

COMMISSIONER KRUEGER: Thank you very much.  
Commissioner Rumsfeld.

COMMISSIONER RUMSFELD: Well, Dr. Friedman, we thank you a great deal for coming today. It's enormously helpful to us. One of the questions that has come up during the course of our early hearings is this. Let's accept the position you've presented, but is there a limit to the deficit in absolute dollars? Is there a limit to the deficit as a percentage of GDP, where, at some point, something bad happens as opposed to incremental, corrective steps that result in the normal course of economics and markets functioning. Ought this be anything to be worried about? Someone says, "My goodness, \$300 billion a year. It's an enormous amount of money if you look at it in absolute numbers." And then someone comes in and says not to worry.

And so the question is, is there a percentage of GDP that ought to worry us? Is there an absolute number, or is there a length of time that ought to worry us? Is there anything we ought to worry about?

MR. FRIEDMAN: I don't think you ought to worry about the size of the balance of payments deficit. But the situation is the same for a country as it is for an individual. If an individual is going

into business and he's raising capital in the market -- here in Silicon Valley every successful company is doing that -- and he's investing it in productive capital, that's a good thing.

On the other hand, if he is borrowing money in order to support a couple of mistresses and in order to have a high old time, that's a bad thing.

And it's the same thing for a country. If, for example, a government is spending so much money that the only way it can finance it is by borrowing from abroad, and you have negative net savings at home so you're financing consumption the capital that's imported, that's a bad thing. But that can't be remedied by tariffs. It can only be remedied by changing the pattern of behavior at home. If you look at the situation in the United States, we have never really been very close to that point with our deficits.

Throughout there have been positive net savings and positive private savings.

It is true that if you look at the recent statistics, there have been a couple of quarters of negative private savings. But those are very misleading because they completely exclude various sources of real savings, in particular, the part of capital gains that correspond to inflation is not real savings. But the part of capital gains which

corresponds to a reinvestment of earnings and an increase in the total real value of the capital -- that is real savings. The measure of savings ought to be whether net national wealth is increasing or decreasing. And net national wealth has been increasing.

So, I don't think the U.S. has ever in history been close to the point where you get into this negative situation.

COMMISSIONER RUMSFELD: So, one of the messages you're giving us is that one of the useful things this Commission might do is to think about educating the public as to what's important with respect to the deficit, and disaggregating it with respect to, as you said, capital, services or --

MR. FRIEDMAN: Unfortunately, we have a bad terminology. Why don't we go around talking about the capital surplus we have? Why do we talk about the trade deficit? Those two are opposite faces of the same coin. From a world point of view, it sometimes seems very perverse that a country like China could be investing money in the United States. China is a poor country and yet it has a balance of payments surplus, which means that it is exporting capital. And so the capital from China is going to increase the capital stock in the United States and to render the United

States more productive. But China, of course, is benefiting from that because they are investing capital in the United States only because that capital yields a higher rate of return than it would yield if they were to invest it in China.

Of course, these are all net figures. There is a flow the capital to China and a flow of capital from China. But on net, the Chinese are big suppliers of capital to the United States. And that's something that's helping us. It's not hurting us.

COMMISSIONER KRUEGER: Commissioner Wessel.

COMMISSIONER WESSEL: I'll return to a theme and discussion we've had several times this morning, which is the question of protectionism.

MR. FRIEDMAN: Question of what?

COMMISSIONER WESSEL: The question of protectionism. The question of protecting one's market. And you pointed just a minute ago that while we have an open market by many standards, in fact we do have clearly a number of limitations on free trade, whether it's the question of airlines' landing slots with other countries, the question of pesticides in food products that come into the U.S., and now there is an effort to limit the importation of products made with child labor.

Are there certain protections or an approach that you would advocate in terms of how we might view protectionism and what is acceptable and what is not?

MR. FRIEDMAN: There are a number of intellectually valid arguments for protectionism. The only problem is that they don't work in practice.

Colin Clark, an Australian economist, once said, "You always hear the argument from people that free trade is fine in theory but it doesn't work in practice." And he said, "You know, I think it's exactly the opposite. As a good theorist, I can find any number of arguments for protection. The trouble is they don't work in practice." And, of course, he's entirely right.

