Federal News Service

October 24, 2008 Friday

HEARING OF THE HOUSE COMMITTEE ON EDUCATION AND LABOR; SUBJECT: "BUILDING AN ECONOMIC RECOVERY PACKAGE: CREATING AND PRESERVING JOBS IN AMERICA"; CHAIRED BY: REPRESENTATIVE GEORGE MILLER (D-CA); WITNESSES: PANEL I: CHARLES E.F. MILLARD, DIRECTOR, PENSION BENEFIT GUARANTEE CORPORATION PANEL II: JARED BERNSTEIN, DIRECTOR OF THE LIVING STANDARDS PROGRAM, ECONOMIC POLICY INSTITUTE; RON BLACKWELL, CHIEF ECONOMIST, AFL-CIO; CHRISTOPHER HANSEN, PRESIDENT AND CEO, AeA; ROBERT POLLIN, PROFESSOR OF ECONOMICS AND FOUNDING CO-DIRECTOR OF THE POLITICAL ECONOMY RESEARCH INSTITUTE, UNIVERSITY OF MASSACHUSETTS AT AMHERST; DANA STEVENS, UNEMPLOYED WORKER, THOROFARE, NEW JERSEY; WILLIAM W. BEACH, DIRECTOR, CENTER FOR DATA ANALYSIS, THE HERITAGE FOUNDATION; LOCATION: 2175 RAYBURN HOUSE OFFICE BUILDING, WASHINGTON, D.C.

SECTION: PRESS CONFERENCE OR SPEECH

LENGTH: 27149 words

HEARING OF THE HOUSE COMMITTEE ON EDUCATION AND LABOR SUBJECT: "BUILDING AN ECONOMIC RECOVERY PACKAGE: CREATING AND PRESERVING JOBS IN AMERICA" CHAIRED BY: REPRESENTATIVE GEORGE MILLER (D-CA) WITNESSES: PANEL I: CHARLES E.F. MILLARD, DIRECTOR, PENSION BENEFIT GUARANTEE CORPORATION PANEL II: JARED BERNSTEIN, DIRECTOR OF THE LIVING STANDARDS PROGRAM, ECONOMIC POLICY INSTITUTE; RON BLACKWELL, CHIEF ECONOMIST, AFL-CIO; CHRISTOPHER HANSEN, PRESIDENT AND CEO, AeA; ROBERT POLLIN,

HEARING OF THE HOUSE COMMITTEE ON EDUCATION AND LABOR; SUBJECT: "BUILDING AN ECONOMIC RECOVERY PACKAGE: CREATING AND PRESERVING JOBS IN AMERICA"; CHAIRED BY: REPRESENTATIVE GEORGE MILLER (D-CA); WITNESSES: PANEL I: CHARLES E.F. MILLARD, DIRECTOR,

PROFESSOR OF ECONOMICS AND FOUNDING CO-DIRECTOR OF THE POLITICAL ECONOMY RESEARCH INSTITUTE, UNIVERSITY OF MASSACHUSETTS AT AMHERST; DANA STEVENS, UNEMPLOYED WORKER, THOROFARE, NEW JERSEY; WILLIAM W. BEACH, DIRECTOR, CENTER FOR DATA ANALYSIS, THE HERITAGE FOUNDATION LOCATION: 2175 RAYBURN HOUSE OFFICE BUILDING, WASHINGTON, D.C. TIME: 10:03 A.M. EDT DATE: FRIDAY, OCTOBER 24, 2008

REP. MILLER: Good morning. The committee -- a quorum being present, the Committee on Education and Labor will come to order. The purposes of this morning's hearing is to listen to witnesses on the issue of building an economic recovery package and creating and preserving jobs in America. And I want to thank in advance all our witnesses for your testimony and for you time and your expertise in this challenge that we have here.

The real economy is, I think apparent to everyone at this point, is in a shambles if you look at the staggering job losses, the rising unemployment, and the sharp decline in families' earnings. September, for example, saw more mass layoffs than in any other month since September 2001, after 9/11. Earlier this month, we enacted an emergency $700 billion financial rescue plan to stem the collapse of the credit markets. That was a necessary step to prevent the bottom from falling out. But we knew that it would not cure what ails our economy.

What we are seeing now in the continued decline and volatility in the financial markets is the realization that recession is setting in, that it is likely to be long, it is likely to be deep, and it is going to be global. It is urgent that we prepare now to take the next steps to rescue the economy by creating jobs, providing for immediate relief to the states and small businesses, and by making real investments in energy, technology and education.

We must have a plan that speaks directly to the needs of American families and workers today. At a forum convened by Speaker Pelosi last week, leading economists agreed that creating jobs is essential to rebuilding our real economy. Alan Blinder and other economists told us that they fear that unemployment could soon hit 8 percent or higher. And I think, Jared, you've concurred in that, and I think Alan Sinide (ph) also concurred in that determination last week in that meeting.

In testimony early this week, Fed Chairman Ben Bernanke agrees that Congress should develop an economic recovery package to help blunt rising unemployment. American families are facing a quadruple economic whammy: falling home values, shrinking retirement savings, rising basic costs, and job insecurity. The economists warn that things are likely to get worse and it's a real prospect that today's economic realities will result in a generation of Americans that are worse off than previous generations

In September, the House approved an economic recovery plan. It would have created good-paying jobs by investing in energy technology and infrastructure, in retrofitting our schools -- investments that would prevent the economy from falling deeper into recession. It would have also provided access to job training and helped working families with grocery and health care bills. It also approved an extension of unemployment benefits in October. Unfortunately, these efforts were blocked by Senate Republicans and the president in denial of the impact of their disastrous economic policies on America's families. Democrats, on the other hand, recognize that we should act now to restore confidence.

For starters, we have to deal with the growing numbers of the unemployed. Over the past year, unemployment rates have increased in 47 states. We must extend unemployment benefits for out-of-work Americans whose current benefits are set to expire, or in fact maybe have already started expiring. Next, rebuilding our crumbling roads, bridges and schools must be central to our jobs and economic policy for an economic recovery package. These investments not only provide for urgently needed repairs, but increase productivity, create good- paying jobs, and spur additional private investment. States and localities have projects ready to go but lack funding as they face declining revenues.

We will hear testimony this morning that making infrastructure investments are some of the most effective uses of the federal dollar in creating jobs in both the short-term and the long-term. Encouraging the development of the green economy must also be a core component to any jobs recovery package.

Not only will these investments create millions of good-paying jobs, but they will lead to a fundamental change in the way we produce and consume energy. Other infrastructure investments, such as the build-out of the National Broadband Network, promises similar benefits. The U.S. lags behind a dozen other industrialized countries in terms of broadband diffusion. And as a letter from my colleague Anna Eshoo from California points out, in a recent paper presented on broadband, the availability of broadband in communities added 1 percent to the employment growth and over five-tenths of a percent increase in the growth of business establishments, and five-tenths of a percent increase in the share of establishments represented by the information technology firms; that the broadband build-out would add $500 billion to the GDP and $1.2 million additional jobs in construction and use of the National Broadband Network. We know how important this is to the rural communities in our country.

There are a number of other proposals that will be considered in an economic recovery package, including job training, food stamps, heating assistance, and help to the states to cover critical costs. As we continue our efforts to create an economic recovery plan, we must make sure that these ideas provide the best help to struggling families and the best return on taxpayers' investment.

After we hear from the first panel, we will also hear from the director of the Pension Benefit Guaranty Agency Charles Millard. The Pension Guarantee Corporation provides pension protection for 44 million workers and is responsible for administering benefits of more than 1 million Americans. Director Millard will also discuss his new investment policy that his agency adopted in February of this year and whether this is a prudent approach for the unique mission of the Pension Guarantee Corporation.

The new policy dramatically shifts PBGC's investments away from fixed income securities, such as U.S. Treasuries, into equity securities and aggressive asset classes. We will examine the rationale for such a change in light of the recent market meltdown and the reported loss of at least $3 billion -- I think we'll hear later this morning that it's much more than that -- investments in recent months. We must preserve and strengthen these retirement plans. For example, we must strengthen 401(k)s, providing complete disclosure of all related fees and requiring independent providing independent management advice. And that will be the second panel that we will hear from.

And with that I'd like to recognize Ms. Woolsey or other members for any opening remarks they may have.

REPRESENTATIVE LYNN WOOLSEY (D-CA): No, thank you, Mr. Chairman. This is going to be very interesting but I want to get on with this, so I won't have opening remarks. Thank you.

REP. MILLER: Thank you.

REP. : Yes, thank you for convening this hearing Mr. Chairman, and like my colleague, Ms. Woolsey, I'll just hold off until we get to the Q&A.

REP. MILLER: Thank you. What wonderful members of Congress. (Laughter.)

Thank you. This morning in our panel we will first hear from Dana Stevens from Thorofare, New Jersey, who has worked in the Benefits Administration for the past 10 years. She was laid off by her employer in July due to corporate restructuring, and she will be discussing her experience with a deteriorating job market over the past several months. Thank you so much for joining us this morning.

Next we'll hear from Ron Blackwell, the chief economist at the AFL-CIO. Before joining the AFL-CIO, Mr. Blackwell as assistant to the president of the Amalgamated Clothing and Textile Workers and chief economist of UNITE HERE. Before that he was a faculty member and academic dean at Seminar College at the New School where he taught economics.

Jared Bernstein is the director of the Living Standards program at the Economic Policy Institute. Dr. Bernstein joined EPI in 1992 and has written extensively on issues as income inequality, mobility and trends in employment and earnings. His latest book is "Crunch: Why do I Feel so Squeezed? (And other Unsolved Economic Mysteries). Dr. Bernstein earned his Ph.D. in social welfare from Columbia University.

Chris Hansen is president and CEO of AEA, the nation's largest association representing electronics and IT industries. Before joining AEA in November of 2007, Mr. Hansen was AARP's group executive officer for state and national initiatives. Previous to his work at AARP, Mr. Hansen was a senior vice president at Boeing. Mr. Hansen holds a B.A. from the University of Denver and a Master's from the American Graduate School of International Management.

Robert Pollin is a professor of economics and founding co- director of the Political Economy Research Institute at the University of Massachusetts Amherst. Dr. Pollin's research centers on microeconomic conditions and low-wage workers, the analysis of financial markets and economics of building the clean-energy economy. He earned a B.A. from the University of Wisconsin and an M.A. and Ph.D. from the New School of Social Research.

William W. Beach is the director of the Center for Data Analysis at the Heritage Foundation. In his position Mr. Beach oversees statistical research on taxes, Social Security, trade, among other issues. Prior to joining the Heritage in 1995 he served as a litigation economist and economist for the Missouri Office of Budget and Planning. Mr. Beach is a graduate of Washburn University and holds a Master's degree from the University of Missouri and Columbia.

And with that we will start with you, Ms. Stevens. And, again, thank you so very much for joining the committee. I know that it is not easy to tell personal stories in public settings, but I think having looked at your testimony, I think your presenting a face on this problem that many, many -- unfortunately -- millions of Americans will recognize and understand that yours in the problem that we're trying to address in providing -- for strengthening the economy. So thank you.

Under the system, when you begin to speak a green light will go on. That will be for about four minutes. An orange light will go on, which suggests you might want to start wrapping up your remarks, but we want you to finish in a way that you're comfortable and also is coherent for us. So thank you again. We look forward to your testimony.

MS. STEVENS: Chairman Miller, Ranking Member McKeon, and members of the Committee, thank you for inviting me to testify at this hearing today. My name is Dana Stevens, and I am a resident of Thorofare, New Jersey in Gloucester County.

Since July 11th I have been unemployed and am struggling to find a new job and make ends meet. My story is not unique, I'm sure. I am like millions of others who are struggling in the current economy. I am grateful for the opportunity to share my story today on behalf of all the unemployed workers out there who are ready, willing and eager to work, but simply cannot find a job.

I am 31 years old, and have been working continuously since I was 21 years old. Shortly after high school, I began working full time and going to college on a part time basis, steadily pursuing my college degree in general business administration. In June of 2007, I began working for an insurance broker. I was recruited to join that employer and was hired to fill a new position of benefits administration supervisor. I loved the job and felt very comfortable and secure and settled, until last March. I was notified that my department would be outsourced in order to save $80,000 in business costs, in addition to the salaries and additional money spent on benefits for the employees. This decision was also made as part of the sale of my employer to a much larger insurance company. I was initially told to remain positive and that my employer wanted to find me another position. However, in May, I was told that July 11th would be my last day of work.

As soon as I learned that I would lose my job, I immediately began looking for a new one. I followed every avenue I could. I posted my resume on?line. I networked extensively with the clients of the employer. I applied for job openings. I even worked with professional headhunters. My husband and I also began saving every single penny that we could to be able to pay our mortgage and bills once my position had ended. We've always lived within our means and paid our bills on time, but I knew that the amount I'd receive in unemployment insurance benefits would not be enough to cover our monthly mortgage.

Since I learned I would lose my job, I have applied for over 143 positions, in addition to all of the other networking I have done. In that time, I have had interviews with only seven companies. While I have come close to getting a job, and have received compliments on what a strong candidate I am, I am still unemployed. I am looking as broadly as I can. I live in southern New Jersey so I am applying for jobs in Wilmington, Delaware, Philadelphia, Pennsylvania, and the entire region.

I am not simply looking for human resources or insurance jobs, but for anything I could do including office work and administrative jobs. Most would be a step backwards from the positions I previously held. I'm even willing to take a significant pay cut just for the sake of working, but I need a job that will pay me enough so I can keep my house and avoid becoming part of the working poor. I am even willing to do contract work that offers no benefits, just for the sake of being employed and being able to pay my bills.

I thought I had a good chance of finding a job two weeks ago when a head hunter called me about an open position within an organization. They next day I got a phone call from that headhunter stating that the corporation had decided to put the position on hold until at least February because they do not have the money to fill it right now.

Everyone is willing to accept jobs for which they are overqualified and take pay cuts, so the competition is really tough out there. Luckily my husband still has his job, but in order for us to make ends meet, he has been working overtime. He's also going to school two nights a week, for four hours each night, so he can better his employment prospects for the future. While I am lucky that he has a job and is working hard to support us, it upsets me that he is doing it alone. I am a very independent person and I feel bad that my husband has to endure the extra hours of work, plus his schoolwork and working full-time. Even though he is working overtime, we have used up almost all of our savings just to continue to pay the mortgage. We have just enough in savings to scrape by on our December payment. After that I don't know what we'll do if I can't find a job.

My husband and I are careful and responsible people. We own a home and made sure to purchase a house we could afford in order to avoid risky financing. We make educated decisions and worked hard for what we have. I've worked continuously for over ten years. Now I feel like the odds are against me because I have had to rely on unemployment. Beyond that, my self-esteem has taken a real hit. You can't help but ask yourself sometimes, what's wrong with me? Why am I not picked? At times, even when I go for an interview, I hope that employers don't see that.

Congress can help people like me in the short-term. Please extend unemployment benefits since the economy is not getting any better and jobs are continuing to disappear. You have been elected to serve the people of the United States, and we've never needed you more.

Thank you again for the opportunity to tell my story and represent all the unemployed workers throughout this country who are struggling just to survive in this current economy.

REP. MILLER: How difficult it is for you to discuss this in public amongst strangers.

Mr. Blackwell.

MR. BLACKWELL: Thank you, Chairman Miller. Unfortunately Ms. Stevens is not alone. There are currently 10 million Americans that are formally unemployed and looking for work every day and can't find it. If you added the number of Americans that are working part time when they need a full time job, or people who have been discouraged or people that are near taking employment, you would double that number.

