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NOMINATIONS OF KAREN DYNAN AND RICHARD G. FRANK

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

ON THE

NOMINATIONS OF

KAREN DYNAN, TO BE ASSISTANT SECRETARY FOR ECONOMIC POLICY, DEPARTMENT OF THE TREASURY; AND RICHARD G. FRANK, TO BE ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES

JANUARY 30, 2014

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CONTENTS

OPENING STATEMENTS

ADMINISTRATION NOMINEES

ALPHABETICAL LISTING AND APPENDIX MATERIAL

NOMINATIONS OF KAREN DYNAN, TO BE ASSISTANT SECRETARY FOR ECONOMIC POLICY, DEPARTMENT OF THE TREASURY; AND RICHARD G. FRANK, TO BE ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES

THURSDAY, JANUARY 30, 2014

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

The hearing was convened, pursuant to notice, at 10:02 a.m., in room SD–215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senators Cardin, Hatch, and Isakson.

Also present: Democratic Staff: Mac Campbell, Deputy Staff Director; Tiffany Smith, Senior Tax Counsel; David Schwartz, Chief Health Counsel; Anderson Heiman, Nominations and Tax Policy Advisor; and Sara Harshman, Research Assistant. Republican Staff: Chris Campbell, Staff Director; Jeff Wrase, Chief Economist; Kimberly Brandt, Chief Healthcare Investigative Counsel; Nicholas Wyatt, Tax and Nominations Professional Staff Member; and Anna Bonelli, Detailee.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The committee will come to order.

President Woodrow Wilson once said, and I quote him: "I not only use all the brains that I have, but all that I can borrow." This administration, like any other, needs to bring together all the brains, wisdom, and experience that it can.

We face tough challenges as a Nation—high unemployment and an under-performing economy, a struggling middle class—and we need public servants of great expertise to help put American back on track.

With us today are two nominees who fit the bill: Dr. Karen Dynan and Dr. Richard Frank. Both bring decades of experience in government and academia. They are well-respected in their fields. Their knowledge and skills will be vital as they take on their new roles.

First is Dr. Karen Dynan, who is nominated to be Assistant Secretary for Economic Policy at the Department of Treasury. She has

already contributed decades of valuable research in the field of economics. She brings a wealth of knowledge and experience to the position, particularly in macroeconomics, housing finance, and household savings.

That expertise will be critical to the Treasury Department. Why? Because we are still rebounding from the Great Recession. Between 2007 and 2009, net household wealth in the United States dropped by more than $16 trillion. The recession cost the United States about 8.7 million jobs.

And Treasury plays a key role in the recovery. If confirmed, Dr. Dynan will lead the office of Economic Policy and help formulate policies to safeguard and grow our economy. Her job will include many issues important to this committee, including reforming the tax code, strengthening Social Security and Medicare, and developing our tribal economies.

Dr. Dynan previously served as the vice president and co-director of the Economic Studies Program at The Brookings Institution, and prior to that she was a distinguished economist and advisor to the Federal Reserve at the Council of Economic Advisors.

If confirmed, I am confident Dr. Dynan will provide Secretary Lew, the President, and this committee with clear, direct, and valuable analysis.

Next, we have Dr. Richard Frank, who is nominated to serve as Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services. If confirmed, it will be Dr. Frank's job to analyze the agency's core health care policies, to examine their costs, their benefits, and coordinate the Department's strategic and legislative planning.

In short, Dr. Frank and his team will help keep HHS and its programs on track. With everything on the Department's plate, this is an important task. HHS continues to work on implementing and overseeing the Affordable Care Act, strengthening the safety net, and improving our health care programs. For the past 15 years, Dr. Frank has been a professor of health economics at Harvard Medical School. From 2009 to 2011, he took a leave from Harvard to serve as the Deputy Assistant Secretary for Planning and Evaluation.

He directed the Office on Disability, Aging, and Long-Term Care Policy—one of the five main offices he would oversee, if confirmed. And in 2011, he received the Distinguished Service Award from the Mental Health Association of Maryland. Dr. Frank's qualifications are impeccable, and he is the right person for the job.

I thank both nominees for joining us here today, and I commend their desire to serve the public. I look forward to hearing their testimony.

Let us remember President Wilson's words: "I not only use all the brains I have, but all that I can borrow." I know all of you, as brainy as you are, will also be borrowing a lot of other brains.

If confirmed, Dr. Dynan and Dr. Frank will step into significant, challenging roles, but, with all of their knowledge and expertise, they will make invaluable contributions to the administration of the country, and they are ready to join the team. I hope the committee can act on these nominations very quickly.

[The prepared statement of Chairman Baucus appears in the appendix.]

The CHAIRMAN. I now turn to my good friend, Senator Hatch.

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH

Senator HATCH. Thank you, Mr. Chairman.

Today we are here to discuss two nominees. Each one, if confirmed, will conduct important policy analysis, but for different agencies.

Let me first address Dr. Karen Dynan, President Obama's nominee to be Assistant Secretary for Economic Policy at the Department of Treasury, who appears to me to be very well-qualified for this position, and I think she should appear to everybody as well-qualified.

She has a long career history of providing careful economic analysis, and, if she is confirmed, I hope that this will continue during her time at the Treasury. That said, I would like to comment on the unfortunate trend we see in this committee's processing of nominees to various positions in the administration.

I want to mention it now because I hope that this practice will stop with Dr. Dynan's nomination. As the committee processes nominees, it is customary for Senators to submit written questions for the record. Unfortunately, in recent years the answers we have been given or are receiving in response to these questions have been lacking.

Indeed, responses we receive from nominees, particularly Treasury nominees, have been incomplete at best and are becoming increasingly vacuous, often having little bearing on the real policy questions that are being asked. The situation seems to be getting worse. Despite complaints I have registered in this committee for years now, it is not just with nominees. Sitting Treasury officials have answered questions in a similar manner, if they answer them at all.

Now, I am personally pleased to see, in Dr. Dynan's testimony, an acknowledgement of the utility of using "data-driven" approaches to policy analysis. Such an approach is consistent with repeated requests I have made for data and information about Treasury's debt and cash positions as we near a debt limit. Unfortunately, Treasury has not been willing to work with me thus far to improve data flows and availability to Congress, including the Congressional Budget Office, on debt-related matters.

Lack of information here in Congress leads to a situation where the Majority Leader in the Senate has recently said that we have until May to increase the debt limit, while the Treasury Secretary says something else based on what he says is the "best data."

I have repeatedly asked Treasury for answers relating to those data, only to have my requests ignored. Sadly, this is par for the course with this administration. This does not bear directly on Dr. Dynan's nomination, but I do hope that I have adequately communicated the level of frustration I have, and others on this committee have, with the communication received from the Treasury Department.

Dr. Dynan, if you are confirmed—and I intend to see that you are—I hope you will commit to working with members of this committee from both parties to provide the best information possible on matters under your jurisdiction. I have very high confidence in you. I have great confidence in your husband. What a duo!

He has done a great job for the Congress of the United States, and I think he has done it with the highest sense of ethics and capacity. I expect you to be every bit as good. So I am just saying this while your two daughters are here so they will hear it, but we intend to support you, and we congratulate you for being willing to serve your government, our government, the way you are.

Next, let me turn to President Obama's nominee to be Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services. Do not worry; I am not going to dump all over you just because I have been nice. [Laughter.]

The CHAIRMAN. You are going to be even nicer?

Senator HATCH. No, I am not going to be nicer. [Laughter.]

I will be nice. Sorry.

If confirmed, Dr. Frank will run the policy-setting arm of HHS. Congress, the Secretary, and others rely on the Assistant Secretary to produce fact-based, impartial analysis of important policy problems, not the least of which will include an accurate assessment of Obamacare enrollment.

With the difficulties facing HHS as it implements the Affordable Care Act and administers health care programs for millions nationwide, ASPE needs thoughtful and experienced leadership. From what I have seen, Dr. Frank, I think, will provide that leadership. He is capable and able to provide that leadership.

I intend to support you as well, and I hope that these appointments go through right away. We think both of you will be great additions in these areas, and I just want to congratulate both of you for being willing to serve your country, and to work for your country and serve it.

Thanks, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

[The prepared statement of Senator Hatch appears in the appendix.]

The CHAIRMAN. Dr. Dynan, why don't you go first? Why don't you introduce your family here so we can all see who all is part of the team?

Dr. DYNAN. Thank you, Mr. Chairman. I would like to introduce my daughters, Laura and Caroline Elmendorf, who are sitting behind me. Laura is a freshman at Williams College in Massachusetts, and Caroline, her twin sister, is a freshman at Wesleyan University in Connecticut. My husband, Doug Elmendorf, is also here today. Like me, he is an economist and has spent most of his career in public service.

The CHAIRMAN. Well, thank you. Why don't all three of you stand, please, so we can recognize you? Thank you. And thanks for all being part of the family. [Applause.]

We know, obviously, Doug quite well. We do not know your two daughters as well, but wish you all very well.

Why don't you proceed with your testimony?

STATEMENT OF DR. KAREN DYNAN, NOMINATED TO BE ASSISTANT SECRETARY FOR ECONOMIC POLICY, DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Dr. DYNAN. Thank you. Chairman Baucus, Ranking Member Hatch, members of the committee, it is a privilege to be here. I am honored to have been nominated by President Obama, and I am grateful to Secretary Lew for recommending me. Thank you for your consideration.

I did appreciate the opportunity to introduce my family members who are here. My parents, Bill and Ann Dynan, also wanted to be here. They live in Connecticut and were unable to make the trip, but I want to credit them with teaching me some important lessons that continue to influence the way I approach my work today.

My father, who is now 90 years old, served in the Army in World War II and later became a successful businessman. When he started his own small business in the late 1970s, the economy was in a rocky state. The business eventually became successful, but the experience left me with a deep appreciation of the importance of having an economic environment in which businesses can thrive.

My mother raised me and my three siblings, but she always managed to find time to help out in our community. She volunteered for our church, our public schools, and a variety of service organizations like the American Red Cross. Both she and my father continue to spend time every week doing volunteer work. Watching them support their community over the years has made me a passionate believer in the importance of public service.

I decided to attend graduate school in economics based on my interest in public policy. My professors at Harvard, and especially my main dissertation advisor, Professor Greg Mankiw, taught me the importance of taking a dispassionate, data-driven approach when analyzing the effects of policy.

My professors also emphasized that one should explore the possible unintended consequences, as well as the intended effects of any given policy idea. Both these threads run through the work of economists at universities, in government, and in the think tank world, and I have endeavored always to keep both in my mind and my own work.

Since receiving my doctorate, I have been very fortunate to work on important economic policy issues in a variety of roles. After graduate school, I joined the staff of the Federal Reserve Board and spent most of the next 17 years there, working first for Chairman Greenspan and then for Chairman Bernanke. I took a break to join the staff of the Council of Economic Advisors from 2003 to 2004, during my former academic advisor Greg Mankiw's tenure as Chairman.

In 2009, I left the Fed to become vice president for economic studies at The Brookings Institution. Being at Brookings gave me a chance to work on an even wider range of policy issues and to interact with, and learn from, a broad range of people and groups on the front lines of our economy, including the general public, consumer advocates, and business leaders.

While my research as an economist has addressed a number of macroeconomic issues, household economic security has been a particular passion of mine. I have explored the factors that underlie

consumer spending and saving decisions, including the roles of income uncertainty, tax credits, house and stock price appreciation, and credit availability.

In the wake of the recent mortgage crisis, I have also studied the effects of household debt and de-leveraging on the economy, as well as foreclosure issues. Putting households on a firmer economic and financial footing is an important policy goal of President Obama's, and I hope that my past and future research results can help us meet that goal.

If confirmed, I hope to draw from the lessons I have learned from my experiences and from my research while Assistant Secretary for Economic Policy at the Treasury Department. Although our economy has made a great deal of progress since the end of the Great Recession, the recovery remains incomplete and there is important work to be done to make sure we are on the right track to achieve robust and broadly shared economic growth over the long run.

