

SENATOR SCHUMER: Well, thank you, Chairman D'Amato, and that is true. I very much appreciate being here, and I appreciate testifying before this Chairman D'Amato.

I'm also delighted to welcome such a distinguished group to New York and to this beautiful, beautiful building which was built originally as the Customs House in New York.

I was talking to some of the Commissioners, and it was built before the Civil War, and as the Customs House was probably the most grand building in New York at the time, the customs collector, which was one of the top patronage jobs in the entire country because so much of trade even then in the 1840s and 1850s, but the customs collector, a job of great political clout, similar to some of the jobs that, you know, the Commissioner of Public Works in the old days of the Democratic machine here in New York was none other than Herman Melville, who was one of the greatest authors, not only greatest American authors, but greatest authors in the entire world, and it just shows you how the eclectic nature of not only this building, but of New York as a whole, and I am so glad to be here before all of you.

My good friend and colleague, a mentor to me in the Senate, Senator Robert Byrd of West Virginia, wished me to extend the greetings to all of you. As you know, he's a very strong supporter of the Commission and couldn't be here himself today and asked me to come and welcome you on behalf of the Congress and the Senate, and I am delighted to be here.

And, of course, we are here talking about one of the most important issues that America will face over the next several decades. The key watchword in the economy these days is "globalization," and globalization, of course, means that we have one world economy; that economic decisions that are made in Frankfurt or in Rio de Janeiro affect the average American in Des Moines or in Dallas, as well as here in New York, far more than they ever used to.

I read in an amazing statistic a while ago, that in the early '70s, if you added up imports and exports to the United States, they were less than ten percent of the GNP, and you can see how much things have changed since then.

I basically agree with the writer Thomas Friedman, who has been writing about globalization. That is a force that is inexorable. Most economic forces are. You can't stop them. You can figure out how to modify them, how to deal with them. You can

have water flow down one side of the mountain rather than the other side of the mountain, but you can't have water flow up the mountain.

And so I think it's very, very important that we as a people, that we as a Congress, and that we as a government focus on trade and the trade deficit and appreciate all of your efforts to do that.

This is such a distinguished panel and is sort of in many ways the best of the country where citizens from all different walks of life, public and private, many different collective viewpoints come together.

Now, as you well know, the trade deficit is one of the few black marks on our economy. Some might not consider it a black mark, but I think most would. It's one of the few economic indicators which continues to give us bad news year after year after year, but the irony is -- and there are a bunch of ironies in the trade issue, which I'd leave it to you ladies and gentlemen to figure out since nobody else has -- it's an indication of how good our economy is because it's an economy led by consumers who are buying both domestic and foreign products at unprecedented rates.

So when the deficit goes up, it's often a sign the economy is doing well, but in the last few years with the slump in Asia and with such advances in

the American economy, other countries are not buying U.S. consumer goods or raw materials as much as they once did, and they're not buying them in the same proportion that we're buying theirs.

Now, make no mistake about it. I think most Americans would agree that if a choice of a large federal trade deficit or a large federal deficit, rather, spending deficit in a slow economy, or a large trade deficit in a growing economy, we'd all pick the latter. There's no questions about that.

But that doesn't mean the trade deficit is a reason for concern, and the two great conundrums which, again, have to be figured out by minds greater than mine are, number one, how long we can keep running this trade deficit without bumping into constraints particularly in the world monetary system.

How much longer can we keep sending out dollars and dollars and dollars without the value of the dollar declining such that our national wealth declines and it ends up hurting us?

And our second danger, of course, is political. How big does the deficit have to get before the public upset not about an abstract number, but about changes in the economy that deficits wrench from us -- I've seen this in my communities in upstate New

York -- before the public tries to do something about it.

And of course, what happened at the WTO basically shows that there is real concern about that issue.

The answer is not to build big walls. I'll never forget back in the 1988 campaign I heard none other than Senator Gore give a speech where he said, you know, the Populist Movement back in the 1890s wanted to stop economic progress in America and keep America a nation of small farmers. That was basically the thrust of the Populist Movement.

Can you imagine if they succeeded? We'd be a third rate power ourselves right now, and so the trick on the economic side is to figure out the relationship between the deficit and monetary policy and how long we can keep going without it having an effect.

The trick on the political side is how to keep the barriers low and at the same time avoid the kind of human trauma and heartache that is caused by displacement, particularly from people who are not younger, but middle aged and older and feel they have no place to go if they're not going to work in the factory or even service business that they were raised in.

Just one other people, which relates to the fact that we're here in New York. Of course, New York City and the whole New York metropolitan area greatly benefit from trade, and I'm sure if you looked at the statistics -- I don't have them here in front of me -- we used to export far more manufacturing goods, and now the vast majority of what we export are services.

And I think the one place that's been neglected in much of trade talk and in reducing trade barriers is the fact that services which are about 75 percent of the GDP and almost a third of U.S. exports and goods don't get the attention that manufacturing goods do.

The service share of U.S. exports is twice the share of U.S. imports, and yet it seems to me when GATT comes around and when all of these international trade agreements come around, including the most recent one with China, services don't get the same type of attention in terms of opening foreign markets and opening and relieving barriers that manufacturing goods and agricultural goods get.

And I would urge the Commission to do some focus on that because I think that if we were to live up to our international potential as a service exporter, not only would it create many new jobs here

in the country, but it would also help reduce the deficit in many different ways.

Having said those brief remarks, as I mentioned, there are minds far greater than mine both on that side of the table and will be on this side of the table on this issue. I welcome you to New York. I thank you for coming here, and most important, I thank you for your diligent and hard work on what is one of the most vexing issues, both economically and politically, that America will have to face in the next decade.

Thank you.

CHAIRMAN D'AMATO: Thank you very much, Senator.

You might be interested in knowing that we're going to be spending the afternoon on trade in services in various sectors to see where we're going in that area.

SENATOR SCHUMER: Great.

CHAIRMAN D'AMATO: Thank you for coming by this morning, Senator.

SENATOR SCHUMER: Thank you. Appreciate it.

D'AMATO: We'll move into our first panel right away, and if you'd like to join us, you're

certainly welcome to. I know you have a busy schedule today.

SENATOR SCHUMER: No, I'm on my way out to Long Island, but I appreciate the opportunity, and I will be very interested in what you have to say about it all.

Thank you.

CHAIRMAN D'AMATO: Thank you very much, Senator.

Let's move into the first panel. Our first panel today is on financial markets. We have William Dudley, the Managing Director of Goldman Sachs; Robert Dugger, Managing Director of Tudor Investment; David Hale, the Chief Global Economist of the Zurich Group; and John Lipsky, Chief Economist and Managing Director of Chase Manhattan Corporation.

Let me just mention to the panelists that in order for the Commissioners to have an opportunity to ask you questions, we'd like you to summarize your remarks in ten minutes. There'll be a clock in front of you. When the light goes to yellow, you've got a couple of minutes to sum up.

So we look forward very much to hearing from you. Why don't we just, if that's all right with you, go from left to right and start off with Mr. Dudley.