

**NOMINATIONS OF JEROME H. POWELL  
AND JOHN CUNNINGHAM DUGAN**

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**HEARING**

BEFORE THE

**COMMITTEE ON FINANCE  
UNITED STATES SENATE**

ONE HUNDRED SECOND CONGRESS

SECOND SESSION

ON THE

NOMINATIONS OF

JEROME H. POWELL, TO BE AN UNDER SECRETARY OF THE TREASURY  
AND JOHN CUNNINGHAM DUGAN, TO BE AN ASSISTANT SECRETARY  
OF THE TREASURY

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MAY 14, 1992

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# CONTENTS

## OPENING STATEMENT

	Page
Bentsen, Hon. Lloyd, a U.S. Senator from Texas, chairman, Senate Finance Committee .....	1

## ADMINISTRATION NOMINEES

Powell, Jerome H., to be an Under Secretary of the Treasury .....	2
Dugan, John Cunningham, to be an Assistant Secretary of the Treasury .....	7

## CONGRESSIONAL WITNESSES

Garn, Hon. Jake, a U.S. Senator from Utah .....	5
Dodd, Hon. Christopher J., a U.S. Senator from Connecticut .....	6

## APPENDIX

Prepared statements of:	
Dugan, John C. ....	11
Powell, Jerome H. ....	12

**NOMINATIONS OF JEROME H. POWELL, TO BE  
AN UNDER SECRETARY OF THE TREASURY  
AND JOHN CUNNINGHAM DUGAN, TO BE AN  
ASSISTANT SECRETARY OF THE TREASURY**

**THURSDAY, MAY 14, 1992**

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

The hearing was convened, pursuant to notice, at 10:05 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Also present: Senators Bradley, Grassley, and Hatch.

**OPENING STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM TEXAS, CHAIRMAN, SENATE FINANCE COMMITTEE**

The CHAIRMAN. This hearing will get underway.

Mr. Powell has been nominated for the post of Under Secretary of Treasury for Finance. In that position he would be the administration's chief voice on financial and monetary issues, including monetary affairs, management of the public debt, and oversight of financial institutions.

So it is a highly responsible position that we are talking about here. This position has been at the very center of some of the more difficult issues we've seen for the last few years. Unfortunately, I do not see that that situation is going to drastically change in the near future.

The position of Under Secretary has recently been involved with the implementation to recapitalize the savings and loan industry. As Under Secretary, Mr. Powell, you will oversee management of the government's massive debt, which is now approaching \$4 trillion. Because of its sheer magnitude, it is crucial that that debt be managed in the most prudent and cost effective manner possible.

You bring a background of business and government service—Assistant Secretary for Domestic Finance since 1990 and 9 years in New York financial markets—that should help you fulfill this very difficult charge.

We have seen quite a bit of you during your tenure as Assistant Secretary. I suspect we will be seeing a lot more of you before this committee as we oversee the government's economic and debt management policies.

We are pleased to have you. If you would proceed with your testimony.

**STATEMENT OF JEROME H. POWELL, TO BE AN UNDER  
SECRETARY OF THE TREASURY**

Mr. POWELL. Thank you, Mr. Chairman.

Mr. Chairman, it is an honor to have been nominated by President Bush for the position of Under Secretary of the Treasury for Finance. It is an honor as well to appear before this committee. I am very grateful to you for scheduling this hearing so expeditiously.

The Office of the Under Secretary for Finance has responsibility for several broad policy areas which overlap to a significant extent with the job I currently hold, that of Assistant Secretary for Domestic Finance. I thought I would take a minute to review briefly those areas of responsibility.

The largest part of the Under Secretary's job lies in the area of domestic finance, which in turn includes Federal finance, corporate finance, and financial institutions policy. Federal finance primarily includes Treasury debt management as well as the broader issue of regulation of the government securities market. This area has been a very active one for the past year and will continue to be so for the foreseeable future.

In the wake of the government securities market irregularities of 1991 the Treasury Department, along with the SEC and the Federal Reserve, undertook a broad ranging review of regulation and business practices in this market. The result was a far-reaching package of reforms that are designed to address regulatory problems, to open the market up to as broad a range of participants as possible, and most importantly to assure that the public debt is financed at the lowest possible cost to the taxpayer.

