

**NOMINATION OF BRIAN C. DEESE, OF  
MASSACHUSETTS, TO BE DEPUTY DI-  
RECTOR OF THE OFFICE OF MANAGE-  
MENT AND BUDGET**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON THE BUDGET**  
**UNITED STATES SENATE**

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

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**May 21, 2013—NOMINATION OF BRIAN C. DEESE, OF MASSACHU-  
SETTS, TO BE DEPUTY DIRECTOR OF THE OFFICE OF MANAGE-  
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**THE NOMINATION OF BRIAN C. DEESE,  
OF MASSACHUSETTS, TO BE DEPUTY  
DIRECTOR OF THE OFFICE OF  
MANAGEMENT AND BUDGET**

**TUESDAY, MAY 21, 2013**

COMMITTEE ON THE BUDGET,  
U.S. SENATE,  
*Washington, DC.*

The committee met, pursuant to notice, at 10:36 a.m., in Room 608, Dirksen Senate Office Building, Hon. Patty Murray, chairman of the committee, presiding.

Present: Senators Murray, Whitehouse, and Kaine.

Staff Present: Evan T. Schatz, Majority Staff Director; and Marcus Peacock, Minority Staff Director.

**OPENING STATEMENT OF CHAIRMAN MURRAY**

Chairman MURRAY. This hearing will come to order.

And before we begin, I do want to just take a moment to join the President in expressing my sadness at the heartbreaking destruction in Oklahoma. Too many people have lost so much—their loved ones, their children, their homes, their livelihood—and a lot more are injured and fighting for their lives as we speak. So I know I join the President, all of my colleagues here, and all Americans in saying that my thoughts are with those who are affected by this horrendous tragedy. At times like this, I know that we are also incredibly grateful for the heroic work of our first responders, who are working to help those who have been impacted by this storm, and I will work with all of our colleagues to do everything I can to provide them and the communities affected with the resources they need for relief and to recover from this horrific disaster as soon as possible.

With that, I want to thank my Ranking Member, Senator Sessions, and we will have some of our colleagues who are joining us throughout this morning's hearing, as well. To all the members of the public here or watching online, thank you for being here.

Today, we are considering President Obama's nomination of Brian Deese to be the next Deputy Director of the Office of Management and Budget. Brian, thank you for joining us here today.

I want to recognize and welcome Brian's family, who are also with us today, his wife, Kara, his parents, Patricia and David, and extended family. As we all know, the support of families is so important to those of us in public service, so thank you to all of you for your dedication and sacrifice, as well.

This nomination comes at a critical time for our country. We continue to face serious fiscal and economic challenges that we need to work together to address. The American people are looking to us to end the constant artificial crises and political brinkmanship that is threatening our fragile economic recovery. It is time we stop governing from crisis to crisis and return stability and regular order to our budget process. That is why I am so proud of the work we did here in this Budget Committee and on the Senate floor to write, debate, and pass a responsible budget plan that puts economic growth and the middle class first and that tackles our deficit and debt responsibly.

It has now been 59 days since the Senate and House have each passed budgets. The President has weighed in with his proposal, and the next step in the budget process is for the two sides to come together in a Conference Committee and work towards a bipartisan deal. Democrats and Republicans have been talking about the need to return to regular order, including some of my Republican colleagues on this committee who just a few months ago were very explicit about the fact that once the two chambers passed their budgets, the work of conferencing must begin.

So I have been very disappointed that Senate Republicans seem to now be backtracking from that and have blocked us from moving to conference every single time we have asked over the past few weeks. I am hopeful that this obstruction ends soon, because I had thought the one thing that Democrats and Republicans could agree on is that we should be working together to return stability and regular order to a budget process that has been broken and chaotic for far too long.

Aside from the recent Budget Conference obstruction, there have been some recent positive steps. Last month, the Senate voted unanimously, 96 to zero, to confirm Sylvia Burwell as the next Director of OMB. It is critical we continue to have strong and consistent leadership at OMB, especially now as we work towards a responsible bipartisan budget agreement. I know Sylvia will be a great leader, but we cannot afford to have vacancies in other key budget positions during this important time for our economy.

That is why today's hearing in consideration of Brian Deese to be the next Deputy Director of OMB is so important. Brian has been a key part of the administration's economic team over the past six years as a top economic advisor on the campaign and transition team, then as Special Assistant to the President for Economic Policy, and now as Deputy Director to the National Economic Council. In these roles, he was instrumental in pulling our economy back from the great recession, making sure key American industries remained healthy and strong and investing in policies that boosted the economy and created millions of new jobs.

As the chief architect of the auto rescue plan, Brian reinvigorated a definitive American industry during a time of deep economic uncertainty and did it in a way that it helped our economy recover. Brian recognized that letting Detroit go bankrupt would actually increase Federal spending on programs like Medicaid and unemployment insurance, and if instead we invested in American workers and jobs, we could actually spur economic growth, and he

was right. The auto rescue helped save a million American jobs and the auto industry today is thriving.

We have also started to see the government make important headway on reducing our deficit responsibly during Brian's time in the administration. Just last week, CBO released its latest baseline. These revisions show we have begun to make significant progress on reducing our short- and medium-term deficits, and that is welcome news. CBO now estimates the deficit for 2013 will be more than \$200 billion less than its February projection. This means that in two years, CBO expects the deficit will have fallen in half.

To be clear, we still have important work to do to continue to tackle our longer-term debt and deficit challenges in a responsible and fair way, but we should acknowledge that under this administration, we have begun to make significant progress. In fact, just on Friday, CBO informed us the President's 2014 budget continues this important progress by, first, stabilizing the debt by 2015, and then lowering it further as a share of the economy to down below 70 percent by 2023.

As a key economic expert over the past four-and-a-half years in the administration, Brian has been part of these efforts, so I am pleased he will bring this important knowledge of fiscal and economic policy with him to his new role at OMB, and we will discuss those issues with you today.

Brian also made comprehensive Wall Street reform a priority during his time in the administration, working to put in place measures to protect the country against the devastating impact of another financial crisis. As someone who grew up working at my dad's five-and-dime store on Main Street in small town Bothell, Washington, I could not agree more we need to bring Main Street values back to our financial system.

That is why, as Chair of this Budget Committee, I have made an effort to bring those values to our budget process, as well. I believe budgets are a reflection of our nation's priorities and they are about families across America who are impacted by the decisions that we make. So I am glad Brian has a track record of putting middle class families over Wall Street profits, and it is my belief he will bring these values to the budget process at OMB.

Brian also knows we need to create a sustainable path for future economic growth. Our country has serious deficit and debt challenges, but we also face equally significant deficits in education, worker skills, infrastructure, and innovation. We need to keep investing in infrastructure, jobs, our students, and our workers. We cannot continue to sacrifice long-term investments to solve short-term problems.

So I appreciate that as Deputy Director of the National Economic Council, Brian emphasized we need to do more than just recover from our current fiscal challenges. We need to invest in future growth and ensure we can compete in the global economy of tomorrow. I share this commitment to investing in our future and I look forward to working with you, Brian, to make sure these important investment priorities are reflected in our budget process.

There are tough challenges before Brian and Sylvia and all of us here on the Budget Committee. I had a chance to sit down with

Brian earlier this month. I am looking forward to hearing from him today. It is clear he has a strong understanding of economic and budgetary policy and knows firsthand how to create fiscal policies that work for middle class families and help our economy grow.

So I am confident Brian possesses the kind of experience, knowledge, and judgment necessary to succeed in this leadership position and to help bring a balanced and responsible approach to our budget challenges. I hope we can quickly move on this nomination since we need to return stability to our budget process and filling this position is a very important part of that effort. So I hope to schedule a committee vote on this nomination soon so the full Senate can confirm the nominee in a timely manner.

Brian, I look forward to asking you some questions following your testimony, so at this time, I would ask you to stand. Our nominees are required to testify under oath, so if you will rise, I will administer that oath.

Do you swear the testimony that you will give to the Senate Budget Committee will be the truth, the whole truth, and nothing but the truth?

Mr. DEESE. I do.

Chairman MURRAY. If asked to do so and if given reasonable notice, will you agree to appear before this committee in the future and answer any question that members of the committee might have?

Mr. DEESE. I will.

Chairman MURRAY. Okay. Please be seated.

We will now have a chance to hear from Mr. Deese, and then members will have an opportunity to ask him questions. So, Mr. Deese, again, thank you very much to you and your family for being here and please proceed with your testimony.

**TESTIMONY OF BRIAN C. DEESE, OF MASSACHUSETTS, NOMINATED TO BE DEPUTY DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET**

Mr. DEESE. Thank you. Thank you, Chairman Murray, and thank you to this committee for welcoming me here today.

Before I begin, I want to join with you in reinforcing that all of our thoughts and prayers are with the people of Oklahoma this morning. The devastation that we have seen is unspeakable and we are still in the process of emergency activities and recovery, and the road to rebuilding will be long, but our country will stand with the people of Oklahoma, and I know that all of our thoughts are with them this morning.

It is an honor to be considered by this committee as the President's nominee to be Deputy Director of the Office of Management and Budget.

I am very pleased that members of my family could join me today. As you mentioned, both my mother and my father, my stepfather, are here today. My family instilled in me a deep commitment to public service and it is something that I have taken with me throughout my career, and so it is very gratifying to have them here with me today.

I particularly want to recognize my wife, Kara. As you said, Madam Chairman, these jobs are really a family affair and that is

certainly true for us. My five-and-a-half-month-old daughter, Adeline, was not able to make it today. [Laughter.]

Mr. DEESE. She joined us at the hearing last week and did not enjoy it, so—

[Laughter.]

Mr. DEESE [continuing]. We made the executive decision to not impose this one on her, but she is watching somewhere.

I would also like to thank President Obama for nominating me to this position and to Director Burwell for her support and her confidence in me.

And, finally, I want to thank members of this committee and their staff for taking the time to meet with me over the last few weeks. And if confirmed, I look forward to continuing those conversations and strengthening the vital relationship between OMB and this committee.

Over the past several years, I have had an opportunity to work with many officials at OMB and across the executive branch to develop and implement administration priorities and this experience has given me a deep respect for the role that OMB plays in setting budget priorities, in improving the performance of government, and, importantly to me, for the skill and the commitment of the professionals who work there.

I am humbled to be considered for this position, and particularly at a moment where our nation faces such critical work of strengthening our economy and our fiscal position, as well.

We have made important progress. Our economy is growing. We are seeing promising growth in several sectors, including the housing market. Our manufacturing sector is showing signs of strength. Our businesses are creating jobs on a consistent basis. And, importantly, Congress and the President have begun the work together of bringing down our deficit and strengthening our nation's long-term financial position.

But there is a lot more work that we need to do, work that we need to do together to deliver on what I believe must be our ultimate goal, which is an economy that provides opportunity and stability for working families.

Much of my professional work has focused on the role that fiscal policy can play in promoting stronger and more durable economic growth, and I believe that sound fiscal policy requires all of us to not shy away from our long-term fiscal challenges and to work diligently to reduce our deficits in a way that will strengthen our economy for both current and future generations.

If confirmed, I will work very closely with Director Burwell to build on the progress that we have made and we have seen, including, as you referenced, the return to regular order, and help try to find common ground on the type of comprehensive deficit reduction plan that would achieve these economic objectives.

Another important area of focus, particularly in this period of fiscal and economic challenges, must be to make our government more efficient and more effective. Over the last several years, most recently as Deputy Director of the National Economic Council, I have developed a deep appreciation for the importance of applying sound management practices across the Federal Government, and

I look forward to working with this committee and with Congress to make progress on our shared priorities in that area, as well.

Finally, I believe that a budget is fundamentally a vision for how those of us in public service can deliver better outcomes for our economy and for middle class families. At its core, it is a reflection of our values and our priorities as a country. And if confirmed, I would work every day to uphold those values and those priorities.

I want to thank the committee today for considering my nomination and I look forward to answering your questions.

[The prepared statement of Mr. Deese follows:]

**STATEMENT OF BRIAN C. DEESE**

**Nominee to Serve As  
Deputy Director of the Office of Management and Budget**

**UNITED STATES SENATE COMMITTEE ON THE BUDGET  
May 21, 2013**

Thank you Chairman Murray, Ranking Member Sessions, and Members of the Committee for welcoming me today. It is an honor to be considered by this committee as the President's nominee to be Deputy Director of the Office of Management and Budget OMB.

I am pleased that members of my family could join me today, including my mother and father who instilled in me a deep respect for, and commitment to, public service. I particularly want to recognize my wife, Kara, who is here as well.

I would also like to thank President Obama for nominating me to this position and to Director Burwell for her support and confidence in me. If confirmed, I will work hard to meet their high standards of performance on behalf of the American people.

Finally, I want to thank Members of the Committee and their staff for taking the time to meet with me over the last few weeks. If I am confirmed, I look forward to continuing our conversations and strengthening the vital relationship between OMB and this Committee.

Over the past several years, I have had the opportunity to work with many officials at OMB and across executive branch agencies to develop and implement Administration policies. This experience has given me a deep respect for the role that OMB plays in setting budget priorities and improving government performance, and for the skill and commitment of the professionals who work there.

