telecommunications needs, ordering the necessary materials, providing specifications and/or instructions to equipment installers and shop personnel, and maintaining these records on computer drafting tools. When I originally joined Lucent, it was called Western Electric. Employees recognized that this was a place where they could have a lifelong career and the ability to advance through the ranks. I was a loyal employee through the good times and the bad. I gave up myself to help build and prosper the company. Over the years I saw many changes occur within Lucent because of market forces, mergers and acquisitions, and new technology. But through it all, the company always maintained a level of respectability toward employees.

Lucent was a world-class corporation. Training and education was an integral part of its business plan. Employees expected to perform a minimum of 40 hours of training per year on the newest technologies and social skills. At Lucent, an employee's knowledge and skill were valuable to the company.

This win-win climate began to change after the telecommunication industry downturn of 2001. Lucent's workforce was reduced from 106,000 to 33,000. It is now less than that. Then, early last year, Lucent Technologies announced they would be sending work performed by the engineering associates overseas to be done by a less expensive Lucent site. Later I found out it was Poland.

In Illinois, in the Lisle area, they've gone from 15,000 Lucent employees down to about 7,000, which has been devastating to the towns of Lisle and Naperville. In July 2003, the entire member bargaining unit of IFPTE Local 81 was unceremoniously dismissed. When the layoff happened, I was extremely disappointed, and I felt depressed. My job was still at Lucent, only someone else overseas was now doing the work. The company did this with no feeling for the employees.

The hypocrisy of all this is Lucent CEO Patricia Russo received a \$3.2 million bonus last year, and the number of paid board members increased. While Lucent blatantly throws this in our faces, the employees continue to pay a heavy price—our jobs. When Local 81 was laid off, Lucent had reduced its workforce to under 35,000 from a high of 106,000 in 2001. While the industry downturn assisted in a decrease in the employment rolls, in the latter years offshore sourcing has been the main culprit of jobs being sent to less expensive Lucent sites on foreign shores.

Many of the software engineers that were working in Lisle—their jobs have been sent to India.

Right now I'm receiving health benefits and my pension; however, my benefits may soon disappear, because Patricia Russo recently announced she wanted drastic cuts in retiree

benefits. Yes, that is the very same Pat Russo who, on the other hand, sends my job overseas, as well as aims to gut my retiree benefits, yet collects a bonus of \$3.2 million a year. The CEO and the executive board of Lucent have yet been hurt by all this downturn, but yet they continue to devastate the workforce.

The situation is getting worse every day. I have planned on retiring in five years at the age of 62 to draw my pension and social security and would have truly been able to enjoy to retire; however, my retirement plans have been put on hold. Before the year is out I have to get a job. My pension is just enough to pay my bills, and I can't even think about saving or pay off the debt I have right now.

In closing, I would like to thank Senator Dorgan personally for the holding of this hearing. I am just one example of the dire situation that is facing Americans, and until our nation's lawmakers act, it will only get worse.

Senator Dorgan: Mr. Antisdell, thank you very much.

We have another panel that we will hear from following questions of this panel, and I will just ask one or two questions. Then I will ask my colleagues to inquire, and then we will have the second panel.

Mr. Doolittle, you described the day that they announced—your company announced—that they likely would be moving their jobs. I've always described this circumstance: Here we deal in statistics, but these aren't statistics. These are someone... some one employee coming home having to tell their family that they've lost their job.

Mr. Doolittle: That's correct.

Senator Dorgan: That job is gone, and it's devastating, I'm sure. Did you ever think that you would—having struggled, especially as a member of a labor union for a century of tradition of the union to have the right to organize, the right to work in a safe workplace, you know, the child labor laws and so on—did you ever think that you'd be told you have to compete with a woman in Indonesia that makes 16 cents an hour?

Mr. Doolittle: No, I didn't, especially when the company was still profitable.

Senator Dorgan: How about somebody in China that makes 33 cents an hour?

Mr. Doolittle: Wouldn't even conceived it.

Senator Dorgan: Or someone in Mexico that makes \$2 an hour? I mean, the question is, the reason these companies say they're gonna move is to be competitive... Now you're also a consumer in addition to being a valued employee; do you expect that the product produced by Electrolux is gonna hit the shelves—the store shelves in this country—at a much lower price because they're accessing \$2 or \$3 labor in Mexico?

Mr. Doolittle: No. You will not see that.

Senator Dorgan: And so the economist, Mr. Mankiw and others, would say this is really fine in the long run. It works out real well because you benefit as a consumer. You're a consumer, but a consumer who loses his or her job and a consumer who doesn't see savings on the shelf, because instead of savings it's corporate profits. That consumer has been severely disadvantaged, isn't that correct?

Mr. Doolittle: That's correct, 'cause all through the process not once did the company relay to us that we would see a cheaper price tag on our products once they did this. It was purely just for profits in their pocket.

Senator Dorgan: Well, I have many questions, but mostly I have admiration for the willingness of both of you to come and testify here in Washington, D.C. on this issue.

There are so many here in Washington that want to ignore the subject of jobs. They want to talk about economic theory up here, and how in the long run all this works out.

John Maynard Keynes said in the long run we're all dead. You know, he's one of the really interesting economists. In the long run we're all dead.

The question is, what does all this mean to good men and women who work hard in this country every single day, produce great products, and then are told by a new system, "Oh, by the way, you have to compete with someone around the world who's willing to work for 20 cents an hour." That's not what we fought for for a century in this country.

There is no social program as important as a good job that pays well that has security that keeps American families intact and allows them to have good living for themselves. And so, that's why we're holding this hearing.

And I will defer on a long list of questions, but just again to say thank you very much for your willingness to be a part of this hearing. Let me call on Senator Feinstein.

Senator Feinstein: Thanks very much, Mr. Chairman, and my warm thanks to both of you, and my hope and prayers for your future.

I'd like to ask a question. Both Lucent and Electro... oh the vacuum company... Electrolux—I'm an Electrolux user—make very good products and high quality products. My question to you is, although they gave you notice, did they offer any kind of severance bonus or any kind of re-employment plan?

Mr. Antisdel: Lucent did because we were represented by a union. We had a severance package. They provided... we could get training. And the other thing is, as far as finding another job, it's not very easy finding another job within a company that's gone down so drastically. There are no other jobs available.

But my location was only one of four that was terminated, and the other three, they had chosen the path of not being represented and they weren't taken care of as well as we were. Their severance packages were put into 401Ks, so that if they wanted to get it, then it was...they had to pay the penalty to get it out of there. And also helped, because they were management, it also helped to diminish the pension plan, and they used that as a severance package which now has created the problem and the reason they want to take away our benefits.

Senator Feinstein: Thank you.

Mr. Doolittle: We have yet to go into effects bargaining of our closing. We will be doing that in the next few weeks here. But, to relate to one of your directions in the question that you asked, is in that area, the bad part about the way Electrolux is—it's so big—is that all of our surrounding businesses that are in there are businesses that feed our plant with materials. So once our plant leaves those plants will leave also. There's a total of four of them, so the town will actually be without any businesses at all to support any of those people.

Senator Feinstein: And again, severance? Is there a severance package for the employees?

Mr. Doolittle: There is under our contract, but in the effects bargaining that will be coming up, we're hoping to get, you know, more from that. But that remains to be seen.

Senator Feinstein: And is there a retraining program, or do they put forth an effort to try to find jobs for people that are losing those jobs?

