

The Detroit News

Saturday, March 13, 2004



Steven Senne / Associated Press

Federal Reserve Chairman Alan Greenspan, right, is presented with an Honorary Doctorate of Law from Boston College President William P. Leahy, S.J., left, during ceremonies in Boston, Friday.

Greenspan urges education and training to address global job loss worries

BOSTON -- The United States needs to better educate its workers and avoid the trappings of protectionism to fully flourish in a global economy, Federal Reserve Chairman Alan Greenspan said Friday.

While trade barriers might slow the frenetic, sometimes troubling pace of competition, "our standard of living would soon begin to stagnate and perhaps even decline as a consequence," Greenspan said at a finance conference at Boston College. "Time and again throughout our history, we have discovered that attempting merely to preserve the comfortable features of the present, rather than reaching for new levels of prosperity, is a sure path to stagnation," he said.

Greenspan spoke at a conference where the outsourcing of jobs to foreign countries was a prominent topic. Many U.S. companies are sending manufacturing and service jobs overseas to save money, and the topic has emerged as a key issue in the presidential race. Greenspan noted that while wages for high-skill workers have risen, real wages for low-skill workers have been stagnant for 20 years, suggesting the country is producing a shortage of high-skill workers and a surplus of low-skill ones. "Some have a gnawing sense that our problems may be more than temporary and that the roots of the problem may extend back through our education system," Greenspan said.

Greenspan's comments came after a vigorous debate on outsourcing between AFL-CIO President John Sweeney and U.S. Chamber of Commerce President and CEO Thomas Donohue. "Ninety-six percent of the people that we want to sell something to or provide a service to live somewhere else," said Donohue. "We have got to play in a global economy." But Sweeney said if globalization is increasing productivity, it is coming at the expense of American workers. "We've lost 2.5 million jobs in manufacturing, good jobs," Sweeney said. "The new jobs that are being created are ones without benefits for the most part."

Greenspan said the current anxiety over losing jobs to foreign competition was understandable, given the current weak labor market, where some 2 million unemployed people have been unable to find new jobs for more than six months. "There is palpable unease that businesses and jobs are being drained from the United States," he said.

But the U.S. economy cannot have it both ways, he said, sheltering itself from the "creative destruction" of the global economy while enjoying the lower prices and higher quality goods that come when countries exercise their comparative advantages in skills and labor costs."

"Besides enhancing education, we need to further open markets here and abroad to allow our workers to compete effectively in the global marketplace."