What are those good arguments for protection? One of the -- one of the good arguments for protection -- and I think it is a valid argument, and the only one -- is the argument about defense. There are some cases, very rare and very few, in which it may be desirable to subsidize a domestic industry critical to defense. Even those cases aren't really an argument for protection. They're an argument for subsidizing, open and above board, the domestic industry. But a protective tariff may be a second best way of doing that.

Outside of defense, another intellectually value argument is you can take advantage of your power as a monopolist. You're a big purchaser and you can take advantage of that. However, it always turns out that the actual tariffs that are imposed are not on the products that argument would single out, but on the very opposite products, ones in which we don't have any monopoly.

So that almost all the theoretical arguments for protection, except for the defense argument, I think are defeated in practice.

COMMISSIONER WESSEL: Would that also include the health and safety issues? Again, pesticides --

MR. FRIEDMAN: I don't believe that's a protectionist argument. I don't really believe that it's a violation of free movement of people if you won't permit people to come in who are carrying infectious diseases. That's a problem of health control, it's not really a problem of protection. And I think that's equally true on imports. If you have goods which are going to do damage if they're imported, that's not protection.

COMMISSIONER WESSEL: Subject, of course, to interpretation, as we've seen with the Europeans.

MR. FRIEDMAN: Of course. If you look in Europe right now where they're talking about crops produced by --

COMMISSIONER WESSEL: The GMOs. Yes.

MR. FRIEDMAN: Corn and soy. Is that a valid argument or is that protection? The U.S. thinks its protection. Europe will argue that it's a valid argument.

COMMISSIONER KRUEGER: There is in WTO a provision that in order to have those sorts of things there does have to be scientific evidence backing it up, which is the argument that the U.S. is making.

MR. FRIEDMAN: I realize that.

COMMISSIONER KRUEGER: Commissioner Lewis.

COMMISSIONER LEWIS: Dr. Friedman, thank you very much. And obviously your presentation causes us to rethink a lot of things that we've thought before. But I'd like to ask you two questions.

Number one, in follow up to what Mike Wessel just asked you, if we don't want child labor to produce goods to come into this country, is that protectionism, or should we not be concerned about that?

MR. FRIEDMAN: I believe we should not be concerned about that. This is a very complicated argument because you should ask the children whose

labor we're trying to prevent whether they are better off with the low wage jobs they have than they would be if they didn't have them. What's called child labor is not necessarily a bad thing from the point of view of the children. In most cases, those arguments are self-serving arguments of domestic industries that want to use it as a respectable form of protectionism.

COMMISSIONER LEWIS: Are there any restrictions you would impose on a country's goods coming in, whether it's Iran or Cuba or Nazi Germany. Would you impose any restrictions?

MR. FRIEDMAN: Let me ask you a question. Would you propose that California impose child labor requirements -- California has a higher minimum wage than most states do. Should California impose restrictions on states that have a lower minimum wage than California?

COMMISSIONER LEWIS: Well, it seems to me that the comparison of the California running a deficit versus the U.S. running a deficit is really not apropos, because California and New Hampshire have the basic same goals, whereas the United States and Iran might not have the same basic goals. So, I think the comparison of states and countries doesn't necessarily hold.

But are there any restrictions you would impose at all?

MR. FRIEDMAN: I don't see why it doesn't hold. What is the difference? I don't believe that --

COMMISSIONER LEWIS: Well, we're a democratic system and they're not.

MR. FRIEDMAN: Well, that's true politically. That may affect our political policy toward them, but on the economic level one of the virtues of a free market is that it permits people who disagree violently on many issues to cooperate peacefully on producing goods and services.

COMMISSIONER LEWIS: That would mean, then, that if Nazi Germany were alive today we'd be trading with it.

MR. FRIEDMAN: Of course I would trade with Nazi Germany. In fact, if there had been a free-trade world there probably would not have been a Nazi Germany. Free trade is the best way of eliminating irrelevant differences among countries.

COMMISSIONER LEWIS: In the long run.

MR. FRIEDMAN: No, even in the short run. Right now. When you buy bread do you ask whether the wheat from which it was made was grown by a Muslim or by an exploiter of child labor? You don't ask that. You're able to cooperate together with people whom you

could not stand if you were in the same room. The people in Iran, you may not agree with their views, though you may with the people rather than the leaders.

And surely the most effective way of spreading American values has been American trade, foreign trade, American goods and services. Coca-Cola has done more to spread American values than our embassies in the various countries.

COMMISSIONER LEWIS: Dr. Friedman, then, you would say that the sanctions on South Africa had no impact on the South African policies?

