COMMISSIONER BECKER: Thank you. Let's see what we have in the way of questions.

Commissioner Papadimitriou?

VICE CHAIRMAN PAPADIMITRIOU: Thank you very much, both of you, for coming to give us your commentaries. I think they are extremely helpful and put a different kind of spin, as we say, in what we have heard up to now.

My question is primarily to you, Professor Knetter. That actually has to do with the following. If government policy were to be created to deal with these dislocation difficulties, should we then not worry about the trade deficit?

MR. KNETTER: I would still think that there is an issue of how big a trade deficit can be before we should be concerned about it. So I think even if we have government policies that facilitate individuals' transitions to better opportunities, to me it's still quite possible that we could have a problem with the trade deficit.

I don't think about a trade deficit so much as the difference between what other countries buy from us and what we buy from them. I think of a trade deficit as a manifestation of the fact that as a country, we are spending more than we are earning in income. We have to ask ourselves what would lead the households and firms and governments in a country -- when we add up their balance sheets -- to come up with this answer year after year after year, that we are spending more than we're earning in income.

Is there something in the tax code that provides some kind of disincentive to saving, that's keeping us from getting our saving and our spending into balance?

So I think it is an issue that does need to be addressed. I think the Commission needs to consider how rapid a rise in foreign debt service would be alarming for us, and what level of foreign debt service would begin to put our economy at risk from something like capital flight, as many of the Asian countries experienced in the last few years.

I do not have the answer to that, but I think that is still a valid question, whether we have good micro policies in place for workers or not.

COMMISSIONER LEWIS: I have two questions, one for you and one for you, Alan. Could you tell us at what stage you think that the deficit becomes a problem? And what kind of problems do you see developing if it becomes a problem?

And, Alan, I'd like to ask you how do we get information about what goods are being sold to America from American companies overseas exporting here, and how do we get the statistics on the exports from here to a subsidiary overseas to another subsidiary exported back to America, because it's not really a Japanese export to America like Sony is, but it's really an American export to America?

MR. TONELSON: Was I being asked to answer both questions or just that latter one?

COMMISSIONER LEWIS: And any other questions I asked the prior panels also.

(Laughter.)

MR. TONELSON: Okay. Regarding the level of these trade deficits, I was very impressed, as I'm sure you all were, by Katherine Mann's testimony at your first hearing in Washington where she said if present trends continue, in two years, which is not a long time as far as I see it, we could be in very serious trouble.

In two years, you might well reach a so-called tipping point at which foreign capital providers become very leery about our ability to pay back. And Katherine Mann's organization, the Institute for International Economics, is not a hotbed of trade protectionism, as I understand it. So, I was quite impressed by that.

I was also impressed with the fact that even though the structure of the world economy was very, very different back in 1970 and '71 than it is now, the United States was a big super power back then, and the rest of the world, primarily Europe, lost its faith in our ability to redeem its U.S. dollars for gold at $35 an ounce, and they pulled out.

In fact, the whole history of U.S. foreign economic policy-making in the 1960's, as our balance of payments, deficits, including not just trade, investment flows, and all the rest, tourism, foreign aid expenditures, which were much larger relative to our economy than they are now, the whole story of U.S. foreign economic policy is U.S. Treasury officials frantically trying to, as they say, demonetize gold, to loosen that link, and they came up with things like Roosa bonds and all sorts of stuff, and ultimately it didn't work. Ultimately, even during the height of the Cold War, the United States could not put enough pressure on its foreign allies to keep on holding U.S. dollars, because they kept on shrinking in worth. And I find that very instructive.

On your question about the information that we have at hand, it's very poor. The Commerce Department's Bureau of Economic Analysis tries to measure trade flows between U.S. companies and related parties overseas, U.S. parent companies and their foreign affiliates, but there are several problems with their measurements, and I don't fault them for this, because the U.S. Government data gathering agencies have been pretty starved for funds for quite a while. They're really understaffed; they're stretched very thin. That's a big problem, and hopefully this Commission might want to make a few recommendations on that score.

But, for example, U.S. multinationals are constantly saying, "Hey, we don't sell -- we don't sell most of our foreign output back here; we sell it there," and they can cite very respectable looking BEA reports that show just that. But if actually call the folks who write these reports and ask them what they show and what they don't show, what they don't show is really impressive.

