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3 HEARING ON MADE IN AMERICA: INNOVATIONS IN JOB CREATION AND

4 ECONOMIC GROWTH

5 THURSDAY, MARCH 3, 2011

6 House of Representatives,

7 Subcommittee on Commerce, Manufacturing, and Trade

8 Committee on Energy and Commerce

9 Washington, D.C.

10 The subcommittee met, pursuant to call, at 10:06 a.m.,  
11 in Room 2123 of the Rayburn House Office Building, Hon. Mary  
12 Bono Mack [Chairwoman of the Subcommittee] presiding.

13 Members present: Representatives Bono Mack, Blackburn,  
14 Harper, Cassidy, Guthrie, McKinley, Pompeo, Kinzinger,  
15 Barton, Butterfield, Towns, Rush, Schakowsky and Waxman (ex  
16 officio).

17 Staff present: Gib Mullan, Chief Counsel, Commerce,  
18 Manufacturing, and Trade; Brian McCullough, Professional

19 Staff Member; Shannon Weinberg, Counsel; Robert Frisby,  
20 Detailee; and Paul Cancienne, Policy Coordinator, Commerce,  
21 Manufacturing, and Trade.

22 Mrs. {Bono Mack.} The subcommittee will come to order.

23 Good morning, and welcome to this hearing of the House  
24 Subcommittee on Commerce, Manufacturing, and Trade.

25 Today, stubbornly high unemployment continues to have a  
26 chokehold on the American economy. In the months ahead, our  
27 subcommittee will be taking a close look at some of the  
28 impediments to progress and the keys to a more prosperous  
29 America. The chair will now recognize herself for an opening  
30 statement and officially come to order.

31 We have a unique opportunity to make ``Made in America''  
32 matter again. If we as a Congress and as a Nation are truly  
33 serious about creating the kind of positive legislative and  
34 regulatory environment needed to create new jobs as well as  
35 to bring back jobs to the United States from abroad, there  
36 are some commonsense steps that we should take right now. As  
37 chairman of this subcommittee, which has jurisdiction over  
38 interstate and foreign commerce, I am hoping to make job  
39 creation one of our top priorities.

40 After a record 20 straight months of unemployment above  
41 9 percent, it is time to finally free American innovation and  
42 ingenuity long held hostage by a regulatory regime which is  
43 as great a threat to our prosperity as is any foreign regime.  
44 Today, U.S. businesses are holding tight onto more than \$1.8

45 trillion in cash reserves. Let us give them a reason to  
46 invest that money in America's future. Here are some of the  
47 things we should do immediately.

48 First, let us ensure regulatory fairness. Rules and  
49 regulations imposed by Washington cost Americans more than  
50 \$1.75 trillion each year, or about \$15,500 per household.  
51 Moving forward, we should complete a top-to-bottom review of  
52 all regulations, scrubbing every outdated and senseless  
53 regulatory requirement off the books. Next, place a  
54 moratorium on any job-killing regulations and establish a  
55 more fair and transparent review process. And finally,  
56 require Congressional approval for all major rules and  
57 regulations imposing significant new costs on the economy.

58 Second, we need to make intellectual-property protection  
59 a top priority. By most estimates, the theft of U.S.  
60 intellectual property costs our economy hundreds of billions  
61 of dollars a year but the real damage, both in terms of lost  
62 jobs and stalled progress, is impossible to calculate. Most  
63 sinister, this is deflating to our Nation's entrepreneurial  
64 spirit and psyche. Simply put, our Nation's economy cannot  
65 thrive in a world of no-cost competitors.

66 Third, let us incentivize and reward innovation.  
67 According to a recent report by the Information Technology  
68 and Innovation Foundation, the United States ranked sixth

69 among 40 nations in innovation-based competitiveness but were  
70 dead last in progress made over the past decade--dead last.  
71 There are smart ways to use the U.S. Tax Code and patent laws  
72 to reward companies that create new jobs and keep those jobs  
73 here in America.

74 Fourth, we need to open more foreign markets to U.S.  
75 products. We simply cannot sit on the sidelines while other  
76 nations sign free-trade agreements and gain a foothold in  
77 promising new markets. Long-stalled trade promotion  
78 agreements with South Korea, Colombia and Panama should move  
79 forward quickly. Years of lost opportunities have only  
80 resulted in thousands of lost jobs. It is time to quit  
81 playing politics with our trade policies.

82 Fifth, we should embrace vigorous oversight of new laws  
83 and agencies. Aggressive oversight doesn't have to be a  
84 political parlor game. Rather, we should see these as  
85 beneficial opportunities to get it right. Americans want and  
86 deserve our best efforts. Oversight hearings, which this  
87 subcommittee will be holding this year, are a unique  
88 opportunity to see what is working and what is not. And at  
89 the end of the day, we must have the political courage to  
90 embrace change that is not always popular but necessary.

91 Finally, let us make in-sourcing in vogue. Frankly, I  
92 am tired of hearing people say the jobs are gone and they are

93 not coming back. Outsourcing is not a one-way street. By  
94 providing a stable and predictable regulatory framework, by  
95 protecting intellectual property, by incentivizing and  
96 rewarding innovation and by opening more foreign markets to  
97 our products, we can not only end the exodus of jobs overseas  
98 but also begin the process of bringing some of those jobs  
99 back home to America.

100 In fact, it has already started. GE, General Motors,  
101 Ford, Boeing, Delta Airlines, Master Lock and Caterpillar are  
102 just a few of the companies that are embracing in-sourcing.  
103 They should be applauded and other U.S. companies encouraged  
104 to follow suit. During the course of this entire week, ABC  
105 News has been taking an in-depth look at how buying ``Made in  
106 America'' can translate into millions of new jobs across the  
107 United States.

108 Today, we are at an important crossroads in our Nation's  
109 history. The way forward is clear: creating new jobs and  
110 preserving existing jobs here at home should be our top  
111 priority. It will strengthen our economy, reduce the  
112 deficit, enhance U.S. competitiveness and restore pride in  
113 ``Made in America.'' For this subcommittee, there can be no  
114 greater legacy.

115 [The prepared statement of Mrs. Bono Mack follows:]

116 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
117 Mrs. {Bono Mack.} And now I would like to yield back my  
118 time and recognize the gentleman from North Carolina, the  
119 ranking member, Mr. Butterfield, for 5 minutes.

120 Mr. {Butterfield.} Thank you, Madam Chairman. Thank  
121 you very much for convening this very important hearing  
122 today, and let me just say that this conversation is  
123 certainly very timely.

124 Helping unemployed Americans get back to work must be  
125 our agenda of Democrat and Republican. Millions of Americans  
126 are out of work through no fault of their own. They are  
127 unable to pay their bills, much less save for retirement or  
128 their children's education. Some Americans are even forced  
129 to choose between feeding themselves or taking the medicines  
130 they serve. This is unacceptable. Given the state of the  
131 economy, we must leave no stone unturned in our search for  
132 policies that can promote hiring and bring jobs to those who  
133 need them.

134 The Recovery Act was a good first step. Some have  
135 questioned the wisdom of this investment. The country's most  
136 respected economists, however, agree that there would have  
137 been significantly slower growth and higher unemployment if  
138 this investment had not been made. It is working. It is  
139 working in my district and I pray that it is working in your

140 district.

141       You will hear me say repeatedly while we serve together  
142 that I represent the fourth-poorest district in America. It  
143 is mostly a rural area in eastern North Carolina. Many of my  
144 constituents who are lucky enough to have a computer and  
145 Internet connection at home use dial-up service, and because  
146 of relatively low population density, there is little  
147 incentive for companies to build the necessary middle-mile  
148 infrastructure to reach these areas. In this day and age,  
149 how is someone in a rural area supposed to start or grow a  
150 successful business or learn high-tech skills in school  
151 without access to broadband Internet? The NTIA fortunately  
152 saw the need that existed and awarded two stimulus grants for  
153 broadband infrastructure that will bring high-speed Internet  
154 capacity to tens of thousands of my unserved and underserved  
155 communities.

156       The economy is now beginning to create more jobs each  
157 month. Certain parts of the economy have returned to  
158 profitability but this upturn has not resulted in America's  
159 companies investing in new hires. I suppose they are waiting  
160 for market certainty and Congressional certainty. While they  
161 wait, too many Americans are still suffering. It is time for  
162 us to take the second step. The Federal Government must  
163 engage, not through another stimulus but through targeted,

164 strategic investments like rural North Carolina's broadband  
165 grants that have the potential to create jobs in the short  
166 term, support long-term national priorities and provide a  
167 competitive business climate for the successful industries of  
168 the future. Investments in three particular areas stand out  
169 as building blocks. Research and development is certainly  
170 where we begin, infrastructure and education, especially STEM  
171 education. I am fully committed to getting our fiscal house  
172 in order. I think we all are. And I believe the President  
173 has made clear that he is as well. But reducing the deficit  
174 will come only through a serious look at the government's  
175 long-term obligations, not through rapid across-the-board  
176 cuts. It is not inconsistent to make tough choices about  
177 necessary cuts at the same time that we identify critical  
178 strategic investments in our country's future.

179         And so I look forward to a robust discussion and  
180 receiving the testimony of the Assistant Secretary, whom we  
181 welcome today, and the witnesses on the second panel. The  
182 fact remains and it is very clear, we must create the  
183 opportunity for business and industry to create 7 million  
184 jobs to get the economy back where it was before the  
185 recession. It will take innovative approaches to get there.  
186 We will not get there if we continue to be mired in partisan  
187 brinksmanship. The American people are demanding, they are

188 demanding bipartisan solutions to these complex American  
189 problems, and that is why I congratulate the chairman for  
190 convening this hearing today. I welcome all of the witnesses  
191 and I look forward to their testimony.

192 I yield back, Madam Chairman.

193 [The prepared statement of Mr. Butterfield follows:]

194 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
195 Mrs. {Bono Mack.} Thank you.

196 Chairman Upton, he yielded his 5 minutes for his opening  
197 statement to me in accordance with committee rules, and as  
198 his designee, I would like to recognize Ms. Blackburn, the  
199 vice chairman of the subcommittee, for 2 minutes.

200 Mrs. {Blackburn.} Thank you, Madam Chairman. I thank  
201 you for that well-stated opening statement that sets the  
202 playing field for this hearing.

203 The other night, I was watching a documentary on Ronald  
204 Reagan. We have all been looking at the centennial of his  
205 birth, and I was reminded of a statement that he said during  
206 the 1980 campaign, and it was that a recession is when your  
207 neighbor loses his job, a depression is when you lose your  
208 job and recovery is when Jimmy Carter loses his job. Now,  
209 unfortunately, we can't sit around and wait for a change in  
210 Administration to begin this recovery. So Madam Chairman, as  
211 you said in your statement, it is time for us to do some  
212 things differently and to make some well-placed changes.

213 I have to disagree with my colleague from North Carolina  
214 that the stimulus bill was a good first step. When you talk  
215 to people in my district, which I do every single week, they  
216 are telling me that there is a lot wrong, and when you have a  
217 stimulus bill that has unemployment above 9 percent over 21

218 months of this, when you have got underunemployment even  
219 higher up in 15, 17, 20 percent, depending on where you are,  
220 it says things are not right. What we hear from our  
221 constituents and what I am hearing in the listening sessions  
222 that I am holding every week in my district, what I hear from  
223 people is that the long arm of government with regulation is  
224 killing the incentives to create jobs. What I am hearing is  
225 uncertainty on tax and regulatory policy is a killer when it  
226 comes to creating and retaining or expanding jobs. What we  
227 are hearing is that they want government to get out of the  
228 way, to provide some certainty, and they want us to focus on  
229 creating the environment that will allow job growth to take  
230 place

231 I thank the chairman. I yield back my time.

232 [The prepared statement of Mrs. Blackburn follows:]

233 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
234 Mrs. {Bono Mack.} I thank the gentlelady.

235 Now I would like to recognize the chairman emeritus of  
236 the committee for 2 minutes, Mr. Barton.

237 Mr. {Barton.} Thank you, Madam Chairwoman. We  
238 appreciate you holding this hearing. We welcome our  
239 witnesses, the Hon. Assistant Secretary Fernandez and our  
240 witnesses on the private sector panel after that.

241 Downstairs we are having a food fight on health care  
242 with the Secretary of Health and Human Services. There is  
243 quite a disagreement between the Republicans and the Minority  
244 on that issue. But on this issue, there should be agreement  
245 on both sides of the aisle that we actually do all support  
246 the creation of jobs and the creation of a robust economy.

247 We tend to be gloomy and doomy when we talk about the  
248 ability of our economy to create jobs, and it is true that we  
249 have been in a recession the last several years. Having said  
250 that, on the positive side, unless one of our expert  
251 witnesses corrects me, my understanding is that our  
252 manufacturing sector produced more goods and services last  
253 year than any year in history. My perception is that in  
254 terms of productivity per worker, the American worker is  
255 still the most productive worker in the world. My perception  
256 is that in terms of productivity increase, we have doubled

257 and perhaps tripled the productivity of the average American  
258 worker in the last 20 to 25 years.

259         So we do have an economy that has a robust manufacturing  
260 capability. Having said that, we have the ability in  
261 Washington by high taxes, by regulatory overkill to stifle  
262 and threaten that productivity. So hopefully this hearing  
263 will give us some roadmaps about how to increase  
264 productivity, how to unleash the economic entrepreneurship of  
265 America and how to keep us number one and make us more  
266 competitive in the world markets.

267         With that, Madam Chairwoman, I yield back.

268         [The prepared statement of Mr. Barton follows:]

269 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
270 Mrs. {Bono Mack.} I thank the gentleman.

271 Mr. {Butterfield.} Madam Chairman?

272 Mrs. {Bono Mack.} Before we go to your side, I would  
273 like to recognize for the last minute a new member of the  
274 committee, Mr. Guthrie from Kentucky.

275 Mr. {Guthrie.} Thank you, Madam Chairwoman.

276 I come from a small business and manufacturing  
277 background and know firsthand what is needed to allow job  
278 creators to remain competitive. We cannot be a country that  
279 does not make things. As a manufacturer, I am familiar with  
280 the very serious uncertainty that our job creators face  
281 today, many of which we will be discussing in this committee.

282 Today we live in the world's most productive economy but  
283 we can't take it for granted. The United States faces  
284 greater competitor as our business sees every day from China,  
285 India, Brazil and the EU, and I applaud the chairwoman's  
286 willingness to reopen the book on our economic policy with an  
287 eye towards innovation and job creation. I look forward to  
288 reevaluating the related policies within the committee's  
289 jurisdiction. It is fitting that Congress does the same,  
290 although I do hear mostly from people and from businesses I  
291 am familiar with is not just concern about what Congress is  
292 doing but the excess regulatory burden that is coming from

293 the Administration. They say didn't we just have an election  
294 but we are still hearing these things are coming forward  
295 after they felt like they made a correction in the election.

296 So we look forward to discussing where the  
297 Administration is going with that, and I yield back.

298 [The prepared statement of Mr. Guthrie follows:]

299 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
300 Mrs. {Bono Mack.} I thank the gentleman.

301 Mr. {Butterfield.} Madam Chairman?

302 Mrs. {Bono Mack.} Yes?

303 Mr. {Butterfield.} Madam Chairman, it appears that the  
304 gentlelady from Illinois has arrived, and in the absence of  
305 the ranking member of the full committee, I would ask  
306 unanimous consent that she be allowed to use the time that  
307 Mr. Waxman would have otherwise used.

308 Mrs. {Bono Mack.} Without objection, the gentlelady is  
309 recognized for 5 minutes.

310 Ms. {Schakowsky.} Thank you, Madam Chairman and Ranking  
311 Member.

312 I am so glad that we are here today to talk about jobs  
313 because frankly, from my point of view, from my perspective,  
314 the new Majority has done absolutely nothing to create jobs  
315 for the American people since they have been in charge.  
316 Quite to the contrary, instead, they want to gut federal  
317 programs in a way that economists say will eliminate jobs,  
318 slow our economic growth and put hardship on the American  
319 people and spend time doing things like conducting a radical  
320 social campaign against women and family planning.

321 Yesterday, Ben Bernanke said that under Republicans'  
322 Continuing Resolution, we could lose ``a couple hundred

323 thousand jobs.'" Economist Mark Zandi, who was an advisor to  
324 John McCain, has said the bill could cost us 700,000 jobs.  
325 And even Goldman Sachs, not that I am a fan of Goldman Sachs,  
326 but they have estimated that it could cut our gross domestic  
327 product by 2 percent. And the Republican response so far has  
328 been so be it. And Americans deserve better than that. We  
329 need to make investments in our Nation by building a strong  
330 infrastructure, educating our kids, supporting industries  
331 like nanotechnology, which is really great in my district,  
332 partnerships with the private and the public sector with  
333 Northwestern University and spin-off companies and renewable  
334 energy which have the potential to create millions of good  
335 jobs.

336           So now I see that our ranking member of the full  
337 committee has arrived and I would like to yield the rest of  
338 my time to him.

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

340 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
341           Mr. {Waxman.} Thank you very much. I appreciate your  
342 taking the opportunity to talk about the hearing for today.

343           Job growth must be our number one priority but I am  
344 concerned that the policies being pursued by the House would  
345 have the opposite effect. They would eliminate jobs, not  
346 create them.

347           A recent analysis from Goldman Sachs concluded  
348 Republican spending cuts in the C.R. could significantly  
349 reduce U.S. economic growth, thereby decreasing job growth  
350 and further slowing down the recovery. An analysis from  
351 Moody's Analytics concluded that the Republican spending cuts  
352 could result in up to 700,000 fewer jobs by the end of the  
353 fiscal year. Slower growth and fewer jobs are clearly steps  
354 in the wrong direction for this country.

355           American families are facing real economic pain. For  
356 millions, their jobs are gone, their savings depleted, their  
357 home values down, and their belief in the promise of the  
358 American dream diminished. We have a responsibility to these  
359 Americans to not only keep moving along a path of job growth,  
360 but to act reasonably and responsibly to accelerate the  
361 growth of recent months.

362           So how do we get there? The President has called for the  
363 United States to out-educate, out-innovate and out-build our

364 competitors, and I believe we are up to that challenge. In  
365 order to meet that challenge we need targeted public and  
366 private investments in key sectors that will grow our economy  
367 and create jobs.

368         One key sector is education. The United States is near  
369 the bottom of industrialized nations in math and science  
370 literacy. We must invest in science, technology, engineering  
371 and math to compete with the rest of the world.

372         Another key sector is research and development. In  
373 order to retain America's competitive edge, we must always be  
374 planning for the future. Basic research must be advanced in  
375 all areas including manufacturing, biomedical, clean energy,  
376 cyber security and information technologies.

377         And finally, we must invest in our infrastructure, both  
378 our physical infrastructure like crumbling roads and bridges  
379 and our virtual infrastructure encompassing computing,  
380 networking and wireless spectrum.

381         I agree we need to put our Nation's fiscal house in  
382 order but we should not choke our economic recovery. That  
383 would be profoundly counterproductive. We are facing revenue  
384 shortfalls because we have fewer people working and  
385 contributing to the federal treasury. Boosting job growth  
386 and boosting consumer spending leads to increased federal  
387 revenues as more people return to the tax rolls. All of this

388 leads us to the long-term goal that we all share of  
389 protecting our fiscal future. We must spend responsibly, but  
390 most importantly, in the short and mid term, we must focus on  
391 growing our economy and creating jobs. We must focus on  
392 investing in education, innovation and modern infrastructure  
393 to ensure we stay ahead of our competitors around the world.

394 Madam Chairman, I am glad we are having a hearing on job  
395 growth and I look forward to working in a bipartisan way to  
396 solve our pressing fiscal issues. I yield back the balance  
397 of my time.

398 [The prepared statement of Mr. Waxman follows:]

399 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
400 Mrs. {Bono Mack.} I thank the gentleman.

401 We are going to have two panels before us today. Each  
402 of the witnesses has prepared an opening statement. As is  
403 customary, they will be placed in the record. Each of you  
404 will have 5 minutes to summarize that statement in your  
405 remarks.

406 On our first panel today, we are very pleased to have  
407 the Hon. John Fernandez, Assistant Secretary of Commerce,  
408 Economic Development Administration. Thank you for being  
409 here today, Mr. Secretary, and you have 5 minutes.

|  
410 ^STATEMENT OF HON. JOHN FERNANDEZ, ASSISTANT SECRETARY OF  
411 COMMERCE, ECONOMIC DEVELOPMENT ADMINISTRATION, DEPARTMENT OF  
412 COMMERCE

413 } Mr. {Fernandez.} Thank you very much, Chairman Bono  
414 Mack and Ranking Member Butterfield and members of the  
415 subcommittee. I appreciate the opportunity to be here today  
416 on behalf of the Economic Development Administration. I  
417 applaud the leadership for the subject of this hearing. I  
418 think it is near and dear to all of us and it is a critically  
419 important time in our country's history.

