

**NOMINATIONS OF HON. LAWRENCE SUMMERS,
JOHN JOSEPH CALLAHAN, AND
HOWARD M. SCHLOSS**

HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

ON THE

NOMINATIONS OF

**HON. LAWRENCE SUMMERS, TO BE DEPUTY SECRETARY OF THE
TREASURY; JOHN JOSEPH CALLAHAN, TO BE AN ASSISTANT SEC-
RETARY OF HEALTH AND HUMAN SERVICES; AND HOWARD M.
SCHLOSS, TO BE AN ASSISTANT SECRETARY OF THE TREASURY**

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JULY 21, 1995
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NOMINATIONS OF HON. LAWRENCE SUMMERS, TO BE DEPUTY SECRETARY OF THE TREASURY; JOHN JOSEPH CALLAHAN, TO BE AN ASSISTANT SECRETARY OF HEALTH AND HUMAN SERVICES; AND HOWARD M. SCHLOSS, TO BE AN ASSISTANT SECRETARY OF THE TREASURY

FRIDAY, JULY 21, 1995

**U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.**

The hearing was convened, pursuant to notice, at 10:35 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Bob Packwood (chairman of the committee) presiding.

Also present: Senators Chafee, Grassley, Hatch, D'Amato, Moynihan, Baucus, Bradley, Rockefeller, Breaux, Conrad, Graham, and Moseley-Braun.

OPENING STATEMENT OF HON. BOB PACKWOOD, A U.S. SENATOR FROM OREGON, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. I will tell you, what we are operating up against is votes at 11:00. As he is here, we will take Mr. Callahan, who has been nominated to be an Assistant Secretary at Health and Human Services.

Mr. Callahan?

STATEMENT OF JOHN JOSEPH CALLAHAN, TO BE ASSISTANT SECRETARY OF HEALTH AND HUMAN SERVICES

Mr. CALLAHAN. Thank you, Chairman Packwood, Senator Moynihan, Senator Conrad, and other distinguished members of the Finance Committee. I have a longer prepared statement for the record, which I would like to submit.

The CHAIRMAN. Without objection.

[The prepared statement of Mr. Callahan appears in the appendix.]

Mr. CALLAHAN. I will be brief, knowing your time constraints.

I appreciate the opportunity and privilege to appear before the committee today. I am deeply honored that President Clinton has seen fit to nominate me for the position of Assistant Secretary for Management and Budget and Chief Financial Officer of the Department of Health and Human Services. I also deeply appreciate the

opportunity to serve in that capacity with Health and Human Services Secretary, Donna Shalala.

I came to Washington in 1969 and have had a public service career spanning some 25 years. I have served with the Advisory Commission on Intergovernmental Relations, the University of Virginia, the National Conference of State Legislatures, and I was privileged and honored to serve as a Staff Member in the United States Senate for 16 years with your distinguished former colleague, Senator Jim Sasser.

I understand that my job as Assistant Secretary for Management and Budget at the department will be to do two things, primarily: obviously, to understand the need for strong intergovernmental cooperation in the development and implementation of effective Health and Human Services programs, and to help deliver and finance these services in a cost-effective manner.

The Assistant Secretary for Management and Budget is the Chief Budget Officer for the department. The department, as this committee well knows, has a wide variety of financial programs under its wing ranging from Medicare, Medicaid, Indian Health Service, et cetera.

It will be the responsibility of the Assistant Secretary, and my responsibility if I am confirmed, to make sure that we have strong budgetary reviews of all HHS programs and to improve cost consciousness throughout the department. If confirmed, I will do my very best in that regard.

Obviously, also—and I am familiar with this as a former Staff Member of the Senate—we will have to respond properly and timely to the budgetary concerns of the Congress as it enacts annual appropriation measures, budget resolutions, and other budgetary revisions in all programs administered by the department.

This position also carries a number of other statutory responsibilities dealing with the Chief Financial Officer's Act, Paperwork Reduction, et cetera, and these are noted in my prepared statement.

I am pleased to be back here today. I am honored to be nominated for this position. I would like to close on a personal note, if I may. I want to thank my family for their support over the years. My wife, Susan, who is really the front-line public service—

The CHAIRMAN. Is she here?

Mr. CALLAHAN. I am not sure whether she is here yet. She may be on her way. But she is the front-line public servant. She teaches high school English at Robert E. Lee High School in Fairfax County, and has done so for 11 years. And my three fine children, Kathleen, Erin, and Sean.

Let me close on one other note. There are three people in addition I would like to acknowledge. First, is Dr. Alan K. "Scotty" Campbell, the former dean of the Maxwell School, who first encouraged me to go into public service.

Second, I wish to acknowledge my deep debt of gratitude to Senator Jim Sasser. I served with Senator Sasser for 16 years on his staff. He was a tremendous Senator. He always faced up to the tough demands of public life and he served his State and Nation with great distinction.

Finally, I would like to offer a personal word for my father. He is 83 years old, and today he is in the Mayflower Nursing Center

at West Yarmouth, Massachusetts. I wish he could be here today so that I could thank him personally for all the values he has instilled in me and his family over the years.

Thank you. I would be prepared to answer any questions.

The CHAIRMAN. Mr. Callahan, you know budgeting very well and you know this department well. When Mr. Vladeck was here, we asked him about the Medicare savings that the President had suggested in his budget. Mr. Vladeck said that the administration had no intention of presenting the details of those to us, at least at this stage they were not going to present them. I was not sure if they were going to present them even when we get to the stage of marking up. Do you have any further information on that?

Mr. CALLAHAN. Well, I cannot speak for Mr. Vladeck, but I know that the President and the Congress is deeply concerned about the Medicare program. You will have to deal with proposals that will make substantial savings in the Medicare program. I am confident that the department will come forward with specific proposals.

The CHAIRMAN. How soon?

Mr. CALLAHAN. I understand you are under a time deadline because of the reconciliation process.

The CHAIRMAN. We have to report by September 22nd.

Mr. CALLAHAN. I think you will see those proposals before September 22nd.

The CHAIRMAN. Now, there is one thing I did not understand. The savings that I recall are \$154 billion in Medicare and \$70 billion in Medicaid—I may be off on those—off of the OMB budget. CBO's budget is much higher. When I asked Mr. Vladek, he said, well, the savings are the same off of either budget line. I do not understand that. Can you explain that to me?

Mr. CALLAHAN. Well, two things, Senator. As you know, baselines can differ in the Medicare and Medicaid area for a number of reasons: economic growth, utilization rates of medical services, and inflation indices of various health care services.

The CHAIRMAN. That was not the issue. We were talking here about just baseline deficits.

Mr. CALLAHAN. Right.

The CHAIRMAN. Therefore, OMB has a lower deficit projection generally, not just medical.

Mr. CALLAHAN. Right.

The CHAIRMAN. And, the savings were based off of that baseline. Whereas, the \$270 billion that we are working off of is the CBO baseline, which is a higher deficit baseline.

Mr. CALLAHAN. Right.

The CHAIRMAN. I do not understand how the administration's projected savings—which we have not seen the details on yet—off of the lower OMB baseline can be in any way compared, or how do you compare them, with savings that have to be done off of a higher baseline? Mr. Vladek said, well, it is the same savings. They come to the same total. I do not understand how.

Mr. CALLAHAN. Right. I cannot give you a precise answer right here and now about that, but I will say this, Senator. Having been in the budget process, all savings proposals that you have to deal with in reconciliation ultimately have to be costed out by the CBO.

The CHAIRMAN. Off their baseline.

Mr. CALLAHAN. Yes.

The CHAIRMAN. Yes.

Mr. CALLAHAN. I think, in the final analysis, as you know, HCFA actuaries are dealing with these matters in great detail. They have an excellent staff of actuaries that are trying to deal with this in a very comprehensive manner.

I am confident that, in the final analysis, as we develop these proposals by the department and the administration, they will be submitted to you, they will be carefully done, carefully thought out, and then they will have to go through the ultimate costing process by CBO vis-a-vis your reconciliation process. So I can assure you, there will be cooperative efforts here. There may be reasonable disagreements in the first instance, but I think every effort will be made to iron out those differences, Senator.

The CHAIRMAN. Thank you.

I think we will take questions from Mr. Callahan, first, and then try to do Mr. Schloss, if we can, before the vote.

Senator Moynihan?

Senator MOYNIHAN. Just two things. First, Mr. Callahan, being both a Fordham and a Maxwell School man is formidable.

Mr. CALLAHAN. I owe a great debt of gratitude to the State of New York, Senator.

Senator MOYNIHAN. In the future, could you try to speak of Senator Sasser not so entirely in the past tense? He is very much alive and on his way to Beijing, I believe.

Mr. CALLAHAN. Yes.

Senator MOYNIHAN. Good thing for our country, too.

Just to continue with the Chairman's statement, Mr. Vladek made that statement to us and it was really not very good to say, we are going to see what you do and then we will in effect complain about it. I asked him if he would not tell Mr. Panetta, we need to know what the administration thinks should be done. I mean, if we do this together it is going to be a lot happier.

He said he could tell Mr. Panetta that I had asked him to tell Mr. Panetta. So, I went and told Mr. Panetta myself. Time is going tick, tick, tick, tick. And if you come up on September 10th, it is too late. You did not take this job in order not to have any consequences. You have been too serious and too able. You are a formidable public servant and we are very proud to have you where you are going to be. I confidently predict your confirmation. But do get that message back.

Mr. CALLAHAN. Senator, I will carry that message back to Mr. Vladek and the Secretary, as we speak.

Senator MOYNIHAN. Thank you, sir.

The CHAIRMAN. Senator Conrad.

Senator CONRAD. Thank you, Mr. Chairman.

Mr. Callahan, my experience with you while you were with Senator Sasser was extraordinarily positive. I thought you were one of the finest members of the Senate staff while you were in that position, somebody whom I think has always done his best to serve the public in the best sense of public service.

I am extremely enthusiastic about your nomination and I think we will find there is absolutely no problem in your confirmation because you are precisely the kind of person, in any administration,

we would like to see serve in a position of responsibility. I am delighted you are going to be with us in this capacity.

I think, in fairness, we ought to say nobody has provided any specifics on how we are going to achieve Medicare savings. There are none in the Senate budget mark, there are none that are provided for, none in the agreement between the House and the Senate with respect to what the specifics are to achieve \$270 billion in Medicare savings, \$182 billion in Medicaid savings.

You would not expect either side to have details at this point. That is provided for later in the process, and we all understand that. I do not think the public should be misled. The administration has not provided details, the Republican Congress has not provided details.

I just, again, want to say how pleased I am that you are willing to continue in public service. I think you have done an outstanding job, and I look forward to working with you.

Mr. CALLAHAN. Thank you, Senator.

The CHAIRMAN. Kent, all I think Pat and I were saying when Mr. Vladek was here is, my hunch is, the Republicans will have these details. The administration was saying they were not going to give us any at that stage, period.

Senator MOYNIHAN. They are inviting disaster. The first person with the details wins.

Senator CONRAD. Maybe not in this circumstance.

Senator MOYNIHAN. Or loses, whichever. But, I mean, prevails.

The CHAIRMAN. Mr. Schloss, we will take you. We have about five or six minutes. We hope we can finish with you and report both of you out.

STATEMENT OF HOWARD M. SCHLOSS, TO BE AN ASSISTANT SECRETARY OF THE TREASURY

Mr. SCHLOSS. Thank you, Chairman Packwood, Senator Moynihan, and Senator Conrad. Thank you for the opportunity to appear before you today. I consider it a great honor and privilege to have been recommended by Secretary Rubin and nominated by President Clinton for this position.

With me today is my wife, Debbi, who is sitting right over there.

The CHAIRMAN. Debbi, wave your hand. Good to see you.

Mr. SCHLOSS. Mr. Chairman, I have worked in the Treasury Department's Office of Public Affairs since December 1993, and have served as the Deputy Assistant Secretary for Public Affairs for the last 14 months.

During the last year and a half, I have had the opportunity to learn a great deal about the functioning of the Treasury Department and its important role in establishing critical economic policies that affect the lives of all Americans.

Because the Treasury Department plays such an important role, I know it is absolutely essential that the Office of Public Affairs be as forthcoming and accurate as it can be in all of its dealings with the public and the press.

Therefore, if confirmed, my most important priority will be to ensure that this credo, being accurate and forthcoming, is consistently upheld by both myself and my staff.

I consider it a great honor to have been nominated for this position. I expect that I will draw on the many experiences I have already had at the Treasury Department and in the private sector to fulfill my responsibilities to the best of my ability.

Once again, I would express my deep appreciation to the committee for holding this hearing. I would be pleased to answer any questions you might have. Thank you.

The CHAIRMAN. Mr. Schloss, I am well familiar with your reputation. You have done a good job, and I have no questions of you.

Mr. SCHLOSS. Thank you, sir.

[The prepared statement of Mr. Schloss appears in the appendix.]

The CHAIRMAN. Senator Moynihan?

Senator MOYNIHAN. I would say exactly the same. Thank you for the work you have done so far. I wish you every success in the work you will now undertake. Just remember the absolute centrality of truth-telling at all times.

Mr. SCHLOSS. Yes, sir.

Senator MOYNIHAN. The integrity of the Treasury is paramount. Most any other place in government can be like most any other place in government, but Treasury is where the truth is told and the facts are opened up.

Mr. SCHLOSS. I agree. Thank you, sir.

Senator MOYNIHAN. You agree. I am very pleased to support your nomination.

Mr. SCHLOSS. Thank you, sir.

The CHAIRMAN. Senator Conrad?

Senator CONRAD. I have no questions, Mr. Chairman.

I would just say to Mr. Schloss that I certainly look forward to working with you. Secretary Rubin has confidence in you. I have confidence in Secretary Rubin, so I have confidence in you.

Mr. SCHLOSS. Thank you, Senator.

The CHAIRMAN. I will tell you what we are going to have to do. We have not yet got a quorum. We will have a quorum; we need three more. But we are going to vote for about 40 minutes, I would judge, 45 minutes, at 11:00, and I know there are some questions of Secretary Summers.

