

NOMINATION OF CURTIS A. HESSLER

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-SIXTH CONGRESS
SECOND SESSION
ON
THE NOMINATION OF
CURTIS A. HESSLER, TO BE AN ASSISTANT SECRETARY OF
THE TREASURY FOR ECONOMIC POLICY

MARCH 26, 1980

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NOMINATION OF CURTIS A. HESSLER TO BE AN ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY

WEDNESDAY, MARCH 26, 1980

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10:35 a.m. in room 2221, Dirksen Senate Office Building. Hon. Russell B. Long (chairman of the committee) presiding.

Present: Senators Long, Ribicoff, Byrd, Bentsen, Baucus, Bradley, Dole, and Chafee.

The CHAIRMAN. The committee will please come to order.

First we have the nomination of Mr. Curtis A. Hessler. Is Mr. Hessler here?

Mr. Hessler, you are nominated to be Assistant Secretary of the Treasury for Economic Policy. Have you had occasion to check out any possible conflict of interest and clear that with the committee staff, as well as with the administration?

{The biographical data of Curtis A. Hessler follows:}

CURTIS A. HESSLER

Seeking confirmation as: Assistant Secretary of the Treasury (Economic Policy).

SEPTEMBER 1979 TO PRESENT—ASSOCIATE DIRECTOR (NATURAL RESOURCES, ENERGY AND SCIENCE) OFFICE OF MANAGEMENT AND BUDGET

Supervise budget policy review for Departments of Energy, Agriculture, and Interior, EPA, NASA, Corps of Engineers, and a number of smaller agencies.

JANUARY 1977 TO AUGUST 1979—EXECUTIVE-ASSISTANT TO THE SECRETARY OF THE TREASURY AND EXECUTIVE-DIRECTOR, CABINET ECONOMIC POLICY GROUP

Coordinated domestic and international economic policy units of Treasury for Secretary Blumenthal; Supervised staff support for Cabinet-level committee charged by President with formulating economic policy for the Administration.

AUGUST 1976 TO JANUARY 1977—CARTER-MONDALE TRANSITION PLANNING GROUP

Provided economic policy advice; worked on transition teams for Treasury, CEA, OMB, and other economic units.

JANUARY 1976 TO JULY 1976—MUNGER, TOLLES, & RICKERSHAUSER (LOS ANGELES LAW FIRM)

Litigation attorney, chiefly in anti-trust and constitutional matters.

AUGUST 1974 TO AUGUST 1975—U.S. SUPREME COURT

Law clerk to Justice Potter Stewart.

AUGUST 1973 TO AUGUST 1974—U.S. COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA

Law clerk to Judge J. Skelly Wright.

SEPTEMBER 1970 TO MAY 1973—YALE SCHOOL

Awarded J.D.; Articles Editor, Yale Law School.

SEPTEMBER 1969 TO MAY 1970—UNIVERSITY OF CALIFORNIA, BERKELEY

Awarded MA in Economics; Dissertation in progress on management of floating exchange rates.

SEPTEMBER 1966 TO MAY 1969—BALLIOL COLLEGE, OXFORD, ENGLAND

Rhodes Scholar; graduate study of economics (concentrating in public finance, econometrics, and international economics) (Worked 8 months in 1967 as Africa correspondent for "Newsweek" magazine.)

SEPTEMBER 1962 TO MAY 1966—HARVARD COLLEGE, CAMBRIDGE, MASSACHUSETTS

Awarded BA Summa cum Laude in Social Studies.

PERSONAL BACKGROUND

Married to Christine Mary Hessler. No children. Raised in Los Angeles, California. Reside presently in Washington, D.C.

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STATEMENT OF CURTIS A. HESSLER

Mr. HESSLER. Yes, I have checked it both with the committee staff and the Treasury's General Counsel as well, Mr. Chairman.

The CHAIRMAN. And they say that it is resolved satisfactorily?

Mr. HESSLER. That is what they have told me.

The CHAIRMAN. All right.

Presently you are serving as Associate Director, Office of Management and Budget, and you supervise budget policy review for the Departments of Energy, Agriculture, and Interior, EPA, NASA, Corps of Engineers, and a number of smaller agencies, right?

Mr. HESSLER. That is right, sir.

The CHAIRMAN. I see.

Are there any questions Senator Ribicoff?

Senator RIBICOFF. As I look at your background I find your credentials certainly impressive. What are the duties of the Assistant Secretary of the Treasury for Economic Policy? What does that position encompass?

Mr. HESSLER. The core of the job, as I understand it, is to represent the Treasury when CEA, OMB, and Treasury make their regular assessments of the macroeconomic outlook, that office represents Treasury in the troika exercises.

In addition to that, it serves as the general economic policy support office to the Office of Tax Policy, the Office of Domestic Finance, the Office of International Affairs and the like, throughout the Treasury, to provide domestic and international economic staff work and research for the Treasury.

Senator RIBICOFF. Have you looked into that job?

Mr. HESSLER. Yes, I worked for the Treasury for 2½ years as Executive Assistant to Secretary Blumenthal at the beginning of the administration. During that period, I worked very closely with

my predecessor as Assistant Secretary for Economic Policy, Daniel Brill.

Senator RIBICOFF. I am just curious how you make policy in this particular job. How do you gather the information from the different departments?

Mr. HESSLER. The structure we have developed centers on the three chief economic departments, OMB, CEA, and Treasury. The people at the level of the Assistant Secretary—a member of the Council of Economic Advisers, the Assistant Director of the Budget for Economics, and I—meet frequently, and prepare the staff work for all the major economic policy decisions that would be taken by the Secretary of the Treasury, the OMB Director, and the CEA Chairman, including the advice that they would pass on to the President.

So it is a mechanism where a good deal of information is coordinated, but where it is very difficult to say who can make a decision. It is often the President himself who must make these decisions.

Senator RIBICOFF. When you do get down to this kind of decision-making, are there often deep, philosophical and economic conflicts between the different departments where you are coming out at?

Mr. HESSLER. Those three departments are usually in general accord on the basic directions of economic policy. Historically Treasury tends to be somewhat more conservative, if that is the correct term, than CEA, with OMB oscillating between the two. Then it comes down to a matter of personalities—who is in the job and what their feelings are about economic policy.

Senator RIBICOFF. When you have a conflict that develops between those two departments, how often do you find that you have to go to the President for a decision?

Mr. HESSLER. In my experience—and I have not seen it for about 9 months because I have been in the energy and agriculture area in OMB—but in the 2½ years previously there were virtually no conflicts of any importance between CEA, OMB, and Treasury on major issues of economic policy.