Thank you for the consideration of my nomination, and I look forward to answering your questions.

The CHAIRMAN. Thank you very much, Dr. Dynan.

[The prepared statement of Dr. Dynan appears in the appendix.]

The CHAIRMAN. Dr. Frank, you are next.

Dr. FRANK. Thank you, Mr. Chairman.

The CHAIRMAN. And I am sure you have family here you would like to introduce.

Dr. FRANK. I do. I would like to introduce my wife, Elizabeth Frank. We have two sons, neither of whom is here. One is serving in the Peace Corps in Ecuador right now, and the other one is trying to start a business in London.

The CHAIRMAN. So he is following in your footsteps.

Dr. FRANK. Yes. Correct. Thank you.

The CHAIRMAN. So, thank you very, very much.

STATEMENT OF DR. RICHARD G. FRANK, NOMINATED TO BE ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC

Dr. FRANK. Chairman Baucus, Ranking Member Hatch, members of the committee, thank you for inviting me here today. I am honored to have been nominated by the President to serve as the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services.

I am currently a professor of health economics at Harvard University Medical School. I have spent my entire career engaged in teaching, research, and service related to the economic aspects of health policy. This has included prior service in the Federal Government, most recently between 2009 and 2011 as Deputy Assistant Secretary at HHS.

I viewed public service as an important part of my career before I even had a career. I see the possibility of serving at ASPE as an enormous opportunity to make a difference and to contribute to the larger American society.

My parents were both immigrants who came to the United States during the Second World War. My father came to the country in 1939 from Switzerland and was drafted and served in the Army in

the European theater, where he was badly wounded. He went to college on the GI bill and had a successful career as an engineer. My mother, who was originally French, survived the Auschwitz concentration camp and came to the U.S. to stay with her aunt, as her parents, aunts, and uncles who were in Europe were all exterminated.

She has lived a rewarding and productive life, raising two children and helping acclimate foreign students to the U.S. Both my parents were deeply grateful to this country for offering them safety and opportunity. They regularly reminded me how fortunate I was to have been born here and how we were obliged to try to give back if we could.

They encouraged me to join the Peace Corps, and my time in the Republic of Botswana was my first exposure to national service. Serving at ASPE would offer me the possibility to apply all my professional training and experience in economics and health policy to support policy-making for Health and Human Services at a time of monumental change that presents an enormous set of challenges to us.

The ASPE serves as the Secretary's principal policy advisor responsible for policy coordination, strategic planning, policy research evaluation, and economic analysis. More than ever, key decisionmakers in the administration, Congress, and the States are going to need first-rate information and analysis to support their choices.

I believe my training in health economics and experience in conducting research related to markets and programs for Health and Human Services have prepared me to lead the talented team of professionals at ASPE to support the HHS leadership.

My academic and technical preparation, I believe, are augmented by my service in State and Federal Government, including my time at HHS, membership on a State regulatory commission, membership on a congressional commission, and service as a consultant to a number of State government agencies across the country. I believe this background positions me to lead a team that will provide the administration and the Congress with technically rigorous, balanced, and policy-relevant analyses.

HHS touches on a vast array of populations, programs, and markets, ranging from the pharmaceutical industry, to early childhood programs, to programs and regulations aimed at the provision and financing of mental health and substance abuse disorders, to our public health financing programs, Medicare, Medicaid, and CHIP. This requires great breadth of talent. ASPE is staffed by a skilled group of professionals who cover the range of expertise needed to understand, analyze, and evaluate HHS activities. I am deeply committed to supporting the excellence that exists at ASPE and to bolstering it so that ASPE can effectively respond to new demands driven by scientific progress, changing financial circumstances, and shifting demographics.

I thank you for your consideration of my nomination and would welcome the opportunity to work with you all.

[The prepared statement of Dr. Frank appears in the appendix.]

The CHAIRMAN. Thank you, Dr. Frank.

I neglected to ask your wife to be recognized. Would you please stand up and be recognized so we can thank you for your service as well? [Applause.]

I have some obligatory questions we ask of all nominees. I will ask those first, and then I will just ask both of you, and you can each indicate your response.

Is there anything that you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated?

Dr. DYNAN. No.

Dr. FRANK. No.

The CHAIRMAN. Thank you. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Dr. DYNAN. No.

Dr. FRANK. No.

The CHAIRMAN. Thank you. Do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly constituted committee of Congress, if confirmed?

Dr. DYNAN. Yes.

Dr. FRANK. Yes.

The CHAIRMAN. Do you commit to provide a prompt response in writing to any questions addressed to you by any Senator of this committee?

Dr. DYNAN. Yes.

Dr. FRANK. Yes.

The CHAIRMAN. Thank you.

I will start with you, Dr. Dynan. What is the utility, the use, of this concept of big data in your work, and maybe over at Treasury? Where could that be applied that might have some positive, practical effect?

Dr. DYNAN. Well, I think the development of data sets that offer a great deal of comprehensive information at what we would call the microeconomic level—so, at the level of the household, or the borrower, or the firm—has really opened up a lot of opportunities for economists who, prior to the era of big data, were very constrained in being able to identify or isolate the influence of particular policy when they just had these macroeconomic time series to look at.

Being able to dig down and actually kind of look at households and their actual economic environment and then how they behave in response to a policy just allows us to have much more insight into what the effects of what that policy will be on the economy.

The CHAIRMAN. Do you at all delve into social networking, either in learning what people's habits, responses, and reactions are to events that would help formulate policy? I really do not know what the question is I am asking. [Laughter.] But it has to do with the phenomenon of social networking and asking whether any economist's analysis these days moves out of the traditional realm of economic work into tapping into this new development called social networking.

Dr. DYNAN. You are raising a very important issue and something that is potentially quite promising. I cannot say I myself

have made a lot of use of the data that can be gathered through social networking or through the Internet, but I do know that there are some very interesting things that people are exploring.

So one of the challenges that policymakers have faced as the economy is at a turning point is detecting that that is actually happening, because these macroeconomic time periods that we traditionally rely upon, they come out with a lag, and it is just a few data points. They do not really give us a lot of insight into what is going on.

But I have seen very interesting work that people have done using, for example, data about Google searches to try to detect whether suddenly there is a great interest in, for example, foreclosure prevention measures that might tell you that the housing market is turning in some particular market. So I think these things really hold a lot of promise.

As yet I have not done a lot of work myself with these data, but it is certainly something that, if confirmed, I would like my team to be looking into.

The CHAIRMAN. Well, maybe you both could answer the next question. I have found it frustrating, to just put it mildly, that we get estimates and surveys and so on and so forth based on the most recent available data, which often is years old. It is very, very frustrating, because our world is changing so quickly. Give us your thoughts on how in the world we can get more current data. That is a general question obviously, but let us take your areas. Could this committee do anything, or why is this data so dated?

Dr. DYNAN. I share your frustration. In my own research, I have made a lot of use of household survey data sets, and most of the traditional sources in that area come out with a lag that can be a year, but it could be 2 years or 3 years. So that is hardly going to be useful when you are trying to look at——

The CHAIRMAN. So what can be done about that?

Dr. DYNAN. So I think the creators of those data sets, they face a trade-off. When you first collect the data, it can be noisy and full of errors, and what they are trying to do is spend some time kind of cleaning up the inconsistencies so that the data sets actually do offer enough signal such that they can extract information from them. I think one policy implication is just that it is important to provide the entities that are creating——

The CHAIRMAN. My time is expiring.

Dr. DYNAN [continuing]. With enough of——

The CHAIRMAN. With the indulgence of the committee, I would just give Dr. Frank maybe a minute on my basic question.

Dr. FRANK. Yes. I think there are some new technologies that are available, and if both the administration and the Congress decided to invest in them, I think we could speed things up. For example, there are companies that pay households to put computers in their house.

They get basic information so then they can mount a computer-based survey on this sample of people very, very quickly and get the information back, because they only collect the things that they really need at that moment, since they already have the basic demographics and things on the people.

They can bring that in, and they continuously refine their sample so that it looks like, for example, our current population survey. I think that has enabled us to really speed up the data turnaround, so I think this is a real opportunity for, I guess both of us, if we are confirmed, and for the Congress, to make some investments in new data.

The CHAIRMAN. Thank you. Thank you very much.

Senator Hatch?

Senator HATCH. Thank you, Mr. Chairman.

First of all, for everybody in this room and everybody watching, I believe this is the last hearing that our distinguished chairman is going to conduct in this committee, because he has been called to be the Ambassador to China, and he is going to embark on a wholly new program in his life and his wife's life and family's life that I think is going to be of extreme interest to him and to all of us.

So I want to just say what a privilege it has been to work with Max Baucus over this past while that I have been on this committee. I do not know a more honest, decent man than Max, and I do not know of anybody in the Democratic Party who does a better job of trying to stand up for his country. We on this side have really appreciated the fair-handed leadership that you have provided for all of us, and we are going to miss you.

The CHAIRMAN. Well, thank you.

Senator HATCH. I personally will miss you, and I think our members on both sides will miss you as well. So I just wanted to make that comment.

Look, I am not going to ask any questions. I know both of you. I have read your resumes. You both have distinguished service careers. You both deserve support, and both of us will do everything in our power to see that these nominations are confirmed as soon as possible. So with that, I will just not ask questions.

The CHAIRMAN. Well, thank you for your very warm comments, Senator. I deeply appreciate it.

Senator Isakson?

Senator ISAKSON. Well, thank you, Mr. Chairman. I want to associate myself with Senator Hatch's remarks about your service and my appreciation for what you have done for me, as chairman of the Finance Committee and personally.

In fact, Dr. Dynan is here today, whom I met with this morning. She is a prolific writer on housing policy and housing finance, and I can tell the committee from the experience I have had for years in housing, we are very fortunate to have somebody of her qualifications going to advise the Secretary of Treasury on housing policy.

I think her knowledge of underwriting and leverage, and her knowledge of Federal policy and what we can do, is outstanding. However, as I was going through her application that she answered or her resume, I stumbled upon something that would be interesting, I think, to you, and I know it is interesting to me. In June of 2013, she published a piece, along with Ted Gayer and Natasha Plotkin, entitled *The Recent Homebuyer Tax Credit: Evaluation and Lessons for the Future*.

Since I wrote that bill and you made it possible by helping me find the pay-fors, I would love to hear what the lessons learned were in terms of the Housing Tax Credit.

Dr. DYNAN. Thank you, Senator Isakson. I enjoyed our conversation as well. Yes, that was a piece of research that we did that tried to isolate the effects on the housing market of the Homebuyer Tax Credit that was put in place during the housing crisis. The overall conclusion of the study was that it was one of a set of measures that did successfully arrest the freefall of the housing market in early 2009. As I am sure you deeply appreciated, that was a scary time.

After that credit was put in place, along with a variety of other measures that Congress and the Federal Reserve put in place, we did see a stabilization of the housing market. The credit seemed to have its intended effects. It increased housing demand. It did so modestly, but that would be a result of the modest amount of money that was put towards it. My co-author and I concluded that it was a useful tool that the policymakers used at the time.

Senator ISAKSON. Well, thank you for that answer. I think the chairman would agree with me: we both hope we will never have to do something like that again and to react to such a terrible crisis. But I appreciate your focus and intellect and your commitment to housing and housing policy, and you will be a great Assistant Secretary.

Dr. Frank, I did not have the time to talk to you, and I apologize for that, but I agree with Ranking Member Hatch that your qualifications are outstanding. There is only one little suggestion I will give you: do not forget the CDC in Atlanta when you are working on health policy and its effects on economics, because they stop most of the major things that could wipe us out on a daily basis. But good luck to you, and I appreciate you both for your service.

Dr. FRANK. Thank you very much, Senator.

The CHAIRMAN. Thank you, Senator.