MR. FRIEDMAN: I believe that U.S., in imposing restrictions on South African imports and exports, hurt the people we tried to help. What did that do? That led to the disappearance of foreign firms there. It led to a reduction in outside influences within that country. It reduced the opportunities available to the blacks in South Africa.

We ought to take a little humility on this. Let me tell you one fact that has nothing to do with your mission at all. You know that in the United States there are more blacks in prison as a percentage of the total population than at the -- than were in prison in South Africa at the peak of apartheid, as a fraction of the population.

COMMISSIONER LEWIS: I am aware of that.

MR. FRIEDMAN: So that it seems to me that we're kind of self-righteous when we want to dictate to other countries in these respects. When you do it by economic means -- by embargos and the like, you typically hurt the people you want to help.

COMMISSIONER KRUEGER: I'm going to move this along.

COMMISSIONER LEWIS: Thank you very much.

COMMISSIONER KRUEGER: And I have myself next on the list because there's one question which we've sort of been skirting around on all morning and we haven't addressed directly. And I'm reasonably confident that you will say what I'd like you to say. That is, there's been a lot of discussion, as you know, of protection, and a lot of discussion of other things, child labor and so on. This Commission is charged with considering the causes of the trade deficit and means to perhaps address this. My question to you would be suppose in fact that when somebody did decide that what they wanted to do was increase protection in order to reduce the trade deficit, would it do so?

MR. FRIEDMAN: I would say that, if I understand your question, somebody says he wants to increase protection.

COMMISSIONER KRUEGER: Because then -- well, if protection in the United States against

foreign countries were increased, would that reduce the trade deficit?

MR. FRIEDMAN: Oh, it might. It very well might. You could reduce the trade deficit by increasing protection enough. You could become an autarchic country, import and export nothing. So, I can't say that it would not. But there are some measures of protection which would not.

The fundamental sources of a trade deficit are differences in saving and investing propensity. China, at the moment, is saving a larger fraction of its income than it has domestic opportunities to invest. Japan, historically, for decades has had high savings rates and it has had limited opportunities for internal investment.

On the other hand, the United States at the moment has high opportunities for investment and limited savings. And it's a good thing for both Japan and China on the one hand and the United States on the other for their excess savings to be profitably used in the United States.

And so if you impose protection which doesn't alter the saving propensities and the investment propensity, it would not reduce the deficit at all. Typically, what happens when you impose protection is that you protect the least efficient

industries in the United States. The most efficient industries don't need protection. They're able to sell abroad.

When the automobile industry in the United States was the most efficient around the world it was a great defender of free trade because it was dominating the world market. When Japan came along, lo and behold, the automobile industry changed its mind, and it was wrong. What was the effect of the limitation on import of Japanese autos. It made it unnecessary for the American automobile industry to become more efficient. And so protection, by making your industry more inefficient, reduces the opportunity for investing the surplus savings of other countries. And in that case protection would reduce the benefits in the balance of payments, and also national income and economic growth. But it wouldn't reduce the amount of excess savings. They would simply go to still other countries.

COMMISSIONER KRUEGER: Thank you.  
Commissioner Becker.

COMMISSIONER BECKER: Thank you, Mr. Friedman. There are several things you said that I would like to debate. I just want to comment on two of them and then move into my question.

I appreciate what you're saying about South Africa and the number of blacks that are in prison in the United States, but I think there is a vast difference between the apartheid problem and the judicial system in the United States where these people have been found guilty of violating laws. They're not in prison because of political crimes. They're in prison because they committed societal crimes. Now, there may be a lot of background in there that says we should change the way we have to deal with society, and those problems wouldn't exist. But that's not why they're in prison.

Second, the comment on the standard of the minimum wage in California I think is inappropriate, too. We do have a minimum standard in the United States on a minimum wage. And if California chooses to put a higher one then they do so at their own risk. But that gets precisely to my question.

At a panel we had last week, Paul Rohelm, who is the CEO of U.S. Steel, stated that some eight percent of their costing is related to impositions of societal requirements here in the United States, none of which deals with the producing of steel; all the way from Clean Air, Clean Water, minimum wage, Social Security, Medicare, all of these things that industry

has to provide, which are not provided in many of these nations that they're competing against.

So, when you look at comparative advantage, our competition, you say, "Just let them compete." Starting with a bogey of eight percent up there that you have to hit, or higher, almost mandates that they're not going to compete. There is no level playing field with lines on the floor and a referee standing out there with a whistle and rules that when somebody touches the line they're going to stop the play. And they have to do that.