I am humbled to be considered for this position at a moment when we as a Nation face the critical work of strengthening our economy and improving our fiscal position. We have made important progress over the last several years. Our economy is growing, our housing market is recovering, and our manufacturing sector is showing signs of strength. Our businesses are creating jobs on a consistent basis and together, Congress and the President have begun the hard work of bringing down our deficits and strengthening our Nation's long-term financial position.

But there is much more that we need to do together to deliver on what I believe must be our ultimate goal—an economy that provides opportunity and stability for working families.

Much of my professional work has focused on the role that fiscal policy can play in promoting stronger and more durable economic growth. I believe that sound fiscal policy requires all of us to not shy away from our long-term fiscal challenges and to work diligently to reduce our deficits to strengthen the economy for both current and future generations. If confirmed, I will work closely with Director Burwell to build on the progress we have made and to help find common

ground on the kind of comprehensive deficit reduction plan that will achieve these vital objectives.

A second key area of focus in this period of ongoing fiscal and economic challenges must be to make our Government more effective and efficient. Over the last several years, most recently as Deputy Director of the National Economic Council, I have developed a deep appreciation for the importance of applying sound management practices across the Federal Government, and I look forward to working with Congress to make progress on our many shared priorities.

Finally, I believe the Budget is fundamentally a vision for how Government and those of us in public service can deliver better outcomes for our economy and middle class families. It is, in essence, a reflection of our values and priorities as a country. If confirmed, I will work every day to uphold those values and priorities.

I want to thank the Committee for its time today and for considering my nomination. I look forward to answering your questions.

Chairman MURRAY. Well, thank you very much.

Let me begin. My understanding is you have ten years of experience working on economic and policy matters, including the last four-and-a-half at the National Economic Council working on the kinds of issues that you would oversee at OMB. And as part of your role as Deputy Director of the National Economic Council, you also do a fair amount of coordination and oversight across the Federal Government, helping to manage and oversee the President's fiscal and economic agenda.

I am interested in hearing from you about your policy and managerial experience and how you see these experiences as helping you prepare for the job of Deputy Director.

Mr. DEESE. Thank you for the question. When I think about the role of Deputy Director at OMB, I think there is at least three sets of skills that I could bring to bear.

The first is a strong understanding of the Federal budget and budget process. That is something that I have developed over the last several years, working closely on the development of the President's budgets and implementation of budget priorities, including working closely with OMB in that effort.

The second is an understanding of how fiscal policy fits into a broader economic strategy for growth and job creation. That has been the principal focus of my professional work and I think it is something that is particularly important right now at the economic moment we find ourselves in, where our economic challenges are so interrelated with our fiscal challenges.

And the third is a pragmatic understanding of how to get things done in government. One of the key responsibilities that I had as Deputy Director at the National Economic Council was to coordinate policy development and implementation across the executive branch, which involved working with senior management in the agencies across government, identifying teams, identifying goals, and driving to actually execute against our budget and fiscal priorities. I think that that is a set of skills that I can bring to bear in this new role in OMB, as well, if confirmed.

Chairman MURRAY. Okay. I do not think there is any question you have the necessary training and experience in budgetary and economic matters, but in addition to policy making duties, you would be tasked with overseeing an agency of about 500 employees during an extremely challenging time, given the sequester and the continued demands on OMB and the budgetary process. Talk with us a little about how you view the specific challenge of stepping in at this point in time to help guide OMB through the sequester and the intense budget negotiations.

Mr. DEESE. I think it is an incredibly important question, and I think that when I—when I think about the priorities for OMB and how to manage toward those priorities, this is something that Director Burwell and I have had a chance to discuss, and I think that we have to be very focused on executing against our core priorities.

First and foremost is presenting and implementing a sound budget framework, which includes in this environment managing in an environment—in a sequestration environment.

Second, I think, is to identify goals and responsibilities across the management agenda, and that is a place where OMB plays a vital

role, and I think that the Director and the Deputy Director, working with the Deputy Director for Management, have an obligation to set out a vision for management priorities and make sure that we are effectively demonstrating to the American people that we can manage our resources wisely.

And the third goes to OMB as an institution. I think this is going to have to be an area of focus for the management team because it is an incredible institution with a vital mission and a really dedicated professional staff. It is also facing a lot of challenges in the current environment and has for the last couple of years.

So focusing on the management challenge of ensuring that OMB is able to play the vital role that the administration and Congress expects of it, is able to continue to attract and retain top-flight talent is going to be a priority, and I think that that is going to require a strong management team at OMB that works together well, that is able to identify priorities, and then able to execute against those priorities. And I think that that is something that I can contribute to.

Chairman MURRAY. Okay. One policy area that you are particularly well known for is your work in restructuring General Motors and Chrysler, helping to rescue the U.S. auto industry, and, as I mentioned earlier, save a million jobs. That really was an extraordinary effort and one that required you to coordinate with and oversee a wide variety of stakeholders. Can you talk a little bit about that process and your involvement in it and why you think that policy ultimately was successful and what you see as the take-aways from that experience.

Mr. DEESE. Sure. In terms of my role, I was part of a team that worked within the administration to provide guidance on how to manage the crisis in the American auto industry. And as you have referenced, both the prior administration and the current administration faced a difficult set of choices in the face of deep economic concerns that had GM and Chrysler liquidated at the end of 2008 or the beginning of 2009, then it would have had a cascading effect throughout their supply base and through the industrial economy, and the estimates at the time were that over a million jobs were at stake.

I think the decision of both the prior and the current administration to provide resources was ultimately the right one. I think the President drew a very difficult line in saying that those resources were only available if those companies could come forward with strong viability plans to return themselves to financial viability. Our role was to assess those viability plans in a clear-headed way, and I do believe that decision was the right one.

Two take-aways for me. One is the importance of having strong teams and executing against priorities within government. The team that I had an opportunity to work with was made up of a lot of people who had distinguished careers in the private sector, had not served in government before, came to serve their country during a unique moment, and we tried to stay very focused on what our objective was during that period. I think that is very important.

Another take-away for me, though, was that we all need to work incredibly hard to make sure that we never put our economy, our

financial markets, in that kind of unique crisis situation again. It was not—outside of those extreme crisis situations, this was not an appropriate role for government to be in. The President made these decisions quite reluctantly and it was because of the unique degree of crisis that those decisions were necessary. And from my perspective, it reaffirms my commitment that we need to work together to build a stronger, more durable economy that does not face the kind of extreme crisis that we saw at the end of 2008, the beginning of 2009.

Chairman MURRAY. So we do not want to go through that again.

Mr. DEESE. Absolutely not.

Chairman MURRAY. So we had better be making the right investments and policies now.

Mr. DEESE. I think for the sake of the economy and for future generations, we absolutely have to.

Chairman MURRAY. Okay. Senator Kaine.

Senator KAINE. Thank you, Madam Chair. It is good to be back in this room with you. We spent a lot of time here together in March, and I am still struck by the fact that all of that great work product to produce a Senate budget is languishing with a determined opposition to even placing the budget in conference. I just am hoping for the day when you will be conferring with your House colleagues and showing the American public the difference between the two budgets.

Chairman MURRAY. Well, I agree. I cannot believe we are not there. We should be there. That is what the American people expect and deserve.

Senator KAINE. Indeed. Indeed.

And, Mr. Deese, congratulations to you. I am excited to support your nomination.

You know, the best anti-deficit strategy—so I cannot now resist to get your take on this—the best anti-deficit strategy is growth, and it strikes me that as we are looking at these two budgets that are on the table right now, there is a House budget that I think proceeds from the fundamental philosophical position that the goal of the budget should be to reduce Federal spending and a Senate budget that proceeds from the position that the goal of the budget should be to produce economic growth, facilitate economic growth.

You have been known for your work on sort of the growth ideas. What are some of the kinds of things in your role working with your Director and working with the administration, pro-growth policies that you would most encourage us to embrace, or the things that you will be most excited to work on?

Mr. DEESE. Well, thank you for the question. When I approach this basic question of fiscal policy, I do start from that question of what is the right overall economic strategy for the country, and fiscal policy plays a very important role, but it is a part of an overall economic strategy.

I think in the current environment, we face interrelated economic challenges. We face a near-term challenge associated with increasing the rate of growth, increasing the rate of job creation, to try to move our economy into a stronger position. Over the medium and long term, we face a set of fiscal challenges that are real and

that, if left unaddressed, will undermine our nation's long-term growth potential.

So when I think about how to address those challenges, I think it takes the form of putting together a set of wise investments that would help support the economy and couple those with an overall comprehensive approach to deficit reduction that would send signals to the markets and the American people that we are getting serious about our longer-term fiscal challenges.

I think when you think about the kinds of growth enhancing investments that you referenced, the way I think about it is what are the drivers of long-term productivity growth in this country, and I think that among them are a strong and educated workforce and strong assets in this country that make this place an attractive place for businesses to come and invest. So when I think about something like infrastructure investments, if we do it right, that is the kind of investment that can have a long-term productivity-enhancing impact by making this a more attractive place to invest.

So that is the approach that I take to thinking about where should we be investing, and I think it is useful to do that as part of an overall fiscal strategy that is sending strong signals about our commitment to get our long-term deficits under control.

Senator KAINE. I have been heartened, as the Chair mentioned in her opening comments, about some of the CBO recent discussions of the deficit being cut essentially in half over the period of two years, and there is much more work to do, as we know, but I commend the administration for the progress that has been made.

One of the issues about growth, I think, that is also important, is that growth ought to be sustainable rather than, you know, episodic, unreliable. I think we had a growth strategy that was a growth strategy of an earlier decade that was a strategy of trying to promote growth through overreliance on debt and leverage. You know, families drove their savings rate down from seven percent to less than two percent. Governments, businesses, others overused debt. Consumer debt dramatically increased. And that produced growth for a short period of time, but then it led to kind of a sugar-high growth and then a major collapse.

So I think the challenge that you have addressed in your answer is what is the next growth model that does not over-rely on leverage but that is more sustainable, and the infrastructure and human capital investments of the kind that you discuss are the ones that, I think, we also embrace and that were evident in the committee's budget.

We talked when you came to my office, Mr. Deese, about kind of regular order. I am kind of a regular order fanatic, partly because it is the rules, but also partly because I think it sends the right signals to others that we take it seriously, and I know this committee embraces it. In my questioning of Director Burwell and in my private questioning of you, you indicate you also see the connection between sort of following the basic rules, and it enables us to do our work better and sends the right signals of confidence and I just wanted to get you to confirm that.

Mr. DEESE. Yes, sir. I think that this is an economic issue, not just a fiscal issue, because one of the things that has not helped our overall growth prospects over the last couple of years has been

a process, a fiscal process that has been characterized by a rolling set of crises. And so I think that returning to a process where we are all expressing a shared commitment to follow a more regular order and actually then delivering on that and showing concrete steps in that direction will help reaffirm the sense that we can budget responsibly, we can make choices. And so I think it is an important part of our overall economic strategy.

Senator Kaine. And then, lastly, and this is really just an encouragement, I think within the OMB portfolio, there is often sort of a sense that the budget is one side and the management is the other. But I do want to just connect the two sides.

One of the many things that is wrong with the sequester is the non-strategic and across-the-board nature of the cuts. It makes no sense. If you are going to make cuts, you ought to be making them in a targeted way, and how do you make targeted cuts? Well, you have to use performance data and priority judgments to help you determine what are the things that should be cut, how much should they be cut, and then what are the things that should not be cut and, in fact, that may even need more investment?

And I think the management wing of OMB really is very valuable, because we will continue to be looking for targeted cuts. The Senate's budget had an assumption of some targeted cuts going forward. The stronger that management muscle within OMB, the more sophisticated the work product in determining where cuts can be made that will not jeopardize economic growth. And, actually, if you cut things that are not really needed, then you create opportunities when revenues come back to use them for their highest and best use tomorrow rather than do the same old thing the same old way. So I would just encourage the management part of the portfolio, as well, to assist in these challenging budget times.

Mr. Deese. Well, I agree. I think it is a priority, and one of the things I think about the Deputy Director role, certainly, if confirmed, I think the Deputy Director role is vitally important in making sure that the "M" and the "B" sides of OMB are working seamlessly together and that those priorities and the tools that are on the "M" side are integrated fully into the budget and vice-versa. So that would certainly be a priority for me, if confirmed.

Senator Kaine. Great. Thank you.

Thank you, Madam Chair.

Chairman Murray. Thank you.

Senator Whitehouse.

Senator Whitehouse. Thank you very much, Madam Chair, and let me add my voice to those who are looking forward to trying to resolve these budget differences through the regular order of the Senate. I think we have a very important debate ahead of us. We have a well-established structure for that debate to take place. We had a litany of calls for regular order, and I would hope that now, those calls would be matched with action that allowed the Chairmen to negotiate and for the process to continue forward.

I have four specific topics that I want to touch on with you today, Mr. Deese. The first is the health care problem that we have, the spectacular cost of it, and I very strongly believe that there are immense savings to be had by gaining efficiencies in our health care delivery system, that those costs will redound to the benefit of cor-

porate budgets, the Federal budget, military budgets, that we can bring down the cost of the entire system, which now lies like a terrible weight across our entire economy, all while making the system work better for people—better as patients, better as consumers, better as people who want to take command of their own health care destinies.