The conflicts were always between those three departments on the one hand and the rest of the Cabinet, the spending departments in the Cabinet, and those disagreements would have to go to the President.

The economic agencies were always able to resolve their differences. They may have been wrong, but they were in harmony.

Senator RIBICOFF. I am just trying to think back to the 18 years that I have been on this committee and I do not recall a single Secretary of the Treasury or a single Chairman of the Council of Economic Advisers ever making a forecast or prediction that has been right. It is not a reflection on you individually, but the decisionmaking responsibility on economic matters.

It is laughable, but it is a very serious problem. We are being asked on this committee and other committees to make very important decisions. We rely basically upon Treasury and the Council of Economic Advisers and the OMB, and we make those decisions we later find that they just do not work out as economically predicted.

What concerns me is the decisionmaking process and the general inaccuracy of the predictions. Now, of course, you are no different than any economist. I would say it is a dismal science really. You are not an economist.

Mr. HESSLER. I am trained as an economist, yes.

Senator RIBICOFF. You are an economist.

Looking at your background, I see you are a lawyer and your Rhodes scholarship is in graduate study in economics. You seem to have, from your experience, a very analytical mind, a very well-trained mind.

How do you think that the Government should organize itself so that it could be more accurate in its forecast of economic policy and where it is going?

Mr. HESSLER. I think that is a very serious problem, Senator. The administration—I think this has been true of previous administrations—forecasts through consensus, brings in a number of private economists, looks at all their forecasts, and what one ends up with is an average, and it has been very wrong.

That average, for a number of years, has seemed to get more and more erroneous as the inflation rate increased, I think we are going to have to revert increasingly to judgment of people who have a great deal of experience in markets. That means that the forecasts will not be nearly as quantitative and precise. A lot more qualitative assessment will have to be delivered to this committee and to other committees of the Congress. It will be a lot harder to base decisions mathematically on that advice. We cannot be as precise as those models pretend to be.

Senator RIBICOFF. In putting these together, do you call in outside experts at every phase of our economy before you come to a decision? Do you consult with them individually, collectively on your own?

Mr. HESSLER. That is what I would plan to do. I do not know what the practice was at the particular post I would go to in Treasury. I know that is done in the Council of Economic Advisers, with the economics profession. They bring in economists from all over the country. I would hope to bring in a good number of people from the banking and financial community as a regular matter, simply to get a better feel for the impact on markets of various policy options that are being discussed.

Senator RIBICOFF. I think probably a well-directed criticism of the Government is its failure to consult with the marketing section and the banking section, of our economy, as well as with the investment part of our economy, to get their thinking about where we are going in these long-term forecasts.

My feeling is you have got a curious, questing mind and there is much that you can do but I think the great tendency of the bureaucracy is to seek a consensus.

Now, in the explosive fields that we are in, the explosive economy, consensus is not always right. If Treasury feels that the Council of Economic Advisers are wrong, or OMB is wrong, I would feel much happier as a Senator or as a citizen to feel that someone is standing up for a position and not try to reach a consensus.

Bring that to the attention of the President or Secretary, to try to get a decision that is not a consensus all the time, because consensus is not always right. This is especially true in a field that is so important for the future of our country, because you are asking the President, and you are asking Congress, to make basic economic decisions and it bothers me that these decisions are just made on a consensus, even

though somebody may have a strong feeling, and they may be right, even though they are the minority.

Mr. HESSLER. The consensus has been on policy more than on forecasts. Over the last 3 years, there have been times, when Secretaries of the Treasury, in particular, have gone to the President and told him that the official inflation forecasts that he was getting from a number of private and public sources were dead wrong, that inflation was going to be a lot higher, and broke a lot of china in the process of telling him that.

I could not agree more. I do not believe that consensus, at least in forecasting, makes any sense, because the consensus has been dead wrong.

Senator RIBICOFF. I do not think you should be an off-horse or a burr in anybody's saddle. I would feel a lot happier if there was a man in all of these departments who felt strongly on the issue that he would fight for it, not just shrug his shoulders and agree, because sometimes the consensus may be wrong.

I think it is just a question of attitude for the future, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Senator BYRD. Yes.

The CHAIRMAN. Senator Byrd?

Senator BYRD. Mr. Hessler, you certainly have a fine background. Let me ask you this. What is our economic policy?

Mr. HESSLER. As I understand it, our fiscal policy is to move the budget into balance over the long term, so it would remain balanced on average over swings of economic activity. In monetary policy, of course, it is not a direct matter for the executive branch, but my understanding of the policy of the Federal Reserve Board, in general terms, is to bring the rate of credit expansion methodically back into line with the rate of growth of the real economy.

Those would be the two major instruments over a long period of time for assuring that we in the 1980's do not suffer the kind of inflation that we had through the 1970's. In addition, of course, in each sector of policy, there are important structural elements, particularly in energy.

On fiscal policy and monetary policy, those rather conventional formulations I take to be the longrun policy of the administration and the Federal Reserve, and I think they are promising over the long run. But it will be very difficult in terms of the consequences in the short run.

Senator BYRD. You are, at the present time, Associate Director of the Office of Management and Budget. Is that correct?

Mr. HESSLER. Yes, sir.

Senator BYRD. Prior to that, you were Executive Director of the Cabinet Economic Policy Group charged with formulating economic policy for the administration?

Mr. HESSLER. That is right.

Senator BYRD. How do you propose that the inflation of 18 percent that we now have be brought down?

Mr. HESSLER. For the long term, Senator, I think the only way it can be brought down is to assure that the two policies I mentioned are carried out with conviction.

Senator BYRD. Excuse me. Just delay a moment. I cannot hear you.

Mr. HESSLER. The long-term policies on the fiscal side and the monetary side, the long-term policy of budgetary balance over economic cycles for the fiscal side and, on the monetary side, controlling the rate of credit expansion and bringing it back in line with the real rate of growth of the economy, I would think would insure that we will not be suffering 18 percent inflation in the long term.

For the very short term, for the next several months, I think there is very little that can be done because those high rates have been built in by energy price increases and home financing price increases through higher interest rates that already have happened, and we are seeing them feed right through the indexes. There is virtually nothing you can do to stop those high rates of inflation in the near term from occurring.

Senator BYRD. Now, the American people are faced with a very high and apparently increasing inflation. My first question is, do you favor the policies that the Federal Reserve Board has been pursuing over the past few months, presumably tightening up on the expansion of money?

Mr. HESSLER. I think those are sound policies, in general. I could not comment intelligently in detail on this policy. It is a tradition of Treasury not to comment in great detail on the monetary policies of the Fed.