Mr. Doolittle: They have yet to mention that to us. Most of it's due to our state representatives that have come in our aid in that aspect of training and come there to meet with us.

Senator Feinstein: In either company has there ever been a complaint from management about the productivity of the workforce?

Mr. Doolittle: Actually, at our facility we produce 6,400 refrigerators a day. So actually we've produced the highest production in the fourth quarter of last year that we ever have in the history of the plant. So that's why it came to a shock—another shock—to us, too. Plus, our quality was extremely high.

Senator Dorgan: Thank you. Senator Stabenow?

Senator Stabenow: Thank you, Mr. Chairman. Thank you very much, Dave and Terrance, for being here today.

If I might just follow up on Senator Feinstein's questions in terms of productivity and so on, isn't it true that Electrolux is not only profitable, but that they've added a new line—that they've added, I believe, it's a hundred million dollars of new investments in machinery and equipment, and that that third line has just recently started, and you're actually working out the bugs because you have highly skilled workers? Isn't that correct?

Mr. Doolittle: That's correct.

Senator Stabenow: You're working out all the bugs before they turn around and send it to Mexico...

Mr. Doolittle: As a matter of fact, there is so much truth to that. In 2001, they did invest \$110 million dollars into our plant on a new line; we got that up and going it is doing extremely well and as we currently speak we are running a new counter-depth unit and they did tell us that they want us to work out the bugs before they move that to Mexico.

Senator Stabenow: To me, this is a classic example of the fact that we have got to change our policies. I'd say to my colleagues, this is not a plant that was not productive, not a plant that didn't make money where there weren't new investments, where the workers aren't highly skilled.

This is a question of being able to move and pay what did you say...\$1.57 in wages in Mexico and we can do something about that and I hope that we will. If our trade policies are smarter we can increase there standard of living so they'll be buying refrigerators from Greenville, Michigan, instead of exporting our jobs.

And there are a number of different policies that we can undertake. I would also say in terms of what's on the floor now we have had some successes as it relates to addressing the issue of exporting of jobs, but we have a bill in front of us that provides a tax deduction for jobs created in the United States from manufacturers. I'm pleased to be sponsoring an amendment to increase that deduction and that incentive, but it phases out in ten years, in ten years it's not longer just for American companies, it's for any company and that's a fight, we have yet to fight on this legislation on the floor.

Just one other quick question, Dave and more to amplify something you said, I think it is extremely impressive and commendable that the UAW, that the workers came to the table along with the community, the community to everything right from what I can see in meeting with your committee and being involved in this. The community, the state—I was tempting at the federal level to do whatever we could do to be of assistance, but it is significant that the workers came forward with over \$30 million in wage confessions, is that correct?

Mr. Doolittle: That's \$32.4 million a year.

Senator Stabenow: In wage confession?

Mr. Doolittle: Yeah.

Senator Stabenow: So you were willing actually to take less wages, less benefits to keep the jobs, but no one can survive in this country for a \$1.50 an hour, don't you agree?

Mr. Dolittle: That's correct.

Senator Stabenow: Thank you very much.

Senator Dorgan: I thank my colleagues for the brevity so we can move to the other panel as well. Senator Leahy.

Senator Leahy: Thank you, Chairman, and thank you gentlemen for your very compelling testimony.

Mr. Doolittle, what's the biggest market for Electrolux?

Mr. Doolittle: The United States.

Senator Leahy: The United States, so the company expects Americans to buy this equipment, but they aren't going to let American workers build it?

Mr. Doolittle: Yeah. [chuckles]

Senator Leahy: What's going to happen to Greenville, Michigan?

Mr. Doolittle: That remains to be seen, but right now the outlook is very dark. Unless, somebody can come in to Greenville and take advantage of a workforce that is willing to wake up every day and come to work, it'll be devastating to even the new businesses that came in to town.

Senator Leahy: And, Mr. Antisdel, what about Melrose Park, Illinois, what's going to happen there?

Mr. Antisdel: As I said before I worked in Lisle, and Lisle and Naperville Illinois has been tremendously affected by the loss of jobs. It went from about 15,000 to about 8,000. And there they had two very large building that they built, when Lucent had the money. A network software center, where they write the software for the telephone offices to operate from, which now is being done in India and the other building in Naperville is Bell Labs, and many jobs have been reduced from there and it greatly affects those areas and the state of Illinois.

Senator Leahy: Thank you very much, thank you gentlemen, thank you.

Senator Dorgan: Senator Durbin.

Senator Durbin: Mr. Doolittle, what is the name of your product?

Mr. Doolittle: Frigidaire.

Senator Durbin: I thought we ought to put that on the record.

The reason I wanted to raise it, is because the same thing is happening in Illinois, downstate Illinois, Galesburg, where Maytag is moving to Mexico and we asked the same question, who's going to buy your product, and they said well Americans, so basically it's a question of whether or not American consumers are going to pay attention to what we're talking about here today and say to these companies, "No, thank you." We would much prefer showing our patriotism by buying products made by American workers.

Now you can get carried away with that I'm sure, a lot of us buy products from overseas every single day, but for these companies to think that there is no price to pay, by just leaving and saying that American consumers don't care, I think they will come to care.

You talked about Wal-Mart, right now we have a balance of trade of deficit with China of about \$130 billion a year and Wal-Mart imports 10 percent of all the Chinese goods sent to the United States. So \$13 billion go to Wal-Mart to be sold to the United States and we're losing jobs here, people that makes these products are losing out to China because of their currency evaluation.

You mentioned earlier, Dave, that you're 42 years old. Could you tell me what your education was before you took this job?

Mr. Doolittle: I did go to college and received a degree in sports nutrition, but at the time I had to go back, different times because at the time I didn't really know what I wanted to do when I first went there. My mom and dad worked at the facility and were able to get me a job there until I could finally get the rest of my mind together and figure out what direction I wanted to go, but they did supply me with good work; I made a comfortable living. Like Mr. Dodd pointed out, I was able to pay for my mortgage and a car. We don't want to be rich; we just want to build, have our piece of the pie.

Senator Durbin: Senator Stabenow said Greenville has a population of how many, 9,000?

Mr. Doolittle: Yeah, between 8- and 9,000.

Senator Durbin: This is quite a hit.

Mr. Doolittle: Oh, it would be no difference than looking on the news and seeing where a tornado went through and devastated area, it's almost that same effect.

Senator Durbin: Mr. Antisdell, you're closer to my age, 57 or so?

Mr. Antisdell: Yeah, 57.

Senator Durbin: And it would be tougher, I think, perhaps to consider where you're going to go next for a job, after how many years of Lucent?

Mr. Antisdell: Thirty-five.

Senator Durbin: Thirty-five years, and so at this point, where do you turn?

Mr. Antisdell: Well, I'm looking, as they say there are jobs out there, but I'm not about to be a truck driver right now. I'm a little old, and there is nothing wrong with being a truck driver, but that seems to be the jobs that are there. Truck drivers, I see nursing care something like that, but those aren't really options. And working for 35 years at a desk job, I'm not physically able to go out and get a truck driver's job. I got an associate's degree from DeVry, through the years of courses, through the education at Lucent. I did that and I am capable of taking a lot of jobs, but there just aren't—

Senator Durbin: What was your hourly wage when Lucent—

Mr. Antisdel: Twenty-seven dollars.