I think that one of the challenges has been that those methods are hard to do what is called scoring in this budget environment, and although they cannot be scored, perhaps, or they can only be scored pretty late in the game, we know enough about what is going on in this part of the world now that the administration could start setting hard budget targets, not predictions, directions. I want to see this much in savings, hard dollar number, by this period, hard date, and that that would help guide and direct the efforts of a very big government more energetically and more focusedly [sic].

So I would urge you to try to produce as soon as you can that number and that date, a dollar and a deadline, because I think that will really help us move forward, and I think it will also help in the budget discussions. If the administration, with all of its administrative capabilities to determine how quickly this takes place and how effectively, will not set a number out there for itself, then we in Congress have no way to try to come up with a number. You have to act first, and I very much hope that you will.

I hope, also, you will clear the backlog at OMB. You guys are supposed to be making decisions in 120 days on regulations, according to Executive Orders. Just to use two examples, there is a Clean Water regulation that has been sitting over there for 455 days and there is a chemical safety regulation that has been sitting over there for over 1,100 days. You are closing in on ten times the amount of time in which you are supposed to have cleared that.

We want to continue to work with you both on the speed with which you move through these things and also the transparency of the process. Things kind of disappear at OMB, and who knows who is talking to whom and how things are getting—why things are being delayed. It is not a model of transparency for those of us on the outside looking in.

The third thing, I hope you will work with us and the Department of Justice to try to figure out what the best way going forward is with cyber. The Department of Justice, I do not think, is resourced the way it should be. They, obviously, are not keen to ask for additional resources behind OMB's back. So getting the Department of Justice and OMB in the room together to have that discussion, I think, is very important. Senator Graham and I are working on bipartisan legislation that I hope will address this. So I would ask you to help with that.

And, last of all, regulatory capture is a doctrine that goes back to the days of Woodrow Wilson. It has enormous foundation in administrative law. It has enormous foundation in economics. Nobel Prize winners have written about it. And yet, we do not have any established mechanism for identifying and trying to head off the capture of regulatory agencies by the industries that they seek to regulate. We have experience of it with Minerals Management Service and, I think to a degree, with the Securities and Exchange

Commission, but we do not have a mechanism for dealing with it in a thoughtful and official way.

So those are the four topics I would like to work with you on and I would like to hear your thoughts on any and all of them, DSR, OMB delays, DOJ cyber, and regulatory capture.

Mr. DEESE. Great. I will try to hit on all of those. First, on your points on health care costs, I believe that the—addressing the rate of growth of health care costs across our health care system is the principal long-term fiscal challenge that the country faces. And I believe that we absolutely have to take serious steps and be very rigorous about how we go about addressing it. I think we do have some reason for optimism. We have seen the rate of growth of health care costs come down over the last couple of years.

One of the things that was promising about the CBO report that has been mentioned was that beyond 2013, if you look over the ten-year budget window, much of the reduction in out-year deficits was associated with reductions in projections about health care spending, which, I think, suggests that some of the reductions in the growth rate of spending that have happened over the last couple of years may be sustained.

But I agree with you that the way that that is going to happen is by identifying delivery system reforms that actually work and then being rigorous about implementing those across the entire health care system. And, if confirmed, I certainly want to both learn more about your ideas for goal setting and also then think about OMB and how OMB can participate in that process as part of the management activities of OMB, rigorous goal setting in an accountability framework where we are not only setting a goal, but then having real culture change within agencies I around being accountable for that goal as a priority. So I think that we definitely want to work more with you on that.

With respect to regulations, both on the backlog and the issue of regulatory capture, I think that, to me, there are a number of issues at play. One of is the regulatory process has to, at base, provide trust to the public that this is a process that they understand and can rely on. They may not agree with every individual decision, but they understand how the process unfolds and they understand transparency, transparently how balances are being made between important protections for health, safety, and the environment, and promoting and sustaining economic growth.

And I think that—so I think transparency is a real important part of that, because I think that that does go to this question of trust. And so this is not an issue that I have been closely involved in or worked on over the last several years, but I know it is an issue that Director Burwell is very focused on and, if confirmed, that I would focus on, as well, to try to ask—bring fresh eyes and ask a set of questions about what could we do to improve the transparency of the process and then also the rigor of the process, including looking at issues like the issue of regulatory capture that you have raised.

And, finally, with respect to cybersecurity, it is a major priority for the President. It is a big economic challenge, as well. And I think that the economic risks to our country from being exposed by cyber attacks are real and they are substantial and so we have to

treat them with that level of seriousness. And that is, in part, about making sure that we have effective tools and effective ability to share information while also protecting privacy, but some of it is about resources and making sure that we have the resources to protect our critical infrastructure, secure Federal networks, and effectively prosecute potential wrongdoing.

So I think that it is a priority for us and certainly, if confirmed, I would look forward to working with you and other members of the committee to make sure that we are adequately resourcing those activities.

Senator WHITEHOUSE. Thank you very much.

Chairman MURRAY. Thank you.

The House, as you are aware, recently released their 302(b) allocations, which show large cuts—very large cuts to some critical investments in programs like health and education. You have written articles regarding the ability of foreign nations to invest in human capital. At the Center for American Progress, you actually outlined strategies to keep America competitive in a global economy where you have argued in favor of improving research and education while simultaneously returning to fiscal discipline and seeking deficit reduction. I wanted to ask you, what does fiscal discipline mean to you and how do we go about deficit reduction?

Mr. DEESE. Well, I think, for me, this comes back to what is our overall economic strategy and then how does fiscal policy fit into that overall strategy, because at the end of the day, the fiscal choices we make are about the resources we need to invest in the functions that we believe are necessary to support an economy that is consistent with our values and to protect the vulnerable among us.

I think that the question about choices and trade-offs within that fiscal strategy and how to have a fiscally disciplined approach, from my perspective, should start with asking, where do we have long-term challenges and what is a responsible way to address them? And so when I look across our—the Federal budget, I think our long-term challenges are largely in our mandatory programs and they connect to this issue of health care cost growth that we were discussing as well as the demographics of our country. And I think the Budget Control Act has already imposed substantial discipline on the discretionary side of the budget, both defense and non-defense, and I think that when we think about a long-term fiscal strategy, our real challenges are in those mandatory programs.

And so I think the key questions for us are how can we implement sensible and thoughtful reforms that actually protect and strengthen the core promise, the core purpose of those mandatory programs? And how can we couple that with looking at sensible reforms to our tax system that are designed to reduce complexity, support overall economic growth, but also contribute to deficit reduction, as well? So that is how I think about the issue broadly.

Chairman MURRAY. Okay. The long-term goals of this country, I think, are being really threatened by the sequester being put in place right now. How are we going to invest in critical programs that are so important for this country's long-term future in this environment?

Mr. DEESE. Well, I think it starts with coming up with a strategy to replace the sequester with a more thoughtful approach, a more thoughtful fiscal approach. I think the sequester is problematic for two reasons. The first is that the magnitude of cuts imposed in an indiscriminate way are doing harm to our economy. The second is, when you think about our long-term fiscal challenges, it does not address any of the serious challenges we face. We were just talking about the growth rate of health care costs and our mandatory programs. The sequester does not have meaningful long-term deficit reduction associated with it. In fact, after ten years, it goes away altogether.

So I think that that provides us an opportunity to develop a plan that is more sensible both in the short-term and in the long-term than the sequester and work to replace the sequester with that kind of approach. I think that the Senate budget lays out a strategy. The President's budget is quite consistent with that overall strategy. I think that that allows us for an opportunity to have this conversation, as you say, as we move to regular order and have a conversation about a truly bipartisan approach that says, we can do much better than the sequester for our economy and for our long-term fiscal goals.

Chairman MURRAY. So replacing the sequester is a very important short-term goal for this country, economically?

Mr. DEESE. I think if you are focused on the economic and fiscal health of the country, then replacing the sequester has got to be a priority.

Chairman MURRAY. I appreciate that.

Senator Kaine, do you have any additional questions?

Senator KAINE. Just two quick ones. On the sequester, you know, one of the things, Madam Chair, that I liked about the Senate budget is it really did three things with sequester. First, it reduced the amount of the cuts. Second, it made them strategic and targeted rather than across-the-board and indiscriminate. And, third, it phased the cuts so that they were a little bit steeper toward the back end of the ten-year budget window instead of sort of straight line across, which was a better reflection of trying to grow the economy in the short-term, and also gave agencies more time to sort of plan the cuts as they went into place. And I think that that sequester approach is far preferable and I was pleased to see a President's budget that sort of had a similar philosophy as the Senate budget.

The other comment I wanted to make is to follow up on your comment, your colloquy with Senator Whitehouse about health care costs. Just to remind you, you have got a great ally in your CMS Director. So the Affordable Care Act, if you look at the health care system in the country, how is it financed, a portion of the pie chart is Medicaid plus Medicare, and what the ACA did is it took that portion of the pie chart and made it greater. So since that is a bigger sort of center of gravity of how health care is financed in the United States post-ACA, any changes within that portion of the pie chart not only have the ability to drive down costs, but they can be innovations that can sort of bleed over into the rest of how health care is financed.

And I really think CMS can be an innovator, and they are being innovative in things like bundling payments, payment reforms. Let us pay for quality, let us pay for outcomes rather than pay for procedures. We pay for procedures in this country and we get the best procedures in the world and we get a lot of them, but we do not necessarily get health. In other nations that pay for health or outcome, they get more health and they spend less money.

I think CMS is a critical place, and the Administrator that we just confirmed I know well, because she was my cabinet secretary when I was Governor, and we were having to shrink a State budget in real dollar terms. I did not have anyone who was a more creative cost saver than Marilyn Tavenner, and yet because she was a nurse, she always approached the project with a patient-first attitude that meant she was not just saving costs by putting on the green eyeshade and looking at it as a numbers exercise. She realized it was patients involved.

And I think using the demonstrated cost-cutting expertise of your CMS Administrator, coupled with the fact that CMS reforms now have such an ability to drive cost curves down, but also influence other players in the health care financing model, I think you have got a great ally that you can utilize in the work that OMB is trying to do on this health care cost issue and I just would encourage that to you.

Mr. DEESE. Well, thank you. I think this effort is going to require a strong team across the administration and working closely with Congress to make sure that we identify those interventions that actually work and implementing them systemwide. So we are, if confirmed, I, as part of the OMB team, would look to work closely with CMS and HHS on this issue.

Chairman MURRAY. Thank you very much, Senator Kaine. Thank you for the participation and cooperation of all of our colleagues on this committee.

Mr. Deese, thank you so much for your willingness to serve, particularly during such a difficult and very consequential time. This committee greatly appreciates the sacrifice of you and all of your family.

As a reminder to my colleagues, additional statements or questions for the record for today's hearings are due in by 6:00 p.m. today, to be signed and submitted to the Chief Clerk.

Also for the information of our colleagues, it is my intention that we move Mr. Deese's nomination as expeditiously as possible. This committee does have a 48-hour notice requirement. I will be talking with Senator Sessions about when we can give that notice, but it is my intention that we vote on this nomination quickly when we return from the State Work Period.

Finally, this committee will meet again tomorrow, Wednesday, to consider supporting broad-based economic growth and fiscal responsibility through tax reform. I encourage the attendance of all of our committee members for that important hearing.

With that, this hearing is adjourned. Thank you.

[Whereupon, at 11:24 a.m., the committee was adjourned.]

**United States Senate**

COMMITTEE ON THE BUDGET  
ROOM SD-624  
(202) 224-0642

WASHINGTON, D.C. 20510-6250

**STATEMENT OF BIOGRAPHICAL AND  
FINANCIAL INFORMATION REQUESTED OF  
PRESIDENTIAL NOMINEES**

**STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF  
PRESIDENTIAL NOMINEES**

**A. BIOGRAPHICAL INFORMATION**

1. **Name:** (Include any former names used.)  
Brian Christopher Deese
2. **Position to which nominated:**  
Deputy Director of the Office of Management and Budget
3. **Date of nomination:**  
April 8, 2013
4. **Address:** (List current place of residence and office addresses, information will not be made available for public inspection.)  
Residence: [REDACTED]  
Office: [REDACTED]
5. **Date and place of birth:** February 17, 1978, Boston MA
6. **Marital status:** (Include name of spouse.)  
Married to Kara Arsenault Deese

7. **Names and ages of children:** (Information will not be made available for public inspection.)

[REDACTED]

8. **Education:** List secondary and higher education institutions, dates attended, degree (s) received and date degree granted.

Middlebury College, BA, 1996-2000  
Yale Law School, JD, 2005-2008

9. **Employment record:** List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment. (Please use separate attachment, if necessary.)

- Counselor to the Acting Director, Office of Management and Budget, 3/13 -- Present
- Deputy Assistant to the President and Deputy Director, National Economic Council, Washington D.C., 01/2011 -- 03/13
- Special Assistant to the President for Economic Policy, National Economic Council, Washington D.C., 01/2009-01/2011
- Economic Policy Staffer for Presidential Transition Team, Washington D.C., 11/2008-01/2009
- Deputy Economic Policy Director, Obama Presidential Campaign, Chicago, ILL., 06/2008-11/2008
- Economic Policy Director, Hillary Clinton Presidential Campaign, Washington, D.C., 06/2007-06/2008
- Senior Economic Policy Analyst, Center for American Progress, Washington, D.C., 09/2002-03/2005
- Research Associate, Center for Global Development, Washington, D.C., 10/2001-09/2002
- Junior Fellow, Carnegie Endowment for International Peace, Washington, D.C., 06/2000-10/2001

10. **Government experience:** List any advisory, consultative, honorary or other part-time service or positions with federal, State, or local governments, other than those listed above.