So, rather than trying to start with Secretary Summers for one minute, and that is all we would have, he has indicated he will wait. We will just have to meet back at the call of the Chair. I would hope to do it as soon as the votes are over.

Mr. Schloss, Mr. Callahan, Debbi, good to have you with us. I am sure, when we get our quorum, we will be reporting you out this afternoon.

Mr. SCHLOSS. Thank you, sir.

The CHAIRMAN. Thank you very much for coming.

We will temporarily recess until the votes are over.

[Whereupon, at 11:05 a.m., the hearing was recessed.]

(AFTER RECESS—12:50 P.M.)

The CHAIRMAN. If Senator Kassebaum would come forward to introduce our nominee. I did not realize, Mr. Secretary, until this morning that you had two uncles who were Nobel Laureates. You come from distinguished lineage.

This is a hearing on Lawrence Summers to be Deputy Secretary of the Treasury. Of course, he is currently Treasury Under Secretary for International Affairs. He is well-known to this committee. He has testified before this committee a number of times.

I apologize for the delay. We got stuck with five back-to-back votes with a few minutes in between.

I see that Senator Kassebaum is here to introduce the Secretary. Senator Kassebaum?

STATEMENT OF HON. NANCY LANDON KASSEBAUM, A U.S. SENATOR FROM KANSAS

Senator KASSEBAUM. Thank you, Mr. Chairman.

Well, it is a great pleasure, and I know that everybody knows the background of the nominee. I would just like to reiterate a little bit, because I think it is a very impressive background.

Larry Summers received a Bachelor of Science in Economics from MIT in 1975, Ph.D. in Economics from Harvard in 1982. He was named full Professor at Harvard University in 1983 at the age of 28, making him the youngest tenured Harvard Professor ever. Well, I am very proud of the University of Kansas, but I must say that is very impressive.

From 1991 to 1993, he served as Chief Economist at the World Bank, and Treasury Under Secretary for International Affairs in 1993 to the present.

It certainly is a heady resume, I would say to the committee. Dr. Summers has been accused perhaps of being a bit too proud on occasion, and I would only say, why not? If one had that kind of resume, I would be very proud, too.

I would also suggest that no political pinata is he. While his domestic political antenna may sometimes be askew, there is no doubt that his advice and counsel will always be sound. It may not always be what we in Congress want to hear, but it will be counsel based on sound judgment and knowledge.

Mr. Chairman, the Nation will be well-served by Larry Summers as Deputy Treasury Secretary. Thank you.

The CHAIRMAN. Thank you very much. You are welcome to stay for the entire hearing if you would like, Senator Kassebaum.

Senator KASSEBAUM. Well, thank you very much. I have legislation that is evidently coming to the floor shortly, but it is a great pleasure to be here with Mrs. Summers and soon-to-be Deputy Secretary of Treasury. Thank you.

The CHAIRMAN. Thank you very much.

Senator Moynihan?

Senator MOYNIHAN. Mr. Chairman, I simply want to welcome our distinguished nominee. I cannot possibly do it with the brio that Senator Kassebaum brought to the occasion, but we know Larry Summers. He has been a central part of the Treasury operation for these two and a half years now. He will make a distinguished Deputy. It is not always the case in the Treasury Department to have an economist of such achievement and such rank in his profession.

It will be a wonderful balance, I think, between the practical experience of the Secretary in markets and trading, and the theoretical experience of Mr. Summers in this field, generally. So we are just very pleased to have you here.

The CHAIRMAN. The order of arrival that we had and that we are working from this morning is Moynihan, D'Amato, Grassley, Baucus, Roth, Conrad, Breaux, Rockefeller, Graham, Bradley, and Chafee.

Senator D'Amato.

**OPENING STATEMENT OF HON. ALFONSE M. D'AMATO, A U.S.
SENATOR FROM NEW YORK**

Senator D'AMATO. Thank you, Mr. Chairman. Mr. Chairman, I have concerns with respect to the nomination of Lawrence Summers to the office of Deputy Secretary of the Treasury. It is fair to say that most people know my position as it relates to the Mexican bail-out plan. I am opposed to it, so it comes as no surprise that I believe it was wrong for the administration to bypass Congress.

Having said that, Congressional leaders did give a sign-off. They are now, and we are now, in the unique position, it seems to me, of being afraid to do what is right, some of the members of my party say, because we do not want to be blamed when Mexico and its economy collapse. I would suggest that Mexico's economy already has.

Indeed, an article in today's Wall Street Journal states that "Mexican economy will remain weak."

If you look at some of the numbers that are given to us by the administration, they are very incomplete. They would have you believe that simply because the peso has stabilized, simply because the balance of trade has improved dramatically, that all is well.

What they fail to tell you is the reason that Mexico now has a surplus, a growing surplus, in trade with the United States. The reason is that their economy has so deteriorated that Mexicans can no longer buy our products anymore.

In Mexico, factories are closing and the economy is in shambles. Very little of the \$20 billion that we have made available will ever stay in Mexico, and most of the \$12.5 billion that we have given has left.

Having said that, several weeks ago I released a chronology, as well as internal Treasury Department documents, revealing that key administration officials, including Under Secretary Summers, were not candid and forthcoming about the true condition of Mexico's economy during 1994.

I would submit these documents for the record. I do not think they should be reprinted, but I make them available here at the committee. There is a big cost to reprint these, so I will leave them here with the committee, for anybody who might be interested in reviewing them.

These documents make clear that Mr. Summers knew about Mexico's deteriorating condition as early as February 1994, but Mr. Summers did not want Congress or the American public to know. Instead, he and other key administration officials repeatedly painted a rosy picture of the Mexican economy, a picture which was distorted, not accurate, and not truthful.

Mr. Chairman, Mr. Summers has had a distinguished career, and I appreciate the cooperation of the Treasury Department and Mr. Summer's with the Banking Committee's inquiries. He is a

very likeable person. He is a genuinely affable person. He is a genuinely decent person. I want that to be stated for the record.

But, again, there is the question of what is fact, and then the misstatements that, over a period of 1 year, that were being put forth. I have some difficulty with that contradiction.

Let me cite a few highlights from my chronology. On February 15, 1994, an internal Treasury Department report warned that "Mexico's balance of payment situation may be fragile because of its large dependence on portfolio investments which are potentially volatile."

Mr. Summers, by the way, is aware of all the statements I will refer to. In some cases documents were sent to him directly. In other cases he made these statements or advised the Secretary.

But on February 17th, 2 days later, Secretary Bentsen stated that "Mexico has become an example for all Latin America because of its economic policies."

On March 24th, Mr. Summers was informed that the Mexican Government "is looking for some comforting Treasury words to soothe the press."

Then, despite its falling international reserves and a growing current account deficit, Secretary Bentsen again issued a statement saying, "We have confidence that Mexico is on the right economic path." Now, it is important to understand that, these statements were put out with Mr. Summers' accord, in some cases at his urging.

In a news conference on the same day, President Clinton stated, "Mexico's institutions are fundamentally sound." Now, you do not advise the administration to make these statements when they are untrue. Certainly the collapse had not totally taken place, but the situation in the picture was not as rosy as it was described.

On April 26th, Mr. Summers sent Secretary Bentsen a memo stating that "Mexico's dependency of the financing of its large current account deficit from largely volatile foreign portfolio investments remains a serious problem." But, once again—you see, it is a pattern—on the same day, Mr. Summers told CNBC that "Mexico is fundamentally sound and has a fundamentally sound currency. We are very encouraged about the situation."

Finally, on November 21st of 1994, despite the administration's growing concern—and the documents show that—about the economy, Mr. Summers informed Secretary Bentsen that "The Mexicans would very much like for you to make a statement today."

Mr. Summers informed the Secretary that he had "worked out a statement with the Mexican Government." This statement not only failed to disclose any of the administration's concerns, but, instead, hailed Mexico's strong economic fundamentals. It just was at variance with the facts at that time. Less than a month later, Mexico was forced to devalue its currency, and we know the rest of the story.

Mr. Chairman, I agree with A.M. Rosenthal—and I think this goes to the essence of my remarks—of the New York Times, who wrote on April 4th, 1995 in a column entitled "Cover Up Chronology." "Real concern for Mexico would have meant public warnings from Washington as soon as trouble was discovered. Legitimate confidentiality does not include deceiving the world."

Mr. Chairman, there is an important difference in terms of breaching a confidentiality between governments and putting out statements that are less than accurate and, in some cases, in total contradiction to what the facts are.

Now, Mr. Chairman, reasonable people can always disagree on the correct economic approach in theory. However, what disturbs me is this campaign of misrepresenting the facts. Unfortunately, Mr. Summers was involved in the latter.

I think Mr. Summers is a wonderful person. He is a good individual, he is a decent man. But I have doubts about his nomination because if you allow yourself to put out statements that are in direct contravention to what is true, it is troublesome to this Senator.

Having said that, I do not intend to do anything other than to state my concern. I cannot support the nominee, but I think he is a decent person. I think he is an honorable man.

I thank the Chair for extending me the opportunity of making these observations.

The CHAIRMAN. Before I call on our next Senator, I told Pat Moynihan, as I listened to Senator D'Amato—and I do not mean this in any way critically in the selection of the documents you picked, and I have no idea whatever other memos may have existed—but maybe 35, almost 40 years ago Joseph Grew published his book, *Turbulent Era*, and he was our Ambassador to Japan at the time of Pearl Harbor and was a career Foreign Service Officer.

He sent telegrams to the State Department, to President Roosevelt through October, into November, into December. He said, naval attaches indicated the Japanese fleet has left. I am sure they are bent on war; watch out for Pearl Harbor, watch out for Guam, watch out for Clark Field. Of course, Pearl Harbor happened.

Afterwards, in Grew's book, he is very understanding of President Roosevelt. Grew was a young Foreign Service Officer in Berlin in 1914 and sent telegrams that the Germans were right, and this is the way he saw it, and sent them on.

He said, all I could do is send things as I saw them, and he realized the President was getting advice from a dozen capitals and a hundred ambassadors, all of it conflicting, and there is no particular reason why he should have picked out Ambassador Grew's comments as being invariably right. It is easy enough to look in hindsight and say, why did you not listen to Ambassador Grew, but Ambassador Grew did not necessarily have that position.

Senator Breaux.

OPENING STATEMENT OF HON. JOHN BREAUX, A U.S. SENATOR FROM LOUISIANA

Senator BREAUX. I will try to be very brief because I want to hear from the witness, but I welcome him to the committee and look forward to his statement.

I think it is very important that all of us realize that this confirmation is not about confirming him as Ambassador to Mexico, it is about confirming him as Deputy Secretary of the Treasury, for which I think there can be no question about his qualifications in that regard.

If we want to get into whether the Mexico loan decision was a good one, I guess that is appropriate and proper. I think the results

are very clear in that regard that Mexico is much better today than it was before the loans were made.

I think it is also important to note that not a single taxpayer has lost one single penny on the very complicated, sophisticated program that apparently Mr. Summers had a lot to do with setting up.

In fact, the loans, in addition to not costing the taxpayers a single penny are fully secured because of the arrangements that the Department of the Treasury made in order to make these loans possible.

Therefore, I think it is very, very clear that this is a public servant who could be doing a lot better in the private sector, if that was his goal, who is willing to give of his mind, his talent, and his mind in order to serve this government.

So, while we can differ with some of the policies that perhaps this administration has advocated, I do not think in any sense it is fair to take a disagreement over the policy, which seems to be working, I might add, out on the individual who has designed the policy. That is what elections are about. So I think that this is an eminently qualified economist. He has proven himself in the past and should, I think, be confirmed by this committee.

The CHAIRMAN. Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Mr. Chairman. I simply welcome Mr. Summers and look forward to voting for his nomination to come out of this committee.

OPENING STATEMENT OF HON. BILL BRADLEY, A U.S. SENATOR FROM NEW JERSEY

Senator BRADLEY. Mr. Chairman, let me say, first, I had intended to be here to introduce Mr. Summers, so let this be in lieu of the introduction. I will not read the entire introduction, other than to simply say that I think that he is an extremely able economist and public servant.

He has written deeply in the field of economics and he served with distinction at the World Bank and at the Treasury Department. I think we are lucky to have him in the position to assume the Deputy Secretary's slot.

As to whether there was a discrepancy between what Mr. Summers said inside the councils of government and then to the public at-large, it seems to me that if that is true, it is certainly not the first time in the history of government that that took place.

It seems to me I recall a young man in the early 1980's named David Stockman who made the point inside government that, indeed, these tax cuts might increase the deficit dramatically, but on the outside made the case that these tax cuts would increase revenues.

So I simply want to say that I think Mr. Summers has served with distinction and deserves to be confirmed, and he certainly will have my strong support and will, I hope, take the position of Deputy Secretary and serve with the same ability as he has everything else he has done in his life.

The CHAIRMAN. Senator Chafee, and then Senator Graham.

**OPENING STATEMENT OF HON. JOHN H. CHAFEE, A U.S.
SENATOR FROM RHODE ISLAND**

Senator CHAFEE. Mr. Chairman, it is my intention to vote for Mr. Summers for this position. I am just not sure what the procedure is here, because I will have to be leaving. I hope to hear the start of your statement, but I have to be leaving. So, therefore, I will give you my proxy to vote.

The CHAIRMAN. I will explain what the procedure is so everybody is aware. We can report a nominee out with a rolling quorum.

Senator MOYNIHAN. Which we have established.

The CHAIRMAN. Oh, yes. We have had 15 people here, so that part is all right.

However, if there is a roll call—and I would hope that we would not have a roll call—and a majority votes to report him out, proxies cannot change the outcome, or if a majority did not vote him out, proxies cannot change the outcome. So, with that admonition, I would call upon, now, Senator Graham.

**OPENING STATEMENT OF HON. BOB GRAHAM, A U.S. SENATOR
FROM FLORIDA**

Senator GRAHAM. Thank you, Mr. Chairman. It is my intention to vote enthusiastically for Mr. Summers for the position of Deputy Secretary. He has served with distinction in his current position. I think he brings many talents, particularly a sense of vision as to where the United States and the international community need to be directed in these very complex areas.

