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3 HEARING ON H.R. 4692, THE NATIONAL MANUFACTURING STRATEGY ACT

4 OF 2010

5 WEDNESDAY, JULY 14, 2010

6 House of Representatives,

7 Subcommittee on Commerce, Trade, and Consumer Protection

8 Committee on Energy and Commerce

9 Washington, D.C.

10 The Subcommittee met, pursuant to call, at 2:04 p.m., in  
11 Room 2322 of the Rayburn House Office Building, Hon. Bobby  
12 Rush [Chairman of the Subcommittee] presiding.

13 Members present: Representatives Rush, Schakowsky,  
14 Sutton, Green, Gonzalez, Barrow, Braley, Dingell, Whitfield,  
15 Stearns, Terry, Murphy, Gingrey, Scalise and Latta.

16 Also present: Representative Lipinski.

17 Staff present: Michelle Ash, Chief Counsel; Angelle  
18 Kwemo, Counsel; Tim Robinson, Counsel; Peter Ketcham-Colwill,

19 Special Assistant; Will Wallace, Special Assistant; Brian  
20 McCullough, Senior Professional Staff; Shannon Weinberg,  
21 Counsel; Robert Frisby, Detailee; Sam Costello, Legislative  
22 Assistant; and Ike Brannon, Committee Economist.

|

23           Mr. {Rush.} The subcommittee will come to order. I  
24 want to thank the members of the subcommittee who have joined  
25 us today for participating in this legislative hearing. This  
26 afternoon, we will examine a very important bill introduced  
27 in February by my dear friend from Illinois, Congressman Dan  
28 Lipinski, and I want to commend him for his leadership on  
29 this issue. And at this point, I want to ask unanimous  
30 consent that Congressman Lipinski be allowed to join us on  
31 the dais, be allowed to make an opening statement, and be  
32 allowed to ask questions for 5 minutes at the conclusion of  
33 the opening statements and also the questioning by members of  
34 the committee. Hearing no objections, so ordered.

35           The Chair recognizes himself for 5 minutes for the  
36 purposes of an opening statement. H.R. 4692, the National  
37 Manufacturing Strategy Act of 2010, has bipartisan support  
38 from members of Congress, including many who serve on this  
39 subcommittee. Addressing manufacturing issues is not new to  
40 this subcommittee. Last year, we highlighted the need to  
41 make the exportation of manufactured goods a national  
42 priority for the simple fact that America's manufacturing  
43 sector is an essential foundation of our Nation's economy.  
44 Consider the fact that in 2009 the manufacturing sector  
45 employed more than 11.5 million people.

46 Ladies and gentlemen, that number, though significant,  
47 is not as good as it could be when you consider that 10 years  
48 ago America's manufacturing sector employed 17.3 million  
49 people, meaning that our Nation actually lost 5.8 million  
50 jobs between 1999 and 2009. The bill we are considering  
51 today seeks to make a significant difference in helping to  
52 restore and reposition our Nation's manufacturing capacity so  
53 that American workers can better compete in today's global  
54 economy. Today, we are still fighting our way through a  
55 global financial crisis, and we are facing aggressive  
56 competition from other industrialized nations as well as  
57 emerging countries. Some of our manufacturing competitors  
58 have designed and implemented 5 or 10-year strategic plans to  
59 allow their economies to not only compete globally, but also  
60 to export their goods to our market here at home. The sad  
61 fact of the matter is that these international markets are  
62 not reciprocating by welcoming U.S. goods to their  
63 marketplace.

64 In recent years, the U.S. has actually lost market share  
65 to growing export countries like China, Southeast Asia and  
66 India. If we do not act now, this steady decline will  
67 increase. We simply cannot allow that to happen and,  
68 thankfully, President Obama agrees. I commend the President  
69 for the significant steps he has already taken to strengthen

70 our manufacturing sector. The President's Council of  
71 Advisors on Science and Technology continues its assessment  
72 of the state of our Nation's manufacturing sector, its  
73 policies and its initiatives. Their efforts are moving  
74 steadily toward a set of recommendations designed to  
75 strengthen our Nation's manufacturing sector.

76 With H.R. 4692, the bill we are considering today, we  
77 take a major step toward this shared goal. This bill  
78 requires the President to undertake a deep and broad analysis  
79 of the Nation's manufacturing sector, including the  
80 international economic environment, related technological  
81 developments, workforce elements, the impact of governmental  
82 policies and other relevant issues affecting domestic  
83 manufacturers. Based on this analysis, the President, in  
84 collaboration with key cabinet officials within his  
85 Administration as well as governors, state and local elected  
86 officials and other key stakeholders in the public and  
87 private sectors will develop a 4-year national strategy that  
88 identifies goals and makes recommendations to improve our  
89 Nation's economic growth. Key provisions of this legislation  
90 include a provision requiring that the proposed national  
91 strategy be delivered to Congress and that it be published on  
92 a web site to allow the American people to be able to monitor  
93 for themselves our efforts to change course as we work to

94 return the American workforce to the front line in terms of  
95 manufacturing skills and innovation.

96         With that, I look forward to hearing from my colleagues  
97 on this subcommittee as well as our invited guests. Thank  
98 you, and I yield back the balance of my time. The Chair now  
99 recognizes the ranking member, Mr. Whitfield, for 5 minutes  
100 for the purposes of an opening statement.

101         [The prepared statement of Mr. Rush follows:]

102 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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103           Mr. {Whitfield.} Mr. Chairman, thank you very much, and  
104 I certainly want to thank Mr. Lipinski for this legislation,  
105 and I know that we have people on our side of the aisle that  
106 support it. I do want to give some constructive criticism of  
107 this legislation. I think when we criticize, we also need to  
108 try to come up with suggestions to improve it because all of  
109 us are concerned about manufacturing. But I read through  
110 this bill three times, and I was quite concerned about it.  
111 First of all, we have a sense of Congress on 18 issues of  
112 concern regarding manufacturing, which is fine, and things  
113 like creating high quality jobs and increasing productivity,  
114 those types of issues. And then we have a task force that  
115 would be appointed by the President, and on that task force  
116 everyone on the task force are government employees. And  
117 then after the appointment of the task force, it says at a  
118 minimum they must consider the following issues, and there  
119 are 22, 23 of those issues.

120           Now the task force is to make recommendations. In  
121 addition to the task force, the President is supposed to  
122 appoint a National Manufacturing Strategy Board and there  
123 were 21 people that belonged to that board, and they should  
124 make recommendations to the task force. Now I noticed that  
125 the first report is due on February 28, 2011, and that is not

126 very far from now. And when you consider all the things that  
127 have to be considered and you look at all the guidelines  
128 there also must be goals set and they spell out the specific  
129 goals that must be looked at, and then they make  
130 recommendations to fulfill those goals. Then you have the  
131 Strategy Board itself, and, as I said, it has 21 members, and  
132 of course after the first report is made the Government  
133 Accounting Office 3 years following that first report is  
134 supposed to do a review to determine whether or not there has  
135 been any success in fulfilling the recommendations made by  
136 the task force.

137 In addition to that, in developing each National  
138 Manufacturing Strategy the President acting through the  
139 Office of Science and Technology and Policy, which I believe  
140 will be on the panel today, must enter into an agreement with  
141 the National Academy of Sciences, and I am not sure if they  
142 are with us today or not. But the legislation points out  
143 what things they must consider, and then it talks about when  
144 the first report is due. And then in addition to that there  
145 are further required studies in order to inform future  
146 national manufacturing strategies not later than 60 days  
147 after enactment of this act the President shall enter into an  
148 agreement with the National Academy of Sciences to develop  
149 three more reports, one not later than 14 months after

150 entering into the agreement, two not later than 20 months  
151 after entering into the agreement, and three not later than  
152 24 months after entering into the agreement.

153         And while I have not had the opportunity to look at this  
154 in great depth, it would appear to me that there may be some  
155 ways to make this legislation more effective than it would be  
156 by maybe merging the Strategy Board and the task force and  
157 bringing in the private sector people along with the  
158 government people on the same board. So as I read through  
159 this, like I said, I think it is a wonderful idea. We are  
160 all concerned about manufacturing but this bill is really  
161 complex and there are so many reports due in this bill that I  
162 am quite concerned really about the overall effectiveness of  
163 it. Having said that, I am open to being swayed by our  
164 distinguished panel here, and I would like to also, Mr.  
165 Chairman, just ask unanimous consent to place into the record  
166 a manufacturing strategy for jobs in a competitive America  
167 that was developed June, 2010, by the National Manufacturers  
168 Association in which they set out a number of recommendations  
169 and policies that they think would be helpful to reinvigorate  
170 the manufacturing industry in our county. And if there is no  
171 objection, I would just like to enter that into the record.

172         Mr. {Rush.} Hearing no objection, so ordered.

173         [The information follows:]

174 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
175           Mr. {Whitfield.} And with that, I yield back the  
176 balance of my time although you were kind enough. I still  
177 see I have 5 minutes left.

178           [The prepared statement of Mr. Whitfield follows:]

179           \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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180           Mr. {Latta.} Thank you, Mr. Chairman, and Ranking  
181 Member Whitfield. Thank you for holding the hearing today on  
182 H.R. 4692, which relates to a subject that is very near and  
183 dear to my heart in the 5<sup>th</sup> Congressional District which is  
184 manufacturing. As many of you are aware, the heart of the  
185 Midwest is dependent on manufacturing and agriculture to  
186 maintain a viable and strong economy. In these tough  
187 economic times, it is important that Congress protect these  
188 dedicated, hard-working Americans. Ohio employs roughly  
189 629,500 individuals in the manufacturing sector, and my  
190 congressional district is the largest manufacturing district  
191 in Ohio and the 20<sup>th</sup> largest in Congress. I do have some  
192 concerns, as Mr. Whitfield pointed out, with the legislation,  
193 and other pieces of legislation that have gone through the  
194 committee as we continue to see an expansion in federal  
195 bureaucracy and the creation of new studies in other federal  
196 programs as well as the creation of new commissions.

197           When it comes to a National Manufacturing Strategy to  
198 strengthen our manufacturing sector and help create jobs and  
199 business, we do need a common sense approach. Many companies  
200 and organizations are instituting their own National  
201 Manufacturing Strategy and one that does not need the  
202 taxpayer dollars and studies to accomplish it. Congress

203 needs to create better tax policies and extend current tax  
204 reductions for businesses, small and large, who keep  
205 Americans employed and create jobs for the unemployed, not to  
206 burden businesses and the American people with job preventing  
207 legislation such as cap and trade and the health care  
208 legislation but pass the pending free trade agreements to  
209 create a level playing field with other countries and not  
210 impose harmful rules and regulations that burden or hinder  
211 industries, hinder economic growth and create much  
212 uncertainty that keep dedicated, hard-working Americans from  
213 retaining jobs.

214           With that, Mr. Chairman, I look forward to today's  
215 witnesses and working with the committee on manufacturing  
216 issues that face our country today. Thank you, and I yield  
217 back.

218           [The prepared statement of Mr. Latta follows:]

219 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
220 Mr. {Rush.} The chair recognizes Dr. Gingrey for 2  
221 minutes.

222 Dr. {Gingrey.} Mr. Chairman, thank you. And I want to  
223 thank you for calling today's hearing on H.R. 4692, the  
224 National Manufacturing and Strategy Act of 2010. Improving  
225 manufacturing needs to be a major focus for us to get people  
226 back to work and to grow our economy. Mr. Chairman, I  
227 appreciate your willingness to have the subcommittee receive  
228 testimony on this important issue. Over the past decade, we  
229 have seen a once robust sector of the economy in decline. As  
230 the majority memo for this hearing indicates, we have lost  
231 5.8 million manufacturing jobs since 1999. Given the success  
232 of this industry in the past, this statistic is decidedly  
233 negative. Furthermore, manufacturing continues to represent  
234 a smaller portion of the overall economy given that we have  
235 lost market share to our foreign competitors. Mr. Chairman,  
236 two to three times a year, I convene a meeting of leaders  
237 from across the industry, I call it my manufacturing and  
238 advisory committee, to advise me on how policy coming from  
239 Washington affects their ability to run their businesses.  
240 This is, of course, in my 11<sup>th</sup> Congressional District of  
241 Georgia.

242 I held one of the meetings on Monday, just this past

243 Monday, at Dow Chemical in Marietta, Georgia, and during that  
244 round table session the message I received from them was  
245 overwhelmingly clear, current Washington policies are not  
246 helping create jobs or lower the cost of doing business.  
247 Instead, proposals like cap and trade and the newly enacted  
248 health care law, Patient Protection and Affordable Care Act  
249 of 2010, are only adding to regulatory burden placed on these  
250 companies. Additionally, we have not helped these companies  
251 expand their markets by enacting existing free trade  
252 agreements, Panama, Colombia, South Korea. We have not  
253 provided incentives to foreign companies to invest in United  
254 States by lowering our corporate tax rate.

255         One of the largest manufacturers in my district even  
256 told me that foreign manufacturing companies, his company,  
257 and I won't mention the name of the company but it is a  
258 Japanese company, they want to bring jobs to hard-working  
259 Americans. They will hold off on making those investments  
260 because of the current policies being pursued by this  
261 Administration and Congress, and, more importantly, the  
262 uncertainty of really not knowing how to deal with what is  
263 coming next. So, Mr. Chairman, I do applaud my colleague and  
264 good friend from Illinois, Mr. Lipinski, for raising  
265 awareness of these important manufacturing issues. I look  
266 forward to hearing from our panel of witnesses on how to grow

267 manufacturing in the United States. Indeed, we look forward  
268 to that. And I yield back my time.

269 [The prepared statement of Mr. Gingrey follows:]

270 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
271           Mr. {Rush.} The chair recognizes Mr. Green for 2  
272 minutes.

273           Mr. {Green.} Thank you, Mr. Chairman, for holding the  
274 hearing. I want to thank our colleague, Mr. Lipinski, for  
275 introducing this important piece of legislation, which I am a  
276 co-sponsor. It is important that we closely examine the  
277 issue of domestic manufacturing and how we can bolster our  
278 economy by supporting our domestic manufacturing  
279 capabilities. I am a co-sponsor of this bill because I  
280 believe it takes the right approach toward analyzing our  
281 country's capabilities. This bill directs the President to  
282 develop a long-term plan for supporting our domestic  
283 manufacturing and ensuring that it includes the input of an  
284 array of private sector participants. Currently, there are  
285 many federal programs aimed at increasing our manufacturing  
286 sector, and I am concerned that these programs lack  
287 coordination, efficiency and are reactive to events and may  
288 leave our workers and companies unprepared for a challenge  
289 that will present them in the future. It is important that  
290 we put Americans back to work, and one of the ways we can  
291 accomplish this is by improving our capacity of  
292 manufacturing.

