

Today California's great diversity is reflected in our Congressional delegation, where our state is represented by people named BECERRA, and ROYBAL-ALLARD; FEINSTEIN, WAXMAN, and BERMAN; DIXON, WATERS, and LEE; PELOSI, GALLEGLY, and RADANOVICH; and FARR and McKEON.

On Wednesday, September 13th, Representatives FARR and McKEON will host a Sesquicentennial reception for Members of both Houses and both parties. I look forward to joining my California colleagues in celebrating our great state's proud history and bright future.

#### THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Wednesday, September 6, 2000, the Federal debt stood at \$5,681,881,776,256.37, five trillion, six hundred eighty-one billion, eight hundred eighty-one million, seven hundred seventy-six thousand, two hundred fifty-six dollars and thirty-seven cents.

Five years ago, September 6, 1995, the Federal debt stood at \$4,969,749,000,000, four trillion, nine hundred sixty-nine billion, seven hundred forty-nine million.

Ten years ago, September 6, 1990, the Federal debt stood at \$3,243,845,000,000, three trillion, two hundred forty-three billion, eight hundred forty-five million.

Fifteen years ago, September 6, 1985, the Federal debt stood at \$1,823,101,000,000, one trillion, eight hundred twenty-three billion, one hundred one million, which reflects a debt increase of almost \$4 trillion—\$3,858,780,776,256.37, three trillion, eight hundred fifty-eight billion, seven hundred eighty million, seven hundred seventy-six thousand, two hundred fifty-six dollars and thirty-seven cents, during the past 15 years.

#### ADDITIONAL STATEMENTS

##### THE NEW ECONOMY

• Mr. HOLLINGS. Mr. President, Ken Lipper, the CEO of Lipper & Company investment firm, is a man of many talents. Ken is a novelist, a film producer and one of the most profound thinkers with respect to the new economy. In a February speech at the University of California Technology Conference, he outlined the strategies we must employ to address today's economic problems. Although he delivered the speech seven months ago, it is still valid. I ask that the text of the speech be printed in the RECORD.

The text of the speech follows.

##### REMARKS OF KEN LIPPER

As of February 2000, the United States is in the 107th month of an economic boom, the longest in history. Even as this economic expansion continues, observers have been amazed that inflation remains a low 2.5 percent. Ordinarily, at the stage of "full em-

ployment" we are now enjoying—unemployment is at 4 percent, and is projected at 3.8 percent for the year 2000, with nearly 90 percent capacity utilization—there would be serious labor shortages and rising prices. As a result, the Federal Reserve would intervene to raise interest rates and tighten the money supply, causing the expansion to fizzle.

Why is this boom different? Currently there is an excess world capacity in basic manufacturing of goods and commodities, due in part to the Asian collapse combined with high unemployment and relatively slow growth in Europe. More important is the unprecedented and uninterrupted level of U.S. capital investment. Productivity has been increasing at historically high levels, an average of 2.5 percent each year, so that with a 3.2 percent annual wage increase, there is a real standard of living increase for workers without significantly increasing unit labor costs.

In addition, the amount and efficiency of capital behind each worker has increased. For example, in 2000, manufacturers expect to increase revenues 7.7 percent with only a 0.5 percent increase in their labor force; non-manufacturing sectors will increase revenues 6.9 percent with only a 1.4 percent labor force increase. These gains are possible thanks to a high level of investment in plant and equipment, which was up 21 percent in 1999 and is expected to rise another 15 percent in 2000. In non-manufacturing sectors, investment was up 4.7 percent in 1999 and expected to rise 8.7 percent in 2000. And this increased investment continues because a high consumer confidence level—now at an index of 144, compared to an average of 115—encourages corporations to expect growth in consumption.

