

ASSISTANT SECRETARY TRUMAN: Thank you very much.

It's a pleasure to be here. As a former New Yorker, it's a pleasure to be in this handsome building.

I also notice that I'm the first panelist you've had today that represents the second half of the alphabet.

I also notice that the Commission itself is evenly balanced in that regard.

With the widening of the trade and current account deficit, it's natural that there should be an increasing number of questions raised about their effects. The Administration is closely monitoring and analyzing them.

However, in my judgment, much of the recent public discussion tends to overemphasize the possible adverse consequences. As my colleague, Robert Lawrence, stressed in his testimony before you, not all current accounts are created equal. The rise in U.S. imports has played an important role in keeping price pressures contained during the expansion.

In addition, the net capital inflows have helped finance large increases in private investment. This investment has helped put in place new technologies.

They will help increase future growth, future labor productivity, and living standards.

It is important to note that the recent widening of our external deficits has been associated with strong growth in U.S. employment and output. That widening has not been caused by a decline in U.S. competitiveness. On the contrary, productivity growth has accelerated, and I'll save you the statistics.

The basic consensus is that our widening current account deficit has been largely caused by two factors repeated here this morning: the gap in growth between the United States and the rest of the world and forces causing an acceleration of U.S. private investment that was not matched by increases in U.S. national savings.

The fiscal move from deficits to substantial surpluses has helped to support U.S. national saving, but the continuing low rate of U.S. personal saving has exacerbated this latter shortfall.

The gap between U.S. and foreign growth was at its widest during the fourth quarter of 1998 when the U.S. growth rate was approximately three and a half percentage points higher than foreign growth due to recessions and slow growth in Asia, South America, Europe and Japan.

While this gap has begun to narrow, several quarters of rapid U.S. growth and slow global growth has resulted in stagnant export growth. By the second

quarter of 1999, U.S. exports of goods and services were still \$456 million lower than two years before. Exports to emerging market economies account for 44 percent of our total exports.

The Asian financial crisis and its spillover severely disrupted our export markets. It is for that reason that we have supported financing packages with strong reform components for the crisis affected countries.

Those efforts have been successful in helping to restore growth. With the resumption of global growth, our exports in the second half of 1999 increased at a seasonally adjusted annual rate of 3.6 percent in the third quarter and three percent in the fourth quarter.

During the period of weak U.S. export growth, imports continued to grow at traditional rates supporting, as has been noted, global growth. As a result, imports in the second quarter of 1999 were 16 percent higher than in the second quarter of 1997, an increase of \$41 billion.

To close this gap in growth and restore a more balanced distribution of growth, we have been urging our trading partners to stimulate their growth, inter alia, through economic reforms to increase flexibility and openness.

In particular, we have focused on Europe and Japan. As Secretary Summers has recently stressed, governments, workers and businesses in Europe and Japan are increasingly recognizing that they, too, do not have to limit themselves to the hope that growth will return to the traditional estimates of potential.

Instead the right aspiration for policy is much higher than that, achieving a sustained period of growth above what has recently been considered their potential and encouraging the kinds of investment that are necessary to raise the rate at which the economy expands. This will also help bring about a more balanced pattern of growth in the global economy as a whole.

When a substantial portion of our current account deficit reflects weak foreign growth, the deficit also reflects the strength of recent rapid increases in private U.S. investment that has not been matched by domestic saving. As a result, we have had to import foreign saving. This shortfall reflects long-term trends in personal saving that have been described already for the Commission this morning.

At the same time, foreign investors have found the United States a relatively attractive place to invest. So foreign inflows have taken the place of domestic saving.

Expected returns have been high, the economy healthy, and productivity has risen remarkably.

U.S. macroeconomic policies are fundamentally sound, and the U.S. economy is one of the most flexible and open in the world.

As a result, returns are higher in the United States than in many other destinations for capital. A recent McKinsey report showed that the relative returns to financial investments in the United States are 20 to 25 percent higher than in Japan or Germany.

