

Edward B. Montgomery

Edward B. Montgomery is currently the Acting Deputy Secretary and Senior Advisor to the Secretary at the U.S. Department of Labor, on leave from the Department of Economics at the University of Maryland where he is a **tenured** Full Professor. A native of Pittsburgh, he graduated **from** Taylor **Allderdice** High School before receiving his undergraduate degree with honors **from** **Pennsylvania** State University in 1976, and his A.M. (1980) and Ph.D. (1982) in economics **from** **Harvard** University. **He** has been a faculty **member** at Carnegie Mellon University (1981-1986) and Michigan State University (1986 -1990), the Chief Economist at **the** U.S. Department of Labor (1997 - 1998) and a Visiting Scholar at the Board of Governors of the Federal Reserve System (1983).

His awards and honors include four University of **Maryland** Department of Economics Teaching Awards, **the** Teacher-Scholar Award **from** Michigan State University (1989), the Board of Governors of the Federal Reserve Doctoral Fellowship (1979-1981), the Black Prize Graduate Fellowship **from** **Harvard University** (1977-1979), and the **Archie** G. Savage Prize for the Outstanding Student in Economics (1976) from Pennsylvania State University.

Dr. Montgomery has served on the Advisory Council on Employee Welfare and Pension Benefit Plans at the U.S. Department of Labor and the Advisory Panel in Economics for the National Science Foundation. He has **served** as a consultant to numerous government and civic organizations including the New Jersey Governor's Study Commission on Discrimination in Public Works, the State Court Child Support Administrative Office for Michigan, the **Federal** Reserve Bank of Cleveland, and the Urban League of **Pennsylvania**. He has also lectured widely in the U.S., India and Japan.

Dr. Montgomery has published over 30 papers and articles on issues such as state and local job creation **strategies**, earnings inequality, pensions and savings behavior, **Affirmative** Action, workplace smoking policies, and the impact of welfare and Medicaid on employment. His work has appeared in numerous edited volumes and professional journals such as *The American Economic Review*, *The Review of Economics and Statistics*, *Journal of Labor Economics*, *The International Economic Review*, *The Journal of Monetary Economics*, *Industrial and Labor Relations Review*, *Industrial Relations*, and *The Journal of Urban Economics*. **His** research has been sponsored by the National Science Foundation, U.S. Agency for International Development, the Federal Reserve Bank of Cleveland, and the Ameritech and Ford Foundations.

Dr. Montgomery is married to **Kari** Lynn Montgomery and has twin daughters (Lindsay and Elizabeth) and a son (Edward).

**STATEMENT OF EDWARD MONTGOMERY
ACTING DEPUTY SECRETARY OF LABOR**

**US TRADE DEFICIT REVIEW COMMISSION
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My name is Edward Montgomery and I am the Acting Deputy Secretary of Labor. On behalf of Secretary Herman, who could not be here today, I want to thank you for the opportunity to present the Department's views on the trade deficit and manufacturing. But before I do, I know the Secretary would want me to recognize the enormous contribution Chairman Becker has made to the debate about the role of the manufacturing sector in this country, and for the leadership he exhibits everyday on behalf of America's working families.

The U.S. economy is experiencing a period of nearly unprecedented growth and prosperity, with unemployment rates the lowest in 29 years (at 4.2 percent); poverty rates the lowest in 20 years; and the longest peacetime expansion in our nation's history. After twenty years of nearly continuous decline, real wages for the average worker have increased in each of the past three years. This strong economy has been led by a resurgence in industrial production, which has grown by more than a third since 1992, the fastest of any major industrial nation. In addition, after losing more than two million manufacturing jobs between 1981 and 1992, the American economy has gained more than 250,000 new manufacturing jobs since 1993.

The good health of our manufacturing base is critical to our nation's ability to compete in the global marketplace and to provide good jobs for American workers and their families. On average, production jobs in durable goods manufacturing pay about 14% more than jobs in the service-producing sector of our economy. In some sectors of manufacturing, the premium is even higher - for instance, jobs in the auto industry pay about 45% more than jobs in the service-producing sector, while those in steel pay about 50% more. Union membership rates are also considerably higher in manufacturing than in other private sectors, which translates into higher pay, more extensive health care and pension coverage, and better job security.