None

11. **Business relationships:** List all positions currently or formerly held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution.

None

12. **Memberships:** List all memberships and offices currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable and other organizations.

Member, Yale Law and Policy Review, 2005-2008 (Articles Editor, 2006)

Member, Phi Beta Kappa, 1999-2000

Member, Kappa Delta Rho fraternity, 1997-2000

13. **Political affiliations and activities:**

- (a) List all offices with a political party which you have held or any public office for which you have been a candidate.

None

- (b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Policy Staffer, Obama Presidential Campaign, 2008

Policy Staffer, Hillary Clinton Presidential Campaign, 2007-2008

- (c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 5 years.

None

14. **Honors and awards:** List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognitions for outstanding service or achievements.

- Fortune Magazine, "40 under 40", 2011 and 2012
- Young Leader Award, American-Swiss Foundation, 2002
- Junior Fellow, Carnegie Endowment for International Peace, 2000-2001
- Middlebury International Studies Senior Thesis Award, 2000

15. **Published writings:** List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.

I did my best to identify all titles, publishers, and dates of books, articles, reports, or other published materials, including a thorough review of my personal files and searches of publicly available electronic databases. In addition to the speeches and publications listed below, in my role at the National Economic Council, I authored blog posts detailing Administration's positions on economic issues. Those posts are available at: <http://www.whitehouse.gov/blog/author/Brian%20Deese>.

- "Can a School District Promote Racial Integration In Its Public Schools by Taking Race In Student Assignment?" *American Bar Association Preview Magazine*, 2006-2007
- "Leaving Integration Behind," *TomPaine.org*, 11/29/2006 (with Anurima Bhargava)
- "New England's Wholesale Residual Electricity Market," *Atlantic Economic Journal*, 2005 (with Paul Sommers and Eric Schacht)
- "Sacrifice and Recovery," *The American Prospect*, 9/14/2005
- "Beyond HIPC: Secure Sustainable Debt Relief for Poor Countries," *Center for Global Development Working Paper*, 2004 (with Nancy Birdsall)
- "That Rosy Unemployment Rate," *Center for American Progress*, 9/13/2004
- "Has the Consumer Train Reached The Station?" *Center for American Progress*, 7/30/2004
- "Saving Debt Relief From Itself," *Center for American Progress*, 4/23/2004
- "Hard Currency," *Washington Monthly*, 3/1/2004 (with Nancy Birdsall)
- "How Significant Are the Administration's Proposed Increases in Foreign Development Aid?" *Center for Global Development/Center on Budget and Policy Priorities*, 2003 (with Isaac Shapiro and Nancy Birdsall)
- *Delivering on Debt Relief*, Center for Global Development/Institute for International Economics, 2002 (with Nancy Birdsall and John Williamson)
- "More Debt Reduction Starts a New Global Deal," *Center for Global Development Working Paper*, 2002 (with Nancy Birdsall)
- "Now Is the Time for the G-8 to Pay Up," *Calgary Herald*, 7/8/2002 (with Nancy Birdsall)
- "Whatever Happened to Debt Relief for Africa?" *International Herald Tribune*, 6/27/2002 (with Nancy Birdsall)
- "Multilateral Development Banks in a Changing Global Economy," *Economic Perspectives*, 2001 (with Nancy Birdsall)

16. **Speeches:** Provide the Committee with five copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated.

In my role at the National Economic Council, I occasionally taped videos on the Administration's positions on economic policy. Those videos are available at: <http://www.whitehouse.gov/whiteboard>.

Also, over the past five years, I gave informal remarks on the Administration's economic policies to stakeholder groups and public audiences. I did not prepare remarks for these appearances and am not aware that transcripts of them exist. To the best of my recollection, below is a listing of those informal remarks:

- *Participant in Post- State of the Union White House panel, 2/12/13*
- *Participant in Discussion on Atlantic Magazine Forum on Energy Innovation, 1/24/13*
- *Remarks on Budget to 2013 Legacy Conference Obama Campaign-Legacy Conference, 1/20/13*
- *Participant in panel at White House Housing Policy Forum, 9/13/12*
- *Remarks at Senate Staff Briefing on Small Business Jobs and Tax Relief Act, 6/21/12*
- *Remarks on NEC policy agenda at White House briefing for State Treasurers, 3/19/12*
- *Remarks on NEC policy agenda to White House Business, 3/16/12*
- *Remarks on Administration Housing policy to House Financial Services staff, 2/9/12*
- *Remarks on Administration Housing policy to Senate staff, 2/8/12*
- *Participant in Post- State of the Union White House panel, 1/24/12*
- *Remarks on NEC policy agenda at Green Government Symposium, 11/1/11*
- *Participant in panel following the President's Joint Session Address on the America Jobs Act, 9/8/11*
- *Remarks on Administration housing policy at National Association of Real Estate Investment Trusts (NAREIT) Board of Governors meeting, 3/1/11*
- *Remarks on NEC policy agenda to Brookings Institution Budget Luncheon, 2/18/11*
- *Remarks on NEC policy agenda at Atlantic Magazine Digital Town Hall on Economy & Jobs, 2/8/11*
- *Participant in Post- State of the Union White House panel, 1/25/11*
- *Remarks on NEC policy agenda to panel on How the White House Works, 03/04/10*
- *Participant in Post- State of the Union White House panel, 1/27/10*

17. **Selection:**

- (a) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

I have over ten years of experience working on economic and budget policy issues, both inside and outside of government. For the past four years at the National Economic Council, I have been responsible for coordinating the Administration's economic policies in a variety of areas, including fiscal policy, housing, financial markets and

manufacturing. In this role, I have had the opportunity to work closely with officials at the Office of Management and Budget (OMB) and across the Executive Branch. I have been involved in the development of each of the President's Budgets, and have worked with OMB officials to implement budget policies and measures to improve the effectiveness of the executive branch. I have also had opportunities to work with Congress to design and implement legislation to improve economic growth and strengthen our nation's fiscal position. This experience has given me a strong understanding of the federal budgeting process.

- (b) Were any conditions, expressed or implied, attached to your nomination? If so, please explain.

No

- (c) Have you made any commitment(s) with respect to the policies and principles you will attempt to implement in the position for which you have been nominated? If so, please identify such commitment(s) and all persons to whom such commitments have been made.

No

#### B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?

If confirmed, I will remain an employee of the U.S. government.

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, please explain.

No

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

No

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

No

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, please explain.

Yes

#### C. POTENTIAL CONFLICTS OF INTEREST

1. If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain.

In connection with the nomination process, I consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I entered into with OMB's designated agency ethics official and that has been provided to this Committee.

2. Identify and describe all investments, obligations, liabilities, business relationships, dealings, financial transactions, and other financial relationships which you currently have or have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

In connection with the nomination process, I consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I entered into with OMB's designated agency ethics official and that has been provided to this Committee.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy other than while in a federal government capacity.

I have not engaged in any such activity; however, previously I worked for organizations that took advocacy positions with respect to legislation and public policy, including the Center for American Progress, Center for Global Development and Carnegie Endowment for International Peace.

4. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the Office of Management and Budget and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?

Yes.

5. Explain how you will resolve potential conflicts of interest, including any disclosed by your responses to the above questions.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with OMB's designated agency ethics official and that has been provided to this Committee.

#### D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group?

No

2. To your knowledge, have you ever been investigated, arrested, charged or convicted (including pleas of guilty or *nolo contendere*) by any federal, State, or other law enforcement authority for violation of any federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense?

No

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party in interest in any administrative agency proceeding or civil litigation? I personally have not. If so, provide details.

No

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

None to my knowledge.

#### E. TESTIFYING BEFORE CONGRESS

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

Yes

2. If confirmed, are you willing to provide such information as may be requested by any committee of the Congress?

Yes

#### F. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files and may be available for public inspection, with the exception of income tax returns.)

1. Please provide personal financial information not already listed on the SF278 Financial Disclosure form that identifies and states the value of all:
- (a) assets of \$10,000 or more held directly or indirectly, including but not limited to bank accounts, securities, commodities futures, real estate, trusts (including the terms of any beneficial or blind trust of which you, your spouse, or any of your dependents may be a beneficiary), investments, and other personal property held in a trade or business or for investment other than household furnishings, personal effects, clothing, and automobiles; and
  - (b) liabilities of \$10,000 or more including but not limited to debts, mortgages, loans, and other financial obligations for which you, your spouse, or your dependents have a direct or indirect liability or which may be guaranteed by you, your spouse, or your dependents; and for each such liability indicate the nature of the liability, the amount, the name of the creditor, the terms of payment, the security or collateral, and the current status of the debt repayment. If the aggregate of your consumer debts exceeds \$10,000, please include the total as a liability. Please include additional information, as necessary, to assist the Committee in determining your financial solvency. The Committee reserves the right to request additional information if a solvency determination cannot be made definitively from the information provided.
2. List sources, amounts and dates of all anticipated receipts from deferred income

arrangements, stock options, executory contracts and other future benefits which you expect to derive from current or previous business relationships, professional services and firm memberships, employers, clients and customers. If dates or amounts are estimated, please so state. Please only include those items not listed on the SF 278 Financial Disclosure form.

[REDACTED]

3. Provide the identity of and a description of the nature of any interest in an option, registered copyright, or patent held during the past 12 months and indicate which, if any, from which you have divested and the date of divestment unless already indicated on the personal financial statement.

[REDACTED]

- 4. Provide a description of any power of attorney which you hold for or on behalf of any other person.

[REDACTED]

- 5. List sources and amounts of all gifts exceeding \$500 in value received by you, your spouse, and your dependents during each of the last three years. Gifts received from members of your immediate family need not be listed.

[REDACTED]

- 6. Have you filed a Federal income tax return for each of the past 10 years?

[REDACTED]

- 7. Have your taxes always been paid on time including taxes paid on behalf of any employees? If not, please explain.

[REDACTED]

- 8. Were all your taxes, Federal, State, and Local, current (filed and paid) as of the date of your nomination?

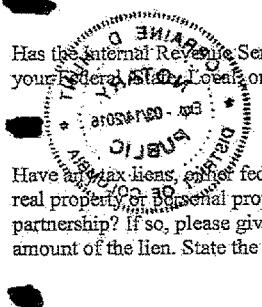
[REDACTED]

- 9. Has the Internal Revenue Service or any other state or local tax authority ever audited your Federal, State, Local, or other tax return?

[REDACTED]

- 10. Have any tax liens, either federal, State, or local, been filed against you or against any real property or personal property which you own either individually, jointly, or in partnership? If so, please give the particulars, including the date(s) and the nature and amount of the lien. State the resolution of the matter.

[REDACTED]



- 11. Provide for the Committee copies of your Federal income tax returns for the past 3 years. These documents will be made available only to Senators and staff persons designated by the Chairman and Ranking Minority Member. They will not be available for public inspection.

[REDACTED]

- 12. Have you ever been late in paying court-ordered child support? If so, provide details.

[REDACTED]

- 13. Have you ever filed for bankruptcy or been a party to any bankruptcy proceeding? If so, provide details.

[REDACTED]

*[Handwritten Signature]*

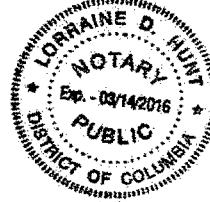
**AFFIDAVIT**

being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

Subscribed and sworn before me this 16th day of APRIL, 20 13

Notary Public

*[Handwritten Signature]*



**Questions from Chairman Murray for Brian Deese,  
Nominee to be Deputy Director, Office of Management and Budget (OMB)**

**1. What do you see as the main function of the budget and the budget process?**

The budget is a statement of the Nation's core values and priorities, and it describes how to effectively and efficiently allocate resources to achieve those priorities. The budget process is the means by which the President, the Congress, and ultimately the Nation make those resource allocation decisions. These decisions affect the health, safety, and welfare of the Nation as a whole as well as individual Americans, State and local governments, and even the rest of the world.

**2. What do you think works well with the current budget process? What doesn't work well? Are there parts of the existing budget process that you believe should be replaced or updated?**

I believe it is important to regular order to allow the current budget process to work as it is intended. The shared commitment to focus on regular order is a positive development, and if confirmed, one that I would work to promote working closely with Congress.

In addition, I believe that the renewed emphasis on long-term fiscal discipline and the use of enforcement tools such as Statutory PAYGO are helpful in improving the prospects that the current budget process delivers the kind of comprehensive deficit reduction agreement our nation needs. There appears to be broad agreement on the need to reduce the deficit over time in a way that supports our economy, and it is imperative that we find ways to resolve differences about the appropriate mix of policies in order to reach agreement. If confirmed, I look forward to working with Congress to address our fiscal challenges in a constructive, pragmatic way.