Senator Durbin: Twenty-seven, and so George Will and other observers chide us say that Democrats are spreading panic here because jobs come and go in capitalism, that is what free market is all about. Bad jobs go and good jobs come along to replace them so what have you found, what kind of job opportunities and hourly wage do you find available to you at age 57?

Mr. Antisdel: Well it's certainly not \$27. I will never be able to make that again, I'm sure. I heard that Office Depot, they have jobs for \$8 an hour, \$10 an hour and that it just doesn't cut it. It's really not worth doing it.

And also, I'd like to point out that not only am I not buying anything anymore, I'm not flying anymore, the airlines are hurting, well they're going to hurt more. The taxes, I'm not paying as much in taxes anymore, I'm not contributing to the state of Illinois anymore in taxes, Social Security, everything. It's not just buying products.

[video interruption]

Senator Lautenberg: —without the resources to take care of. So something has to be done differently. It's very tough and my colleague from Illinois, Senator Durbin talked about identifying the products.

The problem is that if you say to the average American consumer who's got a job, this costs X and is made in America and this costs half of X and is made in India, is it realistic to think that the consumer is going to pay more. One of the reasons we don't have people listening to the pleas, the cries of those who are so severely put on by the prospect of a job loss. Is that people here, sitting at this table sitting in this Senate, they all have jobs. It's easy when you're not in the sitting in the same situation to speculate on what you ought to do.

I had the benefit of growing up in a poor family and watching my father trying to get steady work from the union, he was a silk worker in Paterson, New Jersey. That job ultimately killed him, he died at 43. But, the fact of the matter is, I had once recommended, kind of in an offhand way, that every Senator before they take their first, the inauguration here, spend a week in poverty, live with a family that's really got it hard going and understand what it is about. Because when you come here from a lofty law practice, or as I did from the corporate world it's quite different.

But I remember the earlier years, and I would say this: that I think the unions have to use whatever tools they can get, and one of those tools is to make sure that union pension

funds are not invested in the stocks of those companies that are so casually canceling jobs and moving their operation.

When an executive said Ms. Russo got \$3 million and a bonus even as she destroyed her mission just to maximize profits, we have lost.

I came out of the corporate world, I had a good career in corporate being, but we never talk about corporate responsibility in the way that it ought to be. When you head a public corporation you also have a responsibility to the community and the people that work for you more than simply to negotiate wages. You have an obligation to Greenville, you have obligation to the towns you come from. To pack up and leave and you described it so wonderfully, so effectively, Mr. Dolittle, when you say it's like a cyclone hit, it's the same effect. If it demolishes your home, what's the difference on how your home got demolished if your home isn't there. So I think that the unions have to get together, talk about what they can do with their pension funds, bring in the leaders of those companies and find out what kind of wages their taking compared to the people at the bottom.

We saw something in a report last week, and quick back to Senate Dorgan, in 1977, one percent of the people in this country earned what 49 percent earned at the bottom, one percent at the top earned what 49 percent earned at the bottom. Twenty-two years later in 1999 that went from one percent earning what 49 percent, to one percent earning 55 percent. There is something terribly wrong about the fact that bonuses are heaped on people simply for squeezing the profits out, while they squeeze out the life blood of people that work for them.

So we have to do things in government, yes, but we have to engage the corporate world in a significant way, whether it's looking at the product label and seeing where they came from and making sure those unions aren't investing pensions funds in companies that don't do their employees any good.

Senator Dorgan: Senator Lautenberg, thank you very much for those comments. Senator Dodd.

Senator Dodd: Thank you, Mr. Chairman. I'll be brief; we've covered a lot of ground here. I'm very grateful again for your presence and your testimony.

One of things that both of you have said here, that deserves repeating and highlighting, is this isn't just your job, I mean that's bad enough obviously, but it's the ripple effect dropping that stone in the water, the implications of this in several areas. One is that I'm told, and you can comment, I'd like you to comment on these three points, one is the lost wages.

You've made the point, Mr. Antisdell, very clearly, you're likely you're going out your second job come even close to what you were making in the job you held for 35 years is not a unique example—we're told across the country that the decline in wages and salaries when a person loses their job as a result of outsourcing or the closing of

manufacturing facilities is a decline of about 25 percent in income. That goes on all across the country and you watch that then decline occur and all the implications of that in terms of buying power and all the other things you've mentioned.

Secondly, the loss of other jobs, and you've made this point, Mr. Doolittle, and you mentioned at least three, I think you said three other companies in the town of Greenville are going to probably close or be severely be curtailed in their operations as a result of the closing of the chain or moving of Electrolux to Mexico. I don't think people understand that. That's three jobs for every one that's lost in the manufacturing sector.

The national statistics are you lose three other jobs, so you talk about 2.8 million manufacturing jobs being lost, that number is compelling enough but understand that the real number is three times that much because of the jobs that are lost in the retail sector, because people aren't buying, it's loss of the jobs in the professional sector because people aren't using the services that they otherwise do and certainly loss of jobs in the services sector as well. So, there is a real decline going on.

Thirdly, and a quick comment about this if you would, and that is about your children. I was deeply moved as you went over your testimony, Mr. Doolittle, as you talked about your family. You're a fighter; I've got a feeling some way or another you're going to do OK, but you're worried about your kids.

Mr. Doolittle: Right.

Senator Dodd: And all of us do. Cause we don't want to be the first generation in this country that leaves your children or your grandchildren a country that offers less opportunities that you or I got and we're very much on the risk of doing this. If this administration and those that support it continue what they're doing, our generation, this generation are going to have a lot less opportunity and America is going to look a lot different than when you did and when your parents grew up. There was always a sense that things were going to be better. I was wondering if just the two of you would comment on those three observations.

Mr. Antisdell: What? Pardon Me?

Senator Dodd: Well, just tell me about your kids and your family?

Mr. Antisdell: Well, yes, well I do, my son he works for TDK Corporation. My daughter-in-law works for a mortgage company, where the mortgage boom is going to be

gone. I do, I definitely worry about my son losing his job to overseas; he works a customer service job.

One thing, although the internet is wonderful, that's one of the reasons I lost my job, because they put all the engineering drawing and drafting tools on the internet so you can be any where in the world and do the job and someone can pull it up immediately. That's what's causing a lot of the white-collar work to go overseas.

As I said, the state of Illinois, almost 8,000 jobs just because they can be done on the internet were gone they were white-collar works and as you said, the restaurants, everybody around there, they're all hurting.

Mr. Doolittle: Sir, to answer the second part of your question there. In addition to the 2,700 jobs that are at Electrolux the other three plants that are surrounding us that provide us with parts, they will be moving. That's another 500 jobs there. So, it's actually the ripple effect, so instead of it being a stone it's like a big boulder. And for the third part of your question the jobs that kids would normally get when they first get out of school to get them in to the workforce or to gain money even between when they come home from college, like my daughter, those jobs will be filled by us. So, they won't even have their jobs that usually help them get extra spending money in between their college they won't be there because they will be filled by the older workforce.

Senator Dorgan: Mr. Antisdel and Mr. Doolittle, thank you very much for being with us. We appreciate your testimony.

Mr. Antisdel: Thank you for having us.

Senator Dorgan: Yes, I'm going to ask the next panel to come forward. We have a fellow that's been urgently seeking attention—why don't you go ahead. Yes, just for a moment and while you do that let me ask the others to begin to come forward, Ralph Gomory, Herman Daly and Harris Miller, if you would come forward and yes sir why don't you proceed.