The package includes reforms to the Treasury auction process, to the primary dealer system and more broadly to the oversight of this crucial marketplace. While the package was principally based upon existing regulatory authority, it also includes several legislative recommendations and we are working now with the Congress to achieve their enactment during 1992.

Federal finance also includes other areas involving the use of Federal credit or the Federal guarantee, including legislation Treasury has sponsored to improve the safety and soundness regulation of government-sponsored enterprises or GSE's. Legislation of this nature for the housing GSE's—Fannie Mae and Freddie Mac—has passed the Senate Banking Committee and is now awaiting floor action.

An additional part of the Under Secretary's responsibilities involves policy for financial institutions, particularly banks and thrifts. As the committee is well aware, our banking sector has experienced problems in recent years of a magnitude not seen for many years.

The causes are complex and certainly include the failure to modernize the outdated laws that govern our financial institutions. As a result Treasury devoted considerable resources in 1991 to a broad legislative package designed to achieve just such a modernization.

Despite our best efforts and those of many in the Congress the measure that became law in 1991 failed to address the underlying flaws in our banking system and, therefore, represented an inadequate response to the problem. The administration, however, re-

mains committed to financial services reform and particularly to interstate banking and branching as well as broader financial activities or banking organizations.

In the thrift area we intend to finish the clean up that began in 1988. A great deal of progress has been made towards that goal. We will continue to work with the Congress to assure that adequate funding is provided so the RTC can get the job done as efficiently as possible.

Millions of Americans have relied upon the deposit insurance guarantee to assure the safety of their savings. It is our collective responsibility to see that the government's responsibility is met.

The Under Secretary for Finance also has responsibility for the Office of Economic Policy and the Office of Fiscal Management. Economic Policy acts as an economic advisor to the Secretary and also provides economic analysis on the broad array of policy issues that are within the purview of the Treasury Department. In addition, economic policy participates in producing the administration's economic forecasts.

Fiscal management for its part acts as the government's financial manager.

I believe that I am well prepared to assume the duties outlined above. First, over the past 2 years I have been very actively involved in each of these areas of policy responsibility.

Second, I believe that my work in the preceding 10 years in the financial markets, first as a lawyer and then as an investment banker, also provides useful preparation for the duties for which I have been nominated.

Let me close by saying that if I am confirmed I will continue to serve my country to the best of my abilities. I would, of course, be happy now to answer any questions you may have, Mr. Chairman.

The CHAIRMAN. Mr. Powell, you made reference to what I gathered you felt was an inadequate response on banking legislation by the Congress. Let us talk about inadequate responses for a moment.

In 1980 the Federal debt was approximately 34 percent of the GNP. Now, 12 years later, forecasts indicate that it is approaching 73 percent in the forthcoming year. I am sure you would agree that is far too high.

What do you think can be done and should be done to try to curtail that?

Mr. POWELL. Well, first I agree that is probably the biggest and most important problem we face. The budget deficit really represents the wasting of our National resources and passing on to our children IOU's for consumption that we ought to be paying for ourselves. It is not an easy problem to solve, but I think it can be solved.

The things I think we clearly need to do are: First, I do think we need a balanced budget amendment. It has been a long time coming to that conclusion, but I believe that what we have shown over the years is there is a problem with the process. It is malfunctioning. It is now malfunctioning and we need to address it through constitutional means. So I would be supportive of a balanced budget amendment.

Secondly, I think we need to have some kind of a cap system on mandatory spending. I think that is really what is driving the Federal budget these days.

The CHAIRMAN. Are you talking about entitlements?

Mr. POWELL. Yes.

We need some form of cap on entitlements.

The CHAIRMAN. The problem that you run into with that, because certainly I have examined that particular issue, is that in a number of these, entitlements are performing rather well and are staying within those limitations. What you are really talking about is Medicare and Medicaid.

The administration always has a tough time bringing those two out because they are politically very hot points. My concern is that if you just put a mandatory cap on those programs, without addressing the underlying problem, then all you have done is push the problem over on some of the other mandatory entitlements in part.