My question to you is, do you believe our laws in the United States now would prohibit the import of goods that are in violation of trademark or copyright provisions? If somebody is pirating and coming into the United States we stop that. Yet we have absolutely no restrictions on goods made by child labor or prison labor. And certainly the WTO is almost standardly opposed to environmental regulations being imposed by a country. And yet our society requires that here. Can you vision some minimum standards that would require all nations, whether it be China, Africa, England or anywhere else, to comply with, or there would be some kind of a makeup or a margin that they insist on dealing with?

MR. FRIEDMAN: Let me say first, don't misunderstand me, I think apartheid was a terrible system.

COMMISSIONER BECKER: I know you do. I do too.

MR. FRIEDMAN: I spoke about it in South Africa before it was abolished. So, I wasn't defending apartheid.

COMMISSIONER BECKER: I knew you weren't.

MR. FRIEDMAN: It did more harm than good by --

COMMISSIONER BECKER: I just didn't think it was a good comparison.

MR. FRIEDMAN: But now let me take it to your next point. Every industry in the United States has these special costs that steel has. Steel is not alone in those costs.

COMMISSIONER BECKER: Exactly.

MR. FRIEDMAN: And the existence of those costs, if they're high, affects the exchange rate between the U.S. dollar and other currency, and does not create a non-level playing field. You still have, given those restrictions, what are the comparative advantages of various enterprises in the United States against the comparative advantages in Japan. The Japanese enterprises also have their special costs.

But if we impose special costs that raises a dollar cost to all industries, that will be ultimately reflected, and not very ultimately, shortly, in the exchange rate between the U.S. dollar and other currencies.

And that's why almost all the arguments that the steel industry is making in its own self-interest are not logically valid because they are really talking not about comparative advantage, but about absolute advantage, and are neglecting the effect of those measures on the exchange rate.

And the same thing goes for your question of a universal standard. We believe, in general, that the United States is concerned with the United States and that other countries don't have much business interfering in our internal affairs. We do not welcome other countries telling us how we should run our business. And other countries don't welcome us telling them how they should run their business. And in general the general principles that we like to operate under, is that people are responsible for themselves, and that it's the business of other countries what system they have. And we as individuals, separately, may use our friends and our resources to promote different policies wherever we want to. But we have no

business as a nation trying to tell other countries how to run their affairs.

I do not see that there is a need for a minimum standard of the kind you describe. I believe that its major effect would be to hurt, rather than raise the levels in the countries you want to help, it would hurt them because it denies them opportunity. It reduces the outlets for their goods, and they're being hurt. And the people who are being hurt most in those countries are the very ones you want to protect.

COMMISSIONER BECKER: I really wasn't referring to steel, my only reference was that Paul Wilhelm was the first person I saw that quantitated this in any way as a percentage of cost. But, should an employer be driven out of business here in the United States because of a so-called comparative advantage because of child labor in another country? We tell countries what kind of banking laws, what kind of financial arrangements, what kind of other standards set out in the NAFTA and in the WTO. We don't hesitate in saying if you want a part of our market, this is what you're going to have to do. Why can't we do this with child labor?

MR. FRIEDMAN: We can do it. The question is whether it's desirable to do it. It's not that we can't do it.

COMMISSIONER BECKER: It's not desirable?

MR. FRIEDMAN: I think it's not desirable.

I think it hurts the other countries and it doesn't help us. It affects all enterprises in the United States. If it affects anything, it affects the exchange rate.

COMMISSIONER KRUEGER: I'm --

MR. FRIEDMAN: It does not affect the comparative advantage, nor does it affect the size of the balance of payments deficit.

COMMISSIONER KRUEGER: Commissioner D'Amato.

COMMISSIONER D'AMATO: Thank you, Madame Chairman. Dr. Friedman, I want the record to note that you're wearing an Adam Smith tie.

MR. FRIEDMAN: Yes. As you know, Adam Smith was the first one who said that it's always in the interest of the consumer to buy what he can buy most cheaply. And you know he also said that businessmen seldom meet for dinner without conspiring against the public.