293           Our district in Houston has a great deal of

294 manufacturing related to the oil and gas production,  
295 refinery, and chemical industry, but we have capacity to do  
296 more. This is the story across the country. While our  
297 unemployment has fallen from its peak, we must remain focused  
298 on job creation in short term and long term. I believe this  
299 bill represents a long-term remedy and will give Congress,  
300 the President and private sector stakeholders the tools  
301 necessary to spur growth in manufacturing. Again, Mr.  
302 Chairman, thank you for your leadership on calling the  
303 hearing, and I yield back my time.

304 [The prepared statement of Mr. Green follows:]

305 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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306           Mr. {Rush.}   The chair recognizes Mr. Gonzalez for 2  
307 minutes.

308           Mr. {Gonzalez.}   I waive opening.

309           [The prepared statement of Mr. Gonzalez follows:]

310   \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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311           Mr. {Rush.} The chair recognizes Mr. Terry for 2  
312 minutes.

313           Mr. {Terry.} Thank you, Mr. Chairman, and I am anxious  
314 to hear from our esteemed panel here, the breadth of what  
315 this bill will allow with the new committees to look into  
316 this. I would like to know if we are working under a premise  
317 that the Administration's report that they put out is  
318 incomplete and therefore necessary to duplicate it in some  
319 manner with this bill. I wonder and would like to have input  
320 whether or not these panels will look at, as Mr. Gingrey  
321 said, look at cap and trade. Will it look and say, okay, if  
322 we are going to raise electric rates, natural gas rates, and  
323 transportation fuel whether that will impact decision making  
324 by manufacturers to stay in the United States or move  
325 overseas. Look at the health bill where now we have a health  
326 bill, most manufacturers are over 50 employees, even the  
327 smaller ones that are around my district, and all make more  
328 than 25,000, so they will have more bureaucratic  
329 responsibilities with none of the benefits from this health  
330 care bill. They will even go far as if they buy pizza for  
331 their employees on Fridays that they will have to 1099 Pizza  
332 Hut now.

333           Are those the type of bureaucratic things that you will

334 look at to determine if that provides a lack of incentive to  
335 manufacturers to stay within the United States. Also, look  
336 at OSHA. And I have a letter here from one of our  
337 manufacturers in Nebraska who has one of the best proven  
338 safety programs, so what do they get instead of  
339 congratulations? They get a letter saying your establishment  
340 was selected from a list of low rate establishment and high  
341 rate industries. Congratulations. You get an additional  
342 audit. And we wonder why our manufacturers are moving to  
343 China. There is less government interference in China than  
344 there is in the United States now.

345         And, by the way, this was so intrusive that they  
346 personally pulled all of the employees off the line for  
347 interviews. They walked into every doctor's office and  
348 hospitals in the area asking for employee records. Why?  
349 Because they had a successful safety program. Our  
350 bureaucracy is chasing our jobs overseas. It is not a  
351 secret. I yield back.

352         [The prepared statement of Mr. Terry follows:]

353 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
354 Mr. {Rush.} The chair recognizes the gentlelady from  
355 Ohio, Ms. Sutton, for 2 minutes.

356 Ms. {Sutton.} Thank you, Chairman Rush, for holding  
357 this important hearing on the National Manufacturing Strategy  
358 Act. Manufacturing is the backbone of our economy, our  
359 national security, and our country, and it is long past the  
360 time but we must stand up for U.S. manufacturing. Now I am  
361 proud to say that I am a product of a manufacturing  
362 household. When I grew up it was the time when people could  
363 count on a good manufacturing job to put food on the table  
364 and cover health care costs and supply a pension. But,  
365 unfortunately, our Nation has witnessed the loss of millions  
366 of good manufacturing jobs due to unfair trade practices and  
367 policies that put our companies and our workers at a  
368 disadvantage. Over the last decade, the U.S. has lost  
369 roughly six million manufacturing jobs. In Ohio since 2000,  
370 we have lost more than one in three manufacturing jobs. Many  
371 of these jobs have gone to China. According to a recent  
372 Economic Policy Institute report unfair trade with China has  
373 cost our Nation 2.4 million jobs between 2001 and 2008, and  
374 that is unacceptable.

375 Ohio has lost nearly 92,000 jobs because of China alone.  
376 In my congressional district, 5,700 jobs have been lost as a

377 result of China's current fee manipulation and other illegal  
378 subsidies and unfair trade barriers. These are good-paying  
379 jobs that pay families supporting wages, and they have a  
380 multiplier effect. Each manufacturing job can generate at  
381 least four other jobs in the private sector. So I am proud  
382 to be an original co-sponsor of this bill and there must be  
383 coordination among the various agencies to develop a cohesive  
384 strategy. We just focus on replacing policies that reward  
385 businesses for outsourcing jobs with incentives and sensible  
386 tax policies that will help businesses and workers make it  
387 right here in America. We must develop a trade model that  
388 puts an end, an enforceable end, to current fee manipulation,  
389 illegal subsidies, and product dumping, one that requires  
390 reciprocity of market access, and one that ensures that  
391 products produced elsewhere will be safe for consumption here  
392 in the United States. With that, Mr. Chairman, I thank you  
393 again for holding this hearing, and I yield back.

394 [The prepared statement of Ms. Sutton follows:]

395 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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396 Mr. {Rush.} Mr. Stearns is recognized for 2 minutes.

397 Mr. {Stearns.} Thank you, Mr. Chairman. I want to  
398 welcome our witnesses and also thank you for having this  
399 hearing. I would say to Ms. Sutton and others who have  
400 sponsored the bill that you should be aware that there is a  
401 report by the Executive Office of the President, December,  
402 2009, entitled A Framework for Revitalizing American  
403 Manufacturing. And a lot of the things that you have  
404 mentioned are already in this report. So I think like others  
405 I am a little concerned that by passing this bill, we will  
406 duplicate what has already been done and we are going to  
407 create a brand new commission, like entities. Of course,  
408 that means all new government employees and all that goes  
409 with it when we actually have a report here that is outlining  
410 what should be done to the President, and, frankly, Mr.  
411 Chairman, I think the President has the power and  
412 responsibility to call up any manufacturing CEO in this  
413 country and ask them what should be done. He could canvas  
414 them every 6 months, every 3 months, whenever he wants, and,  
415 lo and behold, he could find out all this information without  
416 passing H.R. 4692.

417 The other thing I have concern about is people talk  
418 about the loss of manufacturing jobs, and I think that is

419 true, but I think one of the reasons is because the corporate  
420 tax rate is too high in the United States. I got a graph  
421 here in 1981 the United States was over 40 percent corporate  
422 tax and most of the OECD countries were at 45 percent. Do  
423 you know what it is today? The United States is at 35  
424 percent and the OECD countries on average are less than 25  
425 percent. So right there is something that immediately, Mr.  
426 Chairman, do we lower the tax rate for corporations? That  
427 would be a big incentive for corporations to continue  
428 manufacturing.

429         Also, I think, as mentioned, signing free and fair trade  
430 agreements to open up new markets is a good idea for American  
431 products, obviously, providing regulatory relief and creating  
432 investment tax credit for new manufacturing investment. I  
433 bet you if we went to the Manufacturing Association and asked  
434 them which approach they would rather have is the corporate  
435 tax relief, investment tax credits, free markets, I think  
436 they would all approve of that perhaps better than setting up  
437 new commissions and new entities and new government  
438 employees. So I think we should caution ourselves as we move  
439 forward but I certainly welcome the panel and am interested  
440 in their comments. Thank you, Mr. Chairman.

441         [The prepared statement of Mr. Stearns follows:]

442 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
443 Mr. {Rush.} Mr. Braley is recognized for 2 minutes.

444 Mr. {Braley.} Thank you, Mr. Chairman, and thank  
445 everyone for the time and attention they give to this very  
446 important topic. It is true that the President has talked  
447 about a National Manufacturing Strategy but it is incumbent  
448 upon us to take the underlying cause of why we have slipped  
449 so far in our country's strong history of manufacturing as a  
450 model for what we need to do to right the ship and go  
451 forward. My friend from Nebraska made the comment that there  
452 is less government intrusion in China than in the United  
453 States. Many of the Chinese manufacturers are, in fact, arms  
454 of the Chinese government so I fail to see how that is  
455 relevant to the conversation we are having here.

456 The reality is that in states like Iowa, which has a  
457 long history of being a part of the Midwestern Rust Belt, we  
458 have seen some of our most reliable employers like Maytag,  
459 Amana, and companies like John Deere, Caterpillar, other  
460 companies that have been a part of the fabric of our state  
461 for over a century start to ship jobs overseas because of the  
462 failure of this country to have a coherent National  
463 Manufacturing Strategy. That is why this bill is important.  
464 That is why this hearing is important. And I look forward to  
465 hearing the testimony of our witnesses as we move forward.

466 Thank you, Mr. Chairman.

467 [The prepared statement of Mr. Braley follows:]

468 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
469 Mr. {Rush.} Mr. Murphy is recognized for 2 minutes.

470 Mr. {Murphy.} Thank you, Mr. Chairman. For more than  
471 100 years the U.S. has ranked number one in the world of  
472 manufacturing output. Next year for the first time since we  
473 overtook at the turn of the 20<sup>th</sup> century, the U.S. is going to  
474 give up that title to China, which displaced more than 2.3  
475 million U.S. manufacturing jobs in the last decade often  
476 selling defective products like toxic drywall and poisonous  
477 pacifiers, which we have had hearings on before. While  
478 unemployment has remained above 9-1/2 to 10 percent in this  
479 country, we have passed bills that have been by all accounts  
480 measure to actually lose jobs in America, cap and trade,  
481 health care, and others. And although we certainly want to  
482 see jobs come out as in the green energy issue such as wind  
483 and solar and also insulating buildings, I would much rather  
484 see us also employing thousands of workers to build clean  
485 coal power plants, nuclear power plants, and rebuilding  
486 America's energy infrastructure which is hopelessly outdated.

487 Our country does need a comprehensive manufacturing  
488 strategy, and, quite frankly, I would like to see our  
489 committee playing a key role in this rather than necessarily  
490 relinquishing it to someone else. Part of that is to make  
491 sure that we are pushing to hold China and other countries

492 accountable for unfair and illegal trade practices like the  
493 Currency Reform Act that Congressman Tim Ryan and I have put  
494 forth ensuring American dollars intended to create American  
495 jobs are invested in American steel and American equipment,  
496 provide American manufacturers with tax relief, tax credits,  
497 loan guarantees, job training, and other financial incentives  
498 all to create American jobs, not create federal agencies and  
499 there is more intrusiveness.

500           One of the questions I want this panel to be prepared  
501 with, I want to know how many of you have signed the front of  
502 a paycheck, how many of you have created manufacturing jobs,  
503 and if we create some other panel in the federal government,  
504 I want those people who have actually done this for a living,  
505 not people who talked about it, read about it, or stayed at a  
506 Holiday Inn last night. Thank you.

507           [The prepared statement of Mr. Murphy follows:]

508 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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509           Mr. {Rush.} The chair recognizes the Chairman Emeritus  
510 of the full committee, my friend from Michigan, Mr. Dingell,  
511 for 5 minutes.

512           Mr. {Dingell.} Mr. Chairman, thank you, and I commend  
513 you for holding a hearing on H.R. 4692, the National  
514 Manufacturing Strategy Act of 2010, of which I am an original  
515 co-sponsor with my good friend from Illinois, Mr. Lipinski,  
516 who is the principal author. I commend him and I thank him.  
517 I would also like to extend a warm welcome to all of our  
518 witnesses today. I very much regret that Ron Bloom, who  
519 played a key and greatly appreciated role in diverting the  
520 disaster in the domestic automobile industry, cannot be with  
521 us today to express his views on the bill. I strongly  
522 disagree with the views of those who consider manufacturing  
523 an anathema to advance economies. Rather, it is an essential  
524 component of these economies. Right to the contrary.  
525 Several of our most prominent trading partners employ  
526 national strategies to support domestic, economic growth in  
527 manufacturing. China and Germany, most notably, use these  
528 strategies to aid their continued global leadership in,  
529 manufactured goods.

530           Indeed, as is particularly the case with Germany, these  
531 manufacturing exports need not be low value added but are

532 rather technologically advanced goods of consistently high  
533 quality produced by very skilled workers. For example, as  
534 the global demand for clean energy technology continues to  
535 grow the strategy mandated under H.R. 4692 would help the  
536 United States develop and maintain a competitive position in  
537 this very important market which is so essential to our  
538 continued world leadership and economic strength. In brief,  
539 I view this legislation as part and parcel of the federal  
540 government's ongoing effort to create much-needed jobs and to  
541 adapt the country's economy to the future. I am quite  
542 gratified to see that H.R. 4692 rightly directs that the  
543 manufacturing strategy mandates include an examination of the  
544 detrimental effect of unfair trade practices on domestic  
545 manufacturing, a very much-needed activity by the federal  
546 government.

547 I firmly believe that the federal government must do all  
548 it can to ensure that our trading partners play by the rules  
549 in order to foster sustainable employment growth here as a  
550 part of a shared advantage to all countries from this kind of  
551 practice. I note this bill comes at a time when my home  
552 state of Michigan continues to endure record unemployment  
553 levels largely due to the hemorrhaging of manufacturing jobs  
554 caused by a decade of unfair trade practices and policies. I  
555 believe H.R. 4692 will serve in good part to right past

556 failed policies, and as such I passionately support its  
557 expedited consideration and adoption. I look forward to a  
558 frank discussion with our witnesses today about their views  
559 on H.R. 4692. I thank you for your courtesy, Mr. Chairman,  
560 and I yield back the balance of my time.

561 [The prepared statement of Mr. Dingell follows:]

562 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
563           Mr. {Rush.} The chair recognizes the gentleman from  
564 Louisiana, Mr. Scalise, for 2 minutes.

565           Mr. {Scalise.} Thank you, Mr. Chairman. I am pleased  
566 that our subcommittee is examining the manufacturing industry  
567 and the need for a National Manufacturing Strategy. I  
568 applaud my colleagues for bringing attention to this issue.  
569 As all my colleagues know, manufacturing is a major economic  
570 driver of our state's economies. In Louisiana alone,  
571 manufacturing employs over 140,000 people and accounts for  
572 over \$40 billion in economic output. I would also like to  
573 point out that the chemical and petroleum industries are tops  
574 among the manufacturing sectors in my state although I  
575 question whether these industries will continue to lead the  
576 manufacturing sector in Louisiana, given the reckless  
577 policies being pursued by this Administration such as the cap  
578 and trade energy tax and the moratorium on energy exploration  
579 in the Gulf of Mexico.