I think they are moving in precisely the right direction and have been since last October.

Senator BYRD. Let us get, then, to fiscal policy, which is more in your area, I take it?

Mr. HESSLER. Yes, sir.

Senator BYRD. On November 16, 1979, that is a little over 4 months ago, the Congress approved spending for fiscal 1980, outlays for 1980, of \$548 billion. It said that the appropriate level of deficit was \$30 billion.

My understanding is—and you correct me if I am wrong—my understanding is that the deficit for this fiscal year 1980 instead of being \$30 billion as projected and approved by the Congress, a little over 4 months ago, will be between \$39 and \$40 billion, if not higher—say \$40 billion, give or take a little bit.

Mr. HESSLER. I think that the administration hopes to squeeze that deficit down somewhat with the announcement of the details of its budget cut package on Monday but the general point, I think, is quite right, Senator. It has gone up significantly.

Senator BYRD. In the past 4½ months the deficit has increased in round figures \$10 billion. Is that correct?

Mr. HESSLER. That is roughly correct; the projection of the deficit.

Senator BYRD. The projected deficit increased in 4½ months by \$10 billion. Do you consider that getting spending under control?

Mr. HESSLER. I do not think anybody could consider it that. A lot of it is happening through entitlement programs.

Senator BYRD. I am not speaking of the cause. I just want to get the facts.

What we tend to overlook, many of us in the Congress, are what the facts are, what the facts and figures are.

Now the news media and the White House and Members of the Congress give out figures, stating we are going to reduce spending, that we are going to reduce the President's budget, but when you

look at the facts, this is not the case, or maybe I do not look at the facts accurately. That is why I am glad you are here today because probably you can straighten me out on my own facts. Let me state the facts as I see them.

Senator DOLE. If the Senator would yield for one moment?

Senator BYRD. Yes.

Senator DOLE. I have to go to the Agriculture Committee for a quorum. I have no questions, Mr. Hessler, but I think Senator Byrd is on the right track.

Personally, we would like to know what the policy is. As far as we are concerned on our side, there are no questions. We are pleased to confirm your nomination.

Mr. HESSLER. Thank you, Senator.

Senator BYRD. Now, when the President sent his budget message to the Congress, which budget was developed by OMB; it called for spending in fiscal year 1981 of \$616 billion. Is that correct?

Mr. HESSLER. That is right.

Senator BYRD. When he spoke to the American people on March 14, about 6 weeks after his budget was submitted, he indicated that he felt that his original proposal was too high and he was going to reduce it, so he asked for spending of \$613 billion. Is that figure correct?

Mr. HESSLER. I think that is correct. I do not recall exactly what those numbers were.

Senator BYRD. The way I do arithmetic, if you take \$613 billion from \$616 billion, that means a reduction of \$3 billion.

Mr. HESSLER. That is right. In absolute amounts, that is correct.

The base was going up, so a very large package of cuts bring a net cut in spending of a small amount.

Senator BYRD. Now, the President consistently used the \$13 billion reduction. Here is the way he got the \$13 billion reduction. If I am not doing it right, you correct me.

He increased—he projected an increase in spending of \$10 billion and a reduction in spending of \$13 billion, giving a net reduction of \$3 billion. Is that correct?

Mr. HESSLER. That is correct. The net reduction is only \$3 billion or so. The way the \$13 to \$15 billion list was compiled was to go program by program and actually cut out programs and then add up the costs of all those cuts. So there is nothing cosmetic about that list.

Senator BYRD. The bottom line to the American people, to the taxpayer, the bottom line to the people who decide whether to buy bonds or not to buy bonds, the bottom line to the homeowners and the rest of the citizens is, what is our spending?

Our spending, as I read the figures, will be in round figures \$613 billion.

Mr. HESSLER. I think that is correct, Senator.

Senator BYRD. That is correct.

His original proposal was \$616 billion. Now, let's take that \$613 billion, which the President now proposes. The budget resolution approved by Congress on November 15, 4½ months ago, was for \$548 billion.

Now, when you subtract \$548 billion from \$613 billion, that gives an increase in spending of \$65 billion. That is correct, is it not?

Mr. HESSLER. That is correct.

Senator BYRD. This afternoon, every homebuilder in the State of Virginia is coming to Washington. I guess they are here now, but I am meeting with them at 1:30 this afternoon.

What can I tell the homebuilders that the Government is doing that will change the situation facing the homebuilders and, for that matter, the entire American public?

Mr. HESSLER. First, Senator, the fiscal stance of the budget over a period of less than a year is going to swing at least \$50 billion from the deficit, as you pointed out, of close to \$40 billion to a surplus of \$10 billion or more.

That is the biggest fiscal swing we have ever had.

Senator BYRD. That does not result from a reduction in spending. That results from an increase in taxes. Is that not correct?

Mr. HESSLER. From both. There is the real reduction in spending programs of \$13 billion to \$15 billion.

Senator BYRD. Just a minute. Let's see where that real reduction is.

We have just established the fact—you just confirmed the fact—that there will be a \$65 billion increase in spending?

Mr. HESSLER. That is correct.

Senator BYRD. Then where do you get the reduction with the \$65 billion increase?

Mr. HESSLER. I fully agree that the spending increases are offset by increases in revenues due to inflation-caused increases in the income tax and from a number of other sources, windfall profit tax and others.

Senator BYRD. The deficit is lessened by an increase in taxes, not by a decrease in spending.

Mr. HESSLER. There is the decrease in spending program, but you are correct.

Senator BYRD. If it goes from \$548 billion to \$613 billion; you have already said it is a \$65-billion increase in spending?

Mr. HESSLER. That is correct. That is correct in absolute numbers. Because of inflation, there is clearly a rise in the amount of spending, and in large amounts, but in terms of real programs, inflation-adjusted programs, there are decreases throughout the budget.

Senator BYRD. In the total budget, it is up?

Mr. HESSLER. That is correct.

Senator BYRD. Up \$65 billion in total?

Mr. HESSLER. In nominal terms, that is correct.

Senator BYRD. You explain to them how your figures work. I am just going to cite to them the figures and let them see whether they think you are going to get inflation under control by increasing your spending by \$65 billion.

I do not know of anyone in the Congress, including myself, who advocates reducing spending below what we are spending now. My great quarrel with the administration is the sharp increases in spending.

It is the increase in spending that must be moderated. It is the increase in spending that must be reduced, not reduced below what we are spending now, but a reduction in the increase in spending.

Do you have any comment one way or the other on that?