420 A few weeks ago, President Obama released his proposed  
421 budget for fiscal year 2012. It represents a fiscally  
422 responsible plan to rebuild our economy and win the future by  
423 out-innovating, out-educating, out-building our global  
424 competitors and creating the jobs and industries of tomorrow.

425 The budget focuses our federal resources in critical  
426 areas of education, innovation, clean energy and  
427 infrastructure. It proposes to reform how Washington does  
428 business, putting more federal funding up for competition,  
429 cutting waste and reorganizing government so it can better  
430 serve the American people.

431 You know, all of us know that economic development is

432 not easy, even in better times, and we certainly know that  
433 the reality is that economic development has changed  
434 significantly in the 45 years since EDA was created. We can  
435 no longer count on ``build it and they will come'' economy  
436 development strategies of the 20th century. These strategies  
437 don't work on today's global economy.

438         The Department of Commerce and EDA are providing  
439 leadership to the Administration's efforts to build a more  
440 innovation-driven, more entrepreneurial economy. In  
441 particular, to spur innovation, we must cultivate  
442 competitive, high-performing regional economies as the  
443 foundation for national growth. EDA's Jobs and Innovation  
444 Partnership puts a premium on regional innovation cluster  
445 strategies as a platform for linking multiple initiatives  
446 across the Administration and the Nation's metropolitan areas  
447 and rural communities. The Jobs and Innovation Partnership  
448 is designed to cultivate public-private partnerships and  
449 support strategies that capitalize on regional assets to  
450 create jobs and encourage business expansion.

451         Importantly, the investments we make support bottom-up  
452 strategies developed by local and regional leaders. This  
453 orientation that the best ideas bubble up from regional and  
454 small business leaders is a critical element in our ship.

455         Here are a few examples of the kinds of investments we

456 have recently made. EDA invested a little over \$2 million in  
457 JumpStart, which is a venture development organization in  
458 Cleveland, Ohio, to promote innovation and small business  
459 development in six Midwest cities. EDA provided a small but  
460 catalytic grant to the city of Nashwauk, Minnesota, to build  
461 critical infrastructure that was needed to secure the  
462 development of the new Essar Steel plant, which was a \$1.6  
463 billion project which was projected to create about 2,800  
464 jobs. EDA helped fund the Water and Energy Technology  
465 Incubator in Central Valley, Fresno County, to nurture and  
466 grow water and energy technology businesses. Since its  
467 opening, more than 15 companies have been formed and  
468 leveraged over \$17 million in private capital, creating jobs  
469 for central Californians.

470 I wanted to also make a note about American COMPETES,  
471 which was reauthorized by Congress last year. I really  
472 appreciate the strong bipartisan support for that piece of  
473 legislation. It provides the tools that EDA needs to  
474 encourage and support more of this kind of regional  
475 innovation strategy.

476 We work hand and hand with many of other federal  
477 agencies to promote and advance such regional strategies. In  
478 2010, the White House Interagency Task Force for the  
479 Advancement of Regional Innovation Clusters launched the

480 first-ever joint federal funding opportunity to involve six  
481 other federal agencies. Included in this partnership are the  
482 Department of Energy, the National Institute of Standards and  
483 Technology, the Department of Labor, Department of Education,  
484 the SBA and the National Science Foundation. We are  
485 currently working through this interagency process to  
486 identify even additional opportunities to accelerate regional  
487 innovation clusters

488         There should be no doubt in today's global economy that  
489 regions matter. Our most serious competitors don't come from  
490 the town just down the road or across the State line. They  
491 come from around the world, from India, Germany, Singapore,  
492 China and too many other countries to name.

493         So Chairman Bono Mack and members of the subcommittee, I  
494 certainly do appreciate the opportunity to be here today to  
495 talk about our efforts at our agency to support  
496 competitiveness of America's regions as we continue to  
497 provide the kinds of opportunities for the people throughout  
498 the country, and I look forward to answering your questions  
499 today and working closely with Congress to help strengthen  
500 our communities and small businesses. Thank you.

501         [The prepared statement of Mr. Fernandez follows:]

502         \*\*\*\*\* INSERT 1 \*\*\*\*\*

|  
503           Mrs. {Bono Mack.} I thank the Secretary, and the chair  
504 will recognize herself for the first 5-minute round of  
505 questions.

506           So Secretary Fernandez, thank you very much for being  
507 here today. It is a pleasure to meet you. Some of my  
508 questions are going to be tough and to the point. My goal  
509 isn't to assign blame for our Nation's economic problems; my  
510 goal is to find solutions. As the ranking member said, all  
511 of us here want the same thing: a very strong and vibrant  
512 prosperous America.

513           But here is my first question. In this week's Bloomberg  
514 Business Week, one of our Nation's smartest minds, Mary  
515 Meeker, looks at the United States as a business and asked,  
516 ``Would you invest in a company that lost \$2 trillion last  
517 year and has a net worth of a negative \$44 trillion?'' So  
518 Secretary Fernandez, how would the Administration answer that  
519 question and how do we make ``Made in America'' matter again?

520           Mr. {Fernandez.} Well, I think the Administration would  
521 absolutely respond with a resounding yes. I mean, there are  
522 clearly challenges that we have had to face following the  
523 financial meltdown and some of the transformational things  
524 that are happening in the global economy. But I think  
525 America is incredibly well positioned to build on the

526 leadership we have had in innovation. As Chairman Barton  
527 mentioned, we have some of the most productive workers in the  
528 world. We have some of the most innovative companies in the  
529 world.

530 But there is certainly, and I think we would all agree,  
531 that there are areas where we need to seriously tackle some  
532 of these challenges. The President has been clear that, you  
533 know, he supports reforming our corporate tax structure so  
534 that we can be more competitive globally. We are serious  
535 about looking at the kinds of regulatory reform that can help  
536 spur innovation.

537 Mrs. {Bono Mack.} On that note, let me jump in. Five  
538 minutes is so quick, Mr. Secretary.

539 Small, successful businesses in America all have good  
540 business plans and usually they are flexible. They are  
541 flexible enough to evolve over time as market conditions  
542 change. What would you say are the essential elements of the  
543 Administration's business plan when it is on the--I am asking  
544 the same question that you are answering but if you could  
545 continue, I guess, in that vein.

546 Mr. {Fernandez.} What I could say, Madam Chairman, is  
547 that I think, you know, candidly, your opening comments laid  
548 out a large range of issues that are critically important  
549 that I think there are tremendous opportunities for

550 bipartisan support. The tax structure has to be competitive.  
551 We have to invest in innovation. We have to support  
552 education, 21st century infrastructure. I think there are  
553 many places where the Congress and the Administration can  
554 work together because, again, the whole notion of this  
555 hearing about making in America is essentially important to  
556 all of us and we embrace that objective and I think we can  
557 work together on it.

558         Mrs. {Bono Mack.} Well, we all agree and we are all  
559 saying we want to together but something clearly isn't  
560 working. Unemployment has been stuck at more than 9 percent  
561 for a record 20 straight months.

562         I was a small-business owner. I owned a small  
563 restaurant, and I knew on a firsthand basis that for me to  
564 have succeeded as a restaurateur, the government needed to  
565 get out of the way, and I think that, as the vice chairman,  
566 that is what we are all looking for is government to get out  
567 of the way and let the private sector lead the way. Can you  
568 speak to that a little bit? Are you hearing the same thing  
569 that we are hearing, that the vice chair talked about, that  
570 the government needs to get out of the way and actually help  
571 by getting out of the way, by removing the impediments to  
572 growth?

573         Mr. {Fernandez.} What I hear and what my experience has

574 been is that certainly the private sector is going to be the  
575 driver and source of innovation and job creation. There is  
576 no dispute about that. But the government has a critical  
577 role to play as well.

578         Mrs. {Bono Mack.} But right now there are rules and  
579 regulations that are imposed that cost Americans more than  
580 \$1.75 trillion a year. So how does that reconcile? Those  
581 two don't reconcile at all. To put it in some perspective,  
582 the federal budget deficit is projected to be \$1.4 trillion.  
583 So if we are going to create jobs, how do we provide a more  
584 fair and sensible predictable regulatory regime? What we are  
585 saying and what we are doing are not reconciling at all.

586         Mr. {Fernandez.} Well, as the President has said, and  
587 he said it in the State of the Union, he said it in since  
588 then, is that we absolutely do support regulatory review. We  
589 want to weed out the kind of regulations that are outdated  
590 and aren't productive or necessary, but finding and  
591 maintaining those that actually do serve a valid public good.

592         Mrs. {Bono Mack.} Can you name a quick two or three  
593 that you have already found?

594         Mr. {Fernandez.} Well, I can't. For me, no. We are  
595 currently--at the EDA, in fact, we have published an RFI and  
596 we are reviewing all of our regulations as well. We are a  
597 small agency. But we think that are probably rules within

598 our own system that are obstacles and slow down the process,  
599 particularly as we want to build public-private partnerships.

600 Mrs. {Bono Mack.} Well, I look forward to working with  
601 you on that in the future.

602 I would like to yield back my time and recognize the  
603 ranking member for 5 minutes.

604 Mr. {Butterfield.} Thank you very much, Madam Chairman.

605 Let me spend my time, Mr. Secretary, talking about  
606 infrastructure. My district in North Carolina will never  
607 recover unless we can invest in infrastructure and invest  
608 significantly in infrastructure, so this is very dear to me.  
609 We have heard time and time again that private investment  
610 drives the economy, and certainly that is true. We have  
611 heard it is time for the Federal Government to stop spending  
612 money, and we all hear that when we go home and to a certain  
613 extent that is also true. We also hear that it is time for  
614 the Federal Government to just get out of the way. We heard  
615 that from the vice chair of the committee this morning and we  
616 hear it from time to time.

617 While I agree that the private sector is and should  
618 remain the driver for economic growth and prosperity, public  
619 investments can indeed can help fuel private sector growth by  
620 lowering costs for American businesses. As the Association  
621 of Manufacturers suggests, investments in infrastructure can

622 help manufacturers more efficiently move people, products and  
623 ideas. And so my question to you, sir, is, can you please  
624 explain to this subcommittee and to all who are interested  
625 who investments in modern infrastructure like roads and  
626 railroads and ports can improve the efficiency and  
627 competitive capacity of America's businesses?

628         Mr. {Fernandez.} Well, let me just say this. I think  
629 generally there is no silver bullet that is going to address  
630 all of the economic challenges we face but you have to have a  
631 holistic approach. Twenty-first-century infrastructure that  
632 is efficient, that can move product, can move digital  
633 products as well as hard products, those are essential to  
634 having the kind of climate where companies can be successful  
635 and create jobs and provide opportunities. But today's  
636 infrastructure has to, in my judgment, certainly include some  
637 of the traditional basic infrastructure but it also includes  
638 a lot of innovation infrastructure. It means STEM education,  
639 investments in research and development that can be  
640 commercialized to create whole new industries that we haven't  
641 even thought of, and looking at how we create the kind of  
642 ecosystem, if you will, in regions where the private sector  
643 can flourish and I think infrastructure in a broad way is a  
644 very important part of--

645         Mr. {Butterfield.} What about broadband infrastructure

646 and the power grid?

647       Mr. {Fernandez.} Absolutely. Sure, I mean, smart grid,  
648 we have made significant investments as part of the Recovery  
649 Act to enable the development of smart grid to more  
650 effectively distribute energy but also enable whole new lines  
651 of products to be developed around energy-efficient  
652 manufacturing, new appliances, etc. So I think there is  
653 tremendous opportunities in smart grid, in broadband,  
654 wireless technology. Those are all the essential  
655 infrastructures that are really growing an effective global  
656 economy.

657       Mr. {Butterfield.} And having said all of that, can the  
658 private sector be economically profitable without any public  
659 assistance whatsoever, in your opinion?

660       Mr. {Fernandez.} Well, as I said before, I think there  
661 is a strong critical role for the private sector and there is  
662 a strong critical role for the public sector, and I think,  
663 you know, my experience as a mayor and working at the local  
664 level is that our economy works best when we have those kind  
665 of strong public-private partnerships. There is a role for  
666 both sectors to play that are critically important, and we do  
667 best when we work together.

668       Mr. {Butterfield.} On the subject of manufacturing, and  
669 I have a minute and a half left, although the dominance of

670 the American manufacturing sector has been chipped away for  
671 some time, our country remains the world's largest  
672 manufacturing economy. According to the manufacturers again,  
673 we produce 21 percent of global manufactured products. Japan  
674 and China follow at 13 and 12 percent. Our continued  
675 dominance shows that America is still a place where we can do  
676 and make things, and our financial security along with our  
677 long-term national security demand that we continue to do so.  
678 For years, even before the recession, we heard about the  
679 offshoring and loss of jobs from the United States, but as we  
680 continue to recover from the recession, it is the  
681 manufacturing sector that has proven to be among the bright  
682 spots in a slow recovery.

683         The manufacturing sector has been growing for the last  
684 19 months, make no mistake about it, and this past January  
685 manufacturing activity turned in its best performance since  
686 May of 2004. Even more surprising, companies like GE and  
687 Ford, among others, have announced that they are moving jobs  
688 out of China, Japan and other countries and back to our  
689 country. To use the words that the chairman used in her  
690 opening statement, they are beginning to in-source. These  
691 aren't just jobs but the sort of good-paying jobs that we  
692 need more of right now and in the long term. Do you know  
693 what is driving the growth in the manufacturing sector in

694 just a few seconds? Do you know what is driving the growth?

695 Mr. {Fernandez.} I think what is driving it is the  
696 ingenuity and productivity of the leadership in our companies  
697 and the workers that help build our companies.

698 Mr. {Butterfield.} Thank you.

699 Mrs. {Bono Mack.} I thank the gentleman.

700 The chair recognizes the vice chair, Ms. Blackburn, for  
701 5 minutes.

702 Mrs. {Blackburn.} Thank you, Mr. Secretary, and a  
703 question for you, because I have got some counties that we  
704 have some unemployment problems. The countries where you  
705 have given grants, is there any statistically significant  
706 difference in the unemployment rate between the counties that  
707 you have had grants in the last 5 years and those that you  
708 have not?

709 Mr. {Fernandez.} We have not engaged in any kind of  
710 detailed analysis that could answer that question.

711 Mrs. {Blackburn.} So you don't know if what you are  
712 doing is working or not?

713 Mr. {Fernandez.} I believe your question is one that we  
714 can't answer with the studies we have done but I can tell you  
715 that the investments we make have very direct leverage. Our  
716 grants are tied to specific partnerships where there is  
717 immediate private sector leverage, there is public matched

718 dollars, and they have certainly made an impact on the  
719 communities where we make those investments, yes.

720 Mrs. {Blackburn.} Okay. So but you have not had a  
721 serious study to look at this to make a determination if the  
722 taxpayer is getting their dollar's worth?

723 Mr. {Fernandez.} We are confident the taxpayers are  
724 getting their money's worth. We report out findings on a 3-,  
725 6-, 9-year basis following our investments. There have been  
726 two independent studies that were done to look at the  
727 accuracy of the reporting out, one by Rutgers in 1997,  
728 another by Grant Thornton in 2008, and they validated the  
729 measures that were used by the EDA and by our grantees that  
730 report out the economic impact of the grants we made.

731 Mrs. {Blackburn.} Okay. Well, I have got--let us take  
732 this as a for instance because, you know, I think it concerns  
733 me when you all don't do the kind of evaluation of what you  
734 are getting for this money, and as I said in my opening  
735 statement, you can look at what is happening with  
736 unemployment and see something is not working right, and that  
737 is what frustrates the American people, and as I mentioned, I  
738 have been working with my chambers of commerce and local  
739 communities and we are doing job creation listening sessions,  
740 and there is a laundry list of things that they think are  
741 being done inappropriately.

742           Let me talk about two of my counties, Wayne and Perry  
743 counties. Unemployment has hovered around 20 percent. If  
744 you look at your EDA eligibility requirements, then you could  
745 say that much of the country is going to qualify for EDA  
746 assistance. So tell me what processes are in place to ensure  
747 that projects are created in the most severely economically  
748 depressed counties. How are you all making that evaluation?

749           Mr. {Fernandez.} Well, as you know, the way our grants  
750 are made are through a competitive grant system and so as a  
751 baseline there has to be some eligibility criteria that are  
752 met. But then our decisions are based on the strength of the  
753 applicants and the proposals that they make, and as we  
754 evaluate those applications, we look at the extent of the--

755           Mrs. {Blackburn.} Have you ever been to Tennessee, to  
756 Wayne or Perry counties?

757           Mr. {Fernandez.} I am not familiar with the counties.  
758 I have certainly been to Tennessee, yes.

759           Mrs. {Blackburn.} What part?

760           Mr. {Fernandez.} To Memphis, to Nashville.

761           Mrs. {Blackburn.} Okay. All right. Your agency has  
762 photos posted on your website of international travel to  
763 Lyon, to Brussels in November and December of 2010. Your  
764 website indicates that EDA officials are going to go to  
765 Hanover, Germany, April 3 through 8, 2011. So please submit

766 to this committee in writing all past international travel  
767 over the past 2 years, the purpose of that international  
768 travel including the itineraries and the cost of that  
769 international travel and name some positions of the federal  
770 status of the staff attending all international trips. I  
771 would also like to know if attendees traveled in coach or  
772 business class and specific flights. Additionally, please  
773 detail with similar information the Hanover, Germany, trip  
774 and all planned future international trips, and I would love  
775 for you to explain to me the purpose of EDA's participation  
776 in these international trips.

777 Mr. {Fernandez.} I would be happy to.

778 Mrs. {Blackburn.} If the EDA is promoting U.S.  
779 competitiveness in export abroad, I would say, you know,  
780 maybe that is the role of the Foreign Commercial Service, and  
781 during the State of the Union address, the President singled  
782 out export.gov as government waste and duplication, so do you  
783 believe one more agency's presence in promoting U.S. exports  
784 abroad is necessary? And if so, do you believe the FCS is  
785 unable to do its job effectively?

786 Mr. {Butterfield.} Reserving the right to object.

787 Mr. {Fernandez.} Well, I would be happy to provide all  
788 the information that you requested.

789 Mrs. {Blackburn.} Thank you. I look forward to it.

790 I yield back.

791 Mr. {Butterfield.} May I be heard for a point of order,  
792 Madam Chairman?

793 Mrs. {Bono Mack.} The gentleman may be heard.

794 Mr. {Butterfield.} I have asked the staff if it is  
795 appropriate for a member of the subcommittee to posit this  
796 type of question to a witness, and I am told that it is an  
797 appropriate ask, but I would ask the gentlelady if she would  
798 be so kind as to make the same request in writing so there  
799 would be some clarity about the request?

800 Mrs. {Blackburn.} I will be happy to submit the request  
801 in writing. I think that as we look at the purpose of the  
802 EDA, and I appreciate the ranking member's question, that  
803 this is information that we want to know. We are looking at  
804 why we are not getting jobs creation in this country. We are  
805 hearing from our listening sessions that there is a problem  
806 and a disconnect between the Federal Government and local  
807 communities, and I would suggest to the gentleman and to the  
808 Secretary that we may be looking at one of the disconnects  
809 and a place we can go over some redundancy.

810 Yield back.

811 Mr. {Rush.} Will the gentleman yield, please? Will the  
812 ranking member yield?

813 Mr. {Butterfield.} I believe it may still be my time.

814 If it is on the point of order, I yield to the gentleman.

815 Mr. {Rush.} Madam Chairman and members of the  
816 committee, it seems to me that this line of questioning  
817 should appropriately be addressed in the Subcommittee on  
818 Oversight. I think that the energy and time and efforts of  
819 this committee should be more focused on looking at policy  
820 issues rather than looking at travel itineraries for members  
821 of the Administration, and I strongly concur with the  
822 position with the ranking member that I think it is just a  
823 waste of our time and a waste of the Secretary's time to have  
824 his staff dedicated to these purposes. If the author of the  
825 request, if she really wanted to be--I am not sure if she is  
826 a member of the Oversight Subcommittee but maybe that is the  
827 appropriate place where--

828 Mrs. {Bono Mack.} If the gentleman will yield?

829 Mr. {Rush.} --this should actually take place.

830 Mr. {Butterfield.} Yes, I will yield to the chairman.

831 Mrs. {Bono Mack.} I appreciate the ranking member  
832 yielding to me, and I would just like to say that this  
833 committee does have oversight, and I believe the questions  
834 are relevant and she has offered to present them to you in  
835 writing, which is customary, and I would like to know if the  
836 ranking member is comfortable with that.