580           The United States must continue to lead the world on  
581 manufacturing. Congress must enact policies that ensure we  
582 do. The legislation before us today seeks to do. The  
583 legislation before us today seeks to undertake a broad  
584 analysis of the manufacturing sector and develop a National  
585 Manufacturing Strategy. I support the intent of this bill.

586 We should look at strategies to help promote the  
587 manufacturing industry so we can determine what policies will  
588 help manufacturers compete in the global marketplace. But  
589 the industry does not need another study. It needs sound  
590 policies. If a manufacturing strategy is the goal all we  
591 have to do is look to the National Association of  
592 Manufacturers, the voice of manufacturing in the U.S., the  
593 very association that advocates for manufacturers, and they  
594 have developed a strategy, the manufacturing strategy for  
595 jobs in a competitive America.

596         It is a comprehensive approach for making manufacturing  
597 in the United States more competitive and productive. And  
598 what does the national voice of manufacturing say should be  
599 our strategy? It calls for lower taxes, less government  
600 regulation, and free access to foreign markets. It calls for  
601 effective policies that spur innovation, promote job growth  
602 and provide immediate results. Unfortunately, we have been  
603 getting the opposite from this Administration who has given  
604 us higher taxes, out of control government spending, and  
605 reckless policies like the President's moratorium on domestic  
606 energy production that is costing us thousands of jobs and  
607 reducing America's energy independence. It is no wonder that  
608 this reckless agenda has cost our Nation millions of jobs at  
609 a time when we should be sharply focused on creating jobs. I

610 look forward to hearing from our panelists today on the  
611 merits of H.R. 4692, and on manufacturing strategies that  
612 have already been proposed. Thank you, and I yield back.

613 [The prepared statement of Mr. Scalise follows:]

614 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
615           Mr. {Rush.} The chair recognizes the vice chair of the  
616 subcommittee, the gentlelady from Illinois, Ms. Schakowsky,  
617 for 2 minutes.

618           Ms. {Schakowsky.} Thank you, Mr. Chairman. I am really  
619 excited that we are having this hearing today. I think it is  
620 probably one of the most important questions that we can deal  
621 with in our country. The manufacturing sector has taken an  
622 enormous hit in recent years, over 10 years from 1999 to 2009  
623 nearly 6 million manufacturing jobs, more than a third of the  
624 entire sector, were lost. There have been many factors which  
625 I am sure a lot of people have talked about including tax  
626 incentives for companies that move jobs overseas. The House  
627 has passed a number of bills to rein in those tax advantages,  
628 but I think more should be done. Under the bill before us,  
629 every 4 years the President would have to issue a  
630 manufacturing strategy that considers federal policies  
631 including tax policy and how they promote or harm domestic  
632 manufacturing.

633           I think a critical component is the promotion of  
634 domestic manufacturing, and I will continue to advocate for  
635 rewards for businesses that create a real partnership with  
636 American workers, engage in good corporate practices, and  
637 improve our standing in the global marketplace. I have

638 introduced a bill called the Patriot Corporations of America  
639 Act, which would reward companies that are good corporate  
640 actors by moving them to the front of the line for government  
641 contracts and giving them a 5 percent reduction in their  
642 taxable income. To qualify, those businesses would have to  
643 produce at least 90 percent of their goods and services in  
644 the United States and spend at least 50 percent of their  
645 research and development budgets in the United States.

646         There is no good reason that the trend of job loss in  
647 the manufacturing sector can't be reversed. There is great  
648 potential in our American companies. In Illinois, academic  
649 researchers in private labs are doing amazing things with  
650 nano technology while smart thoughtful individuals are  
651 transforming educational systems to educate our children in  
652 ways that will prepare them for advance manufacturing  
653 careers. I am optimistic about the future of manufacturing  
654 in America, and I hope this hearing will help us better  
655 understand what our next steps should be. I thank you again,  
656 Chairman, and I yield back the balance of my time.

657         [The prepared statement of Ms. Schakowsky follows:]

658 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
659           Mr. {Rush.} The chair recognizes now the author of the  
660 legislation that we are considering, the gentlemen from  
661 Illinois, Mr. Lipinski, for 2 minutes for the purpose of  
662 opening statement.

663           Mr. {Lipinski.} Thank you, Mr. Chairman. I would like  
664 to request unanimous consent that my written statement be put  
665 in the record.

666           Mr. {Rush.} Hearing no objection, so ordered.

667           Mr. {Lipinski.} I would like to thank my good friend,  
668 Chairman Rush, as well as Ranking Member Whitfield and the  
669 subcommittee for scheduling today's hearing. The Strategy  
670 Act has over 50 bipartisan co-sponsors in the House in  
671 support of a wide-ranging organization. At this time, I  
672 would like to request unanimous consent to enter into the  
673 record letters of support for this bill from some of these  
674 organizations.

675           Mr. {Rush.} Hearing no objection, so ordered.

676           [The information follows:]

677           \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
678           Mr. {Lipinski.} I would also like to request unanimous  
679 consent for the record to remain open for 3 days to allow  
680 other pending letters of support to be entered.

681           Mr. {Rush.} Hearing no objection, so ordered.

682           Mr. {Lipinski.} Thank you, Mr. Chairman. I look  
683 forward to hearing testimony from our witnesses. I would  
684 especially like to welcome Bill Hickey, President of Lapham-  
685 Hickey Steel, a family-owned steel manufacturer located in my  
686 district. Almost 1/3 of domestic manufacturing jobs have  
687 disappeared in the past decade and manufacturing share of GDP  
688 is roughly half of what it was in 1980. It is clear that  
689 allowing this trend to continue will further undermine the  
690 American economy and the middle class and also undermine our  
691 defense capability leaving us strategically vulnerable. To  
692 help avoid this, I introduced the Strategy Act. Although we  
693 currently have numerous federal programs and policies  
694 designed to support American manufacturing, they are  
695 generally disjointed, ad hoc, and reactive diminishing their  
696 impact. The goal of the strategy is to harmonize  
697 manufacturing policy and make a more unified, coherent,  
698 forward looking and result oriented.

699           It is important to point out that this is not an  
700 industrial policy or command market approach. Instead, it is

701 a way to coordinate policy to better support American  
702 entrepreneurship and job creation. This bill was developed  
703 over many months with input and feedback from large and small  
704 businesses, academic trade associations and labor groups. I  
705 look forward to hearing from the witnesses and working with  
706 the members of the committee and others to examine ways we  
707 can improve upon this bill. I have heard some  
708 recommendations for changes we may make to this bill and I am  
709 looking forward to working with members of the committee and  
710 others, as I said, and incorporate some of these changes and  
711 make this a better bill because that in the end is a goal to  
712 make manufacturing stronger in America because it is  
713 certainly something we need for our economy and for our  
714 national defense. I yield back.

715 [The prepared statement of Mr. Lipinski follows:]

716 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|

717           Mr. {Rush.} It is now my privilege to officially  
718 welcome the witnesses who have sacrificed their enormous and  
719 important time to be with us this afternoon for the purposes  
720 of this hearing. On my left, the Honorable Aneesh Chopra.  
721 He is the Associate Director for Technology and he is the  
722 Chief Technology Officer for the Office of Science and  
723 Technology Policy. Seated next to him is Mr. Scott N. Paul.  
724 He is the Executive Director of the Alliance for American  
725 Manufacturing. Seated next to Mr. Paul is Mr. Mark A.  
726 Gordon, who is the Director, Defense Research Programs for  
727 the National Center for Advanced Technologies. And seated  
728 next to Mr. Gordon is Mr. William M. Hickey, Jr., President  
729 and CEO of Lapham-Hickey Steel Corporation, and an  
730 outstanding citizen of the State of Illinois, I might add.  
731 And next to Mr. Hickey is Mr. Owen E. Herrnstadt. He is the  
732 Director of Trade and Globalization for the International  
733 Association of Machinists and Aerospace Workers. And seated  
734 next to Mr. Herrnstadt is Mr. Kevin A. Hassett. He is the  
735 Senior Fellow and Director of Economic Policy Studies for the  
736 American Enterprise Institute. I want to welcome each and  
737 every one of you here and welcome all to this subcommittee.  
738 It is the practice of this subcommittee to swear in  
739 witnesses. So I will ask that you please stand and raise

740 your right hand.

741 [Witnesses sworn.]

742 Mr. {Rush.} Please let the record reflect that the  
743 witnesses have all answered in the affirmative. And now I  
744 want to recognize the witnesses for their opening statement  
745 to be followed by questions from the subcommittee. Mr.  
746 Chopra, we will begin with you, and you have 5 minutes for  
747 your opening statement.

|

748 ^TESTIMONY OF ANEESH CHOPRA, ASSOCIATE DIRECTOR FOR  
749 TECHNOLOGY & CHIEF TECHNOLOGY OFFICER, OFFICE OF SCIENCE AND  
750 TECHNOLOGY POLICY; SCOTT N. PAUL, EXECUTIVE DIRECTOR,  
751 ALLIANCE FOR AMERICAN MANUFACTURING; MARK A. GORDON,  
752 DIRECTOR, DEFENSE RESEARCH PROGRAMS, NATIONAL CENTER FOR  
753 ADVANCED TECHNOLOGIES; WILLIAM M. HICKEY, JR., PRESIDENT/CEO,  
754 LAPHAM-HICKEY STEEL CORP.; OWEN E. HERRNSTADT, DIRECTOR OF  
755 TRADE AND GLOBALIZATION, INTERNATIONAL ASSOCIATION OF  
756 MACHINISTS & AEROSPACE WORKERS; AND KEVIN A. HASSETT, SENIOR  
757 FELLOW AND DIRECTOR OF ECONOMIC POLICY STUDIES, THE AMERICAN  
758 ENTERPRISE INSTITUTE

|

759 ^TESTIMONY OF ANEESH CHOPRA

760 } Mr. {Chopra.} Thank you, Mr. Chairman, and Ranking  
761 Member Whitfield and other members of the subcommittee. It  
762 is indeed my distinct pleasure to be with you today to  
763 discuss the Obama Administration's strategy for revitalizing  
764 American Manufacturing with particular focus on advanced  
765 manufacturing. With your permission, I have submitted a more  
766 formal statement for the record but I would like to share a  
767 few remarks in advance of your questions. This is  
768 background. My mission and my responsibility in the

769 Administration is to harness the power and potential of  
770 technology, data, and innovation to transform the Nation's  
771 economy and to improve the lives of every day Americans. Now  
772 building on the President's strategy for American innovation  
773 which was released last September and its framework for  
774 revitalizing American manufacturing, which was released in  
775 December, I would like to summarize my remarks on how we are  
776 investing in the creation of new technologies and business  
777 practices with emphasis on three key areas.

778         Number one, manufacturing research and development. The  
779 Administration is committed to doubling the basic research  
780 budgets of 3 key science agencies, the National Institutes of  
781 Standards and Technology, the National Science Foundation,  
782 and the Office of Basic Science within the Department of  
783 Energy. In my capacity as the co-chair of the National  
784 Science and Technology Committee on Technology, I am  
785 particularly focused on improving coordination across our  
786 agencies with a goal of establishing U.S. leadership in  
787 advanced manufacturing technologies. For example, the  
788 Defense Advance Research Projects Agency, DARPA, is currently  
789 investing approximately \$200 million a year or roughly \$1  
790 billion over the next 5 years to synthesize and integrate  
791 high value manufacturing efforts. The goal is to shorten by  
792 five-fold the delivery time from concept to first production

793 unit for complex electro mechanical defense systems by  
794 development of system designs, tooling, materials, and  
795 democratized design that enables the advantages of large  
796 scale manufacturing in quantities of one.

797         Second, I would like to highlight computational modeling  
798 and simulation. One technological capability that we believe  
799 holds great promise for enhancing manufacturing  
800 competitiveness is computational modeling and simulation.  
801 These tools impact several key elements of manufacturing  
802 competitiveness, quality, cost, flexibility, and time to  
803 market. Yet, they are not exploited by small and medium size  
804 manufacturing organizations who constitute over 90 percent of  
805 the U.S. manufacturing enterprises and contribute nearly half  
806 of the value added jobs. They lack access to this  
807 fundamental innovation.

808         As the co-chair of the National Science and Technology  
809 Council's Committee on Technology, I stood up a fast track  
810 inner agency subcommittee to identify gaps and challenges in  
811 computational modeling and simulation and to make  
812 recommendations within 90 days. The committee's report was  
813 posted on line for public input on June 24. I obviously  
814 welcome your feedback. By the way, for those interested, the  
815 web site is [openstc.ideascale.com](http://openstc.ideascale.com). Input we have received  
816 thus far suggests among other instruments that establishing

817 regional innovation centers that focus on bringing small and  
818 medium-sized enterprises into the digital manufacturing age  
819 through collaboration efforts or through their supply chains  
820 and software vendors is an immediate and near term  
821 opportunity. Third, I would like to highlight one particular  
822 sector that I believe holds great promise for the  
823 manufacturing economy in the United States, and that is to  
824 highlight catalyzing breakthroughs in the Nation's smart  
825 grid.

826         This particular area, we believe, is poised for growth.  
827 By the way, a topic that happened to have occupied my morning  
828 at a hearing we held at the Brookings Institution a full day  
829 seminar on how we might take full advantage of the economic  
830 opportunities both in terms of manufacturing as well as the  
831 efficiencies that will be gained by the American people as we  
832 modernize the Nation's electrical grid. As you may recall,  
833 the Recovery Act did include \$4.5 billion of investment. In  
834 a sense, that investment will help to expand our  
835 manufacturing base of companies that can produce the smart  
836 meters, the smart appliances, the smart transformers, and  
837 other components for smart grid systems that service both the  
838 United States and we believe could be potential for export  
839 around the world representing a significant and growing  
840 export opportunity for our country and new jobs for the

841 American people.

842           In conclusion, we do believe that the United States  
843 still remains a land of tremendous opportunity and has a  
844 wonderful future. We retain that honor because of America's  
845 scientists, engineers, entrepreneurs and public officials  
846 understood the importance of applying the power of American  
847 curiosity and ingenuity to the biggest economic and societal  
848 challenges. I certainly would welcome any questions the  
849 committee may have. Thank you.