We are fortunate to have a person of his ability and experience in the number two position in the Treasury, and I hope that he will be put to work fully credentialed at the earliest date.

The CHAIRMAN. Mr. Secretary, go right ahead.

**STATEMENT OF HON. LAWRENCE SUMMERS, TO BE DEPUTY
SECRETARY OF THE TREASURY**

Secretary SUMMERS. Thank you very much, Mr. Chairman, Senator Moynihan, members of the committee. I am grateful for this opportunity to appear before you today in connection with my nomination to be Deputy Secretary of the Treasury.

I am deeply honored by the trust that Secretary Rubin has shown in recommending me for this position, and that the President has demonstrated in nominating me.

For the past two and a half years I have served as Under Secretary for International Affairs at the Treasury Department. It has been my privilege to work, first, with Secretary Bentsen, then with Secretary Rubin, on a wide range of economic and financial issues facing our Nation.

I believe that the President and the Congress, working in a spirit of bipartisan cooperation, have achieved real progress over these past two and a half years towards increasing America's export potential, opening foreign markets to our goods and services, and reintegrating the transition economies of the former Soviet Union and Eastern Europe into the world economy.

My experience before coming to Treasury was as an economist working on policy questions, first, as a Professor at Harvard, and then as Chief Economist and Vice President at the World Bank.

At Harvard, I taught and conducted research on a range of economic issues including tax policy, unemployment, and the role of financial markets. At the World Bank, I had responsibility for managing the organization's research, statistical, and training programs and sat on its loan committee.

If confirmed as Deputy Secretary, I look forward to working very closely with Secretary Rubin and assisting him in the fulfillment of the Treasury Department's broad array of responsibilities.

I believe that there is nothing more important for the future of our country than successful economic policies that allow market forces to harness the tremendous economic energy of the American people. Appropriate financial policies are crucial to attaining this objective.

In particular, I would like to briefly highlight four areas which should be priorities for the Treasury Department in advancing the continued economic success of the American people over the months and years ahead.

One, is the need to increase our National savings and investment rates, both of which lay at the foundation for our Nation's future. Cutting government spending, balancing the budget, considering tax and other measures that can increase private savings, and furthering critical public investments all play an essential role in achieving rising standards of living.

The second priority must be continued support for international economic cooperation. We must work with other countries to ensure that the process of opening markets, furthering market-oriented reforms in developing countries, and safeguarding the functioning of international financial markets goes forward.

Third, the United States must maintain a modern and effective financial system as a basis for our prosperity. Such a system is essential to provide funds and capital for our industries, to channel investments to their most efficient use, and to offer high returns on savings for the American people.

Fourth, Treasury, like other agencies with law enforcement responsibilities, must work to improve its capacity to meet these responsibilities. Narcotics trafficking, money laundering, tax evasion, and all other crimes represent a threat to the rule of law in our society and the economic progress that we are striving for.

Many of these issues are complex. While we have made progress over the last several years, there is much more to do. Clearly, there will be some disagreements as to how best to achieve our common aims, but I strongly believe that it is very important to discuss key issues fully and openly.

Let me just say in conclusion that the Treasury Department has a long and proud tradition of professionalism, integrity, and public service. If confirmed, I will do my utmost to maintain that tradition.

Let me offer you my personal assurance that I will continue to do everything in my power to work closely and cooperatively with the members of this committee and all members of Congress in the weeks and months ahead. That has been my aim in the past and it will be my aim in the future.

I deeply regret the misunderstandings that Senator D'Amato and I have had a chance to discuss in the past and would welcome the

opportunity to clarify them further. It was and will continue to be the policy of the Treasury to act in the national interest, to describe situations in the way in which we see them. There has not been, and will not be, any intent to deceive.

Thank you once again, Mr. Chairman, for bringing me before this committee. I would be pleased to respond to any questions which you or the members of the committee may wish to ask.

[The prepared statement of Secretary Summers appears in the appendix.]

The CHAIRMAN. Mr. Secretary, thank you.

Do you agree with the Congressional Budget Office, which says that if we pass legislation and the President signs it that results in a balanced budget, based upon their projections, that this will yield a fiscal dividend in the form of lower interest rates and slightly higher economic growth?

Secretary SUMMERS. Yes, I do. I believe that a reduced budget deficit, particularly a move to a balanced budget, would substantially reduce pressure on credit markets and that would tend to bring down long-term interest rates. It would cause more of our Nation's savings to be channeled into investment, which would also increase the rate of growth.

The CHAIRMAN. All right. Now, point one of your four points is "the need to increase our National savings and investment rates, both of which lay the foundation for our Nation's future, cutting government spending, balancing the budget, considering tax and other measures that can increase private savings, and further critical public investment."

Here we are not talking about appropriated accounts, we are talking about using the Tax Code as a device for incentives. In your judgment, if we have a dividend, what is the best way to point it toward investment and savings?

Secretary SUMMERS. Senator, I believe that the evidence suggests that the type of IRAs proposed in the President's budget can make a substantial contribution to spurring private savings. They can do that in a number of ways. At one level, they raise the return saving which may make saving more attractive. I think the evidence suggests that they are important to, in fact, help savings.

The CHAIRMAN. How do they raise the return on savings, you mean the interest rate?

Secretary SUMMERS. Yes, the return that the saver is able to earn is increased. I think, more importantly, they serve to educate people about savings and to promote activities to promote savings. My own analysis of the different path of U.S. and Canadian savings rates, for example, suggests that incentives of this kind can make a difference.

Clearly, the most important thing we can do to increase national savings is to move to balance the budget. But I do believe that modestly costly and appropriate incentives, such as the IRA that the administration has put forward, can also operate to increase the private savings rate.

The CHAIRMAN. The evidence we have had on IRAs has been mixed in this committee, and you are familiar with the mixed evidence. We had a panel of four economists once and it was two and two, with past evidence, from 1981-1986. Yes, it did; no, it did not.

Secretary SUMMERS. In an earlier life as a Professor at Harvard I was part of a number of panels before this committee and I was one part of the spectrum, and there were others with different views.

The CHAIRMAN. Now, if balancing the budget, in theory, helps reduce interest rates, I do not understand how that increases the rate of savings on IRAs. I will not get into an argument as to whether we will have more IRAs, but why would the rate be higher rather than lower?

Secretary SUMMERS. I am sorry, Senator, perhaps I misspoke. The point I intended to make was, in an IRA, because you eliminate the taxation of the savings, the after-tax return that the saver gets is increased, and that aspect of the IRA operates to increase savings.

The CHAIRMAN. Now, if we want to continue to point ourselves toward increased savings and investment—and that is a high priority in addition to wanting to balance the budget, so we do not have a lot of money to throw about—where on that scale, in terms of increasing savings and investment and discouraging consumption, do personal tax cuts fall?

Secretary SUMMERS. I think that one cannot make a judgment about particular tax measures except in the context of an overall program. I think the tax measures suggested by the President that include a modest reward for families and incentives for private savings for a range of uses and also incentives for human investment through reductions in the costs of education and training, represent a constructive program that will work in the direction of promoting savings in our country.

The CHAIRMAN. I understand the argument about, here is a tax incentive to help you get yourself educated; a better-educated populace is more productive. But I want to talk about the straight-out tax cut just for you, we are going to give you a \$300 tax credit. We are going to give you a \$1,000 increase in your personal deduction. Most economists say that is designed to encourage consumption, that there really is not much savings incentive in that.

Secretary SUMMERS. Senator, while increasing national savings is a crucial objective, clearly the President's budget reflects a number of different priorities. The child care credit that you are referring to reflects the priority that the administration attaches to giving tax relief for working families. That measure itself is not targeted at the objective of increasing savings.

I think the combination of a commitment to move to a balanced budget and the other incentives that do operate in the direction of promoting savings means that the program is one that, overall, will work to increase our National savings rate.

The CHAIRMAN. Do you think that a capital gains tax differential encourages investment and savings?

Secretary SUMMERS. I think that that differential certainly has some important incentive effects, both on the composition of investment and the behavior of portfolio investors in terms of how often they turn their securities over, but I think capital gains tax reform is a question that has to be looked at in the context of a variety of things, a variety of other measures that are being undertaken

along with it in terms of concerns about fairness, as well as concerns about economic efficiency.

I do not think that the impact of capital gains tax changes of any kind on the savings rate is likely to be as large as the impact of deficit reduction, certainly, or also the impact of deductions for IRAs of the kind that are under discussion.

The CHAIRMAN. In your judgment, will a capital gains differential encourage greater investment?

Secretary SUMMERS. There is no question, Senator, that a capital gains differential will encourage certain categories of investment. That is why the administration proposed, and the Congress enacted, a capital gains reduction on entrepreneurial investments this early in the administration in small businesses.

What the impact is overall, I think, is a more complicated judgment to make because, at least in some cases, a capital gains rate reduction would encourage the taking of capital gains, which would mean the sale of assets that could otherwise go for consumption.

In other cases, there would be substantial impetus to investment. It is a judgment that I think has to be made in terms of the detailed provisions of any particular capital gains structure that was put forward.

The CHAIRMAN. After years of effort on Senator Bradley's part to educate us to the merits of fewer deductions and lower rates, we finally achieved that in 1986, and he deserves the bulk of the credit.

Senator Moynihan was on this committee and had, perhaps, to make tougher votes, considering where he comes from, than anybody else. As I recall, you were rather complimentary of our efforts after 1986.

Secretary SUMMERS. I believe that the overwhelming lesson of international experience is that a broad base with relatively low rates is the most efficient way for nations to collect revenue.

So I think there is no question that the thrust of the 1986 tax reform to bring down rates and broaden the base was the right kind of direction in which to move. Clearly, when one gets into particular incentives or particular provisions, one has to think about the merits of those provisions in the context of other changes that are being made.

The CHAIRMAN. If the direction was right, why not continue it and instead of doing IRAs, capital gains, and tax credits, remove more deductions, do not add more incentives, and lower the rates?

Secretary SUMMERS. I think that that type of idea, Senator, as you know much better than I, is embodied in a range of the proposals that are under discussion, and I think we have to look very seriously, as the administration is, at all those proposals in terms of their impact on economic performance, their impact on the fairness of our tax system, making sure we do not interfere with deficit reduction, and trying to make the system as simple as possible. I think we have to be looking very carefully at our tax system in terms of those four criteria, because there is room for improvement.

The CHAIRMAN. Well, it is relatively easy to do. With a high enough personal deduction, Bill, what did we take, 5.5-6 million people off the rolls in 1986? You can take care of the very poor relatively simply. In fact, you can take care of lower middle income

relatively simply with one deduction, or two deductions, husband and wife.

But then the question becomes, are we better off economically not to have incentives for IRAs, not to have incentives for capital gains, not to have incentives for mortgage interest deductions unless you want to have a modest one, and instead attempt to lower the rates and let the money flow to the investment where it would naturally flow without the incentives?

Secretary SUMMERS. Well, I think, as a broad proposition it is better, as I have said, to have fewer deductions and to have lower rates. I think that, in looking at any particular deductions while others remain, one has to look at the overall package in terms of the four criteria that I stated.

But there is no question that, as a general proposition, I would go along with you and with the philosophy of the 1986 Tax Reform Act, that a broad base with lower rates is attractive. The question comes in terms of the efficacy of certain particular incentives, questions of fairness and questions of assuring deficit neutrality.

The CHAIRMAN. Senator Moynihan, then Senator D'Amato.

Senator MOYNIHAN. Mr. Chairman, I do not want to extend this very much longer. With respect to that first question you asked, I think we had testimony from Secretary Rubin that the 1993 deficit reduction program had an effect on what he called the deficit premium on interest rates, and that it dropped significantly. The cumulative 5 year reduction in the deficit is about \$600 billion. Of that amount I think about \$100 billion is from the reduction in the deficit premium. Is that about right?

Secretary SUMMERS. I do not have the numbers.

Senator MOYNIHAN. You do not have to give it to me today.

Secretary SUMMERS. The number I know, Senator, is that the interest rates today are almost 100 basis points lower than they were before the 1993 budget program was passed and we made progress on deficit reduction. With a national debt in excess of \$4 trillion, that adds up to a big loss.

Senator MOYNIHAN. That adds up to a lot of money.

Secretary SUMMERS. Yes.

Senator MOYNIHAN. Yes. 100 basis points.

I just have one question that we sort of want to follow, and we want you to follow, and you mentioned it, it is the World Trade Organization. We finally established it in the last Congress after 40 years, 50 years from Bretton Woods. The proposal for the International Trade Organization died in the Finance Committee in 1947 and came back to life in 1994.

How is that going, are we up and running? Are you satisfied with the way it is taking shape and are you satisfied that we are going to be responsive to the terms which, after all, we advocated all of that long half century?

Secretary SUMMERS. Senator Moynihan, I think the history will show that one of the most significant things that happened in international economic policy in this several-year period was the creation of the WTO.

It is now up and running in Geneva. It is working very hard to promote liberalization, to finish the unfinished business of the Uruguay Round in areas like telecommunications, in areas like finan-

cial services where some important progress has been made, although the last agreement for all history and financial services has yet to be written, but there have been some important offers made by other countries.

I think the discipline that it is providing is reinforcing the very important trend towards trade liberalization around the world, which is working very much in the interests of U.S. producers, and we, as Americans, have a very strong stake in a successful WTO, and we will work very hard to cooperate with the WTO.

Senator MOYNIHAN. Then just one final question. Chairman Packwood and I wrote a letter to the President suggesting that, would it not be a good idea, since this was our idea in the first place for an international trade organization, to have its headquarters be in Washington? We have not yet gotten an answer, and that was a long time ago. Do you have an answer, Mr. Secretary? Mr. Secretary, will you get us an answer?

Secretary SUMMERS. If you cannot succeed on the first, you have to succeed on the second. I will ensure that you get an answer promptly.