837 Mr. {Butterfield.} I will continue to reserve my right

838 to object until we can see the written document, and then I  
839 will probably withdraw it. Thank you. I yield back.

840 Mrs. {Bono Mack.} All right. The chair would like to  
841 recognize Ms. Schakowsky for 5 minutes.

842 Ms. {Schakowsky.} Thank you, Madam Chairman.

843 Our chairwoman has said that what the businesses that  
844 she is familiar with and business in general just want  
845 government to get out of the way. Secretary, I wanted to ask  
846 you if you have ever seen a business lobbyist who was here  
847 not to get rid of government or perhaps to get government to  
848 weigh in on the side of business. Have you ever seen that?

849 Mr. {Fernandez.} I am sorry. The question is, have I  
850 seen--

851 Ms. {Schakowsky.} Yes, you know, the assertion was that  
852 all that business wants is for government to get out of the  
853 way. I am wondering if you, like me, have ever been  
854 approached by businesses who actually want something from  
855 government, would like something done for business by  
856 government. Have you ever seen that?

857 Mr. {Fernandez.} Sure.

858 Ms. {Schakowsky.} Let us just be clear and honest about  
859 that, that it works both ways, that there are things that the  
860 business community through its legion of lobbyists are all on  
861 the Hill all the time for things not to get government out of

862 the way but actually to get government involved. I am not  
863 objecting to that. I am simply making that point.

864         And there has also been some suggestions that the--well,  
865 I am wondering if you could describe the way in which the  
866 President's budget, which does cut \$41 billion from spending,  
867 how it actually would have more success in job creation in  
868 your view or not than what the Majority has suggested in  
869 terms of its Continuing Resolution.

870         Mr. {Fernandez.} Thank you. The President's budget  
871 strikes the right balance, which is, we have got to get our  
872 fiscal house in order. He has made a proposal for a 5-year  
873 freeze in non-defense discretionary spending, which will save  
874 about \$400 billion, and in the meantime, though, we have to  
875 prioritize the investments that are going to make us strong  
876 and create an economy that can compete and compete  
877 effectively internationally. And, you know, the idea that  
878 investments in education and STEM and R&D and 21st century  
879 infrastructure, I think those are things that frankly I hear  
880 from the private sector as well as are essentially important  
881 to provide the right kind of environment where their  
882 companies can be successful. So I think the notion that  
883 everyone, I think, can find agreement on is that we have to  
884 make these kinds of foundational investments that create the  
885 conditions where you can have competitive industries that can

886 innovate and grow and provide jobs for our people, and you  
887 have to have the right balance so that you are making tough  
888 choices on the budget to get our fiscal house in order, and  
889 that is the President's proposal and obviously we think it is  
890 sound one to move the country forward.

891 Ms. {Schakowsky.} Thank you. Let me just make one  
892 other comment about rules and regulations, that going back to  
893 what the President had said in his State of the Union address  
894 and that you verified, that there is a regulatory review.  
895 Let us be clear. We should all be clear that the American  
896 people do want some rules of the road and they don't want to  
897 have their children suffer from asthma from bad air and from  
898 bad water. They want safe food. In fact, 81 percent of  
899 Americans say they want safe food. I would imagine that  
900 there would be businesses in the States that would want to  
901 make sure that there is some regulatory framework to protect  
902 them from perhaps unsafe items that are coming from another  
903 country. Can you just speak to that in the minute that is  
904 remaining?

905 Mr. {Fernandez.} Well, you know, I am not sure what I  
906 can add to the statement other than that again I think the  
907 President's proposal is to have a serious, honest review of  
908 the regulations that are currently in place, weed out those  
909 that are unnecessary and overly burdensome that really don't

910 maximize the public good, and I think we can strike a balance  
911 on the kinds of regulations that actually serve the public  
912 well but do protect it while we enable the businesses to grow  
913 and the economy to flourish.

914 Ms. {Schakowsky.} Thank you. I yield back.

915 Mrs. {Bono Mack.} The gentlelady yields back. The  
916 chair recognizes the gentleman from Mississippi, Mr. Harper,  
917 for 5 minutes.

918 Mr. {Harper.} Thank you, Madam Chair.

919 And Mr. Fernandez, thank you for being here. I know you  
920 have looked forward to this day for a long time.

921 Mr. {Fernandez.} Well, at least since Friday when I was  
922 asked to do this.

923 Mr. {Harper.} Yes. I understand. And look, I  
924 appreciate the fact that you have a responsibility to present  
925 and represent the Administration's views, but when we sit  
926 here and talk about the President's budget, you say it  
927 strikes the right balance and you mention the 5-year freeze,  
928 but that is at current levels, the 5-year freeze, correct?

929 Mr. {Fernandez.} Correct.

930 Mr. {Harper.} And so after we have spent the last 2  
931 years running those numbers up, would it not make more sense  
932 to you that perhaps we are better off if we roll back, scale  
933 back that and then freeze at a lower level? Would that not

934 have a better impact on job creation in this country?

935 Mr. {Fernandez.} I think reasonable people are going to  
936 have different opinions about that.

937 Mr. {Harper.} And I understand. I am putting you in a  
938 little bit of a spit here, and I understand the team concept  
939 on how you have to do that. I understand that. But when you  
940 talk about that, and you know, I know you didn't mention but  
941 the President and the Administration has said that under his  
942 plan I believe that by the year 2017 that it would cut the  
943 annual deficit in half, I think it my understanding. But  
944 when we hear those things and perhaps a 30-second sound bite,  
945 when we look at those real numbers, that half is still more  
946 than 50 percent of former President Bush's highest year of  
947 the deficit, and so what we want to do is, you know, we just  
948 want the truth. Whatever that is, let us deal with it and  
949 try to work.

950 There is no doubt we have a common goal here, which is  
951 to create jobs and improve the economy. When I look at my  
952 State in Mississippi, I haven't found a business yet or an  
953 industry yet that says we are underregulated. Have you  
954 identified any business that you have worked with that says  
955 hey, we need more regulations? Have you found one in your  
956 journeys so far?

957 Mr. {Fernandez.} Let me just say that I think what I

958 hear the most, honestly, is that the people I work with are  
959 looking for the right balance. They want a partnership that  
960 is effective and they respect the roles the public and the  
961 private sector can play but I think people genuinely want to  
962 work together to move the economy forward.

963         Mr. {Harper.} If you were looking across the board as  
964 you look at the idea of job creation, is there any particular  
965 agency that you hear the most complaints about from the  
966 businesses that you talk to, not judging those complaints but  
967 is there any one that you hear more of out of than another?

968         Mr. {Fernandez.} There is none that I hear more about  
969 than any of the others.

970         Mr. {Harper.} You talked about the competitive grant  
971 situation, and we just got a little bit of time left, but  
972 when you are looking at that, do you have a ratio or an  
973 amount that you look at as far as the management costs or the  
974 administration costs versus, say, a percentage of what that  
975 is as to what is done by grant, the amount of the grant? Is  
976 there some rule of thumb that you use or anything of that  
977 nature as to how you keep those in balance or in check?

978         Mr. {Fernandez.} Just to be clear, the administrative  
979 costs to the agency or--

980         Mr. {Harper.} Yes.

981         Mr. {Fernandez.} --to the grantee? We don't look at

982 the agency cost directly because the truth is, it is a pretty  
983 modest budget. So the administrative cost to the EDA of any  
984 particular grant versus another is going to be really de  
985 minimis. What we look at are, is there a strong partnership,  
986 is there a good strategy in place, are they building on the  
987 assets that are going to enable sustainable economic growth,  
988 is there a commitment of leadership from the private sector  
989 as well as the public sector in that community around that  
990 strategy.

991 And I should note that, you know, when it comes to EDA,  
992 and this was part of the question earlier, you know, it is  
993 not free money. A very important part of the way our agency  
994 works is that people have to put skin in the game so by  
995 statute we have a minimum match requirement of 50 percent,  
996 and in many cases, since it is a competitive system, folks  
997 come in with more, and it is that kind of leverage bottom-up  
998 strategy that I think actually does produce very real  
999 results.

1000 Mr. {Harper.} And when you are looking at that  
1001 competitive grant situation, how do you balance or eliminate  
1002 or disregard, say, political interests that might be a part  
1003 of who the grantee or the recipient might be?

1004 Mr. {Fernandez.} Well, we do it in a couple of ways.  
1005 One is that it is a transparent competitive process.

1006 Secondly, the money that is appropriated to the EDA gets  
1007 disbursed out and allocated across our six regional offices.  
1008 There are no political appointees in any of those six offices  
1009 and they make the decisions about where the grant dollars go,  
1010 and I think the bipartisan support that has been strong over  
1011 the years for EDA--

1012 Mr. {Harper.} Thank you, Mr. Fernandez. I am afraid we  
1013 are out of time, but thank you very much.

1014 Yield back.

1015 Mrs. {Bono Mack.} I thank the gentleman and recognize  
1016 the gentleman from Illinois for 5 minutes, Mr. Rush.

1017 Mr. {Rush.} Thank you, Madam Chairman.

1018 There is a global demand for greener, sustainable  
1019 economies which include a global demand for clean energy  
1020 technologies. The United States used to dominate the field  
1021 for the invention and manufacturing of clean energy  
1022 technologies. Today, our Nation lags behind other nations  
1023 for clean energy investments, innovation and manufacturing.  
1024 China spends roughly \$12 million monthly, that is per month,  
1025 on new energy technologies and export expansions. In 2006,  
1026 U.S. public investment in renewable energy was less than one-  
1027 fourth of that for the entire year. A venture capitalist who  
1028 was an early investor in Google sized up America's  
1029 investments in its energy future in the following way:

1030 ``America spends more on potato chips than we do on new  
1031 energy research and development.'' I mean, we all like  
1032 potato chips but the price of gas has shot up 20-plus cents  
1033 in the last week so we might be wise to spend more money on  
1034 finding an alternative for a such a volatile energy source  
1035 than we do on our consumption of potato chips.

1036       If we want to stay globally competitive, we want to  
1037 secure our energy future, we must invest in research and  
1038 development of clean energy technologies, and President Obama  
1039 acknowledged this fact, stating, ``We can make the  
1040 investments that will allow us to become the world's leading  
1041 exporter of renewable energy. We can let the jobs of  
1042 tomorrow be created abroad by some other nation or we can  
1043 create those jobs right here in America and lay the  
1044 foundation for our lasting prosperity, prosperity for our  
1045 children and for our grandchildren.''

1046       I have three questions. What is the Department of  
1047 Commerce doing to help U.S. companies become leaders in clean  
1048 energy technology? What is the Commerce Department to ensure  
1049 that the United States is at the forefront of energy and  
1050 resource efficiency? And lastly, do we have the highly  
1051 skilled workforce needed to fill these technological and  
1052 green jobs right now?

1053       Mr. {Fernandez.} Well, you know, the agenda to drive

1054 clean energy and the sustainable development, the green  
1055 economy, if you will, is broad and covers a lot of  
1056 departments throughout the Federal Government. Commerce is  
1057 certainly engaged in it. You know, the work that is  
1058 happening in the United States Patent and Trade Office around  
1059 protecting IP is an essential part of the innovations in the  
1060 green economy. Our export agencies are certainly engaged.  
1061 EDA, we work with communities, particularly on building the  
1062 partnerships between the workforce component to have the kind  
1063 of skills and the capacity to work in those industries, and  
1064 we certainly are involved in some of the investment decisions  
1065 through our competitive grant systems that have enabled  
1066 communities either to build as I mentioned in the opening  
1067 testimony the incubators around clean technology, other  
1068 investments in infrastructure for some of the large  
1069 manufacturing plants that are part of the clean technology  
1070 economy. So there is a wide range of activities that  
1071 Commerce is involved in, but overall, I mean, clearly  
1072 President Obama and this Administration have made clean  
1073 technology, clean manufacturing a very important centerpiece  
1074 of the recovery programs as well as ongoing economic  
1075 development priorities.

1076           The Recovery Act had significant investments that have  
1077 paid off, frankly, in terms of the tax credits that encourage

1078 manufacturing in the green energy-efficient areas. So there  
1079 is clearly a big commitment and it is a big priority for this  
1080 Administration.

1081         Mr. {Rush.} The President has called for the doubling  
1082 of exports in the next 5 years. Can you tell us what you  
1083 believe are the manufacturing sectors with the highest  
1084 potential for increasing exports and what can we do to  
1085 improve growth in these sectors and to help them remain  
1086 globally competitive?

1087         Mr. {Fernandez.} Well, clearly exports are an essential  
1088 part of the manufacturing economy and the U.S. manufacturing  
1089 sector is a major exporter. It is one of the largest export  
1090 components of the American economy. I couldn't tell you the  
1091 specific industries but I would be happy to get that  
1092 information from our colleagues at ITA or somewhere else  
1093 within the department.

1094         Mr. {Rush.} Thank you. I yield back the balance of my  
1095 time.

1096         Mrs. {Bono Mack.} I thank the gentleman.

1097         The chair recognizes Mr. Guthrie of Kentucky for 5  
1098 minutes.

1099         Mr. {Guthrie.} Thank you, Madam Chairwoman, and thank  
1100 you, Mr. Secretary, for being here. I appreciate it, and I  
1101 am glad that you are focused on job creation as well.

1102           One of the struggles that I have seen in my time in  
1103 Congress is just the astounding array of regulations that are  
1104 coming, that are prepared, that are being put forth, and  
1105 businesspeople are concerned. Yesterday, the Kentucky Farm  
1106 Bureau, not the insurance agent but the farmers from my area  
1107 were in town and they talked about the Farm Bill in passing.  
1108 Their biggest concern was what EPA was going to do to the  
1109 farm, and just concern, you know, from making milk a  
1110 biohazard. I mean, those are different things that are  
1111 coming forward that we see, and it is the same in  
1112 manufacturing.

1113           I am from Kentucky, a manufacturing State. Ninety-three  
1114 percent of our energy is from coal. Coal makes it cheaper.  
1115 We have a vast if you go and down the Ohio River just across  
1116 from where you guys are, where you are from, not too far  
1117 where you from, you see manufacturing plants, and we are  
1118 really concerned and we are concerned about the job loss so  
1119 my question is, is the Commerce Department which is the voice  
1120 of business working with these agencies to at least say I  
1121 know you have got a plan, I know you are going in this  
1122 direction but this is what is going to do to American  
1123 business and American manufacturing? Is there any  
1124 interagency dialog about what they are doing?

1125           Mr. {Fernandez.} Well, there is certainly a significant

1126 amount of interagency dialog and the Commerce Department  
1127 among others has opportunities to weigh in on proposals that  
1128 are coming through the Administration.

1129         Mr. {Guthrie.} And somebody said it, and I will say it  
1130 tongue in cheek because they said it but it has some truth to  
1131 it. They said just like we have the Trade Adjustment Act,  
1132 maybe we should have the Regulation Adjustment Act for  
1133 dislocated workers for what the regulatory environment is  
1134 going to be doing, and I mean, that is a real concern out  
1135 there. I know you know it because you probably hear it from  
1136 people that are there. But what about the energy prices that  
1137 we are seeing? I mean, I know we have an offshore drilling  
1138 ban that was lifted but the permitting process is going  
1139 forward. It is difficult to get a permit in Appalachia  
1140 today. I know it is not your area or group, but is there  
1141 discussion in the Administration about what this is actually  
1142 going to be doing to our economy, maybe we are seeing some  
1143 recovery if we see it turn backwards because of high energy  
1144 prices? I know there is some issues with the Middle East and  
1145 oil prices. I understand that. But also I think energy  
1146 prices were rising prior to what we have seen over the last  
1147 month in the Middle East. If you could just talk about what  
1148 is happening here, I would appreciate that.

1149         Mr. {Fernandez.} Well, you are right. That is usually

1150 a subject matter that I am not as engaged in as others might  
1151 be within the Administration, so I would be happy to follow  
1152 up with you with some responses from of my colleagues.

1153 I can say that having sound, affordable clean energy is  
1154 important to our economy and that is certainly the kind of  
1155 investments that the Administration wants to make. But  
1156 again, I come back to my opening point about how, you know,  
1157 the President and this Administration are genuinely committed  
1158 to looking at our current regulatory structure, weeding out  
1159 unnecessary regulations that do get in the way and don't  
1160 necessary serve the purpose they might have when they were  
1161 first promulgated and coming up with a reasonable balanced  
1162 structure that can enable innovation to survive and thrive  
1163 and grow and protect public interest at the same time.

1164 Mr. {Guthrie.} Thank you, Mr. Secretary.

1165 I yield back.

1166 Mrs. {Bono Mack.} The gentleman yields back.

1167 The chair recognizes Mr. Pompeo from Kansas for 5  
1168 minutes.

1169 Mr. {Pompeo.} Thank you, Madam Chairman, and thank you,  
1170 Mr. Fernandez, for coming out today. We had a chance to  
1171 speak just briefly before this hearing commenced and I have  
1172 spent until 8 weeks ago my life in the manufacturing world,  
1173 and I was looking at your prepared testimony in preparation

1174 for today. I have to share with you, I had never heard of  
1175 EDA until that moment in time. I would guess that when I  
1176 went back to Kansas and talked to manufacturers there, they  
1177 likely would not have heard of it either, and if I asked them  
1178 what would be most important to them growing their business,  
1179 they would not talk to me about rolling the roulette wheel  
1180 and catching a grant from EDA but rather would talk to me  
1181 about regulations and taxes and that kind of thing. So I  
1182 thought I would share that with you before I sort of dug into  
1183 a couple of specific questions.

1184           So in here you talk about a \$1.4 million grant to  
1185 Nashwauk, Minnesota, that leveraged a \$1.6 billion plant. Do  
1186 I have that right?

1187           Mr. {Fernandez.} We were part of that plan, yes.

1188           Mr. {Pompeo.} Is it your testimony that absent your  
1189 \$1.4 million grant, that that \$1.6 billion investment would  
1190 not have been made?

1191           Mr. {Fernandez.} No. What I would say is that the  
1192 grant we made was critically important to--

1193           Mr. {Pompeo.} When you say ``critical,'' that is the  
1194 key word. So if you had not made your grant, would that  
1195 project have proceeded?

1196           Mr. {Fernandez.} It would have made it more  
1197 challenging.

1198 Mr. {Pompeo.} One point four million dollars as a part  
1199 of a--I just--I am skeptical that that was the \$1.4 million--  
1200 you have used the words ``critical'' or ``catalytic'' before.  
1201 I am skeptical that a federal grant of \$1.4 million is  
1202 catalytic to a \$1.6 billion investment.

1203 Mr. {Fernandez.} No, and we try and be careful about  
1204 that as well. But if I can, let me just--

1205 Mr. {Pompeo.} And they are critical. Those--

1206 Mr. {Fernandez.} Yes, absolutely.

1207 Mr. {Pompeo.} --are the justification for your agency's  
1208 existence.

1209 Mr. {Fernandez.} Let me answer the question, though,  
1210 maybe give you a little bit more background on that specific  
1211 project. You know, the plant is not located in that  
1212 particular town. That town's entire budget is barely over a  
1213 million dollars a year but the water lines and the  
1214 infrastructure that needed to connect up to this new plant  
1215 went through that little town and they needed to come up with  
1216 the resources, and it was essential and it was a tremendous  
1217 opportunity for them to be able to get an EDA grant to fund  
1218 that. They would have had a very difficult time connecting  
1219 this infrastructure to the plant because it was their  
1220 responsibility.

1221 Mrs. {Bono Mack.} Excuse me, Mr. Secretary. The time

1222 is expired.

1223           The chair recognizes Mr. Towns for 5 minutes.

1224           Mr. {Towns.} Thank you very much. I want to thank you  
1225 for having this hearing as well.

1226           We all agree that we need to get our fiscal house in  
1227 order. We agree. But there are major differences of degree  
1228 about how to accomplish. Some argue that the Federal  
1229 Government should simply stop spending money, that it is.  
1230 This notion makes no sense in the short term during which the  
1231 recovery hasn't fully taken hold nor in the long term if we  
1232 expect to raise enough revenue to pay down our debts.  
1233 Completely halting our investments in R&D, education and  
1234 infrastructure would be devastating in the short and long  
1235 term. Moreover, this suggested approach by government  
1236 ignores how much of the rest of the world operates.

1237           As much we might like, we aren't living in a world  
1238 defined by completely free and open competition. For  
1239 example, at a hearing in the last Congress on growing U.S.  
1240 trade and green technology, we learned that many countries  
1241 place tariff and non-tariff trade barriers on green goods.  
1242 Denmark, for one, has essentially mandated the use of Danish  
1243 manufactured wind turbines. In addition, other countries are  
1244 investing huge resources into new technologies. The United  
1245 States now ranks 11th among the G-20 countries for the

1246 intensity of its investments in clean energy and technology.  
1247 My question to you: Can you please describe some of the  
1248 other barriers to access that United States manufacturers  
1249 face when trying to enter the clean energy market of other  
1250 countries? What can be done to reduce or to eliminate those  
1251 barriers?