Another factor keeping inflation low is heightened competition, both domestic and, thanks to free trade, foreign. The strong dollar magnifies the effect of this competition, translating into cheaper prices for imported goods. And buyers can also now compare prices by B-B commerce. As a result, 81 percent of manufacturers and 67 percent of non-manufacturers report that they cannot pass along price increases to consumers. At the same time, low interest rates worldwide and the buoyant U.S. stock market have made for cheap capital availability, enabling the investments in productivity. The strong dollar and stock market have made up for the low U.S. savings rate—among the lowest in the world—by encouraging record levels of foreign investment, year in, year out.

Finally, the cost of investment capital has been held down because the U.S. government budget surplus takes the U.S. out of the bond market as an issuer competitive with businesses; indeed, the U.S. is now buying back old bonds and liquefying the market. U.S. and European municipalities are also borrowing much less worldwide. These trends force investment funds to be reallocated to the private sector, lowering the cost of capital.

These are the reasons why some people feel that the old economic paradigm the boom-to-bust cycle, is outmoded. But we have not repealed the business cycle; we have only added significant time to the boom equation. Ultimately, the laws of supply and demand will still have their impact.

The risks to our economy are apparent, and rising. The Asian economies are recovering. In Europe, unemployment is falling and the pace of economic growth is rising, while the Euro is beginning to take hold and compete for funds. This means that over time there could be no cheap imports to hold down inflation. These factors have expressed themselves already, in conjunction with rocketing U.S. consumption, huge oil price increases, an end to the decline in raw mate-

rials prices, and rising intermediate-product prices. And these pressures occur as a dwindling supply of new entrants to the U.S. labor force will begin to push up wages.

Aggregate U.S. profit margins decreased in 1999, because companies lacked pricing power. But as Asian and European economic recoveries absorb excess worldwide capacity, corporations will regain their pricing power to restore profit margins and pass on increasing costs.

The Federal Reserve is already intervening, and will continue to raise interest rates. Many have asked why these interventions are necessary when there is no current sign of rising inflation. One reason is that the Fed's actions generally take about 18 months to filter through the economy. But there are other justifications.

The first is labor. We have seen how labor has been able to get real standard of living increases without large wage increases, due to low inflation. But if labor anticipates inflation from the causes discussed above, it will build protective wage increases into multi-year settlements, in order to hedge its potential loss of buying power. This would accelerate the wage-price spiral that itself fuels further inflation. Thus the Federal Reserve is signaling labor of its determination to fight inflation.

Second, the Fed is also signaling Congress not to cut taxes or increase programs using the budget surplus, thus putting further pressure on available resources. The Fed's moves seem to indicate that it wants the national debt repaid and Social Security and Medicare funded.

Third, the Fed wants to dampen consumption due to the "wealth effect," the stock market gains which are responsible for about 25 percent of the growth in U.S. GDP. Currently, over 50 percent of American households own stocks, with increasing numbers borrowing to carry them. People are spending based on presumed wealth from the stock market, a major difference from the time when consumption was directly linked to more predictable earned income.

Nobody knows how fast or how steep a fall in the stock market might be, given high debt levels, but consumption would certainly be affected. When the Japanese bubble burst, the stock market never recovered from its 50 percent loss, and no government program has succeeded in reviving the shocked Japanese consumer.

Fourth is the housing market. I expect housing starts to decline by 6 to 8 percent in the second half of 2000 due to rising mortgage rates, which will also affect existing housing prices. At a time of historically minuscule savings rates, how will the stock market investor and consumer react when both his storehouses of wealth—stock and homes—start to fall?

I expect that stock prices will recover during the first quarter and perhaps the first half of 2000, as profits reflect the high productivity investments already made and consumption continues unabated. But the risks touched on above will become increasingly evident, and the second half should begin to anticipate and express them in declining stock prices in the U.S. And the Federal Reserve will continue to increase interest rates.

Nobody can reliably predict when a stock boom will end. But this one seems to operate in an atmosphere of growing threat, and from lofty heights. NASDAQ has an unprecedented 178X multiple, which might be justified for a few companies but cannot be sustained for an aggregate, 4,700 entities. So how will it end?