Senator MOYNIHAN. Well, if it is not the right answer, do not be in too much of a hurry. [Laughter.]

Secretary SUMMERS. I will see what I can do on that characteristically visionary idea, Senator.

Senator MOYNIHAN. Thank you, sir.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator D'Amato, then Senator Conrad.

Senator D'AMATO. Mr. Secretary, if you were presented with a similar or comparable set of circumstances next year, a different country but similar circumstances, would you handle your public pronouncements in a different manner than you did in the past? Obviously you understand the area I am referring to.

Secretary SUMMERS. I think there are a number of different lessons that I would draw looking back on what happened in the last year.

First, the links between what happens to a currency and what happens much more broadly to an economy and the way in which a situation can cascade into default has, I think, been very dramatically illustrated by the Mexican experience.

So I think the first thing would be, a set of procedures that were not in place last year, would be to have extensive confidential consultations with the appropriate Congressional committees in much the same way as is done in the area of military and security problems when they are incipient on a classified basis.

I think in terms of public statements, Senator D'Amato, as I said in the hearing we had last week, in retrospect, it clearly would have been better for the statements to have distinguished much more sharply than they did between statements about the overall health of the Mexican economy because of privatization, liberalization, and all of that, which had taken place in a very, very profound way and did mean that Mexico was a very different economy than it had been previously.

Those kinds of statements about the long-run changes and the basic health of the Mexican economy, which were right, I think it would have been better if the statements had left less room for am-

biguity as to whether they were that or whether they were market commentary. I think that that certainly is a lesson that all of us would draw from what took place in the handling of the Mexican crisis.

I would say to you, Senator, that I think it is difficult at this time when the Mexican crisis has occupied so much of all of our attention to put oneself back in the context of the earlier period where one did see a country that had certain financial and macro-economic difficulties in the way that many other countries do, but where judgment was of the basic health and of one problem that was going to have to be worked through. And it was in that perspective that Secretary Bentsen, myself, Chairman Greenspan, made the statements that we made.

But, clearly, the sense in which things can get close to the edge is something that has been very dramatically illustrated by what has happened in Mexico and it has had a set of lessons for us, a set of lessons at the Fed, a set of lessons at the International Monetary Fund, that we have all given a great deal of thought to.

Senator D'AMATO. Well, I thank you for your candor, Mr. Secretary. As I indicated, I will not be supporting your nomination, but I have no doubt that you are going to be confirmed. I do not want to paraphrase what you are saying, but I am heartened by your remarks.

I am heartened by your remarks and I hope that we can continue to get a better flow of information, because I think it becomes discouraging at times when we read in the paper what is taking place, such as a draw down of funds.

I would encourage a continuation of the improvement of that flow of information, and it has improved. I think that is important. I think you touched on something that is very important. When we have critical situations like this, there should be a confidential briefing of the Congress, or certainly members of key committees that are going to be called upon, or may be called upon, to respond with the administration. I think that is critical.

In this manner, we do not face this situation as do or die, we have an opportunity to build a rapport based on the facts. So that is important, and you have underscored that in your own way. I wish you good luck.

Secretary SUMMERS. Thank you very much, Senator. I pledge to cooperate with you, with all the members of this committee, and, indeed, all the members of Congress to the maximum extent that I possibly can. We will work to make sure, on the particular question of Mexico, that appropriate procedures are in place with respect to briefing the Banking Committee.

The CHAIRMAN. Senator Conrad.

Senator CONRAD. Thank you, Mr. Chairman.

Welcome, Mr. Secretary. Let me just say, I do intend to support your nomination. I think you have an outstanding background and I think you have performed extremely well in your current position.

I have a concern that flows from a GAO report on international taxation relating to reports on foreign-controlled corporations, those foreign corporations doing business here, 73 percent of whom pay no taxes to the United States.

During the Reagan Administration, I served on a commission that dealt with the question of taxation of multinational corporations. It has been something of great interest to me, and I think it is of great concern to the country because I am absolutely convinced that foreign corporations are under-paying to the United States.

This confers a competitive advantage on them as against our own corporations. It is an interesting circumstance in which companies are fighting for the right to get into this U.S. market and then claim to be losing money here for tax purposes.

Seventy-three percent of them pay nothing in taxes to the United States, and I am convinced that one of the ways that they are able to avoid their tax liability here is by transfer pricing, by putting their profits where there are little or no taxes, but understating their true earnings in this market, and that this is something we ought to respond to and do something about.

We have found at the Treasury in prior administrations, and I regret to say continuing in this administration, a reluctance to help us find out the dimensions of this problem.

I would very much like to get your commitment that you will help us take a series of steps to define the magnitude of the problem. The Multistate Tax Commission, the group of tax commissioners in the United States, believes it is \$10 billion a year that is being avoided in U.S. taxes by foreign-controlled corporations.

I would just like to know if you would help us get answers to questions that the Multistate Tax Commission has outlined to define the magnitude of the problem. Is that something that you would be willing to be helpful on?

Secretary SUMMERS. Senator, I am not familiar with the Multistate Tax Commission's report. I am familiar with the general issue and I agree with you on the absolute importance of making sure that everybody pays the taxes that they legally owe, and everybody certainly includes foreign corporations.

I know there are a number of efforts in that direction under way in the context of rules with respect to transfer pricing. I also know that there are some serious problems. I will do what I can, if confirmed as Deputy Secretary, to make sure that we are able to size the problem, and then once we have sized the problem, that we are able to respond in an appropriately aggressive fashion.

Senator CONRAD. Well, I appreciate that. I will give you later today an outline of the areas in which Treasury help is necessary.

Let me just give you one example. Harry Grubert, Office of Tax Analysis, needs to update his 1991 study comparing profitability of U.S.- and foreign-controlled U.S. corporations. They need resources from Treasury to be able to do that. We need information on Section 482 price adjustments. As you know, that is what is used as the alternative to some formulary apportionment.

We need a study conducted to examine the tax laws, regulations, and enforcement practices of our major OECD trading partners with the aim of identifying the extent to which foreign-based multinationals have an incentive and ability to shift income out of the United States. It would seem to me those are things we would want to do, and I am very hopeful that you will tell me that those are things that you will support.

Secretary SUMMERS. Senator, given my background as a research economist, I can assure you that you will find the next Deputy Secretary of the Treasury, if he is confirmed, particularly sympathetic to various areas for economic research study, and certainly the areas that you just described are one very, very important area of research.

I think the particular highlighting of these particular concerns at this hearing will, I am sure, resonate in the Office of Tax Analysis and we will see what we can do to get working on the particular concerns you have raised.

Senator CONRAD. I appreciate it very much, I really do. I just draw this to the attention of my colleagues. I have raised this issue before. I really believe it is something that we ought to do. It is in the national interest. We tell our companies, go out there, play it straight, pay your taxes where they are due, and all too often they are competing against companies from foreign countries who are not paying the United States what they owe here. They have many ways of understating their income to this country and underpaying the taxes, which confers a competitive advantage on them.

I am hopeful you will be aggressive in this area, and I think, from your background, you will. For that reason, I intend to support the confirmation. I thank the Chairman.

The CHAIRMAN. Senator Rockefeller.

Senator ROCKEFELLER. Mr. Chairman, as I stated earlier, I am basically here because I want to vote for the nominee. I have no questions. I had the honor to exchange views with our nominee, and look forward to voting for him at the earliest possible opportunity.

The CHAIRMAN. Senator Bradley.

Senator BRADLEY. Mr. Chairman, I think transfer pricing is a phony issue. Mr. Summers, do I have your commitment that you will engage in no research related to that? [Laughter.]

Secretary SUMMERS. Gee, I thought the disagreements were between the two sides of the aisle.

Senator BRADLEY. That is right. That is right. No, no. I just was opening up.

I do not have a lot of questions. I have only two brief ones, and I do not want to take too much of the committee's time with this.

The Mexican crisis was, again, on our watch. It is likely that there could be another crisis somewhere else in the world. Are we moving to a systemic answer to this problem as opposed to having people just come to the U.S. Treasury in moments of crisis?

Secretary SUMMERS. Yes, we are. That was a major theme of the Halifax summit where agreement was reached among the G-7 to try to push forward in four areas.

First, more transparency on the part of all countries, sort of generally accepted accounting principles for countries, as well as for corporations.

Second, enhanced IMF surveillance that looks at capital flow issues, as well as the more traditional trade and current account issues.

Third, an emergency financing mechanism anchored in the IMF so that the system, rather than the United States, can be the point of response the next time there is a crisis.

Fourth, a work-out mechanism so that we can try to resolve these events if they happen in the future, with investors bearing as much of the responsibility as possible.

Senator BRADLEY. Every country raises revenue in a different way. We get about 45 percent of our Federal revenue from individual income tax, 10 percent from corporate, roughly 37 percent from social insurance taxes, 5-6 percent from excise taxes, about 3 percent from estate taxes. Does that sound about right, from your perspective?

Secretary SUMMERS. Yes. That seems to me to be an accurate statement.

Senator BRADLEY. My question to you is, should that be altered?

Secretary SUMMERS. I think you would have to look at any particular scheme for alteration in terms of its effect on fairness and on economic efficiency in order to make a judgment about that.

The CHAIRMAN. Senator Moseley-Braun.

Senator MOSELEY-BRAUN. Thank you very much, Mr. Chairman. I just want to be brief. I intend to support this nominee also. He certainly has an extensive background and is highly qualified for this position, and I think he deserves it after what he has been through.

But I wanted to ask a quick question. You have done a lot of writing and a lot of publishing. I have an article here that you wrote, and I do not know how long ago it was, called "Educate the Women." In it you suggest that enhancing women's contribution to development is as much an economic as a social issue. I could not agree with you more.

In that vein, Mr. Summers, I would very much like to suggest that I would like to work with you in the development of some strategies that we might explore here. This committee certainly is looking at things like welfare reform, at job creation in under-invested communities, and the like, certainly approaching these issues of disinvestment in all too many communities in our country, and the like. These issues are as much social issues as they are economic ones, and I very much appreciate your approach to this as an economic issue.

I would very much like to spend some quality time with you once you are confirmed in this regard. I just want your commitment, first, because I know you are going to be busy with the rest of the world, but I want to focus in on some domestic concerns and the social and economic implications of what we do in terms of economic policy.

Secretary SUMMERS. I would look forward to that very much, Senator.

Senator MOSELEY-BRAUN. Thank you.

The CHAIRMAN. Are there further questions?

[No response.]

The CHAIRMAN. We will move to Executive Committee for voting out of the nominations.

[Whereupon, at 1:59 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED

PREPARED STATEMENT OF JOHN J. CALLAHAN, PH.D.

Chairman Packwood, Senator Moynihan, and other distinguished members of the Senate Finance Committee, I appreciate the opportunity and privilege of appearing before you today.

I am deeply honored that President Bill Clinton has seen fit to nominate me for the position of Assistant Secretary for Management and Budget and Chief Financial Officer of the Department of Health and Human Services. I, also, deeply appreciate the opportunity to serve, in that capacity, with Health and Human Services Secretary Donna Shalala.

My public service career spans more than 25 years. I have served with the Advisory Commission on Intergovernmental Relations, the University of Virginia, the National Conference of State Legislatures, and the United States Senate. I understand the need to have strong intergovernmental cooperation in the development and implementation of effective health and human services programs. Moreover, my service with the Senate Governmental Affairs and Senate Budget Committees has made me realize that we must deliver and finance our health and human services program in a cost-effective manner. Our citizenry wants to have productive Health and Human Services programs, but our citizens also want to have these programs financed and delivered in a manner that does not exacerbate the serious fiscal problems that our country is currently facing.

The duties of the Assistant Secretary of Management and Budget and Chief Financial Officer (ASMB/CFO) of the Department of Health and Human Services are varied and complex.

The ASMB/CFO is the person primarily responsible for the preparation and execution of the HHS budget. It is the ASMB's responsibility to prepare and submit to the Secretary a strong, focused, and lean budget that will meet the health and human service priorities of the Administration.

The Health and Human Services Department has an annual budget of nearly \$332 billion. Among the key programs the Department administers include \$195 billion in Medicare benefits to 38.3 million individuals and \$96 billion of Federal Medicaid funding— not including State matching funds—to 38 million individuals, many of whom are elderly and severely disabled.

Other critical programs and activities of the Department include the provision of high quality medical care to 1.4 million American Indians and Alaska Natives, childhood immunization programs that aim to fully immunize 90 percent of our nation's two-year olds, an aggressive program of breast cancer research administered by the National Institutes of Health, and the provision of primary care treatment for HIV/AIDS-infected patients in many of the major urban centers.

It is the ongoing responsibility of the Assistant Secretary for Management and Budget and his staff to maintain continuing budgetary reviews of HHS programs to identify new program priorities, suggest ways of reducing or eliminating out-moded programs, and design methods of improving the cost-consciousness in all programs in the Department.

The ASMB/CFO is also a primary Departmental official who assists the Secretary in responding to the budgetary concerns of the Congress as it enacts annual appropriations measures, prepares annual budget resolutions and makes budgetary revisions in all the programs that are administered by the Department. My long experience in the United States Senate has prepared me to address these Congressional concerns in a forthright and timely manner.

The ASMB/CFO also has a number of statutory responsibilities that relate to the fiscal management of the Department's programs. Some of these include:

CFO duties

The Chief Financial Officers Act requires the CFO to oversee all financial management activities relating to the programs and operations of the agency. I support the Department's financial management vision as reflected in the current HHS CFO 5-Year Plan. It includes integrating the functions of program and financial managers by entering into productive partnerships with program management; using financial management information to support decisions; measuring and reporting the outcomes of performance, and being cost-effective.

Paperwork Reduction duties

The ASMB/CFO has additional responsibilities under the Paperwork Reduction Act for information collection and dissemination, statistical policy and coordination, records management and privacy and federal information technology.

GPRA duties

The CFO must also ensure that the requirements of the Government Performance Results Act (GPRA) are carried out, including the establishment of strategic plans and performance measures for departmental programs.