**3. You served as Deputy Director of the National Economic Council, which coordinates economic policy for the President and ensures that policies and programs are consistent with the President's economic goals. How did this role help prepare you for the position of Deputy Director of OMB?**

I have over ten years of experience working on economic and budget policy issues, both inside and outside of government. As Deputy Director of the National Economic Council, I was responsible for coordinating economic policy development across the Administration. In this role, I had the opportunity to work closely with officials at the Office of Management and Budget (OMB) and work on the development of each of the President's Budgets. I also worked to implement budget policies and measures to improve the performance and effectiveness of government programs and services. I worked to develop more effective ways for the government to partner with the private sector to promote job creation and growth, and also had the

opportunity to work with Congress to design and implement legislation to improve economic growth, create jobs and strengthen our nation's fiscal position.

These experiences give me a strong understanding of the federal budgeting process and an appreciation for the role of sound fiscal policy as part of a broader strategy to promote economic growth and job creation. I believe I can apply these skills and experiences effectively to the role of Deputy Director at OMB, if confirmed.

**4. You were instrumental in helping devise the Administration's policy for restructuring General Motors. What were your guiding economic and fiscal principles in crafting that proposal? What do you see as the lessons learned from this initiative?**

I was a member of the Administration team that reported to the National Economic Council Director and Treasury Secretary and provided the President with input on managing the crisis facing the American auto industry. At the end of 2008, amid the worst financial crisis since the Great Depression, credit markets were frozen and both GM and Chrysler faced the choice of seeking government support or being liquidated. The prior Administration projected that such liquidations could result in the loss of more than 1 million American jobs. In this context, the prior Administration extended short-term bridge loans to GM and Chrysler. When President Obama took office he faced the choice of how to ultimately resolve the crisis.

After considering options, the President decided to provide additional financial assistance to GM and Chrysler on the condition that both companies develop restructuring plans that would return them to financial viability. The President's direction was to manage the government's investments on behalf of taxpayers in a commercial manner. In that context, the team focused on ensuring that the companies developed plans that would achieve financial viability while not interfering in day-to-day management of the companies.

While the restructurings of GM and Chrysler required painful sacrifices from all stakeholders, the actions that both the prior and current Administrations took to stand behind the American auto industry helped save more than a million American jobs during a period of economic crisis, and have helped to support a broader recovery in the auto industry and across our manufacturing base.

**5. What do you see as the main challenge facing the nation's budget over the next five to 10 years? Longer term? What kind of actions and policies do you think should be in place to address each of these challenges?**

I believe it is important to understand and address our nation's fiscal challenges in both the near term and long term. Our most substantial near-term challenge is accelerating the current economic recovery and laying the foundation for future economic growth. One key step to addressing this challenge is enacting a comprehensive deficit reduction plan that replaces the harmful, across-the-board cuts from the sequester, ends the harm of manufactured fiscal crises, and reduces our deficits over the long-term while maintaining our ability to make targeted

investments in areas that have a proven track record of spurring economic growth like education, research and development, and infrastructure.

Over the long term, the biggest budget challenges we face stem from rising health care costs and an aging population. The number of beneficiaries in both Medicare and Social Security are projected to grow by more than 30 percent by the end of the ten-year budget window as the baby boom generation starts to leave the workforce. These demographics shifts, along with the rising cost of health care, will cause mandatory spending to grow as a share of the budget. Despite these challenges, I believe that well designed reforms can lower the cost of these programs while preserving their fundamental structure and guarantee of benefits to all seniors.

**6. The nation continues to face two interrelated economic and fiscal challenges: (1) strengthening the economic recovery, including continuing to put more Americans back to work, and (2) addressing the nation's long-term debt. Do you agree and, if so, how should the government best balance and address those two challenges?**

I agree that these are interrelated. At the same time, I believe we have the potential to address both of these challenges effectively if we can work together to craft a comprehensive deficit reduction plan that replaces the economically damaging sequester with smarter spending cuts, entitlement reforms and revenue from tax reform. This type of approach has the potential to boost the economy while retaining our ability to make productivity-enhancing investments and increasing confidence in our long term fiscal position. If confirmed, I look forward to working with Congress on a deficit reduction plan that will put our country on a sustainable fiscal path, grow the economy, and create jobs.

**7. Relative to the size of the economy, at what level of debt, if any, do you believe the government faces a significant risk of a fiscal crisis? Should the government set a target for stabilizing the debt? If so, at what level and by when?**

I believe that our goals for fiscal policy and deficit reduction should be set based on the state of our economy. Today, we face an economic recovery that needs to be accelerated alongside the projected levels of debt that, if left unaddressed, threaten to crowd out private investment and reduce long-term growth. In this context, I believe that we should be identifying policies that will strengthen job growth and the economy in the near-term, while putting our debt as a share of the economy on a downward trajectory – a metric that numerous independent economists have identified as important to increasing confidence in our nation's fiscal strength.

**8. A common criticism of the current budget process is that it does a poor job of providing information on the long term – both in the budget materials submitted by the President each year and in the Congressional budget process. Do you agree that this is a problem? If so, do you have ideas for addressing this lack of information both in the up-front planning each year and in the subsequent consideration of legislation by Congress?**

The long-term budget outlook is an important consideration in making current budget decisions. The importance of taking a long-range view needs to be balanced against the uncertainties about the long-term outlook. The President's Budget includes long-range projections of the budget consistent with current law and the Budget proposals. Each Administration's budget submission since the 1990s has included this information. The projections illustrate both the expected outlook under current policy and the effect on the outlook of alternative assumptions about future policy, economic growth, and demographic trends.

While the Congressional budget process does not have an explicit role for long-range projections of the baseline or the Congressional budget resolution, CBO does periodically assess the long-term fiscal outlook under current law and an alternative fiscal scenario, as well as analyzing the long-term effect of options for reforming entitlement programs. In addition, the Senate has a point of order that can be raised against individual legislation that increases the deficit in decades beyond the normal 10-year budget window.

If confirmed, I would look forward to working with the Budget Committee to improve the ways in which the long-term implications of current budget decisions are taken into account.

**9. Several bipartisan deficit reduction groups have recommended policies for stabilizing and reducing our debt as a share of the economy in ways that are also consistent with the principles of promoting economic growth and protecting the disadvantaged. Do you agree with these principles? Are there other guiding principles that Congress should consider as it continues to examine and debate options for deficit reduction?**

I agree with the basic principles that we should reduce our debt as a share of the economy while promoting economic growth and protecting the most vulnerable. I also believe that when we approach entitlements, we should be guided by the principle that reforms should increase efficiency and reduce cost while strengthening the core guarantees that these programs provide. If confirmed, I look forward to working with Congress on a deficit reduction agreement consistent with these principles.

**10. The co-chairs of the President's Fiscal Commission laid out a broad framework for comprehensive tax reform in its December 2010 report. The framework – which was a critical component of their broader deficit reduction plan – was predicated on a belief that the current tax code is inefficient, unfair, overly complicated, and anti-competitive. Do you agree with that assessment? If so, what do you believe should be the guiding principles for any tax reform proposal? Given the nation's changing demographics, do you agree that one goal of any tax reform effort should be to raise additional revenue over the current system? If so, what total level of revenues (as a percentage of GDP) should a tax reform proposal aim to generate by 2023?**

I agree with the bipartisan consensus that the current tax system is overly complex, and there are opportunities through reform to increase efficiency and encourage greater economic growth. I believe it is important that any comprehensive tax reform simplify the tax code while

maintaining progressivity and reducing the deficit. As the Nation's demographics change, we will need new revenues to both support the commitments we have already made to our seniors and make the investments necessary to promote long-term economic growth.

**11. In 2001, nondefense discretionary spending was equal to 3.4 percent of the economy. By 2023, CBO's baseline projects nondefense spending to equal 2.7 percent of GDP – which would be its lowest level in over 60 years and about 20 percent below the 2001 level. Nondefense discretionary spending funds many of the items critical to ensuring that America and its workforce remain leaders and innovators in the world economy: education, energy, science and technology, and infrastructure. It also funds the National Institutes of Health, Veterans' health care, federal response to natural disasters, local law enforcement, homeland security, and other key priorities. How concerned are you about the trend toward increasingly lower levels of funding for nondefense discretionary and, if confirmed, what steps might you take to ensure that adequate resources are provided to the key policies and programs in this category of spending?**

Discretionary funding supports vitally important Federal investments as well as wide variety of necessary public functions and services. Although discretionary funding represents only one-third of the Budget, it has borne the brunt of the spending cuts already enacted. The discretionary caps put in place by the Budget Control Act and other recent legislation will reduce discretionary spending by more than \$1 trillion over the ten-year window, bringing it to its lowest level as a percentage of the economy in decades. I do not believe it is feasible to make further deep cuts to discretionary spending without harming our economy or our long-term competitiveness. This is why sequestration's deep and indiscriminate cuts to discretionary spending need to be replaced with a comprehensive deficit reduction plan centered on serious entitlement reforms and additional revenue from tax reform.

**12. The decline in nondefense spending will widen the gap between the level of investments in research, science, and education in this nation versus those of other nations. What are the long-term economic consequences of failing to adequately invest in these areas?**

Well-designed investments in education, energy, science, technology, and infrastructure funded by non-defense discretionary funding are vitally important for our Nation's future. These investments help us maintain our competitiveness in a global economy and lay the foundation for future economic growth. If we fail to sustain these investments, we risk falling behind other countries and losing our ability to attract new jobs and investments to our nation.

**13. An area of focus for this committee is identifying programs and services across the government that are either outdated or that overlap with other programs and services. In recent years, OMB has identified some of these programs in its "Terminations, Reductions, and Savings" volume. GAO is similarly doing work in this area for Congress, and it was one focus of the recently enacted *GPR Modernization Act of 2010*. What additional steps can the administration take to identify these programs and to help Congress assess and**

**compare the performance of these programs? What specific program and policy areas do you believe offer the largest opportunities for consolidating programs in a way that maximizes effectiveness and efficiency?**

As noted, over the past four years, the President's Budget identified hundreds of areas for potential cuts, consolidations or savings. For example, the 2014 budget specifically proposes 215 cuts, consolidations, and savings proposals, which are projected to save more than \$25 billion in 2014. GAO found that these efforts are contributing to addressing key areas of duplication and overlap in Federal programs. In its most recent report on this subject, GAO found that the Executive Branch has made progress on over 75 percent of its recommendations, and has made significant progress in areas as diverse as food safety, veteran's homelessness, and financial literacy.

Looking forward, I believe there are at least two things that OMB can do to ensure continued progress in these areas. The first is to make sure that efforts to identify and eliminate outdated or duplicative programs remain fully embedded in the budget process. The GPRM Modernization Act put in place a rigorous framework for identifying these programs, and it is important that we use this framework in making budgetary decisions. The second thing is to ensure we are using clear evidence and evaluation when designing, executing, and budgeting for programs, in order to ensure that funds are achieving their intended return on investment.

If confirmed, I would commit to making both of these efforts priorities when assessing budgetary and programmatic decisions. Also, I would work closely with Congress to incorporate additional ideas for reducing duplication and improving government efficiency.

**14. What do you see as the federal government's main management challenges?**

I believe that one of our greatest challenges in these uncertain budgetary times is to ensure that we have a high-performing and effective government that is able to carry out its mission on behalf of the public and make the best use of limited resources. That means being innovative in our thinking in areas such as personnel practices, preventing waste, fraud and abuse, downsizing our footprint of facilities and data centers, getting more value for our contracting dollars, and harnessing technology to increase productivity and customer service. I also think that we need to place a greater focus on using evidence and evaluation in budgeting to make sure that we are spending finite resources most effectively. OMB placed significant emphasis on prioritizing this in last year's budget process, and if confirmed, I would look forward to continuing this commitment in future years.

**15. Discuss your experiences in management, and how these experiences will help you with the challenge of managing an agency with a workforce of roughly 500 employees?**

I believe that three of the most important components of effective management are building a strong team, setting clear, credible goals, and focusing on execution to drive outcomes against those goals. This is an approach that I have put into practice, most recently as Deputy Director

of the National Economic Council (NEC). As Deputy Director, I was part of a management team overseeing the NEC itself, but also responsible for managing the inter-agency process to identify and deliver results on Administration policy priorities. On a day to day basis, this required working closely with Cabinet Secretaries, Deputy Secretaries, and other senior officials in agencies across government, as well as with the staff at OMB, to ensure that we remained aligned and focused on developing sound policy options for the President's consideration, and implementing the priorities that Congress and the Administration set. If confirmed, I would look forward to applying the skills I developed through this and other experiences to helping manage OMB, working closely with Director Burwell in that effort.

**16. Like many federal agencies, OMB has had and will continue to have a number of key staff retire over the next several years. If confirmed, what steps would you take to ensure that OMB continues to attract and maintain a high quality workforce?**

If confirmed, a top priority would be to continue OMB's strong record of attracting and retaining highly-qualified staff, even in an extremely difficult budget environment. The OMB staff is heavily relied upon by the Congress and the Administration for their institutional knowledge and deep technical and policy expertise. I am impressed not only by the knowledge and expertise of the institution but the sheer amount of work produced by one of the smaller Federal agencies in the government. It will be critically important that we continue to build a pipeline of future leaders and ensure these aspiring leaders have the necessary skills and abilities to lead the agency and serve American people.