For example, they don't show what happens after the second shipment of that product. So, i.e., Texas Instruments builds -- or assembles some, I guess digital signal processor in Malaysia or Singapore, and it sends that chip to China. The U.S. Government records that as the export of Texas Instruments' foreign affiliate there to China. That's a sale to a foreign country, to a third party serving the China market. Chances are, though, that the cell phone that the chip goes into is sent here; not every time but a lot of the time. The U.S. Government data doesn't measure that.

Second, the U.S. Government data does not measure U.S. multinational companies' imports of finished goods; they just don't. So, for example, GE makes the -- has the full microwave oven made in South Korea. They import the full microwave oven here. It doesn't show up in the U.S. Government numbers.

And, third --

COMMISSIONER LEWIS: What does it show up as?

MR. TONELSON: A regular import, a regular import. So, at least it shows up someplace, but it doesn't tell us much about what GE does here and there.

The third problem is that many U.S. multinationals have started to use independent foreign companies more and more for their subcontracting. In fact, there's a wonderful paper by the Berkeley Roundtable on the international economy that came out in about '96 on how the U.S. microelectronics industry revived its own sagging competitiveness in the late 1980's and early '90s overwhelmingly by sourcing out to independent foreign subcontractors in Southeast Asia. And, again, when that comes into this country, it's not really measured as an intrafirm import; it's not measured in the related party trade flows.

What is very important to understand, though, is the multinationals themselves know exactly what's going on, but they don't tell; they don't want to tell.

MR. KNETTER: Back to the trade deficit question --

COMMISSIONER LEWIS: Excuse me, just a follow-up question. So, when an American company exports to a foreign subsidiary and the goods finally come back here for sale here, we can't tell that that export resulted in an import into America.

MR. TONELSON: Exactly. We can't trace it, and therefore, we really don't have a very good idea at all of what exactly our multinational companies do, where they add value; we have no idea. What little we know, ironically, often comes from foreign government numbers, because they measure these things very, very carefully.

Because, for example, in the case of China where a study by the New York Federal Reserve in '97 showed that four percent of China's imports are consumption imports, and 80 percent of everything that China imports never touches the Chinese domestic economy at all. Where does it go? It goes to export processing zones. So, there are no taxes, no tariffs, no nothing.

And, once again, the Chinese government knows exactly what it imports as consumption goods, inputs of various kinds, and consumer goods. It's very important for them, they feel, to keep track of this. Washington, for some reason, doesn't consider this to be a high priority at all.

COMMISSIONER LEWIS: Could you please give us, after this hearing, your recommendations on what information we should --

MR. TONELSON: Sure. I would be very happy to.

COMMISSIONER LEWIS: Thank you. Dr. Knetter, did you want to --

MR. KNETTER: Yes, on the trade deficit question -- at what point is it too big -- I don't think we have the information to answer that question, and the reason is we don't know what the imported capital that's represented by a trade deficit is spent on. Is it spent on consumption goods or is it spent on investment goods?

So, for example, if you were to look at my personal balance of payments, five years ago I bought a house. My expenditures were about five times my annual income, or maybe it wasn't that much -- three times, okay; put a little savings toward it too.

If you looked at my balance of payments for that year, you would say, "This is hideously out of whack. This is an unsustainable path." But, of course, I was making a big investment, acquiring an asset, and it really isn't something we needed to worry about. I would be able to pay that off over time.

Is the U.S. economy making an investment over the last ten or 20 years as we've been incurring this annual trade deficit in this foreign borrowing? I don't really know the answer to that. I do know that we've created a lot of new industries in this country over the last 20 years, and that's why a lot of people look at the United States economy today and say it really is the model for much of the rest of the world.

And how different that is than one decade ago. If we would have had this meeting one decade ago, I'm sure we would have heard a lot about how the U.S. has a lot to learn from the pattern of business, finance, and government cooperation that we saw in Japan and Germany. I think the problem with that kind of cooperation is they did not invest and develop new industries.

COMMISSIONER LEWIS: Does there come a point when the interest payments that we're making on the treasuries or the U.S. securities held by foreigners become too large?

MR. KNETTER: I guess I would start to worry if our debt service reached levels of eight or ten percent, and right now it's three percent. So, I think Katherine Mann probably has done some relevant calculations. But, once again, you still have to ask yourself, are the investments being made in human and physical capital and organizational capital that will allow you to meet those payments? Let's remember, individuals are doing the borrowing, and firms are doing the borrowing here, and I know when we add it all up, we think there's this nebulous thing -- “the U.S. net foreign indebtedness” -- that somehow we've all collectively undertaken. But if I've got my financial house in order, and I'm borrowing money, and I have a good understanding of my ability to repay, then why should you be worried about it?

