MR. CROFT: Thank you.

COMMISSIONER LEWIS: Could you spell your name, please?

MR. CROFT: Yes, it's C-R-O-F-T. It's Thomas, Tom Croft.

COMMISSIONER LEWIS: Thank you.

MR. CROFT: I'm the executive director of the Steel Valley Authority, which is an economic development agency. It's a multimunicipal development agency that's chartered by the state of Pennsylvania. It includes the city of Pittsburgh and 11 municipalities in the Mon Valley, also called the Steel Valley.

I've been working in the field of economic development and worker dislocation for the last 17 years; started the first rural dislocated program in the country, as I knew of, in the timber industry in northern California in the early '80s in the redwoods. I also worked in Seattle in the mid-80s, in the shipyards dislocations, and I've been here since 1988.

The Steel Valley Authority -- I'm going to speak basically to two points. One is just our observations in terms of the impact of trade and the deficit in the work we do. Let's just start with -- we've heard from some of the economists and regional economists who talked about the changes in the Pittsburgh economic scene. And maybe they're being polite or maybe they're being analytical. Let's just say this: Of the 12 municipalities that incorporate the Steel Valley Authority, five of those municipalities are still bankrupt.

What does bankruptcy means? That means many of those towns have had to layoff their police forces; they've had huge rising crime problems, and poverty has basically become the essential state of affairs in many of those towns. Many of those towns were formally very strong, middle-class towns. So, we've destroyed the middle-class in these towns in a major way as a result of trade policy or lack of trade policy in the 1980's with respect to the collapse of the steel industry.

We have seen in the work of the Authority, throughout 20 counties in western Pennsylvania, a continuing and growing problem with the impact of trade of things like steel dumping and just things like unfettered competition on the manufacturing base. And much of the work we do is to retain manufacturing companies. We do that on behalf; we're funded by the Commonwealth to do that.

It's very difficult to maintain small businesses when besides the problems of bank consolidation and the lack of capital access and capital gaps, you also have these problems of products which are being dumped or which are being imported at less than the cost of labor that it takes to produce those products here. So, that's a continuing struggle we have in terms of keeping our small business base active and alive in western Pennsylvania, and I would guess that's true throughout the country.

I've also been working on a capital project with the steel workers, with Leo Gerard. It's a project called the Heartland Labor Capital Project, and what we've been doing is analyzing how do you begin to fill some of the capital gaps that have been growing in the field of small business in the last 20 years, and we've been looking at a source of investment, which is the largest source of investment, capital, as we know it, in the United States, and that's the pension fund capital, which amounts to some $7 trillion as of 1997.

One of the things that we've been examining is the relationship -- and we had a conference on this back in April in Washington, D.C. where we had economists, and we had labor leaders, investment bankers from both the U.S. and Canada and Europe attended this conference.

One of the relationships we've been examining is the relationship of how workers' capital, how our money, how workers' pension funds are invested. And one of the things that we've been really screaming about for the last three or four years has been the investment of our capital in the Asia tigers and in emerging markets overseas. For years and years, it was the kind of thing where we knew that factories in Vietnam or Malaysia would produce products and ship them back into the U.S. at a much lower wage competing with U.S. workers.

What obviously happened has been that with the speculation of those hundreds of billions of dollars of overseas investment which led to the loss of $4 trillion during the collapse of the economies a couple years ago, and has thus led to the collapse of currencies and to the importing and dumping of those products in the last couple of years, that we have to now look at what role does our government play in protecting workers' investments?

And we know, for instance, that in 1980, less than one percent of pension fund assets were invested abroad. By 1997, 17 percent of pension funds assets were invested abroad. So, we think that one of the questions we would ask you is are there any ways to monitor workers' investments? Do people even know what's happening with their capital, with their money which are being managed by Wall Street investment houses and money funds, and begin to maybe think about at least ways for workers to be informed about ways to make sure that their investments are at least invested back into productive economies, domestic economies in ways that will benefit them.

They're the beneficiaries, and these policies which are part of this global and money restructuring do not benefit the beneficiaries. They damage the beneficiaries, and we think that should be against the law. It certainly should be a violation of ERISA.

Thank you.

COMMISSIONER LEWIS: Just as a question, what kind of return have you gotten on your investments?

MR. CROFT: I can send you the -- I wasn't here to sort of give you a full report, but I can send you some background as to what was found in some of the documents in terms of the long-term return. We know that about $4 trillion was lost in the last two years as a result of the collapse of the Asia tigers and the other economies around the world.

COMMISSIONER LEWIS: I'd like to ask you one other question. You say your agency, the Development Authority --

MR. CROFT: Steel Valley Authority.

COMMISSIONER LEWIS: -- is geared toward to retaining or getting new manufacturing jobs in the area.

MR. CROFT: Correct.

COMMISSIONER LEWIS: Could you tell us why you think manufacturing jobs are so important as opposed to other kinds of jobs?