1252         Mr. {Fernandez.} You know, let me just--it is probably  
1253 going to get a little bit beyond my portfolio but let me just  
1254 say that I would be happy to get more information to you on  
1255 that. I think the biggest barriers, we are looking for fair  
1256 trade agreements where we can enable exports from our country  
1257 to have access to these growing markets. I think in terms of  
1258 the clean energy, I mean, you know, the barrier here frankly  
1259 there is uncertainty about the market in the United States,  
1260 uncertainty about having a comprehensive energy policy and  
1261 some of those issues that create impediments to private  
1262 sector and other financial institutions making big  
1263 investments here, and until we resolve some of those issues,  
1264 I think that is going to be a drag on our ability to invest  
1265 more and become more competitive in the clean tech space.

1266         Mr. {Towns.} Well, what is the Commerce Department  
1267 doing to help ensure that the United States is in the  
1268 forefront of energy and resource efficiency? That is your  
1269 pay grade.

1270 Mr. {Fernandez.} Well, you know, the Department of  
1271 commerce certainly under Secretary Locke's leadership has  
1272 been very aggressive about enforcing trade agreements and  
1273 going after some of the tariff barriers that create an uneven  
1274 playing field for American companies. The Energy Department  
1275 and others throughout the Administration have made  
1276 significant investments in new innovation, in research and  
1277 development, in commercialization around clean technology  
1278 opportunities, so we are investing I think in a significant  
1279 way to grow that part of the economy.

1280 Mr. {Towns.} Do we have people skilled enough to be  
1281 able to handle these jobs? Do we have people qualified to do  
1282 it?

1283 Mr. {Fernandez.} I believe so, yes.

1284 Mr. {Towns.} You don't think we need to do anything  
1285 special to the workforce needed for these jobs?

1286 Mr. {Fernandez.} The workforce to support the clean  
1287 technology industry?

1288 Mr. {Towns.} Yes.

1289 Mr. {Fernandez.} I think that, you know, there is  
1290 plenty of evidence that one of the challenges we have in our  
1291 economy is there is a disconnect between the skills of some  
1292 of the workforce and some of the jobs that are actually  
1293 available. So yes, we need to do more to improve the linkage

1294 in our workforce investments, to build those opportunities to  
1295 support these innovative new companies.

1296 Mr. {Towns.} Thank you very much.

1297 On that note, I yield back.

1298 Mrs. {Bono Mack.} The gentleman yields back.

1299 And before I recognize the next colleague of mine, I  
1300 just want to point out to the newer members that we recognize  
1301 for questioning in the order of appearance at the hearing,  
1302 and that is protocol for the committee and it is standard, so  
1303 to everybody in the room, if it seems that I am skipping over  
1304 somebody, it is just the order of appearance, and looking  
1305 down at my young colleagues on the front dais, if I ever had  
1306 to be behind an offensive line, I would want to be behind all  
1307 of you guys, hopefully offensive and not defensive line.

1308 The chair recognizes next Mr. Kinzinger of Illinois for  
1309 5 minutes.

1310 Mr. {Kinzinger.} Thank you, Madam Chairwoman, and thank  
1311 you, sir, for coming out. You are doing a great job. Maybe  
1312 we will have you back sometime. How do you like that idea?

1313 Mr. {Fernandez.} I would welcome the opportunity.

1314 Mr. {Kinzinger.} You know, I think everybody agrees,  
1315 you know, when we talk about getting government out of the  
1316 way of small business, we don't mean government disappears  
1317 completely. We understand that there is a strategic

1318 partnership in some ways that needs to occur. I think where  
1319 the concern is, you know, from our part, is we have just seen  
1320 a major overstep of that, to go from almost a partnership to-  
1321 -what is the word--a big brother, father role, you know, that  
1322 the government plays. And I think that frankly is negative  
1323 to what we see in small business. In fact, what I have seen  
1324 is as I have traveled around the districts is businesses  
1325 large and small, in many cases they have the capital, they  
1326 have the capital to invest and expand, but what they are  
1327 concerned about is when they have to plan 10, 20, 30 years  
1328 out in determining where to invest assets and determining  
1329 where to go. They see an environment that just is  
1330 continually shifting. It is like being on a waterbed. It is  
1331 never stable. And so as they look out and say well, I can  
1332 either hang on to the money I have now or I can make a risk,  
1333 you know, a risk in investing in the future, which frankly  
1334 those risks and investment in the future is what drives this  
1335 economy, they see an uncertain environment. So I think that  
1336 is what is kind of the key is, not that there is no role for  
1337 government but that the role for management needs to be  
1338 stable in the long term as people try to plan things out.

1339         One of the other things that I hear a lot, especially, I  
1340 come from a heavy agricultural and manufacturing district,  
1341 is, and I have seen too is the Administration's failure to

1342 lead in the area of trade. You know, I am happy that we are  
1343 starting to talk about potentially approving a trade  
1344 agreement with South Korea. I think that is important, but  
1345 we have pending trade agreements with Colombia and Panama,  
1346 and given that 95 percent of the world's consumers live  
1347 outside of the United States, I think in order to see  
1348 manufacturing spark back to life, which I would love it to  
1349 do, we do have to create a level playing field and that level  
1350 playing field is done through setting up some of these trade  
1351 agreements.

1352         So as the Administration's representative to business,  
1353 have you discussed the regulatory environment which we have  
1354 talked about a little bit but also a lot of that trade  
1355 burdens and kind of the focus on getting us to where we can  
1356 be competitive and not lose market share to China and India?

1357         Mr. {Fernandez.} Sure. You know, the Administration  
1358 agrees with you that there are a number of pending trade  
1359 agreements that we think would open up opportunities for  
1360 American companies to export into a much fairer, freer system  
1361 so we support a number of those agreements, and one of them  
1362 is--

1363         Mr. {Kinzinger.} Are we going to expect to see that in  
1364 the very near future the Administration take a leadership  
1365 role then in getting those trade agreements through including

1366 Panama, Colombia and South Korea?

1367           Mr. {Fernandez.} The Congress certainly has a role in  
1368 moving those forward as well.

1369           Mr. {Kinzinger.} Okay. All right. So from what you  
1370 are hearing, though, it is not necessarily--because I have  
1371 heard them lead on or talk about South Korea, which I am  
1372 appreciative of. I think that is important. But I haven't  
1373 heard much lately on Colombia. I haven't much on Panama.  
1374 And again, we are losing not just from the economic  
1375 perspective but there is a national defense and strategic  
1376 advantage to having these trade agreements, especially when  
1377 we deal with enemies like, you know, folks to the east.

1378           Another question, obviously the GAO report that came out  
1379 found 52 programs and four agencies that fund entrepreneurial  
1380 efforts, and I have seen little evidence of your department's  
1381 ability or I guess efforts to really work with some of these  
1382 other agencies to find out areas of duplicative programs and  
1383 figure out how to streamline it and make it to where we don't  
1384 have all this overadministration. We are no longer in an  
1385 age, you know, unfortunately, where we can afford this kind  
1386 of waste. I mean, we have kicked the can down the road. We  
1387 need to cut our spending, and this is an easy area to do it.  
1388 So what is your plan to provide corrective action to ensure  
1389 that the EDA is leveraging its assets to promote growth and

1390 limit duplicative process and waste?

1391           Mr. {Fernandez.} I think it is a very fair question,  
1392 and, you know, the work we do, as I mentioned in my opening  
1393 statement, there is a tremendous amount of interagency  
1394 collaboration going on right now. While there are a number  
1395 of programs with the titles of economy development or  
1396 community development, entrepreneurship, many of them are  
1397 complementary but what is essential is that we get alignment  
1398 and leverage so we are not duplicating and wasting taxpayer  
1399 money. We work very closely with our partners in the SBA and  
1400 these other agencies to come together and build strategies  
1401 that do look for that linkage and alignment so that we  
1402 accelerate the rate of return and don't just, you know,  
1403 create duplication.

1404           Mr. {Kinzinger.} Thank you.

1405           Mrs. {Bono Mack.} The gentleman yields back.

1406           The chair recognizes Mr. McKinley of West Virginia for 5  
1407 minutes.

1408           Mr. {McKinley.} Thank you, Madam Chairman.

1409           I was curious about some of the opening remarks that  
1410 were made about Goldman Sachs. I don't necessarily think  
1411 they--I think they were bit of a poster child about the  
1412 problems on Wall Street but their numbers are being used now,  
1413 and about 700,000 jobs being lost if we continue this mission

1414 of being fiscally responsible. But then Chairman Bernanke  
1415 came out and said that wasn't right, those were gross  
1416 misrepresentations. I am just curious. Was Bernanke right?

1417 Mr. {Fernandez.} I didn't watch his testimony so I am  
1418 not prepared to give you a good answer on that.

1419 Mr. {McKinley.} Just curious. I have always held the  
1420 Commerce Department in high esteem because I think it has  
1421 less of an agenda than some of the other departments, and I  
1422 have seen in West Virginia the northern district that I  
1423 represent, we have lost 24,000 manufacturing jobs in the last  
1424 10 years, and in the State in the last 25 years we have lost  
1425 over 100,000 manufacturing jobs to a point now where when we  
1426 can try and characterize it, that manufacturing at one time  
1427 with 150,000 manufacturing jobs, now if you put all the  
1428 remaining manufacturing jobs that are left in West Virginia  
1429 throughout all three districts, it wouldn't even fill  
1430 Mountaineer Stadium with 50,000 people. I feel threatened  
1431 for our economy and I hoping the Commerce Department will  
1432 really address that.

1433 I am concerned because I spoke with one of our senators  
1434 he said the fact that we have 15 million people in America  
1435 out of work, he said but they are getting unemployment  
1436 insurance. Do you think senators, other people don't get it,  
1437 that people want a job and it is our responsibility to be

1438 more definitive about getting those jobs rather than  
1439 continuing it? On Saturday will be my 60th day for me to be  
1440 in Congress. I have been to so many hearings, I have read so  
1441 many reports, I have heard so much dialog but I haven't seen  
1442 the plan that is going to put these people back to work.  
1443 Someplace we have to do that, and it concerns me. Earlier  
1444 this week in another meeting, another hearing, you were  
1445 praising him unfortunately. Someone came in with--you were  
1446 praising the regulatory bodies but this regulatory body had  
1447 the gall to say that the greenhouse gas emissions regulated  
1448 under the Clean Air Act is going to create jobs, and in West  
1449 Virginia we know that it not accurate but yet that is what  
1450 happens here in Washington is no one outside Washington  
1451 believes that more government is going to create more private  
1452 sector jobs. Only in the Beltway am I getting any sense that  
1453 government is the solution.

1454         So I am curious, given your opening statement that you  
1455 said it is a fiscally responsible budget to have \$1.4  
1456 trillion deficits and we are still sitting with 9 percent  
1457 unemployment, how can you defend, how can the Commerce that I  
1458 held in high regard, how can you sit and defend that your  
1459 policies are the right policy, big government is better than  
1460 reducing expenditures? Can you share that?

1461         Mr. {Fernandez.} Sure. Again, I think that, you know,

1462 the challenges we have today didn't happen overnight, and it  
1463 is our judgment that you have to have a measured response.  
1464 The President's proposal for deficit reduction based on the  
1465 freeze on discretionary non-defense money is serious. We are  
1466 not going to solve the entire fiscal situation in this  
1467 country just looking at the discretionary part of non-defense  
1468 part of federal budgets. There is a whole wide range of  
1469 issues that will be addressed, I am sure--

1470 Mr. {McKinley.} In the budget, does he have reductions  
1471 in the entitlement?

1472 Mr. {Fernandez.} You know, I don't know off the top of  
1473 my head. I would have to get back to you.

1474 Mr. {McKinley.} Could you get back to me? I would like  
1475 to know.

1476 Mr. {Fernandez.} But, you know, I think that there is a  
1477 very strong recognition that a lot of these tough issues are  
1478 going to have to be addressed in a bipartisan way, and the  
1479 Administration is committed to doing that.

1480 Mr. {McKinley.} Can you provide something giving an  
1481 indication of what the--has the EDA, with your group, have  
1482 they done any proactive positions or assistance in West  
1483 Virginia in the last 2 years in the northern district?

1484 Mr. {Fernandez.} My light is lighting up--

1485 Mr. {McKinley.} Proactive, not responding but you are

1486 trying to help to lead the charge, and if you can't today,  
1487 can you send that to me?

1488 Mr. {Fernandez.} Sir, we have been very active in West  
1489 Virginia.

1490 Mr. {McKinley.} I would like it for the northern  
1491 district of West Virginia, all that employment, 10.3 percent  
1492 unemployment. If you could send that to me, I would like to  
1493 have it.

1494 Mr. {Fernandez.} I would be glad to.

1495 Mr. {McKinley.} Thank you very much.

1496 Mrs. {Bono Mack.} Mr. Secretary, per Ms. Blackburn's  
1497 comments, we now have her letter to you outlining her earlier  
1498 request for the record. If you could just have your staff  
1499 grab it from the clerk to your right before you leave and you  
1500 will also get a copy of that electronically after the  
1501 hearing, and we would also like to state that we have other  
1502 questions for the record which we will submit to you, and we  
1503 would appreciate your prompt responses in writing.

1504 With that, I just would like to thank you very much for  
1505 your appearance today, and to say to you, I think we want to  
1506 work together along with Secretary Locke in making ``Made in  
1507 America'' work again, and I look forward to it. And as my  
1508 colleague, Mr. Kinzinger, said, we hope you are back here  
1509 often in the good spirit that you were here with today, so

1510 thank you.

1511 Mr. {Fernandez.} Thank you.

1512 Mrs. {Bono Mack.} And at this point we are going to  
1513 take about a minute break while we change the panels out and  
1514 then get started again. So thank you again, Mr. Secretary.

1515 And for some reason we are doing it flipped the way we  
1516 ordinarily go left to right but today we are doing stage  
1517 right to left, but we have the seven witnesses. Our first  
1518 witness is Chris Cummiskey, Commissioner of the Georgia  
1519 Department of Economic Development and Chairman of the  
1520 Georgia Centers of Innovation Board of Directors. Our second  
1521 witness is Drew Greenblatt. Mr. Greenblatt is president of  
1522 the Martin Steel Wire Products of nearby Baltimore, Maryland,  
1523 and represents the National Association of Manufacturers.  
1524 Also testifying before us today is no stranger to us all,  
1525 Douglas Holtz-Eakin. Mr. Holtz-Eakin is president of  
1526 American Action Forum. Our fourth witness is Gregory Wilson,  
1527 Special Advisor to the Financial Services Roundtable. Our  
1528 fifth witness is Ms. Deborah L. Wince-Smith. Ms. Wince-Smith  
1529 is president and CEO of the Council on Competitiveness. Also  
1530 testifying is Heather Boushey. Welcome, Heather. She is the  
1531 Senior Economist at the Center for American Progress. And  
1532 last but not least, Mr. Rhone Resch, welcome. He is the  
1533 president and CEO of the Solar Energy Industries Association.

1534 Welcome to all of you. You are each recognized for 5  
1535 minutes, and to help keep track of the time are those nice  
1536 little lights in front of you, and I would ask that when you  
1537 see the red you try to sum up as quickly as you possibly can.  
1538 There are a lot of us to get through today and votes on the  
1539 Floor eventually. So we are going to start with Mr.  
1540 Cumiskey. You are recognized for 5 minutes.

|  
1541 ^STATEMENTS OF HON. CHRISTOPHER CUMMISKEY, COMMISSIONER,  
1542 GEORGIA DEPARTMENT OF ECONOMIC DEVELOPMENT; DREW GREENBLATT,  
1543 PRESIDENT AND OWNER, MARLIN STEEL WIRE PRODUCTS, LLC, ON  
1544 BEHALF OF NATIONAL ASSOCIATE OF MANUFACTURERS; DOUGLAS HOLTZ-  
1545 EAKIN, PRESIDENT, AMERICAN ACTION FORUM; GREGORY WILSON,  
1546 SPECIAL ADVISOR, THE FINANCIAL SERVICES ROUNDTABLE; DEBORAH  
1547 L. WINCE-SMITH, PRESIDENT AND CEO, COUNCIL ON  
1548 COMPETITIVENESS; HEATHER BOUSHEY, SENIOR ECONOMIST, CENTER  
1549 FOR AMERICAN PROGRESS; AND RHONE RESCH, PRESIDENT AND CEO,  
1550 SOLAR ENERGY INDUSTRIES ASSOCIATION

|  
1551 ^STATEMENT OF CHRISTOPHER CUMMISKEY

1552 } Mr. {Cummiskey.} Thank you, Ms. Chairwoman, and Ranking  
1553 Member. I want to thank the subcommittee for this invitation  
1554 to speak to you today and for taking the time to address  
1555 these very important issues.

1556 The topic at hand, innovation in manufacturing, is one  
1557 that is very close to our hearts in Georgia. We are a State  
1558 that cultivates innovation and creativity in this very  
1559 strategic industry. Like most States, we have lost  
1560 manufacturing jobs during the recent economic downturn but  
1561 our recovery is coming. Our sector of employment in Georgia

1562 has increased for the fourth consecutive month and confidence  
1563 levels remain high.

1564         This isn't your grandfather's manufacturing we are  
1565 talking about. We are particularly strong in advanced  
1566 manufacturing sectors like aerospace and automotive, both  
1567 part of our strategic industry focus. The Georgia aerospace  
1568 manufacturing sector accounts for approximately 28,000  
1569 workers in the State, and our aerospace exports in 2010 grew  
1570 23 percent to an all-time high of \$4.4 billion, seventh in  
1571 the United States. Industry giants like Lockheed, Boeing and  
1572 Gulfstream are part of our corporate aerospace community.

1573         Georgia's automotive industry began in 1909 with a small  
1574 Ford plant. Today, Kia has invested approximately \$1 billion  
1575 in its first United States auto facility. Kia is just one of  
1576 our more than 300 auto- and vehicle-related companies,  
1577 employing 20,000 workers. Other prominent automotive names  
1578 are Pirelli Tire, Toyo Tire, ZF Industries and Johnson  
1579 Controls.

1580         The men and women who comprise Georgia's manufacturing  
1581 workforce are highly motivated, skilled and eager to embrace  
1582 new ways of doing things. This is an attitude and an  
1583 aptitude that we have deliberately cultivated in our workers  
1584 in response to the challenges of the new world economy. We  
1585 in Georgia realized very early that we would not be able to

1586 compete with other countries, particularly emerging  
1587 economies, solely on the basis of wages. We are not just  
1588 about low-cost manufacturing; we are about high-quality  
1589 manufacturing. We enabled this through three key ways.

1590         First, Georgia stepped up early to ensure we had the  
1591 most creative approach to workforce development in the  
1592 Nation. Education and training is the most critical part of  
1593 the manufacturing innovation process in Georgia. We  
1594 accomplish this through economic development partnerships  
1595 with our universities and our 26 technical colleges. Our  
1596 Georgia Quick Start program was the first of its kind in the  
1597 United States and has become a national model for customized  
1598 workforce training. Offered to qualified companies free of  
1599 charge to the State since 1967, Quick Start is part of the  
1600 technical college system of Georgia. It is a soup-to-nuts  
1601 process. Quick Start personnel will travel to a company's  
1602 home State or home country, see how they do their processes,  
1603 replicate them through a variety of technologies and then  
1604 bring them back here. The program gives hands-on training to  
1605 new hires, trains existing workers on new processes as well  
1606 as staying with the company after it begins operation to  
1607 continue to find trends and how to be more efficient. Quick  
1608 Start has delivered more than 5,800 projects for client  
1609 companies and prepared more than three-quarters of a million

1610 trainees.

1611           Possibly the best example of Quick Start's importance is  
1612 its role in Kia's decision to locate in Georgia. Quick Start  
1613 build a \$22 million state-of-the-art training facility that  
1614 has trained each of the currently 2,200 Kia employees and is  
1615 about to train another 800, helping the company reach its  
1616 full operational capacity ahead of schedule. The chairman of  
1617 Hyundai-Kia has called Quick Start's training center a global  
1618 benchmark, and the training center for Hyundai's new plant in  
1619 Brazil is being modeled after the one here in Georgia.

1620           The concept has many imitators but we are proud to have  
1621 instituted the original program in the United States and to  
1622 see it grow into something that for many companies is the  
1623 deciding factor in their choice to locate or expand to the  
1624 State of Georgia. Georgia Quick Start is a powerful solution  
1625 to develop a skilled workforce for innovative manufacturers.