Information Resources Management (IRM) duties

The ASMB/CFO is also the department's Senior IRM Official and is responsible for assuring that HHS acquires information systems which meet today's and tomorrow's needs in the most cost effective way.

Contracting duties

The ASMB/CFO is also the Departmental Competition Advocate as well as the HHS Debarring/Suspending Official for HHS acquisitions. The ASMB/CFO also has responsibility for Departmental cost and management policies for HHS grants and contracts.

Based on previous service on the Governmental Affairs Committee where I was involved in crafting legislation related to sunset review of federal programs, grant consolidation and simplification and the development of "fiscal notes" for the establishment of new or revised federal programs, I will, if confirmed, be a strong Chief Financial Officer for HHS. I intend to carry out my CFO duties in a thoroughly professional fashion.

There are unprecedented fiscal and programmatic challenges facing our country today. The Health and Human Services Department is at the forefront of such challenges. I firmly believe that the American people will welcome a fair and balanced solution to these fiscal and programmatic issues. In the final analysis, they will expect the Federal government, through HHS, to provide them, as citizens, services that are both effective and cost-conscious. I will, to the best of my ability, do my part in seeing to it that such a mandate is met.

I would like to close on a personal note. I want to thank my family for all their support over the years, most especially my wife, Susan, who is the real front-line public servant, teaching English at Robert E. Lee High School in Fairfax County, Virginia, and my three fine children, Kathleen, Erin, and Sean.

And I wish to thank three people who have helped me to be here today. First is Dr. Alan K. "Scotty" Campbell, the former Dean of the Maxwell School of Public Administration and the first head of the Office of Personnel Management (OPM). He provided me with a fine education and encouraged me to pursue a career of public service.

Secondly, I wish to acknowledge my deep debt of gratitude to Senator Jim Sasser. I was proud to have served on his staff for the past 16 years. He was a tremendous Senator who always faced up to the tough demands of public life. He has served his State and Nation with great distinction.

And finally, I wish to thank my father, John J. Callahan, Sr., a self-made man of 83. Today, he is in the Mayflower Nursing Center in West Yarmouth, Massachusetts. I wish he could be here today so that I could thank him personally for the values of hard work, tolerance, and personal dignity that he has instilled in his family over the years.

Thank you.

Attachment.

A. BIOGRAPHICAL:

1. Name: JOHN J. CALLAHAN
2. Address: 4211 HOLBORN AVENUE
ANNANDALE, VIRGINIA 22003
3. Date and place of birth: JANUARY 15, 1944
QUINCY, MASSACHUSETTS
4. Marital status: MARRIED TO SUSAN F. (DOHERTY) CALLAHAN
5. Names and ages of children: KATHLEEN MARIE CALLAHAN (25)
ERIN FRANCES CALLAHAN (23)
SEAN MICHAEL CALLAHAN (19)
6. Education: FORDHAM COLLEGE, 1961-65. B.A.
(POLITICAL SCIENCE), 1965

SYRACUSE UNIVERSITY (MAXWELL SCHOOL OF
PUBLIC ADMINISTRATION), 1965-69
MASTERS OF REGIONAL PLANNING (M.R.P.), 1972;
PH.D (SOCIAL SCIENCE), 1972

7. Employment record:

- (1) Research Assistant, Department of Social Science, Maxwell School of Public Administration, Syracuse University, September, 1965 - June, 1966.
- (2) Research Assistant, Metropolitan Area Planning Council, Boston, Massachusetts, June, 1966 - August, 1966.
- (3) Graduate Assistant, Metropolitan Studies Program, Maxwell School of Public Administration, Syracuse University, Syracuse, New York, September, 1966 - July, 1968.
- (4) Staff Member, New York State Joint Committee to Revise and Simplify the Education Law, Albany, New York, July, 1968 - August, 1969*
(* Services performed while still resident as a graduate assistant at the Metropolitan Studies Program at Syracuse University)
- (5) Analyst, U.S. Advisory Commission on Intergovernmental Relations, Washington, D.C., September 1969 - August, 1971.
- (6) Assistant Professor of Education and Planning, University of Virginia, Charlottesville, Virginia, September, 1971 - July, 1972.
- (7) Senior Analyst, U.S. Advisory Commission on Intergovernmental Relations, Washington, D.C., August, 1972 - October 1974.
- (8) Program Director, Legislator's Education Action Project, National Conference of State Legislatures, Washington, D.C., October 1974 - September, 1977.
- (9) Director, Washington Office, The National Conference of State Legislatures, Washington, D.C., September, 1977 - June, 1979.

(10) Staff Director*, U.S. Senate Subcommittee on Intergovernmental Relations, Governmental Affairs Committee, Washington, D.C., June, 1979 - March, 1983 (*Minority Staff Director in 1981-3).

(11) Chief of Staff, Senator Jim Sasser, United States Senate, Washington, D.C., March, 1983 - December, 1986.

(12) Staff Director, U.S. Senate Subcommittee on Federalism, Governmental Services, and the District of Columbia, Governmental Affairs Committee, January, 1987 - December, 1988.

(13) Deputy Staff Director, U.S. Senate Budget Committee, Washington, D.C., January, 1989 - May 1993.

(14) Chief of Staff, Senator Jim Sasser, United States Senate, Washington, D.C., May, 1993 - December, 1994.

(15) Professional Staff Member, U.S. Senate Budget Committee, Washington, D.C., December, 1994, - April, 1994.

(16) Senior Consultant to the Secretary, Department of Health and Human Services, Washington, D.C., May, 1994 - present.

8. Government experience:

(1) Research Assistant, Metropolitan Area Planning Council, Boston, Massachusetts, June, 1966 - August, 1966.

(2) Staff Member, New York State Joint Committee to Revise and Simplify the Education Law, Albany, New York, July, 1968 - August, 1969* (* Services performed while still resident as a graduate assistant at the Metropolitan Studies Program at Syracuse University)

(3) Analyst, U.S. Advisory Commission on Intergovernmental Relations, Washington, D.C., September 1969 - August, 1971.

(4) Staff Director*, U.S. Senate Subcommittee on Intergovernmental Relations, Governmental Affairs Committee, Washington, D.C., June, 1979 - March, 1983 (*Minority Staff Director in 1981-3).

(5) Chief of Staff, Senator Jim Sasser, United States Senate, Washington, D.C., March, 1983 - December, 1986.

(6) Staff Director, U.S. Senate Subcommittee on Federalism, Governmental Services, and the District of Columbia, Governmental Affairs Committee, January, 1987 - December, 1988.

(7) Deputy Staff Director, U.S. Senate Budget Committee, Washington, D.C., January, 1989 - May 1993.

(8) Chief of Staff, Senator Jim Sasser, United States Senate, Washington, D.C., May, 1993 - December, 1994.

(9) Professional Staff Member, U.S. Senate Budget Committee, Washington, D.C., December, 1994, - April, 1994.

(10) Senior Consultant to the Secretary, Department of Health and Human Services, Washington, D.C., May, 1994 - present.

9. Memberships:

Fordham University Alumni Association

Maxwell School of Public Administration
of Syracuse University Alumni Association

10. Political affiliations and activities:

I am a registered voter in the State of Virginia. I have held no political office or membership with any election committee during the last ten years. I did hold a designation from May, 1993 through December, 1994 as a Senate staff member with the office of Senator Jim Sasser as one who could handle political funds. That role ended after the November, 1994 election.

I have attached a record of my political contributions during the last ten years.

11. Honors and Awards:

The Fordham Club, 1965
 Pi Sigma Alpha, The National Political Science
 Honor Society, May, 1965
 Alcoa Fellowship to the University of
 Pittsburgh, 1965 (Declined)
 Service Award, United States Senate, 1991
 (recognition of 12 years of service)
 Service Award, National Conference of
 State Legislatures, 1979

12. Published writings:

I have attached a copy of my professional resume listing the publication of all books, articles, and reports that I have written or been primarily or substantially responsible for in my professional career.

13. Speeches:

I have given no speeches during the last three years.

14. Qualifications:

I have a 25 year career of service to Federal, State, and local government along with the requisite higher education that enables me to provide high-quality service as the Assistant Secretary for Management and Budget and Chief Financial Officer of the Department of Health and Human Services.

My service with the U.S. Advisory Commission on Intergovernmental Relations enables me to do in-depth research on a variety of intergovernmental program and finance issues affecting our system of federal political federalism. I was further able to augment this research experience with practical research and technical assistance offering to State Legislatures during my tenure with the National Conference of State Legislatures, working with the State Legislatures in Maryland, Tennessee, Connecticut and other States to seek solutions to pressing problems dealing with their educational finance policies.

During my 16 years of service with the United States Senate I helped work for consideration of legislation dealing with cash management, joint funding simplification, grant simplification and consolidation, "sunset" review of federal programs, prompt payment of federal contracts, and improved financial management practices such as the Chief Financial Officers Act and the Inspector General Act Amendments. Much of such legislation would fall under my direct responsibility at HHS.

Finally, as Deputy Staff Director of the Senate Budget Committee from 1989 through 1993, I was one of a select number of senior staff members with responsibility for helping enact four concurrent Budget Resolutions and two Omnibus Budget Reconciliation Acts (1990 and 1993) which together helped reduce current and future budget deficits by over \$900 billion. During that time, constructive changes were also made in the Budget Act to place aggregate spending caps on overall appropriations as well as "pay-as-you-go" legislation which prohibited the enactment of new tax reductions or entitlement programs without corresponding entitlement spending reductions or revenue increases to pay for such policies.

I believe my education, my research and technical experience with intergovernmental issues and my governmental affairs management and budget experience in the United States Senate provides excellent preparation for the position of Assistant Secretary for Management and Budget and Chief Financial Officer of the Department of Health and Human Services.

C. FUTURE EMPLOYMENT RELATIONSHIPS:

1. Will you sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate?

I am currently employed as a senior consultant in the Department of Health and Human Services. I will relinquish that position upon confirmation.

2. Do you have any plans after completing Government service to resume employment, affiliation or practice with your present employer, business firm, association or organization?

NO

3. Has anyone made a commitment to employ your services in any capacity after you leave government service?

NO

4. If confirmed, will you serve your full term of office?

YES

D. POTENTIAL CONFLICTS OF INTEREST

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients, or customers.

I have no financial arrangement, deferred compensation arrangements or continuing dealings with business associates, clients, or customers.

2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

I have no investments, obligations, liabilities, or other relationships which involve potential conflicts of interest with regard to my nomination as Assistant Secretary for Management and Budget.

3. Describe any business relationship, dealing or financial transactions which you have had during the last ten years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

I have no business relationship, dealing, or financial transaction during the last ten years that could result in a possible conflict of interest in the position to which I have been nominated.

4. Describe any activity during the past ten years in which you have engaged for the purpose of directly or indirectly influencing or affecting the administration and execution of law or public policy.

During the last ten years, I have been a staff member of the U.S. Senate and I have not engaged in any activity of directly or indirectly influencing or affecting the administration of law or public policy.

5. Explain how you will resolve any potential conflict of interest including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

I will consult with the Department of Health and Human Services' Designated Agency Ethics Official about unforeseen conflicts of interest and recuse myself from these matters if necessary.

6. Written opinions should be provided directly to the Committee by the General Counsel of the Agency to which you have been nominated and by the Director, Office of Government Ethics, Office of Personnel Management concerning potential conflicts of interest or any other legal barriers to your serving in this position.

The Department of Health and Human Services' Special Counsel for Ethics and Designated Agency Ethics Official has submitted an opinion letter to the Committee stating that no conflicts of interest exist.

E. TESTIFYING BEFORE CONGRESS:

1. Are you willing to appear and testify before any duly constituted committee of the congress on such occasions as you may be reasonably requested to do so?

YES

2. Are you willing to provide such information as is requested by such committee?

YES

F. OTHER:

1. Provide the full details of any civil or criminal proceedings in which you were a defendant or any inquiry or investigation by the Federal, State, or local agency in which you were the subject of the inquiry or investigation.

I have not been involved in any civil or criminal proceeding in which I was a defendant nor have I been the subject of an inquiry or investigation at the Federal, State, or local level.

2. Give the full details of any proceeding, inquiry or investigation in which you were the subject of the proceeding, inquiry or investigation.

SEE THE ANSWER TO QUESTION #1 ABOVE.

3. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense?

NO

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

I bring highly relevant experience and education to the position of Assistant Secretary for Management and Budget and Chief Financial Officer of the Department of Health and Human Services. Moreover, my more than 25 years of public service indicates an abiding commitment to the highest standards of integrity and professional service to the United States of America.



 Signature



 Date

Political Contributions

1995

April 4, 1995 - Virginia Democratic Party \$30

1994

October 8, 1994 - Virginia Democratic Party \$30
 October 20, 1994 - Byrne for Congress \$100
 October 21, 1994 - National Committee for an
 Effective Congress \$10

1993

June 8, 1993 - Byrne for Congress \$250
 July 26, 1993 - Virginia Democratic Party \$25
 August 11, 1993 - Tennessee Democratic Party \$100
 August 23, 1993 - Virginia Democratic Party \$25

1992

October 4, 1992 - National Committee for an
 Effective Congress \$15
 October 20, 1992 - Tennessee Democratic
 Party \$150
 October 27, 1992 - Friends of Byrne \$50

1991

April 2, 1991 - National Committee for an Effective
 Congress \$10
 August 7, 1991 - Citizens for Wofford \$50

1990

No Contributions

1989

No Contributions

1988

September 20, 1988 - John Tanner for Congress \$50

1987

September 9, 1987 - Democratic Senate Campaign
 Committee \$10
 October 4, 1987 - Citizens for Audrey Moore \$25

1986

August 8, 1986 - Howard Orenstein Volunteer
 Committee \$50

1985

November 4, 1985 - Davidson Co. Democratic
 Party \$100

I have also contributed the maximum federal income tax check-off every year to the Presidential campaign fund. Moreover, I have made the maximum check-off permitted every year to the Virginia State Democratic Party (or \$3 a year ever since the check-off was instituted in Virginia).