850           [The prepared statement of Mr. Chopra follows:]

851 \*\*\*\*\* INSERT 1 \*\*\*\*\*

852

|

Mr. {Rush.} Mr. Paul, you are recognized for 5 minutes.

|  
853 ^TESTIMONY OF SCOTT N. PAUL

854 } Mr. {Paul.} Thank you very much, Mr. Chairman. I want  
855 to thank you, Mr. Whitfield, members of the subcommittee, and  
856 Mr. Lipinski for inviting us here today to testify. We want  
857 to comment Representative Lipinski for his authorship of the  
858 National Manufacturing Strategy Act, and assuming that you  
859 can agree on some improvements, we urge you to pass it into  
860 law. There is no question that America needs a manufacturing  
861 strategy to revitalize this sector as there is simply no  
862 department of manufacturing, and I am not arguing that there  
863 should be, but it makes perfect sense to harness the best  
864 minds as well as to coordinate among the appropriate agencies  
865 to focus on a government wide strategy to advance  
866 manufacturing in both employment and output terms. Like most  
867 issues that come before you every day, there is no simple  
868 solution to strengthen the manufacturing sector but passage  
869 of this legislation would compliment ongoing and anticipated  
870 efforts that I will detail later in my testimony.

871 Now the idea of a manufacturing strategy is hardly a  
872 radical concept. Alexander Hamilton constructed America's  
873 first manufacturing strategy in 1791. Setbacks during the  
874 War of 1812 due to a lack of domestic capacity to build naval

875 vessels and military equipment cemented the determination of  
876 the federal government to grow manufacturing, a policy that  
877 continued until the end of World War II. Globalization and  
878 economic approaches such as a strong dollar policy favoring  
879 domestic consumption have helped to steadily erode  
880 manufacturing as a percentage of gross domestic product,  
881 private sector employment and by other key measures.

882         The idea of a manufacturing strategy is also not a  
883 partisan one. President Reagan, spurred on by Democratic  
884 congress, adopted a flurry of measures to counter a grossly  
885 imbalanced trade relationship with Europe and Japan in the  
886 1980's. The Plaza Accords, which raised the value of  
887 currencies in Japan and Europe relative to the dollar in a  
888 managed way, had a positive effect on lowering our trade  
889 deficit. Key government investments in the semiconductor  
890 industry and other technologies spurred their development and  
891 commercialization. President Reagan signed into law enhanced  
892 Buy America requirements for certain infrastructure projects  
893 to boost domestic employment. His administration implemented  
894 the Market Oriented Sector Specific, or MOSS talks, with  
895 Japan that focused on market access with measurable results.

896         Most recently, and has been mentioned by several members  
897 here, the Obama Administration released its framework for  
898 revitalizing American manufacturing. The document recognizes

899 the importance of manufacturing to America's economic future  
900 and talks about a number of important issues, including  
901 access to credit, skills and training, creating new markets  
902 for manufacturing, and improving the efficiency of the  
903 industry. But it is not a substitute for a strategic plan  
904 and for harnessing the best minds within the federal  
905 government to focus on this issue day after day. You have  
906 pointed out in excellent briefing materials the significance  
907 of manufacturing, and I am not going to repeat those  
908 statistics and the crisis that it faces, but I do want to  
909 mention and add a few new thoughts to this.

910       The crisis we have seen in manufacturing has really been  
911 turbo charged over the last decade, and I attribute it to 2  
912 fundamental things. First is the emergence of China as a key  
913 competitor and the way that we approach that by passing PNTR  
914 in 2000, and, second, and most acutely, is the collapse of  
915 the auto and housing markets that we have seen recently. We  
916 have seen problems with manufacturing in the Bush  
917 administration. While the U.S. economy expanded 17 percent  
918 from 2002 to 2007, manufacturing expanded only by 5 percent.  
919 We have also seen 50,000 manufacturing facilities close down  
920 over the last decade, which is an extraordinary rate, and  
921 according to Richard McCormick, who is the editor of  
922 Manufacturing News, there are only a thousand facilities in

923 the United States that employed more than a thousand people  
924 now. Consider that in our manufacturing history.

925         The trade deficit in manufactured goods has quadrupled  
926 since 1997, and we already have significant and growing trade  
927 deficits in both high technology and green technology  
928 products. Now there are a lot of issues on which we could  
929 focus, and we submitted a letter today that I am happy to  
930 submit to the record to the Speaker of the House detailing a  
931 number of steps that we think would be advantageous to  
932 supporting manufacturing that would compliment some of the  
933 ideas that had been suggested by the National Association for  
934 Manufacturing. I also would submit to you that we issued a  
935 book and gave it to every member of Congress last July called  
936 Manufacturing, a Better Future for America, which was written  
937 by a number of key industry experts, including a former  
938 Reagan administration official with more than 300 pages of  
939 suggestions on how to improve the manufacturing sector. I  
940 commend that to your attention as well.

941         I want to close by saying that this is an issue, if for  
942 no other reason, for not economic reason or policy reason, is  
943 simply a matter of what your constituents want. We  
944 commissioned a poll, which was conducted recently, on a  
945 bipartisan basis by Mark Mellman and Whit Ayres. It found  
946 overwhelming support for the idea of a National Manufacturing

947 Strategy. Seventy-eight percent of the American people  
948 supported it, want to help manufacturing. The support is  
949 broad and deep. It is Tea Party members. It is union  
950 households. It is in the south. It is the Midwest. So we  
951 commend that to your attention as well. We thank you for  
952 having the hearing today.

953 [The prepared statement of Mr. Paul follows:]

954 \*\*\*\*\* INSERT 2 \*\*\*\*\*

|  
955           Mr. {Rush.} The chair recognizes Mr. Gordon for 5  
956 minutes.

|  
957 ^TESTIMONY OF MARK A GORDON

958 } Mr. {Gordon.} Good afternoon. Chairman Rush, and  
959 members of the committee, I am Mark Gordon, Director of  
960 Defense Programs at National Center for Advanced  
961 Technologies, and a member of the Executive Committee of the  
962 Manufacturing Division at the National Defense Industrial  
963 Association. On behalf of our 1,700 corporate members,  
964 including 83,000 individual members, I am pleased to appear  
965 before the House Subcommittee on Commerce, Trade, and  
966 Consumer Protection to emphasize the importance of  
967 manufacturing and to support H.R. 4692 in calling for a  
968 National Manufacturing Strategy. Based upon your request to  
969 discuss topics of import in consideration of the Bill, I  
970 would like to address three questions, is manufacturing  
971 important to our country, do we need a National Manufacturing  
972 Strategy at all, and are there modifications to the bill  
973 which may strengthen the process and the resultant strategy.

974 First, we have already heard a lot of numbers about the  
975 importance of manufacturing. I won't add to those, but I  
976 will say that one of the critical elements about  
977 manufacturing is that it creates wealth within the U.S. by  
978 producing something of value from common components or

979 materials. This is critically important in comparison to  
980 wealth transfer or other service sectors. The jobs produced  
981 by the manufacturing activities are generally high paying and  
982 represent an entree into the middle class for a number, a  
983 large portion, of the workforce. Also, manufacturing  
984 multiplies each dollar spent in that sector into an  
985 additional \$1.37 in economic activity, higher than any other  
986 sector.

987         In terms of national security, we depend heavily upon  
988 our domestic manufacturing capabilities. The Defense  
989 Department relies upon domestic manufacturing to equip our  
990 war fighters, and our national security is supported by  
991 economic strength and viability. So, obviously, we need  
992 active support from Congress to support manufacturing. Do we  
993 need a manufacturing strategy? Absolutely. There are many  
994 groups from government, for industry, and academia which are  
995 chartered to further domestic manufacturing agenda. They are  
996 not sufficient or strategic enough to deliver the goals of  
997 H.R. 4692, a national strategy for manufacturing in the U.S.  
998 Government bodies continue to work on policy technology and  
999 other concerns but there are the implementation path of a  
1000 strategy and not setting that strategy. Industry groups like  
1001 NGIA and a host of others propose investment changes,  
1002 policies, incentives, and a level playing field which are

1003 vital issues but they do not represent that comprehensive  
1004 strategy, and academia pursues activities that furthers the  
1005 body of knowledge in manufacturing but does not have that  
1006 strategic division.

1007         We need to have these existing groups work together, and  
1008 I believe that that over arching strategy from this bill will  
1009 fit that need. A Quadrennial Manufacturing Strategy, as  
1010 proposed by 4692, would also provide a stable, well-planned  
1011 national vision for aligning public-private academia  
1012 investment opportunities at the highest level. And we have  
1013 heard about the dangers of uncertainty. I believe that  
1014 private industry responds to certainty and stability with  
1015 investment, and so the existence of a strategy could lower a  
1016 greater corporate investment domestically. There are also  
1017 structural problems that are talked about in papers by George  
1018 Tassej, a senior economist at the National Institute of  
1019 Standards and Technology, that talks about the flaws in  
1020 classic neoclassical economic theory to the high tech  
1021 industry where the Law of Comparable Advantage and reactions  
1022 to that law do not hold up in terms of the data that we are  
1023 seeing in our last three recessions.

1024         In addition, in a March, 2010 letter to Secretary Locke,  
1025 the Department of Commerce's Manufacturing Council also  
1026 addressed this structural change in our economy which has led

1027 to a high degree of uncertainty and will require a  
1028 comprehensive set of solutions to resolve. Finally, I note  
1029 that the President has recently set an ambitious goal of  
1030 increasing the exports of the U.S. by three times.  
1031 Considering this goal, especially in the context of  
1032 manufacturing being the largest export sector, it is quite  
1033 obviously that a manufacturing strategy would be a major  
1034 enabler of this effort. Modifications to the bill would  
1035 strengthen the process and the strategy, I believe. While  
1036 the overall content and the intention of the bill is  
1037 excellent, there are some changes during the markup of 4692  
1038 that can strengthen the purpose, process, and eventual  
1039 strategy.

1040 First and foremost, its relationship between the  
1041 President, the task force, and advisory bodies. I would  
1042 propose that the Manufacturing Strategy Task Force make  
1043 recommendations to the President of a draft strategy instead  
1044 of simply recommendations based upon analysis. Additionally,  
1045 I would further suggest that the listing of Subsections 1 to  
1046 23 of analysis in Section 3b be changed to allow the  
1047 President and the task force the latitude to define and  
1048 prioritize the scope of that analysis without requiring  
1049 duplicate and detailed analysis of all 23 areas. And,  
1050 finally, the modification that may be necessary is a schedule

1051 taking into account the initial stand up period of the  
1052 President' cabinet and advisors. NDIA and its members  
1053 strongly endorse H.R. 4692 requiring the President to conduct  
1054 a Quadrennial Manufacturing Strategy. I look forward to your  
1055 questions.

1056 [The prepared statement of Mr. Gordon follows:]

1057 \*\*\*\*\* INSERT 3 \*\*\*\*\*

|  
1058           Mr. {Rush.} The chair now recognizes Mr. Hickey for 5  
1059 minutes for purposes of an opening statement.

|  
1060 ^TESTIMONY OF WILLIAM M. HICKEY, JR.

1061 } Mr. {Hickey.} Thank you, Congressman. Thank you for  
1062 the kind words before. I want to thank Mr. Whitfield for his  
1063 comments about manufacturing. I am Bill Hickey, President of  
1064 Lapham-Hickey Steel Corporation of Chicago. Lapham-Hickey  
1065 Steel is a family owned and managed steel service center  
1066 founded in Chicago in 1926. Today we have several locations  
1067 in the States of Illinois, Wisconsin, Ohio, Minnesota,  
1068 Connecticut, and Alabama. We currently employ about 550  
1069 people. The steel service center industry is at the heart of  
1070 the manufacturing economy of the United States. We, as an  
1071 industry and a company, purchase large quantities of steel  
1072 products from producing mills and either distribute those  
1073 products in smaller quantities or process that steel through  
1074 specialized machinery to allow our customers lower cost in  
1075 the manufacturing of their products.

1076 Our company processes steel and sells that processed  
1077 product to customers across North America. We have thousands  
1078 of customers in transportation, construction, metal  
1079 fabrication, HVAC, machine tool, power generation, wind  
1080 energy, just to name a few of the industries in which our  
1081 customers produce manufactured products. We are also in a

1082 very strategic position as a company to view the full  
1083 spectrum of the manufacturing economy in the United States.  
1084 I say this since our major suppliers are the steel companies  
1085 that manufacture steel in the United States and the vast  
1086 majority of our customers are consuming the products we sell  
1087 to them in the United States.

1088         Now that I have given you some background on my 35 years  
1089 of working in the U.S. economy and what economic function the  
1090 firm I lead performs, I have to tell the subcommittee that I  
1091 believe we, as a country, have to grow, mine, and manufacture  
1092 for our economy to create the wealth needed by our citizens  
1093 and our government. We, as a country, have experienced much  
1094 economic and social pain in the last several years. I  
1095 believe this economic pain was caused by the massive  
1096 imbalances that have occurred in our economy. Part of these  
1097 economic imbalances have been the large scale destruction of  
1098 the manufacturing economy in the United States in the past 10  
1099 years. Here are some of the facts which we have already  
1100 mentioned, but these are the facts that I live--these are our  
1101 customers that have been devastated over the last 19 years.  
1102 The U.S. manufacturing workforce has declined from 17,250,000  
1103 in 2000 to 11,549,000 in 2010. This is a reduction of 1/3 of  
1104 the manufacturing employment in 10 years. What happened?  
1105 Why do we have this huge drop in jobs in just 10 years?

1106           During the same period the United States had 42,400  
1107 factories that closed. This included 36 percent of all the  
1108 factories that employed more than 1,000 workers. And I can  
1109 tell you when these large factories close the communities  
1110 where they are located are devastated. Why are we losing  
1111 these factories? I have seen these factories close in Ohio,  
1112 Indiana, Pennsylvania, Michigan, Minnesota, Illinois, across  
1113 the Midwest. The case for H.R. 4692. These two facts about  
1114 plant closings and having 1/3 of manufacturing jobs or almost  
1115 6 million disappear in just 10 years, in my judgment, is  
1116 justification to enact H.R. 4692. How do we create  
1117 sustainable economic growth and increase employment? This is  
1118 the first point in the policies that this Congress should  
1119 promote and will be required once this Act is passed into  
1120 law.

1121           A focus of this Act that I believe is needed today is  
1122 the Manufacturing Strategy Task Force. I am a member of the  
1123 Department of Commerce Industry Trade Advisory Committee-12.  
1124 This committee advises the Department of Commerce and the  
1125 USTR on trade policy. Even with this insight, I find it very  
1126 difficult at times to understand what our Nation's strategy  
1127 is on manufacturing. I actually think the strategy today is  
1128 policy of reacting to a crisis instead of planning for the  
1129 future. A recent example of this lack of focus on national

1130 economic goals was the Import-Export Bank refusing to finance  
1131 mining equipment for Bucyrus International, a Wisconsin based  
1132 company, for reasons that seem to be the whim of the  
1133 appointed official. If we had a National Manufacturing  
1134 Strategy in place in the last 10 years, would we have lost or  
1135 greatly diminished our manufacturing capacity in television,  
1136 auto parts, bicycles, cell phones, furniture, toys,  
1137 computers, textiles, and a large cross section of industries  
1138 that I won't have time to go into to talk about.