Senator Cardin?

Senator CARDIN. Well, Mr. Chairman, if this if your last hearing that you will be chairing, it is certainly one of harmony. We do not always have hearings that are this—Senator Hatch, I know you are always respectful, but sometimes there is a little bit more disagreement than we have here today.

So I just want to concur in Senator Hatch's comments, though, about our chairman. It has been a real pleasure to work with Senator Baucus, first when I was in the House of Representatives and we worked on issues, but now to be a member of this committee.

Senator Baucus is going to take on a new challenge of being our Ambassador to China. It is going to be a challenging commitment, and we look forward to continuing to work with you, but in a different capacity. We will certainly miss your incredible leadership on this committee in bringing Democrats and Republicans together as we should, and having the type of discussion—and hopefully action—that the American people expect from us. So thank you very much for your leadership, and we will miss you.

I just really wanted to comment that both of our nominees have Maryland ties here, which we are very proud of. Of course, Dr. Dynan is a Maryland resident, and we are very proud of your pub-

lic service and wish you well and thank you and your family, because this is a family event. Dr. Frank held a position at Johns Hopkins University, a long-tenured position there, and is well-known for his leadership in mental health. We thank you very much for that.

Senator Hatch, Dr. Frank also was affiliated with the University of Pittsburgh. Senator Hatch and I both graduated from the University of Pittsburgh, so we always make that connection when we can. So I strongly thank both of you and your families for your willingness to serve in public life.

I will just make one or two other comments. Dr. Frank, we critically need your help on mental health issues. It is an area that you bring great expertise to, and we look forward to working with you as we figure out how we can really live up to our commitment of providing full coverage to all people and to eliminating discrimination against mental health services in America.

Dr. Dynan, President Obama spoke last night, or two nights ago, about retirement. Senator Portman and I, Senator Hatch and others, and Senator Baucus have all been interested in the retirement issues, so we look forward to working with you to figure out how we really can fill the gap in retirement savings.

To both of you, again, thank you for your willingness to serve.

The CHAIRMAN. Thank you, Senator.

My main point to all of you is, just thank you so much for your dedication to what you are about to do. We know Doug quite well. We very much appreciate Doug, and that is an understatement. We admire Doug and all that he does, the hard work that he performs and undertakes. It is an almost-impossible job that he has done, serving 535 different bosses, but he does an excellent job doing it. I have called your husband many times and said, “Doug, we need to do this; Doug, we need to do that,” and he will say, “Yes, Senator, yes, Senator.”

But of course, he receives many other calls as well with the same requests, but he has handled it very professionally, very solidly over the years, and I just have the highest regard for him. In listening to you and the answers to the questions I asked, I get the same sense that you have the same high level of professionalism, intelligence, and dedication to service, and I just thank you for what you are doing.

The question I was going to ask, which I will refrain from asking, is, just with all the academic work, which portions of your work have had the most direct, practical, positive effect on public policy? Often academics are academic, but we also have to get practical. I will not ask that question, but I would just urge you to obviously find practical results.

Dr. Frank, the same. I know you are in an area that is so, so, so needed: mental health and long-term care and disability. We do talk a lot about helping to achieve parity between mental health and physical health, and we mean it when we say it. It is really, really important. It is difficult, but it is extremely important.

Thank you both very, very much. I will always remember the two of you, since this is probably the last hearing I will chair. You will be very high in my thoughts over the years, because it happens to

be the last hearing, but also because of your competence and your professionalism. Thank you very much. I wish you very, very well.

Thank you. The hearing is adjourned.

[Whereupon, at 10:40 a.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Hearing Statement of Senator Max Baucus (D-Mont.) on the Nominations of Dr. Karen Dynan and Dr. Richard Frank

President Woodrow Wilson once said, "I not only use all the brains that I have, but all that I can borrow."

This administration, like any other, needs to bring together all the brains, wisdom, and experience it can.

We face tough challenges as a nation – high unemployment, an underperforming economy, a struggling middle class, and we need public servants of great expertise to help put America back on track.
With us today are two nominees who fit the bill – Dr. Karen Dynan and Dr. Richard Frank.

Both bring decades of experience in government and academia, and they are well-respected in their fields. Their knowledge and skills will be vital as they take on their new roles.

First, we have Dr. Karen Dynan, who is nominated to be Assistant Secretary for Economic Policy at the Department of the Treasury. She has already contributed decades of valuable research to the field of economics.

She brings a wealth of knowledge and experience to this position, particularly in macroeconomics, housing finance, and household savings. That expertise will be critical to the Treasury Department. Why? Because we're still rebounding from the Great Recession.

Between 2007 and 2009, net household wealth in the U.S. dropped by more than 16 trillion dollars. The recession cost the United States 8.7 million jobs.

Treasury plays a key role in the recovery. If confirmed, Dr. Dynan will lead the Office of Economic Policy, and help formulate policies to safeguard and grow our economy.

Her job will include many issues important to the Finance Committee, including reforming the tax code, strengthening Social Security and Medicare, and developing our tribal economies.

Dr. Dynan previously served as the Vice President and Co-Director of the Economic Studies Program at the Brookings Institution. Prior to that, she was a distinguished economist and advisor to the Federal Reserve and the Council of Economic Advisors.

If confirmed, I am confident Dr. Dynan will provide Secretary Lew, the President, and this committee with clear, direct, and valuable analysis.

Next, we have Dr. Richard Frank, who is nominated to serve as Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services.

If confirmed, it will be Dr. Frank's job to analyze the agency's core health care policies. He will examine their costs and benefits. And he will coordinate the Department's strategic and legislative planning.

In short, Dr. Frank and his team will help keep HHS and its programs on track.

With everything on the Department's plate, this is an important task. HHS continues to work on implementing and overseeing the Affordable Care Act, strengthening the safety net, and improving our health programs.

For the past fifteen years, Dr. Frank has been a Professor of Health Economics at Harvard Medical School. From 2009 to 2011, he took a leave from Harvard to serve as the Deputy Assistant Secretary for Planning and Evaluation. He directed the Office on Disability, Aging, and Long-Term Care Policy – one of the five main offices he would oversee if confirmed. In 2011, he received the Distinguished Service Award from the Mental Health Association of Maryland.

Dr. Frank's qualifications are impeccable, and he is the right person for the job.

I thank both nominees for joining us here today, and I commend their desire to serve the public. I look forward to hearing their testimony.

So let us remember President Wilson's words: "I not only use all the brains I have, but all that I can borrow."

If confirmed, Dr. Dynan and Dr. Frank will step into significant, challenging roles. But with all their knowledge and expertise, they will make invaluable contributions to the administration and the country. They are ready to join the team.

I hope the committee can act on these nominations soon.

###

Statement by Karen Dynan
Nominee for Assistant Secretary of the Treasury for Economic Policy
United States Senate Committee on Finance
January 30, 3014

Chairman Baucus, Ranking Member Hatch, and members of the Committee, it is a privilege to be here. I am honored to have been nominated by President Obama, and I am grateful to Secretary Lew for recommending me. Thank you for your consideration.

I would like to introduce my daughters, Laura and Caroline Elmendorf, who are sitting behind me. Laura is a freshman at Williams College in Massachusetts, and Caroline, her twin sister, is a freshman at Wesleyan University in Connecticut. My husband, Doug Elmendorf, is also here today. Like me, he is an economist and has spent most of his career in public service.

My parents, Bill and Ann Dynan, also wanted to be here. They live in Connecticut and were unable to make the trip, but I want to credit them with teaching me some important lessons that continue to influence the way I approach my work today. My father, who is now 90 years old, served in the army in World War II and later became a successful businessman. When he started his own small business in the late 1970s, the economy was in a rocky state. The business eventually became successful, but the experience left me with a deep appreciation of the importance of having an economic environment in which businesses can thrive.

My mother raised me and my three siblings, but she always managed to find time to help out in our community. She volunteered for our church, our public schools, and a variety of service organizations, like the American Red Cross. Both she and my father continue to spend time every week doing volunteer work. Watching them support their community over the years has made me a passionate believer in the importance of public service.

I decided to attend graduate school in economics based on my interest in public policy. My professors at Harvard, and especially my main dissertation adviser Professor Greg Mankiw, taught me the importance of taking a dispassionate data-driven approach when analyzing the effects of policy. My professors also emphasized that one should explore the possible unintended consequences as well as the intended effects of any given policy idea. Both these threads run through the work of economists at universities, in governments, and in the think tank world, and I have endeavored always to keep both in mind in my own work.

Since receiving my doctorate, I have been very fortunate to work on important economic policy issues in a variety of roles. After graduate school, I joined the staff of the Federal Reserve Board (Fed) and spent most of the next seventeen years there, working first for Chairman Greenspan and then for Chairman Bernanke. I took a break to join the staff of the Council of Economic Advisers from 2003 to 2004 during my former academic adviser Greg Mankiw's tenure as Chairman. In 2009, I left the Fed to become Vice President for Economic Studies at the Brookings Institution (Brookings). Being at Brookings gave me a chance to work on an even wider range of policy issues and to interact with and learn from a broad range of people and

groups on the front lines of our economy, including the general public, consumer advocates, and business leaders.

While my research as an economist has addressed a number of macroeconomic issues, household economic security has been a particular passion of mine. I have explored the factors that underlie consumer spending and saving decisions, including the roles of income uncertainty, tax credits, home and stock price appreciation, and credit availability. In the wake of the recent mortgage crisis, I have also studied the effects of household debt and deleveraging on the economy as well as foreclosure issues. Putting households on a firmer economic and financial footing is an important policy goal of President Obama's, and I hope that my past and future research results can help us meet that goal.

If confirmed, I hope to draw from the lessons that I have learned from my experiences and my research while Assistant Secretary for Economic Policy at the Treasury Department. Although our economy has made a great deal of progress since the end of the Great Recession, the recovery remains incomplete, and there is important work to be done to make sure that we are on the right track to achieve robust and broadly-shared economic growth over the long run.

Thank you for your consideration of my nomination. I look forward to answering your questions.

SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. **Name: (Include any former names used.):** Karen Elizabeth Dynan

2. **Position to which nominated:** Assistant Secretary for Economic Policy
U.S. Department of the Treasury

3. **Date of nomination:** August 1, 2013

4. **Address: (List current residence, office, and mailing addresses.)**

5. **Date and place of birth:** 4/29/1963; Greenwich, CT

6. **Marital status: (Include maiden name of wife or husband's name.)**

7. **Names and ages of children:**

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

- **High School:** Greenwich High School, 1978 – 1981 (H.S. Diploma)
- **College:**
  - Brown University, 1981-85, A.B. Applied Math and Economics
  - University of Bristol (junior year abroad)
  - Harvard University, 1987-92, M.A. Economics (1992) and Ph.D. Economics (1992)

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.)**

Bennett Jewelers
- Position: Sales Associate (June 1985 – August 1985)
- Location: Old Greenwich, CT

Federal Reserve Board
- Position: Research Assistant (September 1985 – August 1987)
- Location: Washington, DC

National Bureau of Economic Research
- Position: Research Assistant to Professor Greg Mankiw, Harvard University (June 1988 – August 1992)
- Location: Cambridge, MA

Harvard University Economics Department
- Position: Teaching Assistant, Social Analysis 10 (1989 – 1991) and Economics 101b (1992)
- Location: Cambridge, MA

Board of Governors of the Federal Reserve System
- Position(s):
  - Economist, Macroeconomic Analysis Section (September 1992 – June 1998)
  - Senior Economist, Macroeconomic Analysis Section (June 1998 – February 2001)
  - Senior Economist, Household and Real Estate Finance Section (February 2001 – August 2004)
  - Chief, Household and Real Estate Finance Section (August 2004 – July 2007)
  - Assistant Director, Division of Research and Statistics (July 2007 – July 2009)
  - Senior Advisor, Division of Research and Statistics (July 2009 – August 2009)
- Location: Washington, DC

Harvard University Littauer Center (Professor Greg Mankiw)
- Position: Textbook Question Writer (June 1993 – December 1995)
- Location: Cambridge, MA

Johns Hopkins University Economics Department
- Position: Visiting Assistant Professor (January 1998– May 1998)
- Location: Baltimore, MD

Council of Economic Advisors, Executive Office of the President
- Position: Senior Economist (on detail from Federal Reserve Board) (July 2003 – July 2004)

- Location: Washington, DC

Brookings Institution
- Position(s):
  - Vice President, Co-Director, Economic Studies Program, and Robert S. Kerr Senior Fellow (September 2009 – August 2013)
  - Robert S. Kerr Senior Fellow (August 2013 – present)
- Location: Washington, DC

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.)