COMMISSIONER LEWIS: See, the problem with what you're saying is when you borrow money from a bank, you know you owe the bank, but when American consumers buy products from overseas, they don't think they're borrowing from some foreign government or some foreign company; they're borrowing from the credit card company.

MR. KNETTER: Correct, and they usually aren't borrowing from some foreign company necessarily when they're buying products overseas. But on an annual level, we're incurring, at present, a trade deficit of about $300 billion a year, perhaps, this year. That's higher than it's been recently, but if you look at the change in the market capitalization of U.S. corporations over the last decade, that increase completely swamps anything like the accumulation of current account balances.

So, there has been some sense in which the people's assessment of the value of the capital that we've developed, which includes new industries -- in biotechnology, information technology, and telecommunications -- that has real value. So, it's very hard to answer that question, and it's hard to know what the counter factual scenario is.

COMMISSIONER LEWIS: But your view is that eight percent makes you very nervous.

MR. KNETTER: Yes. Based on past experience, that would certainly make me nervous, but I think that's something the Commission really should probably have a number of experts testify to.

COMMISSIONER LEWIS: Thank you.

COMMISSIONER WESSEL: First of all, I want to emphasize Ken's point about getting information from you as to what requests we should be making of the government. One of the provisions in the statute creating the Commission is that when the Commission requests data from various government sources, they have to provide it. So, we have an enormous opportunity to educate ourselves and the public as part of this, and your assistance in that would be appreciated.

The American agricultural movement has been looking at an idea to address the problems they face post-NAFTA where much of the benefits for their community were wiped out overnight by the devaluation of the peso. We see with the potential accession of China to the WTO and continuing concerns of whether in fact China will devalue their currency that any benefits we're presently negotiating with them could be wiped out as well. They're looking at an approach that would have a variable tariff reduction to address some of these devaluation exercises by other governments, and I wanted to get both of your views on that and how we might address what are many of the benefits being wiped out overnight?

MR. TONELSON: This has certainly been a major problem. In fact, I think that Congressman Phil English has at least been talking about introducing some legislation that would respond to what he would call exchange rate dumping. It's happened before; it's going to happen again. Countries have been trying and succeeding in manipulating their exchange rate for competitive advantage for a long, long time. And, again, as we just heard in the previous panel, if their treasuries are willing to subsidize this – and, of course, lots of countries abroad are not nearly as democratic as we are, so their own citizens don't really have a big say in this. Their treasury decides something, and it's just done. If these governments want to subsidize exports to this market, as long as we're willing to take them on an indiscriminate basis, they're going to keep doing it.

Now, I can't speak to the specifics of this particular proposal, but I think exchange rate dumping is a very serious problem. It needs to be responded to, because it's not free trade; it's not market forces; it's government manipulation of exchange rates. In fact, there is a very good treatment of this in a report that was -- in a task force report that was chaired by Clyde Prestowitz and Sig Harrison. It came out about a year and a half ago looking at U.S. policy toward East Asia now that the economic miracle is not quite so miraculous as we thought; a very good detailed treatment of East Asian countries' exchange rate manipulation. I would recommend that to you extremely highly.

COMMISSIONER WESSEL: A question -- I'm sorry, Dr. Knetter, do you have a response?

MR. KNETTER: Yes, sure. I think that's a great question. It's one that I don't have an easy answer for. I guess I would be lumped in with the people who maybe are in the minority in this room that tend to think if foreign governments want to provide us with something for free, I don't have any problem with taking that.

Now, having said that, I am concerned about exposing U.S. workers to an inordinate amount of industry turbulence and churning that comes from the whim of foreign governments deciding one day they want to subsidize the steel industry, and the next day it's the auto industry, and then it's the computer industry. And I'm not sure that -- at a certain point, I think you don't want to be the market that necessarily absorbs all of the non-market decisions that are being made in other countries that affect where it is the jobs are going to be for us. We don't want to be the ones who are always in transition left holding the bag.

So, I guess what I would be very concerned about monitoring is do we think the amount of transition that's being imposed on the U.S. labor market is unduly high? And there is a lot of research being done on that question, and I think, surprisingly, so far people like Hank Farber at Princeton find that, yes, the average duration of a job in the United States has gone down -- especially for males by about a half a year or a year -- but the change really hasn't been anything nearly as large as you would think just from reading the news media. I think that's over hyped a bit.