1139 I keep wondering if the theory about outsourcing our  
1140 manufacturing and having our economy become based on  
1141 financial services has finally shown the imbalances that were  
1142 created. With the National Manufacturing Strategy, we, as a  
1143 country, will now have the opportunity to have a real debate  
1144 on how we help Main Street provide jobs to our citizens  
1145 versus having Wall Street bailed out by our taxpayers. I  
1146 want to thank Congressman Dan Lipinski for his leadership.  
1147 This National Manufacturing Strategy Act is put a small  
1148 sample of the commitment Congressman Lipinski has to the  
1149 Third District of Illinois and the American people. Thank  
1150 you, Congressman.

1151 [The prepared statement of Mr. Hickey follows:]

1152 \*\*\*\*\* INSERT 4 \*\*\*\*\*

|  
1153           Mr. {Rush.}   The chair now recognizes Mr. Herrnstadt for  
1154 5 minutes.

|  
1155 ^TESTIMONY OF OWEN E. HERRNSTADT

1156 } Mr. {Herrnstadt.} Thank you, Mr. Chair, and members of  
1157 the committee for the invitation to be here today, and thank  
1158 you, Congressman Lipinski, for introducing the bill which is  
1159 the subject of today's hearing. IAM members, that is, the  
1160 International Association of Machinists & Aerospace Workers  
1161 members, work in a variety of manufacturing industries,  
1162 including aerospace, electronics, defense, shipbuilding,  
1163 transportation, and woodworking. We believe that a strong,  
1164 domestic industrial base is one of the essential elements  
1165 needed to restore our economy and build a prosperous and  
1166 sustainable future. As has already been said, U.S.  
1167 manufacturing serves as the bedrock for our Nation's economy.  
1168 That said, it is no secret that U.S. workers and their  
1169 communities are in a crisis. Over 8-1/2 million jobs have  
1170 been lost since December, 2007, and the unemployment rate  
1171 remains exceedingly high. Despite the importance of  
1172 manufacturing to our Nation's economy and our defense  
1173 capacity millions of U.S. manufacturing workers have lost  
1174 their jobs contributing to our high unemployment. As has  
1175 also been said and has been pointed out in the fact sheet  
1176 provided by the committee nearly 6 million manufacturing jobs

1177 have been lost since 1999.

1178         Some industries that were once great contributors to our  
1179 economy like auto, shipbuilding, and machine tools are barely  
1180 shadows of what they once were. Jobs in other leading edge  
1181 industries like aerospace are being outsourced to other  
1182 countries. Renewable energy products that are considered to  
1183 represent the future of manufacturing here at home also are  
1184 to a great extent being manufactured abroad. While there are  
1185 many reasons for the decline in manufacturing one of the  
1186 fundamental reasons is that the U.S. does not have a National  
1187 Manufacturing Strategy and has not established a framework  
1188 for creating one. A National Manufacturing Strategy could  
1189 establish general and specific programs for coordinating  
1190 policies as well, policies related to tax incentives that  
1191 reward corporations to move jobs overseas, research and  
1192 development, trade, employment, currency evaluation, export  
1193 initiatives, domestic procurement, and many, many others.

1194         Other countries have embraced manufacturing strategies  
1195 as has also been discussed. A few years ago the European  
1196 commission presented its new industrial policy noting ``A  
1197 flourishing manufacturing industry is key to fully exploiting  
1198 the European Union's potential for growth and sustaining its  
1199 economic and technological leadership.'' Separately, over 20  
1200 European countries have adopted sophisticated offset

1201 policies. Offsets occur when one country demands a transfer  
1202 of technology and/or production in return for a sale.  
1203 Countries like Germany have sophisticated manufacturing  
1204 policies that have helped the country weather the current  
1205 economic crisis and, oh, yes, there is China who has also  
1206 engaged in very comprehensive strategic and targeted  
1207 industrial and manufacturing policies which are credited with  
1208 that country's economic growth far too often at the expense  
1209 of our own manufacturing industry and far too often at the  
1210 expense of our U.S. workers.

1211         We simply can't be complacent with the hope that  
1212 manufacturing is cyclical and will recover with the passage  
1213 of time. The changes we are witnessing in H.R. 4692, the  
1214 National Manufacturing Strategy Act of 2010, requires the  
1215 President to prepare a Quadrennial National Manufacturing  
1216 Strategy, and it certainly represents a much-needed and key  
1217 step forward in developing a response to the current economic  
1218 crisis and the current state of manufacturing today. We have  
1219 submitted, of course, some recommendations to strengthen that  
1220 bill, and we have also submitted recommendations that  
1221 constitute more steps to be taken. These steps must be  
1222 urgently taken given the crisis that manufacturing workers  
1223 are certainly facing today as particularly have been pointed  
1224 out by my colleague on this panel, Mr. Hickey. In addition

1225 to that, we also recommend very simple fixes such as  
1226 requiring Congress and the Administration to adopt simple  
1227 common sense policies that link certain government activities  
1228 immediately to their effect or impact on U.S. employment  
1229 making sure that domestic sourcing requirements are closely  
1230 examined to make certain that they do indeed result in the  
1231 most number of domestic jobs being created and supported as  
1232 possible.

1233           Manufacturing workers are in a crisis. They have  
1234 witnessed millions of their jobs disappear over the past few  
1235 years. Their pain is real. As their desperation increases  
1236 and their hopes fade, it is critical that we develop a  
1237 comprehensive National Manufacturing Strategy that will in  
1238 reality make a difference in their lives and in doing so  
1239 ensure a vibrant and sustainable economy. Thank you for the  
1240 opportunity to share our views with you today, and I look  
1241 forward to your questions.

1242           [The prepared statement of Mr. Herrnstadt follows:]

1243 \*\*\*\*\* INSERT 5 \*\*\*\*\*

1244

|

Mr. {Rush.} Mr. Hassett is recognized for 5 minutes.

|  
1245 ^TESTIMONY OF KEVIN A. HASSETT

1246 } Mr. {Hassett.} Thank you, Chairman Rush, and Ranking  
1247 Member Whitfield. In my view the economic science supporting  
1248 this Act is essentially nonexistent. Accordingly, passing it  
1249 into law would be a policy error. Whether the policy error  
1250 is major or minor would depend on whether the Strategy Task  
1251 Force and Strategy Board are, like most such entities in  
1252 Washington, irrelevant. If they are not, then the Act could  
1253 significantly harm the business environment in the United  
1254 States. In the front of my testimony, I talk about the  
1255 decline in manufacturing and wonder whether it isn't parallel  
1256 to a decline in agriculture that we have seen that stretches  
1257 even further back and is just a natural tendency for the  
1258 economies to experience as they mature. Now I don't know  
1259 what the right share of GDP for manufacturing is, and I would  
1260 submit that the members of the committee don't either, and so  
1261 pursuing a strategy that focuses specifically on  
1262 manufacturing as opposed to trying to make the overall  
1263 economy healthy would seem to me to be in error.

1264 Ever since the seminal work of Diamond and Mirrlees in  
1265 1971, economists have known that optimal economic policy  
1266 should not tax intermediate goods or distort productive

1267 efficiency. This means that the allocation of capital that  
1268 emerges in response to market forces should not be disrupted  
1269 by special treatment for some inputs but not others. The  
1270 Diamond and Mirrlees result indicates that an optimal policy  
1271 will not favor production in one area at the expense of  
1272 another. The Act we are discussing today appears to insist  
1273 that manufacturing receive special treatment that advantages  
1274 manufacturing relative to everything else. Such a focus of  
1275 policy is not defensible on economic grounds. If business  
1276 activity is viewed by Congress to be disappointingly low, and  
1277 with today's retail sales information I think it is even  
1278 worse than we thought, then it is wholly inappropriate to  
1279 consider measures that would stimulate it across the board.

1280         But when politicians pick winners and losers, they  
1281 interfere in the natural economic process and inevitably  
1282 cause harm. In my many years in Washington, I have acquired  
1283 the opinion that we tend to appoint task forces and  
1284 commissions when we know what the right thing to do is but  
1285 are unwilling to do it. Commissions and task forces make for  
1286 nice speechifying but almost always have a negative policy  
1287 impact because they allow elected officials to appear to be  
1288 addressing key problems without actually doing anything.  
1289 Business activity in our Nation is indisputably disappointing  
1290 at the present time. It is urgent that policy changes be

1291 enacted before it is too late, but we do not need a  
1292 commission or task force to study the issue. We know why the  
1293 business climate in the United States is so terrible.

1294         The biggest problem is our corporate tax system. Figure  
1295 3 in my testimony plots the U.S. corporate tax rate from 1981  
1296 to 2010 and compares it to the average tax rate of our OECD  
1297 partners. Currently, the U.S. tax rate is 35 percent and the  
1298 average for the OECD is 23.9 percent. I should note that  
1299 this chart understates our disadvantage because it excludes  
1300 state and local taxation. So if you are wondering why the  
1301 U.S. is hemorrhaging business, why people are locating plants  
1302 overseas, that corporate tax is a big part of the story. I  
1303 would remind the members of the committee that many of these  
1304 plants that are being located overseas are heavily capital  
1305 intensive. It is not differences only in labor costs that is  
1306 driving this force.

1307         Now some notes on the specific legislation. On the  
1308 abstract, it is impossible to oppose having a strategy or  
1309 performing a study. I am concerned about what that strategy  
1310 might entail. The development of a strategy and performance  
1311 of the task force could well be beneficial, but the bill as  
1312 written looks to be an invitation for destructive meddling.  
1313 In particular, the biggest cause for concern is the  
1314 possibility that the Act be used as an excuse to increase

1315 protectionism. The language of the Act seems to invite anti-  
1316 trade actions and to glorify central planning. Many of the  
1317 catch words used by protectionists are present in the wording  
1318 of the bill, including charges to monitor specific industries  
1319 that face ``critical'' challenges and the ``identification of  
1320 emerging or evolving markets, technologies and products that  
1321 the Nation's manufacturers could compete for.'' Those were  
1322 quotes.

1323         Is the government to pick winners and losers within the  
1324 manufacturing sector? While it is clear that at some point a  
1325 manufacturing capability has national defense implications,  
1326 even this angle is subject to abuse by protectionists. It  
1327 would be easy to envision that a strategy to enhance  
1328 manufacturing in the U.S. might bear a striking resemblance  
1329 to the policy sought by Bastiat's candlemakers, who argued  
1330 that the government should pass a law requiring individuals  
1331 to keep their window shades down during the day because of  
1332 unfair competition from the sun. Such a policy would, of  
1333 course, increase the demand for candles, but would it make us  
1334 better off? The pernicious government meddling that this Act  
1335 may invite is perhaps best illustrated by the emphasis that  
1336 policies should promote sustainable growth. As Nobel winning  
1337 economist Robert Solow has written, the notion of  
1338 sustainability is extraordinarily elusive.

1339 I am now quoting. ``It is very hard to be against  
1340 sustainability,'' Solow wrote, ``the less you know about it,  
1341 the better it sounds.'' To carry sustainability out  
1342 literally, Solow writes, would be to ``make no use of mineral  
1343 resources; it would mean to do no permanent construction or  
1344 semi-permanent construction; build no roads, build no dams,  
1345 build no piers.'' While the notion of leaving the world the  
1346 same way we leave a campsite, without a trace of our  
1347 presence, seems romantically attractive, open quote again  
1348 from Solow, ``I doubt that I would feel myself better off if  
1349 I had found the world exactly as the Iroquois left it.'' Solow  
1350 struggles in his piece, and develops a definition of  
1351 sustainability that is, to an economist, quite sensible, but  
1352 it seems quite far removed from the nebulous notion that  
1353 those who invoke the word have in mind. But the key point I  
1354 raise is that the Act seems to place a high priority on  
1355 creating a strategy for sustainable growth, even though,  
1356 again quoting Solow, ``sustainability is an essentially vague  
1357 concept, and it would be wrong to think of it as being  
1358 precise, or even capable of being made precise. It is  
1359 therefore probably not in any clear way an exact guide to  
1360 policy.''

1361 Now it is hard to conceive of what good would be  
1362 accomplished by the elevation of this notion to a place at

1363 the center of U.S. manufacturing policy, but easy to conceive  
1364 of bads that might follow.

1365 Mr. {Rush.} Mr. Hassett, would you bring your--

1366 Mr. {Hassett.} Yeah, I have got one sentence left, sir.

1367 The clock is so far away, I can't quite see it. On balance,

1368 the same can be said for the entire Act. Thank you for your

1369 attention.

1370 [The prepared statement of Mr. Hassett follows:]

1371 \*\*\*\*\* INSERT 6 \*\*\*\*\*

|  
1372 Mr. {Rush.} Thank you so very much. A vote now occurs  
1373 on the floor so we are going to have to recess until--there  
1374 are three votes. It should take us approximately a half an  
1375 hour. It will only take a few minutes. Can the witnesses  
1376 remain until after we reconvene for a series of questions?  
1377 Thank you so very much. The hearing now stands in recess  
1378 until 10 minutes after the last vote occurs.

1379 [Recess.]

1380 Mr. {Rush.} The subcommittee will now reconvene for the  
1381 purposes of asking the questions of the witnesses. I must  
1382 announce to the committee and to all other who are gathered  
1383 here that Mr. Chopra had to leave. He could not remain  
1384 beyond the 3:30 hour so he was excused from the witness  
1385 table, and any questions that the subcommittee members might  
1386 want to direct to him can be forwarded to him via staff in  
1387 writing. That said, the chair recognizes himself for 5  
1388 minutes for the purpose of questioning. One of the main  
1389 objectives of the National Manufacturing Strategy Act is to  
1390 create jobs. Mr. Hassett, some time ago, I think in March of  
1391 this year, you wrote in an article that what was considered a  
1392 great recession for white Americans has been actually a  
1393 depression for black Americans. This is an issue that I  
1394 think we all can agree on. In addition to the

1395 disproportionate impact on minority communities in hard  
1396 times, we also know that there can be a disproportionate  
1397 impact on jobs based on differences within the manufacturing  
1398 industry.

1399           Manufacturers may require large or small facilities that  
1400 may be located in urban or suburban areas and so on and so  
1401 on. Mr. Herrnstadt, do you agree that the President should  
1402 develop a manufacturing strategy to include regional and  
1403 industrial areas with specific employment needs?