1. Consultant, Federal Reserve Board (May 2012)
2. Member, Bureau of Economic Analysis Advisory Committee, U.S. Department of Commerce (September 2012 – present)
3. Consultant, Federal Reserve Bank of Cleveland (November 2012)
4. Consultant, Federal Reserve Bank of New York (June 2013)

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

None.

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

1. American Economic Association
   a. Member, 1990 – present
   b. Committee on Economic Statistics, 2012 - present
2. Member, U.S. Financial Diaries Advisory Board, 2011 – 2013
3. Member, Council on Foreign Relations, 2011 – present
4. Member, Bank of America Community Advisory Council, 2010 – 2013
5. Panel Study of Income Dynamics
   a. Member, 2008 – 2011
   b. Chair, 2011 –2013
6. Brookings Institution
   a. Robert S. Kerr Senior Fellow, 2009 – present
   b. Vice President and Co-Director, Economic Studies Program, 2009 – 2013
   c. Member, Hamilton Project Advisory Council, 2010 – present
7. Member, St. Bartholomew Catholic Church, 1995-present
8. Member, Walt Whitman High School Parent Teacher Student Association, 2009 – 2013
9. Member, Pyle Parent Teacher Student Association, 2006 – 2009

10. Member, Burning Tree Elementary School Parent Teacher Student Association, 2000 – 2006
11. Assistant Coach, Montgomery Soccer Inc., 2010 – 2011
12. Brown Alumni Association, 1985-present
13. Harvard Alumni Association, 1992-present

13. Political affiliations and activities:

a. List all public offices 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.

None.

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 10 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 achievement.)

1. Recipient, Bok Center Certificate of Distinction in Teaching, Harvard University, 1990
2. Recipient, Allyn Young Teaching Award, 1990

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

I have done my best to identify titles, publishers, and dates of all books, articles, reports or other published materials, including a thorough review of personal files and searches of publicly available electronic databases. Despite my searches, there may be other materials I have been unable to identify, find, or remember. I have located the following:

PUBLISHED ACADEMIC PAPERS

"The Evolution of Household Income Volatility." *The B.E. Journal of Economic Analysis & Policy: Advances*. (December 2012). Available as working paper at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2138990.

"Changing Retirement Behavior in the Wake of the Financial Crisis," with Julia

Coronado, in Olivia Mitchell, ed., *Reshaping Retirement Security: Lessons from the Global Financial Crisis*, Oxford: Oxford University Press (September 2012). Available as working paper at: http://www.pensionresearchcouncil.org/publications/document.php?file=977.

"Is a Household Debt Overhang Holding Back Consumption?" *Brookings Papers on Economic Activity (Spring 2012)*. Available at: http://www.brookings.edu/~/media/projects/bpea/spring%202012/2012a_dynan

"The Government's Role in the Housing Finance System: Where Do We Go From Here?" with Ted Gayer, in Martin Baily, ed., *The Future of Housing Finance*, Washington, DC: Brookings Institution Press (2011). Available at: http://www.brookings.edu/papers/2011/0211_housing_finance_dynan_gayer.aspx.

"Comment on Inflation Dynamics and the Great Recession," *Brookings Papers on Economic Activity* (Spring 2011).

"The Incentives of Mortgage Servicers and Designing Loan Modifications to Address the Mortgage Crisis," with Larry Cordell, Andreas Lehnert, Nellie Liang, and Eileen Mauskopf, in Robert W. Kolb, ed., *Lessons From the Financial Crisis: Causes, Consequences, and Our Economic Future*, Hoboken, NJ: John Wiley & Sons, Inc. (2010).

"Changing Household Financial Opportunities and Economic Security," *Journal of Economic Perspectives*, vol. 23 (Fall 2009).

"Designing Loan Modifications to Address the Mortgage Crisis and the Making Home Affordable Program," with Larry Cordell, Andreas Lehnert, Nellie Liang, and Eileen Mauskopf, *Uniform Commercial Code Law Journal*, vol. 42 (November 2009); available as working paper at: http://www.brookings.edu/papers/2009/1030_home_dynan.aspx

"The Incentives of Mortgage Servicers: Myths and Realities," with Larry Cordell, Andreas Lehnert, Nellie Liang, and Eileen Mauskopf, *Uniform Commercial Code Law Journal*, vol. 41 (Spring 2009); available as working paper at: http://www.federalreserve.gov/pubs/feds/2008/200846/200846abs.html.

"The Effects of Population Aging on the Relationship among Aggregate Consumption, Saving, and Income," with Wendy Edelberg and Michael G. Palumbo, *American Economic Review*, vol. 99 (May 2009).

"The Rise in U.S. Household Indebtedness: Causes and Consequences," with Donald L. Kohn, in Christopher Kent and Jeremy Lawson, eds., *The Structure and Resilience of the Financial System, Proceedings of a Conference*, Reserve Bank of Australia, Sydney (2007); available as working paper at: http://www.federalreserve.gov/pubs/feds/2007/200737/200737abs.html.

"'Increasing Income Inequality, External Habits, and Self-Reported Happiness," with Enrichetta Ravina, *American Economic Review*, vol. 97 (May 2007).

"Can Financial Innovation Explain the Reduced Volatility of Economic Activity?," with Douglas W. Elmendorf and Daniel Sichel, *Journal of Monetary Economics*, vol. 53 (January 2006).

"Do the Rich Save More?," with Jonathan Skinner and Steve Zeldes, *Journal of Political Economy*, vol. 112 (April 2004).

"Recent Changes to a Measure of U.S. Household Debt Service," with Kathleen Johnson and Karen Pence, *Federal Reserve Bulletin*, vol. 89 (October 2003).

"Unemployment Risk and Precautionary Wealth: Evidence from Households' Balance Sheets," with Christopher D. Carroll and Spencer D. Krane, *Review of Economics and Statistics*, vol. 84 (August 2003).

"Mortgage Refinancing in 2001 and Early 2002," with Glenn Canner and Wayne Passmore, *Federal Reserve Bulletin*, vol. 88 (December 2002).

"The Importance of Bequests and Life-Cycle Saving in Capital Accumulation: A New Answer," with Jonathan Skinner and Stephen P. Zeldes, *American Economic Review*, vol. 92 (May 2002).

"Survey of Finance Companies, 2000," with Kathleen W. Johnson and Samuel M. Slowinski, *Federal Reserve Bulletin*, vol. 88 (January 2002).

"Habit Formation in Consumer Preferences: Evidence from Panel Data," *American Economic Review*, vol. 90 (June 2000).

"The Underrepresentation of Women in Economics: A Study of Undergraduate Economics Students," with Cecilia Rouse, *Journal of Economic Education*, vol. 28 (Fall 1997).

"How Prudent Are Consumers? " *Journal of Political Economy*, vol. 101 (December 1993).

ACADEMIC WORKING PAPERS

"An Evaluation of Federal and State Homebuyer Tax Incentives," with Ted Gayer and Natasha Plotkin, June 2013

"Wealth Shocks and Macroeconomic Dynamics," with Daniel Cooper, Federal Reserve Bank of Boston Public Policy Discussion Papers 13-3, June 2013.

"What's Driving Deleveraging? Evidence from the 2007-2009 Survey of Consumer

Finances," with Wendy Edelberg, February 2013.

"Wealth Effects and the Changing Economy," April 2010. Available at: http://www.brookings.edu/research/papers/2010/05/14-wealth-effects-changing-economy-dynan.

"Do Provisional Estimates of Output Miss Economic Turning Points?," with Douglas W. Elmendorf, Finance and Economics Discussion Series 2001-52. Washington: Board of Governors of the Federal Reserve System, 2001.

"Does Stock Market Wealth Matter for Consumption?," with Dean M. Maki, Finance and Economics Discussion Series 2001-23. Washington: Board of Governors of the Federal Reserve System, 2001.

"The Rate of Time Preference and Shocks to Wealth: Evidence from Panel Data," Economic Activity Discussion Series no. 134. Washington: Board of Governors of the Federal Reserve System, 1993.

SHORTER ARTICLES AND COMMENTARY

"The Recent Homebuyer Tax Credit: Evaluation and Lessons for the Future," with Ted Gayer and Natasha Plotkin, June 2013.

"Better Ways to Promote Saving through the Tax System" in *15 Ways to Rethink the Federal Budget, The Hamilton Project*, February 2013. Available at: http://www.brookings.edu/research/papers/2013/02/promote-saving-through-tax-system.

"Want a Stronger Economic Recovery? Encourage More Home Refinancing." *Yahoo! Finance*, February 20, 2013

"Higher Personal Saving: Who Needs It?" *Yahoo! Finance*, October 1, 2012

"How Bright is the Housing Bright Spot?" *Brookings Upfront Blog*, September 21, 2012

"The Household Debt Picture: Better, But Still a Drag," *Real Clear Markets*, September 6, 2012

"What's Been Weighing on Consumption? An Overview of the Recent Experiences of Different Types of Households," Prepared for Federal Reserve Board Academic Consultants Meeting, May 14, 2012. Available at: http://www.brookings.edu/research/papers/2012/05/household-heterogeneity-dynan.

"Addressing the Problems in the U.S. Housing Market," *Campaign 2012*. Available at: http://www.brookings.edu/papers/2012/0307_econgrowth_housing_dynan.aspx.

"How We're Doing Amid Policy Gridlock," *Washington Post*, February 12, 2012.

"Household Deleveraging in 2011: Progress, but More to Come," *Brookings Up Front Blog*, December 19, 2011.

"My Path in the Policy World," *Newsletter of the Committee on the Status of Women in the Economics Profession*, Fall 2011. Available at: http://www.aeaweb.org/committees/cswep/newsletters/CSWEP_nsltr_Fall_2011.pdf

"Can We Count on the Consumer to Lift Us Out of the Economic Doldrums?," *Brookings Up Front Blog*, October 28, 2011.

"Playing the HARP: A New Way Forward on Housing?," *Brookings Up Front Blog*, October 25, 2011.

"What Is Next for the U.S. Economy, Post-Debt Ceiling Debate?," *Brookings Up Front Blog*, August 2, 2011.

"Economic Growth Wanes, Again," *Brookings Up Front Blog*, July 29, 2011.

"How We're Doing: An Uneven Recovery at Home and Abroad," with Domenico Lombardi and Alan Berube, *Washington Post*, May 15, 2011.

"Are Households More Prudent Now?" *Fiscal Times*, March 29, 2011.

"Policy Focus Needs to Shift on Foreclosures," *Fiscal Times*, March 16, 2011.

"Trends: When Less is Less," *Milken Institute Quarterly Review*, First Quarter, 2011.

"The Top Economic Stories of 2010," with Gary Burtless, Alice Rivlin, Hank Aaron, Donald Kohn, Doug Elliott, and Adele Morris, *Brookings Institution*, December 23, 2010.

"Expect More Defaults and Foreclosures over the Next Year," *Fiscal Times*, December 17, 2010.

"Needed: A Reasonable Discussion of Fed Policy," with Donald Kohn, *Financial Times*, November 18, 2010.

"How We're Doing: Uncertainty Ahead of the Midterms," *Washington Post*, October 31, 2010.

