

Opening Statement
Senator John F. Kerry, Chairman
SFRC Hearing on
“Navigating a Turbulent Global Economy”
March 3, 2011

I’m very pleased to welcome Secretary Geithner here today. We are all aware that the economic challenges that America faces today increasingly blur the line between domestic and foreign affairs. Our economists must think like diplomats, and our diplomats must prioritize economics because our national security depends on it. So it is a pleasure to have a public servant here who has been thinking in that kind of interdisciplinary fashion for many years. Thank you for coming to testify, Mr. Secretary.

Two years ago, the world faced a financial crisis of unprecedented magnitude and scope. Fortunately, governments around the globe came together to devise a response. They bolstered the IMF to provide support for faltering countries, they coordinated economic stimulus, and they harmonized central bank measures to restore stability in the global banking system.

I should also mention, especially in light of Treasury’s budget request, that the multilateral development banks, at the urging of the G20, played a crucial role in driving this recovery by providing a safety net across the developing world.

Thanks to this rapid and effective coordination, we avoided collapse, and today we are seeing a return to growth in many parts of the world.

But substantial and serious risks remain. Some speculate that we might be headed for a double-dip recession. Instability in European banks and government finances could reverberate throughout the globe. The revolutions sweeping the Middle East could challenge the economic growth we desperately need by dramatically increasing oil prices.

These are foreign policy problems as much as they are economic problems. And, going forward, we will have to juggle our economic priorities with other national security interests. For example, we must continue to press hard for adjustment in the valuation of the Chinese yuan and for a fair and level playing field for our companies, even as we seek out areas of mutual cooperation on issues like climate change and nonproliferation.

The events in the Middle East will not only have an immediate effect on world economic growth in the coming years, as I said, but they were themselves in part the result of economic dissatisfaction—of youth desperate for employment, and of families hungry for food. The success of our engagement there will be driven by how well those nations, with our help, can meet the economic needs of their people.

At the same time, much of our success—much of our power—stems from what we do here at home. We keep slipping in estimates of global competitiveness, especially in areas like

infrastructure, where the most recent World Economic Forum survey ranked us 23rd, behind countries from both Europe and Asia.

America is now 12th worldwide in the percentage of 25-to-34-year-olds with a college degree, trailing, among others, Russia, New Zealand, South Korea, and Israel. This year investors have pulled \$74 billion out of domestic stock funds and put \$42 billion into foreign stock funds. High-profile multinational companies, including Applied Materials and IBM, are already opening major R&D centers in China. And as we look to the Googles of the future, it is increasingly possible that they will be founded by students from Tianjin University, rather than MIT or Stanford.

We need to face up these new challenges and boldly embrace policies that support U.S. competitiveness. We need to invest in a modern infrastructure that enhances our ability to quickly and efficiently deliver goods and services. We need to invest in our schools so that we can continue to produce and attract the brightest young scientists and engineers. And we need to nurture the spirit of innovation that has always made this country exceptional and that will enable us to transcend our current challenges. We all recognize that this is a time of tight budgets. But we must never forget to invest in our future. Remember that in the 1990s, we didn't just cut our way to a balanced budget; we grew our way there.

This is nothing less than a matter of national security, but many challenges lie ahead. We have asked you here today to provide insight into the near-term implications of economic instability at home and abroad, the path to continued coordination on the international economic arena, and the policies that can ensure competitiveness for the United States in a world of rising economic powers.

It's a great pleasure to have you here, and I look forward to your testimony.