Mr. Glock: Well, my name is Ray Glock and I worked for [inaudible] for 40 years, I walked away with nothing.

Senator Dorgan: Tell us your name. Would you pull up that microphone very briefly? We'll keep this relatively informal.

Mr. Glock: I worked at [inaudible] for 40 years and I walked away with nothing, no health care, life insurance. You know the government sees their pension plan under the PDGC Corporation. Now everybody thinks you're safe, but you're not because if you keep drawing out of there then that's going to go broke. Well, what I'm saying is I'm getting a double hit.

I put 40 years down and still get nothing. I went to the Veterans Administration to get health care and I just got in under the belt because you know Bush told Principi, who is your VA Secretary you understand, that he had to cut somewhere so he cut priority seven and eight veterans off. So, the veterans that were going down there to get health care that they never used before. See what happens is we were all using Blue Cross and Blue Shield, now the government sees, hey you guys are all running down to Fort Herald, where I go, and signing up for health care and we can't, the government says they cannot afford it.

So, all the veterans—I'm on the [inaudible] commission, I'm the commissioner—I'm also on Senator Barbara Mikulski's Veterans Advisory Committee, I meet with her. And I was telling her about the problem that veterans can't even get VA care and saying, "Well, why are you guys coming down here, cause I don't have no health care, and why can't the government take care of me, I served 16 months in Korea, and if I hadn't just got in under the wire, I wouldn't get VA benefits." They only ones they want to take care of now are service connected, if you got wounded or something but you can be up on the front the same as the other guy that got hit and he gets taken care of and you don't.

Senator Dorgan: Tell me your name again.

Mr. Glock: Raymond H. Glock. G-L-O-C-K, like the Glock gun, but I'm no relation to him. But anyhow.

Senator Dorgan: Alright, Mr. Glock, let me—because we have limited time today, let me say this to you. This veterans issue is something that we're all working very hard on, we're very aware of. There will be amendments next week on this issue, to restore the funding for veterans health care, and I think there are about three amendments in this Budget committee. But let me ask if you would do this. You indicated you worked for 40 years for—

Mr. Glock: Forty years.

Senator Dorgan: —for U.S. Steel. Would you be willing to put your story in writing so that it would become a part of our record? Regrettably, we don't have time for all the folks to testify.

Mr. Glock: OK, send it to you?

Senator Dorgan: Yes, if you would be willing to do that, it would be very helpful to us. We'll have someone visit with you before this is over and give you the address to send it to and we'd very much appreciate that.

Mr. Glock: OK, I appreciate it, too.

You know when I pledge allegiance to the flag, I don't know why, I was standing next to Paul Sarbanes, we'd just got done pledging allegiance to the flag, I said to him, Senator, we just pledged allegiance to that flag, how come our corporations don't? They pledge their allegiance overseas. That upsets me.

You know, so in closing I'd just like to say, no more son of a Bush, cause that's what he is, a son of a Bush.

Senator Dorgan: Ok, well thank you very much [audience applause] for being with us this morning. Mr. Gomory, would you please. [audience applause]

Senator Lautenberg: Mr. Chairman, I just want to ask you a question, you know why we have to cut these veterans benefits. I'm a veteran, too; I'm older than you so have respect. But, Mr. Chairman, where's your thinking? We need the tax cuts for the rich people in this country so we can't give it to those veterans, so what are you looking for, are you trying to take it away from the rich guys, come on? [audience laughs]

Senator Dorgan: [laughs] Senator Lautenberg, we'll have some votes on that next week and you and I will be voting the same way on these issues. To restore that funding to veterans health care. It is an outrage that we ask men and women to serve their country, give them a promise and then come back and don't keep that promise. Especially, with respect to veterans health care. We have three people that have thought a lot about this subject of jobs and outsourcing and we're very pleased they could be here.

Ralph Gomory is president of the Alfred P. Sloan Foundation, formerly Princeton University, an inventor; I can go on for a long long long while here describing Mr.

Gomory's background, but he's quite a remarkable American. We very much appreciate your being with us, Mr. Gomory.

Herman Daly is a professor of economics at the University of Maryland, School of Public Affairs, previously served as a senior economist at the World Bank, alumni professor of Economics at Louisiana State University.

And Harris Miller is president of the Information Technology Association of America and he's also president of the World Information and Technology and Services Alliance representing 53 high-tech trade groups around the world. Governor Mark Warner of Virginia recently appointed him advisor to the Virginia Research and Technology Commission.

Let me thank all three of you for being with us today. You may summarize your testimony. Let us begin with Mr. Gomory. Mr. Gomory.

Mr. Gomory: Well, Senator, I would like to thank you, and the other senators for this opportunity to talk to people whose opinions really weigh in and matter in these subjects.

I think after already having heard what I have heard, that what I am going to say is going to be very unpopular, but I am consoled by the thought that if I was addressing a group of Republicans, my views would be equally unpopular.

I would like to start by saying that the trade theories on which many of the attitudes of people towards offshoring or having plants overseas, the theories on which these attitudes are based are about 200 years old today. They were built up in a world quite different from our own. Trade today is very different. Trade 200 years ago, thing that's taught to all classical students of economics, you sort of have England trades with Portugal, England's good with raising wool and making textiles in Portugal, and Portugal is good at wine and they both benefit with that exchange, and it's stable, it doesn't change. It's hard for the British to grow wine in England and vice versa. That is the world in which trade theory evolved.

Today's world of international trade and we are talking about international defect when we're talking about offshoring of jobs loss is quite different.

First of all, the scale is enormous, but more important, it is constantly changing. Britain could not change its climate in order to grow grapes, but almost any country today can change its industrial climate. It can learn if it does not already know how to, to assemble telephones. It can learn to assemble athletic shoes, so that the capabilities today of a country are extremely changeable.

The second thing that keeps changing today is technology itself. When we talk about the loss of manufacturing jobs today we are talking about the fact that goods can be manufactured abroad and shipped in container ships rather easily and cheaply, to the United States. And when we're talking about the loss of service jobs, we're talking again about the loss of service jobs, we're talking about the technological change which has made telephone or data interchange with Asia trivially cheap. The notion of having a call

center in Asia 20 years ago would have been ridiculous; you couldn't afford the calls to the call center.

So the world we're in today, the advantage of one country over another in a free-trade environment, keeps changing. It's changed by technology and it's changed by the actions of companies. Very different from the static and naturally changing environment of 200 years ago. So, every time a plant is built in China, or for that matter, every time we send a student to graduate school in this country we get a different free-trade outcome.

And the question is not so much in my mind, is free trade the answer, the question is how do we get a good free-trade outcome and are we getting it now. Those are the questions.

Now all these different trade patterns that are building up, let's say from the manufacturing in China or the development of software in India, they're all different. They all have different impact on the countries abroad and on our own country. That impact comes at three levels. The impact that is clearest, most visible, most human, and easiest to document is the local level.

The impact on the people displaced by offshoring or by plant closing you can see that negative impact very simply and in graphic terms. The second impact, however, is a national impact and this is more theoretical, it's harder to see, but it would be important to quantify it and that is the fact that these plant closing and offshoring result in cheaper goods imported to the United States.

We heard an example of Wal-Mart. Wal-Mart is getting 10 percent of its goods from China; well, Wal-Mart is famous for giving the consumer a good buy. That's part of how it does it.