"Should the Fed Make More Large-Scale Asset Purchases?" *Fiscal Times*, September 9, 2010.

"Even in a Stagnant Market, There Are Benefits to Homeownership," *Fiscal Times*, August 27, 2010.

"The Fed Can Do More for the Economy (Part II)," *Fiscal Times*, August 23, 2010.

"The Fed Can Do More for the Economy (Part I)," *Fiscal Times*, August 20, 2010.

"Why Congress Needs to Extend Emergency Unemployment Benefits," *Fiscal Times*, July 2, 2010.

"The Future of Small Business Entrepreneurship: Jobs Generator for the U.S. Economy," with Martin Baily and Douglas Elliott, *Brookings Policy Brief Series* # 175, June 2010.

"How We're Doing as Debt Fears Rise," with Ted Gayer. *Washington Post*, May 23, 2010.

"The April 2010 Employment Report," *The Rundown* (PBS NewsHour blog), May 7, 2010.

"What is Needed to Spur Job Creation?" *The Rundown* (PBS NewsHour blog), February 5, 2010.

"The Income Rollercoaster: Rising Income Volatility and its Implications," *Pathways Magazine, Stanford Center for the Study of Poverty and Inequality*, Spring 2010.

"Data for an Evolving Economic and Financial System," *Survey of Current Business*, vol. 90 (February 2010).

"The Status Report: Obama's Effort to Restore Economic Confidence," *Brookings Up Front Blog*, January 11, 2010.

"What to Make of Declining Household Debt Burdens," *Brookings Up Front Blog*, December 22, 2009.

"Five Myths about Holiday Shopping Sprees," *Washington Post*, November 29, 2009.

"How We're Doing: What's Blocking the Recovery," with Alan Berube and Ted Gayer, *Washington Post*, November 15, 2009.

"Putting the Expected Strength of the Recovery into Historical Context," *Brookings Up Front Blog*, October 30, 2009.

INTERVIEWS

"Interview with Karen Dynan," *Federal Reserve Bank of Cleveland ForeFront Magazine*, vol. 3 (Fall 2012).

16. **Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)**

I have done my best to identify all formal speeches delivered during the past five years which are on topics relevant to the position, including a thorough review of personal files and searches of publicly available electronic databases. Despite my searches, there may be other materials I have been unable to identify, find, or remember. Most events at which I have participated in a speaking role over the past five years did not require prepared remarks. Below I have provided a list of remarks responsive to the scope of this question (speaking materials used in events listed below are provided in attachment 1).

SPEECHES

10/25/12	"The U.S. Household Debt Overhang," Keynote speech at the annual research conference of DeNederlandsche Bank.
10/29/09	"The Outlook for Consumer Spending and the Broader Economic Recovery," testimony before the Congressional Joint Economic Committee.

PRESENTATIONS

6/20/13	"What's Driving Deleveraging? Evidence from the 2007-2009 Survey of Consumer Finances," Federal Reserve Bank of New York.
3/28/13	"Is a Household Debt Overhang Holding Back Consumption?" University of Michigan Conference on New Directions in Consumption Research with the Panel Study of Income Dynamics.
2/7/13	"What's Driving Deleveraging? Evidence from the 2007-2009 Survey of Consumer Finances," Federal Reserve Bank of St. Louis Research Symposium on Restoring Household Financial Stability.
12/14/12	"The Future of Homeownership in the United States Featuring Bank of America CEO Brian Moynihan (Introduced guest speaker and moderated the question and answer section)," The Brookings Institution. (No remarks used)
11/9/12	"Is a Household Debt Overhang Holding Back Consumption?" Federal Reserve Bank of Cleveland.
9/27/12	"The Evolution of Household Income Volatility," U.S. Financial Diaries Advisory Board meeting.
3/16/12	"Discussion of 'Dissecting Saving Dynamics: Measuring Credit, Wealth,

and Precautionary Effects' by Carroll, Slacalek, and Sommer," Federal Reserve Bank of San Francisco Conference on Structural and Cyclical Elements in Macroeconomics.

12/3/11 "Consumer Expenditure Data: A Tool for Better-Informed Policy Decisions," Conference on Improving the Measurement of Consumer Expenditures sponsored by Conference on Research in Income and Wealth and the National Bureau of Economic Research.

10/26/11 "Discussion of 'The Future of the GSEs: The Role for Government in the U.S. Mortgage Market by Jaffee and Quigley," NBER conference on The Role of the Government in Residential Mortgage Markets.

5/6/11 "Changing Retirement Behavior in the Wake of the Financial Crisis," Pension Research Council Spring Symposium.

12/8/10 "Household Deleveraging and the Outlook for Consumer Spending," Macroeconomic Advisers, LLC 109th Quarterly Outlook Meeting."

10/14/10 "Financial Regulation and the Economic Security of Low-Income Households," Institute for Research on Poverty, University of Wisconsin."

5/20/10 "Household Leveraging and Deleveraging," National Economists Club.

4/16/10 "Wealth Effects and the Changing Economy," National Bureau of Economic Research Conference on the Economics of Household Saving."

2/24/10 "Household Leveraging and Deleveraging," Forecasters Club of New York.

11/17/09 "Monitoring Recession and Recovery: Discussion," Brookings/Heritage Conference on "Measuring Innovation and Change during Turbulent Economic Times."

11/5/09 "The Evolution of Household Income Volatility," Association for Public Policy Analysis and Management Fall Conference.

10/28/09 "The Financial Crisis and Personal Saving," National Forum to Encourage Lower-Income Household Savings convened by the America Saves campaign of the Consumer Federation of America.

7/2/09 "Housing and the Macroeconomy," Federal Reserve Bank of Atlanta Conference on "Federal Reserve Policy and Research Activities Pertaining to the Financial Crisis." (no remarks used)

5/20/09 "Consumption in the Current Downturn: The Role of Wealth and Credit,"

	Federal Reserve Bank of San Francisco Symposium on "The Outlook for Consumption."
5/15/09	"Discussion of 'The Impact of Deregulation and Financial Innovation on Consumers: The Case of the Mortgage Market'," American Enterprise Institute.
1/4/09	"The Effects of Population Aging on the Relationship among Aggregate Consumption, Saving, and Income," American Economic Association Annual Meeting.
1/4/09	"Discussion of 'The Coincident Cycles of House Prices and Consumption in the U.K.: Do House Prices Drive Consumption Growth?'," American Economic Association Meeting.
10/20/08	"Macroeconomic Conditions and Home Valuations," at Federal Reserve System Conference on "Confronting the Neighborhood Impacts of Foreclosures."

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

I obtained my Ph.D. in economics from Harvard University, where I specialized in macroeconomics. I have spent the 21 years since then doing analysis of economic policy. I worked for 17 years at the Federal Reserve Board, first as an economic forecaster, and then, in the period leading up to and during the financial crisis, as a specialist in household finances and lending institutions. This position required doing rigorous analysis, writing for expert and non-expert audiences, and briefing Fed leaders on the economic outlook and policy options. I also held a variety of leadership and management positions. I headed up the U.S. forecasting team intermittently, served as a section chief, and eventually moved up to become an assistant director and later a senior adviser.

I have been at the Brookings Institution as the Vice President and Co-director of the Economic Studies program since September 2009. The program includes more than 20 scholars and the staffers who work with them (bringing the total number of staff up to about 100 people). As co-director, I set strategic goals for the program and ensure that the scholars have appropriate resources (including adequate funding) to do research that meets Brookings' primary goals of "quality, independence, and impact." I also do my own research, write, talk to the media, and speak to the public about a wide range of economic policy topics—from macroeconomic developments to business cycle policy, to fiscal sustainability, to the foreclosure crisis, to household financial security. I regularly interact with people in the government, at international agencies, at advocacy groups, and in the business community so that I understand the concerns and constraints of a wide range of constituencies.

These professional experiences have left me well prepared to support the Treasury Secretary, if confirmed, by guiding sound economic analysis, managing staff, and interacting with members of Congress and their staffs about key issues of mutual interest.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. **Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.**

   I will sever all connections except for my membership in the American Economic Association and Council on Foreign Relations.

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, provide details.**

   No.

3. **Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.**

   No.

4. **If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.**

   Yes.

C. POTENTIAL CONFLICTS OF INTEREST

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

   In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of the Treasury'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 the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

2. **Describe any business relationship, dealing or financial transaction which you 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 have consulted with the Office of Government Ethics and the Department of the Treasury'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 the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

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. Activities performed as an employee of the Federal government need not be listed.**

   I have engaged in no such activities.

4. **Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)**

   In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of the Treasury'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 the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

5. **Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.**

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. **Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.**

   No.

2. **Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.**

   No.

3. **Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.**

   No.

4. **Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.**

   No.

5. **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 you are confirmed by the Senate, 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 you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?**

   Yes.

Questions for the Record
Karen Dynan, Nominee, Assistant Secretary of the Treasury for Economic Policy
Senate Committee on Finance
Hearing Held January 30, 2014

SENATOR DEBBIE STABENOW (D-MI):

Question 1:

Although home prices have seen recent gains, 6.4 million homeowners across the country – 13 percent of homeowners – are still underwater on their mortgages. 250,000 families in Michigan – 18 percent of homeowners – are underwater.

I am deeply concerned that the expiration of the Mortgage Forgiveness Tax Relief Act at the end of 2013 will prevent distressed homeowners from receiving much-needed relief. That law protected homeowners from owing income taxes on mortgage debt forgiven by a lender – for example, through a principal reduction mortgage modification or "short sale." Without the law, the IRS will treat debt forgiveness as "income" to the homeowner. My concern – which is shared by many homeowners and agents around the country who have been raising this issue – is that the potential tax bill could steer homeowners away from opportunities for mortgage relief that would otherwise allow them to stay in their homes, or at least escape the burden of an underwater mortgage.

In you view, if the threat of large tax liabilities deters underwater homeowners from taking advantage of available relief, what are the ramifications for these households and the economy as a whole?

Answer:

If the Mortgage Forgiveness Tax Relief Act (MFTRA) was not extended, homeowners who have had mortgage debt forgiven will experience larger-than-expected tax bills. Such an outcome could impinge on these households' capacity to spend and, in turn, hurt the economic recovery. If underwater households failed to take advantage of the available relief because of the threat of large tax liabilities, their spending would likewise be constrained, which would also be a negative outcome for the economy.

SENATOR BEN CARDIN (D-MD):

Question 1:

Retirement savings policy has long been a priority of mine, and I hope to work closely with you and your colleagues at Treasury to do more to promote retirement savings plans that work. As you know, almost 50% of working Americans do not have access to employer-provided retirement plans. By contrast, all employee-owners at S corporation ESOP companies have at least one retirement savings plan, fully funded by their employer. S ESOPs have significantly expanded the pool of U.S. workers who are saving for retirement, while also boosting company productivity and creating jobs, even during difficult economic times. I have introduced legislation with Senator Pat Roberts, the Promotion and Expansion of Private Employee Ownership Act, which would encourage the expansion of ESOPs to more workers. I would appreciate your thoughts on how we can collaborate to further promote this existing successful model.

Answer:

I share your interest in finding ways to encourage Americans to save more for retirement. Policies aimed at that goal would both promote retirement security among individual households and foster a stronger and more resilient macroeconomic environment. Research has found that employer-sponsored retirement savings plans can be a powerful tool for increasing the saving of many households, and it is my understanding that ESOPs may offer additional benefits, as you say, in terms of firm productivity because workers are more invested in the success of their workplaces. If confirmed, I look forward to learning more about this legislation and working with you, Senator Roberts, and other members of the Committee on ways to raise retirement savings.