1626           Another way Georgia is strengthening our manufacturing  
1627 sector is through out Centers of Innovation program, which is  
1628 unique in the United States. We saw the need that  
1629 entrepreneurs and small companies with the potential for high  
1630 growth were often having difficulty moving products and  
1631 services into commercialization, so in 2003 then-Governor  
1632 Sonny Perdue created the State-run program to connect them to  
1633 Georgia's intellectual capital as universities as well as

1634 industry expertise they needed to jump-start their growth.  
1635 The Center of Innovation for Manufacturing is one of six such  
1636 centers in Georgia. It provides expertise in advanced  
1637 manufacturing processes as well as customized training  
1638 programs with the latest advanced robotics and PLC and CIM  
1639 equipment, helping manufacturing companies develop a healthy  
1640 bottom line.

1641         The center's friendly environment for research and  
1642 development includes the latest prototyping equipment,  
1643 allowing companies to test new ideas before investing the  
1644 money. The center has worked with approximately 80 companies  
1645 in the last 2 years, partnering frequently with Georgia  
1646 Institute of Technology to design innovative manufacturing  
1647 processes and equipment and thus expand production.

1648         Suniva, for instance, is a great example of Georgia  
1649 innovation blossoming from the ground up. This solar  
1650 manufacturing company grew from successfully commercialized  
1651 research at Georgia Tech. It manufactures the most  
1652 efficient, low-cost photovoltaic cells on the market. The  
1653 company is rapidly expanding its production capacity, and its  
1654 new plant will open in 2011 with 400-plus-megawatt capacity.  
1655 Suniva was ranked last year by Wall Street Journal as the  
1656 number two venture capital-backed clean technology company in  
1657 the United States and received the Renewable Energy Exporter

1658 of the Year award from the Export-Import Bank of the United  
1659 States. Suniva was assisted along the way by the Georgia  
1660 Center of Innovation for Energy. It is exactly the sort of  
1661 company our Centers of Innovation program was created for.

1662 Another fact that sets us apart is our pro-business  
1663 environment. Over the years, elected officials in Georgia  
1664 have worked extremely hard to make sure the State regulatory  
1665 and tax environment is such that it fosters business growth.  
1666 Am I out of time?

1667 Mrs. {Bono Mack.} Sum up very briefly. Yes.

1668 Mr. {Cummiskey.} Our corporate income tax rates are  
1669 incredibly low and conducive to business and our regulatory  
1670 is very, very limited, which helps us thrive in this  
1671 environment.

1672 Thank you for your time, and I will be happy to answer  
1673 any questions at the end of the round of statements.

1674 [The prepared statement of Mr. Cummiskey follows:]

1675 \*\*\*\*\* INSERT 2 \*\*\*\*\*

|  
1676 Mrs. {Bono Mack.} Thank you.

1677 Mr. Greenblatt, you are recognized for--yes?

1678 Mr. {Greenblatt.} Chairman Bono Mack, in the witness's  
1679 defense, our timer is not working.

1680 Mrs. {Bono Mack.} Then I apologize.

1681 Mr. {Cummiskey.} That is okay. I will get over it.

1682 Mrs. {Bono Mack.} I apologize.

1683 Mr. Greenblatt, you are recognized for 5 minutes. When  
1684 the light turns yellow, I will make some funny faces at you,  
1685 I guess, or something.

|  
1686 ^STATEMENT OF DREW GREENBLATT

1687 } Mr. {Greenblatt.} Good morning. My name is Drew  
1688 Greenblatt. I am the president of Marlin Steel Wire. We are  
1689 based in Baltimore, Maryland. I appreciate the opportunity  
1690 to testify today on behalf of the National Association of  
1691 Manufacturers. We represent some 11,000 factories in all 50  
1692 States, all industries, all sizes.

1693 The title of today's hearing raises an issue that is  
1694 close to my heart. Marlin Steel Wire produces custom wire  
1695 baskets like this and wire forms like this, precision sheet-  
1696 metal fabrication assemblies, all manufactured 100 percent in  
1697 the U.S.A. and we sell them all over the world. We export to  
1698 over 34 countries including this week, Holland, Japan,  
1699 Sweden, Ireland and Canada. Twenty-five percent of our  
1700 employees are mechanical engineers or designers. Innovative  
1701 and dedicated employees have helped expand sales and jobs  
1702 since I bought the company in 1998. We achieved record sales  
1703 4 years in a row.

1704 Manufacturers are seeing signs of economic recovery but  
1705 we have a long way to go. Manufacturing lost 2 million jobs  
1706 in the recession, and unemployment remains unacceptably high.  
1707 Meanwhile, our competitors over in Europe, Asia and South

1708 America aggressively seek new customers and new  
1709 opportunities. Their countries strategize for success in  
1710 manufacturing.

1711           Manufacturers believe the United States must also  
1712 embrace a comprehensive approach, one that we outlined last  
1713 year in our policy guide, Our Manufacturing Strategy for Jobs  
1714 in a Competitive America.

1715           First, we want to be the best country in the world to  
1716 headquarter a company. Second, we want to be the best  
1717 country in the world to do the bulk of our R&D, our research  
1718 and development. Third, we want to be a great place to  
1719 manufacture good and exports.

1720           We start with the goal that the United States will be  
1721 the best country in the world to headquarter a company. It  
1722 is critical that our national tax climate does not place  
1723 manufacturers in the United States at a competitive  
1724 disadvantage in the global marketplace. This week, my  
1725 company shipped wire baskets for General Motors' assembly  
1726 line in Canada, where the corporate tax rate is less than  
1727 half of what we pay. It is easier for my Canadian competitor  
1728 since his taxes are lower. He has no health insurance. This  
1729 is bad for me. This is bad for my workers. It means less  
1730 jobs in the U.S.A. A pro-manufacturing tax policy must first  
1731 acknowledge that when Congress raises taxes, it makes

1732 manufacturing in the United States less competitive.  
1733 Congress should lower the corporate rate to 25 percent or  
1734 even lower like Canada at 18 percent without imposing  
1735 offsetting tax increases. Congress must pass permanent lower  
1736 taxes for the over 70 percent of manufacturers that are S  
1737 corporations and file as individuals like Marlin.

1738 Our health care costs also are constantly increasing,  
1739 double digits, year in, year out. We provide all of our  
1740 employees with health insurance. The cost problem has not  
1741 been solved by recent legislation. Congress needs to revisit  
1742 the solutions they proposed, and it is a problem and it is  
1743 holding us back.

1744 Our second goal is that the United States should be the  
1745 best country in the world to innovate, performing the bulk of  
1746 their company's global research and development. We want  
1747 those R&D jobs here. The R&D tax credit is important to  
1748 achieve this goal. Congress extended it recently. However,  
1749 it has passed and expired more than a dozen times. A little  
1750 more permanence and certainty in all tax policy would be a  
1751 good thing.

1752 Finally, our last goal is for the United States to be a  
1753 great place to manufacture both to meet the jobs of the  
1754 American market and serve as an export platform for the  
1755 world. This means more U.S.A. middle-class jobs.

1756 Manufacturers rely on overseas markets. Ninety-five percent  
1757 of the world's consumers are overseas, and most of our  
1758 exports are manufactured goods. One of Marlin's main core  
1759 niches is selling custom stainless-steel material-handling  
1760 baskets to Japanese automakers. As a matter of fact, this  
1761 week we shipped to Mazda. Korean automakers have steadily  
1762 increased their market share, offering a similar promising  
1763 market. The U.S.-Korean free trade agreement if enacted will  
1764 help Marlin Steel compete on a level playing field. I want  
1765 to sell to Hyundai. I want to sell to Samsung. I want to  
1766 sell to Kia.

1767       Rising energy costs also continue to hold back growth  
1768 and job creation. Soaring oil prices have again stirred  
1769 alarm.

1770       Mrs. {Bono Mack.} Mr. Greenblatt, excuse me. You are  
1771 down to 30 seconds.

1772       Mr. {Greenblatt.} Thank you. Even as the recovery  
1773 takes hold, manufacturers temper our optimism with caution,  
1774 whether it is the soaring price of oil or the  
1775 Administration's aggressive regulatory agenda. We believe  
1776 the best way to ensure jobs and economic growth is to enact a  
1777 strategy with comprehensive and consistent policies that  
1778 allow manufacturers to compete in the global marketplace.

1779       [The prepared statement of Mr. Greenblatt follows:]

1780 \*\*\*\*\* INSERT 3 \*\*\*\*\*

|  
1781           Mrs. {Bono Mack.} I thank the gentleman.

1782           Before we move on, we are going to do a highly technical  
1783 fix to this. We are going to slide that clock down to the  
1784 center and that is our technological answer to it.

1785           Dr. Holtz-Eakin, you are recognized for 5 minutes.

|  
1786 ^STATEMENT OF DOUGLAS HOLTZ-EAKIN

1787 } Mr. {Holtz-Eakin.} Thank you, Chairman Bono Mack and  
1788 Ranking Member Butterfield and members of the committee. It  
1789 is a privilege to be here today. You have my written  
1790 statement. Let me briefly make three key points.

1791 The first is the obvious, that jobs are the central  
1792 consideration at this point in time. The second is that we  
1793 need to shift the policy focus from so-called stimulus  
1794 efforts toward genuine pro-growth policies that will enhance  
1795 the trend in growth rate of the U.S. economy and thus provide  
1796 those workers with the jobs they need. And then the third is  
1797 some suggestions that such an agenda would begin with  
1798 controlling spending to take off the table a looming sharp  
1799 rise in the deficits and debt, tax reform that would make our  
1800 Nation the best place to headquarter a company and to enhance  
1801 our international competitiveness. The third would be the  
1802 jurisdiction of this committee and trade, enhance our  
1803 engagement in opening markets abroad. And the fourth, a  
1804 regulatory review to really temper the large-scale increase  
1805 in regulation we have seen in a wide variety of policy areas  
1806 in recent years.

1807 Jobs is obvious. Despite the recent news that we have

1808 seen this week, a good ADP report, very good Institute for  
1809 Supply Management report, this morning's report on lower UI  
1810 claims, it still remains the case that with so many Americans  
1811 out of work, it is far more likely that we see the  
1812 unemployment rise before permanently declining than simply  
1813 getting better on a sustained basis. So we have to keep a  
1814 focus on this.

1815       Related to that, it is true that the economy is growing.  
1816 It has been growing for six straight quarters. But that pace  
1817 of growth, under 3 percent, is far too slow to sustain the  
1818 kinds of job increases we need to get the 7 million workers  
1819 who are out of work back into jobs and to provide for our  
1820 children a standard of living that is better than the one  
1821 that we have inherited. This is in fact typical of economies  
1822 recovering from a financial crisis. We need to recognize  
1823 that there will not be any quick fixes and instead focus on  
1824 the kinds of policies that will allow us to grow more rapidly  
1825 on a sustained basis and thus accelerate the possibilities  
1826 even in the midst of a tough recovery.

1827       For such an agenda, I have lots in my written testimony.  
1828 Here I want to just talk about two. First is the absolutely  
1829 essential problem of taking on the projected debt in the  
1830 United States. If one looks at any reasonable projection,  
1831 either the Administration's budgets or those by the

1832 Congressional Budget Office, one sees that over the next  
1833 decade we face perilous times. Despite the fact that either  
1834 such projection would actually count on a recovery to full  
1835 employment, a fact that a financial crisis will be a distant  
1836 memory, would presume that we are no longer fighting overseas  
1837 operations in Iraq and Afghanistan, and that we would be  
1838 raising well above historically typical levels of taxes, 19,  
1839 20 percent of GDP. Despite all of that, deficits are  
1840 projected to be over a trillion dollars 10 years from now.  
1841 Something close to \$900 billion of that will be interest on  
1842 previous borrowing. In the interim, the United States will  
1843 have crossed the technical line for downgrade as a sovereign  
1844 borrower, and we will have debt-to-GDP ratios that are  
1845 associated with the typical levels where financial crises  
1846 occur. In short, we are on a path to disaster. The  
1847 President's own Fiscal Commission described this as a  
1848 national moment of truth where we had to put aside political  
1849 budgetary gains and deferring of tough decisions to take on  
1850 this problem.

1851       If you are a businessman trying to make a decision about  
1852 the future, this is a recipe for either higher interest rates  
1853 or higher taxes, or both, and there can be no more pro-growth  
1854 move by this Congress and this country than to take off the  
1855 table those kinds of threats and allow businesses to make

1856 investments in their workers and in their technologies and  
1857 plants in order to grow more rapidly.

1858         So I think that it is imperative that this be the top  
1859 agenda item. The only way to do it is to control spending.  
1860 This is not a revenue problem in all those projections, and I  
1861 would deeply and professionally disagree with the kinds of  
1862 reports that have been mentioned earlier in this hearing from  
1863 either Mark Zandi, who was one of my assistants on the McCain  
1864 campaign, for the record, and not a chief policy advisor, and  
1865 Goldman Sachs. Those reports are fundamentally flawed in two  
1866 ways. First are technical. They make assumptions about the  
1867 pace at which spending is cut down and the way it impacts the  
1868 economy, which overstate their impact, and the second is just  
1869 fundamental. There is no way in their analyses for forward-  
1870 looking expectations to enter. There is no one in their  
1871 analysis who is looking to next year or even 10 years from  
1872 now. They are fundamentally myopic analyses. Everyone in  
1873 this room gets up every day and tries to see the future, are  
1874 we coming out of this recession, can we see better times  
1875 ahead, and they are doing their analysis on the assumption  
1876 that no one looks past next week. They are deeply flawed and  
1877 overstate the impacts.

1878         The last thing I want to close with is trade. The  
1879 United States has given up its historic leadership in trade.

1880 It has been on the sidelines far too long with three pending  
1881 trade agreements, some of which are crucial and irrational  
1882 not to ratify and this committee has the jurisdiction to push  
1883 that agenda forward. I would encourage them to do so. Thank  
1884 you.

1885 [The prepared statement of Mr. Holtz-Eakin follows:]

1886 \*\*\*\*\* INSERT 4 \*\*\*\*\*

|

1887 Mrs. {Bono Mack.} Thank you.

1888 Mr. Wilson, you are recognized for 5 minutes.

|  
1889 ^STATEMENT OF GREGORY WILSON

1890 } Mr. {Wilson.} Thank you, Chairman Bono Mack, Ranking  
1891 Member Butterfield and members of the committee. My name is  
1892 Greg Wilson. I serve as a Special Adviser to the Financial  
1893 Services Roundtable and its new Financial Stability Industry  
1894 Council. On behalf of the roundtable, I am pleased to be  
1895 invited to discuss the potential impact of new U.S. financial  
1896 regulations on the economy and the implications for  
1897 innovation and jobs. The Roundtable is a trade association  
1898 of the largest, diversified financial services firms in the  
1899 United States.

1900 Mrs. {Bono Mack.} Excuse me, Mr. Wilson. Would you  
1901 please just pull the microphone--we can hear you clearly but  
1902 I guess the TV audience cannot. Perhaps a little closer.

1903 Mr. {Wilson.} I have got a green light here. Here we  
1904 go.

1905 Mrs. {Bono Mack.} Thank you.

1906 Mr. {Wilson.} So we need to be very mindful about the  
1907 impact of the Dodd-Frank Act. So let me go over some  
1908 solutions. What can we do as the Administration, the  
1909 Congress and the financial services industry to make sure  
1910 there is no negative impact of the new financial rules?

1911           Let me start with the Administration. President Obama  
1912 should be commended for two recent actions but his actions  
1913 need to be expanded and applied to the financial services  
1914 sector. First, ensure that the President's new Council on  
1915 Jobs and Competitiveness chaired by GE's Jeff Immelt also  
1916 focuses on the financial services industry, not just  
1917 manufacturing and trade.

1918           Second, ensure that the President's new order on  
1919 regulation ``promoting economic growth, innovation,  
1920 competitiveness and job creation'' applies to the new  
1921 Financial Stability Oversight Council and other financial  
1922 regulators. Secretary of Treasury Geithner, this should be  
1923 his major responsibility under the new Dodd-Frank Act and his  
1924 role as chair of the council.

1925           Let me turn to what Congress can do, and I want to pick  
1926 up on some of the statements in your opening remarks, Madam  
1927 Chairman. I think there are some immediate initiatives that  
1928 can be taken. In the consulting world, we would call these  
1929 quick wins. First, demand that an economic impact assessment  
1930 be made for all the critical regulations and rules coming out  
1931 of particularly Title I of the Dodd-Frank Act, which affects  
1932 the largest, most systemically important institutions and has  
1933 the biggest potential impact on our economy, as I lay out in  
1934 table one in my testimony on page 10.

1935           Second, legislate new requirements for full economic  
1936 impact assessments for all future financial regulations. You  
1937 could this bill on the suspension calendar in the next 30  
1938 days and begin to have a good bipartisan initiative to get to  
1939 the facts and the diagnostics that I think need to be on the  
1940 record as the Dodd-Frank Act rolls forward.

1941           Third, analyze the full impact of the new, more  
1942 stringent restrictions for financial activities and practices  
1943 on economic growth as required by Dodd-Frank. This is the  
1944 only time in Dodd-Frank that the words ``economic growth''  
1945 are used. You won't find words like ``innovation'' and  
1946 ``jobs'' anywhere particularly in the first title of Dodd-  
1947 Frank.

1948           Fourth, ensure that the oversight council and the Office  
1949 of Financial Research actually establish industry advisory  
1950 councils as the Dodd-Frank already permits in order to have a  
1951 more balanced dialog between regulated firms and regulators.  
1952 I think this will result in more balanced outcomes and be  
1953 good. The Secretary of the Treasury already has that in his  
1954 sights and on his timeline. He just needs to follow through  
1955 and appoint those committees.

1956           Fifth, hold the Treasury Secretary strictly accountable  
1957 in the annual oversight council report for the impact on  
1958 economy and jobs. Title I uses the words ``efficiency'' and

1959 ``competitiveness'' and that is the closest you are going to  
1960 get in Dodd-Frank. Again, you won't find the words  
1961 ``innovation'' and ``jobs'', even though they may be implied.  
1962 So that is close enough for government work from my  
1963 perspective. Even better, you could go back and amend the  
1964 Dodd-Frank Act to put the words ``innovation'' and ``jobs''  
1965 in there as part of this mandate to review going forward.

1966 Finally, Congress should review the regulatory burden of  
1967 187 separate regulatory reports going to 16 different  
1968 agencies to make them more streamlined and useful in the  
1969 spirit of the new GAO report on government inefficient.

1970 Mrs. {Bono Mack.} I know the light is again not working  
1971 but that concludes your time. Do you need to sum up with a  
1972 sentence or two?

1973 Mr. {Wilson.} No, just that I have other remarks in  
1974 there about what the financial services industry should be  
1975 doing on its own and is starting to do, but thank you for  
1976 your time.

1977 [The prepared statement of Mr. Wilson follows:]

1978 \*\*\*\*\* INSERT 5 \*\*\*\*\*

|

1979           Mrs. {Bono Mack.} Thank you very much.

1980           Ms. Wince-Smith, you are recognized for 5 minutes, and I

1981 will give you a 1-minute warning.

|  
1982 ^STATEMENT OF DEBORAH L. WINCE-SMITH

1983 } Ms. {Wince-Smith.} Thank you, Chairman Bono Mack,  
1984 Ranking Member Butterfield and members of the subcommittee.  
1985 I appreciate the opportunity to testify today.

1986 The U.S. manufacturing sector is a key engine of  
1987 innovation, wealth generation, job growth and national  
1988 security. America cannot retain its geopolitical leadership  
1989 and economic vitality without a robust, vibrant, deep  
1990 industrial basis driven by the design and production of high-  
1991 value goods coupled to high-value services.

1992 The Council on Competitiveness is celebrating its 25th  
1993 anniversary year. We are a nonpartisan group of CEOs,  
1994 university presidents and labor leaders formed at the time  
1995 when we were concerned about the trade and technology challenges  
1996 with Japan. Our unique membership looks at the issues that  
1997 impact the Nation, not what is in the interest of any one  
1998 sector or constituency.

1999 Recognizing the challenges facing American manufacturers  
2000 in the global economy and the imperative for job creation and  
2001 job retention, the council formally launched the U.S.  
2002 Manufacturing Competitiveness Initiative last year, building  
2003 on our pioneering work on innovation capacity, energy

2004 security and sustainability. We are very pleased that this  
2005 initiative is led by one of our dynamic CEOs in America, Sam  
2006 Allen, the chairman of John Deere.