The first impact, the local impact, is clear: it is concentrated, it is human. The second impact, which is cheaper goods, if it is cheaper goods, and I want to come back to that important point, is diffuse and it's spread over the entire country and difficult to get a feel for. Now I want to say something about this. Where as many economists believe that offshoring or plant closings automatically result in benefit, other than the local impact, Professor Baumol and I have written a book on this subject, we would not agree with that. The overall impact actually does depend on the situation.

If we're dealing with a country with sufficiently low wages, it is likely that that beneficial impact will be large. On the other hand, if we're dealing with a country that is like us and increasingly becomes like us then there is probably a negative impact. So, one cannot be clear that the free trade outcome is actually beneficial even on the national scale. That does depend on the situation, and that's an important thing to keep in mind, because it is often that point which is used against the local impact.

And finally, although the people in this room, are not in the front of their minds, there is an international impact which weighs in with certain groups, which is, we should consider the benefits to India as well as the benefit to the United States.

Now we have heard a lot here about the effect of corporate actions. I can only say that we have to understand that we have a system problem here. Corporations as they are

constituted here in the United States, their first duty is A, to stay alive, and B, to make a profit for their shareholders. It is not clear that in executing that duty, that their impact on the United States is necessarily either positive or negative. It is whatever it is. It is not the consideration, under the present circumstances and under the present incentives, that's not what they're there for.

And I have seen enough corporations to know that when they open up in China they know that if they do not and their competitors do not they will not be around for long. So it isn't so much the villainy of the individuals. It is the working out of our system, and we need to consider that and how difficult that is to change if we want to change that.

The question will arise: What is the overall effect, right? In the economic models, usually the local effect is given rather short shrift because it's complex; it doesn't lend itself very well to analysis, and it's different in every case.

What is the national impact? I say that isn't completely clear, and therefore it's hard to sum these up. I know what I do not know, and I do not know the answer. However, I am confident that if you want an answer, there is no shortage of people who will give it to you. But what you'll get are two different answers. The people who rely solely on Ricardian models will talk about comparative advantage.

That is not a correct assessment necessarily because the question is not: Is the free-trade outcome better or worse than no-trade or a protectionist outcome, which is what is usually asserted as automatically better? The question is whether, with the developing capabilities abroad, as we go through one economic equilibrium after another and circumstances change, is that change an upward or a downward one? All of these changes satisfy the mysterious conditions of comparative advantage.

So I would like to say that you will get that answer from those people and you will get, as you heard today, for those who focus on the human and local impact, a very different answer. So we do have to weigh the diffuse gains, when they are there and if they are there, against this sharp impact. And I know I don't know the answer but I know you can get lots of answers from other people. I do appreciate the opportunity to point out to you these different levels of impact, and I thank you for the invitation to be here.

Senator Dorgan: Mr. Gomory, very interesting. Thank you for your comments. Next we'll hear from Herman Daly, a professor of economics at the University of Maryland School of Public Affairs, formerly a senior economist at the World Bank. Mr. Daly?

Mr. Daly: Thank you very much, Senator Dorgan, and thank you for having this hearing and for including me among my fellow citizens here to speak on this important matter.

You mentioned earlier...you quoted John Maynard Keynes to the effect that in the long run we're all dead. I'd like to add another quotation from Keynes which is that he said, "The influence of economists whose common sense has been insufficient to check their faulty logic has been disastrous to the latest act." I think he may have had this situation

in mind, although it's a little out of sequence time-wise. I call attention to the written submission which James Socas and I submitted to the committee, in which we make an attempt to explain why the views of Mr. Mankiw and this allegiance to comparative advantage is not only against common sense but it's also against basic economic theory as it comes from Ricardo, Keynes, and others, and recently elaborated by Mr. Gomory and Baumol.

I'd like to take off on a little bit different tack for my short remarks now, and just look at offshoring within the general context of globalization. I think it's the latest step in the rush towards globalization, and towards global economic integration which is a very different thing from the internationalist, federative system that we had after Bretton Woods and which has grown up now.

So I'd like to make a distinction, if I may, that I think is very important, between internationalization and globalization. Internationalization refers to the increasing importance of international trade, international relations, treaties, protocols, alliances, and so forth. International, of course, means between or among nations, but the basic unit of community and policy remains the nation, even as relations among and between nations become more and more critical and important. That's internationalization. I don't know of anyone who's against that. That's there. That's inevitable. That's important. And we have to do it.

Globalization, I think, is something rather different. It refers to the global, economic integration of many formerly national economies into one global economy. How does that happen? By free trade, mainly by free capital mobility, and also by free or easy or uncontrolled migration. So it is the effective erasure of international boundaries for economic purposes.

If goods, capital, and people can cross boundaries without any interference, then those boundaries no longer have any economic significance, and we've merged into a single unit. Indeed, the word integration comes from the word integer, meaning one or whole. And when we integrate, we put many former... we combine into one whole the previous parts. Since there can only be one whole, one unity, with respect to which things are integrated, then it follows logically that global economic integration implies national economic disintegration. I don't mean by disintegration the annihilation of productive capacity, but the tearing out of the national context the pieces of the economy which are then reintegrated into the new unity—the global economy. But this is important. As the saying goes, "To make an omelet you have to break some eggs." And the disintegration of the national egg is necessary for the integration of the global omelet. And it's dishonest to celebrate all the benefits of globalization without acknowledging these enormous costs of disintegration at the national level.

So no one, I think, is arguing for isolationism. Of course the world is highly interdependent. But interdependence is not integration. Those are very different things. Interdependence is to integration as friendship is to marriage. It's a much bigger deal to get married than to be friends. All nations should be friends, but probably we should not attempt multilateral marriage. That would be, I think, a disaster.

So all of this points to an emphasis on restoring—it's really rather conservative—restoring our post-1945 approach to internationalization and getting away from this very radical move towards globalization, which, as Senator Stabenow pointed out, is fundamentally a race to the bottom.

So, in the current system of integration, we no longer have U.S. capital and U.S. labor cooperating with each other to produce U.S. goods which then compete in a global market against, say, Chinese goods produced by Chinese labor and Chinese capital. That's the old free-trade system. Instead, now we have formerly U.S. but now transnational capital moving to China to produce a product with cheap Chinese labor for sale in the United States. Now this is great for a few corporations and capitalists, but all capitalists cannot continue to depend on U.S. purchasing power to sell their product without contributing to U.S. purchasing power by employing U.S. labor. That point has been made by several U.S. Senators already. The incomes generated by the production are sufficient to buy back the product. This in economics is Say's Law—that in producing goods you generate income sufficient to buy back the good you produced.

And so that gives rise to a circular flow of exchange value in economics: expenditure becomes income, income becomes expenditure, and so forth. But if factors in China receive the income generated by production of goods sold in the U.S., then the circular flow is broken, and U.S. incomes will eventually not be sufficient to purchase the new imports plus our domestic production. So the Chinese income generated by the offshoring will mostly be spent in China, and it will not be spent on U.S. exports and not on the goods that the offshoring company is producing in China because those are usually specifically designed for the U.S. market.