Probably very suddenly, as other bubbles have burst; and they often take years to recover. On May 4, 1990, Christie's Evening

Auction failed to attract bids; art prices tumbled 50 percent and the market evaporated. The price of gold reached a peak of 665 in September 1980; in January 1981 it was at 505; in March 1982 it had fallen to 320. The stock market plunged from a peak of 2650 in October 1987 to 1770 two months later. In Japan, the stockmarket collapsed from a peak of 39,000 in December 1989 to 21,000 in September 1990. And Russia defaulted on \$2.5 billion of debt in August 1998, just two months after borrowing it.

What does this mean as a practical matter? Anyone who anticipates needing refinancing should do it sooner rather than later. Those who wish to liquidate some of their concentrated stock holdings should act now, to protect their future lifestyles. Corporate strategies that are based on a fast burn rate of cash, and that plan to get new money to reliquify, should modify these plans to slow the burn rate in case refinancing is not easily available. And those who need refinancing should cultivate venture capital sources in Europe, where economic growth and an appetite for U.S. venture opportunities should provide a fertile alternative to a more subdued U.S. market.

Now I would like to turn from these dry ruminations on the economy to more value-oriented thoughts on building a business, based on my personal experiences as an entrepreneur. Creating an enterprise for nothing should be a reflection of your own values, fears, experiences, intellectual insights, and sense of what is important—because you, as the entrepreneur, must feel comfortable with running it. There is no single formula, but certain observations might prove applicable to your own situation.

Professor Bhidé wrote in *Harvard Business Review*: "Several principles are basic for successful start-ups: get operational fast \* \* \* [and] don't try to hire the crack team. \* \* \*" These precepts are not supported by my own experience. The professor's recommendations place a huge premium on the exclusivity and value of an idea, and the notion that others could beat you out if you delay. These beliefs are responsible for a large number of helter-skelter business-launches-as-preemptive-strikes, premature introductions that fail due to poor product quality, weak delivery systems, inadequate customer support, or inadequate internal financial controls.

Every shoe-shine man will freely share his ideas with you. However, what counts is the implementation of an idea by a quality team of people. My products were carefully crafted and tested over two years, altered and risk-adjusted through examining results. A crack team was put together, with the first hire being Salomon's top accountant—because I wanted to know the limits of my dream before I acted beyond my resources, capacity, or risk profile.

Simply to the point: was it Prodigy's innovations, or Lotus's being first in the market, that won the software battle? Or was it Microsoft's better preparation for meeting and servicing customers' needs that won the day? You generally have one shot at the marketplace. And credibility depends on predictability. Make sure everything is carefully prepared in depth, no matter how long it takes, so that the product and its supports work as promised. Getting started is not the goal; permanency is!

Building many products and applications can be exciting in concept, but it is difficult in terms of financial and physical resources. I build my products narrowly and very deeply, so that we could equal any competitor in a specialty area. Editing out the many other opportunities is vital for concentrating resources and talent on the very few things that you can do best. Choose your product, refine it, and continuously monitor it based

on experience. I chose specialty products that did not require muscularity of distribution, capital, and related support inputs, all of which favor existing large corporations. By developing a few intellectually rich products at the beginning, we weren't forced to compete head-on with the big boys, and therefore we could get profit margins and cash flow that provided fuel for further expansion.

I believe that many Internet retailers go into commodity-oriented businesses in which price is the key determinant, only to find that success means bigger losses and that old, dominant players can enter internet distribution at will and grab market share. Time is the most precious capital, so a business should only enter growing markets with a superior service or product, where decent profit margins are available over a long period of time.

It was my experience that becoming a brand name quickly is extraordinarily difficult. It requires a long period of exposure and in-depth, sustained advertising. Few newcomers have the necessary financial staying-power, so avoid spending money on ineffectual ads. If your business strategy requires you to promote the product enormously, then maybe it is the wrong product choice. Remember that it is easier for GM or Toys R Us to learn how to use the Internet than for you to gain their brand images. And, conversely, once the speculative fever recedes, why would anyone pay 9 times earnings for Macy's and 1,000 times revenues for a wannabe whose aspiration is to maybe become the Macy's of the Web?