John J. Callahan, Ph.D.
Published Works

- "Ending the Era of Fast-Growing Government," *Elected Public Official* (1979): 10-14
- "Maine's School Finance System: Is It Equitable?" (October, 1977) National Conference of State Legislatures, Washington, D.C.
- "Big City Schools: 1970-1975 -- A Profile of Changing Fiscal Pressures." (September, 1977) National Conference of State Legislatures, Washington, D.C.
- "Impact Aid and State School Finance Programs: Can They Be Made More Compatible?" (October, 1976) National Conference of State Legislatures, Washington, D.C.
- With William H. Wilken. "Maryland's Intergovernmental Aid Systems -- Do They Need Revision?" (1976) National Conference of State Legislatures, Washington, D.C.
- With William H. Wilken. *School Finance Reform: A Legislator's Handbook*. National Conference of State Legislatures, Washington, D.C. (1976)
- With William H. Wilken. *An Assessment of the Tax and Expenditure Equity of Iowa's School Finance System*. National Conference of State Legislatures, Washington, D.C. (1976)
- With William H. Wilken. *Special Education in Maryland: An Interstate and Local Perspective*. National Conference of State Legislatures, Washington, D.C. (1976)
- Toward More Balanced Transportation: New Intergovernmental Approaches*. Advisory Commission on Intergovernmental Relations, Washington, D.C. (1975)
- With William H. Wilken. "The Fiscal Impact of Full State Funding of Education, Courts, and Corrections Expenditures," in U.S. House Committee on Government Operations, *Fiscal Relations in the American Federal System*. Washington, D.C.: U.S. Government Printing Office, 1975.
- "Intergovernmental Remedies for Intra-jurisdictional Service Equity Problems. *The Next Step: Towards Equality of Public Service*. Trinity Parish Church, New York, 1974.
- Governmental Functions and Processes: Local and Area-wide*. Advisory Commission on Intergovernmental Relations (ACIR). Washington, D.C.: U.S. Government Printing Office, 1974.
- With William H. Wilken. "School Finance Reform and Property Tax Relief Programs: Their Effect on Urban Fiscal Disparities," *American Real Estate and Urban Economics Association Journal* 11, No.1 (Spring, 1974): 39-56.
- With William H. Wilken and M. Tracy Sillerman. *Urban Schools and School Finance Reform*. National Urban Coalition, Washington, D.C. (1973).
- With Seymour Sacks. "Central City - Suburban Fiscal Disparity," in Advisory Commission on Intergovernmental Relations, *City Financial Emergencies: The Intergovernmental Dimension*. Washington, D.C.: U.S. Government Printing Office, 1973.

- With William H. Wilken. "School Finance Reform in the States: What Should be Done." *Proceedings of the 16th National Conference of School Finance*. NEFP, Atlanta, Georgia, (1973)
- With William H. Wilken. *Education Finance Reform in Massachusetts: Meeting the Constitutional Demands of Serrano v. Priest*. Massachusetts Teachers' Association, Boston, Massachusetts, (1973).
- With William H. Wilken. *Revision, Relief and Redistribution of the Connecticut State and Local Tax Structure*. Connecticut Education Association, Hartford, Connecticut, (1972).
- With M. Tracy Sillerman and others. *Amicus Brief for the City of Baltimore, Council of Great City Schools and Other (No. 71-1332), in San Antonio Independent School District v. Demetrio P. Rodriguez* (argued October, 1972)
- With Stephen Browning and others. *The Legislators' Guide to School Finance*. Denver: Education Commission of the States, National Conference of State Legislatures, (1972).
- With Joel S. Berke. "Serrano v. Priest: Milestone or Millstone for School Finance," *Journal of Public Law*, XXI, No.1 (Summer, 1972): 23-72.
- With Joel S. Berke and James Kelly. *The Financial Aspects of Equality of Educational Opportunity and Inequities in School Finance*. U.S. Senate Select Committee on Equal Educational Opportunity, Washington, D.C. (1972).
- With Joel S. Berke and others. *Financing Equal Educational Opportunity: Alternatives for State Finance*. McCutchan Press, Beverly Hill, California, (1972).
- "The Case for Full Federal Funding of Education," *Current History* LXIII, No. 2 (August, 1972): 76-79.
- With L.R. Gabler. "Schools and the Bond Market: Present and Proposed Federal and State Programs," *Proceedings of the 15th National Conference on School Finance*. National Education Association, Washington, D.C. (1972)
- State-Local Relations in the Criminal Justice System*. U.S. Advisory Commission on Intergovernmental Relations (ACIR). Washington, D.C.: U.S. Government Printing Office, 1971.
- Court Reform*. U.S. Advisory Commission on Intergovernmental Relations (ACIR). Washington, D.C.: U.S. Government Printing Office, 1971.
- Police Reform*. U.S. Advisory Commission on Intergovernmental Relations (ACIR). Washington, D.C.: U.S. Government Printing Office, 1971.
- The Quest of Environmental Quality: Federal and State Action: 1969-1970*. U.S. Advisory Commission on Intergovernmental Relations (ACIR). Washington, D.C.: U.S. Government Printing Office, 1971.
- MultiState Regionalism*. U.S. Advisory Commission on Intergovernmental Relations (ACIR). Washington, D.C.: U.S. Government Printing Office, 1971.
- With Donna Shalala. "Some Fiscal Dimensions of Three Hypothetical Decentralization Plan," *Education and Urban Society* I (1969).

John J. Callahan, Ph.D

Congressional Publications

102nd Congress

U.S. Senate Budget Committee Hearings

Concurrent Resolution on the Budget for Fiscal Year 1992, January 23, February 5-6, 1991, S. Hearing 102-68, Part 1.

Concurrent Resolution on the Budget for Fiscal Year 1992, February 20, 1991, S. Hearing 102-68, Part 2.

Concurrent Resolution on the Budget for Fiscal Year 1992, February 22, 1991, S. Hearing 102-68, Part 3.

Concurrent Resolution on the Budget for Fiscal Year 1992, February 27, 1991, March 5, 1991, S. Hearing 102-68, Part 4.

Concurrent Resolution on the Budget for Fiscal Year 1992, February 28, 1991, S. Hearing 102-68, Part 5.

The Future of the Budget Summit/OMN Mid-Session Review, July 16, 17, 1991, S. Hearing 102-271.

Regarding Budget Reforms Embodied in S. 101, The Honest Budget/Balanced Budget Act, September 19, 1991, S. Hearing 102-343.

Waste and Abuse in Medicare Payments for Medical Equipment and Supplies, May 13, 1991 through November 21, 1992, S. Hearing 102-474.

Concurrent Resolution on the Budget for Fiscal Year 1993, January 8, 9, and 22, 1992, S. Hearing 102-596, Part 1.

Concurrent Resolution on the Budget for Fiscal Year 1993, February 3, 5, 1992, S. Hearing 102-596, Part 2.

Concurrent Resolution on the Budget for Fiscal Year 1993, January 31, 1992, February 6, 1992, S. Hearing 102-596, Part 3.

Home Health Agency Fraud, May 16, 1992, Nashville, Tennessee, S. Hearing 102-701.

Constitutional Amendment to Balance the Budget, June 4, 10, 1992, S. Hearing 102-693.

1993 Budget: Mid-Session Review, July 28, 1992, S. Hearing 102-753.

Concurrent Resolution on the Budget for Fiscal Year 1994, January 26, 28, February 3, 18, 19, 24, and March 3, 1993, S. Hearing 103-143.

Concurrent Resolution on the Budget for Fiscal Year 1995, January 27, February 8, 9, 10, 22, and March 4, 1994, S. Hearing 103-544, Part 1.

Concurrent Resolution on the Budget for Fiscal Year 1995, March 3, 9, 1994, S. Hearing 103-544, Part 2.

100th CongressU.S. Senate Hearings:

Reauthorization of the State and Local Government Cost Estimate Act (S. 1530), July 30, 1987, S. Hearing 100-192.

Local Fiscal Impact of the Loss of General Revenue Sharing, June 22, 24-25, 27, 1987, S. Hearing 100-280.

Safety and Soundness Standards in the Mail Order Prescription Industry, August 5, 6, 1987, S. Hearing 100-288.

Resolving Catastrophic Health Problems in the Medicare Program, August 27-29, 1987, S. Hearing 100-365.

Management and Financial Deficiencies in Federal Mine Reclamation Programs, October 23, 1987, S. Hearing 100-469.

Job Training and Employment Services, March 11, 1988, S. Hearing 100-646.

Fraud Hotline Services: An Overview, April 19, 1988, S. Hearing 100-788.

Protecting Our Nation's Groundwater: The Need for Better Coordination, April 22, and May 18, 1988, S. Hearing 100-702.

U.S. Senate Reports:

Cash Management Improvement Act of 1987, July 22, 1987, S. Report 100-197.

Reauthorization of the National Historical Publications and Records Commission, May 9, 1988, S. Report 100-330.

Cash Management Improvement Act of 1988 (S. 1381), May 26, 1988, S. Report 100-362.

Protecting Our Nation's Groundwater: The Need for Better Coordination (S. 1292), August 10, 1988, S. Report 100-475).

Public Laws:

P.L. 100-365, "National Historical Publications Records Commission Amendments of 1988," July 13, 1988.

96th CongressU.S. Senate Hearings:

Hearing on General Revenue Sharing, The Issues Before Us. July 24, 1979, 96-1.

Hearing on Federal Grants Management. July 27, 1979. S. Rept. 878, S. Rept. 904, 96-2.

Hearing on Congressional Award Program Act. April 24, 1979, S. Rept. 221, 96-3.

Oversight Hearing on Impact of Natural Gas Prices on Consumers. March 10, 1979. Memphis, Tennessee, 96-4.

Hearing on Anti-Arson Act of 1979. May 4, 1979, S. Rept. 252, 96-5.

Oversight Hearing on Intergovernmental Fiscal Impact of Mortgage Revenue Bonds. July 18, 1979, 96-6.

Hearing on Uniform Relocation Assistance Amendments. November 6-7, 1979, S. Rept. 1108, 96-7.

Oversight Hearing on Impact of Gasoline Shortages on Tourism and Small Business. November 17, 1979. Knoxville, Tennessee, 96-8.

Hearing on Extension of Joint Funding Simplification Act of 1974. January 8, 1980, Chattanooga, Tennessee, S. Rept. 1835, 96-9.

Joint Hearing with Senate Budget Committee on First Concurrent Resolution on the Budget, Fiscal Year 1981, March 11, 1980, 96-10.

U.S. Senate Reports:

Report on S. 2185, to authorize FEMA to accept a bequest to the U.S. Governments of approximately \$500,000.

Report on S. 221, The Congressional Award Program Act, 96-245.

Report on S. 1835, The Extension of the Joint Funding Simplification Act, 96-530.

Hearing on Scope of the General Revenue Sharing Program. March 20, 25, 1980, 96-11.

Report on S. 2, The Sunset Act of 1980. No. 96-865, 96-12.

Hearing on Fiscal Notes for State and Local Governments. September 4, 1980, 96-13.

Report on S. 3087, State and Local Finance Note Act of 1980, No. 96-1002.

Report on S. 1835, Extending the Joint Funding Simplification Act of 1974.

Report on S. 878, Federal Assistance Reform Act of 1980, No. 96-972.

Hearings on Oversight of the Administration of the Federal Freedom of Information Act. August 19, November 18, 1980, 95-16.

Hearings on Sunset Act of 1979. June 7, 12-14, July 12, 24, and September 13, 1979.

Hearings on Nonprofit Organization Participation in the Federal Aid System; The Minnesota Experience. Part I, October 15, 1980.

Hearings on Nonprofit Organization Participation in the Federal Aid System; The Minnesota Experience. Part II, October 20, 1980.

PREPARED STATEMENT OF SENATOR EDWARD M. KENNEDY

I welcome this opportunity to support the nomination of John Callahan as Assistant Secretary of Management and Budget and Chief Financial Officer of the Department of Health and Human Services.

John is a native of Quincy, Massachusetts, and I'm confident he will be a major asset to the Department on a wide range of vital public health programs. Whether it is Medicare, Medicaid, Indian Health Services, or Head Start, HHS programs touch the full fabric of American life. We must have a strong Department with strong fiscal management and strong oversight of the \$330 billion in federal programs that come within its jurisdiction in these areas. John Callahan is an excellent choice to help the Department meet these management responsibilities.

John received his bachelor's degree from Fordham University in 1965 and his Master's and Doctoral degrees from the Maxwell School of Public Administration in 1971. Since coming to Washington in 1969, he has served with distinction with the Advisory Commission on Intergovernmental Relations, the University of Virginia, the National Conference of State Legislatures, and for the last 16 years on the committee staffs and personal staff of our distinguished former colleague, Senator Jim Sasser, where I came to know him well.

John's experience on the Senate Governmental Affairs Committee and the Senate Budget Committee will stand him in good stead as the Chief Budget and Financial Officer for the Department of Health and Human Services. He understands the need for sound budgeting and for strong intergovernmental cooperation in the financing and the administration of the Department's programs.

It's an honor to give John my highest recommendation, and I wish him well in his new position. It's an added benefit that a person with such outstanding qualifications, coming from the staff of the United States Senate, will be working with this committee, the Senate Labor and Human Relations Committee, and the other committees of the Senate and House that are so deeply involved in working with the Department helping it to fulfill its important responsibilities, and helping it to meet its budget challenges both fully and fairly.

I urge the Finance Committee to report this nomination favorably to the full Senate.

PREPARED STATEMENT OF HOWARD SCHLOSS

Chairman Packwood, Senator Moynihan, members of the Committee.

Thank you for the opportunity to appear before you today. I consider it a great honor and privilege to have been recommended by Secretary Rubin, and nominated by President Clinton, for this position.

With me today is my wife, Debbi.

Mr. Chairman. I have worked in the Treasury Department's Office of Public Affairs since December 1993 and have served as the Deputy Assistant Secretary for Public Affairs for the last 14 months. During the last year and-a-half, I have had the opportunity to learn a great deal about the functioning of the Treasury Department, and its important role in establishing critical economic policies that affect the lives of all Americans.