2007 Our end goal, which will be presented at a national  
2008 manufacturing strategy summit on December 8th, is to really  
2009 give a comprehensive roadmap of what the government, the  
2010 private sector and broader constituencies in our society need  
2011 to do to take us to what we call the third millennium  
2012 manufacturing opportunity. Just yesterday, we took a first  
2013 step in this journey with the announcement of a first-ever  
2014 public-private partnership where four large American  
2015 enterprises--Deere, Lockheed Martin, GE, and Proctor and  
2016 Gamble--are teaming to bring the power of modeling and  
2017 simulation technology into the hands of our small- and  
2018 medium-sized manufacturers, and this is a public-private  
2019 partnership sponsored with support from the Economic  
2020 Development Administration but with over \$2 million in  
2021 commitment from the private sector.

2022 Today, I really want to highlight Ignite 1.0, the voices  
2023 of American CEOs on manufacturing competitiveness. This is  
2024 the first of four reports we will be issuing this year, and I  
2025 want to emphasize four points that have come from the voices  
2026 of over 40 American CEOs. The first is that creative  
2027 destruction of businesses and jobs is at the very core of

2028 competition. Policymakers have to stimulate new business  
2029 creation and job creation by ensuring that we have the most  
2030 vibrant and dynamic enabling conditions, the optimal capital  
2031 cost structure, regulatory environment and access to the  
2032 markets of the future. Let us not forget 95 percent of all  
2033 consumers in the years ahead will live outside the United  
2034 States.

2035         Two: Global economic competition is not a zero-sum  
2036 game. Our global trading partners, yes, they are our  
2037 competitors but they are also our partners.

2038         Three: Freedom of movement is a central driver of  
2039 national competitiveness. Movement of capital, labor,  
2040 scientists, engineers and ideas is critical. No great nation  
2041 looks inward.

2042         Four: Manufacturing is much broader and diverse and has  
2043 a higher multiplier in the economy than at any other previous  
2044 time in history. It is an extended values system and it goes  
2045 beyond just the making of the thing.

2046         Our CEOs have conveyed an unwavering belief that the  
2047 United States has the resources, the capabilities and the  
2048 will to be the most competitive manufacturing nation in the  
2049 21st century. While they have applauded recent agreements in  
2050 the areas of tax policy and global trade, we have so much  
2051 more to do. Let us not compete on the cost of capital or who

2052 has the best regulatory system. Let us level the playing  
2053 field there and compete on ideas, talent and the game-  
2054 changing innovation in industries that will reshape our  
2055 world. Thank you very much.

2056 Mrs. {Bono Mack.} You will have one minute.

2057 Ms. {Wince-Smith.} Well, let me just conclude by saying  
2058 that if we don't take the leadership on manufacturing, the  
2059 rest of the world will and it is ours to lose.

2060 [The prepared statement of Ms. Wince-Smith follows:]

2061 \*\*\*\*\* INSERTS 6, 7, 8 \*\*\*\*\*

|

2062 Mrs. {Bono Mack.} Thank you.

2063 Dr. Boushey, you are recognized for 5 minutes, and

2064 again, I will give you a 1-minute signal.

|  
2065 ^STATEMENT OF HEATHER BOUSHEY

2066 } Ms. {Boushey.} I appreciate that. Thank you, Chairman  
2067 Bono Mack and Ranking Member Butterfield for inviting me here  
2068 to testify today. My name is Heather Boushey and I am a  
2069 senior economist with the Center for American Progress Action  
2070 Fund.

2071       Until we fill the demand gap, we will have continued  
2072 unemployment, which in turn will continue to drag down  
2073 economic growth. Today's high unemployment was caused by the  
2074 mismanagement of the economy in the 2000s, a financial sector  
2075 only in service of its own profit rather than fostering  
2076 productive investments, and a housing bubble, and we must  
2077 address these root causes. The policies that will create  
2078 jobs now are those that will make investments that not only  
2079 boost employment in the short term but lay the foundations  
2080 for long-term economic growth.

2081       The private sector has been adding jobs every month for  
2082 nearly a year now and at a faster rate than in the 2000s  
2083 economic recovery. Even with the success of the Recovery Act  
2084 in boosting job growth, at this pace we will reach 5 percent  
2085 unemployment for many decades, and unemployment has stood at  
2086 or above 9 percent for a record 21 months, and there is

2087 growing evidence that many workers may never find jobs at the  
2088 level that they had prior to the great recession. Job losses  
2089 have been widespread and not only concentrated in the sectors  
2090 hardest hit by the bursting of the housing bubble. This  
2091 directly contradicts the notion that the jobs crisis is a  
2092 structural problem.

2093         The continuing slow pace of the jobs recovery stems from  
2094 insufficient aggregate demand in the overall economy. Gross  
2095 domestic product grew at an annual rate of 2.8 percent in the  
2096 fourth quarter of 2010, the sixth quarter of positive growth  
2097 in a row. Much of this was due to the Recovery Act and other  
2098 policies aimed at addressing the fallout from the financial  
2099 crisis. Yet our economy continues to have a gap between what  
2100 it currently produces and what it would be producing if  
2101 workers and the economy's productive assets were to be used  
2102 at full employment.

2103         Investment is the key to creating jobs now and building  
2104 the foundation for a higher-productivity future. Even though  
2105 corporate America is flush with cash, investment is at its  
2106 lowest level in more than four decades yet the cost of  
2107 capital continues to be at lows not seen since the 1960s.  
2108 Small businesses continue to point to a lack of customers, a  
2109 lack of demand as their single most important problem. The  
2110 National Federation of Independent Businesses reports that

2111 regulations are not nearly as important as poor sales.

2112           In our economy, we need to spend at least \$2.2 trillion  
2113 over the next 5 years just to repair our crumbling  
2114 infrastructure. This doesn't even include things like high-  
2115 speed rail, mass transit and renewable energy investments we  
2116 need to free ourselves from foreign oil and address climate  
2117 change. Infrastructure has been a traditionally bipartisan  
2118 issue and one that hopefully this Congress can build a bridge  
2119 across to address.

2120           I live here in the District of Columbia, and across the  
2121 street from me, a small business opened up a couple of years  
2122 ago, a restaurant. This small-business owner has had to deal  
2123 with not one, not two but three water main breaks because of  
2124 the aging infrastructure here in the District of Columbia,  
2125 and each time that business owner has had to close shop and  
2126 not see customers, costing them money.

2127           We should not repeat the mistakes of the Great  
2128 Depression with austerity policies that will not create jobs.  
2129 There has been much talk this morning about the recent report  
2130 from Goldman Sachs that estimates that the House-passed  
2131 federal bill will decrease economic growth, and I would like  
2132 to note that this was as reported by ABC News, these were  
2133 estimates for their clients. These are people that are  
2134 investing in America and they are trying to tell them how the

2135 policies here in Washington are going to affect economic  
2136 growth, and I think that we should take their estimates very  
2137 seriously. At the same time, we have heard Mark Zandi  
2138 estimate that these policies that were implemented in the  
2139 budget passed by the House will lead to fewer jobs here in  
2140 the United States, an estimate of 700,000 by the end of 2012.

2141 I want to note that the most important reason for the  
2142 rise in the deficit was rising unemployment and falling  
2143 incomes. Economists estimate that had Congress done nothing,  
2144 the deficit would have ballooned to more than two and a half  
2145 times as large as it actually will.

2146 And let us remember, it was deregulation that was  
2147 brought us today's excruciatingly high unemployment. Last  
2148 month the Financial Crisis Inquiry Commission clearly placed  
2149 the blame for the crisis on the lack of oversight and  
2150 regulation of the financial sector. As we move forward in  
2151 terms of thinking about regulation, we need to make sure that  
2152 it not only works for business but that we don't end up right  
2153 back here in a few years because we are not focused on making  
2154 sure that business also works for America.

2155 Finally, we need to make sure that if our goal of our  
2156 trade policies is job creation, then we need to evaluate  
2157 whether or not these policies will indeed create jobs here in  
2158 the United States and whether or not they will reduce our

2159 trade deficit and on net create jobs. Recent empirical  
2160 research shows that local labor markets that have seen  
2161 increased exposure to Chinese imports have had higher  
2162 unemployment, lower labor force participation and reduced  
2163 wages.

2164 We need jobs now and we need the kind of investments  
2165 that will transform our economy and renew long-term  
2166 prosperity. Thank you.

2167 [The prepared statement of Ms. Boushey follows:]

2168 \*\*\*\*\* INSERT 9 \*\*\*\*\*

- |
- 2169 Mrs. {Bono Mack.} Thank you, Dr. Boushey.
- 2170 Mr. Resch, you are recognized for 5 minutes.

|  
2171 ^STATEMENT OF RHONE RESCH

2172 } Mr. {Resch.} Madam Chairwoman Bono Mack, Ranking Member  
2173 Butterfield and members of the subcommittee, thank you for  
2174 the opportunity to testify today. I am testifying on behalf  
2175 of our 1,000 member companies and the 100,000 American  
2176 citizens employed by the solar industry.

2177 In the last 2 years, during one of the worst economic  
2178 downturns in our Nation's history, the solar industry has  
2179 thrived, becoming the fastest-growing industry in the energy  
2180 sector and one of the fastest-growing industries in any  
2181 sector in the United States. In 2010, the solar industry  
2182 grew at a rate of 67 percent and now employs over 100,000  
2183 Americans across all 50 States. From 2009 to 2010, we  
2184 doubled employment in the United States, creating almost  
2185 50,000 new jobs while most other industries were contracting.  
2186 We are putting plumbers, electricians and carpenters that  
2187 lost their jobs due to the collapse of the housing industry  
2188 back to work. We are building new factories and providing  
2189 existing manufacturers with new large customers, and we are  
2190 providing opportunities for small businesses to reinvent  
2191 themselves and become part of one of the most exciting  
2192 changes to our economy to occur in a generation.

2193           As you can see by this chart, the U.S. solar industry is  
2194 expanding at a consistent 50 percent annual growth rate over  
2195 the last 4 years. Photovoltaic installations fully doubled  
2196 in 2010 in the United States while construction began on  
2197 dozens of massive utility-scale solar power plants that will  
2198 be completed over the next several years, employing thousands  
2199 of Americans and bringing billions of dollars of economic  
2200 investment to the southern half of the United States. Things  
2201 are bright for solar today, but that will not last unless the  
2202 right policies are adopted.

2203           The U.S. solar industry has created opportunities for  
2204 over 100,000 Americans. Take, for example, Justin Cox, a  
2205 technical support rep at Sungevity, a company that is  
2206 expanding and will soon operate in eight States. Up until 2  
2207 years ago, Justin was a soldier. When he came back after  
2208 serving in Iraq, he found a job in the solar industry and now  
2209 applies the leadership and technical skills he gained in the  
2210 Army to expand his company. The U.S. solar industry is  
2211 welcoming back thousands of veterans like Justin with new  
2212 opportunity, and these aren't just jobs, these are careers.

2213           The growth of the industry and the creation of jobs is  
2214 evident in all of your districts and all of your States. For  
2215 example, in Chairwoman Bono Mack's district, there is a 21-  
2216 megawatt solar photovoltaic project near Blythe, California.

2217 This is one of the largest PV projects operating in the  
2218 United States. The project developer and module supplier for  
2219 the project is an American company that manufacturers in the  
2220 Midwest with over 1,000 American workers. Also in Blythe, a  
2221 new 1,000-megawatt concentrating solar power plant, the Solar  
2222 Trust of America-Blythe, is under development. It will be  
2223 the largest solar project in the world, producing enough  
2224 clean energy to power 300,000 American homes. Unfortunately,  
2225 the Blythe project has been placed at risk by provisions of  
2226 H.R. 1, which eliminate the funding for the project's pending  
2227 Department of Energy loan guarantee application.

2228         Solar's reach goes far beyond California.  
2229 Unfortunately, Congressman Barton isn't here but the next two  
2230 slides show facilities in Texas. This is a massive  
2231 polysilicon manufacturing plan in Pasadena, Texas, which  
2232 provides feedstock material for the solar industry. And the  
2233 next slide shows a state-of-the-art solar power plant in San  
2234 Antonio, Texas.

2235         And in Clarksville, Tennessee, located in Representative  
2236 Blackburn's district, Hemlock Semiconductor is building a  
2237 \$1.2 billion polysilicon manufacturing facility to supply the  
2238 solar industry. This plant will employ up to 1,500 workers  
2239 during construction and over 1,000 workers for permanent  
2240 operations when completed at the end of this year. Also in

2241 Tennessee is Sharp Solar's panel factory located just south  
2242 of Representative Blackburn's district. The factory expanded  
2243 in 2010 and now has over 500 employees.

2244         So how do we keep this kind of solar job growth going?  
2245 To succeed, we need stable tax policies. We need tax  
2246 policies such as the section 1603 treasury program to be  
2247 continued and incentives for solar manufacturing to be  
2248 restored. We also need policies that facilitate financing  
2249 for clean energy technologies that cannot be obtained in the  
2250 commercial marketplace. To support these industries,  
2251 Congress should consider a variety of financing mechanisms  
2252 including the Clean Energy Development Administration. But  
2253 what is most important today is for Congress to restore  
2254 funding to the DOE loan guarantee program.

2255         Unfortunately, measures such as the provisions in H.R. 1  
2256 Continuing Resolution that eliminate all funding for the  
2257 pending renewable and other non-nuclear loan guarantee  
2258 applications are a step in the wrong direction. In its  
2259 current form, H.R. 1 would likely kill as many as 30 clean  
2260 energy projects representing tens of billions of dollars of  
2261 economic development. With that, it will kill jobs like Jim  
2262 Amadeo's, who is in Illinois, a solar plant operator. SEIA  
2263 respectfully requests that in the C.R. negotiations with the  
2264 Senate that the House reverse the cuts to the section 1705

2265 loan guarantee program.

2266           In conclusion, SEIA, our 1,000 member companies and our  
2267 workforce of 100,000 strong is eager to work with Congress on  
2268 important policy initiatives to continue to grow the solar  
2269 industry and solar jobs.

2270           Once again, I deeply appreciate the opportunity to  
2271 testify before the subcommittee and I would be happy to  
2272 answer any of your questions.

2273           [The prepared statement of Mr. Resch follows:]

2274 \*\*\*\*\* INSERT 10 \*\*\*\*\*

|  
2275 Mrs. {Bono Mack.} Thank you, Mr. Resch.

2276 The chair will recognize herself for the first 5 minutes  
2277 of questioning, and I would like to begin with Ms. Wince-  
2278 Smith.

2279 In your written testimony, you state that--you call  
2280 something the creative destruction of jobs and say it is at  
2281 the very core of competition and that policymakers should not  
2282 try to restore jobs or industries that have become  
2283 uncompetitive. Can you explain what you mean by creative  
2284 destruction and provide examples?

2285 Ms. {Wince-Smith.} Well, a very simplistic example is  
2286 back at the turn of the century when there was an effort to  
2287 keep the buggy business in place when we were moving to  
2288 automobiles. So as part of the whole technological  
2289 innovation that goes, you know, throughout human history. So  
2290 let us focus on, you know, the jobs and industries of the  
2291 future, recognizing that there is going to be tremendous  
2292 productivity gains coming from the intersections of biotech,  
2293 nanotech, information technology and not the jobs really that  
2294 are more commoditized and really can be performed at a lower  
2295 cost and more efficiency elsewhere.

2296 Mrs. {Bono Mack.} In it, though, you say policymakers  
2297 shouldn't try to restore those jobs but can you sympathize or

2298 understand what Members of Congress do go through when they  
2299 see industries fleeing their districts for whatever reason?  
2300 Can you speak to that a little bit further? Because as a  
2301 Member of Congress when this happens, it is very painful.  
2302 But can you explain why you think it is still beneficial?

2303 Ms. {Wince-Smith.} Absolutely. In fact, if you look at  
2304 the textile industry, which is an industry where we led the  
2305 world in the 19th and 20th century, there are tremendous  
2306 opportunities to use modern technology to revitalize that  
2307 industry. So rather than focus on competing with Pakistan on  
2308 certain types of cloth, let us focus on the industry that is  
2309 going to embed smart intelligence into the needs of the  
2310 military in textiles. So I think what we really need to look  
2311 at is, how do we take these industries to the next level and  
2312 have a skilled workforce to go with that as opposed to just  
2313 the status quo.

2314 Mrs. {Bono Mack.} So what you are saying is, we are  
2315 actually preventing the growth by sort of dumbing down  
2316 technologies?

2317 Ms. {Wince-Smith.} Absolutely.

2318 Mrs. {Bono Mack.} And you testified that manufacturing  
2319 today has a much higher multiplier in the economy than at any  
2320 time in past history. Can you quantify that multiplier, and  
2321 how does it compare in past times?

2322 Ms. {Wince-Smith.} Yes, I can actually give you the  
2323 data for the multiplier right now. It is about \$1.4 in  
2324 output versus 58 cents for any other sector. And we will  
2325 submit that complete data set for you, but it is very, very  
2326 significant, and also, it is beyond the traditional view of  
2327 manufacturing. You have to look at the whole value system  
2328 around that including the services that support the  
2329 manufacturing.

2330 Mrs. {Bono Mack.} Thank you.

2331 Mr. Greenblatt, today's Washington Post reports that  
2332 Maryland Governor Martin O'Malley wants to double the State's  
2333 surcharge on electric bills. That is to pay for construction  
2334 of offshore wind farms. Can you talk about how that would  
2335 affect your competitiveness? And I am a Californian. I  
2336 believe that is going to increase your energy costs and that  
2337 is going to affect you in a big way. Can you talk about it?

2338 Mr. {Greenblatt.} It is not a good idea. We are in  
2339 favor of having low energy--we should eliminate taxes for  
2340 manufacturing on energy because we are creating jobs when we  
2341 build in the State of Maryland, and when you make it harder  
2342 for us to compete with Virginia or Pennsylvania or China or  
2343 Mexico, we are going to lose jobs in our State. It is very  
2344 shortsighted.

2345 Mrs. {Bono Mack.} Thank you. Would you talk a little

2346 bit--the free trade agreements, you specify that they would  
2347 be very helpful. Can you go into that, why they would be  
2348 helpful for you?

2349 Mr. {Greenblatt.} Because it will give us almost 100  
2350 million new consumers we could shoot for, we could sell to.  
2351 For example, Korea, Panama, Colombia have almost 100 million  
2352 consumers, and we want to compete, we want to grow, we want  
2353 to hire more people in Baltimore and export to Korea, for  
2354 example. Right now when I ship a wire basket to Korea, there  
2355 is an 8 percent tax against me. Once the Korean trade  
2356 agreement is approved and enacted by the Congress, that 8  
2357 percent will go away. So we will be much more competitive  
2358 and we are going to hire more people in Baltimore that are  
2359 unemployed now so we can improve our economy.

2360 Mrs. {Bono Mack.} Thank you.

2361 Mr. Resch, are you now or have you ever been a  
2362 Californian?

2363 Mr. {Resch.} No, but I have always wanted to be.

2364 Mrs. {Bono Mack.} Have you ever been to Blythe?

2365 Mr. {Resch.} No, I have not yet.

2366 Mrs. {Bono Mack.} Can you say--you talk about the loan  
2367 guarantee program but can you say that the solar projects in  
2368 my district have never had regulatory impediments that have  
2369 stopped the development? Have there been sort of cross

2370 policies that have intersected where you all have found the  
2371 development slowing down because of regulation?

2372 Mr. {Resch.} Absolutely, land-access policies, siting  
2373 and permitting policies. We face the same kinds of  
2374 impediments that any large industrial face would in siting in  
2375 America today.

2376 Mrs. {Bono Mack.} Have you ever scratched your head  
2377 about why the government does things the way they do?

2378 Mr. {Resch.} Of course, and--

2379 Mrs. {Bono Mack.} I mean, you spent your time talking  
2380 about the loan guarantee program but it is my hope that we  
2381 talk about regulations that are slowing down prosperity in  
2382 our country, and if you can spend 10 seconds--I am over my  
2383 time, so 5 seconds talking about if the truth is regulation  
2384 has impacted you as much as any loan guarantee program,  
2385 correct? Yes or no is fine.

2386 Mr. {Resch.} The answer is yes, and we have the ability  
2387 to deploy very, very rapidly thousands of megawatts here in  
2388 the United States, much faster than you will see in clean,  
2389 coal, natural gas or even new nukes, but without removing  
2390 some of those regulatory impediments, we will never see that  
2391 happen.

2392 Mrs. {Bono Mack.} The chair will recognize Mr.  
2393 Butterfield for 5 minutes.

2394 Mr. {Butterfield.} Thank you, Madam Chairman.

2395 Dr. Boushey, the Republican C.R. that was put forth a  
2396 couple of weeks ago to fund the government through the end of  
2397 this fiscal year takes what I call a ``whack and hack''  
2398 approach to spending cuts. The approach taken in the  
2399 proposal put forth by the President is a bit more surgical  
2400 and strategic, to say the least. In particular, the  
2401 Republicans have proposed cuts of \$8 billion from  
2402 infrastructure, \$5.5 billion from R&D, \$5.1 billion from  
2403 education, \$26.7 billion in cuts to Pell grants for low-  
2404 income college students. The President, on the other hand,  
2405 has proposed increases in these areas. These are also three  
2406 areas that the manufacturers and the Competitive Council and  
2407 all of us on this side seem to agree are key to our long-term  
2408 economic competitiveness and stability.