As we meet today, we face the most complex and dangerous economic crisis that I've seen in my career. I wasn't around for the Great Depression, but this is much more serious than the 1980s, as I recall. A bursting housing bubble last year has triggered a global credit crisis and together they are now dragging the U.S. and other economies into recession and slowing growth worldwide. As a result, the American economy has been shedding jobs at an accelerating rate since the beginning of the year. The economy lost 168,000 in September alone. There has been a total of 900,000 private sector jobs lost this year so far. The unemployment rate has increased 1.2 percentage points since January and now stands at 6.1 percent. Nearly 10 million workers, as I said, are now unemployed and seeking work. Over 2 million of those have been unemployed for over 27 weeks, and hundreds of thousands of American workers are approaching the exhaustion of their unemployment benefits, even as recently extended.

Unemployment claims are now running at over 500,000 a week, which is clearly consistent with a rapidly deteriorating labor market, and this kind of deterioration has not been seen outside the context of a recession in or history. A majority of private sector economists now consider the economy as either in, or entering, a recession of uncertain depth and duration. And with job loss projected to continue for several quarters, private economists are forecasting a rise of the unemployment rate, as you mentioned, to a total of 7 to 8 -- or even above -- percent by the end of next year.

In my judgment, we are clearly in the early stages of a potentially very serious recession that will likely be as deep as anything we have experienced in a generation, last longer than most, and one which is rapidly becoming global in scope. Just how deep and protracted this recession will be depends on the timeliness of congressional action, the aggressiveness of congressional action, and whether it's properly focused on the activities that we need supported.

The current economic crisis is a conjunction three distinct elements: the housing crisis, a credit market crisis and an employment crisis. Each of these crises is serious enough in itself, but their interaction is now making for a particularly dangerous dynamic. Housing prices have already lost 20 percent of their value on average and can be expected to fall another 10-15 percent even if they do not overshoot their fundamental values. Home foreclosures are spiking. People are losing their homes. Communities are being devastated, and trillions of dollars is being drained from net worth of households. Consumers, who have been driving the economy -- debt-financed consumption spending is what's been behind the recent recovery from the last recession, but they're pulling back sharply.

It started initially on autos, of course, as you know, and houses, but it's -- in September it seems like the dam has broken and the consumer has capitulated. So it looks like the consumers are pulling back very sharply. They represent 70 percent of the spending in the economy. And with housing prices continuing to fall, and with people continuing to lose their jobs, that can only get worse.

Unfortunately, the complexity of the forces dragging us into recession makes formulating and calibrating an economic recovery plan particularly difficult. We truly are in uncharted territory in terms of economic policy.

Nevertheless, in designing and building an economic recovery plan, Congress should bear in mind three particular considerations which I think bear on the shape and the size -- appropriate size of a recovery program and that follow from the very distinctive characteristics of this last recovery and the recession that we are now in.

I detail some of these considerations in my written remarks. I don't have time to present them here. I will simply mention that we've got to focus on two things: One is the urgency of Congressional action. We have no time to waste. The labor market is deteriorating very, very rapidly and the consumer, as I said before, has capitulated and is pulling back very very sharply.

If housing prices continue to fall like the way they're falling, people continue to lose the jobs the way they're doing, then all of the effort that Congress made to stabilize our credit markets by committing this money will be lost, because even as the government pours money into these financial organizations, the net worth of the assets they control are draining out.

Secondly, is to be aggressive. I think the stimulus program that was undertaken earlier this year was more than welcome and very timely -- if poorly targeted, in my view, but it's clearly not adequate to match the kind of challenge that we have in front of us.

And finally, I need to say that it needs to be well-focused. This current crisis is the result of fundamental economic imbalances in the U.S. and global economy that have been allowed to develop over the past 30 years and we need to take action now that addresses those.

I think your suggestion that we get involved in an aggressive infrastructure spending is exactly the kind of focus that we need. These are long-term needs that we need to rebuild the competitiveness of our country -- to have broadbands in our cities, to have bridges that aren't falling in rivers, and cities that aren't drowning, and to provide the basis for this country to be able to pull its weight in the world and produce more of the value equivalent of what it consumes.

I think I'll stop there.

REP. MILLER: (Off mike.) -- (inaudible) --

MR. BERNSTEIN: Chairman Miller, ranking member McKeon, and members of the committee, I thank you for the chance to testify on this urgent topic.

As other panelists have covered the current conditions, I'll focus on two other points. First, the impact of recessions on incomes; and second, policy options intended to address the downturn and offset these negative effects.

Due to the factors Ron just talked about -- including job loss, fewer hours and slower wage growth driven by the weaker labor market, incomes usually fall in recessions. Moreover, as recoveries following the two previous downturns -- the 1991 and the 2001 recessions, were both weak, both were labeled "jobless recoveries," family income fell in the early years of these recoveries as well.

They dynamics are plotted in Figure 7 in my written testimony, which shows the trend in real average income of low- and median-income families in the first and the third income quintiles. The peak year is either 1989 or 2000 -- and the slide is up there now -- and the years that follow include the recessionary period. Both of these recessions lasted eight months, and the first few years of recovery.

Note that lower income families tend to experience greater income losses as these families' response to labor market changes is more highly elastic. This one reason why the real incomes for middle- and low-income families rose quickly in the latter '90s when very different job market conditions prevailed and the labor market was uniquely tight.

As others have noted, one prominent forecast predicts the rising unemployment through at least next year reaching 8 percent by the end of '09. Comparing this to a baseline of 4.6 percent -- in the next figure, that prevailed in 2007, I expect that the increase in unemployment will lead to losses in the average income of low-income families of 5 percent, in real terms -- about $900 in '07 dollars.

Poverty may increase from 12.5 percent to 14.3 percent. I expect the average income of the middle fifth (quintile) to fall by about $2,500. As the figure reveals, these losses continue for a few years into the recovery.

Turning to the recovery agenda, I note that public officials, both at the Congress and the Federal Reserve, have historically acted to offset recessionary conditions. Both the Fed and Treasury have been aggressively intervening in financial and credit markets and their efforts are starting to show some thawing of the freeze in these markets.

I view these as supply-side interventions. That is, by opening up frozen credit lines, these actions are intended to clear supply lines of credit, such that the borrowers and lenders will now lend at least somewhat more freely to each other. But, in the absence of stronger demand, it's less likely these supply lines will be tapped. Thus, a demand-side stimulus is warranted.

What form should it take? I recommend a one-year recovery package in the neighborhood of 1 to 2 percent of GDP -- $150 (billion) to $300 billion, targeted at infrastructure, state fiscal relief, unemployment insurance and food stamps. I do not stress direct payments to households, though these may be helpful as well. But, by emphasizing rebates, the last stimulus package overlooked other important priorities, and these channels are likely to provide a bigger bang for each stimulus buck.

A first priority should be to extend unemployment insurance benefits. Hiring freezes and layoffs have led to higher unemployment, and at this point, about a fifth of the jobless have been so for at least six months. Congress previously enacted an Emergency Unemployment Compensation program which provided up to 13 weeks of federally-funded jobless benefits beyond the 26 UI weeks provided by states.

The National Employment Law Project estimates that, beginning in October -- in early October, 800,000 jobless persons began to exhaust their benefits and will be left without employment compensation. But Congress may want to go beyond the extension in two ways: raising the benefit levels of UI compensation and extending eligibility to unemployed persons who currently need, but do not qualify for benefits.

Like unemployment insurance, food stamp expansion would also address a critical human need while generating a large multiplier effect. State fiscal relief was also left out of the last stimulus package. And, while last time Congress invested about $20 billion in state fiscal relief, it was helpful but it was enacted late in the game and was less effective.

Finally, I urge this body to strongly consider including funding for infrastructure projects in a second package. A common argument against such investment, in the context of a recovery package, is that the water won't get to the fire in time, that the implementation lag is so long that we'll be unable to inject growth quickly enough to aid the ailing economy.

However, researchers at EPI have carefully documented current infrastructure needs that could be quickly converted into productive job-producing projects. My written testimony lists many examples. I'm happy to discuss them later. Thank you.

REP. MILLER: (Off mike.) -- (inaudible) --

MR. HANSEN: Chairman Miller, members of the committee, good morning. Thank you for providing this opportunity to testify before your committee today.

The subject of this hearing is extremely important to those of us in the high-technology industry, which currently employs nearly six million people in the United States. The average wage of those U.S. workers is 87 percent higher than the average U.S. private sector wage. In other words, high-tech in the U.S. is providing the kind of good, high-paying jobs that America wants to keep.

I have three recommendations that I'd like to make about the stimulus program that we would ask that Congress consider. The first -- and, Chairman Miller, it was actually thing that you mentioned in your statement about broadband deployment and infrastructure -- advanced networks will allow increased opportunities for the creation of even more highly skilled jobs, to invent new products and improve existing ones in the vital areas of energy, health care, education, public safety and services.

These are the jobs of the future. AEA research shows -- (audio break) -- the United States now trails 15 other major countries in terms of broadband connectivity. Internet speed is the determining factor in promoting technology-based economic growth. The median download speed in Japan is 30 times faster than it is here, while Japanese pay about the same as we do for their significantly faster Internet connection.

Tele-medicine, tele-work, rural development and job creation are all predicated on having a large number of people, in disparate reaches, having access to fast, secure Internet service. We don't want to lose any more jobs or economic growth opportunities to overseas economies that have faster, more developed networks.

(Audio break) -- recommendation will be very familiar with you, Mr. Chairman, since it was included in the Democratic Innovation Agenda that was -- and it was also highlighted in President Bush's American Competitiveness Initiative, and that is that America must continue to invest in government-funded research in the physical sciences.

The goal of the America Competes Act was to honor the commitment of both political parties to double-funding for the National Science Foundation, Department of Energy's Office of Science and the National Institute of Standards and Technology. I would note that both presidential candidates support such an increase as well. Unfortunately, the funding level for these organizations has remained relatively flat for the last two years. The economy and the American people need the kinds of breakthroughs that these agencies provide in environmental technologies, alternative energy sources, and communications technologies that will enable wider use of medical health records, e-prescriptions, and remote diagnostic procedures. This recommendation, Mr. Chairman, is not just about future jobs. R & D funding is about the job pipeline now and into the future. We can't afford to see these high-end research jobs disappear.

My third recommendation for crafting a new economic recovery package is to quickly increase liquidity and stabilize the U.S. economy by temporarily reducing the effective corporate tax rate for foreign earnings repatriated back to the United States. The United States' corporate tax system discourages companies from reinvesting their foreign earnings back into the U.S. and enacting such a provision would encourage companies to bring back overseas capital at a time when our companies are facing a difficult credit crunch. This would infuse the U.S. economy with funds needed to create new jobs, spur new investments. As The Wall Street Journal pointed out on July 1st of this year, the capital infusion that resulted from the 2004 repatriation may be the reason why U.S. investment rose 9.6 percent in 2005.

When this policy was enacted in 2004, at least $360 billion was brought back into the United States, generating billions of dollars in federal tax revenues. This far exceeded the government's expectations. Instead of receiving 35 percent of nothing, since companies are now incentivized to keep their cash abroad, U.S. Treasury received 5.25 percent of billions of dollars brought back into the United States. This benefited our companies, our economy, and the U.S. Treasury, and it is precisely the type of provision that we need today.

Mr. Chairman, I congratulate you on conducting this hearing. It's very important to the future of American jobs and our economy and I'm grateful to have the opportunity to testify before you today and will look forward to answering questions as appropriate.

MR. POLLIN: Thank you, Chairman Miller, and Ranking Member McKeon. As the other panelists have already emphasized, it's imperative to take action now to combat what is quickly metastasizing into a general economic crisis off of the financial crisis -- that is, a general crisis with respect to jobs, private business investments, budgets of state and local governments. The federal government has already, of course, committed unprecedented resources to stabilizing the financial sector but we haven't done enough to advance an effective stimulus to address problems in the real economy. This must be done now and it must be done in the most efficient possible way.

Now, what do I mean by most efficient possible way? Three criteria -- number one, we must get the maximum amount of employment gain for a given amount of spending -- the biggest bang for buck; second, the targets must be such that the short-term injections also create long-term gains for the economy; and third, we have to continue the fight against global warming. I was here testifying a month ago on a hearing before the Committee on the Environment and Climate Change and one of the speakers said, well, we have to put aside these issues about the environment. Quite the contrary. I argue that addressing issues about the environment is a very effective way for also addressing the jobs crisis. In fact, part of my testimony draws on a study that I published last month called "Green Recovery" that was put out by the Center for American Progress.

Okay. The focus of the investment that I emphasize in my testimony are three -- educational services, public infrastructure including transportation infrastructure, water management, and institutional structure such as educational buildings, and three, green investments. That combination of expenditures, as I show in my testimony, is by far the most efficient way of creating jobs. If we look at Table 1 in my testimony, just to go through quickly some numbers, educational services for a million dollars of expenditures creates 23.1 jobs; public infrastructure, 17.2 jobs; green investments, 16.7 jobs.

Now, the next highest in the categories is the kind of tax cuts that you enacted in April -- 14 jobs. By contrast, oil and gas industry expenditures is going to create about four jobs. Now, why do we get these very, very large disparities in job creation? There's two factors. Number one is relative labor intensity -- when you spend a given amount of money how many jobs are created as opposed to buying supplies or buying imports. Secondly is domestic content -- the domestic content of investments in infrastructure, in education, in the green economy, are all retained within the United States. By contrast, as we know on average any dollar spent in the U.S. economy 17 cents goes out into imports. So we need to focus on things that are going to be retained within the U.S. economy.

Now, if we do a $150 billion program that is roughly the same size as the stimulus of last April, what we would see as I show in my testimony is that you'll get nearly 3 million jobs created through a combination of educational services, public infrastructure, and green investments. That is roughly double the amount of jobs for given -- same amount of dollars for expenditures to tax cuts for household consumption, military spending, and oil and gas industry.

Now, can these investments be done quickly enough? Jared spoke to that and my own testimony also addresses that. Of course, some things are more long term. But there's other things that can be done very, very quickly including reversing the cuts in educational services, including building retrofits such as this building. There are long-term benefits to public infrastructure and green investments. I discuss that at some detail in my testimony, but one of the things that we show is that the average expenditure for public investment fell in the last 30 years to 2.4 percent growth versus 3.8 percent growth from 1950 to 1980. Bringing it back to even 3.4 would generate about $40 billion of GDP per year.

Finally, how do we pay for all this? Of course, the first way we pay is through the fiscal deficit. The deficit is large. It is not unprecedented. The deficits under Reagan were still bigger. And I would also finally add that given the financial crisis now, the interest rates on Treasuries is extremely low because the risk premium on everything else is so high. Treasuries are the most desirable financial asset in the markets. Therefore, the interest that we would pay -- the U.S. government would pay -- is extremely low. Now, for example, T--bills are at 0.05 percent -- even three-year Treasury bonds, 1.9 percent. So we can borrow now for a much lower rate than we would have even one year ago. That makes pursuing a fiscal deficit much more affordable than it would be otherwise. Thank you.

MR. BEACH: Mr. Chairman, Ranking Member McKeon, and other members of the committee -- it's a pleasure to be with you this morning to testify on behalf of a dimension which has been mentioned but I think I'm going to mention it a little bit more, and that is how we can use the tax window to actually expand jobs and stimulate the economy. The main question we have before us is what should Congress do. I recommend that Congress address economic policies that really do create good-paying jobs in three interrelated areas, all of which affect near-term and long-term economic performance -- tax policy, energy policy, and long-term spending. I'm going to probably focus most on the first and the second.

Investors are driven in general by comparative rates of return when making investment decisions between various opportunities. If two businesses -- if two business opportunities are possible but one has a better rate of return than the other, then the investor will choose the superior opportunity -- the one with the higher rate of return. Suppose, though, that outside factors intervene -- a flood, a war, regulatory changes -- and this otherwise superior investment now carries more risk than the inferior one. The investor discounts the rates of return for the greater amount of risk, and if the rate of return on the first opportunity is still superior the investor chooses the same opportunity.

If, on the other hand, the risk it too great to choose the otherwise superior opportunity, the investor may take the more cautious approach of avoiding risk and placing funds in the opportunity with the otherwise lower rate of return.