So China ends up with more employment and a trade surplus. The U.S. ends up with less employment and a trade deficit. The surplus that China has can then be used to purchase assets in the United States whose future earnings then will be Chinese income, not U.S. Well, it may well be that the gains to China are greater than the losses to the U.S., but that is certainly not the mutual benefit promised under free-trade theory based on comparative advantage. That belongs more under the category of foreign aid. If capital is internationally mobile, then it will be forced to seek—to follow—absolute advantage, not comparative advantage, and one country will lose jobs and incomes while another gains.

I believe this is the systemic problem that was mentioned by Mr. Gomory that corporations that operate in the competitive advantage, they're forced to do this, so this implies, I'm afraid, some change in the rules governing international mobility of capital. That is a really difficult topic, but I think we have to deal with it. Although there would be an increase in world production under this absolute advantage, we would no longer necessarily be achieving a better outcome for each nation.

Specialization in trade, according to comparative advantage, as envisioned by free trade, is a very clever second-best strategy for the capitalist who, for whatever reason, is not allowed to invest abroad, who has to invest at home. And this...this then is the reality of today's economy, that comparative advantage is out the window because you no longer—capital no longer has to stay at home, absolute advantage is what governs, and so the

result is that from the point of view of the capitalist, China and the U.S. are just different regions of the same integrated global economy. They're not separate national communities, serving their own, distinct public interests. And I think that's an important issue for discussion.

It seems to me in closing—I'll just editorialize—that it seems to me that China is quite capable of looking out for its own national interests. The U.S., on the trade issue at least, seems to me to be rather muddled, about whether it is even a nation. Thank you.

Senator Dorgan: Mr. Daly, thank you very much for your testimony.

And finally, Mr. Harris Miller. Harris Miller is president of the Information Technology Association of America. Mr. Miller, thank you for joining us.

Mr. Miller: Well, thank you for having me, Chairman Dorgan. It's a real great honor to be here, particularly in front of Senator Lautenberg who 43 years ago founded the organization which I now head, though after he hears my statement he may choose to disown that.

Senator Dorgan: Senator Lautenberg, would you wish to make an introduction here?

Senator Lautenberg: No, I want to hear more about what I did for the ITAA.

[Laughter.]

Mr. Miller: Senator Lautenberg was a true visionary, Senator Dorgan, who got together with his colleagues and created the first IT association to represent the IT software and services industry of this country back in 1961. We at ITAA are certainly grateful for his leadership and foresight in the early days of the computer industry.

I really want to make five general points and then talk about some specific data today. Number one, the global sourcing challenge to the U.S. IT software and services industry is real. This is not just a figment of people's imagination. However, number two, the current situation and responsible future projections are not as dire as some would believe by reading the headlines and looking at some of the data that have been presented. Number three, and this is critically important, the United States today runs a large trade surplus with the rest of the world in IT software and services. A surplus, unlike almost anything else you can think of, except for airplanes and that's because we have a duopoly in the world and we have one manufacturer and Europe has the other. Firstly, everything

else in the world we run a deficit—automobiles, oil, textiles. In IT software and services, we're winning the global battle. Number four, the way to deal with the global challenge we believe is to run faster and jump higher, not try to throw artificial barriers in the ways of our competitors. And finally, we do need a proactive policy to deal with this new competitive reality, which we call the "New Competitive Reality Program," which will bring together government, industry, and academia to figure out a positive agenda to continue the ability of U.S.-based companies to be so successful in the global marketplace.

The U.S. IT industry continues to be a very successful industry. Yes, we've gone through the dot-com bubble and then burst. Yes, we've gone through the telecom bubble and burst. But it's important to know that today, in 2004, we have half-million more jobs in IT and services today than we had five years ago.

Most of this hearing is focused on manufacturing and the points that you've made with the charts here about the drops in manufacturing jobs over the last few years. But the IT software and services industry, even with the bursting of the dot-com bubble, the absolute numbers continue to grow. And the Bureau of Labor statistics in this report issued last month continues to project that between now and 2010 seven of the top ten fastest-growing occupations will be related to IT, the other three being primarily related to health care.

So what are the public policy threads that we need to pull together—that you as legislators can help to address to help the IT industry and the software and services industry maintain its ability to be so successful? Clearly, we believe it brings together numerous policy threads, including trade issues and trade barriers, business immigration, education and training, international tax policy, U.S. employment policy, health care cost containment, international tax policy, and even the issue of stock options. Let me talk about some of these points more specifically.

First you've seen these numbers about the number of IT jobs going offshore and earlier in the hearing you presented a chart based on data from Forrester that showed a projected 3.3 million jobs going offshore between now and 2015. It's important to note that of those 3.3 million jobs that they're projecting, which is much higher than anyone else is projecting, but even taking that number, only 400,000 are IT jobs—less than 20,000 IT jobs a year. It's also important to note those are gross jobs. Those are not net jobs. Those are not talking about the jobs that will be created, and Forrester doesn't pretend otherwise. That doesn't talk about the jobs that will be created because our companies continue to be successful in selling abroad.

Many household name successful IT companies that you all know very well—they're in the news every day—earn 40, 50, 60 percent of their revenue from selling to companies and to governments—and to governments, I emphasize that in light of the discussion in the Senate in the last two days about Senator Dodd's amendment—IT products and services. As Thomas Friedman pointed out in an article he wrote in *The New York Times* earlier this week, he went to India prepared to write an article about unfair competition, and he walked into an office and found computers made by HP and software made by

Microsoft and tennis shoes worn, made by Nike. So we have to realize that the global market is also very important.

A second point that we have to understand is that we are facing a medium or long-term challenge in terms of IT workers in this country. Former Clinton administration official David Ellwood, who's currently at Harvard, has written an article recently about the number of IT workers who will be retiring over the next few years. The U.S. workforce grew 54 percent between 1980 and 2000, yet over the next 20 years the growth in workers between the ages of 25 and 54 will be just 3 percent. So we are concerned certainly in the short-term about unemployment, but the longer-term concerns in terms of our global competitive advantage have to do more with the shortage...the potential shortage because of the end of the baby boom period.

A third data point: The IT industry is coming back. In the second half of 2003, as Senator Lautenberg and others who follow this industry know very well, for the first time in three years we finally had growth in the IT sector in the U.S. And companies like Precursor, which makes their living making these predictions and have been incredibly accurate both in the upturn and downturn, are projecting corporate IT spending will grow by 7 to 10 percent this year, a very healthy growth. I was just recently with 15 of my top executives at a retreat to discuss this coming year, and for the first time in three years I actually heard them use the word "good" and "business" in the same sentence. So I think that's a good sign that people are getting more optimistic in my industry and seeing more opportunities out there.

Now let me talk again about a couple of issues that we think are critically important. And I would particularly refer you to a speech that Senator Baucus gave earlier this week at the Brookings Institute, and I was on a panel after that, which I think show the kind of very aggressive and thoughtful and positive steps to help the U.S. be more competitive. Number one, which has already been discussed by this panel to some extent, is extending trade adjustment assistance to workers who do things other than in manufacturing. That's been an issue that's been debated for several years. Senator Baucus has long been an advocate. We think that makes great sense and we in the IT industry support that because there is going to be dislocation. Even with the overall growth, there is going to be dislocation, and that's what ITAA is meant to address. Secondly, we need to have education and training at the basic level focused and refocused. Senator Dorgan, as you and your colleagues know, our high school students rank 17th in the world—17th in the world—compared to their peers in math and science testing. That's an abomination for a country that claims to be the leader in ideas. We cannot continue to tolerate that. Thirdly, we have to rethink the training dollars that the federal, state, and local government spends. Traditionally, almost all those dollars have gone to a very good, I will admit, social purpose, which is training people with minimal skills or no skills to get into the workforce, and that's important.