**17. OMB is also managing the furlough of its employees at a time when the agency is implementing the Joint Committee Sequestration for fiscal year 2013, continuing work on implementing the fiscal year 2014 budget process, and starting work on the fiscal year 2015 budget process. If confirmed, what steps will you take to ensure that OMB has the resources and capacity to fulfill its responsibilities in each of these areas?**

If confirmed, I envision working closely with Director Burwell on setting overall priorities and goals for OMB's internal management, and taking a lead role in implementing that vision, working closely with the other senior members of OMB's management team. In particular, I envision taking an agency-wide look at workload and staffing levels to ensure OMB has the right people in the right place to meet the needs of Congress and the President. I would look forward, if confirmed, to working with Congress to secure adequate resource for OMB to fulfill its responsibilities.

**Chairman Murray Questions for the Record  
to  
Brian Deese of the Massachusetts,  
To be Deputy Director of the Office of Management and Budget**

**Children's Budget**

I have worked with Senator Menendez on a piece of legislation called the Children's Budget Act. This legislation would require the Office of Management and Budget to annually produce a full and deliberate accounting of all the money the federal government spends on and for children. This accounting would be included as an appendix to the President's budget submission. OMB is required to produce these documents for things like Homeland Security funding, meteorology funding, and the Export-Import Bank. Current research shows that funding for children makes up less than 8 percent of the total federal budget and child poverty is at levels not seen for decades. As children are our most vital resource, it is important that we as policy makers know the full impact our budget decisions will have on investments for them. Since the Children's Budget only asks the agency to consolidate information they already have, this should cost no additional money to implement.

If you are confirmed as the Deputy Director of OMB, would you support the idea of producing a children's budget document in the Fiscal Year 2015 budget submission to Congress?

Answer: If confirmed, I would welcome the opportunity to discuss information that OMB could provide on programs serving children. Currently, OMB is working with agencies to develop a comprehensive list of Federal programs as required by the GPRA Modernization Act of 2010. This list should make it easier to identify programs across Federal agencies that share common goals, such as funding for children. Even with this list, however, OMB and the agencies would need to determine agencies' ability to develop or obtain data that identifies the appropriate group of beneficiaries consistently across the Government.

Questions from Ranking Member Sessions for Brian Deese  
Nominee to be Deputy Director, Office of Management and Budget  
5/16/2013

1. The Senate recently passed a budget resolution. I may ask you about this budget at your confirmation hearing. For now, please answer the following regarding this budget:

- a. Compared to current law, excluding expected war costs and the extrapolation of Hurricane Sandy emergency relief, what is the amount of deficit reduction achieved over ten years, FY 2014 through FY 2023?

The Senate Budget Committee estimated that its resolution achieves \$1.85 trillion in deficit reduction over ten years.

- b. Is this a balanced budget and, how do you define a “balanced budget?”

A balanced budget generally means receipts and outlays are equal, but has also been used to refer to years in which the budget is in surplus (receipts exceed outlays). The Senate Budget resolution does not reach balance within the 10-year budget window. It does, however, put us on a more sustainable fiscal path by reducing deficits as a share of the economy and putting public debt as a share of GDP on a declining path.

- c. Should we have a goal of balancing the budget?

I believe our fiscal goals should be set in the context of a broader economic strategy. In the current environment, our emphasis should be to strengthen the economic recovery and put more Americans back to work, as part of an overall plan that reduces our deficits and debt as a share of the economy. Doing so will help strengthen our fiscal position and long term growth prospects.

I believe we can work together to put the country on a sustainable fiscal path by finding common ground around policies that support economic growth and reduce our deficit in comprehensive, sensible ways. This includes making targeted investments to encourage greater private sector job growth and enacting a comprehensive deficit reduction agreement that moves us away from crisis-driven budgeting and increases confidence in our long term fiscal position. The commitment by Congress and the President to return to “regular order” in Federal budgeting is an important step in that process.

2. Please supplement the documents you provided the Committee by providing a copy of any writings or formal (prepared) speeches you presented over the last 5 years, even if they are unrelated to the position for which you have been nominated.

Beyond the documents already provided to the Committee, I have not published any writings or delivered any prepared speeches over the past five years.

3. What qualified you to be a Senior Economic Policy Analyst at the Center For American Progress. Please explain your duties in that position.

Before joining the Center for American Progress, I worked at both the Carnegie Endowment for International Peace and the Center for Global Development doing quantitative economic research and policy analysis. At the Center for American Progress my duties included working on domestic economic and fiscal issues.

4. What qualified you to be the Economic Policy Director for the Hillary Clinton Presidential Campaign. Please explain your duties in that position.

Before joining the Hillary Clinton Presidential Campaign, I spent several years working on economic policy, including research, analysis, and writing. Most recently, I had worked at the Center for American Progress, where I focused on economic and fiscal issues. As Economic Policy Director my duties included helping to develop economic policy proposals and engaging with outside experts and stakeholders on economic policy issues.

5. Please describe the major influences on your economic thinking and the economic philosophy that explain what economic philosophies have helped shape your understanding of economics.

I believe that the free market is the driver of growth and innovation in our economy. American free market capitalism has, over the course of our country's history, led to prosperity and a standard of living unmatched by the rest of the world. Ultimately, our businesses' ability to invest, innovate, and create jobs will determine the health of our economy going forward. I believe that effective government policy has an important role to play in our economy, from maintaining a patent system that provides incentives for entrepreneurs, to setting the rules of the road for businesses, to helping to care for the most vulnerable in our society. My approach to economic policy has focused on pragmatic ways that government policy can help lay the foundation for strong and durable private sector growth.

6. Instead of completing your final year of law school, you departed to serve on the Hillary Clinton Presidential Campaign. Thereafter, you joined the Obama Campaign and have been with the Administration since 2009. When did you complete your law school studies? Are you a member of a state bar association?

I was awarded a J.D. from Yale Law School in 2009. I am not currently practicing law, and therefore, am not a member of a state bar association.

7. Do you believe that entitlement reform is necessary for a healthy economy? If so, what kind of entitlement reform would you propose?

We face substantial long-term fiscal challenges associated with rising health care costs and an aging population that, if unaddressed, will put untenable strain on our mandatory programs. I believe we must, as a country, enact sensible entitlement reforms designed to strengthen the core guarantees provided by Medicare, Social Security, and other mandatory programs; addressing the issue of health care costs is particularly important in this context. Reforms that improve the efficiency and effectiveness of our health care system are crucial if we are to put the Nation on a sustainable fiscal path. The President's 2014 Budget proposed reforms to government health programs, including means-testing of benefits, reducing overpayments to high-margin providers and structural reforms to beneficiary payments to encourage greater value.

If confirmed, I look forward to working with Congress on ways to reform entitlement programs, while keeping the commitments we have made to our seniors and protecting the most vulnerable.

8. Please identify any programs or spending within the federal government that you believe represent waste, fraud or abuse or that should otherwise be eliminated. What ideas do you have to identify waste, fraud and abuse?

I believe that the government must demonstrate a firm commitment to eliminating waste, fraud and abuse as part of its obligation to be an effective steward of taxpayer dollars, particularly in these tight budgetary times. Working together, I think there are significant steps that the Administration and Congress can take to identify and eliminate wasteful spending and combat fraud. First, if confirmed, I look forward to working with Congress to enact the specific proposals for cuts, consolidations, and savings that are included in the President's 2014 Budget. Second, I believe that proposals aimed at improving program integrity in areas such as Social Security eligibility and health care fraud have particular promise, as they are based on objective research finding high returns for taxpayer dollars. Enacting these proposals not only improves the reliability and accountability of critical

programs, but can generate billions of dollars in savings. And third, I believe we need to work to continuously and carefully examine the budget for any areas of duplication, overlap, or fragmentation where we can consolidate government programs and make them more efficient. If confirmed, I am eager to work on all of these issues, as well as other efforts to eliminate waste, fraud, and abuse.

9. In your Committee questionnaire you state: "I have been involved in the development of each of the President's Budgets, and have worked with OMB officials to implement budget policies and measures to improve the effectiveness of the executive branch." Please explain your involvement in detail.

As a senior member of the National Economic Council staff, I played a role in the development, evaluation, and execution of the policies in the President's Budget. Part of this role was bringing together representatives from across the Administration to ensure that positions were reflected and economic policies were executed in a coordinated fashion, with the goal of improving effectiveness across the board. In addition, I routinely worked with OMB staff to conduct analyses of proposed policies to determine both their effectiveness and fiscal impact. If confirmed, I look forward to working with Congress throughout the Federal budget process.

10. You have been referred to as the "Car Czar," because of your involvement in the government bailout of General Motors and Chrysler. According to the most recent TARP Monthly Report to Congress the current cost to the taxpayers is almost \$20 billion. Is this a fair assessment, and if so, could the Administration have taken other measures to avoid or limit the exposure of taxpayers?

While the cost of the auto industry's rescue will not be known until the remaining investments are liquidated, OMB, Treasury, and CBO currently estimate the Auto Industry Financing Program (AIFP) to cost approximately \$20 billion, using the cost estimating procedures dictated by statute for TARP.

I believe, however, the impact to taxpayers of assistance provided to the auto sector must consider effects beyond the cash flows in the TARP accounts. This Administration, and the prior one, recognized the tremendous economic disruption that would have been caused by an uncontrolled liquidation of General Motors and Chrysler. The prior Administration at the time estimated that more than one million jobs would have been lost – not only at the auto companies themselves but through the entire auto industry supply chain.

The decision by the prior Administration to extend assistance to the auto industry, and by President Obama to provide additional assistance contingent on GM and Chrysler

developing sound plans to return to financial viability, were intended principally to avoid job loss and save an industry from collapse during the depth of an economic and financial crisis. While difficult, I believe that the actions of both the prior and current Administrations helped save more than a million American jobs and helped support a broader recovery in the American auto industry and across our manufacturing base.

Maintaining a focus on protecting the taxpayer' interest is of paramount concern to the Treasury Department in implementing all TARP programs. By the end of 2012, Treasury had sold more than two-thirds of the shares of General Motors common stock it originally held. In December 2012, Treasury announced its intention to fully exit its remaining investment in GM within 12 to 15 months subject to market conditions and, again, an interest in protecting the taxpayer. The total funds TARP recovers from its GM investment will depend upon future market conditions.

11. Have you taken position or suggested policies in past publications that you now reject? If so, what are they?

I believe the proposals I publicly advocated for over the course of my career are sound. I also believe it is important to assess any policy based on the economic and fiscal situation at the time, and to continue to evaluate such decisions in order to learn any applicable lessons. If confirmed, I would bring a pragmatic approach to assessing policy ideas with attention on the unique economic and fiscal situation we face today.

12. Most of your writings focus on debt relief for poor countries. In our current economic environment, please explain whether we should continue providing debt relief through the IMF or otherwise.

The research I conducted on debt relief was focused on analyzing the bipartisan Heavily Indebted Poor Countries (HIPC) initiative in 2000, which sought to help some of the world's poorest countries generate economic growth and reduce poverty and instability while bolstering important U.S. strategic and national security priorities. While I was not involved in this policy area while at the NEC, it is my understanding that the President's FY 2014 Budget includes \$175 million in funding for multilateral debt relief, funded through the World Bank and the African Development Bank.

My understanding is that the IMF has some debt relief efforts, much of which is undertaken with internally-generated funds. In this Administration, the U.S. has not contributed directly to any IMF debt relief efforts.

13. Please describe how current mandatory and entitlement spending contributes to annual deficits?

Mandatory outlays (including entitlements) put pressure on the budget when they grow faster than the economy. The most substantial pressure we face from mandatory spending stems from the growth in health care costs and the aging of our population. To address this challenge, I believe we should enact sensible entitlement reforms designed to strengthen the core guarantees provided by Medicare, Social Security and other mandatory programs, including the reform ideas mentioned above.

14. Do the current levels of total government debt affect U.S. economic activity; the rate of economic growth?

I believe that in the current economic environment, our nation's economic health would be improved by enacting a comprehensive deficit reduction agreement that puts our public debt on a declining path as a share of the economy, while also taking steps to strengthen the economy and create jobs in the near-term. If confirmed, I look forward to working with Congress to enact a sensible debt-reduction package that lays the foundation for strong economic growth.

15. The recent economic expansion is the slowest since the end of World War II. What do you believe are the reasons for the low level of growth since the recession ended in June, 2009?

The financial crisis America experienced in 2008 was the worst since the Great Depression, and there is a growing body of empirical research that shows that recoveries after recessions caused by financial crises are hampered by household and business deleveraging. However, even in this historically challenging environment, the U.S. economy has expanded for 15 consecutive quarters, and private employers have increased their payrolls for 38 consecutive months. Growth in exports, manufacturing activity, and private sector job creation are all outpacing the previous recovery. Notwithstanding this progress, there is more work to do in increasing the pace of economic growth and jobs creation as part of an overall economic strategy that reduces our deficits and debt.

Ranking Member Sessions' Questions for the Record  
to  
Brian Deese of the Massachusetts,  
To be Deputy Director of the Office of Management and Budget

05/21/2013

1. A number of economists recently published important studies on how rapidly increasing national debt affects key economic metrics, from GDP to inflation and interest rates.<sup>1</sup> These studies, which examine economic and financial responses to debt across countries, prefer to use gross central government debt (total government debt) rather than net or publicly held debt, largely because gross debt is available for most developed and developing economies and is less subject to political manipulation. However, you testified today that net or public debt was the better debt concept to use for these same purposes.

Please explain how your reasoning and research differs, if it does, from the leading studies on this subject.