So what can increase risk? Well, of course, there's many factors and if we're talking about this situation today and the markets the risk is enormous. But public policy commonly really looms very, very large. Tax increases, especially if they are on capital, increase the cost of capital and lower investment returns. When investors are uncertain about whether taxes will increase or stay the same, they still can act as though taxes have risen if they judge the risk of an increase to be nearly equal to the actual increase, and rising uncertainty can have the effect of driving down investments, making an economy that is weak even weaker, so I say.

Among the first actions that Congress can take is to -- in addressing the current slowdown and, of course, the slowdown in employment, is to pronounce definitively on the tax increases scheduled for 2009 and 2011. There are projects, new businesses, and expansions of existing businesses that would be undertaken today if Congress signaled that taxes would be lower in three years. But if you decide not to do that, at least signal the direction that you're going to go in order to reduce risk.

And then there's some other ideas that Republicans and Democrats have commonly joined hands together in the past to do -- accelerated depreciation and bonus expensing. We know from past experience that accelerating the tax depreciation of capital equipment and buildings or one-year expensing a business purchases that otherwise would be depreciated over a longer period of time is excellent in terms of jumping the economy. This is certainly the record in the last slump.

Taxes on capital gains and dividends -- we also have recent experience with reducing the tax rate on long-term capital gains and on dividend income. If Congress were to reduce the tax rates by 50 percent for the next two years, the cost of capital to businesses would fall and investment stability would be enhanced. Indeed, if Congress were to approve a temporary zero capital gains tax rate for new stock issues, troubled banks could raise more capital from the private markets as opposed to going every other day to the Treasury for a handout.

If Congress were to make the tax reductions of '01 and '03 permanent and lower the corporate profits rate from 25 -- from 35 to 25 percent -- (inaudible) -- excellent idea and I join with Mr. Hansen in corporate tax rate reduction -- I estimate the following economic effects would ensue. More jobs -- by making the 2001 and '03 tax reductions permanent and reducing the corporate profits tax rate by a thousand basis points, we estimate an average of 2.1 million more jobs would be created on average over the next 10 years. Indeed, 3.4 million jobs would be created based on the current baseline in 2018 alone. Overall economic activity would rise. These tax changes dramatically increase the level of national output. The growth rate of the economy increases a full half percentage point in 2011 and 2012 when taxes would otherwise increase. More after-tax household spending -- these tax changes dramatically improve household income partly because the economy is so much healthier and partly because the average tax burden falls. The average household would have about 5,140 additional dollars to spend after taxes. In 2018 -- the end of our forecast period -- that rises to $9,750 after inflation and after the payment of taxes.

In the last two seconds, I'd like to mention that I also, like Dr. Bernstein, have a new book. I think it's a good -- a good time to mention it here. This one goes directly to the issues that are before this committee and it was published by the Pew Charitable Trust on a grant that we had, and it is "The Indicators of Economic Mobility" -- what you can do to invest in people and in families to make sure that the next generation is better off than the current generation. Thank you very much.

REP. MILLER: Thank you very much to all of the -- all the witnesses for your testimony. Ms. Stevens, I think -- there's kind of a dual message in this for you. One, it isn't about you in a sense of your talents, your skills, and your obvious presence. You're caught up in a much larger downturn in this nation. But the bad news is you're caught up in a much larger downturn in this -- in this nation as I said at the outset. It is affecting millions of individuals like you who are going out every day, making every effort to try to connect to a new employment opportunity in field, out of field, completely new, trying to provide for household income and are finding it more difficult every day. Not easier every day -- more difficult every day because your ranks are being joined by those who've involuntarily lost their employment -- their jobs.

And I really want to thank you again for your testimony. I don't know if you want to -- if you want to comment on anything that you heard here as you're sitting here listening. I want you to feel free to -- to do so. You can raise your hand later if you hear something you want to comment on, all right? You have special status as a witness. These guys raise their hands, they get nothing. But you raise your hand, you'll -- you'll get -- you'll get -- you'll get recognized.

Well, thank you again for your -- for your testimony and I'd like to make a couple of comments and use my time. One is I don't want to -- I don't want to suggest -- and Mr. Beach has touched upon the tax policy that -- tax -- you know, tax policy is under consideration both within the leadership and certainly within the Congress. It's not the core of this committee's jurisdiction. In fact, the other committee will argue it's not at all under our jurisdiction. But that will be determined too. As many of you have commented on, we had the -- we had the rebate policy earlier in the year. That's when people thought this was a different kind of problem for the economy.

At that time, if you remember, people were still arguing it was going to be a V downturn -- down sharply, up quickly. Then it was going to be a U, and now we've got this sort of elongated L that people really now no longer want to speculate on where the end of that is. They say 2009 out of convenience but all of them then immediately tell you, but it could be longer. And what we're starting to see is your -- you have a -- you have a situation in which money is rapidly being extracted from the economy either because of the loss of wages, as Mrs. Stevens so incredibly testified to. We see the loss of investment being made. We see simply the loss of assets, the loss of equity. I think -- someone can correct me but I think the number was over the last several years up until a year ago we were pulling about $800 -- $700 to $800 billion out of home equities and most of it was being spent in real time, and that has ceased because obviously it's not available because of the credit crunch and people are too far in debt.

This morning, we look at the headlines and we see that General Motors and other -- other employers are -- are reducing their contributions to 401(k)s. They're reducing their contributions to health care. They're freezing their contributions on other benefits. That, obviously, has ramifications because people now see that their retirement funds will be less than they thought because the contributions will be less. We all love the miracle of compounded interest but it works the other way too if you don't take advantage of it. And so people really are looking out at a situation where they will have fewer resources, and clearly they're not going into the -- into the -- into the -- the market to spend them as they did in the past. They're not going to -- apparently, again, this morning's papers, they're not going to restaurants. They're not going to stores. They're -- they're -- they're -- they're not going to the movies as often. They're not doing a lot of things.

And the question is, obviously, for us as you've testified is how to do we -- how do we get to a jump start. Just if I can without belaboring this because it really isn't (this jurisdiction ?) but this question of whether you get a bigger bang for -- for -- for tax cuts. We've had some discussions of this at the leadership among economists or in this kind of public spending that you outlined. Jared or Mr. Beach, you want to just talk on what -- how you see that?

MR. BERNSTEIN: Right. I'll just give you one statistic. Bill Beach suggested accelerated depreciation as a job creation measure. There's a very good, often-cited authoritative study by the group MoodysEconomy.com which looks at the bang for buck for all of the stimulative measures that we've discussed and others as well. I think there are 12 or 13 measures and the very lowest one on that list is accelerated deprecation -- 27 cents per dollar of GDP investment. That is, invest a dollar in accelerated depreciation and GDP grows by 27 cents. Invest a dollar in unemployment insurance benefits and the bang for the buck is about $1.75. That's $1.75 for UI extensions, 27 cents for accelerated depreciation. Food stamps about $1.65. Infrastructure about $1.60. As I said, all the way down that list is accelerated depreciation. This is what I -- I think is commonly referred to as supply-side economics and it has been shown to be uniquely ineffective in terms of job creation.

MR. BEACH: Well, I'd have to dispute that. The --

REP. MILLER: I thought you would.

MR. BEACH: Absolutely. I wouldn't be earning my buck if I didn't. The -- every recession is a little different than every other recession, and that's the first thing that you as members must keep in mind very, very clearly.

You hear testimony and people use averages and they say the "typical" recession. We're not in a typical recession.

REP. MILLER: Yeah. No one's using the word "typical" at this stage.

MR. BEACH: All right. That's good, because I think that's the beginning of wisdom.

This is a recession which has started in credit markets. They always last longer if they are in credit markets. You can't address this either with exclusively tax cuts or exclusively infrastructure. You have to do humanitarian things immediately -- food stamps, unemployment insurance.

Those are the sorts of things that you have to step forward and actually produce, because people will be hurting. But don't bet the ranch on that getting you out of this recession. As important as those are, we need to stimulate two things simultaneously.

On the one hand, we have to go into credit markets, reduce the cost of capital in such a way as to augment what the Federal Reserve and the Treasury are doing. You have a job of augmenting their mission. You don't have a unique mission. You are a partner in all of this. And your, your part of this is to direct your, your members who are Ways and Means and Finance on the Senate in a positive move on the tax side. That has to be part of your picture. I think everybody on this panel has testified that rebates really didn't work the last time and you just nailed it, because we didn't --

REP. MILLER: No. In fact, rebates worked for the purpose for which they were ensued. Most people have testified that they carried us through a quarter that we wouldn't have not, would not -- we would not have gotten through without that growth.

MR. BEACH: -- about 30 cents growth, 30 cents to the dollar was, was, was spent--

REP. MILLER: No. I understand that, but I'm just saying that that was for a different purpose.

MR. BEACH: Right.

REP. MILLER: You can talk to the secretary of Treasury or the president of the United States or the leader of the House; it was for a different purpose.

MR. BEACH: But now you know that the recession that you were addressing back in the spring is not the recession that you thought you were addressing.

So it has to be a combination. And my mission here this morning is to say that the tax handles which Congress controls are powerful handles in the combination of public policy responses that must be made in order to move us into a shorter run as opposed to a longer run, but -- Dr. Pollin's holding up his hand.

REP. MILLER: Dr. Pollin, you're not going to get to talk on this point on my time, but you can talk about it later, but I wanted to ask you a question.

One of the things that we've been told -- and this includes Mr. Hansen's group -- and when we started the innovation project for the Democratic leadership that later became the COMPETES Bill that passed and was signed -- was we were told by people in the technology industry, if you want a new generation of technology, invest in energy. That just as telecommunications drove a generation of technology, Craig Barrett said at one point, this is where you would go both for the future of the country in terms of, you know, balance the payments, foreign oil dependency -- all those other issues.

Also, the issue of whether or not you would drive a new generation of technology as you try to become a more efficient energy user. And one of the interesting I'm going to ask you is you're sort of seeing a convergence here where if you do the public investment policy right in terms of green energy efficiencies, all those characteristics, you start to see a confluence of benefits beyond the simple creation of the job. You start to see policy implications for foreign oil dependency, for energy use, for climate change.

You start to see these other things kick in, in terms of that investment policy. As if you went over and invested in the broadband, you start to see not, not just simple job creation, but business creation. You start to see other opportunities that come from that. You may also see opportunities that cut down on commuting that cut down on people, you know, traveling for the purposes of conducting businesses because they have those resources.

I'm just kind of interested in that in this hearing. I'll give you, Dr. Pollin, a chance to respond and then I'm going to go to Congresswoman Woolsey and we'll start there.

MR. POLLIN: Okay. Thanks.

Yeah, there's two basic ways to invest in a green economy that will have massive short-term benefits, as well as long-term benefits. And one is, of course, energy efficiency and the other one is in renewable energy.

The investments in energy efficiency at this point seem to me to be no brainers. We are dealing with known technologies. Again, an example is retrofitting existing buildings. We can invest in retrofitting the public sector buildings starting tomorrow! There are 800,000 construction workers who have lost their jobs. We can put them back to work. We can get these projects going. They're relatively short-term projects. And you will pay for itself -- I mean, there are various -- it depends on building types -- but on average, you will see a full return on your investment within about five years. And you will create, you know, hundreds of thousands of jobs just from that alone.

Now, with respect to the renewable energy, in terms of tax credits, we do know that the renewable energy tax credits -- which you had stalled and now you have restored -- are very effective. The market is extremely responsive. We saw a doubling the last time you held back on the renewable tax credits and then increased them. You saw a doubling, for example, in investments in wind energy. So those things are there before us.

I do think that the first priority for now -- in terms of short- term, big kick into the energy area -- is energy efficiency. And you'll get the most jobs, it'll be done fast, the technologies are there. And you will fight global warming. You will increase energy independence. You will create a lever against future rises in the price of oil.

REP. MILLER: Thank you.

Congresswoman Woolsey.

REP. LYNN WOOLSEY (D-CA): Thank you, Mr. Chairman.

Just to follow up on what Dr. Pollin just said: Don't forget national security when you make that list of what energy independence will make.

Ms. Stevens, you're delightful; you're wonderful and thank you for being here!

MS. STEVENS: Thank you.

REP. WOOLSEY: All the rest of us, everybody here, needs to use Ms. Stevens right now as our example of a talented, smart, qualified individual who is out of trouble -- I mean out of work and in trouble.

Imagine, then, what happens to the entry-level worker, the basic high school graduate if the older worker, who's lost their job because, guess what? They got paid more than the middle-level worker and they were one of the first to be let go. We have trouble all over.

So my question is mainly to Mr. Pollin and Mr. Hansen. We're talking about creating jobs. We're talking about, certainly, infrastructure and 800,000 workers that are out of work, and green technology jobs, which are, I believe, the jobs for the future for the United States of America if we are wise enough and quick enough to step up to the plate and bring this technology home.

It's being created in your area, Mr. Hansen. Those are the brains. Let's not give it away to a foreign country.

Do we then, in our stimulus package, should we also include an education and training component that we will invest in? Probably many of these 800,000 construction workers -- they probably are not totally ready for the green technology changes to our buildings. I mean, they need some help. They need to learn some things.

Ms. Stevens -- use her as our example. How do we move her from the insurance industry into the green technology industry? I'm a human resources person too. She can move anyplace. She's very talented -- believe me -- but not everybody can. So we need -- so should we, in our stimulus package be including training and bringing existing workers into these new jobs?

MR. POLLIN: Well, I think that --- oh --

REP. WOOLSEY: No. Go ahead.

MR. POLLIN: Absolutely, you know, the green sector is the future of this economy. We may not have any future unless we build that green sector starting now.

At the same time, I want to emphasize that, yes, we do need training. We do need people to learn how to operate new kinds of work in buildings, in public transportation and there's a lot of research and development in renewable energy and using the Internet.

At the same time, I want to emphasize virtually all the employment that's going to get created through green investments are for people doing things not that different than what they do now. There is this notion that the green investments is something esoteric. Part of it is esoteric. There are colleagues at the University of Massachusetts, for example, that are researching new ways of using biofuels. That requires a lot of training and it may all go bust. We don't know.

But there's also a huge swath. The overwhelming majority of investments are in known technologies. There are people doing things that they are going to be doing otherwise. There are going to be roofers putting on solar panels. There are going to be machinists, there are going to be truck drivers delivering solar panels as opposed to oil pipe.

So yes, we do need the education and training component. But no, I don't want people think -- have the impression that we will be stymied, we can't get people into jobs now. We can! We can move things right now.

REP. WOOLSEY: Particularly existing infrastructure -- roads and bridges.

MR. POLLIN: Right, right.

REP. WOOLSEY: I mean, those jobs are just sitting there waiting to go.

Mr. Hansen.

MR. HANSEN: Well, I think the investment in education and training is extremely important.

First of all, we have, we have, we have companies today that are looking for employees that have technology backgrounds and they can't find them. One of that is we need to educate people so that they are able to fill those jobs and, and do it here in the United States.

We do a lot on -- we do, as an organization around the country in trying to promote stem education, trying to work with organizations all across the country on creating programs to help get students and teachers more involved in STEM education.

The other thing is that a lot of the, a lot of the research -- R&D spending that we're talking about -- with organizations like DOAE and the National Science Foundation and NIST -- that keeps a lot of technical professionals employed working on things that create job opportunities also in addition to keeping them employed. The training aspect is huge.

I'd also like to just add one other thing back on the energy R&D question, because I think, a lot of times people, don't really understand exactly all the things that come out of that kind of research and I'll give you one example out of our industry.

If you look at an iPod, a lot of what's in that iPod comes out of DOE research. You know, lithium ion batteries came directly from that kind of research. And all kinds of other things that pertain the circuitry and protection of those system. I mean, it comes out of that research.