COMMISSIONER D'AMATO: I think that my guess is that Adam Smith would be pleased that you're wearing his tie today. My question is whether Adam Smith -- how do you think Adam Smith would have felt about the WTO. You know, you're talking -- you drew a

picture that I agree with that the information revolution probably is going to be as important to the changing the face of our world as the industrial revolution was. The question is how that's going to evolve. I think, you know, trends don't make history, actors and men do. That's what I think.

The question is whether this is best achieved through trying to open other markets to the extent that our markets are open through American action, as we did in the '80s in the Japanese market we discussed earlier, which I think was a terrifically successful cooperative venture between the Executive Branch, the Congress and the industry together, and open that market up and save our industry, and in doing so was done bilaterally and with our leverage.

The question is whether or not we're better off trying to motorize the development of this information revolution through American action in opening other markets. Or whether we do it through this multilateral organization, which is essentially a closed organization?

MR. FRIEDMAN: In my opinion, the best policy we can follow is to unilaterally remove our restrictions on trade. Whenever you have one of these reciprocal things of, "We're going to hurt ourselves in order to hurt you so you'll change your rules," it

doesn't work that way. It only works to create greater opposition to changing the rules. We ought to take care of ourselves. We ought to tend to our business.

It's absurd, it seems to me, for a great nation like the United States to say, "Oh, we're being competed against by Hong Kong, and we're going to impose limits on the amount of textiles that Hong Kong can ship to the United States because they are engaging in unfair trade." That's absurd. We're a great nation and we ought to be able to recognize that it's in our own self-interest to have free trade.

If another country -- if Japan, for a moment, imposes barriers on U.S. goods, that hurts Japan. It hurts us as well. But why do we want to make the hurt greater by imposing barriers on their goods? That hurts them too, but it also hurts us.

Is it a sensible policy for countries to follow that route? I don't believe so. I believe that in general that's an excuse for retaining trade restrictions rather than a means of eliminating them.

COMMISSIONER D'AMATO: I guess the question is then what is the best way to open the other markets?

MR. FRIEDMAN: The best way to open the other markets is for us to set them an example. It seems to me that if the United States were to say, "Look, we'll take all of your goods. We're delighted

to have them. Sell them over here. If you want to buy our goods, fine. If you don't, fine. That's your business." It would be the biggest push you could possibly have to opening other markets.

You know, in any event much of this is not taking account of what this information revolution is doing. The web is going to make it very hard to retain restrictions on trade. It's so easy to get around them now. People in Britain are shopping at Amazon.com in the United States in order to avoid British taxes on books, and people in the United States are shopping all over the world. So, we ought to face up that the way to take advantage of these developments is to open up trade, to remove restrictions, not to impose them. And not to say, "Now, look. Look, Hong Kong, unless you do this, we won't do that." That isn't a stance that we ought to be proud of.

COMMISSIONER KRUEGER: I have two more Commissioners who want to ask questions, and then we need to move on. Next is Commissioner Weidenbaum.

CHAIRMAN WEIDENBAUM: Thank you, Professor Friedman, for coming to this hearing.

As you pointed out at the outset, we ought to study the causes and the consequences. I'd like to turn to the consequences because, frankly, most of the discussion is very uneven. People who think they're

hurt by trade, we hear from them. We don't hear from the other side, the folks who have benefited from trade. So, let me try to lead the witness, if I can. On balance, is this country better or worse off as a result of the total flow of exports and imports, albeit, a \$300 billion deficit a year?

MR. FRIEDMAN: We're vastly better off. We couldn't have had this extraordinary economic expansion of the last 10 years -- 20 years, if you had not had balance of payments deficits to finance the investment.

American individuals and enterprises were not willing to save enough net to finance all of the opportunities that were available for improving our technological base, for improving our productivity. If we had had no deficits at all, assuming savings patterns were the same, and assuming that the deficits were cut out by some magic hand of protection, the national income of the United States would be very much lower than it is now, growth over the last 10 years would probably have been zero or one percent, if anything. The deficits are an engine of growth. That's why I say we ought to emphasize a capital surplus, not the trade deficit.

CHAIRMAN WEIDENBAUM: Thank you very much.

COMMISSIONER KRUEGER: Commissioner  
Rumsfeld.

COMMISSIONER RUMSFELD: Yes, when I asked my earlier questions I was in mid-thought when there was another intervention.

I asked you if there was anything we ought to worry about, and you said, "Well, if it's investing for a "return," no. If it's investing to have a "good old time," yes, that's bad." I didn't have a chance to say, well, let's assume that's bad. What happens? What if the world decides that's bad and they, therefore, decide they don't care to loan to us to finance a "good old time?" Could there be a crisis of some sort? Is there something we ought to be worried about if its, quote, to use your word, "bad," unquote?