What we have not done is done a particularly good job of providing a 35-year-old, unemployed IT programmer, who perhaps did not work for a company where he or she was able to update his or her skills, funding to go back to school. So I think Congress needs to look at that, and address funding from the federal government—loans or grants—to help those mid-career people get readjusted. As former Secretary of Labor

Robert Reiss has pointed out, the average workers can have five to eight careers in the 21st century, and we have to take that into account when we're designing our training and education program.

Stock Options, why do we care about stock options? Let me give you a hint: China's going to stock options. They've realized that one way you get an aggressive and thoughtful and bought-in task...employee group is to give them a sense of owning the company. And Senator Reid has put force a compromise that would take the top five executives and make the...expense those, so try take the political controversy out of it, and encourage the Democratic Policy Committee to support the approach that Senator Reid has developed with his colleague on the other side of the aisle, Senator Enzi, as a very realistic approach.

The next point is trade. And I think... I didn't agree, in all honesty, with everything I heard Senator Dodd saying on the floor the last two days, and I did watch most of the debate, but I think the one point he made is we have to press our competitive advantage to force other trade markets open and do a better job. For example, right now the IT industry has three major controversies with the country of China. They're talking about creating a "Made in China" policy only for software, which we think would be terrible because China—the government of China's—a huge marketplace and we think they should buy software wherever it's made in the world, including the U.S.

They're talking about creating wireless standards that would be incompatible with all other wireless standards in the world. And they currently have in place something that we believe is a clear violation of the WTO which is a vat differential based on whether the chips are made in the U.S. or whether they're made in China. And that on its face is a blatant disregard of what they committed to when they joined the WTO, so we encourage specific kinds of agendas.

Let me finish up, Mr. Chairman. I'm past my time. I think that there are positive things that can be done. I think Senator Baucus and others in the Democratic side, as well as on the Republican side, are coming up with creative ones. But I hope the Senate will not turn to things that are negative and will create a trade war. We in the IT industry are successful globally. We need to press our advantage, not to try to create false reasons not to trade globally. Thank you very much.

Senator Dorgan: Mr. Miller, thank you very much.

Senator Lautenberg: And I thank you, Mr. Miller, as well.

Senator Dorgan: Senator Lautenberg, thank you for being here.

Picking up on your last comment, there isn't a Democratic or Republican way to lose your job. I mean, this is not about partisan politics. It is part of the political system to have a discussion about our economy and about the rules of trade.

First of all, let me say I thought the testimony of the three of you was very interesting. I both have studied and taught economics, and I tell people that I was able to overcome much of that experience to go on to do other things in life. This discussion of economic theory is very interesting. Mr. Gomory you talked about England and Portugal and sheep and grapes, by which they produce wool and wine, and the two countries then trade country to country. That was a doctrine of comparative advantage that Ricardo talked about, and only that. We don't have that at this point, you know.

Now we have corporations moving around the world, and you don't have country to country trade of the same type, and it seems to me to the extent that anybody uses comparative advantage, they use it improperly these days. The only extent to which comparative advantage exists, I expect, is if someone wants to move a job somewhere and can discover a location—and I could point them to the locations—where you hire people, you can hire kids, pay them pennies, put them in an unsafe plant, and fire them if they try to organize. Is that a comparative advantage in that country—that that country has determined works for them, to attract American jobs? Sure it's a comparative advantage. It's an awful thing to have happen because we fought for a century for some common sense on these issues—child labor, fair wages, right to organize, safe workplace, environmental standards.

So, the comparative advantage these days is to pole vault over one century of debate, discussion, and, in some cases, demonstrations in the streets in which people lost their lives in this country fighting for the right to organize, and I just don't think that we discuss enough about: What is the admission price of the American marketplace? Is there an admission price? Should the admission price at least be to say, starting at the bottom, we will not allow socks to be sold in American department stores that is produced in Chinese prisons. Okay, so everybody says, "We agree with that," and we have agreed with that specific issue. That's the admission price at the moment. No socks from a Chinese prison shall be on the shelves in an American department store. Why? Because it's unfair. Okay, then if it's not socks from a prison, what about socks produced in a plant with people who make a dime an hour at age 12, working in unsafe plants, working seven hours a day? Is that fair competition? Should there be an admission price for the conditions of that production? And should the American people have to compete with that production? And we don't even begin to think about it or talk about it because he minute you do you're called some isolationist, xenophobic stooge that just doesn't get it.

So let me call on my colleagues before I say more than I know, and perhaps I've exceeded that already. This is a fascinating, important discussion that's gonna affect the future of this country and the welfare and the ability of families to get jobs in the future. And let me call on my colleague, Senator Stabenow, and at the end, if I have time to comment on Mr. Miller and some of your comments, as well.

Senator Stabenow: Well thank you, Mr. Chairman, and I, too, want to thank each and every one of you for a very interesting presentation. I have many questions. I will not ask them all today, mainly because of an event that we have to attend shortly at noon that is a follow-up to this hearing. But I did want to comment and ask one question. Mr. Gomory, you talked about system problems and changes. New countries...countries can learn new technologies.

Mr. Gomory: Yes.

Senator Stabenow: New technologies are happening and so on, and so that there are a number of issues that need to be addressed, but they deal with systems—

Mr. Gomory: Mhmm.

Senator Stabenow: —system problems that I would say we need to address—

Mr. Gomory: Yes.

Senator Stabenow: —in terms of leveling the playing field—

Mr. Gomory: Yes.

Senator Stabenow: What the rules are, as Senator Dorgan talked about. And as well, Mr. Daly, you talked about that as well in terms of systems, problems, or the need to change the rules. And so I think that's a challenge back to us. I think part of changing that system is our trade policy, and it's not about are we an open economy, and do we trade or don't we trade. It's are we smart about it. And I don't think right now we are very smart about it.

But, and I know we could talk extensively about this, but I'm going to ask just one question based on a comment that you indicated, Mr. Daly, and that is: You talked about something so important I think—the internationalism versus globalization...internationalization versus globalization—and that globalization are basically just saying, "We'll go to the lowest bidder. Throw it open. No rules. See where it goes in a global economy." It's really a radical idea. I mean, would you suggest... The folks right now who say "open trade," and if we talk about any rules, you

know, somehow we're protectionists... The idea of just open, anything goes is pretty radical, instead of creating rules that are good for America and for American workers and for American businesses. Is that... Am I paraphrasing you correctly?

Mr. Daly: Yeah, yes indeed. I think that's very much the case, and I... That's why I mentioned the radical nature of it, is I think it's seen in the change of the attitudes of the IMF and the World Bank, and with the recent WTO.

After Bretton Woods in 1945, the model was one of a federation among nations which cooperate to serve their own national interest. They cooperate, but they're focusing on their interests. And now it seems to me that under the tutelage of the IMF, we've gone more and more towards capital mobility, and just global integration, and the idea is no longer a federation seeking to serve its own interest, but some ill-defined global interest, global welfare, which nobody really knows what it is. And this is a big difficulty, I think, for the IMF because their charter...they're a federation of nation-states, and they exist to serve the interests of their members, and at some point they'll have to explain to their members why their national interests don't count any more and why some global notion of welfare has superceded.

