

**Testimony of Rep. Charles F. Bass before the Joint Economic
Committee on June 22, 2011**

Good morning. Thank you for the opportunity to testify before the Committee today. New Hampshire is an excellent example of a state with a diverse economy and manufacturing sector. We have low unemployment, a high-skilled workforce, and a lower tax rate than most states that contributes to the success of our state's economy. I hope that this New Hampshire perspective, as well as my prior experience in the business world, in which I helped to expand several small businesses in New Hampshire including a company that manufactures architectural products, will be useful.

In New Hampshire, manufacturing makes an important contribution to our state's economy. Whether it is BAE Systems manufacturing advanced products that protect our troops, GT Solar manufacturing photovoltaic systems, Smiths Medical manufacturing medical devices for the hospital, emergency, home and specialist environments, Hitchiner manufacturing complete-to-print, high-volume, complex thin-wall investment castings, or Timken manufacturing anti-friction bearings, these activities are critical to our state's economy and employment.

New Hampshire manufacturers account for over 11 percent of the total output of the state and employ 10.5 percent of the workforce, approximately 31,200 jobs. Furthermore, manufacturing compensation is 67 percent higher than the average annual compensation of other nonfarm jobs in the state. In 2009, total output for manufacturing was \$6.6 billion, with the computer and electronic sector leading with \$1.9 billion.

As in New Hampshire, U.S. manufacturing still remains a success story today. While we need to continue to ensure its global competitiveness, it is not in need of micromanagement from government. We have the most productive manufacturing labor force in the world. Even though manufacturing as a percent of gross domestic product has been steadily falling and payroll employment as a share of total U.S. employment has been declining over the past 60 years, labor productivity has grown to historic highs.

By comparison to other countries, such as China, our closest contender, the productivity of Chinese manufacturing workers is only 12 percent of its American counterpart—meaning that 11 to 12 million U.S. manufacturing workers produce nearly the same amount of product as 100 million Chinese workers, according to the Manufacturers Alliance.

While there has been much legitimate concern about the outsourcing of jobs, the counterbalance of in-sourcing enables foreign direct investments to create wealth, employment and exports for the United States. In fact, according to the National Association of Manufacturers, one in 12 U.S. manufacturing jobs is currently employed by a foreign-owned business and, according to the office of the United States Trade Representative, nearly one-quarter (23.3 percent) of all manufacturing workers in New Hampshire depend on exports for their jobs.

The manufacturing changes we have witnessed over the past several decades have resulted not from an unfair playing field with our trading partners, but from the massive transformation resulting from innovation and technological advancement. This trend in the United States is parallel to the changes we've seen in the global manufacturing industry as well when measured as a percent of global gross domestic product.

The United States is manufacturing more sophisticated goods with hundreds of parts that come from dozens of countries throughout the world. Manufacturing more technologically-advanced and innovative goods requires more highly-skilled labor, and according to the Heritage Foundation, there has been a 44 percent increase in the number of

workers employed in the U.S. manufacturing sector with an advanced degree.

However, I'm deeply concerned about the current regulatory burden on U.S. businesses, and considering that manufacturing comprises 57 percent of total U.S. exports, this puts us at a serious disadvantage to competition abroad. According to the National Association of Manufacturers, costs resulting from high corporate taxes, increasing health care and pension costs, federal regulations, and tort litigation have resulted in overall cost increases for U.S. manufacturers of nearly 18 percent over major trading partners.

On the other side of the equation, regulatory costs that taxpayers pay are increasing too. According to a study out of the Washington University's Weidenbaum Center, the federal regulatory budget is expected to grow 4.3 percent this year and 3 percent next year.

As our economy continues to recover from this recession, we must give businesses, including manufacturing, a chance to grow and create jobs without burdensome interference from the federal government. Our guiding principle should be a government that spends less on the pathway to sound economic policy, not just for one sector, but for the economy as a whole.

As of 2010, manufacturing contributed to 95 percent of New Hampshire's exports, and from 2003-2010, manufactured goods exports increased 135 percent, which was above the national average of a 70 percent increase. Small businesses, the economic engine of our state, comprise 88 percent of New Hampshire's exporters as of 2009, and account for 42 percent of total state exports.

The majority of people in New Hampshire and across the nation are employed by small businesses, but the excessive government regulations and fees on small businesses discourage expansion and job growth. A study from the Committee on Oversight and Government Reform found that small manufacturers bear a massive regulatory burden of \$26,316 per employee, more than double the burden on large manufacturers.

Yet this is only a fraction of the cost that all small businesses in the private sector pay when it comes to regulatory burden. When considering small businesses at large, the total cost hits \$1.75 trillion, according to the Small Business Administration's most recent estimate, 36 percent more than what large businesses pay. That exceeds the gross domestic product of Canada, is three times New Hampshire's gross state product, and rivals California's gross state product, the largest state economy in the United States.

What is good for the manufacturing industry is good for all businesses in the U.S.. Our trading partners are not gaining ground on U.S. manufacturing because our manufacturing sector is declining; they are gaining ground because our current economic policies are failing U.S. manufacturers and businesses in the U.S.

We cannot use targeted and excessive regulations and policies that actively engage in picking winners and losers in the economy in order to compete globally. If we wish to continue to attract and retain innovative and successful companies, we need to reform many of the federal policies that are hampering U.S. companies.

Thank you and I look forward to your questions.