Because the Treasury Department plays such an important role, I know it is absolutely essential that the Office of Public Affairs be as forthcoming and accurate as it can be in all of its dealings with the public and the press.

Therefore, if confirmed, my most important priority will be to ensure that this credo, being accurate and forthcoming, is consistently upheld by both myself and my staff.

I consider it a great honor to have been nominated for the position. I expect that I will draw on the many experiences I have already had at the Treasury Department, and in the private sector, to fulfill my responsibilities to the best of my ability.

Once again, I would like to express my deep appreciation to the committee for holding this hearing. I would be pleased to answer any questions you might have. Attachment.

NOMINEE: HOWARD MONROE SCHLOSS

**NOMINATED FOR: ASSISTANT SECRETARY (PUBLIC AFFAIRS)
DEPARTMENT OF THE TREASURY**

A. BIOGRAPHICAL:

1. Name: Howard Monroe Schloss
2. Address: 11688 Stockbridge Road, Reston, VA 22094
3. Date and place of birth: 01/30/60 - Rochester, NY
4. Marital status: Married - 11/19/92 - Deborah Sue Schloss
5. Names and ages of children: Michael Austin Schloss (7 mos)
6. Education: B.A. - Southern Methodist University
7. Employment record:
 - 12/93-06/95 U.S. Department of the Treasury
Deputy Assistant Secretary (Public Affairs)
 - 07/91-12/93 Powell Tate
Accountant Supervisor
 - 01/91-07/91 Powell Adams & Rinehart
Senior Account Executive
 - 03/87-12/90 Democratic Congressional Campaign Committee
Communications Director
 - 01/87-03/87 Unemployed
 - 01/83-01/87 Fort Worth Star-Telegram
Writer/Editor
 - 06/82-12/82 United Press International
Writer/Editor
8. Government experience:
 - 12/93-06/95 Deputy Assistant Secretary (Public Affairs)
Department of the Treasury
9. Memberships: Democratic Party
Sigma Delta Chi (journalism)
Hidden Creek Country Club (golf)
Temple Sinai (Jewish)
10. Political affiliations and activities:
 - Democratic Party
 - Anthony for Congress Campaign - May 1992
 - Clinton for President Campaign - Sept-Oct 1992
11. Honors and Awards: None
12. Published Writings: None

13. Speeches: None

14. Qualifications:

My background and work experience make me well-qualified for the position of Assistant Secretary of Public Affairs. For the last year and a half, I have been Deputy Assistant Secretary for Public Affairs at Treasury. This has allowed me to become well acquainted with Treasury's entire operation, including the many Treasury bureaus.

Before coming to Treasury, I worked at Powell Tate, a public affairs firm run by Jody Powell, former press secretary to Jimmy Carter, and Sheila Tate, former press secretary to George Bush. Previous to Powell Tate, I served as Communications Director for the Democratic Congressional Campaign Committee. Before moving to Washington, I worked for the Fort Worth Star-Telegram and United Press International.

If confirmed, I look forward to using these skills to serve the country.

C. FUTURE EMPLOYMENT RELATIONSHIPS:

1. Will you sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate?

I previously have severed relationships with my past private sector employers.

2. Do you have any plans after completing Government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

No

3. Has anyone made a commitment to employ your services in any capacity after you leave Government service?

No

4. If confirmed, will you serve your full term of office?

Yes. I will serve at the pleasure of the President.

D. POTENTIAL CONFLICTS OF INTEREST:

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients, or customers.

None

2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction which you have had during the last ten years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None

4. Describe any activity during the past ten years in which you have engaged for the purpose of directly or indirectly influencing or affecting the administration and execution of law or public policy.

None

5. Explain how you will resolve any potential conflict of interest including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

I believe that none of the above items reflect any potential for a conflict of interest; however, if I see the potential for a conflict to arise in the future in connection with the performance of my officials duties as Assistant Secretary, I will promptly consult with Treasury ethics officials before proceeding and take whatever steps are considered necessary to avoid such conflict.

6. Written opinions should be provided directly to the committee by the General Counsel of the Agency to which you have been nominated and by the Director, Office of Government Ethics, Office of Personnel Management concerning potential conflicts of interest or any other legal barriers to your serving in this position.

E. TESTIFYING BEFORE CONGRESS:

1. Are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes

2. Are you willing to provide such information as is requested by such committee?

Yes

F. OTHER:

1. Provide the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by the Federal, state, or local agency in which you were the subject of the inquiry or investigation.

None

2. Give the full details of any proceeding inquiry or investigation in which you were the subject of the proceeding, inquiry or investigation.

None

3. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense?

No

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

I have no additional information either favorable or unfavorable which I believe should be considered in connection with my nomination.



(Signature)

6-29-95

(Date)

PREPARED STATEMENT OF LAWRENCE H. SUMMERS

Mr. Chairman, I am grateful for this opportunity to appear before you today in connection with my nomination to be Deputy Secretary of the Treasury. I am deeply honored by the trust that Secretary Rubin has shown in recommending me for this position, and that the President has demonstrated in nominating me.

For the past two and a half years, I have served as Under Secretary for International Affairs at the Treasury Department. It has been my privilege to work first with Secretary Bentsen, then with Secretary Rubin on a wide range of economic and financial issues facing our nation. I believe that the President and the Congress, working in a spirit of bipartisan cooperation, have achieved real progress over these past two and a half years toward increasing America's export potential, opening foreign markets to our goods and services, and reintegrating the transition economies of the former Soviet Union and Eastern Europe into the world economy.

My experience before coming to Treasury was as an economist working on policy questions, first as a professor at Harvard, and then as Chief Economist and Vice President at the World Bank. At Harvard I taught and conducted research on a range of economic issues, including tax policy, unemployment, and the role of financial markets. At the Bank I had responsibilities for managing the organization's research, statistical, and training programs, and participating in its lending decisions.

If confirmed as Deputy Secretary, I look forward to working very closely with Secretary Rubin and assisting him in the fulfillment of the Treasury Department's broad array of responsibilities. I believe that there is nothing more important for the future of our country than successful economic policies that allow market forces to harness the tremendous economic energy of the American people. Appropriate public policies in support of a sound financial system are crucial to attaining this objective.

In particular, I would highlight four areas which should be priorities for the Treasury Department in advancing the continued economic success of the American people over the months and years ahead.

One is the need to increase our national savings and investment rates—both of which lay the foundation for our nation's future. Cutting government spending and balancing the budget, considering tax and other measures that can increase private savings, and furthering critical public investments can all play an essential role in achieving rising standards of living for the American people.

A second priority must be continued support for international economic cooperation. We must work with other countries to ensure that the process of opening markets, furthering market-oriented reforms in developing countries, and safeguarding the functioning of international financial markets goes forward.

Third, the United States must maintain a modern and effective financial system as the basis for our prosperity. Such a system is essential to provide funds and capital for our industries, channel investments to their most efficient use, offer high returns for the American people, and allow our financial services firms to compete effectively overseas.

Fourth, Treasury—like other agencies with law enforcement responsibilities—must work to improve its capacity to meet those responsibilities. Narcotics trafficking, money laundering, tax evasion, and other crimes all represent a threat to the rule of law in our society, and the economic progress that we work for.

Many of these issues are complex. While we have made progress over the last several years, much more must be done. Clearly, there will be some disagreement as to how best to achieve our aims. I strongly believe that it is very important to discuss key issues fully and openly.

In conclusion, let me say that the Treasury Department has a long and proud tradition of professionalism, integrity, and public service. If confirmed, I will do my utmost to maintain that tradition, by remaining fully responsive to the Congress, and serving Secretary Rubin and President Clinton to the best of my abilities. Let me offer you my personal assurance that I will continue to do everything in my power to work closely and cooperatively with the members of this Committee and all the members of Congress in the weeks and months ahead.

Thank you once again Mr. Chairman for bringing me before this Committee. Now I would be pleased to respond to any questions which you or the Committee may have.

Attachment.

A. BIOGRAPHICAL:

1. **Name:** Lawrence Henry Summers
2. **Address:** 5 Newlands Street
Chevy Chase, Maryland 20815
3. **Date and place of birth:** POB: New Haven, Connecticut
DOB: 11-30-54
4. **Marital status:** Married to Victoria Perry Summers
5. **Names and ages of children:** Pamela M. Summers DOB: 6/12/90
Ruth P. Summers DOB: 6/12/90
Harry C. Summers DOB: 7/29/93
6. **Education:** PH.D, Harvard University, 1982
S.B., Massachusetts Institute of
Technology, 1975
7. **Employment record:**
- | | |
|-------------------|--|
| 4/1/93 to Present | Under Secretary for International Affairs
Department of the Treasury
Washington, D.C. 20220 |
| 1/91 to 1/93 | Vice President, The World Bank
1818 H Street, N.W.
Washington, D.C. 20433 |
| 7/83 to 1/93 | Nathaniel Ropes Professor of Political
Economy
Harvard University
Cambridge, MA 02138 |
| 9/82 to 6/83 | Domestic Policy Economist
Council of Economic Advisors
Old Executive Office Building
Washington, D.C. 20500 |
8. **Government experience:**
- | | |
|-------------------|---|
| 4/1/93 to Present | Under Secretary for International Affairs
Department of the Treasury
Washington, D.C. 20220 |
|-------------------|---|

9/82 to 6/83

Domestic Policy Economist
Council of Economic Advisors
Old Executive Office Building
Washington, D.C. 20500

9. Memberships:

Fellow of Econometric Society
Fellow of American Academy of Arts and Sciences
Member of Council of Foreign Relations

10. Political affiliations and activities:

Served as an economic advisor to Michael Dukakis in 1987 and 1988.

11. Honors and Awards:

John Bates Clark Medal -- Given by the American Economic Association every two years to outstanding economist under age 40.
Alan Waterman Award -- NSF Outstanding Scientific Achievement
David Wells Prize -- Outstanding Ph.D. Thesis Harvard University
National Tax Association, Outstanding Thesis Award

12. Published writings:

Author of the Book, Understanding Unemployment, coauthor of Reform in Eastern Europe, and Editor of the series Tax Policy and the Economy. Also author of more than one hundred articles -- see attached resume.

13. Speeches:

I have given numerous speeches over the years on many different subjects to a lot of different groups. I have spoken many times without prepared text. Attached are two copies of my public speeches from the past three years.

14. Qualifications:

As Under Secretary for International Affairs had broad responsibility assisting Secretary of the Treasury in the formulation and execution of international economic policies.

Extensive experience in teaching, writing, and practicing in the general area of macroeconomics and international economics for Harvard University and the World Bank.

C. FUTURE EMPLOYMENT RELATIONSHIPS:

1. Will you sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate?

I severed all connections with previous employers before I assumed my present position.

2. Do you have any plans after completing Government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

No.

3. Has anyone made a commitment to employ your services in any capacity after you leave government service?

No.

4. If confirmed, will you serve your full term of office?

Yes.

D. POTENTIAL CONFLICTS OF INTEREST:

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients, or customers.

None.

2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

None.

3. Describe any business relationship, dealing or financial transaction which you have had during the last then years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None.

4. Describe any activity during the past ten years in which you have engaged for the purpose of directly or indirectly influencing or affecting the administration and execution of law or public policy.

In my current position as Under Secretary for International Affairs, I have testified before Congress on many subjects dealing with international economic policies.

In previous positions, I testified before Congress on various economic policy questions, and have written various articles on policy questions. I was hired by NBC and testified before the FCC in connection with the financial interest - syndication rules during 1990.

5. Explain how you will resolve any potential conflict of interest including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

I do not foresee any potential conflict of interest. Should any potential conflict issue arise, I will promptly consult with the Treasury Ethics Officials.

6. Written opinions should be provided directly to the Committee by the General Counsel of the Agency to which you have been nominated and by the Director, Office of Government Ethics, Office of Personnel Management concerning potential conflicts of interest or any other legal barriers to your serving in this position.

E. TESTIFYING BEFORE CONGRESS:

1. Are you willing to appear and testify before any duly constituted committee of the congress on such occasions as you may be reasonably requested to do so?

Yes.

2. Are you willing to provide such information as is requested by such committee?

Yes.

F. OTHER:

1. Provide the full details of any civil or criminal proceedings in which you were a defendant or any inquiry or investigation by the Federal, State, or local agency in which you were the subject of the inquiry or investigation?

None.

2. Give the full details of any proceeding, inquiry or investigation in which you were the subject of the proceeding, inquiry or investigation.

None

3. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense?

No.

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

None.


Signature

6/27/95
Date

Education

Ph.D., Harvard University, 1982.
S.B., Massachusetts Institute of Technology, 1975.

Employment

Vice-President Development Economics and Chief Economist, The World Bank, 1991-present.
Nathaniel Ropes Professor of Political Economy, Harvard University, 1987-present;
Professor of Economics, 1983-87.
Domestic Policy Economist, President's Council of Economic Advisers, 1982-83.
Associate Professor of Economics, Massachusetts Institute of Technology, 1982;
Assistant Professor, 1979-82.
Associate Head Tutor, Department of Economics, Harvard University, 1978-79.