The problem is the underlying increasing cost of health care in this country and it is going far beyond the inflation rate. That is where the problem is; and that is what has to be addressed—cost containment on health care advances.

Would you comment on that?

Mr. POWELL. I think you are right. I agree that the underlying problem is health care costs. I will have to say I am not an expert on health care costs and their containment. But it is clear from the record that they are growing at an unsustainable pace. That is part of what has to be controlled.

The CHAIRMAN. In trying to prepare our agenda one of the problems we have is trying to anticipate what is going to happen with the extension of the RTC borrowing. Under the Department's current projections in which month do you think the current debt ceiling limit will be breached? When is Treasury, in effect, going to send us a request to raise the debt ceiling?

Mr. POWELL. That question does depend, to some extent, on RTC spending as you pointed out. Our best, most recent estimate—

The CHAIRMAN. I want your best judgment.

Mr. POWELL. Okay.

Is that the current debt ceiling of \$4.145 trillion will be hit in December of this year. That is the best projection—in December of this year. It could go over into January; and, of course, depending upon receipts and expenditures could go either way. But right now the best guess is December.

The CHAIRMAN. So your anticipation is you would be sending in a request on the debt ceiling—

Mr. POWELL. If that holds, then we certainly will have to do that, I suspect.

The CHAIRMAN. You would anticipate that would be done before we adjourn this session then; is that correct?

Mr. POWELL. I believe so. If that timing holds it would be.

The CHAIRMAN. Of course, the last time we went through this exercise and we were given such a deadline by the administration, the Secretary of Treasury came up with something that supposedly would carry us forward for a period of time.

If you have something that is being withheld on that, please tell us now.

Mr. POWELL. I do not. Our honest best estimate is December of this year; and it could break early into next year, in which case, in theory anyway, it might not be necessary to act this term. But that is an unlikely outlook. It is much more likely that action will be required this year.

The CHAIRMAN. Do you have anything further you would like to comment on?

Mr. POWELL. No, sir.

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

The CHAIRMAN. Well, then let us get to the more important part of the confirmation. I would like your wife and your mother and father to stand up. [Laughter]

Mr. POWELL. This is my wife, Lissa; and that is my mother and my father, Mr. Chairman.

The CHAIRMAN. Pretty proud of him, right?

We usually find that the confirmation is the high point in the career of most of these fellows. [Laughter]

Mr. Secretary, thank you.

We have a problem with the competing other committees meeting at the present time. We will be trying to get a quorum to see if we cannot vote on your nomination this morning.

Thank you very much.

Mr. POWELL. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Garn, would you come forward, please?

Mr. Dugan, if you would come forward, please?

Senator Garn, we are very pleased to have you.

#### STATEMENT OF HON. JAKE GARN, A U.S. SENATOR FROM UTAH

Senator GARN. Thank you very much, Mr. Chairman. In my 18 years in the Senate, this is the very first time I have been before the Finance Committee. Maybe it is about time. But it is with great pleasure—

The CHAIRMAN. I think it is a great way to cap your career and we are pleased to have you here. [Laughter]

Senator GARN. Thank you. It is with great pleasure that I come before you today to introduce John Dugan, who has been nominated by the President to be Assistant Secretary of the Treasury for Domestic Finance.

John's credentials are impeccable. He graduated with distinction from the University of Michigan and cum laude from the Harvard Law School. After a stint with a well-respected Washington DC law firm, John joined my staff on the Banking Committee in 1985, first as staff counsel and not long thereafter as Republican general counsel.

In this capacity John played a very critical role in just about every major banking issue that came before the committee, including the 1987 Competitive Equality Banking Act, the 1989 Financial Institution Reform Recovery and Enforcement Act.

In 1989 John was appointed Deputy Assistant Secretary of Treasury for Domestic Finance. I grudgingly let him go to Treasury. In this position he assumed a key role in developing the ad-



ministration's banking reform proposal, parts of which were enacted in last year's Federal Deposit Insurance Corporation Improvement Act.

John's reputation in the financial services community is very bright. He is a tough, but reasoned administrator. He is obviously very well thought of by the Treasury Department and he assumed responsibility for issues of immense importance to this country. He has carried out his responsibilities in a very exemplary manner.