We, we wind up spurring a lot of things that sometimes we don't have any question -- we don't have any knowledge that we're going to create when we do those things. I could give you an example, and it's not exactly what we're talking about. If you look at GPS technology that we use for a national security purpose. Nobody really knew -- even though the Air Force used to say that there'd be some commercial utilization of that technology, they had no idea how broad that would be.

REP. WOOLSEY: Well, I can use an example. I come from the telecommunications industry. In 1969 -- and it was after the moon, Kennedy's Apollo program -- that whoever knew how important an integrated circuit would be and what could happen from that point on?

MR. HANSEN: Absolutely.

REP. WOOLSEY: Thank you, Mr. Chairman.

REP. MILLER: Loebsack.

REP. DAVE LOEBSACK (D-IA): Thank you, Mr. Chairman.

It's great to be here today and to listen to the experts on the panel -- all of them. In particular, Ms. Stevens. I really do appreciate you being here and sharing your personal story.

I might just say at the outset, Rockwell Collins in my district does a lot with GPS and, in particular, the handheld GPS receivers for our warfighters in the field. And it's remarkable the improvements that they've made along those lines.

Earlier this year I introduced a bill intended to spur investment in our crumbling infrastructure. It was the Green School Improvement Act, and it focuses on helping schools repair and renovate using green technology. And then I was able to cooperate with Congressman Chandler and Congressman Dale Kildee -- and many other members of this committee -- to incorporate provisions of that bill into the 21st Century Green High-Performing Public School Facilities Act. And that bill incorporated into our stimulus package, as you probably know, that we voted on and passed here in the House right at the end of September, beginning of October. So I'm really happy, of course, to hear from folks about the importance of green technology.

And Dr. Pollin, in particular, I'd like to ask you: You've already elaborated a little bit on how quickly any investments in infrastructure could have an effect on the economy. Could you be a little more specific with respect to education investments -- and green schools, in particular?

MR. POLLIN: Well, first, the big picture. I mean, what are of the things in the green area that can be implemented immediately?

Certainly, the whole range of building retrofits is an area that is just waiting to be done tomorrow as soon as you pass your legislation. Again, we have from September '07 to September '08, we've lost 800,000 construction jobs and these types of projects can be done right away.

In the area of public transportation: We have enormous opportunities. I mean, the argument has always been, well, people don't like public transportation. They want their cars. Well, what happened when energy prices went up is that people switched to public transportation. I think we ought to invest in simply improving expanding those services.

Now, what about construction of educational buildings? Well, as Jared Bernstein mentioned and has, has documented more fully in his testimony and other work by UPI -- there are things, such as in the area of education structure that have been sitting and waiting to be implemented now. Of course, you cannot start a building from scratch and expect it to be online in a matter of months, but these things are waiting. We have documented that.

So there are things that are ready and waiting to be done. They will have a massive short-term impact. They will have almost 100 percent domestic content, which I know everyone cares about, and they will benefit the economy long term.

REP. LOEBSACK: Okay. Thank you.

Dr. Bernstein, in your testimony you outlined the importance of investment in public infrastructure. And you cite one example of investments that could help quickly spur the economy as investment in combining sewer overflow systems -- something that's not particularly sexy, obviously, out there in the world to talk about, but I'm, I'm very interested in that in no small measure, because in the second district of Iowa, we have a lot of smaller mid-sized and smaller communities that of course are facing EPA mandates and they've, they've got to spend a lot of money -- in some cases, tens of millions of dollars -- to separate the sewer systems. Ottumwa, Iowa is one place where we're looking at $160 million over the course of 20 years.

Can you talk about how you think investments in that kind of infrastructure -- really important at this time and obviously, they spur economic activity?

MR. BERNSTEIN: Yeah. Much in the spirit that Bob Pollin was talking about, in terms of activities that are ready to go in the sense that are needed, but either underfunded or simply ignored.

There are 770 communities in 33 states with a total of about 9,500 identified combined sewer overflow problems -- much like the one you just mentioned -- releasing approximately 850 billion gallons of raw or partially treated sewage annually. EPA estimates that somewhere between 25,000 and 75,000 sewer overflows occur each year. And according to the National Association of Clean Water Agencies, communities through the nation have more than $4 billion of wastewater treatment products that are ready to go to construction if funding is made available. And we outline those in greater detail in the written testimony and other documents we have.

So there is -- that's kind of the exciting part of this. And I grant you, it's -- maybe exciting is an unusual word for toxic overflow, but , the the point is: exciting in the sense that we're talking about this in the context of infrastructure in a recovery package. These are, these are projects that are ready to go, that have good jobs associated with them and that are currently constrained for resources.

REP. LOEBSACK: Right. Yeah. Thank you very much. And I do want to mention, too, obviously, in many cases in these smaller communities -- if I might just take an extra 30 seconds -- we're talking about, really, if these communities are not helped, we're talking about a huge tax bill that's going to be -- in terms of water cost, usage and how much it's going to cost individual members of the community just for their water. So I think it's all the more -- I think that's all the more reason why we have to have this kind of package at this point to help those communities in the long term as well.

And I want to thank Ms. Stevens again and wish you all the luck in the world in getting back on your feet.

Thank you.

REP. MILLER: Mr. Courtney.

REP. JOE COURTNEY (D-CT): Thank you, Mr. Chairman.

I want to thank you for holding this hearing.

Leading up to the vote on October 4th, the hype that was being presented in support of that measure -- that it was somehow the answer to our economic ailments -- obviously, in the events over the last few weeks have demonstrated, we have much more deep-seated broad based problems and this hearing, I think, is timely, giving some voice to that -- particularly from Ms. Stevens.

Again, thank you for your testimony.

Dr. Bernstein, I wanted to focus a bit on the state fiscal relief issue, which you talked about. The governor of Connecticut, where I come from, just announced a special session of the legislature in the next few weeks to talk about $300 million in spending reductions, deficit reductions. Governor Duval Patrick up the road in Massachusetts has announced $1 billion of deficit reduction.

And the feeling from most people in those states is that, really, this is just the first round of deficit reduction. That there's actually going to be harder choices being made.

You talked about, in your testimony, the impact of this trend that it would, quote, "deepen the negative cycle". And I was wondering if you could just elaborate a little bit more about how that aggravates a recession.

MR. BERNSTEIN: Yeah, thank you. That's a great question.

The states have to balance their budgets, as you well know. And so at a time of economic distress when their tax revenues are constrained by the diminished consumption that Mr. Blackwell mentioned, by lower property taxes, lower sales taxes, lower income taxes, the only way they can do so is by -- they have three, three channels One is to tap rainy day funds, and they're doing that. The other two are two raise taxes or to cut services -- meaning directly cut services to publicly provided services to their citizens, typically in the form of lower public employment. So that deepens the economic cycle that Ron and others have talked about. That's precisely the opposite kinds of interventions you'd like to see.

I'll just note on top of that that the other dimension -- there's a credit crunch out there, as we all know, and the other dimension of that is that this has significantly raised the cost of borrowing for states.

And even though they have sterling borrowing records or very rarely default, they are facing much higher interest rates on their bond issues, and this too is leading to cutbacks.

I'll give you one example from a new study by John Irons and Ethan Pollack at EPI. The Metropolitan Washington Airports Authority recently postponed plans for a $2.2 billion bond sale to expand the terminals at Dulles and Reagan

National, foregone infrastructure projects which have so far been estimated to total 100 billion (dollars), resulting in more unemployment, less demand for goods and services, and less overall economic activity. That is going on in at least 30 states at this point, those types of reductions.

REP. COURTNEY: So in 2001 after 9/11 there was an infusion to states which your testimony mentioned. Again, your comment was that in retrospect it appears that it probably got there a little too late. And I guess, you know, sitting here on October 23rd, we passed a stimulus measure on September 26th which did have an infusion to the states. Obviously we've lost a month. If this -- if this initiative doesn't move forward until after a new president is sworn in, we're talking January.

I guess you know seeing states already having to move now to adjust these problems, I guess -- I mean time is of the essence.

MR. BERNSTEIN: I believe it was -- it wasn't -- I don't think it was 2001. I think it was 2003, and that's exactly what we want to avoid; you're right. The sooner the better, particularly from the perspective of states.

REP. COURTNEY: And I guess when you mentioned the infrastructure piece as well, I mean the time frame even for some of the stuff that is right on the shelf and ready to move is 30 to 90 days, so every sort of delay that Washington experiences is just going to keep pushing back the anti-recessionary benefit of these kinds of ideas.

MR. BERNSTEIN: Right. As Ron Blackwell described there is a vicious cycle. And as employment falters, and as assets depreciate, households have less income. They consumer less. The economy faces that much more negative downward pressure.

REP. COURTNEY: I hope the administration that came in here with great urgency last September is listening. I yield back.

REP. MILLER: Thank you.

Mr. Sarbanes.

REP. JOHN SARBANES (D-MD): Thank you, Mr. Chairman, for holding the hearing.

Ms. Stevens, I just want to commend you for being as calm as you are. I've been sitting for the last few weeks in hearings in the oversight and government reform committee, where we had this parade of people come forward who are largely responsible for the situation we're in. It's bad enough to be facing the difficulty you are, but to face it feeling that it didn't have to be this way makes it just that much angrier --

MS. STEVENS: It's not easy.

REP. SARBANES: --and frustrated I'm sure. So thank you for being here.

I had a few questions related to -- well, first one, I guess Mr. Blackwell, maybe you're the best one to answer it. But talk just very briefly about the difference between a quote, good job, and one that wouldn't care -- provide as good, particularly in terms of the loss of it. In other words, does -- are there certain kinds of part-time jobs that are being lost that are important to people, obviously, to their livelihood, but aren't maybe being captured in the job loss figures in the same way as the quote good jobs or full-time jobs or whatever?

I'm just trying to get a sense of whether the job loss figures are accurately portraying the actual job loss that's occurring out there.

MR. BLACKWELL: It's a very good question. I think the -- know this gross net job losses that are reported by the Bureau of Labor Statistics, it's a pretty crude figure. It really doesn't express the kind of distress that you see in our labor markets right now for people who are working as well as for people who are looking for work.

Ms. Stevens mentioned that she was willing to take contract work with no benefits just to be employed. People take part-time jobs when they can't get full-time jobs. People are taking jobs and working -- (audio break) -- everyday with -- (audio break) -- no expectation that in the future, somewhere in the future of their life they'll be able to stop working and be able to retire, and move on to something else and still live a dignified life.

The American labor movement -- (audio break) -- in a way has some fundamental values at risk here. And this has been something that has been going on for 35 years, but it's gotten very much -- (audio break) -- more acutely painful lately. And that is, we believe if you want to work in this country you should have a job --(audio break). You shouldn't be looking for jobs; you should have a job. And the government should be the organization that has that responsibility to provide those jobs.

Secondly if you do work -- (audio break) -- your family should not live in poverty, and your family members should have -- (audio break) -- health care. And the -- and you should have some expectation at some point in your life your -- (audio break) -- life you could stop working and still live a dignified life.

And finally we believe that if you're working and you want to associate with your brothers and sisters at work and form a union and bargain collectively and help provide -- improve the quality of the jobs that you all have, you should have that freedom, which American workers today do not.

So I think what you are seeing over a very long period of time in this country, and it's a very different pattern than when I grew up, is a deterioration in the standards of work, and the disappearance of really a systematic employment policy, and a dereliction of duty on the U.S. government to pursue full employment in this country.

REP. SARBANES: We've invested in many many things, but we don't seem to have invested in the American worker I think is what you're saying. Let me ask a question of -- well, I'm going to run out of time, so I've got to decide which one I want to ask. Dr. Bernstein, you talked about $150 billion, 100-150 billion (dollars). How do you come up with that number? In other words, would 300 (billion dollars) be better to do the job? Or do you get to the point of diminishing returns in terms of this kind of a stimulus investment?

MR. BERNSTEIN: Obviously a very important question, because we don't want to spend one dollar of the recovery package inefficiently.

I can give you the background. Some of it's in my written testimony. But in my judgment the state fiscal constraints which I just discussed with -- (inaudible) -- would amount to about a $50 billion investment. The Center for Budget and Policy Priorities looked at it very closely and they agree with that number.

Infrastructure investment of the kind we've discussed in the short term I believe that system could also absorb about 50 billion (dollars). Similarly the unemployment and food stamp extensions I mentioned would also come to around that amount. That's 150 billion (dollars).

REP. SARBANES: Okay. So it's about what the system can reasonably absorb in a short period of time?

MR. BERNSTEIN: Short of -- short of direct payments to households. That 150 billion (dollars) in my thinking is the magnitude of a stimulus based on the factors I just took you through. To the extent that Congress wants to also send a check to households which I believe are an effective stimulus though less effective than the ones I've mentioned so far, and we're always focused on the first package. So to me that's at the back of the line.

But once you get past the 150 billion (dollars), I think that's where you have to go.

REP. SARBANES: Well, let me -- I'm out of time, but couldn't you expand the number if you were thinking about this direct aid to states, like was just being discussed? I mean why isn't that an expandable number? Why can't that absorb more for example?

MR. BERNSTEIN: Well, if the 50 billion (dollars) comes off the amount that states are currently -- well, not just currently, but the amount that states are looking at in terms of their budget deficit now and in the near term future, that number will likely get larger as the cycle, negative cycle deepens, as others have mentioned. So there may be more room there. My estimate is conservative.

REP. SARBANES: Thank you.

REP. MILLER: Thank you. Jared, if I might go back here, this question of what seems to be sort of an emerging consensus that we are going to be looking at something like an eight percent unemployment rate, and many people think it's higher; some people think it's a little lower. But it's well past where we are today.

And also this again people arrived at the conclusion at different times. Some people were talking about this many many months ago that we were looking at sort of an L-shaped recovery here, both the recession and recovery, that would be deep and long now. Used to be sort of deep, maybe short. And when people look at the market, they realize that's kind of what happened here. We are back to where we were in 2000. People were banking on they were going to beat the S&P. Well, the S&P got back to 2000, now we're in the tank again.

One of the things that came up in the meeting with the Speaker was that when you -- when people say, well, this is going to go out to 2009 was -- I think it was you that said, yes, but unemployment will continue to grow after you recognize either officially or otherwise you recognize the recovery with the rate -- I think one of the last downturns it went for 19 months. Can you just elaborate on that? Because it goes to the question of how you stage this. You know, tax cuts you can do, you can do rather quickly by adjusting withholding tables or what have you. You could do those things. But you also had better figure out how you are going to have some employment opportunities here if you are going to endure that kind of time you want the nation to get out of this deep recession.

MR. BERNSTEIN: Exactly. And this also has bearing on the infrastructure discussion, because if you believe that any infrastructure program that wasn't in place when the recovery began was not useful, that would be wrong based on precisely this logic, that in fact the unemployment rates did rise for 19 months after the last recession ended.

When the -- typically at least the way the National Bureau of Economic Research has been scoring -- dating recessions, when the recessions end, the economy begins to grow in terms of real GDP, but it's not growing fast enough to create the economic activity needed to absorb other people coming into the labor market, and to re-hire all the folks that got laid off during the downturn.

The forecast which I view as fairly optimistic has gross domestic product in real terms growing at 1 or 2 percent by the end of next year; that's still below trend. Trend GDP growth is in the neighborhood of 3 percent. Unemployment also lags. So if these forecasts are correct, and again I believe, and you heard at the meeting that they may be optimistic, it's extremely likely that unemployment will continue throughout 2009 and 2010. So we unfortunately have the time to implement these -- these measures. Of course the sooner, as we stress, the better.

REP. MILLER: I think that a point that Ms. Loebsack and you, you responded to a minute, it's in your testimony, but the -- there was a question, we've tried to say -- somebody says they want dirt to fly in in 60 days, or 90 days, really projects that are ready to go. When you look down the list whether submitted from the administration or from different organizations that are involved in different infrastructure projects, you really see a very substantial number of -- of projects that could comply with that edict. I mean I think it's clear that we want this to be as timely as possible. But in some cases it's not just a small project. These are projects that have cleared the permits processing and everything else is in place, except that component of federal funding.