It is this difference in relative returns that has helped to attract strong capital inflows to the United States in recent years. The United States remains an attractive place to invest, but we face the task of increasing national saving and remaining open to competition and market forces.

The Federal Government can set a good example by maintaining fiscal discipline and continuing to run budget surpluses. We must also keep our markets open. Attempts to close our markets are likely to backfire and damage the high level of confidence foreign investors have in the U.S. economy.

As our current account deficit expands, so to have concerns by some about our ability to finance it smoothly. By the third quarter of last year, the

deficit had reached \$360 billion, or 3.9 percent of GDP at an annual rate. Some forecasts, such as by consensus economics, placed the year 2000 deficit above \$400 billion.

As Chairman Greenspan indicated in his recent Humphrey-Hawkins testimony, growing net imports and a widening current account deficit require ever large portfolio and direct investment in the United States, an outcome that cannot continue without limit, end quote.

It is helpful, however, to put the current account deficit and the counterpart net capital inflows in perspective. For the first three quarters of 1999, the deficit represented the difference between current account receipts of \$1.2 trillion and payments of \$1.5 trillion, both at annual rates.

During the same period, recorded capital inflows were \$760 billion at an annual rate, and recorded outflows were \$362 billion. On a gross basis, total international capital transactions are considerably higher, something on the order of 12 to \$13 trillion in the first three quarters of 1999 on an annual basis.

These transactions reflect movements and reallocations of investment portfolios, as well as new investment. As long as we maintain sound economic

policies and open and flexible labor, capital, and goods markets, global financial markets can reasonably be expected to cover the gap between our investment and saving smoothly, and we need not be overly concerned about the financial counterpart of our current account deficit.

In addition to promoting sound economic policies of the United States and encouraging reforms to help restore domestic demand led growth abroad, a crucial component to our approach to the trade deficit is opening up of foreign markets to U.S. goods and services.

To this end, as you have heard from Richard Fisher, the Clinton Administration has completed nearly 300 separate trade agreements, some sectoral and other like NAFTA more broadly based. One of our highest priorities this year is to work closely with Congress to secure normal trade relations with China in connection with China's entry into the WTO, which we believe is strongly in our national interest.

Some appointed to the service sector is an untapped potential for U.S. exports, and you will have more on this this afternoon. At the Treasury Department, we have focused our efforts on liberalizing trade and financial services, where American financial

institutions are recognized as world leaders in product innovation and management.

For foreign economies, financial liberalization can lower the cost of capital to their companies and citizens while inviting in highly capitalized firms that raise the standards of financial practices domestically, and many countries have recognized these benefits.

One hundred and seven countries have made financial services commitments under the World Trade Organization, by far the most of any services sector. We intend to broaden and deepen these commitments as part of the GATT's 2000 negotiation, which are now getting underway in Geneva.

Let me summarize. In order to reduce our current account deficit over time, which is desirable, other countries must do their part to restore robust, global growth, and we must increase our national saving rate.

A return to a more balanced pattern of global growth should help us to relieve pressure on the U.S. current account. It is far better to achieve adjustment through faster growth abroad than low growth in the United States.

In addition, our economy's flexibility has helped us prosper over most of the past decade. This

flexibility should also help boost our savings and ease the transition to lower trade and current account deficits in the future.

Thank you very much.

CHAIRMAN D'AMATO: Thank you very much, Secretary Truman, and thank all of you for your presentations.

Now we'll open the floor to questions.
Commissioner Wessel.

COMMISSIONER WESSEL: Thank you very much.
I appreciate it.

We've heard this morning quite a bit about the need to maintain our commitment to open trade, and I think the current debate on the China or the PNTR for China, which is very close and similar in question raises these issues at the forefront. I'd like to address this question to Mr. Madrick and have others comment.