Professional Activities

Editor	<i>Quarterly Journal of Economics</i> , 1984-90
Editorial Board	<i>Journal of Economic Perspectives</i> , 1986-89 <i>Journal of Japanese and International Economics</i> , 1986-present <i>Journal of Applied Econometrics</i> , 1985-present
Executive Committee Member	American Economic Association, 1989-91 American Economic Association panel on Graduate Education, 1991
Board of Advisors	Congressional Budget Office, 1988-present
Research Associate	National Bureau of Economic Research, 1978-present
Member and Adviser	Brookings Panel of Economic Activity, 1979-present
Member	National Science Foundation Economics Panel, 1986-88
Consultant	Governments of Mexico, Indonesia, Jamaica, Lithuania
Program Committee	Econometric Society Meetings, 1982, 1984 AEA Meetings, 1986, 1987

Awards and Fellowships

Distinguished Lecturer, National Science Foundation, 1988
 Alan T. Waterman Award, National Science Foundation, 1987
 (\$500,000 Research Grant awarded to one Outstanding Young Scientist each year)
 Fellow, American Academy of Arts and Sciences, 1987
 Fellow, Econometric Society, 1986
 Presidential Young Investigator, National Science Foundation, 1986
 Fellowship, Sloan Foundation, 1985
 National Tax Association, Outstanding Thesis Award, 1982
 David A. Wells Prize, Outstanding Harvard Economics Thesis, 1982
 Lehman Prize Fellowship, Harvard University, 1978-79
 Outstanding Teaching Fellow in Introductory Economics, Harvard University, 1977

Books

Tax Policy and the Economy (editor), Cambridge: MIT Press, 1987-1990 editions.
Understanding Unemployment, Cambridge: MIT Press, 1990.
Reform in Eastern Europe, Cambridge: MIT Press, 1991.
 (with O. Blanchard, R. Dornbusch, P. Krugman, R. Layard)

Articles: Public Economics

"Inflation, Tax Rules, and the Long Term Interest Rate"
Brookings Papers on Economic Activity 1:1978, 61-99.
 (with M. Feldstein)

- "Tax Incidence in a Life Cycle Model with Variable Labor Supply"
Quarterly Journal of Economics 93:4 November 1979, 705-718.
 (with L. Kotlikoff)
- "Inflation and the Taxation of Capital Income in the Corporate Sector"
National Tax Journal 32:4 December 1979, 445-470.
 (with M. Feldstein)
- "Inflation, the Stock Market, and Owner-Occupied Housing"
American Economic Review 71:2 May 1981, 429-434.
- "Capital Taxation and Accumulation in a Life Cycle Growth Model"
American Economic Review 71:4 September 1981, 533-544.
- "Taxation and Corporate Investment: A Q Theory Approach"
Brookings Papers on Economic Activity 1:1981, 67-127.
- "Tax Policy and Corporate Investment"
 in *The Supply-Side Effects of Economic Policy*, ed. L. Meyer
 Hingham, MA: Kulwer Boston, 1981, 115-148.
- "The Adequacy of Savings"
American Economic Review 72:5 December 1982, 1056-1069.
 (with L. Kotlikoff, A. Spivak)
- "Dividend Taxes, Corporate Investment and Q"
Journal of Public Economics 22:2 November 1983, 135-167.
 (with J. Poterba)
- "Tax Reform and Corporate Investment: A Microeconomic Simulation Study"
 in *Behavioral Simulation Methods in Tax Policy Analysis*, ed. M. Feldstein
 Chicago: University of Chicago Press, 1983, 247-287.
 (with M. Salinger)
- "The Taxation of Risky Assets"
Journal of Political Economy 92:1 February 1984, 20-39.
 (with J. Bulow)
- "New Evidence that Taxes Affect the Valuation of Dividends"
Journal of Finance 39:5 December 1984, 1397-1415.
 (with J. Poterba)
- "The Asset Price Approach to the Analysis of Capital Income Taxation"
 in *Issues in Contemporary Macroeconomics and Distribution*, ed. G. Feiwel
 London: MacMillan, 1985, 429-443.

- "The Economic Effects of Dividend Taxation"
in *Recent Advances in Corporate Finance*, eds. E. Altman and M. Subrahmanyam.
Homewood, IL: Dow-Jones-Irwin Publishing, 1985, 227-284.
(with J. Poterba)
- "Measuring Income: What Kind Should Be In?"
in *Conference on the Measurement of Noncash Benefits, Volume 1*
Washington: U.S. Bureau of the Census, 1986, 8-27.
(with D. Ellwood)
- "Poverty in America: Is Welfare the Answer or the Problem?"
in *Fighting Poverty: What Works and What Doesn't*, eds. S. Danziger and D. Weinberg
Cambridge: Harvard University Press, 1986, 78-105.
(with D. Ellwood)
- "A Fair Tax Act That Is Bad For Business"
Harvard Business Review 65:2 March 1987, 53-59.
- "Why Have the Private Savings Rates in the United States and Canada Diverged?"
Journal of Monetary Economics 20:2 September 1987, 249-279.
(with C. Carroll)
- "Corporate Capital Budgeting Practices and the Effects of Tax Policies on Investment"
in *Taxes and Capital Formation*, ed. M. Feldstein
Chicago: University of Chicago Press, 1987, 27-36.
- "Investment Incentives and the Discounting of Depreciation Allowances"
in *The Effects of Taxation on Capital Accumulation*, ed. M. Feldstein
Chicago: University of Chicago Press, 1987, 295-304.
- "Notes on the Tax Treatment of Structures"
in *The Effects of Taxation on Capital Accumulation*, ed. M. Feldstein
Chicago: University of Chicago Press, 1987, 223-254.
(with R. Gordon, J. Hines)
- "The Public Policy Implications of Declining Old Age Mortality"
in *Work, Health, and Income Among the Elderly*, ed. G Burtless
Washington: Brookings Institution, 1987, 19-51.
(with J. Poterba)
- "Tax Incidence"
in *Handbook of Public Economics, Volume 2*, eds. A. Auerbach and M. Feldstein
Amsterdam: North-Holland Press, 1987, 1043-1092.
(with L. Kotlikoff)
- "Taxation and the Size and Composition of the Capital Stock: An Asset Price Approach"
in *Modern Developments in Public Finance: Essays in Honor of Arnold Harberger*
ed. M. Boskin. Oxford: Basil Blackwell, 1987, 61-94.

- "Should Tax Reform Level the Playing Field"
in *Proceedings of the 79th Annual Conference on Taxation*, ed. S. Bowers
Columbus: National Tax Association, 1987, 119-125.
- "Tax Policy and International Competitiveness"
in *International Aspects of Fiscal Policies*, ed. J. Frenkel
Chicago: University of Chicago Press, 1988, 349-375.
- "Taxation in a Small World"
in *Tax Policy in the Twenty-First Century*, ed. H. Stein
New York: John Wiley & Sons, 1988, 64-75.
- "Tax Policy, Asset Prices, and Growth: A General Equilibrium Analysis"
Journal of Public Economics 38:3 April 1989, 265-296.
(with L. Goulder)
- "Some Simple Economics of Mandated Benefits"
American Economic Review, 79:2 May 1989, 177-183.
- "An Aging Society: Opportunity or Challenge?"
Brookings Papers on Economic Activity 1:1990, 1-73.
(with D. Cutler, J. Poterba, L. Sheiner)
- "Who Benefits From Capital Gains Tax Reductions?"
in *Tax Policy and the Economy*, ed. L. Summers
Cambridge: MIT Press, 1990, 1-24.
(with D. Feenberg)
- "The Case for Corrective Taxation"
National Tax Journal 44:3 September 1991, 289-292.
- "Taxation and the Structure of Labor Markets: The Case of Corporatism"
Quarterly Journal of Economics, forthcoming.
(with J. Gruber, R. Vergara)

Articles: Macroeconomics

- "Is the Rate of Profit Falling?"
Brookings Papers on Economic Activity 1:1977, 211-227.
(with M. Feldstein)
- "The Labour Scarcity Controversy Reconsidered"
Economic Journal 90 March 1980, 129-139.
(with R. Clarke)
- "Optimal Inflation Policy"
Journal of Monetary Economics 7:2 March 1981, 175-194.

- "The Role of Intergenerational Transfers in Aggregate Capital Accumulation"
Journal of Political Economy 89:4 August 1981, 706-732.
 (with L. Kotlikoff)
- "Multiple Shooting in Rational Expectations Models"
Econometrica 50:5 September 1982, 1329-1333.
 (with J. Poterba, D. Lipton, J. Sachs)
- "The After-Tax Rate of Return Affects Private Savings"
American Economic Review 74:2 May 1984, 249-253.
- "The Long-Term Effects of Current Macroeconomic Policies"
 in *The Legacy of Reaganomics*, eds. C. Hulten and I. Sawhill
 Washington: Urban Institute Press, 1984, 179-198.
- "Intertemporal Substitution in Macroeconomics"
Quarterly Journal of Economics 100:1 February 1985, 225-252.
 (with N. G. Mankiw, J. Rotemberg)
- "The Strategic Bequest Motive"
Journal of Political Economy 93:6 December 1985, 1045-1076.
 (with D. Bernheim, A. Shleifer)
- "Estimating the Long-Run Relationship Between Interest Rates and Inflation: A Response"
Journal of Monetary Economics 18:1 July 1986, 77-86.
- "A Tax-Based Test for Nominal Rigidities"
American Economic Review 76:4 September 1986, 659-675.
 (with J. Poterba, J. Rotemberg)
- "Some Skeptical Observations on Real Business Cycle Theory"
Minneapolis Federal Reserve Bank Review 10:4 Fall 1986, 23-27.
- "Money Demand and the Effects of Fiscal Policies"
Journal of Money, Credit, and Banking 18:4 November 1986, 415-429.
 (with N. G. Mankiw)
- "Is Increased Price Flexibility Stabilizing?"
American Economic Review 76:5 December 1986, 1031-1044.
 (with J. B. De Long)
- "Are Business Cycles Symmetric?"
 in *The American Business Cycle: Continuity and Change*, ed. R. Gordon
 Chicago: University of Chicago Press, 1986, 166-178.
 (with J. B. De Long)

- "The Changing Cyclical Variability of Economic Activity in the United States"
in *The American Business Cycle: Continuity and Change*, ed. R. Gordon
Chicago: University of Chicago Press, 1986, 679-734.
(with J. B. De Long)
- "Debt Problems and Macroeconomic Policies"
in *Debt, Financial Stability, and Public Policy: a Symposium*, ed. S. Axilrod
Kansas City: Federal Reserve Bank of Kansas City, 1986, 165-191.
- "Issues in National Savings Policy"
in *Savings and Capital Formation: the Policy Options*
eds. F. G. Adams and S. M. Wachter. Lexington, MA: D.C Heath & Co., 1986, 65-88.
- "Finite Lifetimes and the Effects of Budget Deficits on National Savings"
Journal of Monetary Economics 20:2 September 1987, 369-391.
(with J. Poterba)
- "Why is U.S. National Saving So Low?"
Brookings Papers on Economic Activity 2:1987, 607-642.
(with C. Carroll)
- "How Does the Market Value Unfunded Pension Liabilities?"
in *Issues in Pension Economics*, eds. Z. Bodie, J. Shoven, and D. Wise
Chicago: University of Chicago Press, 1987, 81-104
- "U.S. Competitiveness: Beyond the Trade Deficit"
Science 241:4863 July 15, 1988, 299-307.
(with G. Hatsopolous, P. Krugman)
- "How Does Macroeconomic Policy Affect Output?"
Brookings Papers on Economic Activity 2:1988, 433-494.
(with J. B. De Long)
- "The Contribution of Intergenerational Transfers to Total Wealth: A Reply"
in *Modelling the Accumulation and Distribution of Wealth*
eds. D. Kessler and A. Masson. Oxford: Oxford University Press, 1988, 53-67.
(with L. Kotlikoff)
- "Should Keynesian Economics Dispense With the Phillips Curve?"
in *Unemployment, Hysteresis, and the Natural Rate Hypothesis*, ed. R. Cross
Oxford: Basil Blackwell, 1988, 11-25.
- "Assessing Dynamic Efficiency: Theory and Evidence"
Review of Economic Studies 56:1 January 1989, 1-19.
(with A. Abel, N. G. Mankiw, R. Zeckhauser)

- "Should Governments Learn to Live with Inflation?"
American Economic Review 79:2 May 1989, 382-387
 (with S. Fischer)
- "Industry Rents: Evidence and Implications"
Brookings Papers on Economic Activity: Microeconomics 1989, 209-290.
 (with L. Katz)
- "Inflexible Prices and Procyclical Productivity"
Quarterly Journal of Economics 105:4 November 1990, 851-874.
 (with J. Rotemberg)
- "Stimulating U.S. Personal Saving"
 in *The U.S. Savings Challenge*, eds. C. Walker, M. Bloomfield, and M. Thorning
 Boulder, CO: Westview Press, 1990, 153-176.
- "What is the Social Return to Capital Investment?"
 in *Growth/Productivity/Unemployment: Essays to Celebrate Bob Solow's Birthday*
 ed. P. Diamond. Cambridge: MIT Press, 1990, 113-141.
- "Equipment Investment and Economic Growth"
Quarterly Journal of Economics 106:2 May 1991, 445-502.
 (with J. B. De Long)
- "The Scientific Illusion in Empirical Macroeconomics"
The Scandinavian Journal of Economics 93:2 June 1991, 129-148.
- "Japan's High Saving Rate Affirmed"
Bank of Japan Monetary and Economic Studies 9:2 September 1991, 63-78.
 (with R. Dekle)
- "Consumption Behavior Parallels Income Growth: Some New Evidence"
 in *National Saving and Economic Performance*, ed. B. Bernheim and J. Shoven
 Chicago: University of Chicago Press, 1991, 305-343.
 (with C. Carroll)
- "The Next Decade in Central and Eastern Europe"
 in *The Emergence of Market Economies in Eastern Europe*
 ed. C. Clague and G. Rausser. Cambridge: Blackwell, 1992, 24-34.

Articles: Financial Markets

- "The Non-adjustment of Nominal Interest Rates: A Study of the Fisher Effect"
 in *Symposium in Honor of Arthur Okun*, ed. J. Tobin
 Washington: Brookings Institution, 1983, 201-244.

- "Observations of the Indexation of Old Age Pensions"
in *Financial Aspects of the United States Pension System*
ed. J. Shoven and Z. Bodie. Chicago: University of Chicago Press, 1983, 231-258.
- "Do Long-Term Interest Rates Overreact to Short-Term Interest Rates?"
Brookings Papers on Economic Activity 1:1984, 223-243
(with N. G. Mankiw)
- "Perspectives on High World Real Interest Rates"
Brookings Papers on Economic Activity 2:1984, 273-325.
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