2409 Dr. Boushey, if we follow the approach to federal  
2410 spending cuts put forward by our friends on the Republican  
2411 side and the Republicans promise of job growth through  
2412 spending cuts fails to materialize, will these cuts do  
2413 anything really to cut the deficit, in your opinion? I have  
2414 looked at your résumé and you have a very impressive  
2415 background and you are an economist. What is your opinion on  
2416 this? Will it affect the deficit in any way?

2417 Ms. {Boushey.} Well, two comments. First of all, there

2418 are two sides to the deficit, right? There is revenue and  
2419 there is spending, and one of the challenges of the great  
2420 recession and where we are right now is that revenues are  
2421 down because people don't have incomes because we have nearly  
2422 14 million people out of work. Those people without incomes,  
2423 without jobs, they don't pay as much in taxes, if any, and  
2424 then that of course leads to a growing deficit. You also  
2425 have more people who need services, who don't have jobs and  
2426 so they need more assistance. So, yes, if these measures  
2427 that have been taken in this C.R. do not lead to economic  
2428 growth, then certainly that will increase the deficit, but  
2429 moreover, we are really sort of cutting off our nose to spite  
2430 our face with this C.R. in that we need these investments in  
2431 our long-term economic future. We need to be investing in  
2432 education. We need to be investing in technologies. We need  
2433 especially to be investing in infrastructure. Much of our  
2434 infrastructure in the United States is aging, it is frayed  
2435 and it just don't work, and so we need an infrastructure that  
2436 supports all of the businesses in America so that they can  
2437 compete.

2438 Mr. {Butterfield.} So as a conclusion that if we make  
2439 these massive cuts in spending that it is not going to result  
2440 in America's competitiveness being improved?

2441 Ms. {Boushey.} I am very afraid that it will reduce our

2442 competitiveness, and the Center for American Progress and the  
2443 Economic Policy Institute just released a letter earlier this  
2444 week signed by over 325-some-odd economists including a  
2445 number of Nobel laureates saying that this budget, that that  
2446 C.R. will hurt our competitiveness because we do not make the  
2447 investments that we need to make in America.

2448         Mr. {Butterfield.} Dr. Boushey, while I am with you,  
2449 let me ask you this. In your testimony you note that the  
2450 Federal Reserve survey of senior loan officers shows that  
2451 while bankers are lending for mergers and acquisitions, which  
2452 ultimately leads to job losses, they are not lending for  
2453 investment in plants and equipment that will create jobs and  
2454 expand economic opportunities. Can you explain more about  
2455 this?

2456         Ms. {Boushey.} Well, what, of course, we have seen, you  
2457 know, since the end of the--the financial crisis led to  
2458 tightening credit conditions and we have seen that across the  
2459 board. We have seen that it continues to be the case for  
2460 small businesses that they are facing tight credit conditions  
2461 and that that is a part of the problem, especially for the  
2462 small business owners who need those funds to make those  
2463 investments.

2464         Mr. {Butterfield.} Let me go to you, Mr. Resch, if I  
2465 can. With the situation in the Middle East as it is,

2466 particularly in Libya--and gas prices are on the rise yet  
2467 again. As of yesterday, gas prices had increased in each of  
2468 the last 8 days by a total of 24 cents. The national average  
2469 stood at \$3.39 for a gallon of gas. Some are speculating  
2470 that the price per gallon could hit \$4 by the summer. Let us  
2471 pray that that does not happen. Rising fuel prices can and  
2472 will have a ripple effect across our fragile economy. This  
2473 isn't a new or surprising development for anyone. We have  
2474 long known that our dependence on foreign oil puts our  
2475 economic security in the hands of others.

2476         Mr. Resch, what do you think we must do to spur demand  
2477 in the United States for clean energy technologies?

2478         Mr. {Resch.} It is absolutely critical that we do so,  
2479 and part of it is education, but just in the same way that we  
2480 provide subsidies to the oil and gas and coal industries, we  
2481 need to make sure that we are providing a level playing field  
2482 for wind, solar and other technologies. Unfortunately, our  
2483 policies are on again, off again, 1 year, 2 years, where  
2484 those industries enjoy permanency. So providing a stable  
2485 regulatory and policy framework is absolutely critical. The  
2486 investment is there. The infrastructure is built. We are  
2487 going to see these industries continue to grow very, very  
2488 rapidly as long as we provide stability for the business  
2489 environment.

2490 Mr. {Butterfield.} It is sad that we get to \$4-a-gallon  
2491 gasoline before the American people really concentrate on the  
2492 importance of renewable energy.

2493 Mr. {Resch.} It is amazing.

2494 Mr. {Butterfield.} Thank you for the work that you do.  
2495 I yield back.

2496 Mrs. {Bono Mack.} I thank the gentleman.

2497 The chair recognizes Ms. Blackburn for 5 minutes.

2498 Mrs. {Blackburn.} Thank you, Madam Chairman.

2499 Ms. Wince-Smith, I appreciate that you mentioned  
2500 creative destruction, especially in the creative economy as  
2501 we look at technologies. The lifecycle is so sort and I  
2502 think it is important that we not try to prolong the  
2503 lifecycle of a product that the American people do not want.  
2504 So thank you for mentioning that.

2505 Mr. Cummiskey, I want to come to you. Very quickly,  
2506 Georgia, is it a right-to-work State?

2507 Mr. {Cummiskey.} Yes, ma'am, it is.

2508 Mrs. {Blackburn.} Okay. And that I would assume helps  
2509 the Quick Start program?

2510 Mr. {Cummiskey.} It helps a lot of things including  
2511 Quick Start, yes, ma'am.

2512 Mrs. {Blackburn.} And if you would submit for me the  
2513 budget that you have for Quick Start and then the dollar, the

2514 ratio on your return for investment. I would love to know  
2515 that. It sounds like a great program, and sometimes we in  
2516 Tennessee at your border get a little bit jealous of some of  
2517 the work you are doing there. What I would also like to know  
2518 from you, because of the work you all are doing in some of  
2519 the high-tech industries, what are the five things that you  
2520 hear from the companies that you are working with when they  
2521 talk about the Federal Government and they say they need to  
2522 get this, that or the other off the book and you can just  
2523 submit those for the record, and we would appreciate knowing  
2524 what those five things are. We need to drill down and get  
2525 some of these onerous regulations off the books.

2526 Mr. {Cummiskey.} Yes, ma'am.

2527 Mrs. {Blackburn.} Okay. Dr. Holtz-Eakin, for you, I  
2528 appreciated that you talked about the households, businesses,  
2529 governments, international partners and the effect the budget  
2530 has there. I would love to have from you kind of a checklist  
2531 as you look at this committee and our goal being to energize  
2532 domestic production and manufacturing, how we best do that.  
2533 As you look at these four sectors, what your advice would be  
2534 on five items that we could do that you see would serve us  
2535 well.

2536 Mr. {Holtz-Eakin.} I would be happy to submit that.

2537 Mrs. {Blackburn.} Thank you. I appreciate that.

2538 Mr. Wilson, I want to chat with you a minute, because  
2539 your group supported the Dodd-Frank or Frank-Dodd, whatever  
2540 you want to call it, bill, and I have to--

2541 Mr. {Wilson.} Actually, Congresswoman, the roundtable  
2542 did not.

2543 Mrs. {Blackburn.} Oh, they did not? Okay. Well, I  
2544 have to tell you, I hear from my bankers and small businesses  
2545 out in the district as we are doing these listening sessions  
2546 that this is horrific. They want this thing off the books  
2547 because it impairs their ability to get credit and they see  
2548 it as a true impediment. I would love to hear from you your  
2549 thoughts on how that legislation has and will continue to  
2550 affect small businesses, and even though we don't have  
2551 jurisdiction over that piece of legislation, I think that it  
2552 prohibits people moving to the next generation of technology  
2553 that Ms. Wince-Smith has, individuals that want to innovate  
2554 something or a company that wants to locate in Georgia. So  
2555 can you give me about 30 seconds on that one?

2556 Mr. {Wilson.} Sure. I think one of the biggest  
2557 concerns as I tried to make clear in my remarks is that there  
2558 is still a lot of uncertainty about what the rules of the  
2559 road are going to be going forward. So on top of the crisis,  
2560 on top of not knowing what your capital liquidity  
2561 requirements are going to be going forward and we may not

2562 know what those are going to be until the end of the year  
2563 given the current state of U.S. rulemaking. None that helps  
2564 establish the certainty nor do we know the full economic  
2565 impact of what that is going to be. I happen to think that  
2566 the 250 new rules coming out of Dodd-Frank are going to have  
2567 a negative effect on economic growth and job creation. I  
2568 can't prove that you today. That is the kind of thing where  
2569 I think the economic impact assessments that I referenced in  
2570 my testimony would be useful, that either this committee or  
2571 the Financial Services Committee could request of the  
2572 Treasury and other financial regulators or, you know, my idea  
2573 of putting it on a new legislative requirement that all new  
2574 future financial rules have a true economic impact assessment  
2575 to--

2576 Mrs. {Blackburn.} Basically like we did in the pledge  
2577 with the \$100 million impact.

2578 Mr. Cummiskey, submit to me also how much you all have  
2579 increased your exports in Georgia. I would be appreciative  
2580 of knowing that, and give your governor my regards.

2581 Mr. {Cummiskey.} I will.

2582 Mrs. {Blackburn.} Mr. Resch, I would love to come to  
2583 you for just a second, please, sir. Your member companies,  
2584 how many receive government subsidies?

2585 Mr. {Resch.} There are just a few that have received

2586 any kind of form of grants to help develop--

2587 Mrs. {Blackburn.} And you don't know how much those  
2588 total?

2589 Mr. {Resch.} I would have to look it up, but it is a  
2590 pretty small R&D that exists in the solar industry.

2591 Mrs. {Blackburn.} Okay. How many of those businesses  
2592 would be viable without those government grants?

2593 Mr. {Resch.} Most of them would be, but what they are  
2594 trying to do is really advance the technology beyond where  
2595 the state is today, to expand applications into military  
2596 applications, portability, increased efficiency drive down  
2597 costs so those programs are really designed to kind of lift  
2598 up the industry, similar to what you see in R&D programs for  
2599 other energy technologies that--

2600 Mrs. {Blackburn.} Okay, and then in 2005 you testified  
2601 before this committee that tax incentives were necessary to  
2602 jump-start the solar market but that those incentives should  
2603 decline over time, so do you still hold that position?

2604 Mr. {Resch.} You know, I think our industry needs this  
2605 very stable platform in order to build upon. We have tax  
2606 credits that exist through 2016. By 2016, we are hoping to  
2607 be the source of--

2608 Mrs. {Blackburn.} Yield back.

2609 Mrs. {Bono Mack.} Thank you.

2610 The chair recognizes Ms. Schakowsky for 5 minutes.

2611 Ms. {Schakowsky.} Well, following up on that, Mr.  
2612 Resch, how viable do you think the oil and gas industry would  
2613 be without the \$40 billion in subsidies they get over 10  
2614 years?

2615 Mr. {Resch.} I think the reality is, we need all energy  
2616 sources. We are dependent upon foreign sources of energy  
2617 right now. I think we need to refocus on our domestic  
2618 sources and look at technologies like solar and wind that  
2619 could be manufactured here, that could be deployed on homes  
2620 and on businesses and in utility-scale applications.

2621 Ms. {Schakowsky.} But do you think we still need to  
2622 subsidize, especially now that gas is at \$100 a barrel once  
2623 again? Do you think that they really need to be subsidized?

2624 Mr. {Resch.} Certainly it doesn't make any sense to  
2625 subsidize an industry that is as profitable as the oil and  
2626 gas industry while not providing the kinds of support for  
2627 emerging technologies that are actually creating jobs here in  
2628 the United States. But when you look at the economics of oil  
2629 and gas, there is no doubt there are opportunities to  
2630 encourage drilling that probably do require some kind of tax  
2631 incentives, but ultimately what we want to do is make sure we  
2632 support all of the energy technologies because we are going  
2633 to need more of it going forward, especially more of the

2634 clean energy technologies.

2635 Ms. {Schakowsky.} Thank you.

2636 I want to ask a question that I have been mulling over  
2637 for quite a while now. In the United States of America, the  
2638 income inequality has been growing enormously over about the  
2639 last 30 years so that right now about the top 1 percent of  
2640 earners control about 39 percent of the wealth, which is more  
2641 than the bottom 90 percent. The top .001 percent of  
2642 Americans, the very, very rich, have an average income of  
2643 about \$27 million and the bottom 90 percent have an average  
2644 income of about \$31,000. It seems to me that that is a  
2645 problem, not only for our economy but for our democracy as  
2646 well when we have that kind of income inequality, and I am  
2647 wondering if anybody wanted to comment on that. It seems  
2648 like we are still going in the direction rather than of high-  
2649 wage economy toward a low-wage economy. We still see while  
2650 manufacturing is picking up, we still actually give some  
2651 incentives for businesses to go overseas. Does anybody want  
2652 to comment on this? Yes, Ms. Wince-Smith, and then we will  
2653 go to Dr. Boushey.

2654 Ms. {Wince-Smith.} Well, we have a lot of data at the  
2655 Council on Competitiveness over the years that really showed  
2656 the direct correlation between educational attainment and  
2657 income levels over time, and you are correct about the

2658 growing inequality gap. But on the issue, you know, of--and  
2659 so our whole education strategy is--and of course, we spend  
2660 more per child from K-12 than any other country in the world  
2661 outside of Switzerland and we are not getting the outcomes.  
2662 So the whole issue around how we get the impact from the  
2663 investment in education is huge going forward.

2664         And the other thing I would say on, you know, the issue  
2665 of low wages and how that relates to manufacturing, even in  
2666 countries such as China now, there is tremendous data that  
2667 their wage structure is increasing as they become more  
2668 productive and companies are not investing in China because  
2669 of low wage. It is the skill of the workers, it is the  
2670 overall capital structure, regulatory environment. So we  
2671 have to look at all of these things as a system and really  
2672 optimize what do we need to do to ensure we have the highest  
2673 skilled workers and do the best high-value activity in this  
2674 country.

2675         Ms. {Schakowsky.} Although it is also true that  
2676 productivity has gone up even as average wages for the middle  
2677 class have done gown.

2678         Dr. Boushey?

2679         Ms. {Boushey.} You are right about that Congresswoman,  
2680 that, you know, as we have seen America become wealthier and  
2681 we have seen workers in the United States become more and

2682 more productive, you have seen an increasing divergence  
2683 between how much the average worker is getting of those  
2684 productivity gains or not, and that has been a trend that has  
2685 been going on for the past 30 years.

2686         One of the things we have talked about on this that many  
2687 folks on this panel have talked about today is understanding  
2688 the economic impact of regulations and understanding the  
2689 economic impact of what government is doing. And I think  
2690 that what your question about inequality points us to is  
2691 thinking not just what it means for profits but what does  
2692 this mean for the kinds of jobs that are being created and  
2693 not just for folks at the very, very top but across the  
2694 distribution. When we are talking about jobs in the United  
2695 States, we have to remember that six in ten workers who are  
2696 in this economy don't have a college degree, and are we  
2697 creating good jobs for them, and they are indeed good  
2698 customers for many of the kinds of businesses and things that  
2699 we have been talking about here on this panel.

2700         Ms. {Schakowsky.} Thank you. I yield back.

2701         Mrs. {Bono Mack.} The chair recognizes the gentleman  
2702 from Kentucky, Mr. Guthrie.

2703         Mr. {Guthrie.} Thank you, Madam Chairman. Thank you  
2704 for recognizing me.

2705         I first want to talk, I know we have had Mr. Zandi

2706 quoted for his proposal or his analysis, and also I believe  
2707 he is the one that said that--resounding success, which most  
2708 people that defend this thing was actually well, it would  
2709 have been worse if we hadn't done it but the President said  
2710 it is going to create 3.5 million jobs and 8 percent  
2711 unemployment so if you are going to define something as  
2712 resounding success, you might want to say at least you hit  
2713 the goals you put forward.

2714           Mr. Holtz-Eakin, I know you are familiar with the  
2715 Goldman Sachs study. Do you want to comment on that since it  
2716 has been quoted here today and why you think it is probably  
2717 not the best analysis?

2718           Mr. {Holtz-Eakin.} Well, I certainly that the  
2719 fundamental flaw with these analyses is that there is no  
2720 conduit anywhere in them for someone to be worried about the  
2721 future. They are entirely driven by the current cash flows,  
2722 and so mechanically if the Federal Government spends less,  
2723 that cash flow goes down, they say the economy is smaller.  
2724 There is no ability for the private sector to recognize that  
2725 taxes aren't going to go up in the future, interest rates are  
2726 going to explode, there is not going to be a financial crisis  
2727 so I am going to make the investment, get offsetting impacts.  
2728 That is the basis reason to be doing this. So the studies  
2729 are rigged to be at odds with the basic motivation for the

2730 policy, and I think they shed no light on the potential  
2731 effectiveness of them whatsoever in the same way that they  
2732 were very misleading about what would happen with the  
2733 stimulus bill.

2734 We are in the middle of a recovery that is driven by  
2735 destroyed balance sheets. Households' homes are worth a lot  
2736 less than they used to be. Their pensions have been damaged.  
2737 Governments have red ink as far as the eye can see. None of  
2738 this is about the current cash flow. This is about the fact  
2739 that the assets and liabilities don't line up in any deep way  
2740 but we have got the wrong analysis injected into that  
2741 situation. You get bad policy advice.

2742 Ms. {Boushey.} Can I comment on that?

2743 Mr. {Guthrie.} Yes.

2744 Ms. {Boushey.} I would like to comment on that for a  
2745 moment. You know, when we think bout economic growth, we  
2746 often sort of--you know, maybe it is sort of a black box so  
2747 let us sort of open that up for a second. When you look at  
2748 our gross domestic product, there are four basic components:  
2749 consumption, which is about 70 percent of GDP, investment,  
2750 government spending and net exports. In the short term, and  
2751 what these models that the Goldman Sachs folks, you know, put  
2752 forward, what these models measure is the impact over the  
2753 next couple of years of reducing one of those components in a

2754 significant way. So in a moment when we already have so many  
2755 individual consumers cutting back, we already see investment  
2756 is at decades lows, right? So firms aren't investing because  
2757 they don't see customers. People don't have any money, as  
2758 Dr. Holtz-Eakin said, because of the unemployment and also  
2759 the reduction in their balance sheets. The decline in  
2760 spending from the Federal Government will reduce growth in  
2761 our economy.

2762 Now, over the long term, of course, we need to be  
2763 concerned about the taxes, the tax increases to pay for that,  
2764 but in the short term where we have high unemployment, that  
2765 is what that model is showing you.

2766 Mr. {Guthrie.} But also I want to say I know  
2767 anecdotally a lot of businesses aren't investing because they  
2768 are concerned about the regulatory environment and the  
2769 uneasiness that is coming forward. I know that from personal  
2770 experience from people that I know. And so those of us who  
2771 are concerned understand there are investments that are going  
2772 to yield in the future. We spend a lot of money on  
2773 education. That is something I was driven by in the state  
2774 legislature. When you look at what I think we are looking  
2775 at, inflation that is coming if we don't get control of our  
2776 budget deficit by printing money inflation is going to come.  
2777 Interest rates, pressure has to be there eventually. I know

2778 they are record low. But looking at why does--if we say  
2779 investments in the long term, we are looking in the long term  
2780 and not trying to be, well, you know--you are not trying to  
2781 cut your nose off to spite your face. What we are trying to  
2782 do is, how are we going to have a sustainable future and a  
2783 sustainable budget, and if we don't do it now, then when?

2784 Mr. Holtz-Eakin?

2785 Mr. {Holtz-Eakin.} I just have one thing. These models  
2786 are used by policymakers at times and they can be useful. I  
2787 have been in the White House twice. I used these models when  
2788 I ran the Congressional Budget Office. But they are missing  
2789 things that are central to the economic moment. They, for  
2790 example, assume a stable regulatory environment. We have an  
2791 avalanche of new regulations in Washington. Last year we had  
2792 a record number of Federal Register pages and this year we  
2793 are coming to see come online Dodd-Frank, 240 rulemakings, 20  
2794 times more than we have ever seen, the Affordable Care Act,  
2795 an extraordinary regulatory expansion, the EPA boiler rules,  
2796 five other rulemakings in process. There is nothing in those  
2797 models that recognizes what is happening to the business  
2798 community in reality.