From my own first-hand knowledge as I said I gave him up grudgingly—he performed a great service for the Senate Banking Committee, both to the Republicans and to the Democrats at the time that he served on the Banking Committee. At no time did I ever see any partisanship. He served Senators on both sides of the aisle during that period of time.

I believe that the President has made an excellent choice in nominating John to be Assistant Secretary. I feel certain that your committee, Mr. Chairman, will come to the same conclusion and approve his nomination rapidly.

Thank you very much.

The CHAIRMAN. Thank you, Senator.

Senator Dodd?

#### STATEMENT OF HON. CHRISTOPHER J. DODD, A U.S. SENATOR FROM CONNECTICUT

Senator DODD. Thank you very much. I am delighted to appear here this morning with my colleague from Utah, Senator Garn, on behalf of John Dugan and to recommend his nomination to you. I was somewhat reluctant. This is not a Sea Wolf submarine, Mr. Chairman. [Laughter.]

This is a very fine individual who I have had the pleasure of working with along with Senator Garn and the majority of the Banking Committee, and I have had a chance to be involved with him on countless occasions involving all sorts of complicated legislation coming out of the committee.

At a time, Mr. Chairman, when it is difficult to attract good people to government, it is refreshing to know that John and people like him are around. This is an individual who is a remarkable negotiator, a tough negotiator, a good thinker, and a person willing to compromise. Those three qualities are in short supply in my view—people who can be tough, can think hard, and also when the day is over with come to an agreement to move the process forward.

In my experience in working with John, as I said on numerous pieces of legislation, not the least of which both before he left the committee and after he moved to the Treasury, on matters involving the banking reform bill. As we all know, there is nothing that can bring out more hostility from various organizations and groups and associations than that kind of legislation.

John was certainly one person we could go to and weave our way through the process and come out with a product that the administration was supportive of, even though there were disagreements on major portions of that legislation we were nonetheless able to put together a package that went forward. Neither of us ended up with what we wanted in the end, but it was a Herculean effort.

And without John's support and backing of that process it would not have happened.

So I am delighted to be here this morning to express my support for his nomination and I am confident he will do a very, very fine job; and look forward to working with him again.

The CHAIRMAN. Well, I would say those are two very prize recommendations from two highly regarded Senators. We are most appreciative of that. I know you gentlemen have other priorities and if you would like you can leave Mr. Dugan to our tender mercies. [Laughter.]

Senator DODD. Thank you very much, Mr. Chairman.

The CHAIRMAN. Being nominated for Assistant Secretary of the Treasury for Domestic Finance it really puts you in the position of being the point man in the Treasury when it comes to Federal policy on financial institutions, Federal financing, debt management and Federal credit agencies.

It really requires some hands on experience in the financial arena. I would think your work as Deputy Assistant Secretary of Financial Institutions Policies would stand you in good stead in that regard.

We will be looking for you to apply some of the practical experiences that you gained in the Department of Treasury as you move into this new post. One of the things that has concerned me is in the management of the debt and its refinancing. There is great disparity in interest rates between long term and short term, and this concern is buttressed by the fact that we have had a couple of leading witnesses, Nobel Prize winning witnesses, James Tobin and Paul Samuelson, who have both strongly recommended that the Treasury shift in the direction of short-term financing.

I have also discussed this with the Secretary. So I would ask you to give this matter some thought and address that in your recommendations.

I would like to turn to Senator Hatch for any comment he would like to make concerning the nominee.

Senator Hatch. I strongly support the nominee, Mr. Chairman.

The CHAIRMAN. Thank you.

So if you would give your statement and in that statement itself address that point for me.

Mr. Dugan. I certainly will, Senator.

#### **STATEMENT OF JOHN CUNNINGHAM DUGAN, TO BE AN ASSISTANT SECRETARY OF THE TREASURY**

Mr. DUGAN. Mr. Chairman and members of the committee, I am honored that President Bush has nominated me for the position of Assistant Secretary of the Treasury for Domestic Finance. I am also honored to appear before this committee; and I want to thank you, Mr. Chairman, for the prompt consideration of my nomination.