As I recall from some of your earlier work, you've looked at the relationship between productivity and the share that goes to labor versus capital, that during the, I believe it was 1950s through the 1970s, early 1970s, there was basically a one-to-one relationship, and that relationship has begun to break down, and that as we look at the public's commitment to trade, in part, it may be a function that they see themselves often as the victims of trade rather than the beneficiaries.

We hear about the need to increase our savings rate and have heard that across the board from witnesses, but savings is often a function of income, and when a good portion of America has faced relatively stagnant wages over the last 15, 20 years, when you tell them they need to save more, their principal concern is how do they actually put food on the table and pay for their health care, et cetera.

So I'd like to have you respond if you can a bit about the changing productivity relationship, whether that, in fact, the trends that you had written about earlier, whether they're continuing in the last several years and how we address that dilemma of to save more we have to have more.

MR. MADRICK: Well, thank you.

I sometimes think that citing earlier work is unfair, but anyway, when I started to write about productivity early in the 1990s, at least in public terms almost nobody talked about it. Now we talk about productivity and people say, "Oh, that productivity issue again."

I think it remains a widely misunderstood issue. I think most recently certainly something is going on, but let me remind you that in the 23 or 22 years since 1973, productivity -- even when we start taking into account all of the revisions to the data

that have been made in recent years -- productivity did grow remarkably slower than it did in the post World War II period, but most important, productivity grew remarkably slower than it did on average since 1870.

It wasn't merely a fall-off from rapid productivity growth in the post World War II period. The reasons for that are highly contentious, as you know, but to relax and think that we have solved the problem based on merely four years of rapid economic growth which could be, I should remind everybody, due in part to a demand pull, as well as a structural change, I think is to take too much solace in only a few years' economic performance.

It's not entirely clear to me, Mike, what you were trying to get at in terms of trade. I do think open trade to the greatest degree possible remains an important factor in productivity growth and economic growth, but I think we should remind ourselves when we do talk about what's happened in the last 25 years in so-called consumer boom, in the last five or six years in a consumer boom, wages have risen very slowly, and in all of American history wages were always higher in the U.S. than in our major trading nations until sometime in the 1970s or early 1980s.

That's true even according to the best evidence in the colonial years. So when we talk about

our victories, we really have to keep them in perspective, and I think that's what you were getting at.

We fell a long way by many measure in the 1970s, '80s, and through to the mid-'90s. We're only making up part of it, and when we talk about free-trade policy, we'd better keep wages in mind.

Labor has participated in this economic boom in part because they haven't asked for wage increases. They've been the great silent partners of business. Business has done a great job, I think. So has labor.

Thanks.

CHAIRMAN D'AMATO: Commissioner Krueger.

COMMISSIONER KRUEGER: Thank you very much, and thank you all for being here.

I have two questions, and I'll ask them both and then they can be responded to, one for Mr. Madrick and then one for Dr. Truman.

For Mr. Madrick, you talked about export performance, as you put it, being low because of the over valued dollar and you thought that, therefore, investment in export industries was less than it would be. I have a problem with that because, as you recognize, the current account deficit is obviously equal to the difference between investment and savings,

and so basically if you want the current account deficit to fall and at the same time you want investment and export industries to --

MR. MADRICK: Yeah, I recognize that.

COMMISSIONER KRUEGER: Let me just ask my question for Mr. Truman, too, and then you can both respond in turn.

How would you expect that and investment in education and these kinds of things to increase unless you found policies that increased saving or unless, as has happened, we got foreign savings coming into this country because returns are high?

For Mr. Truman a very different question, namely, one of the things the Commission has been concerned about as Commissioner Rumsfeld mentioned earlier, is the state of data and whether data on the international sector in general are adequate.

And my question is: has the Treasury or any other U.S. agency that you know of been looking at that and is there some body of information that we as a Commission should be looking at if we wanted to investigate that subject?