<u>RANKING MEMBER ORRIN HATCH (R-UT):</u>

Questions to Dr. Karen Dynan, from Senator Orrin Hatch, for the Record in relation to the 1/30/2014 hearing of the Senate Committee on Finance titled "Hearing to consider the nomination Karen Dynan, of Maryland, to be Assistant Secretary of the Treasury, vice Janice Eberly; and Richard G. Frank, of Massachusetts, to be an Assistant Secretary of Health and Human Services, vice Sherry Glied, resigned"

<u>Question 1:</u>

The administration has decided to increase the minimum wage for federal contract workers to $10.10 per hour. Many federal contracts must abide by the strictures of the Davis-Bacon Act and McNamara-O'Hara Service Contract Act, which require payment of "prevailing wages," so many contract wages are already subject to federal wage controls.

Of course, prevailing wages differ across locations. For example, in federal contracts subject to prevailing wage structures, a painter in Utah is given a federally mandated wage floor far below that of a like painter in, say, New York City. It appears that those Acts recognize that costs of living differ across locations, with the purchasing power of a dollar in New York City being below that of a dollar in Utah.

Do you agree with the underlying premise of those location-specific adjustments to wages that on a purchasing-power-adjusted basis, the amount of goods and services someone can buy with one dollar is different in, say, Salt Lake City Utah than it is in somewhere like New York City?

Given that the thresholds, or lower-limits, for a federal contract to have prevailing wage requirements attached to it have not been indexed to changes in purchasing power over time (e.g., since 1931 in the case of Davis-Bacon), would it not make sense to index those thresholds up to adjust for the erosion of purchasing power that has occurred in order to allow for greater opportunities for middle class workers to be able to work on federally funded or assisted contracts?

<u>Answer:</u>

On your first point, I agree that both wages and the costs of goods vary substantially across locations.

On your second point, as you know, if thresholds are fixed in dollar terms, they will tend to fall in inflation-adjusted terms over time as the general price level increases. This implies that the fraction of federal contracts covered by wage requirements will tend to rise. Although some people might consider that a disadvantage, I think there are important advantages to having a large share of contracts covered because of the benefits associated with increasing the reward to work.

<u>Question 2:</u>

If the $2.13 hourly minimum for workers who rely heavily on tips is raised to, say, $7.00 (close to a 230 percent increase), do you believe that such an increase would have effects on employment in the relevant occupations and sectors to which the tip minimum applies? If so, explain what you believe would be those effects and whether you believe that they would be significant.

<u>Answer:</u>

While I am not familiar with studies analyzing the tip minimum, there is an extensive body of research that has studied the general effects of raising the minimum wage on employment and found little meaningful impact on employment.

<u>Question 3:</u>

In his 2013 State of the Union Address, the President proposed raising the federal minimum wage to $9.00 an hour, so that "no one who works full-time should have to live in poverty." The 2012 poverty threshold for a family of four with two children was $23,283.

In his 2014 State of the Union Address, again identifying that no one who works full time should have to raise a family in poverty, the President proposed raising the federal minimum wage to $10.10 an hour, which is a bit more than 12% higher than what he advocated a year earlier. Over the course of that year, the poverty threshold for a family of four with two children rose by around 1.5%, the relevant tax credits did not fall, and the President's minimum wage goal rose by 12%.

Of course, ever greater increases in the minimum wage above $10.10 would ensure that even more minimum-wage workers who support households of ever greater size could raise their families without being in poverty, provided that they are able to keep or obtain minimum-wage employment.

If prevention of people who work full time from having to raise a family in poverty is the objective, what is the appropriate minimum wage in your view? Is it $9.00 an hour; $10.10 an hour; more than $10.10 an hour?

<u>Answer:</u>

The President's proposal for a $10.10 minimum wage would raise pre-tax annual earnings for a full-time minimum-wage worker to $20,200, and estimates suggest that it has the potential to raise 1.6 million people out of poverty. I support the President's new goal because I think that it would have meaningful effects on poverty reduction.

<u>Question 4:</u>

Some have questioned why the minimum wage should not be brought up to around $22.00 an hour. Some have argued that since 1968, productivity growth has outpaced growth of the minimum wage. Had the minimum wage tracked average productivity growth since then, it would have reached $21.72 per hour in 2012, according to those questioning why we don't have a minimum of $22.00.

Do you agree that, accounting for productivity growth, the federal minimum wage should be increased to around $22.00 per hour, in order to bring the minimum wage back, on a productivity-growth-adjusted basis, to what it was some time in the 1960s? Please explain why you do agree or do not agree.

<u>Answer:</u>

I support the President's proposal of raising the minimum wage to $10.10. It is important to ensure that the minimum wage does not become too disconnected from the level of other wages in the economy. Very large increases—such as to $22.00 an hour—are outside our historical experience, and the literature does not speak clearly to the potential effects of such increases.

<u>Question 5:</u>

My state of Utah currently has a 4.1% unemployment rate, which is low, but still above rates of around 2.5% that we observed in 2007 in my state. The minimum wage in my state is also $7.25, and many workers in my state who have earned the minimum wage help contribute to their household's income, while gaining valuable work experience and skills and subsequently advancing. Recent proposals on the federally mandated minimum wage would increase it by almost 40%, which is a nice raise if you can get and keep a job, but not a raise at all if you cannot get a job. And a 40% raise also means a 40% increase in the cost to an employer of a minimum wage worker, which alters their incentives to hire and to replace workers with automation. Moreover, that 40% increase means different things in different locations. For example, a wage of $10.10 is far different in San Francisco than in Provo Utah, once you adjust for differences in living costs.

Do you agree, or not, that in terms of purchasing power, a 40% increase in the minimum wage means different things to employers in San Francisco than it does to employers in my state?

If, in response to an increase of 40% in the cost of employing a minimum wage worker, a firm reduces its employment of those workers, then what do you believe would be the effect on the earnings of the displaced workers? Would they be getting a raise?

Answer:

Both wages and the cost of living vary across locations. I agree that a $2.85 increase in the minimum wage represents a larger increase in purchasing power in Utah than in San Francisco, just as the level of the current federal minimum wage commands more purchasing power in Utah than in San Francisco. The current prevailing minimum wage differs across areas as well. For example, the minimum wage in San Francisco is $10.74 an hour, higher than the President's proposed minimum wage, so we would expect an increase in the federal minimum wage to $10.10 an hour to have very little effect on wages or employment there.

Such factors imply that it would be very complicated to try to predict the effect of increasing the minimum wage on every American worker and family. However, my reading of the available evidence suggests that raising the minimum wage to $10.10 an hour would, on net, generate meaningful positive benefits for Americans, lifting more than 1.5 million people out of poverty.

It is important to realize that there are some benefits to raising the minimum wage that help keep costs down for employers. Higher wages can help to lower turnover, reduce absenteeism, and increase productivity.

Question 6:

You have done some work on household finances, the housing market, and the related mortgage market. It has been more than five years since the mortgage-giants, Fannie and Freddie, were placed into conservatorship. Many fears about fragility of the housing market have faded. And, yet, nothing has happened in terms of the administration making clear its support for a particular GSE reform position. My concern is that the longer we keep things as they are, with the government having such a dominant presence in mortgage finance, the less emphasis there will be on reforming Fannie and Freddie. They are increasingly becoming a cash cow, funneling earnings into Treasury and who knows where else down the road.

Do you believe that reform of the mortgage giants Fannie and Freddie should or should not be a priority for the administration and Congress, and why or why not?

Which of the three broad options put forward by Treasury in its "Reforming America's Housing Finance Market: A Report to Congress" (February, 2011), if any, do you prefer, and why do you hold that position?

What role do you believe the federal government should play, if any, in a reformed system of mortgage finance?

In the interest of bringing private-sector activity back into our Nation's housing finance system, do you believe that the so-called "G-Fees" should continue to rise, and that GSE allowable loan limits should continue to adjust? Why or why not?

Answer:

It is critically important that we move ahead with reforming the housing finance market and winding down Fannie Mae and Freddie Mac. Creating a more stable and sustainable housing finance market is an important policy goal.

Last year, the President outlined the Administration's principles for housing finance reform legislation: (i) require private capital to play the dominant role in providing mortgage credit; (ii) ensure creditworthy borrowers,—including first time homeowners —have broad access to safe and responsible mortgages; (iii) put in place strong safeguards to protect taxpayers; and (iv) help ensure access to affordable rental options for middle class families and those who are working toward joining the middle class.

Maintaining market liquidity and preserving broad access to the 30-year fixed rate mortgage relies upon a full faith and credit catastrophic government guarantee of qualified mortgage backed securities standing behind substantial private capital in a first loss position.

The Federal Housing Finance Agency (FHFA) is an independent regulator of Fannie Mae and Freddie Mac (the GSEs). FHFA is also conservator of the GSEs. As an independent regulator, FHFA is responsible for making the decisions on what is the appropriate level Fannie Mae and Freddie Mac should charge for guarantee fees.

Question 7:

There have recently been suggestions to increase the federally mandated minimum wage from the current value to $9.00 per hour; $10.10 per hour; or $22.00 per hour.

Do you believe that there would be any negative effect of an increase in the minimum wage on the quantity (level) of employed minimum wage workers? Why or why not?

Do you believe that there would be any negative effects of an increase in the minimum wage that is also indexed to annual percentage changes in the CPI-W on growth of employed minimum wage workers? Why or why not?

Do you believe that, if there are effects of increases in the minimum wage on employment, those effects would differ in magnitude depending on whether the minimum increased to, say, $9.00 versus $22.00 per hour?

Do you support the argument that increased minimum wages lead to lower administrative costs to employers of minimum wage workers, because higher wages will somehow lead to reduced labor turnover (sometimes called "churn") among employed workers and therefore lower related turnover costs? If so, please provide empirical support for your support of the argument. Also, if so, could you explain why you believe that employers have been unable to ascertain, in establishing wage offers that they make, this effect?

Answer:

Reviews of the extensive literature on the effects of increases in the minimum wage suggest that there is, on balance, little evidence of a meaningful adverse effect on employment. Current proposals to raise the minimum wage return it to a level that the United States has had in the past. Very large increases—such as to $22.00 an hour—are outside our historical experience, and the literature does not speak clearly to the potential effects of such increases.

The arguments for the minimum wage are not a function of the price level. Setting the minimum wage in nominal terms leads to an eroded value of the minimum wage over time and a need to repeatedly raise the minimum wage in nominal terms. Pegging it to inflation would create more stability and certainty.

Economists have long posited that performance may be a function of pay. Physical and mental stamina have been shown to be impacted by income. And research has found higher pay lead to reduced costs of labor turnover and greater organizational efficiency.

Question 8:

What research guides your views about income, wealth, and consumption inequality on both a static basis and a dynamic basis?

Answer:

There is an extensive empirical research that explores patterns of income, wealth, and consumption inequality. Different studies have different strengths in terms of how comprehensively they capture actual household well-being, how timely the results are, and the degree to which they depict patterns across the full income distribution, over long periods of time and across countries. Because no single study provides all of the answers, it is important to look at the literature as a whole and to also to consider gaps in the literature when drawing inferences and making policy.

Question 9:

What research guides your views about "social mobility," often captured using measures of intergenerational earnings elasticities?

Answer:

I am very interested in patterns of social mobility and its determinants. Historically, studies of this issue have been hindered by a lack of suitable high quality data. However, new data sources are generating intriguing new findings on the topic. For example, the "Equality of Opportunity Project," which is being led by a set of highly respected researchers, has recently used a new data source to document striking disparities in mobility across different regions of the United States,

as well as interesting patterns of what factors seem to be correlated with these differences. If confirmed, I intend to work with the staff in the Office of Economic Policy to evaluate these results and other findings and, in turn, explore the implications for policy.

Question 10 (Economic Policy – Minimum Wage):

Do you support indexation of the federal minimum wage to annual percentage increases in a price index? If so, why. Also, if so, which price index do you believe would be the best to use for the indexation, and why?

Answer:

I support the indexation of the federal minimum wage to annual percentage increases in a price index. I expect that price indexing the minimum wage would have important benefits in terms of raising incomes and reducing poverty. The extensive literature on the employment effects of the minimum wage finds little significant impact on employment. I have not studied the issue of which price index is most appropriate, but I would be happy to investigate this question further.