2799 Mr. {Guthrie.} And manufacturing is a pathway to the  
2800 middle class for so many people, and that is why we have to  
2801 make sure we preserve that in the environment.

2802 I know you probably want to comment. I only have 20  
2803 seconds.

2804 Ms. {Boushey.} Certainly, completely, manufacturing is  
2805 certainly vital to American workers. But two things. I  
2806 mean, one on inflation. I mean, we are at a moment where we  
2807 are not seeing a lot of pressure on the capacity here in the  
2808 United States. We are not seeing pressure on employment, we  
2809 are not seeing pressure on our productive capacity. It  
2810 remains at about 76 percent of--

2811 Mr. {Guthrie.} We are seeing record-high commodity  
2812 prices.

2813 Ms. {Boushey.} That is true, but there is a lot of--

2814 Mr. {Guthrie.} There are other reasons for that. I  
2815 understand.

2816 Ms. {Boushey.} And so that is actually again why  
2817 economically it makes sense that this is a good time for  
2818 government to invest, right? You have bridges that you need  
2819 to invest in. Now is the time to do it. I will stop there.

2820 Mrs. {Bono Mack.} The chair recognizes Mr. Harper for 5  
2821 minutes.

2822 Mr. {Harper.} Thank you, Madam Chair.

2823 You know, one of the things that we have noticed in my  
2824 home State of Mississippi is that I haven't found any  
2825 business or any industry yet that believes that they are

2826 underregulated, and I guess what I would like to ask first of  
2827 all is, if I could ask Commissioner Cummiskey, in your State,  
2828 what have you seen that has worked that you would say would  
2829 be good for other States and for us to look at?

2830         Mr. {Cummiskey.} I go back to what I talked about,  
2831 about those type of endeavors, but our trade, we put a lot of  
2832 time and effort into our trade and not just with large  
2833 companies but with small business, less than 20 employees,  
2834 and opening up pathways to people all across the State  
2835 through our trade offices and our offices both in Georgia and  
2836 outside internationally who really have had great success  
2837 finding new markets for them. Going back to that, one thing  
2838 that has worked is, every time a free trade agreement is  
2839 signed, we have seen exports to those new areas increase by  
2840 206 percent. So that is what is working right now, and that  
2841 is one other area that I didn't get a chance to talk about  
2842 because of time issues but trade and trying to find new  
2843 markets and putting some energy and time into that has paid  
2844 off exponentially for us right now.

2845         Mr. {Harper.} This is for anyone on the panel. As far  
2846 as recommendations on changes in the tax code, what would  
2847 come to the top of your mind?

2848         Mr. {Holtz-Eakin.} I want to echo the comments that  
2849 were made in Mr. Greenblatt's opening remarks. Our corporate

2850 tax code is at odds with our ability to compete around the  
2851 world. We are the last major economy that clings to a  
2852 worldwide system of taxation. Everyone else has gone to  
2853 taxing companies only on the basis of their activity in the  
2854 jurisdiction, whether it is the United States or Brazil or  
2855 Germany. We as a result are at a fundamental disadvantage in  
2856 the way we structure our tax system, and our rate is way too  
2857 high. Again, the President's fiscal commission said we  
2858 should move toward an internationally competitive rate and a  
2859 territorial system. Absolutely, positively, it is the top  
2860 thing to do in the tax code.

2861 Mr. {Harper.} And if you did that, in what time period  
2862 would you expect to see a turnaround or an impact in this  
2863 country if we made that change?

2864 Mr. {Holtz-Eakin.} I think you should just cut the rate  
2865 right now. We have to end up there anyway so why wait? You  
2866 would get a boost in the near term and you get sensible tax  
2867 policy in the long run.

2868 Mr. {Harper.} Yes, sir?

2869 Mr. {Greenblatt.} I think you also have to reduce the  
2870 complexity. We are paying about 40 grand a year in  
2871 accountants and companies to make sure that we pay the right  
2872 amount of payroll tax, make sure we pay the right 401(k). If  
2873 we make any mistakes, in inadvertent booboos, we get very

2874 large fines, even if we are not meaning to do anything. So  
2875 we spend over 40 grand a year. I would much rather hire two  
2876 unemployed Baltimore city steelworkers, get them working for  
2877 me rather than paying my accountant for this.

2878 Mr. {Harper.} Yes, ma'am?

2879 Ms. {Wince-Smith.} I would just add and support what  
2880 Dr. Holtz-Eakin has said. You know, we see all over the  
2881 world other councils on competitiveness that are partners of  
2882 ours actually making fun of the United States now because of  
2883 our corporate tax structure, countries in the Nordics, you  
2884 know, are saying how could you have the capital cost  
2885 structure you have. And we have the data now. It is not so  
2886 much that U.S. companies that are sitting on, what is it,  
2887 \$1.8 trillion. They are now investing in this country  
2888 because they are not customers. It is because their global  
2889 enterprises and they are optimizing all over the world where  
2890 they are going to do their high-value work and so it is a  
2891 very complex issue. Having a very onerous corporate tax  
2892 structure with all the other things we know, it is really  
2893 just a knife in the coffin now. And when Canada and Japan  
2894 can move very quickly, why can't we?

2895 Mr. {Harper.} Yield back.

2896 Mrs. {Bono Mack.} The chair recognizes Mr. Pompeo for 5  
2897 minutes.

2898 Mr. {Pompeo.} Madam Chairman, thank you.

2899 Dr. Boushey, there has been some discussion about what  
2900 we did with H.R. 1. We heard lots of criticism from it. Do  
2901 you think there is any connection between job growth and  
2902 deficit spending and projected deficit spending?

2903 Ms. {Boushey.} Certainly. In the short run or in the  
2904 long run?

2905 Mr. {Pompeo.} I am talking about jobs.

2906 Ms. {Boushey.} Yes. Okay. Then that is--right now in  
2907 this economy, we continue to have an output gap. We had a  
2908 crisis--

2909 Mr. {Pompeo.} So how much bigger should ARRA have been?

2910 Ms. {Boushey.} When we--

2911 Mr. {Pompeo.} Ma'am, there is a question. You  
2912 suggested that we don't have enough stimulus so I would like  
2913 a number about how big you think the stimulus should have  
2914 been to solve the problem in Kansas of unemployment.

2915 Ms. {Boushey.} It is a compositional problem and it was  
2916 a numbers problem. So Christina Romer, then-chair of the  
2917 Council of Economic Advisors, argued for a stimulus of over a  
2918 trillion dollars. That would have provided a bigger bank for  
2919 the buck. But the second issue is that when the House got  
2920 ahold of the bill--I am sorry. When the Senate got ahold of  
2921 the bill, they changed it and changed the composition of

2922 where spending went. If you want to make a big bang for your  
2923 buck in terms of government spending at a time of massive  
2924 recession and massive unemployment, you want to spend it on  
2925 things that have the largest multipliers, and Ms. Wince-Smith  
2926 has provided a nice sort of primer on the multiplier effect.

2927 Mr. {Pompeo.} I appreciate that, but I would like to  
2928 reclaim my time.

2929 Ms. {Boushey.} So you don't want to be spending that on  
2930 tax cuts, you want to be spending it on--

2931 Mr. {Pompeo.} All right. So there is a compositional  
2932 problem. So we took \$61 billion out of the fiscal year 2011  
2933 budget, and you think we should have instead added how much  
2934 money?

2935 Ms. {Boushey.} I think we should have retargeted on  
2936 things that would increase investment and increase our  
2937 spending on infrastructure.

2938 Mr. {Pompeo.} Thank you. I have heard you offer no  
2939 solutions for what we should have done.

2940 Ms. {Boushey.} My testimony has a number of solutions.

2941 Mr. {Pompeo.} I appreciate that.

2942 Mr. Resch, you suggested we should not have visited tax  
2943 credits associated with your industry. I don't know exactly  
2944 what the dollars were that we removed. Tell me, if we put  
2945 that back in the spending bucket, what do you think we should

2946 take out?

2947           Mr. {Resch.} It is specifically a loan guarantee  
2948 program. It is actually not a tax credit. It is \$2.5  
2949 billion that were specifically removed in H.R. 1. And what  
2950 we are looking at reducing is somewhere on the order of \$30  
2951 billion of economic investment that that would drive and  
2952 somewhere around the order of 20,000 to 25,000 jobs  
2953 throughout the United States, and that is just direct jobs in  
2954 the manufacturing of these facilities. You have then all of  
2955 the manufacturing plants in Michigan and all the rest that  
2956 would support these jobs.

2957           Mr. {Pompeo.} Mr. Greenblatt, we heard this morning  
2958 from EDA that they provide grants to various industries and  
2959 businesses. Would your business rather try and chase a grant  
2960 from the Federal Government or have consistently lower tax  
2961 rates?

2962           Mr. {Greenblatt.} If we could have lower tax rates, if  
2963 we could put it on a postcard, you know, this is how much we  
2964 made, this is what our percentage is, this is how much the  
2965 check is going to be for, I would love that. I think every  
2966 business would be happy to give up any grants.

2967           Mr. {Pompeo.} I think so too. I spent the last 15  
2968 years of my life in the manufacturing world until I became  
2969 part of the problem 60 days ago, so I think that is what--I

2970 certainly know what would have helped my competitors too, not  
2971 just me, be successful.

2972 Dr. Holtz-Eakin, you have talked about this deficit  
2973 issue. I came to this because it is always tomorrow, so the  
2974 folks from the Center for American Progress and other groups  
2975 always say we have to spend today and we do the savings part  
2976 somewhere down the road. It sounds to me like you think  
2977 today is the day.

2978 Mr. {Holtz-Eakin.} Today is absolutely the day, and the  
2979 evidence is from around the world. I mean, you don't have to  
2980 do theoretical models, just go look at the evidence. Those  
2981 countries who have had massive deficit problems, faced with  
2982 financial crises who needed to fix those and grow, our  
2983 problem, did it by controlling spending, keeping taxes low or  
2984 even cutting it. That is the evidence around the globe. It  
2985 is referenced in my testimony. We should simply copy  
2986 success.

2987 Mr. {Pompeo.} Great. Thank you. I yield back my time,  
2988 Madam Chairman.

2989 Mrs. {Bono Mack.} I thank the gentleman and recognize  
2990 the gentleman from West Virginia, Mr. McKinley, 5 minutes.

2991 Mr. {McKinley.} Thank you, Madam Chairman.

2992 Mr. Resch, if I could ask you a question, please. When  
2993 you were asked by someone on the back panel about subsidies,

2994 getting subsidies in the industry, you answered that by  
2995 saying ``grants,' ' and then you went on to say in an earlier  
2996 remark you had commented about how coal is a subsidized  
2997 industry. So I am just curious since I think we are  
2998 supporting the idea of R&D, robust R&D in energy, can you  
2999 share with me, because I am wondering if you are being  
3000 critical of the coal industry and I am curious, are you  
3001 saying outside of R&D the coal companies are getting grants?  
3002 And if you are, could you provide me a list of coal companies  
3003 that are getting grants that are not for R&D?

3004 Mr. {Resch.} There are a number of studies that look at  
3005 the entire energy industry and compares what tax incentives  
3006 and what types of programs support those industries. They  
3007 may not be grants directly but I would be more than happy to,  
3008 absolutely.

3009 Mr. {McKinley.} I am very curious to see what coal  
3010 companies are getting grants.

3011 Mr. {Resch.} They are not specifically grants.

3012 Mr. {McKinley.} Because you answered the question when  
3013 you were asked about subsidies. You went immediately to  
3014 grants. So I am assuming you equate the two so--

3015 Mr. {Resch.} And I was talking about R&D specifically.  
3016 I was talking about individual companies that were receiving  
3017 grants from DOE.

3018 Mr. {McKinley.} Dr. Holtz-Eakin, if I could ask you a  
3019 question. First, thank you for clarifying that gross mid  
3020 representation from Goldman Sachs economic model. I just  
3021 wish the rest of the panel had stayed to hear that  
3022 misrepresentation. If we don't cut spending, if Congress  
3023 doesn't cut spending and we continue this economic growth  
3024 that plods along at 1-1/2 or 2 percent increase, when will we  
3025 ever get back to the historic norms of employment here in  
3026 this country?

3027 Mr. {Holtz-Eakin.} It would take a decade, and the  
3028 good-news scenario is one where it takes a decade, we get  
3029 people back to full employment but there is no real  
3030 productivity growth, there is no real rise in standard of  
3031 living, we leave to our children a damaged economy. That is  
3032 the good-news scenario. The bad-news scenario is, we  
3033 experience something that makes 2008's financial crisis look  
3034 like a minor ripple and then have to pick up the pieces  
3035 afterward. It is not an option. We simply have to change  
3036 course. It is what the President's financial commission  
3037 said. It is very simple.

3038 Mr. {McKinley.} So we have to cut?

3039 Mr. {Holtz-Eakin.} Yes. It is the right thing to do,  
3040 and it should not be posed as oh, we have to, you know,  
3041 control future growth and entitlements, do you want to cut

3042 Social Security. No, it is do want to leave to our children  
3043 impaired freedom and prosperity or do you want to get the  
3044 federal spending under control. Those are our choices, our  
3045 real choices.

3046 Mr. {McKinley.} Well, help me out on that, Dr. Holtz-  
3047 Eakin. Why doesn't the other side understand that? Have they  
3048 not had real-life experiences? Is this something they have  
3049 not been private sector employers? Why don't people get  
3050 that? That is so fundamental.

3051 Mr. {Holtz-Eakin.} I have spent my entire life in  
3052 economic education. I have spent 10 years trying to teach  
3053 policymakers different things, and I decline to answer.

3054 Mr. {McKinley.} If you ever get it, I would sure like  
3055 to hear it. Thank you very much.

3056 I yield back my time.

3057 Mrs. {Bono Mack.} The gentleman yields back.

3058 The chair recognizes Dr. Cassidy for 5 minutes.

3059 Dr. {Cassidy.} Thank you, Madam Chair. I am so rarely  
3060 called doctor anymore. I appreciate the remembrance of times  
3061 past.

3062 Mr. Greenblatt, hats off to you, buddy. Obviously our  
3063 problem with the unemployed right now is in the non-college-  
3064 educated man. That is really where our issues are. And as I  
3065 look at it, the fields that have traditionally addressed that

3066 have been mining, manufacturing and construction since you  
3067 use one to enable the other to do the other, if you will.  
3068 The President has said that he wants to convert our  
3069 electrical grid to renewables I think by 2035, 90 percent  
3070 renewables. Now, looking at the subsidy of energy, I have  
3071 here something based upon an EIA report from the Wall Street  
3072 Journal. Effectively, wind gets a subsidy of \$6.44 million  
3073 per BTU produced, oil and gas \$1.9 billion or about .3--  
3074 basically 300,000 per BTU of energy produced. So if to go to  
3075 a green economy with a green energy source, so to speak, was  
3076 going to triple your energy costs by three times, what would  
3077 that do to your ability to compete with other countries?

3078 Mr. {Greenblatt.} It is very bad for our energy costs  
3079 to go up, and if you make artificial costs that drive up what  
3080 it takes to make something in America, you are going to hurt  
3081 our jobs.

3082 Dr. {Cassidy.} I have heard Chairman Barton say that  
3083 the road to recovery goes through energy, so if your energy  
3084 is inexpensive, that is a competitive advantage relative to  
3085 other countries.

3086 Mr. {Greenblatt.} I agree, and not only that, these are  
3087 great, \$70,000-a-year jobs.

3088 Dr. {Cassidy.} That is what I next wanted to say. It  
3089 is my understanding and my experience in the oil and gas

3090 mining industry, those are good jobs with good benefits that  
3091 allow people to send their kids to college, et cetera. That  
3092 is yours in manufacturing as well, I gather.

3093         Mr. {Greenblatt.} Absolutely. Remember, we have so  
3094 many disadvantages. In China, they pay 30 cents an hour. In  
3095 Mexico, they pay 3 bucks an hour. You know, we pay 20  
3096 something bucks an hour.

3097         Dr. {Cassidy.} So if the cost of your energy is  
3098 increased by EPA regulating CO2 emissions, same effect,  
3099 correct?

3100         Mr. {Greenblatt.} Absolutely. Any more artificial ways  
3101 to drive up our costs are not going to help grow jobs in  
3102 America. We want to grow jobs in America. You have to lower  
3103 the barriers so we can compete more effectively.

3104         Dr. {Cassidy.} So if we increase the cost of energy,  
3105 lowering the number of jobs there, by the way, to increase  
3106 the cost to manufacturing lowering the jobs there, by the  
3107 way, would that have an effect upon the ability of the  
3108 construction industry to employ?

3109         Mr. {Greenblatt.} Absolutely, because when we have less  
3110 factories or less needs for additions, we need less  
3111 construction workers.

3112         Dr. {Cassidy.} So, if you will, if the answer to our  
3113 problem of unemployment among the non-college-educated man,

3114 good people--my dad was a non-college-educated man. So is  
3115 mining, manufacturing and construction policies which  
3116 increase the cost of energy is a silver stake in the heart of  
3117 each?

3118 Mr. {Greenblatt.} Our mission is to grow jobs.

3119 Dr. {Cassidy.} Yes.

3120 Mr. {Greenblatt.} And when you increase our costs in  
3121 America, we are not going to grow more jobs in America. You  
3122 want to help us lower our costs. If you take off the  
3123 shackles, we will beat China, we will beat Mexico, we will  
3124 grow and we will get us out of the recession.

3125 Dr. {Cassidy.} Now, Mr. Resch, I know you are just over  
3126 there biting your tongue. I can appreciate that. But let me  
3127 ask you, if we equalize the subsidies that went between oil  
3128 and gas and, say, your industry, but made those subsidies  
3129 permanent, so I think I see that currently federal subsidies  
3130 per megawatt-hour for wind are \$23 per megawatt-hour, solar,  
3131 \$24, and for coal is 44 cents, now, the coal is permanent and  
3132 yours is not, but if we said, listen, it is permanent in  
3133 perpetuity but it is 44 cents, would you accept that bargain?

3134 Mr. {Resch.} I was smiling before because you sound  
3135 like a lawyer, not a doctor. Sorry about that. I don't mean  
3136 to offend you.

3137 Dr. {Cassidy.} I will meet you afterwards.

3138 Mr. {Resch.} I think what you really need to look at is  
3139 stability over time periods, and the oil and gas industry has  
3140 enjoyed--

3141 Dr. {Cassidy.} So if I give you 44 cents per megawatt-  
3142 hour--

3143 Mr. {Resch.} Since 1916--

3144 Dr. {Cassidy.} So for 100 years if you get 44 cents an  
3145 hour, will you accept that as opposed to what you are getting  
3146 now?

3147 Mr. {Resch.} We will be subsidy-free, you know, by  
3148 2020. Our goal as a technology is to drive down costs and to  
3149 drive down regulations--

3150 Dr. {Cassidy.} So quick question. To balance the  
3151 budget, we began to phase down those so by 20 whatever, 2023,  
3152 the subsidy is completely gone, would you accept that?

3153 Mr. {Resch.} If you do that for all technologies,  
3154 absolutely.

3155 Dr. {Cassidy.} So if went from 44 cents to zero, you  
3156 would accept that?

3157 Mr. {Resch.} We would do it, but again, we need enough  
3158 stability to build up the manufacturing base for the next 6  
3159 years, because, remember, coal, nukes and oil have enjoyed  
3160 almost 70 years of subsidies. We have enjoyed just 3 years.

3161 Dr. {Cassidy.} If you have subsidies for 20 years, at

3162 which point does it become stability? I yield back. I am  
3163 sorry. I know I am out of time. I apologize.

3164 Mrs. {Bono Mack.} I thank the gentleman.

3165 I would like to thank our panelists very much. I  
3166 believe we have recognized all colleagues. I want to say  
3167 that I think it has been a very, very informative hearing.  
3168 It has been a good hearing. I want to thank my colleagues  
3169 and certainly thank the ranking member for his indulgence  
3170 today and his help.

3171 I would like to remind members that they have 10  
3172 business days to submit questions for the record, and I would  
3173 like to ask the witnesses to please respond promptly to any  
3174 questions that they receive. So without objection, the chair  
3175 is also going to insert two additional statements for the  
3176 record, and we have previously shared these with the Minority  
3177 and believe that they will improve the hearing record.  
3178 Without objection, so ordered.

3179 [The information follows:]

3180 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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3181           Mrs. {Bono Mack.} So again, this concludes the hearing.  
3182 Thank you all very much for your time.  
3183           [Whereupon, at 12:55 p.m., the Subcommittee was  
3184 adjourned.]