I know in California and throughout the Southwest, and Texas, water recycling projects, there's a huge backlog of projects that are ready to go with municipalities that put up the money, the states have put up the money, in some cases private organizations have put up the money, and they are simply waiting for that component to go.

Again, we're -- you know, we're looking at projects where we start to yield benefits for the nation far beyond the building up of the project. Water recycling may be the most important economic component of California and Southwest's economy if we can both provide economic growth in the cities and maintain the farm economy which has huge export markets for this -- for this nation, an internal markets, and how we segue that because we also look like we're not only in a tough recession, we're in a very tough drought. And nobody suggests that we're halfway through it, or where we are in it, but we know that it looks persistent in that period.

So I think one of the contexts of this idea of rebuilding America if you will is that there's investments that's simply been lacking. You know we are looking at as we expand world trade we are looking at millions of new containers coming to the West Coast. Millions of new containers coming to the Gulf Coast. Millions of new containers coming to the East Coast. And yet we don't have ports or transportation routes or freight routes on rails that are compatible with that kind of economic growth that we want -- we want the nation with that kind of growth and world trade that we say we want.

So a lot of this is about sort of -- Kurt Vonnegut said, you know, clean up, company is coming. You know? We have to deal with some of these -- some of these issues in advance of laying the foundation for -- for long term economic growth it appears to me, in the testimony that I looked at, and the kinds of infrastructure projects that are now on hold that are linked directly to well-founded -- the ports of the Gulf. There is no question that we are now seeing a dramatic change -- our immediate problem is the Pacific -- a dramatic change in the trade between South America and the United States. We are much more in sequence here on how we -- on how we trade.

So I just want to raise that point, because the idea that we will recover, and then everybody will find a job, when everybody is talking about the recovery we'll continue to see this increase in employment.

Ms. Woolsey.

REP. LYNN C. WOOLSEY (D-CA): Thank you. I'd like to ask Mr. Blackwell a question. You've had an easy go of it so far. (Laughter)

I'd like to ask you what your opinion is of a $150 billion stimulus package. Is that sufficient? If not, what would you suggest and why?

MR. BLACKWELL: I think the way that the Congress approached the credit market problem is instructive here. It started out with a proposed $700 billion, and then you graduated that, access to those funds. Because we don't know how much we're going to need.

I would say that you need to think about this with the same level of ambition and the same kind of flexibility. We simply haven't been where we are today before. We do not know how much and how long we will need this. I would think an immediate consideration, it does depend on how much you can absorb over what period of time. There's an absorption problem; we don't want to waste money. But we may need government fiscal support for public investment led recovery. It is very important to this committee to think about this as a recovery program, not as a simple stimulus program in a policy constrained economic cycle. Because the Fed can't get this thing going simply by dropping interest rates, as welcome as that is. It's going to take fiscal support. It may have to be protracted. But I would start with a number closer to 300 billion (dollars) myself, and I would urge you to have the flexibility to take it longer.

This is an asset-based recession. This is not like the normal policy constrained recession. And I think it's going to take -- and we have some fundamental problems as I suggested at the start of my testimony that I think we have to get after in the long run. We don't want to spend any money that we don't have to spend to get out of it, and we certainly don't want to waste any of it.

REP. WOOLSEY: Would you recommend some of the funds being spent for training?

MR. BLACKWELL: Oh, absolutely. I mean I couldn't describe it to you, I didn't have the time, but one of the problems here is that we borrow as a nation 5 to 6 percent of our GDP every year. We are not pulling our weight in the world. We have some of the most competitive companies in the world, but our country is not competitive. And ultimately nobody believes that's sustainable. Sooner or later, unless we find some way to produce more of the value equivalent of what we consume, we will be forced to consume less, and that's not the America we want to live in.

This will require that we invest in a world class workforce to be able to attract the kind of businesses that can allow the country to pull its weight in the world. And it means we are going to have to invest in a world class infrastructure. Otherwise, we're a high wage, high standard country. We simply won't have a future in a globalized world unless we have those two ingredients. And right now we're not investing adequately in either, even if we were outside of a problem of the cycle we're in.

We need to spend more on producing the infrastructure that we need to be a successful country in the global economy, and we certainly need to invest more in the skills and abilities of our workforce.

REP. WOOLSEY: Thank you.

REP. MILLER: Thank you.

Loebsack.

REP. LOEBSACK: Thank you, Mr. Chair.

First I want to say to Mr. Beach, I suspect that there are folks on the other side of the aisle here you might have gotten a little more attention today. But I just want to say that I really appreciate your comments as well, and your contribution to the discussion today.

But I would quickly however like to move Mr. Hansen if I may, especially when it comes to what you talked about with respect to broadband connectivity. You know, Iowa's fairly rural state, everyone knows that, perhaps not as rural as some might think but you know I've been getting around my district a lot in the last two years, go back every weekend and you know certainly broadband is absolutely critical I think in the rural areas of America and not just Iowa but all over. Telemedicine for example is something and if you could address that I'd like that. But also you mentioned how important broadband connectivity is for business. And I've been hearing that a lot, especially small businesses and of course how that can create to jobs as well, both those if you will, could you address both those?

MR. HANSEN: Yeah, first of all on just the general business competitiveness, broadband connectivity, broadband speed gives you a variety of other options that really have to do with general productivity and competitiveness. You can do a lot of things in a company if you have that kind of capability, but these two questions that you're asking are really related.

You know, in a rural community, in a lot of places today, there is no broadband access at all. I mean, there's a fairly large percentage of our population that has no access to broadband. That takes away all kinds of options.

You know, telework, telework is a wonderful option that saves energy, allows people to work in the workforce with less cost, it allows you to broaden the workforce in a way that companies and all employers can access a better workforce.

In medicine if you take a look at just one area, specialists, you know there are areas of medical specialization where there aren't enough specialists to go around. We have shortages in those areas. And telemedicine allows you basically to take one specialist and deploy them in several other areas so they can basically support emergency rooms in several different communities, several different states because you have that capability. And it allows you to take what you have and deploy it in a way that you're far more efficient.

REP. LOEBSACK: Thank you and that --

REP. GEORGE MILLER (D-CA): Would the gentleman yield?

REP .LOESBACK: Yeah, please.

REP. MILLER: Just on that point my colleague Anna Eshoo wrote a letter to the speaker on this issue about this being included in a stimulus package. And she suggested it a number of different ways that you could speed this process up, either immediate expensing of it, you could provide tax incentives, there's a question of whether there could be a bonding for this purpose, broadband bonds and then advanced wireless where she would auction part of the spectrum off and that entity would make a commitment to fill out the nation 95 percent well over the next ten years. Ten years seems like a very long time to get this completed, but in any case, I'm not asking you to take a position on those but apparently there is a number of ways that different parts of the industry have talked about how this could be funded so that we could expedite this economic asset nationwide, rural communities and across the board, is that a fair representation? I'm not again, I know there's different --

MR. HANSEN: No, absolutely.

REP. MILLER: -- attitudes within the industry but --

MR. HANSEN: I'd have to say that I'm in violent agreement with everything she mentioned. I mean, I think there are wonderful ways to do it. I think there are some other things we can do. There's S-1492 the Broadband Data Improvement Act that was passed and I think quick implementation of the studies in that bill I think would be helpful. I think in the SEC's deployment of spectrum I think that flexible use of licenses so that you can get more of it that's into the hands of people that can make use of it in this industry area and broadband I think would be tremendously helpful.

So I think all of the things that you mentioned were, are good ways to go about it. I think that we could, would be happy to provide for the record some additional ways --

REP. MILLER: I think it would be helpful clearly that's going to be discussed and I think the point Loebsack again knowing the speaker, the focus on the rural communities and this potential for economic growth in services, you know into the rural communities there. So that would be very helpful from a stance if you would do that.

(cross talk)

REP. LOEBSACK: Just make one final comment. It's really critical for places like Iowa as far as telemedicine is concerned, especially places like Iowa where the Medicare reimbursement rates are so low, where it's very difficult for us obviously to keep doctors, MDs and other health professionals and then that access to those folks. It's a real problem. Telemedicine is one way that we can make some progress I think in solving that problem as well.

Thank you very much. Thanks to the whole panel.

MR. WILLIAM BEACH: Mr. Chairman, I wonder if I could just make a quick comment on that.

REP. MILLER: Yes, please.

MR. BEACH: I was with the Sprint Corporation when we built the first entire fiber optical system in the United States and from the ground up, I was with a company called United Telephone that bought U.S. Sprint. We put that company in place and among the things that we found most helpful was a competitive environment for that company to go out and merge and develop other companies and partnerships. That was crucial. Building businesses along the fiber hub was enormously important and so local communities and state governments were crucial and I must return to it, we had a much better tax environment at that time.

So, yes, Mr. Hansen's absolutely right, that can create enormous businesses and wonderful opportunities but you have to have it in the right envelope.

REP. MILLER: Thank you.

Mr. Courtney.

REP. COURTNEY: Thank you, Mr. Chairman.

Just quickly I just, I don't want to put Ms. Stevens on the spot but I was just kind of curious what your response was to Mr. Blackwell's sort of overall comment that there ought to be some parody about the level of seriousness in terms of how we address this issue using the bailout bill or the rescue plan, the $700 billion rescue plan, as sort of a benchmark. I mean, obviously the whole country watched the Congress move very quickly to address that problem. At the same time, a lot of people, you know, have economic issues like you have eloquently described and just thought, I don't know if you wanted to comment on it. If you don't, I understand but I just thought I'd give you a chance.

MS. STEVENS: One of, one of the things that actually comes to mind you know, it's wonderful and there seems like there are a lot of opportunities for the future and that's, that's great. But one of the things that I'm really thinking about here is okay, there will be new jobs but at what price? You know, will I have to take a pay cut? There is training. That's great, but to who? I don't qualify for financial aid, I would never be able to afford training right now myself and on my own. You know, I, a lot of you know me also but a lot of the unemployed are relying on credit cards right now, you know. Unemployment doesn't -- you know, I'm actually in the negative for my unemployment insurance and what that pays verses what my monthly mortgage is. So you know, yes my husband's working overtime, but where's the rest of the money coming from?

So my debt is going up, and I just want to know that there's going to be something out there for me, you know. I just, job creation is great, but I just want to know that there's help and that you know the creation of these positions would be able to find a job for me that I wouldn't have to go into you know major financial trouble just to be employed.

MR. BERNSTEIN: Mr. Courtney can I add one point to that? Replacements rates, this is the share of loss salary replaced by unemployment insurance, are typically well below 50 percent, as we just heard from Ms. Stevens, how that, how that can be so difficult in the real lives of unemployed people. As part of a stimulus package, a temporary federally funded initiative to take replacement rates up to 50 to 70 percent would be highly simulative for the macroeconomy, but more importantly provide the unemployed with a much needed boost. We have done that in the past and in my judgment has been quite successful.

REP. SARBANES: Thank you. So that's another way in which you might expand the amount that you think could be absorbed, right?

MR. BERNSTEIN: That's included in my --

REP. SARBANES: It isn't that going up to 70 percent is included in your --

MR. BERNSTEIN: Exactly.

REP. SARBANES: Okay.

I wanted to thank Mr. Hansen just for the reference to the telework because I coauthored this year the telework improvement act, which is trying to get federal agencies more into the business of doing this and kind of leading the way. Obviously, private industry has done quite a bit with that, but broadband will, you know, allow us to move forward by leaps and bounds.

MR. HANSEN: It also addresses another problem and that is the cost of healthcare.

REP. SARBANES: Right.

MR. HANSEN: Telemedicine, e-prescribing, e-health, all of these things make you know, I think that's a step in healthcare reform is making it less expensive, more efficient, better quality, and that's something that results from those kind of deployment.

REP. SARBANES: One of the themes we're kind of touching on it seems in the hearing but maybe not articulating explicitly, which I'm hearing, is, you know, we don't have to characterize this as stimulus, we don't have to characterize it as recovery; we can characterize it very fairly as investment. You know, forward funded investment. And most of the things that you're proposing are things we need to do as a nation anyway. And, you know, we may just now be borrowing against the funds that would have been outlaid a little bit further down the line, but all of these things make perfect sense to do. And I'm, and I'm certainly going to present it as I argue for this plan as an investment opportunity and all the things that make sense.

On that point, one of you in your testimony -- I can't remember which -- describes this "crowding in" concept. And you know it was said that it's a no brainer that we would commit ourselves to you know green jobs and so forth. I think you meant because it's, it just makes sense and it's a, it's a good investment. But I think it's also a no brainer, many of the things being mentioned because we're investing in things that are in fact the place the private economy's going to go, the private sector economy is going, next. So you're, you're, you're sort of paving the way or you're teeing that up as opposed to something that you might say well that's, that's kind of an old, that's an old economy and it might create some jobs in the short term through public investment but it's not really getting us closer to where the private economy's going to go. And I think that's the crowding concept if I'm not mistaken but maybe you could speak to that, Dr. --

ROBERT POLLIN: Yeah, the term crowding and the way I used it in the written testimony basically refers to public investments as we've been talking about enhancing opportunities for private investments, that's the so in other words, the fact of the public investments rather than being in competition with i.e. crowding out private investments, encourage private investments create a better climate for private investments. So the number, it's a very important number that I refer to in the written testimony and I mention very quickly look for 30 years the growth rate of public investment was 3.8 percent. That means it was faster than the average growth rate of the overall economy which, as Jared said, is about three percent. For the last 30 years it's been 2.4 percent. Why? You know again as Ron Blackwell's saying we've got to build a more competitive economy, we've got to do well by our workers, we've got to do well by our businesses. So that means we have to raise the rate of public investment.

Green public investment is part of the story, it's not all the story. But we have to raise that rate. Why would be at a rate that is, you know, a full percentage point or more below where we had been 30 years ago?

REP. SARBANES: Well --

MR. POLLIN: It's a way to enhance our business environment.

REP. SARBANES: Well that's what's so exciting about this because what we're saying is this may be our opportunity to begin modeling the kind of public investment that we should be making as a nation regardless of the particular economic situation we're in. We can -- this is our chance, we've been brought to this realization and we can begin this new process and this new approach.

MR. POLLIN: Just one other quick point on that. You know, investments in the public sector now have the future of certainty. We're in a highly uncertain business environment; that is exactly why the risk premium and financial markets for private sector borrowing is extremely high. We don't know what's going to happen no matter what the incentives are we do for business investments, those are going to be very uncertain. The public investments that occur now are certain. We -- once you legislate them, they will happen. And they will enhance productivity and create a better environment for the private sector over time.

REP. MILLER: Thank you.

I'd also say I guess from a business point of view if you were going to have to buy cement and steel and copper right now this would be a pretty good time to do it, wouldn't it? (Laughs.) There is a silver lining.

REP.: Let me thank you very much for your testimony and your expertise. Obviously this discussion, conversation is going to continue in the Congress. As you may be aware of a number of the committees have been holding hearings with respect to the recovery, with respect to the problems in the financial institutions, in the credit markets of this country. I think as my colleagues have pointed out here, we responded very rapidly with respect to the Wall Street bailout. And I think it's very clear not only to my colleagues but clearly to our constituents that as we now move among them during the election season, that they clearly believe that there's got to be a Main Street recovery plan. It's just very clear that they want a Main Street recovery plan.

And how we combine that, you know, how we integrate tax policy and public works and infrastructure and energy policy and, and broadband and innovation, is, is going to be critical for, for the success of that policy. But, but I think it's clear that it has to be done and it's going to be done by the Congress in relatively short order. Although when you look at the fallout from, from our current situation, it almost appears that nothing can be done fast enough. You know it's just amazing when you look at, at, at the wealth that has been stripped from families in terms of the loss of equities, loss of home values, the loss of -- what was it just the other day? Four point something trillion dollars in pension assets has been stripped. Now I guess if they can all hang on long enough theoretically that will come back, but some of them don't have that, that luxury.