MR. MADRICK: Two points in answer to that question, Ms. Krueger, and correct me if you think I'm wrong. I was talking about a misallocation of resources between export industries and other

industries. If we have an inflow of capital investment, I think we're probably neglecting the export side because of the dollar.

But, secondly, I am not arguing that we shouldn't try to raise savings in the long run. I am very concerned when people say rather flippantly, "Let's raise savings. That's the answer to the problem," not recognizing that usually results in some kind of short term or would result in some kind of short term slow down in the economy and also not recognizing there are demand pull features in capital investment that we sometimes neglect.

So those are my two points.

ASSISTANT SECRETARY TRUMAN: On your data question, this is obviously a major problem. Data, good data are a public good, and we have trouble financing public goods in this country or any country.

The systems generally don't generally provide enough financing for public goods, and this is something, I think, of major concern to the United States both in terms of good public policy and good private policy.

On the other hand, a lot of effort has gone into, in recent years, improving our trade and international financial statistics. Much more can be done.

There have been two books put out on this financed by the National Science Foundation, if I recall, two panels that you might want to look into: one from the Commerce Department, on the one hand, and I hesitate to say it, from the Federal Reserve, on the other hand, to look into that because I think there probably are some areas where additional efforts could be made in order to improve the statistics.

Things have gotten to the stage actually most recently that the Treasury's last role in all of this has been transferred to the Federal Reserve. In fact, I accepted that transfer as my last act at the Federal Reserve.

We're interested in the broad issue, but actually the Treasury these days is not deeply into the data collection effort.

Thank you.

CHAIRMAN D'AMATO: Thank you.

Commissioner Becker.

COMMISSIONER BECKER: Thank you, Mr. Chairman.

I listen as we talk about the deficit with some concern. The panel before us has attributed the deficit to a lack of savings in the United States, and indeed, two of the panelists here drew a direct reference to the fact that it was a lack of savings.

But no one talks about another phenomenon that we face in the United States. And that's the increasing number of manufacturing jobs that are lost from the economy each year.

And I am concerned. I'm wondering if you could draw a relationship between that or if you see a relationship between loss of jobs and the lack of savings. In the labor movement we refer to economics as paycheck economics, and I'm wondering if the tremendous loss of jobs that we're facing and the fact that there's no income from these people, the family supported jobs, if this could some way be tied to the loss of savings. The Department of Labor and the Department of Commerce tell us that for every billion dollars of export-import, you can relate that to between 13,000 and 20,000 jobs.

If you take this figure and multiply it out, that means we've lost between four million and six million jobs. I'd be curious as to how you feel this relates to the lack of savings on the part of Americans.

MR. CORRIGAN: Well, let me take a stab at that question. First of all, as you recognize by the nature of your question or the nature of your comments and question, over time any economy is going to go through adjustments in terms of the mix of employment,

the mix of output, the mix of savings, the mix of investment. The United States economy is no exception.

I think it is undeniably true that in an economy such as ours that is as open as ours and does implicitly foster and encourage the notion of comparative advantage, that that's what drives that process.

Now, there are clearly areas of manufacturing in which other countries in other parts of the world are better suited to make certain types of goods than we are, but by the same token, there are areas of the economy both in manufacturing, and as has been noted particularly in services, where the U.S. economy, I think, has a very powerful position both in terms of job creation, income creation, et cetera.

We've got to take maximum advantage of that. Again, there are areas undoubtedly in which trade policy could help open up other parts of the world more effectively, but I don't think we can put a finger in the dike and pretend that we can or should try to resist these normal forces of change over time.

Now, as to your specific question as to whether the changes in composition of employment, including the relative loss of manufacturing jobs, have had any material impact on the flow of personal savings in the United States economy, frankly, I doubt it.

Now, again, I suppose you could construe an argument in that direction, but when you look at the totality of income flows, savings flows, and the structure of employment, I for one doubt very much that there is a strong argument that could be made that says that the losses of manufacturing jobs to other parts of the world through the normal process of comparative advantage is a major factor there.