MR. CROFT: Well, we believe and many of the studies show that as a result of manufacturing employment, we built a middle class largely based on that in the Pittsburgh area and nationwide, and the indirect added value of manufacturing jobs, which create other jobs which have a much higher wage than most jobs, and which essentially also -- the impact of networks of companies, of intercompany trade and those kinds of things, suppliers, customers, networks, and those kinds of things, essentially create a much stronger basis for public policy in terms of intervening to help retain or help strengthen that particular or those particular economic bases.

COMMISSIONER LEWIS: Thank you very much. If you could send us any of those studies you're referring to, I'd really appreciate it.

MR. CROFT: Okay, I will.

COMMISSIONER LEWIS: Thank you.

MR. CROFT: Thank you.

COMMISSIONER BECKER: Go ahead.

MR. PAPADIMITRIOU: Let me also make a comment, actually, about the return on investments. I think what we will probably need to look at, are the laws governing fiduciary responsibility, because as fiduciary responsibility laws are structured now, one of the most important responsibilities of the fiduciary is a high return.

MR. CROFT: Right.

MR. PAPADIMITRIOU: Which doesn't necessarily reflect the productive kind of investments or the kinds of investments that are socially conscious and which we would all want.

MR. CROFT: There's also a responsibility of loyalty.

MR. PAPADIMITRIOU: Sure.

MR. CROFT: Loyalty is the -- I mean, you know, so you have to balance those --

MR. PAPADIMITRIOU: But this may not be included under the rubric of fiduciary responsibility.

MR. CROFT: It is included. Loyalty is included. Loyalty to the beneficiary is included. So, if you're a working person and your pension funds are going to make an investment which will have the impact of having your son or daughter laid off, then I would say that's not very loyal. I mean, I think the --

MR. PAPADIMITRIOU: No, I don't think we will disagree on that.

MR. CROFT: Yes.

MR. PAPADIMITRIOU: The question is whether it is in the regulation.

MR. CROFT: Yes, it is.

COMMISSIONER BECKER: Go ahead. Is there anything else?

COMMISSIONER LEWIS: Well, I would like to suggest that the trustees really should call the shots on the investment advisors and tell them what they do or do not want them to invest in.

MR. CROFT: Well, I agree, and that's half -- the AFL-CIO is certainly doing a lot of trustee education, but two-thirds of the pension funds are the private employer funds, and there are no trustees of those funds. Those are the private employers. So, my feeling is --

COMMISSIONER LEWIS: But the employers have investment committees. Somebody is in control as to who the investment advisors are.

MR. CROFT: But labor really does not have a voice on that.

COMMISSIONER LEWIS: Well, then that's something you need to bargain into your agreement with them.

MR. CROFT: What I'm saying is I think that one of the roles that would be helpful for public policy to play is to tell people what's going on with their investment, and if monies and mutual funds -- I didn't even mention mutual funds -- which can go to buy things like Sunbeam which basically destroyed Sunbeam, but what I'm saying is tell people, inform, consult people so they're at least informed so they can make informed choices as to how their monies are invested.

COMMISSIONER BECKER: Thank you, Tom.

I want to raise a subject that this kind of triggers when we talk about investment capital. We've tried to design -- and we had a lot of consultation with Tom in the beginning and people that have worked with this -- an investment capital fund where workers could help themselves in the event of a shutdown or even a company in very, very bad straits.

In Quebec, Canada, they have what they call a Workers' Solidarity Fund in which workers can invest on a pre-tax basis into a fund that they control under whatever banking laws exist there. They control the pool of money that would come out of this. Now, this would be similar to a 401(k) or a 457 or some kind of plan that we have here in the United States, because it's pre-tax, and you have to be a worker in order to be able to invest in this fund. And in three short years they built the largest pool of private investment capital in Canada.

Now, that's not permitted in the United States. We've raised this theory time and again. I've gone before state legislatures and talked to them about this. There's always a high degree of interest, but the banking interest in the United States is all-powerful, as we know. This is part of the reason for WTO and part of the reason for NAFTA. I mean, these are powerful entities, and they fight that. But this is something that workers believe in. It's our money, collectively; it's workers' money, and it should be for the benefit of workers.

We've had situations so blatant where the companies took investment funds -- pension funds they controlled -- and used that to bankroll a new operation in another state, a right-to-work state, and moved their operation down there, busted the union with their own money, got a whole new workforce, and started all over again and had the pension funds intact.

So, if we really want to move in a strong way -- I have two allies here, I think we need to be seeking changes in the law which permit worker investment capital to be created on the same basis as other savings like in a 401(k) or a 457.

MR. PAPADIMITRIOU: But if this is happening in Canada then under the NAFTA we would be able to implement it in the U.S.

COMMISSIONER BECKER: That might be the basis of a lawsuit from workers here; that they can do it in Canada. This is something we ought to look at maybe.

Anyway, Tom, thank you very much. It was very interesting. The next speaker is Barney Oursler.