1404           Mr. {Herrnstadt.} I think it would be helpful, but once  
1405 again I think it also has to be part of a coordinated  
1406 national strategy to make sure that we move forward as a  
1407 country in terms of manufacturing. A variety of  
1408 manufacturing industries have suffered. Aerospace, for  
1409 example, over 500,000 workers have lost their jobs over the  
1410 past 20 years, so, you know, there needs to be some  
1411 concentration on that.

1412           Mr. {Rush.} Can you expound on your conclusions? Take  
1413 about a minute and a half. I don't have but a small amount  
1414 of time.

1415           Mr. {Hassett.} Thank you so much, Mr. Rush, for the  
1416 question. That specific article that you mentioned, in fact,  
1417 was discussed in the proposal that is sort of an unusual  
1418 bipartisan one that has been put forward by myself and Dean

1419 Baker, who is a well-known economist, where we discussed job  
1420 creation policy that would, we think, disproportionately  
1421 benefit minorities who have been hardest hit and would be  
1422 quite a bit different from the subject of this hearing. But  
1423 the basic idea is that right now when you lay a worker off,  
1424 then if you lay the whole worker off then they get  
1425 unemployment insurance, and what we would like to do is make  
1426 the unemployment insurance, economists call it like  
1427 fractional, so that you could lay someone off 20 percent  
1428 during a recession and then they could get 20 percent of  
1429 their unemployment insurance. This would encourage employers  
1430 to maybe reduce hours and wages of five guys 20 percent  
1431 rather than one whole guy.

1432 Mr. {Rush.} I get the picture. Thank you so very much.  
1433 Okay. I come from the south, as you know, and I have seen  
1434 the devastation in all communities that I represent for the  
1435 most part, Inglewood, Chatham, Woodlawn, all those  
1436 communities. The downturn could be traced back to when U.S.  
1437 Steel closed down, and the steel industry, not your company  
1438 and I congratulate you for it and I commend you for it, but  
1439 most of them kind of moved offshore or moved into the sun  
1440 belt without jobs, without the jobs, entry into the middle  
1441 class. Can you expound on that historical picture just for a  
1442 moment, if you would, and as briefly as you can? Am I

1443 correct that the--

1444           Mr. {Hickey.} We are, Congressman. As a matter of  
1445 fact, my grandfather, who was one of the founders of the  
1446 company I worked for was Consen steel which was another south  
1447 side steel mill, and he left that company in 1926 to start  
1448 the company I work for. But what has happened is that  
1449 certainly the economies of scale changed. The cost of the  
1450 production--the South Works, the last thing that was being  
1451 produced at South Works was structural steel and they  
1452 couldn't compete against the electric furnace producers that  
1453 could do--or they re-melt scrap, and what has happened is  
1454 that the technology evolution and steel production, when  
1455 South Works closed probably 30 percent of the steel in the  
1456 United States was made through electric furnace. Today it is  
1457 60 percent, so what has happened is the technology has  
1458 changed and those old facilities became obsolete. Now they  
1459 didn't relocate them there, and I don't know if that is an  
1460 issue with the city because all those steel mills that were  
1461 located in Indiana and the southern states, all of them have  
1462 incentives from local states.

1463           All of them do. I mean there is such massive  
1464 incentives. Kentucky has got some--and I am not making a  
1465 judgment one way or the other but that is the reality of it.  
1466 You got to bring jobs back to the cities. You got to bring

1467 jobs. You got all kinds of land in the south side of Chicago  
1468 that would be great for manufacturing and some of it has to  
1469 do with there is pollution issues on the property, et cetera.  
1470 Congressman, why they don't develop the old South Works, it  
1471 is what, 200 acres sitting on Lake Michigan? It is a  
1472 gorgeous piece of property.

1473 Mr. {Rush.} Thank you. I yield back the balance of my  
1474 time. I recognize the ranking member, Mr. Whitfield.

1475 Mr. {Whitfield.} Thank you. And thank you all very  
1476 much for your testimony. And, Mr. Hickey, I certainly would  
1477 like to congratulate you. Any family that can keep a  
1478 business going for 84 years deserves a big pat on the back,  
1479 so thank you. Mr. Paul, you and Mr. Gordon both in your  
1480 comments made some reference that you thought this bill could  
1481 be improved and some amendments could be made to it. Is that  
1482 correct?

1483 Mr. {Paul.} Yes. Having worked on Capitol Hill, I know  
1484 that a bill rarely ends up in the form that it started, and I  
1485 think many of the suggestions that Mr. Gordon made are  
1486 appropriate ones, but I will emphasize that I do think that  
1487 the thrust of Mr. Lipinski's bill is sound and is very  
1488 necessary in part simply because there simply is no  
1489 department of manufacturing. The Department of Commerce has  
1490 some responsibility for manufacturing but the Secretary of

1491 Commerce is also responsible for oceans and fish and weather  
1492 and a lot of other things, and so you need that coordinated  
1493 voice to have a sound strategy.

1494       Mr. {Whitfield.} Well, I think we all agree that this  
1495 is a good piece of legislation. At least its purpose is.  
1496 And although I do also agree with Mr. Hassett that I can  
1497 think of a lot of industries that need some particular  
1498 attention like the coal industry in Kentucky, and like  
1499 agriculture and so forth. But how many of you--I know Mr.  
1500 Hassett's position, but the other four--Mr. Herrnstadt, do  
1501 you think this bill needs any changes or do you feel pretty  
1502 good about the way it is right now?

1503       Mr. {Herrnstadt.} You know, I would associate myself  
1504 with Mr. Paul's comments. I think it is an important bill,  
1505 as I testified to, I think that the thrust of it is excellent  
1506 and much needed. I have supplied in my written testimony, I  
1507 think, two or three what I would consider to be minor  
1508 recommendations I think that would strengthen it.

1509       Mr. {Whitfield.} I know Mr. Hickey in his testimony  
1510 talked about 36 percent of all factories that employed more  
1511 than 1,000 employees had closed down in some period of time.  
1512 Now to me 1,000 employees or more is a pretty large  
1513 manufacturing facility. This legislation makes reference to  
1514 small manufacturers, exclusively. I know on page 6, line 14,

1515 it talks about small manufacturers. On the Strategy Board,  
1516 page 16, line 1, coming from small manufacturers. And it  
1517 seems to me that if you are going to deal with manufacturing  
1518 you should not be excluding a large group versus a small  
1519 group. That was one comment I would make. And then second  
1520 of all when I read this legislation you look at this  
1521 Manufacturing Strategy Board versus the task force, the task  
1522 force is all government employees. The chairman is going to  
1523 be a government employee. The strategic board, 21 people,  
1524 some labor union, some manufacturers, whoever, but the co-  
1525 chair is going to be government employees also.

1526         And then it says that both of them, the task force and  
1527 the strategic board, will make recommendations to the  
1528 President. And I sort of got the sense that the strategic  
1529 board was to branch out in areas other than government which  
1530 I think is good because we need testimony from people outside  
1531 of government as well, but within the task force it talks  
1532 about sub groupings which would also include people outside  
1533 of government. And then when you consider all of the studies  
1534 and all of the reports, I mean the GAO report, the second  
1535 year of the President, the first year was a 4-year term. The  
1536 reports by the Academy of Sciences, 14 months, 20 months,  
1537 whatever, after. It just seems to me, and I may be wrong,  
1538 that it would have made more sense to try to combine the

1539 strategic board and the task force to eliminate a whole layer  
1540 of activities, but do any of you have any thoughts on that?

1541       Mr. {Paul.} Mr. Whitfield, I would submit that I think  
1542 there is a role for both, and the reason I say that is that I  
1543 know from my experience who speaks for the voice of  
1544 manufacturing within a particular administration. It is  
1545 difficult. We have had manufacturing czars. We have had  
1546 assistant secretaries. There has been a lack of  
1547 coordination. I will say frankly that at the end of the day  
1548 when it comes to a strategy dealing with a topic like China,  
1549 for example, that the recommendations of the State Department  
1550 or the Treasury Department often times trump the  
1551 recommendations that an agency representing manufacturing  
1552 might. And for that reason, I think it makes sense to have  
1553 more coordination. I also see a fundamental role, and I  
1554 agree with you, for outside involvement in informing the  
1555 policy. And I don't pretend to be an expert on boards and  
1556 commissions, so if there is a way to perfect it, I would be  
1557 happy to look at that, but I do see a distinct role for both.

1558       Mr. {Whitfield.} And you don't feel that large  
1559 manufacturers should be excluded?

1560       Mr. {Paul.} I read the legislation. I don't think  
1561 there is any exclusion of large manufacturers in particular.

1562       Mr. {Whitfield.} It specifically says small

1563 manufacturers.

1564           Mr. {Paul.} Well, I think that, you know, that often  
1565 makes sense because large manufacturers have a large voice,  
1566 and I represent a number of large manufacturers as well. I  
1567 think often times just as the Congress and the federal  
1568 government does very eager to look out for the interest of  
1569 small businesses, and I think that goes within the spirit of  
1570 what that goal tries to accomplish.

1571           Mr. {Rush.} The gentleman's time has expired. Ms.  
1572 Sutton is recognized for 5 minutes.

1573           Ms. {Sutton.} Thank you, Mr. Chairman. Thank you all  
1574 for your testimony. Let me begin, I think, Mr. Hickey, it  
1575 was you who spoke directly on the point of making things and  
1576 the creation of value and why that is so important as opposed  
1577 to, for example, other sectors perhaps we saw before the  
1578 recession hit in this go round. We saw a lot of people  
1579 making money by moving money around. Can you just amplify a  
1580 little bit about why manufacturing is essential to creating  
1581 real value?

1582           Mr. {Hickey.} Well, Congresswoman, when you hear the  
1583 opportunity to take inputs and take the intellectual capital  
1584 of your employees and their efforts and turn it into a value  
1585 product that is a higher value than the inputs, you are  
1586 always going to create wealth. Sometimes you will make

1587 mistakes and you will make stuff that people won't buy, et  
1588 cetera, et cetera, but the reality is that the way to wealth  
1589 is through creation of taking--you grow it, you mine it.  
1590 Congressman Whitfield talked about the mining in Kentucky and  
1591 the corn farmers. This is how you create wealth. And  
1592 manufacturing is creating wealth. Every country in the world  
1593 wants to manufacture products and ship them to the United  
1594 States. The trade deficit came out yesterday. What was it,  
1595 \$42 billion, 20 plus billion with the Chinese? They aren't  
1596 selling us paper. The point is what we are doing is we have  
1597 to have--the reason I came back in support of the  
1598 Congressman's effort, under the last administration there was  
1599 a study by the Department of Commerce by Grant Aldonas, who  
1600 was the Undersecretary of Commerce. I don't know if anybody--  
1601 -I actually had an opportunity to talk to the undersecretary  
1602 several times on this program, very complex, very  
1603 comprehensive study. The last item was about currency  
1604 manipulation by our training partners.

1605         And I talked to at the time Undersecretary Aldonas and  
1606 said you told me this was going to be highlighted. He said I  
1607 lost to the Treasury. Well, if we don't have the whole  
1608 government looking at why we are losing 6 million  
1609 manufacturing jobs in 10 years why we have had 42,000  
1610 manufacturing plants close. Somebody has got to stand up and

1611 say these are the reasons. This is why I think Congressman  
1612 Lipinski's bill makes so much sense because we have got to  
1613 look at all of them. One of the other things that we  
1614 probably should have is the Department of State because we do  
1615 trade agreements with people because the Department of State  
1616 says this is how things are going to work.

1617 Ms. {Sutton.} Thank you, Mr. Hickey. I concur with  
1618 your assessment. That was a very powerful answer, and I  
1619 appreciate you bringing that up. I would like to just, if I  
1620 could, Mr. Hassett, just ask you a couple of questions about  
1621 the free market. Do you think that we are operating in some  
1622 sort of global free market economy where free market  
1623 principles exist across the globe?

1624 Mr. {Hassett.} To a varying degree, yes. Obviously,  
1625 there is a lot of variation across countries and how free the  
1626 markets are.

1627 Ms. {Sutton.} Right. So you would agree that countries  
1628 manipulate their markets and entities manipulate their  
1629 markets?

1630 Mr. {Hassett.} Some do, yes.

1631 Ms. {Sutton.} Okay. Do you think that China under  
1632 values its currency and manipulates its currency?

1633 Mr. {Hassett.} I can't answer that. I don't know what  
1634 the right level of the currency for China is. Yeah, I am not

1635 a currency expert. I can't tell you.

1636 Ms. {Sutton.} Does AEI have a position on that?

1637 Mr. {Hassett.} AEI doesn't take positions on anything.

1638 But I have colleagues that I would be happy to forward your  
1639 question to.

1640 Ms. {Sutton.} Okay. I would certainly be interested--

1641 Mr. {Hassett.} In fact, if you asked me the question  
1642 what do people at AEI say about this, then I would be happy  
1643 to give you a lengthy answer.

1644 Ms. {Sutton.} Okay. Well, since we don't have time for  
1645 a lengthy answer right now, I think your answer will suffice.  
1646 Your answer is that you don't know if China manipulates their  
1647 currency. Okay. And, you know, we saw, and I know a lot of  
1648 you will be well aware of this, and probably all of you, in  
1649 the last year we saw a decision come through the ITC  
1650 regarding oil country tubular goods that were being unfairly  
1651 subsidized by the Chinese dumped into our market. And, Mr.  
1652 Hassett, I would want to hear your opinion on this. Now the  
1653 ITC eventually after months of going through the hearing  
1654 process determined that indeed this was taking place and the  
1655 President moved ahead with the recommendations to place anti-  
1656 dumping and countervailing duties in that instance.

1657 Is that the way that you think we can--you talked about  
1658 there not being economic science behind all this. I also

1659 know that AEI is about dealing with problems, right, where  
1660 they arise, so is that a sufficient answer or do you agree  
1661 that there is some need to have a more proactive, you know,  
1662 forward thinking manufacturing strategy that might deal with  
1663 these problems before they happen and people in Ohio are out  
1664 of a job for 9 months, 12 months before we get these duties  
1665 in place?

1666       Mr. {Hassett.} I think that there are certainly cases  
1667 where there are abuses, and that is why we have the systems  
1668 that we do. The problem that I have is that if you were to  
1669 ask what is the impact of trade on the welfare of Americans,  
1670 I think that it is indisputably that it improves it. What is  
1671 the impact of trade on the welfare of specific workers, then  
1672 it is more of an open question. Maybe Ohio is an area that  
1673 has particular challenges because there are foreign  
1674 competitors that for whatever reason, maybe abuse, can out  
1675 compete them. I think that my position is that there are  
1676 things that there is not really a dispute about.