Now, others in the panel may have a different view, but I don't think that follows.

CHAIRMAN D'AMATO: Commissioner Lewis.

COMMISSIONER LEWIS: I have a question. I have a question for Mr. Corrigan and for Mr. Truman.

Mr. Corrigan, one of the charts that you showed was chart eight, which was U.S. merchandise exports as a percentage of non-U.S. merchandise exports. Do you have any statistics that show of those U.S. exports how much go to affiliates of U.S. companies and then are re-exported back to the United States?

MR. CORRIGAN: I don't have that detail of information available to me, sir. The one thing we do know is there are very, very large flows of goods back and forth among U.S. companies, foreign companies, and U.S. companies, and I remember I guess it was not too long ago I was visiting Boeing, and I was astonished at

the number of U.S. and foreign companies that they import goods into to produce airplanes and then turn around and re-export the airplanes.

But I can't give you the numbers. Ted, you may.

ASSISTANT SECRETARY TRUMAN: Yes, my memory of the number is in something in the 40 percent range, but I'm not sure. It is a very large number, and I think it's a feature of the today's trading system that there is so much intra-industry specialization.

COMMISSIONER LEWIS: When I think of American exports, I think of American exports that will be consumed overseas, but when you have an export that goes overseas to be reworked and added to and then re-exported back to the United States, to me that's not really an export.

ASSISTANT SECRETARY TRUMAN: Well, but it works -- the global trading system works both ways. There are lots of things where we produce the components of things which are finally assembled abroad. So it works on both. It's part of the whole process of interindustry specialization.

So one question you have is whether this is more or less true for the United States than it is for other countries. My memory is actually that in Japan they have a higher fraction than it is for the United

States. My guess is as a technical matter, it's probably higher in Europe, too, but that's partly because you're dealing with individual countries in contrast to the European area, but I think it depends on the country.

COMMISSIONER LEWIS: It may be higher as a percentage, but in terms of dollars, because our imports are so vast compared to Europe's and Japan's, I wonder what the comparison might be.

ASSISTANT SECRETARY TRUMAN: I'm not going to speculate further because I don't want to mislead the Commission, but I'm sure we can look these numbers up for you.

COMMISSIONER LEWIS: The other question I had for you, Mr. Truman, was -- and I really thank all of you for your presentations today -- when Mr. Fisher testified at the earlier hearing, he made a comment that it was not U.S. policy to have our imports and exports in some kind of balance, and it never has been American policy, and when Senator Sarbanes testified at the earlier hearing, he went back to the days when he was an assistant to Walter Heller, and it was American policy at that time, and I'll read what he said.

He had the privilege of working on the staff of the Council of Economic Advisors when Heller was Chairman, and the economic report to the President

in 1962, which was the first one produced under Heller, said, "Basic balance in international payments is one of the principal goals in economic policy," and the report presented the rationale.

And it said, "The average position over a period of years must be strong enough to maintain confidence in the parity of the dollar," and he talked about it being part of American policy.

Has there been a change in American policy from those days to now, when there doesn't seem to be -

ASSISTANT SECRETARY TRUMAN: I don't think fundamentally there is. I mean it's a question of how you read those words and what was in the mind of the author, but I don't think there's a fundamental change in U.S. policy since 1962 to the year 2000.

The basic thought is there you want to strive for an economy and an external trade and financial position that is balanced. That doesn't necessarily mean zero, that it has to be zero, zero, or even average zero over the cycle. It has to be something which is, on average, small enough so that it does not undermine, which was a particular concern in 1962, undermine the international role of the dollar.

Much of the attention of the Heller council, and my mentor, Jim Tobin, was on that council,

was directed at maintaining the Reserve role of the dollar so that it would not become disruptive, not just to the United States economy, but to the world as a whole.