Mr. HESSLER. I do not disagree as a general principle, Senator. However, the increases that you cite are coming largely in two areas: Defense and entitlement programs indexed to inflation.

Seantor BYRD. Just wait a minute now. I happen to have some figures on defense.

On the total increase of \$65 billion, no more than 25 percent goes to defense.

Mr. HESSLER. That is probably correct. That is about right.

Senator BYRD. That is about right.

Mr. HESSLER. That is about right, yes.

Senator BYRD. You cannot blame that on defense.

Mr. HESSLER. I do not want to blame it on anything. I am not saying that these are not worthy increases, particularly for defense, but it is very difficult, if one is not going to deal with those two large spending areas, to bring growth rates down dramatically without severe cuts in controllable programs, which I believe these proposed spending cuts are, as I suggested.

Senator BYRD. Let me ask you this. Do you see a reduction in interest rates in the near future?

Mr. HESSLER. I would think over this calendar year. Beyond that, I do not think I could be more precise. My guess would be there would be some reduction in this calendar year, no more than a guess.

Senator BYRD. Would you want to venture a figure?

Mr. HESSLER. No, sir. No, sir. I do not think that would serve you very well because it would not be worth a great deal. I do not think anybody is prescient enough to know what interest rates are going to be next week or next month.

Senator BYRD. You are certainly right. I know I am not competent enough to guess. I certainly do not hold you responsible for not being able to guess it either.

Let me ask you this. In developing your economic policies, do you rely pretty much on the economists who have been around this town for quite a while, or how do you do it?

Mr. HESSLER. Well, I have not started doing it yet, but my impression is that perhaps we rely too much on people who have been around this town too long. The actual models or forecasts come off the commercial models: DRI, Chase Econometrics, et cetera. Those can be somewhat incestuous—you get to see the same people all the time.

We have not had great success in forecasting. I think that is probably a good reason to start casting about a little more broadly for different types of forecasting advice.

Senator BYRD. I am not speaking so much of forecasting as I am of direction and formulation of policy.

Mr. HESSLER. I think there the sweep has been much broader. I think we go out to the whole country to hear people's views on whether or not there ought to be a liberalized depreciation measure and, if so, when, et cetera. That is not a closed view.

Senator BYRD. I was speaking still in the context of spending. Let me give you my impression. It may not be right, but let me give you my impression.

My impression is that the administration has been relying pretty heavily on individuals who have been around this town quite awhile and who consistently through the years have favored heavy spending and have been advocates of deficit financing.

Could you enlighten me as to whether my assertion is reasonably correct?

Mr. HESSLER. I have not bumped into too many of those people in the Executive Office or the Treasury, recently. I am not sure to whom you are referring, Senator.

Senator BYRD. Well, I do not want to get into names. I guess maybe I will not pursue that subject. I just have the impression, as one individual, that some rather famous people in the sense of being prominent in the field of economics and whatnot have been consistent advocates through the years, go back 15, 20, 25 years, many of these people have been advocating heavy spending and have been advocating deficits.

My impression is that this administration has been receptive, to say the least, to the advice of those individuals. Maybe those individuals have changed their views.

Mr. HESSLER. I think there has been a lot of change of view.

Senator BYRD. There has been a lot of change of views?

Mr. HESSLER. I believe so.

Senator BYRD. You have noticed that among your colleagues?

Mr. HESSLER. I have heard that. Of course, I have not seen most of these people until after they have changed their views. But so I am told.

Senator BYRD. You feel there has been a change of view in that respect?

Mr. HESSLER. Yes.

Senator BYRD. That is good news. That is the best news I have heard in quite awhile. Let us get back to what, in addition, I can tell the homebuilders today.

Mr. HESSLER. Well I hope you will mention to them the \$50 billion fiscal swing, even if much of it concerns revenue, because it will take the government out of the capital markets to a large extent and allow better financing.

I think the second thing—

Senator BYRD. It takes government out of borrowing in the capital markets by taking the money out of the pockets of the taxpayers? Is that the way it is done?

Mr. HESSLER. That is a colorful and correct way of putting it, I think.

Senator BYRD. Thank you.

Mr. HESSLER. I would also remind you that, in the direct credit control program invoked by the President, housing is exempted, and the deposit requirements that have been put on money market funds, we hope, will cause some flow of funds back into the thrift institutions, which will improve housing finance.

There are several forces in motion, not terribly powerful and the markets are very difficult, but we are making an attempt to see a revival of the housing market over the course of the year. Times are very tough in that industry right now, of course.

Senator BYRD. Do you feel that our country is in a very grave, very serious economic situation today?

Mr. HESSLER. I think the economic situation is very serious, yes.

Senator BYRD. I hesitate to use the word, because I really think it is too strong, but I think some other words may be too weak. But some very knowledgeable people, not from Washington, but from elsewhere—New York, Chicago, Philadelphia—feel that we could very well have an economic collapse within the next 3 to 6 months.

Do you see anything like that?

Mr. HESSLER. I would think the odds on that are fairly small, partly because the international financial system and the position of the dollar is somewhat stronger and healthier than anyone had expected. A good deal of that is short-term interest rates, but I think that situation is less of a crisis than it has been in some time. But, domestically, there are going to be great difficulties coming down off this inflation rate.

No country has ever come off an inflation rate this high without undergoing very difficult and austere times, and I expect that we will, too, but I do not believe that it will amount to an economic collapse. In fact, I think the system will be settling back into a more stable pattern. But it will be very difficult in the short run, I imagine.

Senator BYRD. Do you see any painless way out of our present situation?

Mr. HESSLER. No, sir.

Senator BYRD. You mentioned the dollar's being strengthened. You are an expert on this and I am not, so let me ask you this. Is not the basic reason that the dollar is stronger is because of the very high interest rates that now prevail in our country?

Mr. HESSLER. That, I think, is the major short-term reason. There is, however, a feeling on the part of many people in the foreign investment community that the President's package and the whole direction of fiscal and monetary policy is going to bring down the rate of inflation in the United States fairly swiftly relative to rising rates of inflation in Europe, and that this is a good place to invest long term. But most of the money flowing in the short term is in response to interest rates. You are right about that.

Senator BYRD. What you mention—the belief by many people that the anti-inflation package will bring down the inflation rate is certainly accepted by many people but I am wondering, if those who check into the figures feel that way when we see by your own assertions that there is going to be a \$65 billion increase in spending?