1677       The fact that right now our companies, including Mr.  
1678 Hickey's company, has to pay a higher tax than his  
1679 competitors. It is obvious that that is harmful. And so my  
1680 concern is that we have got this sort of elephant in the room  
1681 of a really big disadvantage for everybody, and then we don't  
1682 like some of the effects of that like maybe there is not

1683 enough R&D so we have an R&D creditor. The manufacturing may  
1684 be disproportionately hurt because it is easier to locate  
1685 manufacturing offshore and then we want to do special  
1686 subsidies for manufacturing. I think the better solution is  
1687 to just fix the problem in the first place.

1688 Ms. {Sutton.} And, if I could, I know that my time is  
1689 up, but I appreciate that your shift back to the issue of the  
1690 tax structuring. Certainly, I want our tax structure to make  
1691 sense, but that really doesn't answer the other question. I  
1692 think you would have to agree that perhaps the efficiency in  
1693 the approach that we have where we have our U.S.  
1694 manufacturing and the workers subjected to a process that  
1695 takes a year where they are sitting out of a job because  
1696 somebody is cheating that perhaps we can do better.

1697 Mr. {Rush.} The witness can answer the question, but I  
1698 just want you to know that--do you want to answer the  
1699 question?

1700 Mr. {Hassett.} I agree. I agree. I said, yes, we  
1701 should do better.

1702 Mr. {Rush.} The chair recognizes Mr. Murphy.

1703 Mr. {Murphy.} Thank you, Mr. Chairman. Thank you,  
1704 panel. You have heard my comments before. I think it is  
1705 important on an issue so important. I do appreciate all of  
1706 your passion about helping to build up America's

1707 manufacturing particularly because of what I mentioned before  
1708 about China is about to overtake us, and I don't think there  
1709 is a person in this room that wants to sit back and let that  
1710 happen. But I also think it is important, two elements in  
1711 the legislation. One is that I want to make sure we are not  
1712 abdicating our role as members of Congress. Certainly among  
1713 435 members of Congress, none of us are experts on everything  
1714 but all of us are experts on something, and that is why we  
1715 look to panels like you and other groups to provide that  
1716 information to use to make sure we are passing legislation  
1717 that works for the best interest of this Nation.

1718         So along those lines, I wanted to ask you. How many of  
1719 you own a company? All right. And now, as I understand,  
1720 sir, in your company, your steel products distribution, but I  
1721 think in your testimony you also said you are a supplier also  
1722 for manufacturers as well as purchasing for manufacturers?

1723         Mr. {Hickey.} Our supply base would be U.S. Steel, New  
1724 Core.

1725         Mr. {Murphy.} Okay. Now so that is important for all  
1726 of us to know that because I think also we would think if we  
1727 knew our child was being taught by a teacher who had no  
1728 teaching certificate or even the principal knew nothing about  
1729 education, we would be concerned. I doubt if any of us would  
1730 go to a hospital to be treated by a doctor who never

1731 practiced medicine. But I still want to hear your opinions,  
1732 I think, so I am going to run through this panel, this board  
1733 that is supposed to--Manufacturing Strategy Task Force. I  
1734 wonder if any of you know, do any of these following people  
1735 have any manufacturing experience. Secretary of Defense,  
1736 Robert Gates. Fine man. All these people are great people.  
1737 As far as I can tell, he doesn't. Treasury Secretary Tim  
1738 Geithner. Does anybody know? Good man. I don't think he  
1739 does either. Gary Locke, Secretary of Commerce. One of our  
1740 colleagues, Hilda Solis, Secretary of Labor. Steven Chu,  
1741 Energy. The head of the National Economic Council, Lawrence  
1742 Summers, anybody know if he has any manufacturing experience?  
1743 National Economic Advisors head Christina Romer. I don't  
1744 know either.

1745       Head of OMB, Peter Orszag. How about the Office of  
1746 Science and Technology Policy, does the head of that have any  
1747 manufacturing experience, John Holdren? I don't know if he  
1748 does. Director of Domestic Policy Council, Melody Barnes.  
1749 Now I believe that Karen Mills, the head of the Small  
1750 Business Administration, has worked for General Foods and  
1751 also a company that manufactured hardwood flooring,  
1752 refrigerator motors, and plastic injection molding. But how  
1753 about the head of the NSC, does anybody know who the head of  
1754 the NSC is and does this person have any manufacturing

1755 experience? Does anybody know who the head of NSC is?

1756 Mr. {Paul.} I believe it is Admiral Jones.

1757 Mr. {Murphy.} It is actually the President of the  
1758 United States.

1759 Mr. {Paul.} The head of the--oh, I am sorry. The head  
1760 of the National Security--

1761 Mr. {Murphy.} The head of the National Security  
1762 Council. I believe that is one listed here.

1763 Mr. {Paul.} I am sorry. I thought you meant the  
1764 National Security Advisor.

1765 Mr. {Murphy.} Okay. But my point is in this that the  
1766 two things that I want to make sure that we have is--now this  
1767 is leading up to my question. I would like all the panelists  
1768 to answer quickly. Who do you think should be on a panel to  
1769 really give us based upon a wealth of experience information  
1770 on manufacturing, they should actually be on a decision  
1771 panel, who can we look to who really knows this and give us--  
1772 we want expertise here. This committee wants expertise. I  
1773 will just run by it. Where should we look? Mr. Paul.

1774 Mr. {Paul.} I think fundamentally there is a role for  
1775 government to be on the side of manufacturing. I think that  
1776 process should be--

1777 Mr. {Murphy.} I understand but so far we haven't come  
1778 up with anybody who knows about it.

1779 Mr. {Paul.} But I think that process should be informed  
1780 by people who are in manufacturing. I would argue that if  
1781 you look in past administrations, I would include the Clinton  
1782 administration, both Bush administrations, there has been a  
1783 paucity of people who have a familiarity with manufacturing.  
1784 That has been one of the challenges.

1785 Mr. {Murphy.} Okay, next person. I need some answers.

1786 Mr. {Gordon.} I believe people that understand  
1787 manufacturing but because of the structural problems and the  
1788 fact that they are strategic, I would say you need people  
1789 with economic backgrounds as well as policy background.

1790 Mr. {Murphy.} Okay.

1791 Mr. {Hickey.} Mr. Murphy, there is a National  
1792 Manufacturing Strategy group now or a national manufacturing  
1793 group. I know there is a company in Ohio that is in the  
1794 machine tool business. I believe Dan Damico from New Core is  
1795 on it, so that is a group that would be a good core to make  
1796 part of this group.

1797 Mr. {Murphy.} All right.

1798 Mr. {Herrnstadt.} I think it would also be helpful to  
1799 include workers who actually make the manufactured goods and  
1800 have the experience from all levels.

1801 Mr. {Murphy.} Good. Thank you. Mr. Hassett.

1802 Mr. {Hassett.} And I disagree strongly with your point.

1803 I think that you don't have to own a theater to know  
1804 Shakespeare, and I think that what we need if we are going to  
1805 have this commission, which I hope we don't, is people who  
1806 understand the importance of the neutrality of government  
1807 policy, and that is probably not people who have a lot of  
1808 manufacturing experience.

1809 Mr. {Murphy.} I don't have to own a theater to know  
1810 Shakespeare but if you are going to own a theater you ought  
1811 to know about owning a theater. So I would just look upon  
1812 this and make a recommendation, Mr. Chairman, that perhaps  
1813 there are some folks we could also have before us at some  
1814 point as we are looking at legislation to look at some other  
1815 people working this. I think they could help us strengthen  
1816 this and improve upon some aspects of that bill. I think  
1817 some good ideas came out of this panel. Thank you, Mr.  
1818 Chairman.

1819 Mr. {Rush.} Thank you. Mr. Gonzalez for questions for  
1820 5 minutes.

1821 Mr. {Gonzalez.} Thank you very much, Mr. Chairman. I  
1822 am going to commend Mr. Lipinski in his effort and I am going  
1823 to make some assumptions that the Board, the task force will  
1824 be in consultation, will include many sources and resources  
1825 as they proceed but they will have a charge, and I think this  
1826 whole effort here is to identify the need, have the

1827 structure, and then bring in all the necessary resources and  
1828 it is going to be up to this committee and others to make  
1829 sure that we have the oversight and that they do their job.  
1830 Mr. Hassett, my observation with my staffer was I have never  
1831 seen anybody enjoy testifying as much as Mr. Hassett, and  
1832 that is a good thing because you have enthusiasm.

1833 Now I am not going to agree with you. You made a  
1834 statement that the only way this would work would be if the  
1835 board and the task force would be irrelevant because you see  
1836 that if they are relevant they can only do harm because they  
1837 are going to meddle, is that correct?

1838 Mr. {Hassett.} That is, I guess, the most likely  
1839 outcome, I would think, yes.

1840 Mr. {Gonzalez.} So I doubt if we are going to agree on  
1841 a whole lot, and I know that you said that Mr. Hickey can't  
1842 be competitive because he pays more taxes. I mean that is  
1843 the whole reason that he can't be competitive because he pays  
1844 more taxes.

1845 Mr. {Hassett.} That is not what I said. What I said is  
1846 that that is a really big disadvantage that he faces relative  
1847 to his trading partners, and that on that we know in the  
1848 United States that everybody has that disadvantage in  
1849 manufacturing and in other industries as well. So my point  
1850 is there is an elephant in the room.

1851           Mr. {Gonzalez.} And we could have a really good  
1852 discussion as to where we are in economic development in our  
1853 point in history and why and lessons learned that requires  
1854 what we do today. Now we are going to have a difference of  
1855 opinion to the degree but there are many things out there,  
1856 and I think it is interesting, and I am going to quote from  
1857 Harold Myerson in the Washington Post, December 15, 2009.  
1858 ``America's production of goods no longer receive the level  
1859 of investment that had made it the engine of our economic  
1860 growth from the mid-19<sup>th</sup> century through the 1970's. The  
1861 change began at the outset of the Reagan years when the  
1862 percentage of corporate profits retained for new investment  
1863 dropped sharply. In the prosperity years of 1946 to 1979  
1864 dividends constituted 23 percent of profits. From 1980 to  
1865 2008, the constituted 46 percent.''

1866           And it is something that my colleague, Ms. Sutton,  
1867 pointed out. How we make money, how we invest money in this  
1868 country has been a way from manufacturing into something that  
1869 maybe we make money out of money, and we know what happened  
1870 in the financial sector. Let us go back to regulation, which  
1871 I think you have a certain disdain for. Had we had that  
1872 regulation, had we had that oversight, we would have noticed  
1873 what was going on in the financial sector that led to the  
1874 economic meltdown. So regulation is necessary in all

1875 aspects, but I would hope that this task force and this board  
1876 will be able to identify what is going on out there. Where  
1877 is the investment being made in America and why is it an  
1878 easier dollar to be made away from a solid investment in  
1879 manufacturing. Those are the questions that I think will be  
1880 pointed out. And the fact that maybe we encourage not  
1881 investing in a manufacturing base.

1882 I will ask you this because I know Mr. Hickey is in  
1883 competition with foreign companies and such. Do you believe  
1884 in the minimum wage? Should we have a minimum wage? Do you  
1885 believe in OSHA?

1886 Mr. {Hassett.} Yes.

1887 Mr. {Gonzalez.} Why? Shouldn't the employer just rise  
1888 to the responsibility of taking care of an employee and have  
1889 safe working conditions? Why wouldn't you just trust the  
1890 situation?

1891 Mr. {Hassett.} In part because not all employers are  
1892 necessarily going to work to the benefit of their workers.

1893 Mr. {Gonzalez.} Do you believe in the Clean Water Act?

1894 Mr. {Hassett.} Absolutely.

1895 Mr. {Gonzalez.} Do you believe in the Clean Air Act?

1896 Mr. {Hassett.} Yes.

1897 Mr. {Gonzalez.} Do all those other countries that are  
1898 competitors have anything similar to what I just described?

1899 Mr. {Hassett.} Some do, some don't.

1900 Mr. {Gonzalez.} Mostly don't, wouldn't you agree,  
1901 seriously?

1902 Mr. {Hassett.} In the developed world, they do. The  
1903 air and the water is clean--

1904 Mr. {Gonzalez.} Well, the developed world. You know,  
1905 Germany, gee, we compete with those German made vehicles and  
1906 such, but do they have any advantage over maybe a domestic  
1907 manufacturer?

1908 Mr. {Hassett.} They have a tax advantage for sure.

1909 Mr. {Gonzalez.} Any other advantages other countries  
1910 may enjoy? Health care paid for by the government.

1911 Mr. {Hassett.} But they are taxed to pay for that, so  
1912 it is not clear if it is a more efficient method.

1913 Mr. {Gonzalez.} But there are advantages out there>

1914 Mr. {Hassett.} But, again, the thrust of my testimony  
1915 is that if we make money because someone in the U.S., because  
1916 somebody invents a very cool piece of software that helps  
1917 people do something better or because someone makes a great  
1918 movie that they make millions of dollars in revenue from  
1919 having people all around that will go to it, that that is  
1920 good too, but what we need to do is make policy--not have  
1921 policy decide what we are going to do in the future but make  
1922 it a vibrant place to do anything that is productive.

1923           Mr. {Gonzalez.} Well, then you would say basically have  
1924 no policy, no regulation, no law because, don't worry,  
1925 markets will take care of themselves and everybody is going  
1926 to do the right thing by their investor and so on. I mean we  
1927 have example after example of that recently. Everyone did  
1928 the right thing. But, no, that is not true, and I think what  
1929 you espouse--and I understand you may feel very strongly  
1930 about it, but I think it is exaggerated. You are not  
1931 entirely wrong. I think it is a question of degree. But  
1932 what I think the other witnesses were testifying to is the  
1933 attention and the energy that is required of this government  
1934 to examine the loss of manufacturing jobs in America and to  
1935 determine whether we have policies that work against it, can  
1936 we have policies that will encourage it.

1937           Mr. {Rush.} The gentleman's time is up. The chair  
1938 recognizes Mr. Lipinski for 5 minutes.

1939           Mr. {Lipinski.} Thank you, Mr. Chairman. I want to  
1940 thank the witnesses for their testimony and for their  
1941 recommendations for improving this bill and thank the members  
1942 of this committee for their recommendations. I think that  
1943 there certainly is always room for making things better, and  
1944 I appreciate the suggestions when I work with you as we move  
1945 forward on this. A couple things I did want to raise though,  
1946 Ranking Member Whitfield had raised the only talking about

1947 small manufacturers. It really is just talking about in  
1948 particular by small and medium size manufacturers and because  
1949 the problem is often faced by these small and medium size  
1950 manufacturers relative to large manufacturers and  
1951 unfortunately I think a lot of times the large manufacturers  
1952 are the ones that get the most focused, but it is not  
1953 exclusive to them.