But I don't think there is a fundamental difference in view of these things between now and 38 years ago.

COMMISSIONER LEWIS: One of the statements by one of the witnesses today showed that one third of the U.S. Treasuries are now owned by foreigners, and if Alan Greenspan says that the deficit that we're now running is unsustainable, are you concerned about the vulnerability of the U.S. economy when so much of the Treasury debt is owned by foreigners?

ASSISTANT SECRETARY TRUMAN: Well, actually the number is 38 percent if you exclude the debt held by the Federal Reserve. So it's even higher.

Now, this is a -- I mean, I think you can worry about this. In fact, one fraction of that is held by foreign official institutions. I know about half of it is held by private investors. I think that the motives are somewhat different between those two cases.

I think although you can create scare stories about why one or the other might dump Treasuries, I think in both cases they hold Treasuries

because they see them as attractive and very safe and low risk investments, and I guess you or someone else earlier asked the question about whether this is going to change with this paying down of the debt.

I'm on the side that says this is going to be gradual over time, and I think we should be able to adjust to it easily.

CHAIRMAN D'AMATO: Commissioner Papadimitriou.

VICE CHAIRMAN PAPADIMITRIOU: Thank you very much, Mr. Chairman.

I want to thank the panelists for their very thoughtful and perhaps thought provoking contributions.

I have a question primarily for Mr. Corrigan, but I would be interested in the comments of the other panelists as well. I'm interested in the following question which relates to chart number four that refers to the U.S. balances.

It seems to me that the prosperity that we're enjoying from the 1990s might have a causal relationship to the declining balance of the private sector and that the deficit in that sector, leads perhaps to the decreasing deficit in the public sector and ultimately to its surplus.

If we were then to look at the prescription for dealing with the trade deficit, in that we reverse in some way the private sector deficit while maintaining the public sector surplus, how would that be possible to still keep prosperity in the U.S. economy intact?

MR. CORRIGAN: Well, as I said in my statement, the goal here should be a gradual adjustment process, and I think as a practical matter, that is the only real choice open to us because if we backed into anything other than a gradual adjustment process, I think I can assure you -- and I'm sure all of us would agree -- it would get pretty messy.

So I think one way to think about it is to, as I said, try to maintain at least in this transition period the public sector surpluses.

And, by the way, they're coming also from state and local governments. They're not all from the Federal Government.

Try to maintain those public sector surpluses at least through this transition period, and as I said, from my perspective that certainly would mean that we should not be monkeying around with any major tax cuts for the foreseeable future, and we should have added discipline, added discipline in terms

of so-called spending caps because the caps we have right now are being eroded almost by the hour.

So, again, the first thing I think necessary to manage or engineer this gradual adjustment is to maintain the public sector savings as high as we can.

Now, with regard to the private sector deficit as depicted in that chart, most of that, indeed, 90-some odd percent of it is in the household sector. The business sector, both gross and net, isn't that big of a deficit, just looked at the sector itself. So it's primarily the household sector.

And, again, within the context of what I am talking about, a gradual adjustment process, if you had a modest downward movement in the rate of growth, the rate of growth of consumer spending, it would follow that you would have a modest upward movement in the rate of household saving.

And if you think in terms of rates of change in a context in which you try to maintain as much, if not virtually all of the public sector surpluses, that pattern, that profile of adjustment would work in the direction of achieving over a period probably even of a couple of years of what I've described in my statement as a modest current account deficit, which, again, as I said in my statement, I

think we can sustain for a long, if not indefinite period.

So that's the kind of profile that I would have in mind, and I do think that if the goal as stated in terms of gradual adjustment toward a modest current account deficit, you know, the arithmetic does work.

CHAIRMAN D'AMATO: Commissioner Angell.

COMMISSIONER ANGELL: Other than Mr. Madrick, I didn't hear any of the panelists worry or have concerns that household saving might rise too rapidly. But I'd really like to have --

(Laughter.)