As a former member of the Senate Banking Committee staff it is a particular privilege to come before the Senate. I want to also express my deep gratitude to Senators Garn and Dodd for taking the time to come down and speak with me today. Senator Garn has very little patience for testimonials, even though he is leaving next year, and we will miss him very much when he is gone next year.

Mr. Chairman, the Treasury's Office of Domestic Finance is a demanding and challenging place to work. The common thread running through virtually every issue before the office is the responsibility to protect the Federal Government's credit. This responsibility applies to the low cost financing of Treasury debt, safeguarding the deposit insurance system, monitoring the use of Treasury lines of credit and carefully examining implicit government guarantees.

I have been directly involved in many of these issues and others are natural extensions of my current responsibilities. In my 3 years at Treasury I have worked closely with two Assistant Secretaries during a turbulent period for all types of financial institutions—savings and loans, banks, securities firms, insurance companies, and other financial firms. From the savings and loan clean up to banking reform to our efforts to maintain confidence in the government securities market, the Treasury Department has been at the forefront of administration efforts to confront the most difficult problems of the financial sector.

The Office of Domestic Finance is the principal group within Treasury that provides policy recommendations to address these problems. I have had the privilege to participate in this policy-making process and observe the Assistant Secretary's position at very close range. I believe I have a good sense of what the job entails.

In fact, the financial issues with which I am most familiar in my current position will continue to be critically important for the Assistant Secretary. For example, I have been directly involved in the savings and loan cleanup, both with respect to the initial legislation and ongoing oversight by the Thrift Depositor Protection Oversight Board.

I was the Interagency Study Director for the banking study that led to the administration's banking reform proposal from last year. My office has played an important role in formulating legislative recommendations for better coordination between the stock and futures markets to prevent problems like the 1987 stock market plunge. We have been directly involved in efforts to relieve the credit crunch and strengthen the oversight of government-sponsored enterprises.

All of these areas are still very active and still very likely to demand the focused attention of the Assistant Secretary of Domestic Finance for the foreseeable future. I can honestly say that I know of no position that could have been better training for these issues than the position I currently hold.

In sum, I believe I have had the necessary preparation to assume the duties of the Assistant Secretary for Domestic Finance and if confirmed I will dedicate myself to executing these duties as wisely as I possibly can.

I would be happy to answer any questions you have, Mr. Chairman. I know you have already given me one.

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

The CHAIRMAN. Well, I asked you one so let us deal with that question.

Mr. DUGAN. I would like to respond to that, certainly.

The CHAIRMAN. Why you have not moved more towards short-term financing.

Mr. DUGAN. As you know, Mr. Chairman, we did make a modest change in the way we financed the debt. We have begun to issue somewhat fewer 30-year bonds than we had done previously. We have also indicated that we do not expect to make any further changes along these lines.

It is our position that we now have about the right mix, looking at the various maturities, given the demand on the various parts of the spectrum of the yield curve. Obviously, we would not be prudent to finance everything at the short end of the spectrum, nor would it be prudent to finance everything at the long end of the spectrum.

It does require judgment and I think we have exercised some judgment in the modest step that we have taken. But we also firmly believe that it is critical to maintain certainty in the financing of the Treasury debt. Whenever we create an impression of uncertainty in the markets it can raise the cost of Treasury financing and that is one thing we do our very best to avoid.

The CHAIRMAN. Well, I would differ with you. There is no question but what you need is some balance. But you also can tilt one way or the other insofar as trying to do what you think is more attractive in saving costs to the United States Government.

I did recognize that a modest change was made, but I would underline modest. I really think that you have not gone far enough in that regard. I have myself a couple of Nobel Prize winners that happen to agree with me in that instance.

I would hope you would reassess that and that the Secretary would. Actually, I think you might influence the rates a bit and that might be helpful, too.

Senator Hatch, do you have any comments?

Senator Hatch. No. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Dugan, would you introduce your family for me?

Mr. DUGAN. I certainly would. I would be delighted to. This is my wife, Beth, in the blue dress; and my mother; and my brother, Chris, on the end of the line.

The CHAIRMAN. Is that an older or a younger brother?