Answer: Debt held by the public is a measure used widely by economists and markets to gauge the fiscal position of the United States, as it better reflects the impact of Federal borrowing on the capital markets and macroeconomic factors like net national savings and investment. Both OMB and the Congressional Budget Office have identified debt held by the public as a more useful indicator for these purposes.

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<sup>1</sup> Carmen M. Reinhart, Vincent R. Reinhart, and Kenneth S. Rogoff, "Debt Overhangs: Past and Present," *NBER Working Paper 18015*, April 2012, <http://www.nber.org/papers/w18015> (accessed February 22, 2013). See also Carmen M. Reinhart and Kenneth S. Rogoff, "Growth in a Time of Debt," *American Economic Review*, Vol. 100, No. 2 (May 2010), pp. 573–578, <http://www.ycsg.yale.edu/center/forms/growth-debt.pdf> (accessed February 21, 2013). Also, Carmen Reinhart and Kenneth Rogoff, *This Time is Different: Eight Centuries of Financial Folly* (Princeton and Oxford: Princeton University Press, 2009)

Manmohan S. Kumar and Jaejoon Woo, "Public Debt and Growth," *IMF Working Paper*, WP/10/74, July 2010, <http://www.imf.org/external/pubs/ft/wp/2010/wp10174.pdf> (accessed February 22, 2013).

Stephen Cecchetti, Madhusudan Mohanty, and Fabrizio Zampolli, "The Real Effects of Debt," Bank for International Settlements, September 2011, <http://www.bis.org/publ/work352.pdf> (accessed February 22, 2013).

David Greenlaw, James D. Hamilton, Peter Hooper and Frederic Mishkin, "Brunch Time: Fiscal Crises and the Role of Monetary Policy," paper written for the U.S. Monetary Policy Forum, February 22, 2013 at [research.chicagobooth.edu/igm/usmpffile.aspx](http://research.chicagobooth.edu/igm/usmpffile.aspx).

Gross debt includes both debt held by the public and intra-governmental debt. The issuance of debt to Federal government accounts is an internal transaction of the Federal government that does not require financing from the private sector, does not compete with the private sector for available funds in the credit market, and generally does not directly affect key macroeconomic indicators like net national savings or investment.

To the extent that the Federal government cannot repay debt issued to itself when it becomes due using current receipts, the Treasury Department finances the needed shortfall with debt issued to the public. Estimates of this activity are typically included in official projections of future debt held by the public, and those projections provide an indication of when and how intra-governmental debt will impact the economy.

2. Research by Frederic Mishkin, former Member of the Federal Reserve Board of Governors and his colleagues tested the question: which of the two debt concepts, gross or net, is the better predictor of economic and financial responses to changes in debt levels? They found that gross debt performed significantly better. Given the OMB Deputy Director's responsibility to oversee the preparation of a budget that is based on the likely effects of economic activity on key budget drivers, and that all of the authors below<sup>2</sup> suggest that gross debt levels above 80 percent of GDP likely contribute to slowing down income and economic activity and to raising interest rates (three very key budget drivers); what will you do as OMB Deputy Director to include this research in the preparation of future federal budgets?

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<sup>2</sup> Carmen M. Reinhart, Vincent R. Reinhart, and Kenneth S. Rogoff, "Debt Overhangs: Past and Present," *NBER Working Paper 18015*, April 2012, <http://www.nber.org/papers/w18015> (accessed February 22, 2013). See also Carmen M. Reinhart and Kenneth S. Rogoff, "Growth in a Time of Debt," *American Economic Review*, Vol. 100, No. 2 (May 2010), pp. 573–578, <http://www.ycsg.yale.edu/center/forms/growth-debt.pdf> (accessed February 21, 2013). Also, Carmen Reinhart and Kenneth Rogoff, *This Time is Different: Eight Centuries of Financial Folly* (Princeton and Oxford: Princeton University Press, 2009)

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Answer: I believe that the development of the President's Budget should be appropriately informed by economic research. Any research should be assessed carefully to understand its conclusions and applicability to the United States. Mr. Mishkin's paper uses international data, including measures of gross and net debt that differ from those used in the President's Budget. As noted above, CBO and others have argued that in the context of the Federal budget in the United States, debt held by the public is a more useful metric than "gross" measures of Federal debt. If confirmed as OMB Deputy Director, I would work to ensure that OMB continues to take advantage of the best economic research and data available as it prepares the President's Budget.

3. In general, government trust funds have dedicated funding sources. For example: payroll taxes fund the Social Security and Medicare trust funds; federal gas taxes fund the Highway Trust Fund; and premiums on private pensions fund the Pension Benefit Guarantee Corporation Fund.

Many trust funds are currently in cash deficit, and projected to be insolvent within 50 years. The Medicare Trust Fund, for example, will go bankrupt in the next budget window.

- Are these insolvencies generally caused by a mismatch between benefits and revenues over the long run?
- In general, are trust funds funded by corporate or individual general taxes?
- If individual marginal tax rates, or corporate taxes, were raised, or benefits in the tax code eliminated, would these funds still remain insolvent in the long run?

Answer: Trust fund balances represent the excess of past income over past spending, including interest. Trust funds become insolvent when trust fund balances plus current income is insufficient to support trust fund spending. Trust funds are funded by a mix of dedicated receipts from the public and from Federal sources. For example, the Social Security trust fund is funded largely by payroll taxes, income taxation on Social Security benefits, and interest income. The Federal civilian and military retirement trust funds are funded from contributions from employees, contributions from employers, general fund transfers to cover past liabilities, and interest income. Raising revenues from sources not dedicated to trust funds would not affect trust fund solvency. Such revenue increases would, however, improve the government's overall fiscal position.

4. Federal law limits the amount a private pension fund can invest in the company that sponsors the fund to ten percent. This is because, prior to government regulation of private pensions, many companies would invest most of their pension fund in their own stocks or bonds, and then spend the “saved” money. The federal government stopped this accounting gimmick, as too many people were not getting their pensions, because the companies never saved the money.
- What percentage of U.S. government securities is the Social Security Trust Fund limited to holding as a percentage of their total investments? What about Medicare? What about PBGC premiums?
  - If the Social Security Trust Fund was limited to holding only ten percent of its surplus in U.S. government securities, as private pensions are, and the remainder had to be invested in other securities, would the last two budgets submitted by President Clinton achieved balance?
  - Some argue that U.S. government securities bear the lowest risk of any investment. Yet in their best-selling book, *This Time is Different*, Carmen Reinhart and Ken Rogoff note that before countries default internationally, they usually first default on domestic debts, which include intergovernmental debt.
    - As an economist, what is the risk of investing in one security? For example, only investing in 10-year Treasury Notes.
    - Is diversification a standard practice investors use to mitigate risk?

Answer: The Social Security Act requires that the Social Security and Medicare trust funds hold their invested balances entirely in the form of Treasury securities. The PBGC holds a portion of its balances in private securities. This portion of the PBGC’s holdings is derived from the assets of the employer plans that the PBGC has taken over, and is not included in the budget. The budgetary portion of the PBGC’s holdings is held entirely in Treasury securities.

Treasury securities are the safest investments available to ensure that these trust fund balances are available for future benefits. Diversification is a common practice to reduce the risk of holding a single class of securities, but is not relevant in the context of these government trust funds because of the safe nature of Treasury securities.

The effects on the unified surplus or deficit of investing the Social Security surplus in private securities depend on how the purchase of securities would be accounted for. If the purchase of private securities were recorded as a means of financing, there would be no effect on the deficit. If such purchases were recorded as outlays, then the deficit would increase by the amount of those purchases. The FY 2000 and FY 2001 Budgets submitted by President Clinton showed unified budget surpluses, but the FY 2000 Budget would have shown a small unified deficit if the unified surplus had been reduced by 90 percent of the Social Security surplus.

5. Some have argued balancing the budget is too hard a goal to reach. They claim that, instead, we need to aim for stabilizing our debt as a percentage of GDP. This would rely on the revenue from continued economic growth to pay for our deficits.

Carmen Reinhart and Ken Rogoff state in their book, *This Time Is Different*, that **“countries typically do not grow out of their debt burden, providing yet another reason to be skeptical of overly sanguine standard sustainability calculations...”**

- Would you agree that stabilizing the debt is not a responsible way to deal with our debt burden?
- Will you commit to the goal of balancing the budget?

Answer: I believe our fiscal goals need to be calibrated to the state of the economy. In the current environment, our focus should be on strengthening the economic recovery and putting more Americans back to work, as part of an overall plan that puts our public debt as a share of the economy on a downward trajectory and brings that metric down over time. Doing so will help strengthen our fiscal position and long term growth prospects. If confirmed, I look forward to working with Congress to put the country on a sustainable fiscal path by finding common ground around a comprehensive deficit reduction agreement that moves us away from crisis-driven budgeting and increases confidence in our long-term fiscal position.

6. In pre-hearing questions, I asked you, “have you taken position or suggested policies in past publications that you now reject? If so, what are they?”

You responded, “I believe the proposals I publicly advocated for over the course of my career are sound.”

In September 2004, you wrote an article at the Center for American Progress, entitled *That Rosy Unemployment Rate*. In this article, you stated, voters should be skeptical of the reported 5.4 percent unemployment rate. This implied that the economic recovery, as guided by President Bush’s economic policy, wasn’t as good as most people thought at the time; that is, that the unemployment rate was too high.

The following table shows statistics you cited in the 2004 article as compared the Bureau of Labor Statistics’ May 2013 employment report.

	<b>September 2004</b>	<b>Today (May 2013)</b>
<b>Unemployment</b>	<b>5.7 Percent</b>	<b>7.6 Percent</b>
<b>Labor Participation Rate</b>	<b>67.2 Percent</b>	<b>63.3 Percent</b>
<b>Involuntarily Part-Time</b>	<b>4.5 Million</b>	<b>7.9 Million</b>

Do you still stand by the assertions either made, directly or implied in your article, that the 5.4 percent unemployment rate was not as good as perceived, and that this was ostensibly evidence of failed economic policy?

Answer: I believe that, when analyzing the state of a labor market recovery, it is important to take a holistic approach, including the depth of the preceding recession; how quickly private businesses begin adding jobs on a consistent basis; the pace of that job creation; and the level and change of the unemployment rate. With respect to the unemployment rate, it is also important to understand the underlying cyclical and structural factors affecting labor force participation, as well as wage growth. Taking into account all of these factors, my assessment of the labor market recovery following the 2001 recession continues to be that it was weak by historical standards.

7. In your response to pre-hearing questions you said,

I believe that the free market is the driver of growth and innovation in our economy. American free market capitalism has, over the course of our country's history, led to prosperity and a standard of living unmatched by the rest of the world. Ultimately, our businesses' ability to invest, innovate, and create jobs will determine the health of our economy going forward. I believe that effective government policy has an important role to play in our economy, from maintaining a patent system that provides incentives for entrepreneurs, to setting the rules of the road for businesses, to helping to care for the most vulnerable in our society. My approach to economic policy has focused on pragmatic ways that government policy can help lay the foundation for strong and durable private sector growth.

You affirmed this response at the hearing. The following questions relate to the proper role of government in a free market economy.

- a. Both best-selling books, *The Housing Boom and Bust*, by Thomas Sowell, and *All the Devils are Here*, by Bethany McLean and Joseph Nocera, discuss factors that contributed to the cause of the 2008 economic collapse. While attributing significant responsibility to sub-prime lending and Wall Street securitization of risky loans, both also attribute as much, if not more, blame on government policies that distorted normal market conditions.

Sowell discusses land use regulation, ostensibly for "smart growth" or environmental protection, at all levels of government as contributing to artificially inflated housing prices, through reduced supply. And both Sowell, and McLaen and Nocera, discuss the confluence of regulations going back to the Carter Administration and other policies stemming from the New Deal that fostered the financial situation that lead to the economic crisis.

All of these government interventions in the market were put in place with the intention of positively affecting the economy.

- Can you give us your thoughts on how government intervention in the free market to mitigate specific unpleasantlies, over time and in conjunction with other small interventions, can actually contribute to systematic economic weakness and foster crises?

Answer: I believe that when assessing the merits of any government policy, it is important to rigorously assess not only the alternatives and the fiscal costs, but also the unintended consequences that such actions could have. It is important to keep an open mind and evaluate all available evidence about how government policies, both individually and collectively, are affecting the economy. This is particularly important in the current environment when our top priority needs to be to strengthen the pace of economic growth and private sector job creation. If confirmed, I would bring a pragmatic approach to assessing policy ideas.

- b. The Great Depression was the worst economic crisis in U.S. history, since 1900. However, noted Stanford economist, Thomas Sowell has written extensively about how contrary to what you are taught in school, government actually turned a slightly worse than typical economic downturn into a great depression. One of his principle arguments is that following the October 1929 stock market crash, the unemployment rate rose, peaking at 9 percent in December 1929, and then began a decline reaching 6.3 percent in June 1930. In one article he goes on to say:

This was what happened in the market, before the federal government decided to “do something.”

What the government decided to do in June 1930 — against the advice of literally a thousand economists, who took out newspaper ads warning against it — was impose higher tariffs, in order to save American jobs by reducing imported goods.