I am very doubtful that the real experts, those with large sums of money involved, whether they are going to pay much attention to the headlines which says that the President is going to reduce spending by \$13 billion and the commentators who say that the President is going to reduce spending by \$13 billion. I think that those guys will go to the figures and when they see the figures they will see he is not reducing spending at all.

Mr. HESSLER. I expect, Senator, what they really would like to know, and none of us know, is whether this passion throughout the country for fiscal restraint that we have seen over the last couple of months is going to be a lasting thing.

Senator BYRD. Where do you see fiscal restraint?

Mr. HESSLER. Everything is relative.

Senator BYRD. I do not see any fiscal restraint.

Mr. HESSLER. The cuts that have been made in the controllable programs, both by the Congress and by the administration.

Senator BYRD. In the first place, the Congress has not made any cuts. There have been no votes on cuts.

Mr. HESSLER. I was referring to the work of the House Budget Committee last week.

Senator BYRD. That has not faced the House; it has not faced the Senate. The Congress has voted no cuts in the President's budget. The President himself has only advocated a \$3 billion reduction in his original budget.

I take exception to your statement that either the Congress or the President has shown fiscal restraint. You argue your point and say whatever you wish, but I do not see any fiscal restraint.

Mr. HESSLER. I went through 2 weeks of trying to find places in that original 1981 budget to cut and watched constituency groups and Cabinet members wince, bleed, yell and scream. I agree with you on the total numbers, because the base is rising through inflation and there is no way of getting around that. We are talking about cuts from a higher base.

But if those are not real cuts, an awful lot of people screamed and yelled in the night for no good reason. I think that they are not cosmetic. I think this is a real process. My question is, can it continue? Can it continue over a period of 2 or 3 years to bring the whole thing back into some kind of stable balance?

That is what I would ask, if I were an international investor.

Senator BYRD. I think that basically they are cosmetic. I think it gets back to what you said earlier—and I certainly agree with—that there is no painless way out of this. There is no easy way.

I think that this country is in trouble. I think that we are going to face greater trouble. I think that we have to take what many would consider very severe steps budgetwise and that there must be substantial budget cuts in the budget—not these rhetorical cuts, but substantial cuts in the budget—and our Nation is very much like some of us: If we drink too much whiskey at night we have got to do one of two things. We have to take the discomfort of a hangover the next morning or start drinking again.

And when you start drinking again, eventually you become an alcoholic. And our country, for 15 years now, maybe 20 years now, has been trying to solve every problem by more spending. We have become a spendaholic and we cannot get back to sanity without some discomfort and I am afraid that the longer it goes on the greater the discomfort will be. I am glad to get your views today and I am glad to get these facts and figures confirmed. I wish you good luck in your new assignment and I want to work with you in any way that I can.

I just want to, as one individual citizen, urge this administration not to rely on gimmicks, not to rely on speeches and not to rely on rhetoric, but get down to the brass tacks of this thing and make some sharp cuts in the increases in spending. It is not going to be easy. Every pressure group in the country is going to be down here and all of us in the Congress are going to have to face that vote, and none of us like to do it.

I assume the President does not like to do it. As a matter of fact, the President told the people in New York that the programs he cut out which would affect New York, that he was going to put the precise sum of money back in new programs. If that is getting spending under control, I do not quite understand the idea, but that is not your problem.

Mr. HESSLER. No, sir.

Senator BYRD. Thank you. I will be glad to support your confirmation.

Mr. HESSLER. Thank you very much.

The CHAIRMAN. Are there any other questions?

Senator CHAFEE. Mr. Chairman?

The CHAIRMAN. Senator Chafee?

Senator CHAFEE. There is a considerable group of economists who are saying that to balance the budget it will only reduce the inflation by 0.3 of 1 percent. Do you agree with that?

Mr. HESSLER. No, I do not. I think that is somewhat like the diet books which explain if you go off of apple pie, you can only lose a pound in the first month or first 6 months or whatever. It just does not seem worth it, unless you stick to it.

The fact is if you keep up even small amounts of excess fiscal demand, I believe, it is difficult to avoid escalating inflation over a sustained period of time. The escalation that takes place, the acceleration of the inflation rate, goes beyond anything that the econometric models show. Inflationary acceleration is not shown in those models at all. We have nowhere to model that process.

These little things that come out of computers, the 0.2 and the 0.3 in the first 12 months, I would take with a grain of salt. It is true that no one can claim that a precise balance, as opposed to a penny in deficit or a penny in surplus, will have any effect at all. But the discipline of consistently having to balance, or at least balance over cycles of activity, would have a major effect on inflation, I believe.

Senator CHAFEE. Outside of balancing the budget, what do you think the Senate Finance Committee should do about curbing inflation?

Mr. HESSLER. I would think that once the discipline of budget balance is demonstrated, so that we can assume it will continue over a long period of time, the various measures that have been discussed concerning investment incentives are worth considering.

Senator CHAFEE. Such as?

Mr. HESSLER. The depreciation area. I do not want to go into it in any more detail than that, because it is the strong feeling of the administration that none of that should be done until we have settled the budgetary balance question. But at that point, we would certainly be willing, I am sure, to discuss and look at that situation. In the long term, in a high inflation economy, the depreciation sector is worthy of examination.

Senator CHAFEE. Do you think that the depreciation schedules are responsible for a lot of our export problems?

Mr. HESSLER. I have seen no evidence that makes that linkage in any persuasive way. I think there is plausibility to the argument that the lower rate of productivity growth over the last decade has had a net effect on our international competitiveness. It is awfully difficult to prove it, but certainly it is plausible. You would have to be able to connect depreciation schedules to slumping productivity and then connect that to exports, and none of those links is very easy to make.

Senator CHAFEE. In the steel industry, could you make the link?

Mr. HESSLER. I do not believe so. It is clear that the steel industry needs more capital than it has in order to modernize its plants. It is also true that a depreciation change, some of which they have already, provides capital. To that extent, the link exists.

Senator CHAFEE. That is a pretty direct link, is it not?

Mr. HESSLER. Yes, but the capital can come from any number of sources. If they could get the capital through a long-term loan, they could have the plants modernized too. The fact that depreciation provides capital is not enough to say that that is the cause of any particular problem.

Senator CHAFEE. Do you have any suggestions to increase exports?

Mr. HESSLER. A number of steps have been taken. I think that in the longer term probably the more promising steps are not so much things that would come from the committee in terms of tax measures but, perhaps, changes in the antitrust rules with respect to forming trading companies—I know there has been a great deal of talk about that. I am far from being an expert on it, and I am not trying to suggest that it is administration policy, but I think that the whole area of the structural relationships between firms in the international market is worthy of examination. We may need a whole different attitude within business toward exports, and that may take changes in the structure of the international sector of the economy, more than any particular change in tax law.