So, I don't see how anyone can believe it's a winning strategy for foreign countries to give away something for free. I think they will learn their lesson ultimately, and we'll all be the wiser for it.

CHAIRMAN WEIDENBAUM: I have a quick statistical question for both of you gentlemen. Does our international trade reporting system do a better job on the import side than on the export side for the simple reason that we have a control system on imports, tariffs, et cetera? And except for some minor errors in terms of proportion, exports are relatively uncontrolled, and, if anything, there's an incentive to underestimate exports so you pay less in terms of imports -- import duties, et cetera -- at the other end of the transaction. And then when you add in services, is there even a greater difficulty, given the changing composition of services, to estimate accurately our exports compared to the accuracy of our import data?

MR. TONELSON: I've heard this argument. I think there is in fact something to it. I would point -- I ran across something very interesting a few months ago. I began looking at the forms that firms have to -- that publicly held firms have to file each year with the Securities and Exchange Commission. I think it's called Form 51; Form 50-something, anyway. And what was really interesting to me was that the firms were required to list what they export, what they export. They were not required to list or mention what they import. So, that's one example of a U.S. Government reporting requirement where that works the opposite way.

And I would also point out that lots of goods are smuggled in here. There's lots of transshipment, and whatever U.S. Customs reporting requirements are, anybody in the trade field will tell you that U.S. Customs is woefully understaffed; its computer system is hopelessly out of date; it's under funded. There is no change that anybody foresees for a long, long time, because nobody in power in Washington is the least bit interested in making sure that we can count this stuff accurately --

CHAIRMAN WEIDENBAUM: Thank you.

MR. TONELSON: -- whether it's coming in or going out.

MR. KNETTER: That's a great question. I think there's a lot of support for your speculation that we report imports better than exports, and that's true for every country in the world if you go through the IMF balance of payment statistics and you add up the trade balances for every country in the world. As I'm sure you know, the world is running a very large trade deficit right now. So, I don't know whom it is we're trading with out there in the rest of the universe, but somebody is accumulating a huge surplus against us, and it's bigger than I think the current U.S. trade deficit is. So, it's not a small problem.

CHAIRMAN WEIDENBAUM: You had a follow-up question on that?

COMMISSIONER WESSEL: Just a quick follow-up. One of our previous witnesses had raised the point that of the undercounting of the exports, as Alan indicated, there is also a dramatic undercounting of imports in terms of illegal drugs, gray market items, and those issues that fall through the cracks in terms of Customs Service's ability to collect data. The Administration publishes data on exports by state but indicate they have no ability to address imports by state and use this data as advocacy for trade agreements, but can never tell a state or a member of Congress about how they may be affected as well. And one of the things I hope we, as a Commission, can look at is how do we get better data also on state-by-state impacts as well as some of the other market items that are not counted?

COMMISSIONER BECKER: Commissioner Rumsfeld?

COMMISSIONER RUMSFELD: Dr. Knetter, you've talked about the point at which you would begin to get worried at eight or ten percent, and it's currently three percent, the deficit. I'm curious to know -- and you'll discover very quickly that I'm not an economist -- but I'm curious to know how that would be manifested if in fact there were a problem?

I mean, my brain tells me that somebody loans us money, and they get frightened, and they decide they don't want to loan us money prospectively. So, they stop loaning or if they have an asset, they sell it. And if they sell it, they get dollars. One would think that if they sell it, it would reduce the prices of the things they're selling, which would create buying opportunities, one would think.

Second, you would think they'd end up with a dollar, which they wouldn't want, in which case they'd want to sell the dollar for another currency --

MR. KNETTER: Or some goods.

COMMISSIONER RUMSFELD: -- or some goods outside the country if they're frightened. In other words, they wouldn't be selling and then rebuying. So, now you've got assets in the United States -- assuming the warning flag goes up and people get nervous when you get up around eight or ten percent -- you've got assets in the United States that will drop in price, and people selling dollars for euros or yen or assets somewhere else on the face of the Earth, one would think.

What's the effect of that? How bad is that? Ought we to be worrying about that?

MR. KNETTER: Right. That's a fantastic question, and I would say that you're better than an economist; you're a smart man. You have identified the problem with the logic of this notion that if we accumulate too much foreign indebtedness, we put ourselves inevitably in some major hole. Because the problem with foreign owners of our assets unwinding their positions too quickly is it would lead to rapid declines in price, in which case the remaining holders of those assets would probably think twice about selling them at that point. As you said, it creates buying opportunities.