COMMISSIONER ANGELL: I'd really like to have confirmation that I'm correct in regard to the other three panelists, that you do not see any risk that household savings might rise too rapidly.

MR. MADRICK: Could I ask you to clarify the question? Do you mean that there's no risk that household savings will, that it won't happen or that everybody here would love it to happen as quickly as possible?

COMMISSIONER ANGELL: Well, I really mean both. Is there any risk of it rising too rapidly? Is there any risk of household saving rising too rapidly?

ASSISTANT SECRETARY TRUMAN: Well, there always is some risk. I think even Gerry's comment

suggested that. If there were a disruption in the U.S. or global economy that led to consumers sharply cutting back on their expenditures because they were concerned about what's going to happen in the future, for whatever reason I think that would be a risk that one could not assign zero probability to. I don't think it's the highest risk. I think that's one of the reasons why Gerry was advocating gradualism, if I can put it that way, in the adjustment process.

On the other hand, if you think it's the most probable event, is that there's going to be a huge surge in private saving and that will tip the economy over into recession, I would think it's a low probability event myself.

MR. KUBARYCH: Well, the scenario where you would get a strong rise in private savings, household savings, would be a stock market crash, and that's not a high probability, but it's certainly not impossible. We certainly have gone through a couple.

The benefit today and why foreign investors are very relaxed about that possibility is that we have the ability to come in with a tax cut and not leave it all to the Federal Reserve because we've managed to maintain the fiscal discipline intelligently so far.

So this ability to have in your back pocket fiscal activism as a real policy trump card to play is

a source of support for the current situation, and it could be used and probably should be used under those circumstances.

MR. CORRIGAN: Well, I agree with Wayne. The only set of circumstances that I could visualize in the near term, defined even as a year or two, that would be associated with too great an increase in the savings rate would be associated with a very adverse turn in economic conditions.

But short of that, that's not on my worry list.

CHAIRMAN D'AMATO: Thank you.

MR. MADRICK: May I just -- would you mind if I -- by the same token, should America listen too sincerely and decide to say that an enormous amount of money provoked by catastrophe or not, the consequence would be the same as if that savings was provoked; that extraordinary rise in savings was provoked by catastrophe, would it not?

And I guess that's my point.

CHAIRMAN D'AMATO: This will conclude the second panel. I'd like to thank the panel on behalf of the Commission for being here today.

There are refreshments behind the dais, and I hope you will join us for lunch at about 12:30.

I would like to point out to the Commission that our next panel consists of the distinguished Paul Volcker, who is here. So we want to take advantage of that and move rather rapidly to hear the Honorable Paul Volcker.

So stick around, and we'd like to start very soon here.

(Whereupon, the foregoing matter went off the record at 11:55 a.m. and went back on the record at 11:59 a.m.)

CHAIRMAN D'AMATO: I think we'll get started.

It's a privilege for the Commission to welcome a truly distinguished American, the Honorable Paul Volcker, this morning. If there's anyone who qualifies for the lifetime title of folk hero on Wall Street, it would be Mr. Volcker.

His tough and courageous actions as Chairman of the Federal Reserve System from 1979 to 1987 tamed the beast of inflation, and it wasn't quite as easy as it looks in hindsight, I would suspect.

I'd like to ask our Chairman, the distinguished President Weidenbaum to make some comments.

CHAIRMAN WEIDENBAUM: Thank you.

I'd like to join Commissioner D'Amato in welcoming Paul Volcker to our Commission's hearing. As

a personal point, when Mr. Volcker and I worked together in the Treasury, I got in the habit of taking notes whenever he spoke, and I learned a lot in the process.

Therefore, in that spirit, I want to say to my former colleague, we look forward to resuming the Volcker tutorial this morning.

(Laughter.)

CHAIRMAN WEIDENBAUM: And I thank you for it.