Senator CHAFEE. I was not here when, as I understand it, Senator Ribicoff went into asking what your job actually does. We never see you—we have not seen your predecessor here, I do not think. I guess we will not see you again, but are you not sort of a think tank? Are you not an adviser to the Secretary of the Treasury in very broad fields as far as just what your title says, "Economic Policy," are you not a thinker that looks ahead and tells us where the country is going and what should be done? Is that what your job is?

Mr. HESSLER. That is what the job is. That is essentially what the job is and representing the Treasury in all the inter-agency committees on every aspect of economic policy, the most important of which is macroeconomic policy.

Senator CHAFEE. In that connection, will you not be speaking of things in the tax laws that can be beneficial to expanding the economy and improving our exports?

Mr. HESSLER. Yes, that is correct. However, I think it is important to understand that tax policy is made at the Treasury, not by the Assistant Secretaryship I would be filling but by Don Lubick, which is why you see Don Lubick so much. But Don and I would sit down and talk and debate, and if we had a disagreement take it to the Secretary.

Senator RIBICOFF. If the Senator would yield, Senator Byrd spent a considerable time and rightfully so indicating that apparently there was an "old boy" network of economic advisors in this town who were making economic policy.

He made that point very sharply and looking at the background of Mr. Hessler and looking at his apparent age, I would guess that he does not feel bound by the old boy network and maybe you are making a point that it was time to get new faces and new ideas into the economic forecasting business, were you not, Senator Byrd?

Senator BYRD. I like this new face.

Senator RIBICOFF. That is right. I was impressed with his frankness and his realization that he does not know all the answers. There is an awful lot to know—maybe you never know it, the way the world is going.

But, Mr. Chairman, I would move that this committee vote favorably—

The CHAIRMAN. I do not believe we are ready to vote on the nomination yet. There may be other questions. Do any Senators have any other questions?

Senator CHAFEE. Yes.

Senator RIBICOFF. I am sorry. I thought you were finished.

Senator CHAFEE. I would say that Mr. Hessler's background is very impressive. It is hardly dangerous. I do not think, looking at it. He went to Yale, Harvard.

The CHAIRMAN. Coming from where you do, that might not sound dangerous.

Senator CHAFEE. It may be dangerous down in Louisiana but it is very safe in Rhode Island. As a matter of fact, we have seen some excellent people with that background.

Senator RIBICOFF. I think you should know there is a University of California in here too, you know.

Senator CHAFEE. That was a little travel he got there, but he stuck on the beaten path. I went out to California, to Los Angeles—where were you born, Mr. Hessler?

Mr. HESSLER. In Berwyn, Ill. right outside of Chicago.

Senator CHAFEE. You have certainly covered all parts of the Nation. I think you personally have got a splendid background and I just hope that—Mr. Lubick, we see a good deal of him here.

Mr. HESSLER. Yes.

Senator CHAFEE. We are very fond of him, but Mr. Lubick always says no to everything.

Mr. HESSLER. That is his job.

Senator CHAFEE. So that I think that there are certain things, that there are certain tax cuts that I think are going to produce more in the end. That is a song you have heard before, but I just hope that you will not automatically look at every proposal that comes in that involves a tax cut. We are talking depreciation schedules. We are talking taxation on Americans abroad, a whole series of things that might result in some immediate loss of revenue, although I am not sure that chasing depreciation schedules is a tax cut, is it?

Mr. HESSLER. You mean because of the increased revenues?

Senator CHAFEE. No, if you change depreciation, is that a cut or is that a deferment?

Mr. HESSLER. I see. It is a deferment, like a loan in that sense, until the capital comes in. It does involve, however, less revenues on a discounted basis.

Senator CHAFEE. Immediately?

Mr. HESSLER. Yes.

Senator CHAFEE. Thank you, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Senator BAUCUS?

Senator BAUCUS. Mr. Hessler, I was interested in your response to Senator Chafee that you do not think it appropriate to comment on any tax reduction legislation at this point until the budget is, in fact, balanced. That would imply that the last \$3 billion or \$4 billion in reaching a balanced budget is much more important in addressing the main economic problems we are facing with inflation and productivity than would a supply side tax cut for the same amount. Are you saying that?

Mr. HESSLER. I am saying that, but mainly for procedural reasons. First, I really do not see anything wrong with a surplus this year. I guess that is not a very popular position but it does not seem to me that we should be happy with a decade of deficits and never even consider the possibility of a small, tangible surplus.

But the reason I think the administration is strongly opposed to considering tax cuts until the discipline of a balanced budget has been proposed is a procedural one. It is important to show to the international markets that the political system can do that and then move on to other things.

If we do not do it, if we only come close and then open up Pandora's box and it comes out of balance one way or the other—and we can all invent reasons why that is still pretty good economic news—I think it is going to be a very disappointing message for the markets.

Senator BAUCUS. I am just playing the devil's advocate.

It would be good news to the economic community to see Congress move toward a balanced budget. But perhaps an \$8 billion deficit, with very good tax reduction legislation, would show the investment community that we are going to modernize our capital equipment.

Mr. HESSLER. I am sure that would be favorably received, particularly by people in industry as opposed to the financial markets, and some people in financial markets support that. But I really do think right now, with inflation at 18 percent, that the most important thing you can do for investment would be to return the markets to some kind of stability by showing there is going to be genuine fiscal restraint, that a balanced budget is possible to do in this political system, that the rate of inflation is going to be falling fairly steadily.

That would do a lot more for investor confidence, and the flow of markets, than any tax change in the short run. I do not say they are not meritorious in the long run.

Mr. HESSLER. I would think, this is totally a personal comment, that the place to start would be in the depreciation area.

Senator BAUCUS. Similar to the capital costs?

Mr. HESSLER. Some form of capital cost recovery. There is a whole range of options that you know better than I do. I know Treasury is looking at a number of them and a number of them have been looked at by the committee.

Senator BAUCUS. Do you personally have any feelings as to where in the depreciation?

Mr. HESSLER. I am disturbed by the out-year revenue loss of the most popular proposal, the 10-5-3 proposal. I think that is an incredible amount of revenue loss. I am not sure that very similar economic effects could not be brought about through changes in the proposal that would involve slightly larger up-front costs and less revenue loss long term.

Senator BAUCUS. Thank you very much.

The CHAIRMAN. I would just like to ask a few questions, if I might. Somebody has to go and manage that bill on the floor and I will have to leave. How old are you now, Mr. Hessler?