So we're really talking about a dramatic loss in, in wealth. I don't know what the old wealth effect used to be when the market was going up and going down, but when you lose the equity in your home and you're starting to lose the value of your pensions and the value of your home is continuing to decline, I suspect there's a wealth effect and I think that's what we're seeing in the general economy and we're going to, we're going to have to change that and the federal government may be -- in fact, is the only institution that can do that. We hope to be able to do it in a prudent fashion and in an efficient fashion and in an effective fashion.

So thank you so much for all of you testimony. Ms. Stevens, again, thank you. I think you know how much the members of the committee appreciate you taking your time and we hope that your futures change and they change soon. Thank you so much.

MS. STEVENS: Thank you for having me.

REP. MILLER: Thank you.

As this panel retires, I would like to ask a unanimous consent to introduce into the record a letter from Alan Blinder, a professor of economics at Princeton University, a letter from the National Youth Employment Coalition, a letter from the National Urban League, a letter from Congressman Jay Inslee on support of the green jobs initiatives. So thank you very much.

We will now move to our second, our second panel. Is Mr. Millard -- thank you.

Bear with us as we make a transition here.

The second panel will be made up of Mr. Charles Millard who is the director of the Pension Benefit Guarantee

Corporation. Prior to joining the Pension Guarantee Corporation, Mr. Millard was the managing director of Broadway Partners, a national real estate investment and management firm and he was the managing director and group head of both Lehman Brothers and Prudential Securities. He also served as president of the New York City Economics Development Corporation and chairman of the New York City Industrial Development Agency. He holds a BA from Holy Cross and a JD from Columbia Law School and he also informs me that he spent some time working on the Hill for our former colleague Millicent Fenwick who was also a member of this committee.

Welcome to the committee, Mr. Millard. Thank you for agreeing to testify. Before we move on with your testimony, I would like you to please stand and raise your right hand so that I might swear you. Do you swear that the testimony that you're about to give, that you -- that you will tell the truth, the whole truth and nothing but the truth?

Please note, for the record, that the witness has answered in the affirmative. And, thank you.

We will proceed now, Mr. Millard, for your testimony. You proceed in the manner you're most comfortable with. Your written testimony will be made a part of the record in its entirety. And you know the light system here on the Hill -- a green light, you'll be given four minutes; and then an orange light; and then, if you can, if you can complete your testimony. But, again, we want you to make the points that you desire to make here. Thank you.

MR. MILLARD: Now it's on, right?

Chairman Miller, and committee members, I appreciate the opportunity to appear before you today to discuss the state of the Pension Benefit Guaranty Corporation and the defined benefit pension system.

Concern about retirement income security is especially important in these challenging economic times. Created by Congress under ERISA, PBGC is a wholly-owned federal corporation with a three-member board of directors -- the secretary of Labor, who is the chair, and the secretaries of Commerce and Treasury. Under the Pension Protection Act of 2006, PBGC is headed by a Senate-confirmed director, and I am proud to be the first person confirmed by the Senate for this important position.

PBGC is self-financed, receives no funds from general tax revenues, and its obligations are not backed by the full faith and credit of the U.S. government. PBGC's revolving funds receive premiums which are invested in U.S. treasuries, and PBGC's trust fund holds assets from trustee plans and recoveries from employers which can be invested in more varied holdings consistent with sound fiduciary principles.

When an underfunded plan terminates, PBGC takes over the plan as trustee and pays benefits to the full extent permitted by law. As you know, PBGC has been in a deficit position for most of its 34 years. At the end of Fiscal Year 2007, PBGC had a $14 billion deficit, with $82 billion in long-term liabilities, versus $68 billion in assets.

PBGC staff and our independent auditors are working long hours to ensure that our financial results for FY '08 will be available by the annual November deadline. We expect that the deficit will be somewhat lower for FY '08, but that it still will be in double digits -- somewhere in the range of $10 (billion) to $12 billion, and we can go into that further in the testimony.

I do want to emphasize that any numbers that I use today are unaudited, as we discussed previously with your staff, Mr. Chairman. We closed the books from September 30th until November 15th, and it's a very, very hectic time to get books of a $55 billion organization closed. So, these are all unaudited. They're obviously subject to change, but they're reasonable estimates.

Despite the current deficit, PBGC does not face an imminent financial threat. Unlike a bank, PBGC is not a demand institution. We pay monthly pension benefits, spread over the lifetimes of participants and beneficiaries, not as lump sums. At the end of FY '07, PBGC had $55 billion of investable assets. How those funds are invested is a significant factor in our ability to meet our long-term obligations to workers.

In February, our board unanimously adopted a more diversified investment policy to better enable PBGC to meet its long-term obligations. The old policy gave us only about a 19 percent chance of getting out of our deficit in the next 10 years. The new policy -- which is designed to take advantage of our long-term time horizon, will give us about a 57 percent chance of meeting that important goal.

As you recently noted, Mr. Chairman, PBGC has suffered approximately $4.1 billion decline in our portfolio for FY '08. This represents a negative 6.5 percent return on investment, compared with a 22 percent decline in the S&P. As a result of our prudent diversified approach to investments and our slow and deliberate approach to implementing the new policy, PBGC's losses are far smaller than those suffered by most other investors.

PBGC's main sources of information on under-funded plans are the annual Form 5500 and the additional information from plans required to report under ERISA Section 4010. As you know, the Form 5500 data is typically two years old when we receive it. It is difficult to make informed decisions based on such outdated information, especially given the volatile nature of the financial markets.

Section 4010 gives us more current data, but it only applies to a relatively few under-funded plans. These filings play a major role in our ability to identify potential risks to participants and the pension insurance system.

Prior to the PPA, plan sponsors were required to report if total under-funding in their plans exceeded $50 million. PPA replaced the $50 million threshold with an 80 percent funding test. Under this new standard, many long-term filers with plans that are under-funded by significantly more than $50 million will no longer have to file.

In summary, please let me say the following. I'd like to make five quick points:

Number one, PBGC's problems -- our deficit, are very long-term problems. The people who depend upon us for our pensions and their payments should not be concerned. Basically, our problem is that we take in the assets and the liabilities of plans. So, we take in 7s, but we owe 10s. We get the 7s now, we owe the 10s over time.

So, people who are watching this hearing should understand that the assets that we have will be paid out over many, many decades, and we hope that, over time, we will close the deficit. But taking in 7s now, and owing 10s later, is something people need to understand very well.

Secondly, the new involvement policy is designed to give us a better chance to close that gap over time without taking any undue risk. In fact, the standard deviation -- one measure of risk, in the new policy is even lower than the standard deviation in the old policy. The diversification of the new policy gives us a far better chance -- about a three times better chance to close the deficit over time.

The old policy was premised on the argument that some day we'll have to rely on Congress to write a multi-billion-dollar check to close our deficit. The new policy is based on the idea that we should do our best to avoid that eventuality.

Three, the new policy does not say 'let's take a bunch of very secure treasuries and dump them into a bunch of high-risk stocks.' It's very, very moderate, very sensible, very consistent with what other large investors in the marketplace would do. It's 45 percent equities, diversified; 45 percent fixed income, somewhat diversified; 5 percent real estate; and 5 percent private equity.

It's designed to be diversified enough to avoid a lot of risk, but also to give us a chance to, over time, achieve the goal, which is about a 7.5 percent annual return. Somehow the Press around us makes it sound like we're trying to shoot the moon. It's anything but.

Finally, we knew that it would take time to -- (audio interrupts) -- implement this policy when we did. So, we haven't actually made any of the equity allocations in the new policy yet, because we knew we'd have to do manager selection, and we knew we'd have to be guided by market conditions.

So, that slow and deliberate approach has been very, very strong, has borne very good results for PBGC. Over the last 12 months we're down about 6 percent in a marketplace where we estimate most pensions are down 15 percent.

And last of all, our deficit -- on an unaudited basis, has gone from approximately $14 billion to approximately $11 billion this year. That's for a variety of things we can talk about. It includes the fact that interest rates that value our liabilities have changed, and numerous other factors.

But, in fact -- it's counterintuitive to think this, but the PBGC itself is actually sounder today than it was 12 months ago. That doesn't tell us how things are going to be in the future, but our funded status is better, and we have an investment policy that will give us a chance to get out of our deficit, but we have avoided the market turmoil in the implementation of that investment policy.

I look forward to your questions.

REP. MILLER: (Off mike.) (Inaudible.)

On your last point -- that you've avoided market turmoil because of your prudence, the fact is you've been moving steadily along to adopt a new policy. You simply haven't adopted it yet because you haven't signed the contracts with the entities that would manage those funds for you. Is that correct?

MR. MILLARD: Well, no. We have not -- we've taken a few small steps so far in changing some of our --

REP. MILLER: And that was all with the wisdom of the market that you took those few short -- small steps?

MR. MILLARD: Yes, and for a variety of reasons. We knew we would have to take time -- let me give you an example, specifically. Private equity: we wouldn't -- if we could have implemented everything in February, we wouldn't have. It's not a prudent way to invest in private equity.

Private equity, you want to have multiple vintage-year diversification. So, you would expect of private equity allocations -- which, in our case, would be about $2.8 billion, to be put in place over time, over two, three, four, even five years -- that was expected the day the policy was implemented.

When the board met, we discussed making sure that we took a deliberate and careful approach to the implementation of the policy. It would have taken some time anyway to find some new managers. But, we also, even at this very moment, are being very concerned about market conditions before we take any actions.

REP. MILLER: So, the only reason you haven't invested is because you understood the downside of this current market, and you got -- you understood that in February, March, April?

MR. MILLARD: We took a deliberate approach from the start. It took some time to think of who our managers would be. And, as we found the market turmoil of late, we have been very careful about getting into a specific transition.

REP. MILLER: Okay.

I, like you -- you're familiar with the General Accountability Office discussion, their April -- excuse me, Congressional Budget Office, their April letter to me, and their discussion of the asset diversification, the risk of the PBGC's funded status?

MR. MILLARD: Yes.

REP. MILLER: How do you reconcile their concerns with your policy? This is their comments on your expected new policy.

MR. MILLARD: Yes. They said that it was likely, if I recall correctly, that we would have a better chance of closing our deficit over time, which is exactly the purpose of the new policy.

They also highlighted some risks that I don't disagree with. Every policy has risk. And, certainly, there will be up years and down years, and we're obviously right in the middle of a down year. And they highlighted that there are risks in any policy, which is true.

REP. MILLER: No, they highlighted there were particular risks with respect to PBGC, in that -- as they point out, offers a greater expected return at lower -- this is a suggestion from your, I guess your consultants -- offers a greater expected return with lower risk in assets on the PBGC's portfolio.

This (strategy ?) reduces the timing match between a corporation's future pension obligations and the (cash ?) flow streams from its investments. They're addressing that you -- very often you launched the life-boat in the middle of the, in the middle of a storm.

MR. MILLARD: I'm not sure exactly what -- obviously, I want to be helpful and direct in answering your questions --

REP. MILLER: That you may receive -- you may receive your greatest burdens, at the same time, in a down economy.

MR. MILLARD: Right. And let me respond to that in a couple of ways. It's a -- it's a pithy statement that some say, 'it's like being an insurer and taking all the premiums and investing them in Florida real estate.' Also, some people refer to it as "a Texas hedge." That's not the case in our actual experience.

Our actual experience is that 76 percent of all the liabilities that the PBGC has ever taken in come from two industries -- steel and air lines. They come because of industry consolidation and industry upheaval. That's the thing that's the most consistent theme in the actual liabilities we take in.

Not necessarily recessions: For example, Bethlehem Steel came to the PBGC in 2002 during a time of economic recovery, although the markets were down.

Delta and United Airlines came at a time when the economy was stronger and when the market -- the equity markets were rising. So the worry that people say, well, you're going to have a recession and pension plans, assets will be down at the very time you take those plans in isn't actually consistent with our experience.

REP. MILLER: You, in your statement, suggested that your loss of 6.5 percent is better than other pension plans, correct?

MR. MILLARD: Certainly it's better than some, yes.

REP. MILLER: But on the equity portion of your plan you lost 23.2 percent.

MR. MILLARD: Approximately, consistent with Standard & Poor's, yes.

REP. MILLER: Yes?

MR. MILLARD: Yes.

REP. MILLER: So the idea that your structured, one, differently than probably many pension plans because of your long-term -- under current policy of fixed income investments, but it's a little disingenuous to suggest that the equity thing is going swimmingly.

MR. MILLARD: I haven't suggested that anything is going swimmingly. Obviously this is an unbelievable time -- probably, let's hope, a one-in-a-lifetime experience for everybody involved investing in the markets today. I wouldn't say that anything has gone swimmingly and I don't mean to claim that. Our equity investments are pretty much consistent with other people's equity investments. I'm just trying to give you the facts as I know them about where we stand today.

REP. MILLER: And I guess if you want to extrapolate out the new policy in today's markets, the $.48 billion would look something more like more than $8 billion in losses.

MR. MILLARD: If the new policy had been implemented in February, our experience from February to now -- well, let me go back for a second -- it would have been impossible to implement the new policy in February anyway. As I discussed before, it takes years to layer in some of those asset classes and would have taken many months to layer in some of the others. So it's not the kind of thing that would have all happened at once anyway.

Additionally, it's far more diversified than the current equity portfolio. You're extrapolating our experience, which is mostly right now matched to the S&P with what the new experience in equities would be, which is not nearly matched to the S&P because it is intended specifically to be far more diversified. So extrapolating an S&P number isn't really a fair characterization of how the new policy would have performed. But I think it's reasonable for us to conclude that it would have performed worse over the last eight months, but it's not a policy that's designed to function over eight months. We take in sevens now; we owe tens over time. Our obligations are not measured in years; they're measured in decades, just like the lives of the Bethlehem steelworkers that we need to pay.

So we need to make sure we do our best not to ask Congress to bail us out with an asset-liability matching policy. The old policy tried to match $62 billion in assets with $76 billion -- sorry if I don't have those numbers exact, but $62 billion in assets with $78 billion in liabilities. Well, as I say to a lot of folks, if you can match 62 and 78, you're hired because the old policy locked in the old deficit and was premised on the idea that we'd come to Congress someday for a bailout.

REP. MILLER: The new policy you mentioned is more diversified, and that would be how?

MR. MILLARD: You mean specifically what are the projected asset classes? Currently we're in U.S. equities approximately 25 percent, the non-U.S. equities approximately 2 percent, emerging market equities are about one half of 1 percent, long corporate bonds approximately 40 percent, long Treasuries approximately 25 percent, other Treasuries approximately 4 percent. So total fixed income approximately 69.4 percent, cash 1.6 percent, and private equity or real estate approximately 1 percent. That's the current. The new would be 20 percent U.S. equities, 19 percent non-U.S. equities, 6 percent emerging market equities, long corporate bonds 13 percent, long Treasury bonds 19 percent, high-yield bonds 2 percent, emerging market debt 3 percent, total fixed income 42 percent, cash 3 percent, total fixed income in cash 45 percent, private equity in real estate 5 percent each.

REP. MILLER: The --

MR. MILLARD: Now, if I can just add one point there. We could pick any one of those and say, you're going to put your money in what? And the point of that is we want a diversified investment policy. We don't want to be subject to just what's the S&P doing on any given day? We don't want to be relying on how our Treasury is doing any given day. The whole point is that diversification mitigates risk and gives us a better chance to make our payments to the Bethlehem steelworkers and other people like them without having to ask Congress for a bailout.

REP. MILLER: But you do admit the higher risk component. I mean, you're chasing yield. It's very hard to chase yield without increased risk.

MR. MILLARD: I think it depends --

REP. MILLER: A lot of people con themselves into that notion, but it's very hard to do.