MR. FRIEDMAN: Obviously, any major change that happens suddenly is a crisis, and so if all of a sudden somehow the rest of the world got religion and said, "We're not going to lend you money," how would they stop lending us money? The first step would be that they would try to sell their assets in the United States. Whom would they sell them to? And if they did sell them, they would get dollars. What would they do with the dollars? If they don't trust the United States, here you've got, say, Japanese investors who don't trust the United States. They want to sell dollars.

The effect of that is on the exchange rate. No dollars actually move. They don't use dollars for trade in Japan, they use yen. And so if they -- they suddenly decide, "Oh, well, we're going to do something about this, and so we're going to sell government bonds in U.S. and take the dollars back to Japan." They can't take them back to Japan. All they can do is to bid on the market for yen. And that will drive the price of the yen up, drive the price of the dollar down, that will promote our exports and reduce their exports, and it will tend to reduce the balance of payments, but it will not cause a crisis.

COMMISSIONER RUMSFELD: And it would be fairly self-correcting, you say?

MR. FRIEDMAN: Oh, it would be. The Japanese would very quickly find out that it wasn't a sensible thing for them to be doing.

COMMISSIONER KRUEGER: One last --

COMMISSIONER RUMSFELD: So, even if it's bad, that is to say to finance a "good old time," it still isn't a serious problem for our country?

MR. FRIEDMAN: It's a serious problem for us because we're behaving in a way that is not to our own interest.

COMMISSIONER RUMSFELD: But as you said, the correction for that is elsewhere, than dealing with the trade deficit.

MR. FRIEDMAN: That's right.

COMMISSIONER RUMSFELD: Thank you.

COMMISSIONER KRUEGER: One last quick question from Commissioner Becker.

COMMISSIONER BECKER: I have a very quick question, almost more of a statement. I have a hard time sometimes equating statements made from economists with what I consider reality. Within working America the standard of living of working families has been on a steady decline since sometime in the latter '70s. Today both spouses in a family have to work, and between the two of them they don't match the income that they made back in the mid-seventies. They see their kids on shifts with day care. This was never heard of before. Hours of work are increasing. They no longer work a 40-hour week in order to make this system work and maintain a standard of living that is close to what they had before. They're up into 50 some odd work hours per week. This is a fact. Debt load is extremely heavy amongst these families. Credit cards. They're strapped, coming and going.

There are two societies in America today, but when we talk about working people, they have not shared in this moving America forward.

MR. FRIEDMAN: I believe your statement of fact is not correct, if you pardon me. There have been quite a number of studies which have not looked at the dollars but have looked at goods and services: the fraction of working households that have television sets, that have dishwashers, that have all of the latest gadgets, the size of the houses which they occupy. Every study which has compared the physical components of the standard of living has shown a significant improvement over the period you're talking about. The major drain upon their funds, like everybody else's, have been taxes, which amount to more, as you know, than their expenditures for food, for housing, and other items like that. So, I don't accept your description of the facts.

There are two societies in the United States, but I don't believe it's the working class versus the rest. The two societies we have are the inner cities versus the rest of the country. And it's the educated versus the non-educated. If there is a way of solving that disconnect, it's not through protectionism, it's through improving our school system. It's through introducing more competition into

our educational system, because where we're really letting the low-income people down is in the quality of education they can get for their children. There is no other respect in life in which the low-income people are so disadvantaged.

COMMISSIONER BECKER: It doesn't necessarily mean low-income people. I'm talking about working class.

MR. FRIEDMAN: I am too.

COMMISSIONER BECKER: Working class people.

MR. FRIEDMAN: I am too.

COMMISSIONER KRUEGER: I'm sorry. I'm going to end this at this stage. We thank Professor Friedman for his time and for his contribution, and we do have some other panelists waiting. Thank you very much.

(Whereupon, the hearing went off the record at 11:54 a.m. and went back on the record at 11:56 a.m.)

COMMISSIONER KRUEGER: I'd like to bring the hearing to order and to thank our current panelists for coming. In both cases, I think, from some longer distance than the average panelists today, and that's greatly appreciated. And I apologize also that we're running slightly behind schedule. So, without further

ado, let me call on Laura D'Andrea Tyson to make her opening statement.