Mr. DUGAN. You just made his day. [Laughter.]

Older.

The CHAIRMAN. So he is older, obviously.

Mr. DUGAN. That is right. I will never hear the end of that one, I can assure you.

The CHAIRMAN. Did you ever think a kid brother would come to this?

Mr. DUGAN. Yes, I did.

The CHAIRMAN. Did you?

All right. Well, thank you very much for your presentation.

Mr. DUGAN. Thank you very much, Mr. Chairman.

The CHAIRMAN. Hopefully, we will have an opportunity to vote on it today.

[Whereupon, the hearing was adjourned at 10:32 a.m.]



# APPENDIX

## ADDITIONAL MATERIAL SUBMITTED

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### PREPARED STATEMENT OF JOHN C. DUGAN

Mr. Chairman, Senator Packwood, and members of the Committee, I am honored that President Bush has nominated me for the position of Assistant Secretary of the Treasury for Domestic Finance. I am also honored to appear before this Committee, and I want to thank you, Mr. Chairman, for the prompt consideration of my nomination. Let me also add that, as a former member of the Senate Banking Committee staff, it is a particular privilege to come before the Senate.

Mr. Chairman, the Treasury's Office of Domestic Finance is a demanding and challenging place to work. The common thread running through virtually every issue before the Office is the responsibility to protect the Federal Government's credit. This responsibility applies to the low-cost financing of Treasury debt, safeguarding the deposit insurance system, monitoring the use of Treasury lines of credit, and carefully examining implicit government guarantees. I have been directly involved in many of these issues, and others are natural extensions of my current responsibilities. In my 3 years at Treasury, I have worked closely with two Assistant Secretaries during a turbulent period for all types of financial institutions—savings and loans, banks, securities firms, insurance companies, and other financial firms. From the savings and loan cleanup to banking reform to our efforts to maintain confidence in the government securities markets, the Treasury Department has been at the forefront of administration efforts to confront the most difficult problems of the financial sector. The Office of Domestic Finance is the principal group within Treasury that provides policy recommendations to address these problems. I have had the privilege to participate in this policymaking process and observe the Assistant Secretary's position at very close range. I believe I have a good sense of what the job entails. In fact, the financial issues with which I am most familiar in my current position as Deputy Assistant Secretary for Financial Institutions Policy will continue to be critically important for the Assistant Secretary. For example, I have been directly involved in the savings and loan cleanup, both with respect to the initial legislation and ongoing oversight by the Thrift Depositor Protection Oversight Board. I was the interagency Study Director for the banking study that led to the administration's banking reform proposal. My office has played an important role in formulating legislative recommendations for better coordination between the stock and futures markets to prevent problems like the 1987 market plunge. And we have been directly involved in efforts to relieve the credit crunch and strengthen the oversight of Government Sponsored Enterprises. All of these areas are still very active and still very likely to demand the focused attention of the Assistant Secretary of Domestic Finance for the foreseeable future. I can honestly say that I know of no position that could have been better training for these issues than the position I currently hold. In sum, I believe I have had the necessary preparation to assume the duties of the Assistant Secretary for Domestic Finance. If confirmed, I will dedicate myself to executing these duties as wisely as I possibly can. I would be happy to answer any questions you may have.

Attachment.

JOHN C. DUGAN, DEPUTY ASSISTANT SECRETARY (FINANCIAL INSTITUTIONS POLICY)

On May 27, 1989, Secretary of the Treasury Nicholas F. Brady appointed John C. Dugan to serve as Deputy Assistant Secretary for Financial Institutions Policy. Mr. Dugan serves as principal adviser to the Assistant Secretary for Domestic Finance on all issues affecting financial institutions, including financial services mod-

ernization, the savings and loan cleanup, and securities market reforms. He was also the Study Director of the recently-released Treasury report, *Modernizing the Financial System: Recommendations for Safer, More Competitive Banks*. The recommendations included in this Report were reflected in the administration's comprehensive banking reform legislation that was introduced last year. Mr. Dugan received the Treasury Department's Distinguished Service Award for his role in developing these banking reform recommendations. Before joining Treasury, Mr. Dugan had been the Republican General Counsel to the Senate Committee on Banking, Housing, and Urban Affairs, where he worked closely on three major banking bills: the Competitive Equality Banking Act of 1987; the 1988 Senate bill that repealed key provisions of the Glass-Steagall Act; and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the comprehensive legislation addressing the thrift crisis. Mr. Dugan began his career as an associate with the Washington law firm of Miller & Chevalier. He is a graduate of Harvard Law School and the University of Michigan. Mr. Dugan is a native Washingtonian who now resides here with his wife, Beth, and his daughter, Claire.