Senator Stabenow: Thank you very much. Thank you, Mr. Chairman.

Senator Dorgan: Senator Durbin.

Senator Durbin: Thank you. I know we're short on time, but I wanted to say to Mr. Miller two things. First, Senator Dodd's amendment included an exception for those countries and their governments which are currently doing business with us, so if they want to buy our computers and software and use our services in the United States, we're prepared to deal with them on a reciprocal basis, so I think that's a very valid point that you made, but one that he was sensitive to and included in his amendment.

Secondly, I want to say a word in defense of education in America. It can be better. It should be better, and we should work to make it better, but to say we were ranked 17th in the world in math and science is to overlook the obvious. Many of the countries that we're being compared to are very selective in terms of who goes to school and who takes the test. In the United States, the door's open, and the test is there for everyone, good and bad students alike. And I think the fact that we continue to lead the world with Nobel Prizes and others in math and science suggests that we don't rank 17th in terms of our firepower and intellectual power when it comes to math and science. And I think maybe that number's a challenge to us to do better, but it really doesn't tell the whole story.

The last point I want to make to you is one which we've not even spoken to. When I was in Dhaka in Bangladesh and went in the Sheraton hotel downstairs to the gift shop I could

buy any CD from the United States for a dollar and any DVD for a dollar and a half. They were all counterfeit. They were all bootlegged. The intellectual property of the United States—whatever it is we've brought together, our gathering of strength in terms of our intellectual ability—is being squandered in countries around the world that are just smuggling it, stealing it, counterfeiting it, taking it away, and we haven't even discussed that. We've talked about jobs and humans as we should start the discussion, but if we're gonna have an honest trade agreement with countries around the world and an IT future, don't you believe that this has to be one of the central parts of the discussion.

Mr. Miller: If I could briefly comment on all three issues. Number one, in terms of education, I know we have an excellent education system. I send a very big tuition check to your state every six months to keep my daughter at Northwestern University—

Senator Durbin: That's good.

Mr. Miller: —and I know what a great school it is, but at the end of the day we can't just have Nobel Prize winners. We have to have a lot of people who are below Nobel Prize winners, and India and China and Korea and Taiwan are cranking out engineers and computer scientists and people with math and science at much higher numbers than we are. Doesn't mean they're always as good, but we're talking about competition, Senator. That's the iron ore of the 21st century. It's those people—not necessarily Nobel Prize winners, cause if they're gonna study at top universities, they're gonna come to Northwestern or MIT or Yale or...they're gonna always come to get their PhDs there—but the middle-level workers who really make the IT network industry go, they're doing a pretty good job cranking them out.

As far as the Dodd amendment, I agree there were exceptions, but a couple of the countries not covered under that provision are China and India, which is a good news, bad news story. On the one hand, they're not as open as we would like. On the other hand, those two countries alone constitute one-third of the world's population, and their governments are finally getting into buying a lot of IT stuff. I've been, as you have, in China and India, many times, and they're buying stuff, and a lot of that stuff has a U.S. label on it, and I don't want to start a trade war with them—and I'm not saying that this will necessarily be a trade war—but I don't want to start a trade war with them.

The third issue—piracy—I'm with you a hundred percent. I mean, piracy in social property protection is absolutely critical. China is still a very sad story. Other countries around the world are still a very sad story. I will tell you that has made some, some major progress because their government has realized that it can't on the one hand be a major software center on the other hand be thought of as stealing. But not perfect in India by any means.

Senator Durbin: The point I'll make, er, I'll go back to your point and concede it. They are generating more students in math and science and we should do better. I don't want to misstate that. But the reason our numbers don't look comparatively as strong is because we have real public education and everybody comes through the door and everybody is tested. And it costs a fraction, a tiny fraction to send a student to school in these countries to develop these skills than what it does in the United States and we have to be sensitive to that.

Thank you, Mr. Chairman.

Senator Dorgan: Senator Durbin, thank you very much. Let me just this is a change the world. There's no question about that and there are real advantages to globalization, but it's very important to understand that globalization has galloped along and the rules have not kept pace. And eventually, *eventually*, we are going to be forced as a country to decide what is in the best of our interest to develop these rules. Especially in this town, as my colleague from Illinois knows, the moment you start talking as we've talked this morning, you are a protectionist, you just don't get it. You just don't. You know, I think there are benefits to international trade and I'm not one to suggest that we ought to shut down trade.

You mentioned trade war with China, you don't want a trade war. God forbid this country is not likely to ever get involved in a trade war. We don't have the spine or the backbone to stand up to *any* country on trade. You know, now we got into a little fracas with Europe, so on beef. What did we do? We slapped Europe around. Do you know what we did? We slapped them around by taking action against truffles, goose liver, and all fowl I guess. You know, it's mind-boggling the way that we deal with our trade issues.

It's my feeling that China has a \$130 billion trade surplus with us, merchandise trade surplus. We ought not let that happen. Part of the reason is China's market's too closed. Another part of the reason: we just did a bilateral trade agreement with China and whoever negotiated with China said, "Well, it's alright if as we phase this in, when we're done phasing with bilateral automobile trade, you can have a tariff that is ten times higher on U.S. cars going to China than we will place on Chinese cars you might want to sell in our country. We'll agree on a two-and-a-half-percent tariff on Chinese cars coming here and you can have a twenty percent tariff on U.S. cars going to China." When I look at that I say, "What in the hell is going on?" Who on earth, what kind of nutcase would have negotiated that kind of bilateral agreement with respect to auto trade between the U.S. and China. That auto trade doesn't exist much any more but to the extent it does, and you talk about a 1.3 or 1.4 billion population as a market for our goods and we negotiate agreements that would give away our farmers give away our stores. I don't understand that.

So this has been really interesting. Mr. Daly, I assume that your views as an economist are pretty substantially at odds with most of the economists we hear around here on trade issues. Huffbauer/Schott, for example, they do this big study on NAFTA. It turns out

they were all wrong and they are still doing studies. You know, there is no right or wrong answer in the field of economics. There, your approach to economics is at odds with most economists'. Would you agree?

Mr. Daly: Yes, that's true. However, that's, I'm just trying to get them to start debating the issue and I find that they're very unwilling, most of them to really come out and rethink it from the ground up. They already know what the truth is so they are not really very anxious to reconsider.

Senator Dorgan: One final point. Mr. Gomory, would you agree that globalization has galloped along and that the rules have not kept pace and that does undermine our interests?

Mr. Gomory: I think substantially. It's simply happening. It is not good at all.

Senator Dorgan: You're, I read your testimony before you testified this morning. It was very interesting and I think it contributes in a very significant way to this discussion. Sometimes this discussion has a lot of flame and then a lot of fans to move that flame around. And I understand all that but I also think it's really important for us to begin confronting these questions.

I don't want to shut off trade, but I want to make sure that trade agreements in the future are mutually beneficial. Mutually beneficial, which is very important and to our country and the countries to whom we negotiate trade agreements and I want to make certain that we make rules that fairly reflect our national interest. That doesn't mean that it's to the detriment of others but it reflects *our* national interest.

Will Rogers finally once said that the United States of America has never lost a war and never won a conference. And he must surely had in mind our trade negotiators, those who have most recently negotiated our trade agreements that have resulted in the largest merchandise trade deficits in the history of our country. But how we can change that and I think that these thoughtful discussions are a step in the right direction.

I want to thank all of you for taking your morning to be with us.