Mr. HESSLER. Thirty-six.

The CHAIRMAN. About a year ago, a little more than a year ago, I asked the Secretary of the Treasury, Mr. Blumenthal, who was your boss at that time, if he wanted to cut back on housing starts,

my thought being at the time that it might be good to have a lot more housing in the country and I had in mind a way that we could do it.

His answer was yes, he wanted to cut back on housing starts, and he felt that if you are going to fight inflation you are going to have to have money tight and you are going to have to have high interest rates, and that one of the things that would have to happen you would have to cut back on housing starts. He thought that yes, that was what he had in mind, and so I did not go any further with what could be done to help people buy their own homes, since the administration wanted to cut back on housing starts.

That was contrary to the way I was thinking, so there was no point going further with the conversation.

Now, were you advising him at that time that it would be a good idea to cut back on housing starts?

Mr. HESSLER. I really was not advising him.

The CHAIRMAN. It says here, you were executive assistant to the Secretary. You were discussing things like this with people down there, were you not?

Mr. HESSLER. Oh, sure, but my predecessor in this position would have been his economic advisor. This would be a full year ago?

The CHAIRMAN. January of last year.

Mr. HESSLER. I think I was probably, both on monetary and fiscal policy, fairly hawkish or restrained at that time. As I said, he rarely relied on me for his mainstream economic advice.

The CHAIRMAN. What was your position at that time? Did you think we ought to have more housing starts, or less?

Mr. HESSLER. I never thought of it that way.

The CHAIRMAN. A year ago?

Mr. HESSLER. I never thought of it in terms of more or less housing starts. I thought we should have a lower rate of growth in the money supply, period. That does entail an impact on housing in the short run. It does mean that you end up with less housing starts as a consequence. That is not what you want, it just happens as a result of the policy in the short run.

In the long run, I do not think that is a necessary result of that policy.

The CHAIRMAN. My thought about it at that time, and now, is that if you want to help people to build homes and help young couples to move in, and we have a tremendous demand for that, that we ought simply to index the principal part of the payment. On the left-hand side of the schedule is what you are paying for interest; on the right-hand side is what you are paying on principal. On a long-term mortgage, amortize 1 percent the first year, and it gradually builds up to where in the beginning it is mostly interest but in the end it is mostly principal that you are paying.

My thought was that people would be willing to loan at a much lower rate of interest provided that as years went by and inflation eroded the purchasing power of the money, you would be paying more dollars on the principal side of the mortgage.

Do you see what I am talking about?

Mr. HESSLER. Yes, I do. I see.

The CHAIRMAN. In other words, historically banks have been willing to lend money at 3 percent above inflation. If you are loaning on the basis that what you paid back was going to be worth what people

loaned you to begin with, they would get their principal back, they would be willing to loan at a much lower rate of interest, something somewhere between 3 and 5 percent.

Of course, to do something like that, we would need Treasury's help to work out the details and maybe some people from HUD, some of those who have been working in this area. That to me is one way that you could make a lot of additional credit available, if you are for housing. People could move in and they could have much lower down payments in the beginning. Down at the far end they would be paying a great deal less, less than half as much as they have been paying in monthly payments. Do you have any offhand reaction to that type of approach? Do you think it might be a good idea or a bad idea?

Mr. HESSLER. My first reaction is maybe it would result economically in the same thing as a variable rate mortgage would do. If you sign a variable rate mortgage, as interest rates go up, the lender is being protected against that.

Your proposal would protect the lender as well by indexing the principal. I do not know whether the result would be any different, but I may be wrong.

The CHAIRMAN. It seems to me that with a variable interest rate, you are going to have to charge a great deal more in the beginning. It seems to me that with a variable interest rate, you would have to be charging something around what you are charging right now. You may pay a little more or a little less, but with 18 percent interest you need to be charging 18 percent.

In a way it would be just as though you were using gold seal dollars and saying, you pay the principal off in gold seal dollars, but you pay me interest, knowing I am going to get my principal back in value.

If you did it that way, no doubt about it, you could have a much lower interest rate because the lender is going to get his money back in terms of actual value.

That being the case, the initial payments could be less than half of what they are to begin with, less than half of what they are right now, maybe around a third. People seeking to buy homes would not have any real difficulty meeting these payments.

The way it goes today, if you have 18 percent inflation, the cost of housing is going up with everything else, so in the second year you have got 18 percent more equity in that house than people ordinarily plan on.

Mr. HESSLER. That is right.

The CHAIRMAN. Eighteen percent of the whole, theoretically. As a practical matter, because of inflation, if you can manage to make the payments, you increase your equity by 18 percent or 19 percent the first year.

Mr. HESSLER. I just wonder how many people could make the payments that reflect the rise in their equity. I do not think I could in the house I own, for example.

The CHAIRMAN. If your income goes up with inflation you could.

Mr. HESSLER. That is true, but mine has not.

The CHAIRMAN. You are one of those bright young men who is not going to stay in Government forever. You are too smart to do that.

Your record clearly shows, unless you have a screw loose somewhere, you are too smart to stay in Government and as far as any union worker is concerned, anyone who is part of the union movement, he is going to have his wage move up with inflation.

Mr. HESSLER. Yes, that is right.

The CHAIRMAN. When you really get down to it, what I want to know is this, and let me say that as far as I am concerned, I expect to vote for your confirmation regardless of how you answer this question. I would like to know what you think about it because I just want an honest answer.

In your capacity, would you advise that we do whatever is necessary to get the housing industry back into full production?

Mr. HESSLER. Not everything that is necessary. I would not change the rate of growth of the money supply in order to do that, which, in the short run, would probably help the housing industry.

The CHAIRMAN. If you wanted to, even with the rate of money supply that you are talking about, you could still adopt policies that would have the effect of channeling credit into that area so that you could expand in that area, if you wanted to.

Would you advise that?

Mr. HESSLER. Yes.

The administration is not adverse to that policy. In invoking the Credit Control Act, the exemption for housing and the deposit requirement on money market funds, both really were techniques to help.

The CHAIRMAN. To get to point No. 2, if we do not do something to get the housing industry going and if we let the automobile industry continue to decline, we are in for a recession.

Is that right or not?

Mr. HESSLER. I think that is correct.

The CHAIRMAN. A big one, not a little one, a big one.

I can recall when Jerry Ford got all those people down there—maybe you can recall this. You were around at that time—maybe not in Government, but around watching what was going on.