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PREPARED STATEMENT OF JEROME H. POWELL

Mr. Chairman, distinguished members of the Finance Committee, it is an honor to have been nominated by President Bush for the position of Under Secretary of the Treasury for Finance. It is an honor as well to appear before this Committee, and I am grateful that you have scheduled this hearing so expeditiously.

The Office of the Under Secretary for Finance has responsibility for several broad policy areas, which overlap to a significant extent with the job I currently hold, that of Assistant Secretary for Domestic Finance. I thought I would take a minute to review briefly these areas of responsibility.

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Despite our best efforts and those of many in the Congress, the measure that finally became law in 1991 failed to address the underlying flaws of our banking system, and therefore represented an inadequate response to the banking problem. The administration remains committed to financial services reform, and particularly to interstate banking and branching, as well as broader financial activities for banking organizations.

In the thrift area, we intend to finish the cleanup that we began in 1988. A great deal of progress has been made toward completing this difficult, thankless task. We will continue to work with the Congress to assure that adequate funding is provided so the RTC can get the job done as efficiently as possible. Millions of Americans have relied upon the deposit insurance guarantee to assure the safety of their sav-

ings; it is our collective responsibility to see that the government's responsibility is met.

The Under Secretary for Finance also has responsibility for the Office of Economic Policy and for the Office of Fiscal Management. Economic Policy acts as an economic advisor to the Secretary, and also provides economic analysis on the broad array of issues that are within the purview of the Treasury Department. In addition, Economic Policy participates in producing the administration's economic forecasts. Fiscal Management acts as the government's financial manager.

I believe that I am well prepared to assume the duties outlined above. First, over the past 2 years, I have been very actively involved in each of these areas of policy responsibility. Second, I believe that my work over the preceding 10 years in the financial markets, first as a lawyer and then as an investment banker, also provides useful preparation for the duties for which I have been nominated.

Let me close by saying that, if I am confirmed, I will continue to serve my country to the best of my abilities. I will be happy to answer any questions the Committee may have.

Attachment.

#### JEROME H. POWELL, ASSISTANT SECRETARY FOR DOMESTIC FINANCE

Jerome H. Powell was sworn in as Assistant Secretary of the Treasury for Domestic Finance on October 9, 1990.

As Assistant Secretary for Domestic Finance, Mr. Powell exercises direction over policies affecting financial institutions, federal finance, and corporate finance.

The area of financial institutions policy includes such matters as financial services modernization, the savings and loan cleanup, and banking policy generally. The federal finance area includes matters relating to debt management, regulation of the government securities market, and the implicit or explicit use of federal credit or federal guarantees. The corporate finance area includes such issues as corporate governance and competitiveness.

Prior to joining the Department, Mr. Powell was a Senior vice President with Dillon, Read & Co. Inc. where he focused on mergers and acquisitions, financings, and merchant banking. Mr. Powell had joined Dillon Read in 1984.

From 1983 to 1984, Mr. Powell was an attorney with the firm of Werbel & McMillin in New York. From 1981 to 1983 he served as an attorney with the firm of Davis Polk & Wardwell, also in New York.

Mr. Powell was a law clerk to Judge E.A. van Graafeiland of the U.S. Court of Appeals for the Second Circuit in New York from 1979 to 1980. He served as a legislative assistant to former Senator Richard Schweiker of Pennsylvania from 1975 to 1976.

Mr. Powell was graduated cum laude from Princeton University (B.A.) in 1975 and cum laude from Georgetown University Law Center (J.D.) in 1979 where he was editor-in-chief of the Georgetown Law Journal in 1978-1979. He is married and has two children.