MR. MILLARD: Risk and reward are both on a spectrum. Yes, if you sit here in once place and you say, I want more reward, then you will probably have to take more risk to get it, but if you diversify, you can say, well, I'll take the exact same risk I'm taking; how much more reward can I get? Or you can say -- assuming that more diversification has a benefit. Or you can say, I'll take more diversification. I'm happy with the return I'm getting. Please lower my risk. Or you can say, I'm going to diversify enough to get a little bit more return and a little bit less risk. And the standard deviation, which is only one measure -- there are other measures we can talk about if you'd like -- of the new policy is actually lower than the standard deviation of the old.

But just as important is how bad things can get, and how bad things can get is actually safer -- if you can call it safer on how bad things can get, you know, extreme tail, under the new from the old. And the whole point here is time is on our side. We have decades to pay these people and we're trying to put ourselves in the best position to make those payments.

REP. MILLER: So in your equity portions -- if you can just review this again for me -- your equity portions under the current plan are divided how again?

MR. MILLARD: Twenty-four percent of our portfolio today -- 24.5 -- is in U.S. equities, 2.1 percent is in non-U.S. developed, and one- half of 1 percent is in emerging markets.

REP. MILLER: And the second one, non-U.S. developed, that's foreign equities?

MR. MILLARD: Yes, except not emerging markets. That's a different category.

REP. MILLER: Okay, and emerging markets, the third one, is equities?

MR. MILLARD: Currently 0.5 percent emerging market equities, yes.

REP. MILLER: So those are all equities?

MR. MILLARD: Yes.

REP. MILLER: Yeah, okay. Now, in the new plan, if I understand what you said, you have emerging market equities, which would be consistent with what you do now, in some percentage. You allow 2 percent for junk bonds?

MR. MILLARD: Yes.

REP. MILLER: I think there's a euphemism for junk bonds.

MR. MILLARD: We called them high-yield, but --

REP. MILLER: High-yield, yeah, right, high-yield -- until the day they don't yield.

Emerging market debt?

MR. MILLARD: Yes.

REP. MILLER: That is in what form?

MR. MILLARD: The form that our managers will buy, and that's an important point to make. PBGC doesn't say, you know, I think we'd like to have --

REP. MILLER: Well, what have you discussed in that form -- what form? Do you expect to buy Treasury notes of foreign governments, of emerging markets?

MR. MILLARD: Give me one second. (Pause.) Yeah, it could be the debt of a foreign government. It could be the debt of a company in one of those countries.

REP. MILLER: Would it be the actual debt or would it be --

MR. MILLARD: It could be.

REP. MILLER: -- would it be a securitization of that debt?

MR. MILLARD: I think the expectation is that it would be the debt itself, but it could --

REP. MILLER: Have you discussed it as a securitization?

MR. MILLARD: It could possibly be a securitization as well.

REP. MILLER: You mean -- to a great extent emerging market debt is marketed as a securitized product because otherwise some people could never get their debt to market without exorbitant costs. So we could expect that that might possibly be securitization.

MR. MILLARD: I think we could expect that it could be. We could also expect that it would be direct, but the point I want to emphasize is it's diversified. Those products --

(Cross talk.)

REP. MILLER: We agree. I'll concede the point it's diversified. I want to know what it looks like, and so in fact it can be securitized debt of foreign companies; it can be securitized debt of foreign countries.

MR. MILLARD: Yes, it could be.

REP. MILLER: And I assume it would be insured. Well, are you going to buy A-rated debt? Are you going to buy double, AAA debt? You going to buy BB debt? What are you going to buy?

MR. MILLARD: We --

(Cross talk.)

REP. MILLER: So it's of some pertinence here as to what it is because you obviously made a decision to chase yield.

MR. MILLARD: I wouldn't say we made a decision to chase yield.

REP. MILLER: Well, why else would you do it? I mean, of course you have.

MR. MILLARD: I would say -- I mean, expressing it as "chase yield" makes it sound as though --

REP. MILLER: Everybody does it.

MR. MILLARD: Right.

REP. MILLER: I mean, that's -- any investment advisor is always trying to tell you, we think we can do better on this side. You then have to decide what the risk is for the yield that you expect.

MR. MILLARD: Right.

REP. MILLER: There's all kinds of ways you can discuss it but that's the basic premise, and we see people place great bets -- institutions place great bets to chase yield. We just were looking at a number of cities and counties that made that bet in this last economy and the risk overwhelmed the bet. But that's what people do. That's risk and reward. You can attach all the terms you want. So it is important as to what are the components of the emerging market debt? It is important to know the components of the junk bonds.

MR. MILLARD: No, I'm not saying it's not important to know it. Of course it's important to know it.

REP. MILLER: Well, that's what I'm asking.

MR. MILLARD: Okay, and I believe I've answered. It can be securitized; it can be direct debt of a company, you know, the actual bond of the company; it can be the actual debt --

REP. MILLER: And I'm asking if one of the vehicles by which securitized debt became acceptable was because it was insured.

MR. MILLARD: I'm not sure I know what you mean by "insured." I mean, if we buy the debt of the government of Brazil, no, I don't --

REP. MILLER: But if you buy a securitized debt of Brazil and Zimbabwe and a lot of other people, you're not buying that instrument itself. That's one decision. The other decision is to buy a securitized tranche of debt -- this is not foreign right now to anybody -- and that would be a different decision.

MR. MILLARD: Correct, and that decision --

REP. MILLER: And that allows for that.

MR. MILLARD: And that decision is not one I would ever attempt to make myself.

REP. MILLER: I understand that.

MR. MILLARD: PBGC -- let me be very clear here -- PBGC does not pick --

REP. MILLER: I understand that. I understand that.

MR. MILLARD: -- in a Brazil -- or the bond from the company in China. We pick managers like --

REP. MILLER: The world is littered with institutions who relied on other people to make those choices for them. They all hired the smartest people in the room.

MR. MILLARD: And in fact --

REP. MILLER: I mean, that's just a casualty of the system. That's the system. You make -- you shouldn't be making those decisions. You should hire somebody who knows how to do them. But that is not an insurance policy to success.

MR. MILLARD: I didn't promise --

REP. MILLER: Okay, no, that's all. I'm just --

MR. MILLARD: And to make very clear, I'm not guaranteeing that this new policy will succeed. I will tell you that it gives us a much better chance of being out of deficit over time.

REP. MILLER: And GAO tells us that they think the risk is much higher.

MR. MILLARD: Pardon me?

REP. MILLER: And the GAO tells us they think the risk is much higher, so we have a difference of opinion. We're just trying to sort this out for the interest of our committee.

MR. MILLARD: Actually that's not what the GAO said. The GAO used a different set of assumptions that were not the GAO's assumptions; they were JP Morgan's assumptions and they said, under these assumptions you would get a different answer, which would have a higher standard deviation. GAO did not in any way conclude that that proved that the new policy was riskier.

REP. MILLER: And private real estate would be what components?

MR. MILLARD: When you say "what components" --

REP. MILLER: Well, would that be REITs, would that be actual investment in real estates? Would that be mortgages? Would that be securitized mortgages? Would that be residential properties?

MR. MILLARD: We're actually in the process of consulting with a variety of consultants right this moment to reach those conclusions, but likely -- trying to be helpful here. I mean, I can't say it's going to be A, B and C because --

REP. MILLER: I just want to know if it's allowed. I'm not asking for a conclusion; I want to know if that component --

(Cross talk.)

MR. MILLARD: If it's allowed under the board policy --

REP. MILLER: But I don't get to know what the board policy is.

(Cross talk.)

MR. MILLARD: No, the board policy, as you know -- I mean we've provided it. It's a public document. It's on our website. I mean the policy -- the investment policy statement, I mean, I can hand you a physical one right now if you like. It's a public document. And under that policy those kinds of investments would be permitted. What we're going to do in real estate, we have not reached a conclusion yet, but likely -- again, I'm trying to be as transparent as I can do without yet -- we don't know this answer. We're talking to real estate investment professionals now about what it should look like. Likely it will have some components of --

REP. MILLER: So in each of these categories --

MR. MILLARD: Can I just -- you asked me a question and I'm just trying to tell you what it's likely to hold. Real estate is likely to hold some funds of funds in large U.S. office properties, possibility some funds that invest in retail, perhaps some European office buildings with managers whose names I can't say because we don't know yet, but of the kinds of real estate investors that I think would give you as much comfort as you could have about sober, careful, not trying to shoot the moon policy of diversifying into real estate.

REP. MILLER: And venture equity. That would be --

MR. MILLARD: Well, private equity can include venture capital. It can include lots of other classes as well. Without knowing the final breakdown that we will conclude to have, I would guess that of our 5 percent in private equity, chances are 1 to 1.5 points of that will be in venture. So let's say -- just trying to be conversational here with numbers that we haven't made decisions on yet, would be something like 1.5 percent of our portfolio -- again, please don't hold me because it could change, but about 1.5 percent of our portfolio would be in venture capital.

REP. MILLER: You mean the numbers -- I don't know that these are your numbers; I'm trying to -- but just for example, the venture equity you have 5 percent. That's the upside limit. It could be 1.5, as you say.

MR. MILLARD: No, no, private equity we're permitted to have 5 percent.

REP. MILLER: Now, you have -- there's a category called venture equity.

MR. MILLARD: I don't think we've ever listed a category called venture equity.

REP. MILLER: Private equity I guess can include buyout and venture. Okay.

MR. MILLARD: Our expectation is that that 5 percent will be broken down approximately 3.5 to 4 points more large-cap and mid-cap buyout, and 1 to 1.5 points venture. So that would mean that 1 to 1.5 percent of our portfolio -- if that's where we come out -- would be invested in venture capital.

REP. MILLER: So if I can just -- trying to conclude and not to put words in your mouth, in each of these categories -- junk bonds, emerging market debt, private real estate, venture equity, and emerging market equities, excuse me -- all of those allow for a range of investments within those categories from what today would be considered very risky -- you probably wouldn't make those choices today looking at the market -- to a more staid investment within that category of emerging market equities or junk bonds or what have you.

MR. MILLARD: I'm sorry; I'm not following the question. Sorry.

REP. MILLER: Well, again, you have defended each one of these as being prudent, based upon what they allow under those categories, and all's I'm saying is you can go -- you can go from a very risk investment under emerging markets or you can go for a very prudent investment under emerging markets, but both of them are in fact allowed.

MR. MILLARD: Within the class of private -- right now --

REP. MILLER: Right. Right, right.

MR. MILLARD: The board's decision to have 5 percent in private equity was not proscriptive about how much of that should be venture and how much of that would be buyout. That's a decision that --

(Cross talk.)

REP. MILLER: Right, I understand that. And my point is that in emerging market debt it could be securitized debt, it could be the actual instrument, it could be a Treasury bond to the state of Brazil or what have you. In private real estate it could be securitized real estate or it could be actual mortgages or it could be, I guess, an investment share in a development. That's not unusual for pension plans; that's not unusual.

MR. MILLARD: It could be those things but what we're looking at, without having reached a conclusion yet, is approximately 75 to 85 percent buyout -- you know, private equity -- which would leave 1 to 1.5 percent venture. And in the real estate area, no, we're not looking at securitized mortgages; we're looking at people who buy --

REP. MILLER: I'm not suggesting that you are. I just want to know the ranges. I have an old adage in life: If you can handle the worst you can probably handle the best. And I just want to know the range of decisions that are available to this board over this long term that you're talking about because you're launching a new policy. And, you know, one of the things we see is that people lose their memories about the last downturn, the last bubble, the last uptick, the last, you know, growth pattern. Whatever it is, we kind of lose our memories over a 10-year period here. And so I just want to know what we are setting in motion -- and this is why we were trying to have these discussions with you prior to this -- what we were setting in motion here so that the Congress will understand because a lot of times we get to be surprised by the people who want to use your facility.

They don't necessarily give you a lot of warning. You can anticipate it. You've done some work in the auto parts business, you've done some work with I guess what I'd call Chrysler and General Motors, trying to anticipate --

MR. MILLARD: Yes.

REP. MILLER: -- where you would be, where the taxpayers would be, and where the retirees would be. But, again, in your business you every now and then can get a surprise. Most of the things we've learned about Wall Street in the last year have been a surprise to everybody.

MR. MILLARD: Correct, and this policy --

REP. MILLER: You know, they're not playing all their cards up here.

MR. MILLARD: And you're right that we tend to forget things. But in today's moment, we can tend to forget that over 20, 25 or 30 years a diversified policy that has equity greater than 30 percent portion of it, is a lot more likely to pay the bills over time. And the diversification can help mitigate some risk.

I mean, the whole point here is we're not investing this money to do better between February of '08 --

REP. MILLER: I understand that. I understand that. But, you also, you also, I would assume, would -- we'll, I'll come back to that. I want to let my colleagues have time. I'm sorry, I've expanded my time here, but.

REP. WOOLSEY: (Laughs.) You are the chairman, Mr. Chairman.

REP. MILLER: As fair as always. (Laughter.)

REP. WOOLSEY: And always fair -- knowing that you're the chairman.

This is so frustrating. I mean, I'm sitting here thinking, if I'm frustrated with this conversation between our chairman and the director of the PBGC, imagine what the average, every day pensioneer -- pensioner, and the companies that have pension commitments, imagine what they're thinking. I mean, they must be, you know, spinning because I certainly am.

I don't -- didn't -- so, I wanted to ask a question, and I think the chairman asked the question, but I'm going to ask it. So, maybe you can talk to me, so maybe I'll get it, and maybe the pension -- people who have commitments and expectations will get it too, because as the director of the PBGC, given the current state of this economy -- where we absolutely know that more employers are going to be unable to make good of their pension commitments to their workers, what would you do, in straightforward language, to adjust to the situation we're in right now?

I mean, and in part of your answer, could you please tell me what you meant by "outdated information," "two-year old information." Where in the -- I mean, how much of what you're deciding is based on two-year information?

MR. MILLARD: Well, we have some information about the plans throughout the United States. They have to file a thing called the Form 5500. They file it -- they are required to file it nearly a year after the information is current. And through processing, et cetera, it takes us sometimes as much as two years before we have current information. And even if we had it that very day, it's not very detailed. That's number one.

The general manner of reporting that we're -- that we are permitted, under law, to receive from corporate pension plans throughout America is not very in depth. Secondly, there's a form called the "4010 Form." The 4010 Form is required to be filed -- under the old law, it was required to be filed if your under-funding was -- if your under-funding was greater than $50 million of under- funding.

And the new says, 'if your funded status is below 80 percent funded.' Those two things are very, very different. And we've actually ended up getting fewer 4010 Forms -- which are the more current ones, than we used to, because fewer people are required to file.

Even more concerning is the fact that, if you have a billion- dollar pension plan that is 81 percent funded today, then it is not required to show me the detail that I would like; but if you have a $100 million pension plan that is 78 percent funded today, they are. So the one that presents me a $22 million potential liability for PBGC, I get all the information I want. But, the one that shows me $180 million potential liability for PBGC, I don't get the more detailed filings.

REP. WOOLSEY: So, I can assume, in my question to you 'what would you -- what would be one of the things you would change,' or, would you change that?

MR. MILLARD: Yes. In fact, we would change it for sure. We actually asked for better 4010 information in the Pension Protection Act, but did not get it.

REP. WOOLSEY: All right.

Now, what would you, what would be you response, with the current information on -- we're down 6 (percent) compared to the market of 15 percent, and we're down 23 percent in equity markets -- I mean, what would you do to change that if you could? I mean --

MR. MILLARD: What we're trying to do is implement a long-term policy, but we're trying to do it in a deliberate and careful way.

REP. WOOLSEY: Well, what would your do?

MR. MILLARD: This is what we are doing. We are looking at marketplace. We are talking to transition managers. We're evaluating their best judgment about how we should implement a multi-decade policy at a time of market turmoil. And --

REP. WOOLSEY: So, okay, you're ready for this market turmoil? I mean, are we going to wait, long-term, to be ready?

