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Chairman, Members of the Committee, I am honored to be invited to testify before your Committee today on the subject of The American Samoa Protection of Industry, Resources, and Employment Act, known as the ASPIRE Act, H.R. 3583. Currently I am a senior fellow at the Hudson Institute. From February 2003 until April 2005 I was chief economist at the U.S. Department of Labor. From 2001 until 2003 I served at the Council of Economic Advisers as chief of staff and special adviser. Previously, I was a resident fellow at the American Enterprise Institute. I have served as Deputy Executive Secretary of the Domestic Policy Council under President George H.W. Bush and an economist on the Council of Economic Advisers under President Ronald Reagan.

We think that our economy here in the United States is in poor shape, but American Samoa's economy is doing even worse. In 2005, the latest data available, before the increase in minimum wage, the unemployment rate stood at 30 percent, according to the Department of Interior's Office of Insular Affairs. The ASPIRE Act clearly identifies the cause of the problem. In Section 2 (a) (4), the bill states:

"Due to low-wage labor rates of 0.60 cents and less per hour for tuna cannery workers in competing countries, increased transportation and energy costs, decreased volumes of direct-delivered fish to American Samoa, recent Federal minimum wage policy changes that have resulted in mandatory annual wage increases, heavy foreign competition for United States market share in the tuna industry, and a number of other issues, one of American Samoa's tuna canneries has announced that it will shut down by September 2009. This closure will result in job loss for nearly 40 percent of the territory's private sector employees, as well as increased energy, shipping, and food costs for the remaining businesses and public entities because the canneries help subsidize the costs of these industries."

In response, the ASPIRE Act seeks to pay tuna shippers and processors in American Samoa amounts ranging from $100 to $200 per metric ton in order to persuade the canneries to stay open and shippers to continue to use the island.

This is the wrong approach. It does not address the fundamental issue—that Congress has priced American Samoan labor too high to be globally competitive. It is a poor use of funds, at the time when the United States has one of the largest deficits in history. It makes American Samoa dependent on federal grants for the existence of its economy, and future Congresses could easily cut back on the grants. Rather than the ASPIRE Act, Congress should exempt American Samoa from the U.S. minimum wage and allow it to set its own wages to attract businesses.

Over two years ago, in January 2007, the House of Representatives initially exempted American Samoa from the increase in the hourly minimum wage to $7.25, but then the bill was changed.

In 2007 the legislation originally did not include American Samoa, perhaps because Del Monte, at the time the parent company of StarKist, was headquartered in Speaker Nancy Pelosi's district. Until then, the Labor Department had set wage rates in American Samoa every two years, following an extensive study on economic conditions on the island. But before final passage, Congress included American Samoa.

There should have been general rejoicing in American Samoa on hearing that everyone would get a raise. But not so. American Samoa Governor Togiola Tulafono stated that increasing the minimum wage "would kill the economy" and Congressional Samoan Delegate Eni F.H. Faleomavaega said that it would devastate the local tuna industry.

A quick look at American Samoan local wage rates in 2007 tells us why the increase in the minimum wage was so damaging. Back then, the hourly minimum wage for fish canning and processing was $3.76. The minimum wage for government employees, who undoubtedly have an easier job than tuna canners, was $3.41. Shipping had the highest minimum wage, at $4.59. Garment manufacturers had the lowest, at $3.18 an hour.

Fans of minimum wage increases say the increases have no effect on the economy or on jobs, but American Samoans are smarter. In 2007 they knew that industries would go elsewhere if they had to pay $7.35 an hour. With higher unemployment in American Samoa, the U.S. taxpayer would be called upon to come to the rescue. It did not make sense, and it still does not make sense.

Fast forward to 2009. There is no better illustration of the consequences of well-intentioned policy-making than recent events in American Samoa. In May, Chicken of the Sea, the tuna company, announced that it would close its canning plant in American Samoa in September.

Chicken of the Sea laid off more than 2,000 employees—12 percent of total employment, almost half of all cannery workers. The 2,700 workers at StarKist, the other American Samoa tuna canning company and Chicken of the Sea's rival, are probably concerned that their jobs are the next to go.

American Samoa lost not only the 2,000 jobs at the Chicken of the Sea canning plant, but also secondary jobs from the ripple effect of loss of income—stores and eateries that cater to cannery workers, shops that mend fishing nets, shipyards, and buses that transport workers.

American Samoa's loss is Georgia's gain. Chicken of the Sea will move to Lyons, Georgia, (2007 population 4,480) employing 200 people in a new $20 million plant on a more capital-intensive production line.

Last May I spoke to Representative Vaito'a Hans A. Langkilde of the Ma'oputasi District #10, representing the villages of Leloaloa, Satala and Atu'u, whose district is home to both StarKist and Chicken of the Sea.

Mr. Lankilde told me, "Over the past 50 years the industry provided massive job opportunities for unskilled labor. The 2007 law that increased the minimum wage was the beginning of the end for the tuna industry and the cause of massive job losses for our already fragile economy. The only way to resolve the trend towards total economic disaster is for Congress at its soonest opportunity to reverse its position."

Furthermore, with the United States facing a deficit, it does not make sense to spend taxpayers' money subsidizing tuna production in American Samoa. The approximate cost of more than $25 million per year could be more usefully spent elsewhere.

A grant given by one Congress could easily be withdrawn by the next. Hence, the ASPIRE Act would not provide permanent security either for the tuna industry or for the island, because it could vanish in the future.

Besides, the grant just helps the tuna industry. The goal should be for American Samoa to diversify its economy. Other types of companies, such as call centers or community colleges to train nurses, could conceivably locate in American Samoa and help the economy. These companies will not choose American Samoa if its wage levels are artificially high. Rather, they will choose some other location.

Rather than having to accept direction from a government thousands of miles away where they have no voting representation, residents of American Samoa should be given the power to decide on their own minimum wage. It makes no sense for Congress to insist on a minimum wage that is far above the competitive wage in the area, and drive business away from the local economy.

Thank you for allowing me to testify today. I will be glad to answer any questions.