Question 11:

If the federal minimum wage is increased in each future year to annual percentage changes in, say, the CPI-W, what do you believe will be the relation between growth in the average minimum wage and growth in productivity in sectors that disproportionately employ minimum wage workers?

Answer:

Wages tend to rise with productivity and prices (although not one-for-one over any given time period) and because productivity (output per hour) tends to rise over time, wages tend to rise faster than prices. Thus, average wages in the economy will tend to rise faster than a minimum wage that is indexed to prices.

Whether that relationship would hold in the sectors that disproportionately employ minimum-wage workers is unclear. One factor pushing up productivity in the affected industries would be the effect of higher compensation inducing firms to substitute from labor to capital and thus increase capital per worker. However, based on the extensive literature on the relationship between increases in the minimum wage and employment, I would not expect such substitution to lower the level of employment materially.

Question 12:

There may exist labor-displacing technical changes which currently could be made by employers but are unused by minimum wage employers because they have not yet been

perceived to be cost effective (e.g., touch-screen based ordering systems to replace personnel at sales counters). Do you believe that an increase in the minimum wage will make it more likely for firms to adopt labor-displacing technical changes that previously were not viewed as cost effective but, with a higher wage, would be perceived as changes that are cost effective to undertake?

Answer:

The effect of increasing the minimum wage, if any, on the use of labor-displacing technology would presumably be captured, at least to some extent, in studies of the effects of past increases in the minimum wage on employment. "Meta-studies" of that research find little evidence of meaningful adverse effects of raising the minimum wage on employment.

SENATOR JOHN THUNE (R-SD):

Question 1:

You have had extensive experience, both at the Federal Reserve and at the Council of Economic Advisors, in the area of household finances. As such, I would be curious to get your views on the savings rate in America and, specifically, what are the longer-term implications for our economy of a low savings rate relative to many other developed economies? Is a low savings rate something we should be concerned about? What are the implications of a low savings rate over the long-term on economic growth, productivity, and living standards? Are there specific policies you support to raise the level of savings, and retirement savings in particular?

Answer:

Increasing personal saving in the United States is a desirable policy goal over the longer run. Higher personal saving would lead to higher productivity, stronger economic growth, and, in turn, higher standards of living. The correlation between a country's saving rate and its investment rate remains large and significant despite the globalization of international capital markets. Hence, higher personal saving in the United States should increase investment in this country, which, in turn, should raise our capital stock and our productive capacity.

I believe that promoting retirement savings is one way in which we can increase the aggregate saving rate. I think there are other ways in which we can use the tax code and other policies to encourage such saving and, if confirmed, would be interested in working with members of the Committee to explore the options.

Question 2:

As you know, the President has proposed business tax reform, including a lower corporate tax rate intended to make U.S. businesses more competitive in the global economy. Do you support the president's plan?

If so, what do you think the impact will be on businesses that pay at the individual tax rates – the large majority of which are small businesses – of lowering the corporate tax rate without reducing individual income tax rates? If confirmed, is this issue something you would examine at Treasury in order to provide Congress data on the likely impacts on pass-through businesses?

Answer:

Yes, I support the President's plan for business tax reform.

The President's plan, as outlined in the President's Framework for Business Tax Reform,

included as one of its principles the need to simplify and, to the extent possible, lower taxes on small businesses, including small pass-through businesses. The Framework suggests policies such as increased limits on the annual amount of machinery and equipment purchased by small businesses that can be immediately expensed and expanded availability of cash accounting as ways to deliver on this principle.

At Treasury, tax issues are primarily the responsibility of the Office of Tax Policy, so my role in analyzing tax issues would be limited. Nonetheless, if confirmed, I certainly would be willing to work with the Office of Tax Policy staff to analyze the economic effects of business tax reform.

Question 3:

The president and others have been talking about the issue of income inequality recently. As you may know, some economists have pointed the finger at the Federal Reserve, claiming that easy monetary policies have exacerbated income inequality as stock prices have soared while wages have stagnated. What is your view as to this argument that the fed has been a driver of income inequality over the past few years?

Answer:

As an employee of the United States Department of the Treasury, I do not feel comfortable commenting on monetary policy. As a general matter, it is my understanding that the statutory goals of monetary policy are clearly established by Congress: price stability and maximum sustainable employment. When the economy suffers a downturn, the resulting job losses exacerbate inequality. Thus, when monetary policy achieves its goals and brings the economy back to full employment, there should be a beneficial effect on income inequality. More generally, monetary policy is intended for macroeconomic stabilization, not for addressing distributional challenges.

Opening Statement of Richard G. Frank

Nominee to be Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services

Senate Committee on Finance

January 30, 2014

Chairman Baucus, Ranking Member Hatch, and members of the committee. Thank you for inviting me here today. I am honored to have been nominated, by the President, to serve as the Assistant Secretary for Planning and Evaluation (ASPE) at the Department of Health and Human Services (HHS) and to be appearing before you.

I am currently a Professor of Health Economics at Harvard University Medical School. I have spent my entire career engaged in teaching, research, and service related to economic aspects of health policy. This has included prior service in the federal government, most recently between 2009 and 2011 as a Deputy Assistant Secretary at HHS. I have viewed public service as an important part of my career, since before I had a career. I see the possibility of serving as the ASPE as an enormous opportunity to make a difference and to contribute to American society.

My parents were both immigrants who came to the United States because of the Second World War. My father came to the country in 1939 from Switzerland and was drafted and served in the army in the European theater where he was badly wounded. He went to college on the GI Bill and had a successful career as an engineer. My mother, who is originally French, survived the Auschwitz concentration camp and came to the U.S. to stay with her aunt as her parents, aunts, and uncles in Europe were all exterminated. She has led a rewarding and prosperous life raising two children and helping acclimate foreign students. Both my parents were deeply grateful to this country for offering them safety and opportunity. They regularly reminded me of how fortunate I was to be born here and that we were obliged to give back if we could. They encouraged me to enter the Peace Corps. My time in the Republic of Botswana was my first exposure to national service.

Serving as the ASPE would offer me the possibility to apply all my professional training and experience in economics and health policy to support policy making for health and human services at a time of monumental change that presents an enormous number of challenges. The ASPE serves as the secretary's principal policy advisor responsible for policy coordination, strategic planning, policy research, evaluation, and economic analysis. More than ever key decision makers in the Administration, Congress, and the states are going to need first rate information and analysis to support their choices. I believe my training in health economics and my experience in conducting research related to markets and programs for health and human services have prepared me to lead

the talented team of professionals at ASPE to support HHS leadership. My academic and technical preparation, I believe, are augmented by my service in state and federal government including time at HHS, membership on a state regulatory board, membership on a Congressional Commission, and service as a consultant to a number of state government agencies across the country. I believe this background positions me to lead a team that will provide the Administration and the Congress with technically rigorous, balanced, and policy-relevant analyses.

HHS touches a vast array of populations, programs, and markets ranging from the pharmaceutical industry, to early childhood programs, to programs and regulations aimed at the provision and financing of mental health and substance use disorder care to our public health financing programs; Medicare, Medicaid, and CHIP. This requires great breadth of talent. ASPE is staffed by a skilled group of professionals that cover the range of expertise needed to understand, analyze, and evaluate HHS activities. I am deeply committed to supporting the excellence that currently exists at ASPE and to bolstering it so that ASPE can effectively respond to new demands driven by scientific progress, changing financial circumstances, and shifting demographics.

I thank you for your consideration of my nomination and would welcome the opportunity to work with you all.

SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. **Name: (Include any former names used.)** Richard Gabriel Frank

2. **Position to which nominated:** Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services

3. **Date of nomination:** September 10, 2013

4. **Address: (List current residence, office, and mailing addresses.)**

5. **Date and place of birth:** April 27, 1952; Boston, MA

6. **Marital status: (Include maiden name of wife or husband's name.)**

7. **Names and ages of children:**

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

   Newton High School, 1966-1970, high school diploma 1970;
   Bard College, 1970-1974, BA 1974;
   University of Rhode Island, 1974-75;
   Boston University, 1976-1981, Ph.D 1982.

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.)**

a) Peace Corps Volunteer
1975 - 1976
Republic of Botswana, Africa

b) Teaching Fellow
1977 - 1979
Department of Economics
Boston University
Boston, MA

c) Economist
1979 - 1980
Division of Biometry and Epidemiology
National Institute of Mental Health
Rockville, MD

d) Senior Fellow/Visiting Assistant Professor of Economics
1980 - 1981
University of Pittsburgh
Pittsburgh, PA

e) Assistant Professor of Psychiatry and Economics
1981 - 1984
University of Pittsburgh
Pittsburgh, PA

f) Assistant Professor, Associate Professor, Professor
1984-1994
Department of Health Policy and Management
School of Hygiene and Public Health
Johns Hopkins University
Baltimore, MD

g) Professor of Health Economics and Margaret T. Morris Professor
1994 – present (on leave 2009-2011)
Department of Health Care Policy
Harvard Medical School
Boston, MA

h) Deputy Assistant Secretary for Planning and Evaluation
2009 - 2011
U.S. Department of Health and Human Services
Office of Disability, Aging, and Long-Term Care Policy
Washington, DC

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.)

a) Member
Governor's Committee on the Uninsured,
State of Maryland
1988 - 1991

b) Commissioner
Health Services Cost Review Commission
State of Maryland
1989 - 1994

c) Member
OTA Panel on Defensive Medicine
1992 - 1993

d) Staff Member
President's Task Force on Health Care Reform
1993

e) Consultant
State of Massachusetts Medicaid Program
1995-1996

f) Member
Substance Abuse and Mental Health Service Administration (SAMHSA)
Advisory Council
U.S. Department of Health and Human Services
1996 - 2000

g) Consultant
Department of Mental Health
State of Ohio
1996-1997

h) Member
Interventions IRG
National Institute of Mental Health
National Institutes of Health
1999-2004

i) Advisor

Department of Mental Health
State of Massachusetts
2004-2006

j) Member (appointed Vice Chair in 2006)
Citizens Health Care Working Group
(Appointed by Comptroller General
March 10, 2005)
2005 – 2007

k) Consultant
Office of Mental Health
State of New York
2008-2009

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

2011-Present Greylock MacKinnon Associates (consultant)
2011-Present Journal of Health Economics (Elsevier Publishing) (Editor)
2012-Present New York University, Department of Psychiatry (Advisory committee member)
2012-Present Social Finance Inc. (unpaid advisor)
2006-Present Johns Hopkins Press (author)
2013 University of Chicago (speaker)
2012 Kaiser Permanente Health Services Research Center; Portland, Oregon (consultant)
2012 Johns Hopkins University (speaker)
2012 CSIS (consultant)
2011 Kaiser Family Foundation (consultant)
2011 Research Foundation for Mental Hygiene (consultant)
2008-2009 Oregon Health Sciences University (consultant)
2008 National Association of State Mental Health Program Directors (speaker)
2008 Beacon Health Strategies (speaker)
2007 Westat (consultant)
2006 University of Illinois (speaker)
2003 (est.) Magellan (consultant)
1997-2007 MacArthur Foundation (consultant/network member)
1991 Williams and Connolly (expert consultant)
1989 Baltimore Taxi Association (consultant)

I have served as a consultant and speaker to other universities and consulting firms, but no longer have records of those assignments.

12. **Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)**

Appalachian Mountain Club (current)
American Economic Association (1976-present)
American Public Health Association (1982-present)
Association for Health Services Research (now AcademyHealth) (1990-present)
Institute of Medicine (1997-present)
International Health Economics Association (2002-2012)
American Society of Health Economists (2006-present; Board Member 2008-2009)
Center for Mental Health (London, UK), International Affiliate (2012)
Industry Studies Association (2011-present)
National Academy of Social Insurance (2012-present)
National Bureau of Economic Research (1983-present)

13. **Political affiliations and activities:**

a. **List all public offices 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.**

None.