I can recall when Jerry Ford responded to Mike Mansfield's request for this economic conference, he got all those people down there—some of them are right here—and we all had a chance to say something. By the time everybody had a chance to get his two bits in the President came in and he put on this WIN button—Whip Inflation Now—and he said, "Do not buy anything you do not need. Do not buy anything you can get by without."

About 1 week later, people started to all quit buying automobiles and within 1 month, all the automobile plants across the country were shutting down and Len Townsend, chief executive officer of the Chrysler Corp., said:

You can understand why people will not buy an automobile. That is the second why people will not buy an automobile. That is the second biggest purchase, second only to their home, that they ever make in their life, and when the President says do not buy anything, you can understand why they would not buy a Chrysler automobile.

The President squeezed on that thing until the country was in a recession. About the beginning of the next session, he called me in and said:

It looks like we're going to have to turn this thing around. We'd like a big tax cut. That's going to mean a great, big deficit. But if we don't do that, the country is going to have a real depression. What do you think about it?

He did not necessarily say depression; a deep recession. All I could advise Mr. Ford was, I think you are doing the right thing, because if you did what Herbert Hoover did in a similar situation, we are in for a real disaster.

So I went along with this idea to cut taxes and to try to get the economy going again. Frankly, if he had made that move about 2 months sooner, he would probably still be President of the United States.

It is tough enough for a Republican to get elected with a recession going on. If we are going to put this country in a deep recession or depression, I will tell you right now, we Democrats are not going to solve the problem. We will be helping the Republicans solve the problem a year or two from now.

Now, what are your thoughts about what we do with this economy? Would you advise us to go ahead and move into a deeper recession now? We are 6 and 7 percent out of work. Would you be willing to go ahead and move it on up to 8 percent or 9 percent unemployed?

MR. HESSLER. No. The administration's economic projections, which are policy to the extent that they are the projected, result of our policy, indicate that this year, in 1980, there would be over the whole year negative growth of one-half of 1 percent, which does imply a shallow recession; and then also a shallow and moderate recovery.

It is difficult for me to believe we are going to be able to avoid that and still be able to come down off these very dangerous rates of inflation. If we could, that would be wonderful.

Historical experience indicates that there will have to be a slowing and probably some reversal in the rate of economic growth for some period of time coming off these high rates.

I do not think anybody wants a depression, a very deep recession, that kind of catastrophe, because the country then immediately turns its way out the fastest way that it can, anyway that it can, and finds out it is right back where it started.

That does not make any sense economically or politically.

The CHAIRMAN. Mr. Hessler, I wish you luck in that job.

MR. HESSLER. Thank you, sir.

The CHAIRMAN. I do not see that you have anything to advise your boss that is going to save the situation. As I say, I hope very much that somebody can find some way to turn this thing around, but I do not see that your people down there have it.

I wish I could see something in the offing that was going to turn this thing around. Everbody here at this table has his ideas about how he would do it if he has the responsibility that is in the White House, but we are going to have to find something better than what we are doing now, otherwise we are in for even more trouble than Senator Byrd predicts, it seems to me.

Senator Dole has not had a chance to examine the witness.

Senator DOLE. When I left I was for you. I do not know what happened. That was an hour ago. I thought you would be gone already at work.

MR. HESSLER. There was a big recession while you were out.

Senator DOLE. I know the administration needs a not of help and I hope, after a few more primaries, you may be on another transition team.

The CHAIRMAN. Any further questions?

Senator DOLE. No.

The CHAIRMAN. Senator Bentson, would you like to ask any questions?

Senator BENTSEN. I might comment only to say Mr. Hessler, what has been proposed so far is just a repetition of policies that have failed in the past. Each time we go through this boom-and-bust cycle we end up accepting a higher level of unemployment and inflation and try to rationalize that that is the way it has to be.

You said you wanted a balanced budget; so do I. We are going to have to stop just looking at this next election and we are going to have to do some of those things that, in the long run, will help us increase productivity in this country, that will make us competitive with the Japanese and the Germans and the French who are taking away our part of world trade.

So it is going to take much more major and substantive things than have been proposed thus far. It is going to take a change in the economic thinking. I have seen a lot of lip service paid to productivity, but I have not seen much substantive.

I hope you will make a contribution to it. Thank you.

Mr. HESSLER. Thank you, Senator. I will try to.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. Mr. Chairman, I think that Mr. Hessler has made a deep impact on this committee. I would hope that he would use his innovative ideas and his willingness to ask questions in his new job and I move—

Senator BYRD. May I make a brief comment?

Senator RIBICOFF. Surely.

Senator BYRD. I want to echo Senator Ribicoff's earlier statement and commend you, Mr. Hessler, on your frankness to the committee. I am well impressed with you and am glad you are in this position.

Could I ask you to do this when you go back to Treasury. The President held a White House Conference on Small Business, as you know. As a result of that, the Senate majority leader appointed a Senate task force on small business, chaired by Senator Nelson and, at Senator Nelson's request, I scheduled three hearings by the Subcommittee on Taxation to take up measures advocated by the White House Conference on Small Business.

Treasury has been reluctant to appear. I have not insisted on it and I do not plan to insist on it. When you go back, if you would tell them that the subcommittee would be delighted if they would appear, but we are not going to insist that they appear, but after all, these are measures that came out of the President's own Conference and it would seem to me that they would want to appear and make a comment one way or the other, whatever way that they want to comment.

They have the dates of the hearings. If they are inclined to appear, the subcommittee would like to have them.

Mr. HESSLER. I would be happy to check on that, sir.

Senator BYRD. Thank you.

Senator RIBICOFF. I move that we approve the nomination of Curtis Hessler, Mr. Chairman.

The CHAIRMAN. All in favor, say aye.

[A chorus of ayes.]

The CHAIRMAN. Opposed, no?

[No response.]

The CHAIRMAN. The ayes have it.

Let me raise this question. Senator Moynihan could not be here today but he asked me that I raise the matter about the nomination of Cesar Perales of New York to be Assistant Secretary of HEW.

Is there any objection to that?

Senator RIBICOFF. I move it.

The CHAIRMAN. All in favor?

Senator CHAFEE. Mr. Chairman?

The CHAIRMAN. Mr. Chafee?

Senator CHAFEE. I have not heard any objection from anybody here.

The CHAIRMAN. Could we vote to confirm? If anybody wants to reconsider it, we can do so at the next meeting.

Senator CHAFEE. Thank you.

The CHAIRMAN. All in favor say aye.

[A chorus of ayes.]

The CHAIRMAN. Opposed, no.

[No response.]

The CHAIRMAN. The ayes have it.

[Thereupon, at 11:45 a.m. the committee proceeded to the discussion of other business.]