1954           And Mr. Murphy had raised the issue about everyone on  
1955 the task force being from the government and heads of  
1956 departments and agencies, and also it says in the bill that  
1957 there will be subgroups to advise the task force including  
1958 members from the private sector. And I certainly agree, and  
1959 I think that is why all these recommendations have been very  
1960 constructive that we do need to make sure we are listening to  
1961 those who are on the front line, people like Mr. Hickey who  
1962 have been working for years in manufacturing. A couple  
1963 things I wanted to talk about and ask a couple questions if I  
1964 have time is, first of all, I certainly feel and I think most  
1965 of us, maybe not everyone here agrees that manufacturing is  
1966 something that is especially important for our country. Many  
1967 other countries certainly believe that it is important for  
1968 their country, it is not only China, India that we are  
1969 talking about, United Kingdom, Brazil, Canada all have  
1970 manufacturing strategies. Mr. Dingell mentioned Germany

1971 also.

1972           And the reason for this is, I think, what Mr. Hickey  
1973 spoke about is that manufacturing actually produces wealth,  
1974 and I think that is something that the American people after  
1975 we saw the financial crisis and said what are we doing in our  
1976 country that actually produces wealth. And I think that is  
1977 why there are a lot of concerns out there, and certainly the  
1978 polling shows that people would like to see promotion of  
1979 manufacturing. I think it is important for our country. But  
1980 I want to ask a question of Mr. Gordon because the other part  
1981 of manufacturing that I think makes it particularly critical  
1982 for our Nation is for defense. I just want to ask Mr.  
1983 Gordon, have you seen what you believe the diminution of our  
1984 defense capabilities or potential diminution in the future  
1985 with what has happened with manufacturing in our country.

1986           Mr. {Gordon.} Absolutely. Every month our  
1987 manufacturers that may be secondary suppliers or may be a  
1988 primary supplier for a defense system and they are going out  
1989 of business, there are multiple reasons for that, and that  
1990 does weaken our national security for a couple different  
1991 reasons. One is when you go off shore with a manufacturer,  
1992 you don't have an assured source of supply that is free of  
1993 any political or other issues. And also you need a trusted  
1994 source of supply so there is many--there are about 50 or 60

1995 suppliers that go out of business for the Defense Department  
1996 every month, and these are listed in the DMSMS working group,  
1997 which is a small area.

1998       Mr. {Lipinski.} Thank you. I wanted to ask Mr. Hickey,  
1999 as a member of a Commerce Department advisory committee, do  
2000 you see that it is especially important from your experience  
2001 there, especially important that we have a National  
2002 Manufacturing Strategy that is coordinated from the top level  
2003 from the President in order to make sure that we actually are  
2004 having some kind of coordinated policy rather than a lot of  
2005 disjointed policies and program that may not really work well  
2006 together and promote manufacturing.

2007       Mr. {Hickey.} Congressman, this is exactly my  
2008 frustration on this. I have been on this committee for about  
2009 10 years. We advise the USTR and the Department of Commerce  
2010 on trade policies that has to do with the steel industry. We  
2011 get a lot of discussion but there never seems to be a  
2012 coordination. I will come back to the best study I saw in a  
2013 long time done by the Commerce Department under Mr. Aldonas  
2014 back in, oh, I don't know, it was probably '94 or '95, and he  
2015 basically said, you know, this is the best I could do because  
2016 there is way too many different people who don't really have  
2017 a value for manufacturing. You know, and it may be an  
2018 assistant secretary here or whatever. You have to have the

2019 President of the United States say this is a priority for our  
2020 country. The Defense Department is even the--we don't have  
2021 enough steel today to make certain plates that we need for  
2022 the military applications we have going on today. We are  
2023 importing them from other countries.

2024 Mr. {Lipinski.} Thank you. I yield back. Thank you,  
2025 Mr. Chairman.

2026 Mr. {Rush.} The chair will entertain one additional  
2027 question from any member who desires. Is there any member  
2028 who desires an additional question? Ms. Sutton, would you  
2029 like to ask an additional question?

2030 Ms. {Sutton.} Sure, Mr. Chairman. Thank you very much.  
2031 Mr. Paul, you mentioned that Germany has an integrated  
2032 strategy on manufacturing, and, Mr. Herrnsstadt, your  
2033 testimony also referred to China and the European Union. And  
2034 I would just like for you to expand upon that a little bit  
2035 because this isn't something that we are just doing in a  
2036 vacuum but others are obviously taking action so if you could  
2037 elaborate on how those countries' strategies compare to the  
2038 National Manufacturing Strategy that we are contemplating in  
2039 this bill and whether there are additional countries with the  
2040 National Manufacturing Strategy and whether you believe those  
2041 strategies have placed them at an advantage.

2042 Mr. {Herrnsstadt.} I would be happy to respond briefly,

2043 and I think it is a terrific question. First, there are  
2044 strategies we don't want to pursue like China's which is  
2045 heavily mercantilist. I don't think anyone wants to see our  
2046 factory workers working for \$250 a month. That is not a  
2047 tenable manufacturing strategy for the United States.  
2048 Germany, on the other hand, which in many cases has higher  
2049 compensation cost for workers, faces an extraordinary high  
2050 level of regulation, is able to succeed. In fact, Germany  
2051 has held its share of production and of exports as the U.S.  
2052 shares of these have dropped over the past decade and China's  
2053 have dramatically risen. The reason is because manufacturing  
2054 strategy is important to the German government. It is  
2055 important across party lines.

2056         And I would add it represents a lot of labor management,  
2057 academic, and governmental cooperation working together on  
2058 research production, skills and training, a very aggressive  
2059 trade policy, and a policy that is designed to keep  
2060 innovations in Germany. I mean, for instance, German is one  
2061 of the world leaders in wind and solar production, but  
2062 Germany is not a windy place. It is not a sunny place. But  
2063 they make the stuff because they have a manufacturing  
2064 strategy and they want to sell to the rest of the world.

2065         Mr. {Rush.} The chair now recognizes Mr. Dingell of  
2066 Michigan for 5 minutes.

2067 Mr. {Dingell.} Mr. Chairman, you are most courteous and  
2068 kind. Thank you. This is to Mr. Paul, Gordon, and  
2069 Herrnsstadt. H.R. 4692, as currently written, requires the  
2070 President to draft a National Manufacturing Strategy based on  
2071 the input of a Manufacturing Strategy Task Force and  
2072 Manufacturing Strategy Board. Do you believe that these two  
2073 agencies should collaborate to draft the National  
2074 Manufacturing Strategy instead of the President? Yes or no.

2075 Mr. {Paul.} I think at the highest level the President  
2076 needs to take ownership for the strategy.

2077 Mr. {Dingell.} Yes or no. Should they do it instead of  
2078 the President? We will come to that point then.

2079 Mr. {Paul.} They should certainly submit the  
2080 recommendations. I think the President should make the  
2081 ultimate call.

2082 Mr. {Dingell.} All right. And now Mr. Gordon.

2083 Mr. {Gordon.} I would say yes. I think that in my  
2084 testimony I said that the task force should draft a strategy  
2085 and the board should inform it.

2086 Mr. {Dingell.} Thank you. Mr. Herrnsstadt.

2087 Mr. {Herrnsstadt.} I will agree with that has already  
2088 been said.

2089 Mr. {Dingell.} You do or don't?

2090 Mr. {Herrnsstadt.} I think they should make

2091 recommendations to the President. That is ultimately where  
2092 it rests.

2093 Mr. {Dingell.} All right. So you think that they  
2094 should make recommendations that the President should submit  
2095 the policy to us, to the Congress, is that right, that  
2096 statement that you are making, gentlemen? All right. All  
2097 except, I guess, Mr. Gordon, but I don't see you are too much  
2098 out of pace. All right, gentlemen, thank you. Now, again,  
2099 to Mr. Paul Gordon and Mr. Herrnsstadt. Further, should the  
2100 membership of the Manufacturing Strategy Task Force be  
2101 expanded to include the Department of State, the United  
2102 States Trade Representative and U.S. Import-Export Bank? Yes  
2103 or no, starting with Mr. Paul.

2104 Mr. {Paul.} Only if they say the right thing.

2105 Mr. {Dingell.} I am sorry?

2106 Mr. {Paul.} Only if they say the right thing. I think  
2107 they should be included but they are often particularly  
2108 unhelpful.

2109 Mr. {Dingell.} I am not sure we can censor at best what  
2110 they had to say. If you would please, Mr. Gordon.

2111 Mr. {Gordon.} I would say the state absolutely. I  
2112 would also suggest Homeland Security and National Science  
2113 Foundation.

2114 Mr. {Dingell.} Thank you. Mr. Herrnsstadt.

2115 Mr. {Herrnstadt.} Yes. I think they should be  
2116 included.

2117 Mr. {Dingell.} Do you have some brief words of  
2118 explanation as to why you feel this way, gentlemen?

2119 Mr. {Gordon.} I would say the state has a great deal to  
2120 do with export control and manufacturing and trade. I  
2121 believe that Homeland Security also has a rather large role  
2122 in terms of making sure that you have assured sources for  
2123 Homeland Security, and the National Science Foundation makes  
2124 a lot of the R&D policy and investment in our next generation  
2125 manufacturing technologies.

2126 Mr. {Dingell.} Of course, I have got to admit that the  
2127 Department of State has at least to me been a tremendous  
2128 disappointment with regard to trade matters. I sometimes  
2129 wonder whether they represent us or somebody else. Now,  
2130 gentlemen, again, Mr. Herrnstadt notes in his written  
2131 testimony that the Manufacturing Strategy Board established  
2132 pursuant to H.R. 4692 would not be chaired by a  
2133 representative of organized labor. You have brought to my  
2134 attention a concern I think we may share. Do you believe a  
2135 representative of organized labor should be denied the  
2136 opportunity to co-chair such a board? Yes or no.

2137 Mr. {Herrnstadt.} Absolutely not. I think they should  
2138 be a member of the co-chair.

2139 Mr. {Dingell.} Okay. Thank you. Do you have a reason  
2140 that you would like to give us for that? Is there a reason  
2141 you would like to say that that should be done that way, that  
2142 they should have an opportunity to co-chair?

2143 Mr. {Herrnstadt.} Sure. Keeping in framework of the  
2144 way the task force has been formed it looks like it is trying  
2145 to attempt some sort of well balance to bring divergent views  
2146 to the forefront, and if you only leave chairs of folks that  
2147 don't represent workers, particularly workers in the  
2148 manufacturing era, you deny that opportunity to bring that.

2149 Mr. {Dingell.} Again, to Mr. Paul, Gordon and  
2150 Herrnstadt. Gentlemen, H.R. 4692 requires the President to  
2151 appoint members of the Manufacturing Strategy Board after  
2152 consultation with industrial organizations. Do you believe  
2153 that such industrial organizations should include labor  
2154 unions? Yes or no, starting with Mr. Paul.

2155 Mr. {Paul.} Speaking as someone who represents both  
2156 labor and business, I do, yes.

2157 Mr. {Dingell.} Okay. Mr. Gordon.

2158 Mr. {Gordon.} Yes, I do, because I believe that they  
2159 have a great stake in that.

2160 Mr. {Herrnstadt.} Yes.

2161 Mr. {Dingell.} Gentlemen, the same three witnesses, if  
2162 you please. H.R. 4692 requires the President to release the

2163 National Manufacturing Strategy by the end of the second year  
2164 in office. Now the calendar here may give us pause. Should  
2165 this be modified in light of the fact that the current  
2166 President's second year is halfway done? What are your  
2167 comments on that, if you please, starting with Mr. Paul.

2168 Mr. {Paul.} I think, quite honestly, if we want a  
2169 robust document, I think there is a reasonable possibility it  
2170 should be put back to give them a little more time.

2171 Mr. {Dingell.} Give them enough time to do the job, is  
2172 that what you are saying?

2173 Mr. {Paul.} Absolutely.

2174 Mr. {Gordon.} I would agree with that, absolutely.

2175 Mr. {Dingell.} And you, Mr. Herrnstadt?

2176 Mr. {Herrnstadt.} Yeah, I agree there needs to be  
2177 adequate time, but I also think that this urgently has to be  
2178 done.

2179 Mr. {Dingell.} I think your counsel as to how we do it  
2180 urgently and at the same time give them enough time will be  
2181 earnestly sought for the record. I note, Mr. Chairman, you  
2182 have courteously given me more time than I am entitled to.  
2183 Thank you. Thank you, gentlemen.

2184 Mr. {Rush.} The chair now recognizes Mr. Lipinski.

2185 Mr. {Lipinski.} Thank you, Mr. Chairman. I just want  
2186 to ask Mr. Herrnstadt, are there things that you believe

2187 would be especially important for a manufacturing strategy  
2188 from what you have seen in manufacturing?

2189           Mr. {Herrnstadt.} I think one of the hopes of the task  
2190 force and the board the way you formulated it is that all the  
2191 stakeholders will be at the table to give some give and take  
2192 to develop the strategy, and I think it will address this  
2193 issue in the long term and also I think it is important that  
2194 this will be a permanent and institutionalized task force, so  
2195 it is not just a one-shot deal where it just issues a report  
2196 and then everything goes away. And I think the thrust of  
2197 that is very important, but in the meantime I think there is  
2198 a lot that has to be done. As Congresswoman Sutton and  
2199 others have talked about, and as my members are experiencing,  
2200 they are losing their jobs every day, every week, every  
2201 month. And some sort of strategy, at least short term, needs  
2202 to be implemented as soon as possible to help alleviate this  
2203 and to help rebuild our economy.

2204           Mr. {Lipinski.} Thank you. And I want to thank  
2205 Chairman Dingell and Ms. Sutton and Mr. Whitfield, and  
2206 especially Chairman Rush for the opportunity to discuss this  
2207 bill, and thank you for your recommendations and especially  
2208 thank the witnesses for your testimony.

2209           Mr. {Rush.} The chair thanks all the witnesses for  
2210 appearing today. You have been more than gracious with your

2211 time, and you provided us some wonderful insight into this  
2212 whole area of discussion and you have empowered this  
2213 subcommittee with your grasp of the issue. Thank you so very  
2214 much. Before we adjourn, I do have a unanimous consent  
2215 request that a statement of the National Association of  
2216 Manufacturers on the National Manufacturing Strategy Act,  
2217 H.R. 4962, be submitted for the record, and hearing no  
2218 objection, so ordered.

2219 [The information follows:]

2220 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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2221           Mr. {Rush.}   The committee now stands adjourned.

2222           [Whereupon, at 4:52 p.m., the Subcommittee was

2223 adjourned.]