It is also important not to gild the lily technologically. Think of the customer's technical competence and how he will actually use your product. My biggest recent error was listening to a tech analyst who told me not to buy AOL at \$26 a pre-split share, because there were technically superior products. The mix between technology and user friendliness is vital. After all, do you use Betamax or VHS?

In building a business, it is crucial to put emphasis on becoming an institution. I found that it takes two years for a person to feel comfortable in a corporate culture, so it is better to build a team in anticipation of growth than in response to it. Invest early and heavily in support systems, in the areas of client service, electronic information, and financial controls. Let everyone know what is expected of him or her through clear communication, so that employees are moving in the direction of corporate goals. My company has never been star-oriented, in a star-studded industry. Good organization creates a whole that is more than the sum of its parts.

Relationships are key to success, and that means knowing the people in your arena. Biotech executives should know the important people in the FDA, the universities, and the pharmaceutical companies. And relationships should be maintained for the long term. Remember, credibility equals predictability; long relationships allow people to judge you based on past interactions. It's too late if you only meet people when you need them.

Personnel turnover is a significant problem today. The mantra everywhere is stock options, the chance to get rich quick. This leads to high turnover if a company has actual or perceived problems, or, on the other hand, if it is too successful and young people get rich quick. In my company, which is family owned, we have low turnover. We build loyalty in three important ways. First, all employees share in profits; we have a flatter compensation scheme than many technology companies. Second, there is justice in allocating rewards over long periods

of time. Our people know that we have permanency; we give them a long-term horizon, with expectation of growing rewards over time.

Third, our people feel safe. There are no politics, few layoffs, and no acting out; people check their egos at the door. We breed loyalty through civility. People are trained and moved around the company to keep the interest level high, and promotions are made internally. The culture is kept strong by outsourcing and a small number of hires. And finally, there is a single decision-maker; everyone has input, but I make the final decision based on careful research and many individual inputs. There is no ranting or screaming by anyone; instead, there is a free flow of ideas, tentative acceptance, and thorough investigations, so that all communication moves back and forth.

A great business idea, or a great scientific idea, does not just come about through hard work and incremental advances. It is more like poetry. It is about having the imagination and heart to strike out on a path that others didn't dare to follow, or didn't see in its entirety. Implementation, management skills, and the ability to anticipate customer needs are built on a knowledge of how human beings react. These types of imagination and understanding are more likely to come from wellness than from frenzy. I don't subscribe to the continuous-all-nighters, no-personal-life recipe for success. For a super-successful entrepreneur, having broad horizon—through reading fiction and biography, appreciating art, and interacting socially with a variety of people—is more important than working yet another Sunday.

But there is more at stake than business success. You want to be a happy person, a good father, a community builder. I find that I can only eat one tuna-fish sandwich at lunch, no matter how many millions I have earned. Money can give you time, and how you spend that time is key. And wise expenditure of personal time on human development can also help you make money, because knowledge, experience, and wisdom are usually the key to the "poetic" business idea.

Young people are leaving college to make quick money, like a gold rush. But life is about more than money or success or technical achievement. It is critical that people see the world in vibrant colors and in multiple shades. To raise children, face the death of parents, appreciate beauty, even make love well, people need emotional and intellectual depth. These come from being exposed to the collective experience of civilization, which is transmitted through books and a liberal education.

In the scheme of your success, it will not make a difference if you leave school two years early; but it could alter your life greatly. Absorb the intangibles, not just because they will give you the imagination to come up with "poetic" business ideas to help you deal with customers, but also because they will give meaning to the life you lead, whether you succeed materially or not. After all, living life well, in all its dimensions, is what it's all about.●

#### IN APPRECIATION OF GENERAL TERRENCE DAKE'S SERVICE

● Mr. BOND. Mr. President, it is my great honor to rise today to pay tribute to a fellow Missourian who has served our Nation honorably for more than three decades in war and peace. In October, General Terrence Dake, Assistant Commandant of the Marine Corps,