Now, that doesn't mean that asset markets never go into a free fall. They certainly did in Asia. And we see that that does have real effects if it gets out of control. But when you take your logic kind of all the way to the point where you said, okay, they sell our treasury bills. What do they get for those? They get dollars. What do they do with those dollars? Well, they try to buy euros. But then who's selling them the euros? And then that person's holding the dollars. What do they do with the dollars? Ultimately, all those assets are good for when you trace it down to the last chain in the transaction, is they're a claim on U.S. output for somebody.

So, the consequence of people rapidly cashing in their U.S. assets, foreign owners of those assets, is that we would be forced to do some belt tightening in terms of our own consumption. If our capacity to produce output doesn't increase dramatically and all of a sudden people are attempting to convert the market value of their U.S. assets into U.S. goods and services, then we've got less to consume ourselves. I think that's the consequence.

MR. TONELSON: If I could add two really quick points. First, by definition, financial panics begin when investors decide that they don't want to be last out. No one wants to be last out, even if you think you've lost every opportunity to make money, you're trying to cut your losses, because the guy who's last out loses biggest by far.

The second point is there is a lot of uncertainty on what the actual tipping point is.

Everyone knows, though, that the higher the degree of U.S. foreign indebtedness rises, the closer we get to that point, I think it should be a very important priority of U.S. foreign economic policy and trade policy to make sure that we never even get close, because I don't think we should want to take the chance of finding out. Too much uncertainty. Let's not even get close to that point. Let's not tempt fate.

COMMISSIONER LEWIS: Would the effect be a lower dollar, and therefore, people pulling assets out of the treasury market and of interest rates going up and so on?

MR. KNETTER: Certainly mass selling by foreign holders of U.S. treasuries, yes. I mean, that would have to put downward pressure on the dollar. People would be trying to get rid of those dollars, denominated assets, and --

COMMISSIONER LEWIS: And interest rates would rise.

MR. KNETTER: Quite likely inflation would be pushed up a little bit. Interest rates would go up along with that. So, yes, I think that's true. The difficulty is knowing, as Alan said, where the tipping point, and financial panics are not anything anyone's been able to predict; otherwise we wouldn't have them. So, it's very hard to determine whether we're approaching a point at which we could have one. Some respectable publications, I would say, like "The Economist," think there is a stock market bubble in the U.S. today. A lot of reasonable people think that. A lot of reasonable people think we don't. And we could have this kind of bubble without having any foreign indebtedness. There's nothing special about --

COMMISSIONER BECKER: Commissioner Rumsfeld was not quite finished, but go ahead.

COMMISSIONER D'AMATO: I just had one follow-up.

COMMISSIONER RUMSFELD: You go. Go ahead.

COMMISSIONER BECKER: We're in a free fall right now.

(Laughter.)

COMMISSIONER D'AMATO: What I'm worried about -- I find this a little bit too orderly. I believe that when the panic sets in, the human capacity to panic, we underestimate it. I mean, when you talk about people selling dollars and maybe the dollar goes -- if the dollar goes down and the stock market plunges, you're going to have a panic. That's what I see happening. That's what we're worried about. Greenspan keeps saying things happen that are bad fast. He says that about every three weeks. And I don't think that's what we're talking about.

The scenario here where people start selling dollars and people start saying, "Well, maybe dollars aren't good to hold," and the impact on the price of the dollar and on the stock market and on consumer confidence here in this -- can have effect that would go way beyond what a lot of people -- I don't see this process as orderly. I see this process as bordering on the extreme disorderly at some point. That's what I'm worried about.

Do you see that as a potential problem that we need to worry about?

MR. KNETTER: I don't think you could ever discount the possibility of some kind of major financial crisis, and I wouldn't stand here and say, no, that's never going to happen. On the other hand, asset prices fell fast and furious in 1987. The stock market went down by, what, 20 percent one day. What happened? Basically nothing. We went on, so the expansion kept chugging along.

By their nature, panics are catastrophic events. It is very hard to make any concrete assessments of what causes them, why they stop, why they have the magnitude they do. I would say foreign indebtedness adds an additional element of risk, because I think there's a tendency for foreign investors to behave a little bit more as a herd than domestic investors.

COMMISSIONER BECKER: I haven't asked a question. I'm going to take my hand at one here. I think you made the statement that you wouldn't worry about the deficit at the current rate. You would worry if it's being serviced at three percent of gross national product? And you would be concerned if it got up to seven or eight percent? We're currently running a $300 billion deficit. Can I just add that up and say you wouldn't be concerned until we’re over $600 billion on the deficit?