In our global economy the health of our factories and manufacturing sector is increasingly tied to international trade. While manufacturing production has increased by a little more than a third since 1992, its exports have grown by more than 60 percent. Today roughly one in five factory jobs is due to exports. Clearly, international trade has brought many important benefits for the U.S. economy. Trade helps generate lower prices and higher quality products for American consumers, resulting in higher economic growth and living standards for Americans. With estimates that export-related jobs pay 15 percent more on average than non-export related jobs workers, too, share in the benefits of trade. With 96 percent of the world's consumers living abroad, trade represents a vital mechanism for Americans to tap the potential of the global marketplace.

But there are also costs to international trade, and these are sometimes borne disproportionately by workers dislocated from their jobs when their industry is hurt by export falls or import surges. One only has to look to the recent effects of the financial crisis in East Asia to see that events a half a world away can translate into layoffs and plant closures here at home. Since March of 1998 we have lost nearly a half million manufacturing jobs, with 13,000 of these jobs lost in the steel industry. Other export-sensitive sectors such as industrial machinery, electrical equipment, instruments, and transportation equipment have experienced significant declines. As someone who grew up in Pittsburgh and witnessed first hand the decline in steel employment by almost two-thirds over the past 30 years - from over 600,000 jobs in 1969 to about 223,000 today -- I know how devastating for workers, their families and communities these dislocations can be. The challenge for us as policy makers is to insure that we remain open to the benefits of trade while helping workers, businesses, and their communities manage the challenges of the global economy. As the President has said, we must put a human face on the global economy. As Secretary Herman recently said, trade is a means to an end and that end is improving people's lives both here and abroad.

Some of the most recent developments on the international trade front have been quite positive and we are hopeful that the worst of the global financial crisis may be behind us. For instance, we are pleased by the fact that U.S. goods exports rose by almost \$3 billion in August, contributing to the first decline in the trade deficit in four months. This export growth suggests that our trading partners, particularly in East Asia, are recovering from the economic slowdowns related to the financial crisis of 1997-98, and may soon be able to buy more U.S. goods and services. We are also pleased that overall steel imports, which fell an additional 1 percent in August, are running 26 percent below the level of a year ago. Clearly, the Administration's efforts to redress our trade imbalance in steel are bearing fruit. Still the fact that manufacturing employment continues to decline, albeit at a somewhat slower rate, means that we must remain vigilant. And, while it is important to recognize that technological change and high productivity growth in the manufacturing sector are the primary causes of the long-term erosion of employment in these industries, developments in international trade can contribute importantly to job losses within companies, industries, or even sectors of the economy.

We believe that more can and should be done to guard the jobs of workers in manufacturing from the more negative effects of international trade. For one thing, we need to ensure that trade is "fair," and that our industries are not unduly harmed by dumping or excessive surges in imports that could permanently harm our capital intensive manufacturing sector. We also need to ensure that core labor standards are respected by our trading partners around the world. The President has elevated the importance of international labor standards on the global economic agenda to ensure that global competition leads to global improvements in living standards-- not a race to the bottom. With three billion people on this Earth living on \$2 a day or less and 1.3 billion living on \$1 a day or less we must make sure global trade is a mechanism to lift people up. The President has proposed that the WTO create a working group on trade and labor and that we have closer cooperation between the WTO, the International Labor Organization, the International Monetary Fund, and the World Bank to advance this agenda.

We must support efforts to strengthen our manufacturing industries, particularly in ways that will help to preserve productive employment and reduce layoffs. The President and Vice President recently established a White House Task Force on Manufacturing which **will** generate a set of recommendations to do just that. The Secretaries of Labor, Commerce, Treasury and the head of the National Economic Council and other agencies will be participants in this high level effort. In addition to looking at various strategies that emphasize export promotion and technical assistance to firms, this effort will examine whether we can do more to encourage the training of workers before they are laid off. As the skill requirements for new and existing jobs in manufacturing have grown dramatically over the past decade or two, we need to ensure that those who are currently working in that sector have the skills to keep their jobs. We know that programs that provide tax credits and training grants to small and medium-sized establishments help ensure that workers' skills are continually upgraded, so they can keep pace with the technological developments quickly changing the manufacturing workplace. While we must increase efforts to prevent layoffs, we also need an enhanced system of Universal Reemployment Assistance that provides a guarantee of job search assistance and retraining for all workers who become displaced due to no fault of their own.

In sum, we recognize and value the important benefits of international trade for our economy, in the form of higher economic growth and living standards. But while opening the doors of opportunity we must insure that trade is fair and that workers and firms in our manufacturing sector receive the assistance they need to remain competitive and grow with our global economy.