This was the first massive federal intervention to rescue the economy, under [Republican] President Herbert Hoover, who took pride in being the first President of the United States to intervene to try to get the economy out of an economic downturn.<sup>3</sup>

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<sup>3</sup> Sowell, Thomas; Proven: Government intervention prolonged the Great Depression, *The Citizen.com*; June, 2010

Sowell goes on to observe that before the end of the year, unemployment rose into double digits, and that Hoover took more and more corrective actions (which Roosevelt eventually used as a foundation for the New Deal) so that by 1932, unemployment was around 20 percent.

This basic assertion seems to be supported by Carmen M. Reinhart and Kenneth S. Rogoff in, *This Time is Different*, where they found,

Interestingly...when it comes to banking crises, the emerging markets, particularly those in Asia, seem to do better in terms of unemployment than the advanced economies....the relatively poor performance of advanced countries suggests the possibility that greater (downward) wage flexibility in emerging markets may help cushion employment during periods of severe economic distress. The gaps in the social safety net in emerging markets economies, compared to industrial ones, presumably also make workers more anxious to avoid being unemployed. (page 228-229)

- As you have studied the roles government can play in the economy, what consideration have you given to the actions of government making an economic crisis worse and prolonging the economic emergency?

Answer: It is vitally important that, when approaching economic policymaking during periods of crisis, governments carefully assess the potential unintended consequences of their actions – which can include prolonging crisis or slowing recovery if poorly designed. It is the general consensus of economists that the Smoot-Hawley tariffs that followed the 1929 stock market crash deepened the Great Depression.

In contrast, the temporary emergency actions taken by the current and prior Administrations, Congress and the Federal Reserve in late 2008 and 2009 helped to break the back of an historic economic crisis and reorient our economy toward recovery.

These different historical data points only underscore the importance of carefully scrutinizing any government actions and incorporating the best data and evidence available when making policy decisions.

- In 1930 and later, as conditions worsened, Presidents Hoover and Roosevelt, along with Congress, believed they were using appropriate government action to help promote economic activity. If government action can help prolong and worsen an economic downturn, how do you determine if a policy will positively affect the economy?
  - If conditions do not improve, is it more appropriate to add new government initiatives, as Hoover and Roosevelt preferred, or to remove government activities from the market?
  - Do you believe that markets ultimately fail if left to themselves?

Answer: I believe it is important when making policy decisions to be pragmatic, listen to different points of view, and take into account available evidence. In some cases, reducing the government's role may be the most effective way to promote private sector investment and growth. In others, carefully tailored government action may help support economic growth. I try to take an objective approach to decision-making that balances the potential costs and benefits of available options.

I believe that the free market is the primary driver of growth and innovation, and without a thriving free market our economy will not succeed. One of the hallmarks of a thriving market is clear, enforceable rules. Governments are often necessary to set and enforce those rules. For example, court systems help enforce contracts and create incentives for compliance. Government interventions can also provide stability when, for whatever reason, markets do fail.

8. Some have argued that repealing a variety of tax laws that allow for deductions or credits (sometimes called tax expenditures or loopholes), is necessary for reducing the deficit. Often these are said to go to the wealthy. Can you please tell me:
  - a. What the top ten largest tax expenditures are?
  - b. How much of all tax expenditures do these ten represent?
  - c. Who benefits, either directly or indirectly from these tax expenditures? (For example, an employer might get a direct benefit from deducting health insurance costs for their employees, but the employee receives an indirect benefit of receiving health insurance.)

d.

Based on the estimates in the Analytical Perspective volume of the Budget, the top 10 tax expenditures (ranked by 2014-2018 totals) are those shown below. (The entire list is published in Table 16-3 of the Analytical Perspectives.)

Provision	2014	2014-18
Exclusion of employer contributions for medical insurance premiums and medical care	212,820	1,206,260
Deductibility of mortgage interest on owner-occupied homes	101,470	640,180
Defined contribution employer plans	79,720	477,870
Exclusion of net imputed rental income	75,520	436,680
Capital gains (except agriculture, timber, iron ore, and coal)	46,680	331,020
Defined benefit employer plans	53,060	308,390
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	51,560	292,140
Accelerated depreciation of machinery and equipment (normal tax method)	17,860	273,730
Capital gains exclusion on home sales	45,870	263,200
Deductibility of charitable contributions, other than education and health	44,060	259,910

Answer: For several reasons it is inappropriate to add the cost of individual tax expenditures together, since if some tax expenditures were modified or repealed, there would be interactive effects that affect the cost estimate of other tax expenditures. If adding the totals of the top ten individual costs and comparing this to the total from summing together the 169 identified tax expenditures, the top 10 account for between half and two thirds of the total cost.

Tax expenditures benefit individuals and companies that are able to take advantage of them. As your question points out, they may benefit both the direct recipient and others who benefit indirectly: for example, employer and employees, home owners and home builders, charitable givers and charitable organizations. Some tax expenditures, such as tax preferences for capital income, primarily benefit high-income households, while others benefit middle- or lower-income households. Tax preferences structured as deductions tend to disproportionately benefit high-income households, both because these households have higher marginal tax rates and because they are more likely to elect to itemize deductions. The Administration's proposal to raise revenue for deficit reduction would reduce the value of certain tax benefits for the highest income households.

9. As Deputy Director of OMB, will you also be the agency's Chief Operating Officer? If so, how do you plan to fulfill this role?

Answer: If confirmed, I would work closely with Director Burwell and the Deputy Director for Management to set the overall priorities and strategic goals for OMB's internal management, and to take a leading role in implementing that vision, working closely with the other senior members

of OMB's management team. If confirmed, a top priority would be to continue OMB's strong record of attracting and retaining highly qualified staff, even in an extremely difficult budget environment. In addition I would work to make sure that there is regular and effective communication between OMB's career staff and the Agency's leadership, and that we are setting clear goals as an institution and holding ourselves accountable for achieving outcomes.

10. In pre-hearing questions, you indicate the current cost to taxpayers from the automobile bailout is approximately \$20 billion. You did not respond as to whether taxpayer exposure could have been limited. Some experts have indicated that the Administration exposed the taxpayers to more substantive risks in an effort to provide a second bailout to union labor. In the bailout of General Motors and Chrysler, the United Auto Workers (UAW) received much more favorable treatment than other creditors compared to normal bankruptcy process. Experts have indicated that the Administration provided UAW more than \$20 billion in subsidies, instead of requiring UAW to accept standard bankruptcy concessions. Did UAW receive more favorable treatment than other creditors in automobile bailout?

Answer: No. The independent bankruptcy judges who reviewed the transactions, and the appellate court that reviewed the Chrysler bankruptcy court decision, confirmed that all stakeholders, including the UAW, were treated in an arms-length commercial manner in accordance with standard Chapter 11 bankruptcy practice. The companies made commercial judgments about their needs for sustaining ongoing operations in their financial viability plans, which the courts reviewed and approved as part of the bankruptcy process.

While the decisions by both the prior and current Administrations to extend assistance to GM and Chrysler were intended principally to avoid job loss and save an industry from collapse during the depth of an economic and financial crisis, a disciplined focus on protecting taxpayers interest was, and continues to be, an important guiding principle in managing the government's investments.

11. In a telephone news conference on June 2, 2011, you were quoted as saying:  
 "We've seen 115,000 jobs created in the American auto industry since GM and Chrysler emerged from bankruptcy.... More than 8,000 jobs in Ohio.... That's the best case of job growth in this country since the late '90s in the auto industry."

*PolitiFact* Ohio found these numbers to be false. "These numbers made us pause, because of something The Plain Dealer had published that very day: The two automakers employ 16,500 fewer people nationwide than they did in 2009. Just looking at Ohio plants, Chrysler downsized its workforce since 2009 while

General Motors had an increase. Put together, these resulted in a net gain of 1,496 jobs in the state. These numbers are very different from what the administration cited.”

Were the numbers cited accurate?

Answer: Yes. As stated on the call, the 115,000 figure referred to employment change in the auto industry as a whole, which includes workers in motor vehicle and parts manufacturing and dealerships.

According to the Bureau of Labor Statistics, measuring through April 2011 (the last month that data was available at the time of the call) motor vehicle and parts durable goods added 76,000 jobs and motor vehicle and parts dealers added 39,400 jobs for a total of 115,400 jobs from June 2009 to April of 2011. In Ohio, Motor Vehicle Manufacturing added 4,100 jobs, motor vehicle parts manufacturing added 5,200 jobs and motor vehicle and parts dealers lost 1,000 jobs for a total of 8,300 jobs added from June 2009 to April of 2011.

NOTE: The figured I cited on the call, while accurate at the time, were preliminary and like other BLS employment data have gone through several subsequent revisions. Accounting for these revisions and measuring from the same period of June 2009 to April of 2011 the auto industry added 140,800 jobs. In Ohio the industry added 13,200 jobs over that period.

**Senator Wyden Questions for the Record  
to  
Brian Deese of the Massachusetts,  
To be Deputy Director of the Office of Management and Budget**

**1. Proposed Gluten Content Standard Regulation, RIN 0910-AG84**

Mr. Deese, For two years now, I have been following a proposed regulation, RIN 0910-AG84, related to the labeling of gluten content in food and beverages, and particularly how this regulation might affect a local Oregon brewery. The final rule is now pending at OMB, and I have written Director Burwell to raise concerns about the way the rule was drafted at the Food and Drug Administration. In particular, the proposed final rule would not allow products that have been processed to remove gluten to be labeled as "gluten free," despite the fact that this type of labeling is common in much of the world, including the European Union, Canada, and Codex standards. Accordingly, I would again ask OMB to give particular consideration to the economic impact of such disparate labeling standards and the related disadvantageous position both U.S. companies and U.S. consumers would be placed in if the currently proposed rule is adopted. Specifically, I would ask OMB to review and consider language allowing for gluten content labeling of foods and beverages that have been processed to remove gluten.

If confirmed, can you commit to working with me to ensure the adoption of a competitively neutral rule that satisfies the regulatory mandate of the Food and Drug Administration without disadvantaging American products in the global marketplace?

Answer: The Department of Health and Human Services' final rule "Food Labeling; Gluten-Free Labeling of Foods is currently under review at the Office of Information and Regulatory Affairs (OIRA). If confirmed, I would work with OIRA to continue to ensure that all comments are thoroughly reviewed and considered.

**2. County Payments**

Mr. Deese, The issue of BLM county payments is a critical one to the people of my state given the numerous Oregon counties currently experiencing fiscal emergencies. When asked when it would release the money it reserved beyond what sequestration required, which amounts to 4.9% of the total payments due, BLM responded that the disbursement of these funds is being held up by OMB. To date, no adequate justification or rationale for continuing to withhold that 4.9% of the funds that Oregon counties are due has been forthcoming. If confirmed, can you commit to working with me to expedite the return of funds owed to affected counties in Oregon and elsewhere?

Answer: I appreciate the importance of these payments for counties. The Department of the Interior indicated to OMB that the remaining payments were made the week of May 27th.

### **3. Energy Savings Performance Contracts**

Mr. Deese, On May 2, I sent a letter to the President and to OMB Director Burwell highlighting the value of Energy Savings Performance Contracts ("ESPC") and urging the President to facilitate closure of projects initiated under the Presidential goal for \$2 billion worth of energy efficiency investments via ESPC s. If confirmed, can you commit to working with me to fulfill the President's ESPC goal, and will you support further use of ESPC's in the context of agency and industry efforts to save taxpayer money by making Federal information technology more energy efficient?

Answer: I can assure you that the Administration supports achieving cost savings through the guaranteed energy savings that come from the use of Energy Savings Performance Contracts (ESPCs). The Administration is working diligently toward the \$2 billion goal set by President Obama, and if confirmed, I would work with you and the Congress, as well as the agencies, to fulfill the President's ESPC goal as well as the President's overall goals for improving energy efficiency in America's residential, commercial, and public buildings.

### **4. Republic of Palau**

Mr. Deese, in 2010, the Administration signed an Agreement with the Republic of Palau to revise the Compact of Free Association and to extend and phase-out financial assistance by 2024. In his FY 2014 budget, the President assumed enactment of legislation to approve and implement this U.S.-Palau Agreement. Can you advise me when Congress can expect the implementing legislation to be formally transmitted?

Answer: As your question notes, the Administration signed the revised agreement on September 3, 2010. On January 13, 2011, the Administration transmitted proposed legislation to the Hill, which Senators Bingaman and Murkowski introduced on February 14, 2011. The President's FY 2014 Budget proposes legislation to enact the Compact, with only slight modifications to the dates and flow of the financial assistance. If confirmed, I would be happy to work with the Congress to move forward with the Palau legislation.

**Senator Whitehouse Questions for the Record  
to  
Brian Deese of the Massachusetts,  
To be Deputy Director of the Office of Management and Budget**

The Department of Labor (DOL) is currently working on fiduciary regulations that appear to be closely related to regulations that the Securities and Exchange Commission (SEC) is working on in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act. OMB is responsible for ensuring proper coordination in the rulemaking process across agencies pursuant to Executive Order 13563. Will you work to ensure the DOL and SEC proposals are coordinated in order to prevent any confusion arising from differences between the rules?

Answer: In Executive Order on Improving Regulation and Regulatory Review, E.O. 13563, the President called for greater coordination across agencies in an effort to harmonize rules. If confirmed, I would work with the Office of Information and Regulatory Affairs to continue their efforts to look for ways to enhance coordination across agencies in the rulemaking process where appropriate.