MR. MILLARD: Well, how ready PBGC is, is probably best measured -- if you want a snapshot, and I'm very reluctant to offer snapshots because we all know that they change, right -- we use a certain interest rate to value our liabilities. That interest rate went up this year. That means the value of our liabilities went down. I don't find that all that comforting because when interest rates go down, the value of those liabilities will go up.

But, PBGC will have to pay a U.S. Air stewardess or flight attendant a certain amount of money 27 years from now. Whatever that money is -- let's call it $1,000 a month, that's not going to change. If interest rates drop, and the value of our liabilities goes up tomorrow; or if interest rates go up more, and the value of our liabilities goes down tomorrow, we still owe that flight attendant $1,000 a month 27 years from now.

So, we're trying to keep our eye on a different North Star, which is not focused on the funded status snapshot of any given month, or three-month, or even couple-of-year period. We're focused on trying to make sure that we can pay those bills without turning to Congress to bail-out the deficit.

So, that's why we're in the process of focusing on this policy. But, if you ask, how is PBGC -- because that's really, I think, part of your question -- if you want the snapshot answer: In fact, our deficit will have dropped from approximately $14 billion to approximately $11 billion over the last fiscal year, partly because the value of our liabilities has gone down; other factors in the mortality tables that help us calculate the liabilities, et cetera.

REP. WOOLSEY: Okay, thank you, Mr. Chairman.

REP. COURTNEY: Thank you, Mr. Chairman.

You know, listening to you, sort of, frame the new policy with language like "the long-term," and the "long view," I mean, given the moment that we're in right now -- I mean, it sort of reminds you of another observation by an economist during the Depression that said, "in the long-run, we're all dead."

I mean, at some point we do have to focus on what's right in front of us right now. And we just had a whole table full of economists testify before you, Right and Left, who all had pretty grim prognosis about where we are, in terms of not just '08, but '09, and possibly in 2010.

And, I mean, the staff here has provided us with information about the losses that other pension plans have taken just in the month of September of 2008, and it suggests that your, sort of, reassuring words that in past recessions there wasn't a run on the plan because, you know -- that we shouldn't use recessions as necessarily a warning or a precondition that there's going to be a strain on the plan.

I mean, what I heard earlier this morning was something a little bit deeper and more deeply rooted, in terms of what we're up against right now. So, I guess the question I have is this: Okay, you've made this change in policy to invest in a broader range of instruments -- you know, again, the reports we have is that you lost $3 billion in equity investments. I mean, if we hadn't done that, I mean, wouldn't we be in a better position today -- I'm not talking about the long- term, but today -- to deal with the challenge we face today?

MR. MILLARD: No. The investment performance for Fiscal Year 2008 -- which concluded September 30th , and these are, again, I want to emphasize, unaudited numbers -- is based principally on the prior policy. We've made very small changes, so far, in transitioning into the new policy, because -- as we went into manager selection, and as we talked to transition managers, and we saw what was happening in the fixed-income markets, we saw things the liquidity crisis, et cetera -- it made sense to not only have a long-term strategy -- we're not market timers, we're not trying to be a market timer -- have a long- term strategy that's designed to pay our bills over time without having to turn to Congress for a multi-billion-dollar bail-out, and at the same time, as we transition to do so, in a deliberate and measured way.

REP. COURTNEY: So then, your testimony is then that this loss was not the result of any new policy?

MR. MILLARD: Correct. The decline in our portfolio is a -- the portfolio was approximately 70 percent equities in September a year ago. And it is -- other than the fact that equities have dropped, we have not changed our allocation yet. We have interviewed managers; we have prepared to make transition, but we haven't moved anything yet. We'll do so very, very deliberately.

Obviously, I can't say, specifically, too much, like 'tomorrow we're going to sell' -- and nothing's happening tomorrow (laughs) -- 'x-amount of fixed income.' We would not want to say that to the world at large.

Oh, did I say it wrong? Sorry, I think I had mixed the 70 and the 30. It was 70 percent fixed income last September, and it has stayed approximately 70 percent fixed income other than the fact that equities have gone down. We did not make the shift yet, even though we have prepared ourselves to do so.

REP. COURTNEY: Okay, I guess the other question I would just like to follow up on was that, again, your comment that past recessions have not necessarily been a -- you know, triggered a run on the plans, necessarily. Given -- I assume you were here for at least a portion of the other testimony -- just your own, you know, analysis of where we're headed over the next 18 months, 24 months?

I mean, do you have any concern that this is going to be a little -- that that, sort of, you know, feeling that recessions don't necessarily cause a problem -- it may be different this time, given the fact that pension plans are taking a huge hit out there?

MR. MILLARD: I was only trying to answer the question about our policy and its relationship to recessions. I'm very concerned about the future. I certainly am not an economist and I wouldn't want to try to predict it.

But, like any well-informed American, I look at what's going on in the economy and I'm very concerned. And I'm concerned about the funded status of the plans that we ensure. I'm concerned about making sure that promises made by these corporations are promises that they can keep.

I'm concerned about making sure that companies do fully fund their plans so that we don't end up with more things like U.S. Air and Bethlehem Steel who we thought were fully funded and we found out that they weren't.

Yes, I'm concerned.

REP. MILLER: Mr. Sarbanes.

REP. SARBANES: Thank you, Mr. Chairman.

What is the, what's the benefit that you -- if I'm a worker, and a retiree, and the pension plan that my company's supposed to be standing behind, they can no longer stand behind -- so, now I'm relying on the PBGC, correct?

MR. MILLARD: Yes.

REP. SARBANES: So, what is the level of benefit I'm getting, in relationship -- when I'm, when the PBGC steps in, in relationship to the original bargained benefits that I would get -- what's the relationship? What's the -- I'm not getting the full benefit, correct?

MR. MILLARD: We have a guaranteed limit. The most that we pay right now is $51,000 a year. If your pension is to pay you $45,000 a year, then you get that full amount from PBGC. And about 85 percent of the people that we pay actually do receive the full pension that they were promised.

REP. SARBANES: And what does "pension" include? Does it include health care benefits that were going to be part of that?

MR. MILLARD: No.

REP. SARBANES: No. But, that was part of the original bargain that the -- in other words, when a plan says it's fully funded, and it's still under the control of the private employer, is the dollar figure that they're look at one that is including the defined pension benefit, plus, for example, health care benefits that were part of that equation, or not?

MR. MILLARD: No. The pension plan does not include health care benefits. But, to your point, in our view companies should not be making promises that they cannot keep. And while I don't have a role in the health care you're getting at, it's the same point, right? -- companies should not make promises they can't keep. And PBGC is on the hook for the pensions, but, no, we are not on the hook for health care.

REP. SARBANES: So, a company may be making a promise that includes a promise for the, quote "pension," and a promise with respect to the kind of health care coverage or benefits you might have as a retiree. But, the part of the promise that you back up, at the cap level of $51,000, is just the part the has to do with that pension benefit?

MR. MILLARD: Right.

REP. SARBANES: So, with respect to the other piece, they're out of luck?

MR. MILLARD: Well, that's not what PBGC does --

REP. SARBANES: No, I understand. I understand that that's not what you do. I'm just -- I'm in constant quest of whether we actually have a real pension system in this country -- (laughs with irony) -- and I keep finding evidence that we don't.

What's the best kind of scenario under which a company ends up coming to you to back them up? And what's the worst kind of scenario from your standpoint?

MR. MILLARD: Well, if a company is in distress, sometimes there are things that we can do to try to avoid having the PBGC take over the plan. And that's, in a sense -- I mean, I don't want to say it's a good situation, but --

REP. SARBANES: Right.

MR. MILLARD: -- (to answer ?) your question, it's the better kind of situation.

So, for example, right now Delphi is in bankruptcy, but they have kept their plans. And frequently, by the way, partly through the negotiations of PBGC, a company can be in bankruptcy but we try to fight to have them exit bankruptcy with their plan still intact.

So, that's one of the most important things that we can do is to have a seat at the table to negotiate keeping that plan intact, so that the people who might not get their full benefit -- in other words, the people whose pensions would be above $51,000 still can get the amount above; and, of course, secondly, so that PBGC is not on the hook for the under-funded status.

So, in Delphi case, we negotiated very, very hard between Delphi and General Motors to get General Motors to take over part of the Delphi plan. We were successful in that. In our success in that, we reduced our exposure to Delphi by about a billion dollars this year through --

REP. SARBANES: Okay, well, let's take that example, because if General Motors is the reason -- if the fact that General Motors has now stepped in to assist or backstop the Delphi pension obligation is viewed by you as a positive, then what --

MR. MILLARD: It was.

REP. SARBANES: -- then what do you say about the fact that General Motors is now --

MR. MILLARD: Well, that almost gets you --

REP. SARBANES: -- in serious condition?

MR. MILLARD: -- to part of your question.

General Motors' pension plan -- some of the information I have is confidential, but I would just say it is reasonably well-funded. So, obviously the company's having tremendous difficulty. So, you know, I can't predict whether General Motors will file for bankruptcy ever, or never -- obviously, I hope it's never, but their pension plan, and the security of those workers involved, is better today than it --

REP. SARBANES: I don't understand a lot about this, but if General Motors' pension plan is reasonably well-funded, are those funds, sort of, escrowed, segregated, somehow protected against being invaded by the other fortunes of the company or is it sort of well- funded today but tomorrow it may not be well-funded or protected?

MR. MILLARD: Those are segregated funds. You put $100 in the pension plan and you're not able to take it out because business is going badly.

REP. SARBANES: Right.

MR. MILLARD: You may have to put more in if the assets go down. You may have to put less in if those assets go up, but it's not -- so in other words, if -- and I hate to use this example, but if General Motors were in bankruptcy, chances are PBGC would say, whatever entity exist bankruptcy should keep this plan intact because if it's well- funded, then keeping that plan alive is not going to be so difficult for that company that's exiting bankruptcy. And that's what we do all the time. Dana and Dura are two auto parts companies in the last year or so that we did this successfully. We've had a run of about 13 auto parts companies that have been in bankruptcy and that we've helped negotiate to make sure those plans stay intact upon exit from bankruptcy, but they can't just use the PBGC and the bankruptcy process to shed those obligations.

REP. SARBANES: Can I ask one more question? What's the average -- what's the average percentage status of being funded that the plans that end up coming to you are at, if you understand my question.

MR. MILLARD: Around 70 percent. You know, it can change from year to year. But what I said in the beginning, we inherit sevens but we owe tens, as a rule of thumb it's around 70 percent.

REP. SARBANES: And has there been any trending on that or not? In other words --

MR. MILLARD: Sorry, I misspoke. When they come to us it's in the 50 to 60 percent range. We're about 70 percent funded. And, no, there hasn't been much change in the level of funding of plans that come to us.

REP. SARBANES: Are you expecting, are you projecting, are you modeling that you're going to start getting more funds coming to you that are at a lower percentage of the funded status?

MR. MILLARD: Well, as I said before, it's more about industries than it is about the specific funded status of companies. If I can give you an example, health care is an industry that we're concerned about, small hospitals in particular. So we are actually dealing with a lot of health care agencies and states and small hospitals to help them understand better their own pension obligations. It would be -- I know hospitals are at very thin margins. They're not-for-profits, they don't have as much money to put into their pension plans, you know, and the nurses and the janitors who work there are depending on those hospitals. So we're looking across the country at hospitals to try to help them solve some of their problems, not because of a measurement of how well funded are they, but more because of a question of how's that industry doing; how are those hospitals in general doing?

REP. SARBANES: Okay, thank you.

REP. MILLER: Thank you very much. I want to thank you for coming this morning and testifying. We had a spat, I know, about your testimony and documents, and some of the questions about documents remain and I will pursue those. I do have to say I appreciate your explanations but I'm not sure that I'm satisfied. And maybe it is witnessing the trauma in the community I represent and across the country, of this particular economic downturn and the breadth of it. And I would say that diversification is not a defense in this downturn, unless of course you're into Treasuries or something and there the defense was simply to hold on to your own. People paying the Treasury think their money is a great defense.

And so I worry that we not quote this policy. It may be legitimate; I disagree with it at the moment. I'm not persuaded at this point. Those phrases have a different meaning today and we have to recognize them in what may be a different market for a considerable period of time. And the concern is that losses that are unrealized become realized because of the demands of that market at the same time. I think that's what some of the critics of this plan have said. You've refuted that with your sense of history of how plans come to you or participants come to you. But I think it's incumbent on this committee to tease those efforts out.

I mean, most people were quite stunned to see a $4 billion loss in this market in the PBGC. Those who are aware of your function realize you're sort of the last-stop pension plan for America's workers, and the level of trust, security that they imagine or assume -- probably more to assume is there is very, very high, and I think that those expectations have got to be met. And I think -- I appreciate that you want to characterize your losses at 6 percent, but in the part that is controversial here in terms of an investment policy, the losses are 23 percent. So you don't necessarily stand out differently than many other -- what other state pension plans or public pension plans or others -- everybody's having a tough time right now, and I think it raises questions about that investment policy.

It may be that you go forward and PBGC works out for them, or it's modified further. I hope there's some ongoing assessment based upon this market. But, again, you know, the previous panel and many of the economists commenting on the market in other meetings we've had suggested that to -- you know, for individuals or for pension plans or for companies to recover those holdings could be considerable. I appreciate -- there's a lot of people running around today saying, this is the bottom, this is the bottom; buy everything; buy, buy, buy, buy, and other people are saying, no. And as we found out, you know, prior to this crash we were only back to where we were in 2000. So we went sideways. I mean, we took a long time to get there and essentially we ended up sideways where people were in 2000.

I find it interesting that just a few weeks before nationally recognizing the extent of the financial problems, the hottest words in foreign debt were "bricks." Now a lot of people don't know whether the bricks are going to survive, whether Russia, India and China are going to survive, their economies, in their current forms. One of them considering going back to the IMF; others are deciding whether or not they want to consider sort of thug capitalism or not. But those were the havens a few weeks ago, and today they're gone in the sense of presenting the kind of opportunity that people envisioned they would.

So the trajectory around here is rather rapid, and I think that's why I've tried to insist upon a full airing of this policy. I don't think we as a Congress, you know, can empower the GAO and the CBO and they say, well, that doesn't count. So we'll have them back and we'll sort of figure this out and people will make their decisions. But how long it takes and how long you have to carry this loss that doesn't reflect October and what that means down the road is going to be very important to Americans -- working people. A lot of people think that they're in a far more precarious position than they've ever witnessed in their adult life, and I think that that means it's incumbent upon the government to be prudent about what we're doing in that context. I'm not suggesting you aren't.

You have a game plan and you've defended it. I am not sold at this point but you're certainly entitled to your defense. But Wall Street in this country is littered with people who had game plans designed by the brightest people in the room, and some of them are on their way to jail and some of them are on their way to wherever they go next. But those old touchstones don't necessarily hold for the American public when they're thinking about their money, and most of all of this was done with other people's money. You know, this was other people's money that was put into the securitization -- put into the deficit swaps. This was all other people's money. I appreciate the fees and the commissions that have been exorbitant, but it was only enabled by other people's money and a hell of lot of it was people's pensions that they were relying on where they've seen about $4 trillion stripped out of those assets in all the various pensions and 401(k) plans that we have.

So it was my intent, with the consent of my members, that we're going to continue this discussion about this decision by PBGC because I think in fact both the Congress and the country are entitled to have this laid out on the table to its fullest extent. So I want to thank you very much for your defense of this, but we will continue to do this, and I will leave the record open for that purpose, both for members and for members of the public. Thank you.

With that, the committee will stand adjourned. I thank my colleagues for coming to participate in these hearings. I know it's a difficult time of year in terms of scheduling, but we all know that we have an awful lot of work to do in the next few weeks and months. Thank you. The committee is adjourned.

LOAD-DATE: October 25, 2008

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Transcript