MR. KNETTER: Well, it depends also on the cumulation --

COMMISSIONER BECKER: And then you used the figure nine percent. That would take it up to another level, maybe to $900 billion.

MR. KNETTER: Yes.

COMMISSIONER BECKER: When would you be concerned about it? You don't feel there would be any problem up till that point servicing that kind of a deficit, $600 billion or $900 billion?

MR. KNETTER: Well --

COMMISSIONER BECKER: No effect on the economy?

MR. KNETTER: Yes, I haven't done any -- I can't give you an exact timetable on how many years of $300 billion deficits would get us to an eight percent debt service. I didn't actually try to do that calculation in preparing my testimony.

COMMISSIONER BECKER: I listened to a representative of the government make the statement that the deficit that we're incurring today is a sign of a healthy economy. I've raised this with former panels, and they very quickly distance themselves from that. Economists are saying now that the magic word is a sustainable deficit. And, that's what bothers me. It sounds like you're suggesting that we could go to $600 billion or $900 billion without any problem.

MR. KNETTER: No, I don't mean to suggest that. I think what matters for the total debt service is what's the cumulation of deficits year after year after year. So, even if we just stayed at $300 billion, as we keep adding more foreign debt, the debt service will rise. So, it's not that we got to get to $600 billion in one year that would concern me.

I think we need to look at history, and we need to look for examples in history and see if a country gets to the point where they spend eight percent of their GDP on debt service, does every case like that end up in a train wreck or are some of them cases like the United States when it was financing its infrastructure -- you know, back around the turn of the century, we incurred deficits relative to GDP on the order of ten percent, and nothing drastic happened in the wake of those.

MR. TONELSON: One real quick point: In the 19th century, especially the second half of the 19th century when the U.S. was very dependent on foreign capital, in the era of boom and bust and boom and bust and tremendous social dislocation, tremendous social problems, great progress to be sure, to be sure, but I'm not sure that's a time we'd want to repeat, not in any exactitude anyway.

COMMISSIONER BECKER: I think we've run out of time. And, with that, I want to thank you gentlemen both for your very good presentations.

(Whereupon, the foregoing matter went off the record at 12:16 p.m. and went back on the record at 1:46 p.m.)

A-F-T-E-R-N-O-O-N S-E-S-S-I-O-N

(1:46 p.m.)

COMMISSIONER BECKER: Good afternoon. First up -- and I'll just read from the name tags -- we have Stephen Herzenberg from the Keystone Research Center; Kate Bronfenbrenner -- and I've known her a long time, and I always stutter with the name -- from Cornell University; Sabina Deitrick from the University of Pittsburgh and Carrie Leana from the University of Pittsburgh.

I am very pleased to have you here this afternoon. I hope all of you were able to be here at least towards the end of this morning's session so you can have an idea of how we've been proceeding. Our nametags are out here so you know who we are. We have a clock that I've had a hard time holding people to. I ask you to do it voluntarily. If you run over a minute, I can't holler at anybody because I've let others do it. But it's set up for five minutes for your off-hand remarks or reading, whatever the case may be, two minutes additional under a yellow warning, and then you're supposed to stop when it gets red. And if you don't, then I have to interrupt you somewhere along the line.

So, why don't we start this time from my left and your right. We don't have to have it be in order, do we, Mr. Chairman?

I'm the Pittsburgh Chairman, and after this session is over they're going to redesign how they do all of this. I know that, as sure as I'm sitting here. We're going to start with Stephen Herzenberg.

COMMISSIONER LEWIS: Did you have a statement that you handed out?

DR. HERZENBERG: It's actually outside. Do you want me to get it?

COMMISSIONER LEWIS: Someone will get it for you.

COMMISSIONER BECKER: No, the clock hasn't started yet. The clock will start when it falls like that. That's right, they will redo it. I've been identified as a labor union leader. There won't be anymore of them on this Committee.

(Laughter.)

We've got a very gracious Chairman, Murray Weidenbaum. He'll say I've done a fine job; I know that.

CHAIRMAN WEIDENBAUM: Commissioner Becker is a very impartial Chairman.

(Laughter.)

As Chairman, as Chairman.

COMMISSIONER BECKER: I am. The only problems I have are interruptions on this side here. I mean, they should all go through the Chairman when they speak, and that way everybody gets in there. But we won't have any problem this afternoon -- we just won't.

Stephen.