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 10 years.**

Judy Feder for Congress
2007 $300
2006 $500
2006 $350
Kerry for President
2004 $2,000
Democracy in Action
2012 $75 (estimate)
Wellstone Action
2009-2012 $300 per year (estimate)
Obama for America
2008 $200

2008 $200
2011 $500
2012 $250
2012 $1,000

Democratic Congressional Campaign Committee
2011-2012 $150 per year (estimate)

21st Century Democrats
2008 –2012 $100 per year (estimate)

Democratic Senatorial Campaign Committee
2008 – 2012 $150 per year (estimate)

Act Blue
2012 $500

Democratic National Committee
2008 $208
2008 $208

Martha Coakley for Attorney General
2004 $200

Deval Patrick for Governor
2006 $200

Joe Kennedy for Congress
2012 $200

Don Berwick for Governor
2013 $250

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

1979 - Dissertation Award from the Pharmaceutical Manufacturers Association
1979 - Honorable Mention Abt Economic Policy Essay Competition
1980 - Dissertation Support from Foundations Fund for Research in Psychiatry
1986 - New Investigator Research Award, NIMH
1988 - Delta Omega (Public Health Honorary Society)
1993 - Georgescu-Roegen Award (Best Paper in 1992-93) Southern Economic Association (with David S. Salkever)
1996 - Fellow of the Association for Health Services Research
1997 - Member, Institute of Medicine
1998 - Carl A. Taube Award, American Public Health Association
2001 - Emily Mumford Medal, Columbia University, Department of Psychiatry
2002 - John Eisenberg Mentorship Award, National Research Service Awards
2003 - MarketScan Investigator Award, Thomson Medstat
2005 - John Dewey Public Service Award, Bard College
2008 - NIHCM Best Paper; 2007 (with Richard Zeckhauser)

2011 - Distinguished Service Award, Mental Health Association of Maryland
2012 - Elected to the National Academy of Social Insurance 2012
2013 - AAEA Outstanding Article Award for 2012

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

I have done my best to identify titles, publishers, and dates of all books, articles, reports or other published materials, including a thorough review of personal files and searches of publicly available electronic databases. Despite my searches, there may be other materials I have been unable to identify, find, or remember. I have located the following:

<u>PUBLICATIONS (REFEREED JOURNALS)</u>

1. Frank RG. "Cost Benefit Analysis in Mental Health: A Review of the Literature," *Administration in Mental Health*, 8(3):161-176, 1981.

2. Frank RG and Welch WP. "The Contracting of State of Mental Hospital Systems," *Journal of Health Politics Policy and Law*, 7(2):676-683, 1982.

3. Frank RG. "Freedom of Choice Laws: An Empirical Test of Their Contribution to Competition in Mental Health Care Delivery," *Health Policy Quarterly*, 2(2):79-97, 1982.

4. Frank RG and Herring J. "Public Provision of Mental Hospital Services: Some Economic Issues," *Administration in Mental Health*, 10(4):288-305, 1983.

5. Welch WP, Frank RG and Costello AJ. "Missing Data in Psychiatric Research: A Solution," *Psychological Bulletin*, 94(1):177-180, 1983.

6. Frank RG. "Is There a Shortage of Psychiatrists?" *Community Mental Health Journal*, 19(1):42-53, 1983. (Reprinted Yearbook of Psychiatry)

7. Frank RG. "Pricing and Location of Physician Services in Mental Health," *Economic Inquiry*, 23:115-133, January 1985.

8. Frank RG and Kessler LG. "Economic Grand Rounds: State Medicaid Limitations for Mental Health Services," *Hospital and Community Psychiatry Journal*, 35(3):213-216, March 1984. (Invited paper)

9. Frank RG. "Rationing of Mental Health Services: Simple Observations on the Current Approach and Future Prospects," *Administration in Mental Health*, 13(1):22-29, Fall 1985.

10. Frank RG and Welch WP. "Competitive Effects of HMOs: A Review of the Evidence," *Inquiry*, 22(2):148-161, Summer 1985.

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13. Frank RG and Kamlet MS. "Direct Costs and Expenditures for Mental Health Care in the US: 1980," *Hospital and Community Psychiatry Journal*,36(2):165-168, February 1985. (Reprinted Yearbook of Psychiatry)

14. Frank RG, et al. "Research Selection Bias and the Prevalence of Depressive Disorders in Psychiatric Facilities," *Journal of Consulting and Clinical Psychology*, 53(3):370-376, 1985.

15. Needleman HL, Geiger SK and Frank RG. "Lead and IQ Scores: A Re-Analysis," *Science*, 227:701-704, 1985.

16. Frank RG and Lave JR. "The Impact of Benefit Design on Length of Stay and Transfers to Residential Settings for Medicaid Psychiatric Patients," *Hospital and Community Psychiatry,* 36(7):749-754, July 1985.

17. Frank RG and Lave JR. "The Psychiatric DRGs: Are They Different," *Medical Care*, 23(11):1148-1155, October 1985.

18. Frank RG and Lave JR. "Prospective Payment for Inpatient Psychiatric Care: An Alternative to the Per Case Method," *Hospital and Community Psychiatry*, 36(7):775-779, July 1985.

19. Welch WP and Frank RG. "The Predictors of HMO Enrollee Populations: Results from a National Sample," *Inquiry*, 23(1):16-23, Spring 1986.

20. Frank RG and Lave JR. "The Effect of Benefit Design on the Length of Stay of Medicaid Psychiatric Patients," *Journal of Human Resources*, 23(1):16-22, Summer 1986.

21. Frank RG and Kamlet MS. "Quality, Quantity and Total Expenditures on Publicly Provided Goods: The Case of Public Mental Hospitals," *Journal of Public Economics*, 29:295-316, April 1986.

22. Seidman R and Frank RG. "Hospital Responses to Incentives in Alternative Reimbursement Systems," *Journal of Behavioral Economics*, 14:155-180, 1985.

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24. Frank RG and Lave JR. "Per Case Prospective Payment for Psychiatric Inpatients: An Assessment and An Alternative," *Journal of Health Politics Policy and Law*, 11(1):83-96, Spring 1986.

25. Frank RG and Kamlet MS. "Nonmarket Resource Allocation in Mental Health Care: Interdependencies in a Fragmented World," *American Behavioral Scientist*, 30(2):201-230, November/December 1986.

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27. Frank RG, German PS, Burns BJ, Johnson W, and Miller N. "Use of services by Cognitively Impaired Elderly Persons Residing in the Community," *Hospital and Community Psychiatry*, 39(5):555-557, May 1988.

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31. Frank RG. "On Making the Illustration Illustrative: A Comment on Banker, Conrad and Strauss," *Management Science*, 34(8):1026-1029, August 1988.

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41. Frank RG. "Economic Grand Rounds: The Medically Indigent Mentally Ill: Approaches to Financing," *Hospital and Community Psychiatry*, 40(1):9-12, 1989. (Invited Paper)

42. Frank RG and Goldman HH. "Financing Care of the Severely Mentally Ill: Incentives, Contracts and Public Responsibility," *Journal of Social Issues*, 45(3):131-144, 1989.

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46. Frank RG, Salkever DS. and Mullan F. "Hospital Ownership and Care of Uninsured and Medicaid Patients: Findings from the Hospital Discharge Survey 1979-1984," *Health Policy*, 14:1-11, 1990.

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64. Strobino DM, Kane LP, Frank RG and DeCoster E. "Trends in Publicly Financed Prenatal and Related Services 1975-1984," *Journal of Public Health Policy*, 13(3):277-290, 1992.

65. Goldman HH, Morrissey JP, Ridgely S, Frank RG, Newman SJ, Kennedy C. "Lessons From the Program on Chronic Mental Illness," *Health Affairs*, 11(3):52-68, 1992.

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74. Goldman HH, Frank RG and Gaynor MS. "What Level of Government? Balancing the Interests of the State and the Local Community," *Administration and Policy and Mental Health*, (Summer 1995).

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16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)

I have done my best to identify all formal speeches delivered during the past five years which are on topics relevant to the position, including thorough a review of personal files and searches of publicly available electronic databases. Despite my searches, there may be other materials I have been unable to identify, find, or remember. The speeches I have identified are listed below. Copies of written material from these speeches, generally slides or talking points, are attached.

1. CHAS Anniversary Conference 2013
2. Center for Mental Health, Annual Lecture, London 2013
3. Speech on Expanding Private Insurance for LTC, SCAN 2013
4. Speech to CERDS Disability Conference 2013
5. Speech on Mental Health Policy and Health Reform 2013
6. Shifting Mental Health Care in the U.S. HGPI Speech Tokyo 2012
7. Speech to Georgia Behavioral Health agencies 2012
8. Speech to Heartland Health Outreach stakeholders 2012
9. Speech at Johns Hopkins University 2012
10. Keynote, European Conference on Health Economics 2012
11. Speech to AHSR Conference NYC 2012
12. Progress Report on Health Reform Institute for Psych Services 2011
13. Illinois Conference on Behavioral Health Integration 2011
14. Speech at the University of Pittsburgh 2011
15. Barclay Lecture 2011
16. Speech on Housing with Services for Older Adults 2010
17. Rebalancing the Treatment Portfolio 2010
18. Speech AcademyHealth LTCI 2010
19. Speech to MHLG 2010
20. Economic Analysis and Clinical Research 2010

21. Speech to APA on Mental Health Coverage and Reform 2010
22. Speech to Beacon Health Stakeholders 2009
23. Speech to National Ass'n of State Mental Health Program Directors 2009
24. Brookings Speech 2009
25. APA Frontiers of Science 2009
26. National Health Policy Forum on Long-Term Care 2009
27. Speech to Kaiser Family Foundation Forum 2009
28. Follow-on Biologicals Conference 2009
29. Speech to Campaign for Mental Health 2008
30. Carter Symposium 2008
31. Speech on Mental Health Policy to NASMHPD NRI 2008
32. P4P Speech to University of Minnesota Conference 2008
33. Speech to National Council on Behavioral Health 2008
34. HMS Dep't of Health Care Policy Anniversary Conference 2008

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

For the past 30 years, I have been engaged in research, teaching and service in the area of health policy and health economics. Because of my interests in mental health, aging, disability and child health, I have also examined a variety of human service policy areas such as housing policy, disability policy and early childhood policies (e.g. Head Start). I have taught health policy and health economics at the undergraduate, graduate and executive levels. My research has spanned issues of mental health and substance abuse, long-term care financing, prescription drug policy, payment systems, Medicare payment and benefits, child health, and disability policy among other topics. In addition to research and teaching, I have had significant experience applying my training and experience to the development and conduct of policy.

My practical experiences in public service have augmented my academic research and expanded my understanding of how the policy process works. From 2009 through 2011, I served as Deputy Assistant Secretary for Planning and Evaluation at HHS and directed the Office of Disability, Aging and Long-Term Care Policy. My service has also included five years on Maryland's hospital regulatory commission, service as a member of the Citizens Health Care Working Group, consulting assignments for a number of State Medicaid and Mental Health agencies, and service on SAMHSA's Advisory Council. My academic preparation coupled with experiences in government service, including my previous service at ASPE directing the Office of Disability, Aging and Long-Term Care Policy, has enabled me to develop experience in leading teams of professionals in support of policy planning and evaluation. It has also allowed me to understand the perspectives of a broad band of the public with regard to health care and the interaction of the federal executive branch with the Congress and the states. I believe my background in research and teaching along with my

hands-on-experiences in public service prepare me well for the challenges and responsibilities I would encounter, if confirmed as an Assistant Secretary for Planning and Evaluation.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. **Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.**

   I am a tenured faculty member at Harvard University. If confirmed, I will take a leave of absence from Harvard University. I will sever all other such connections, as described in my ethics agreement.

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, provide details.**

   No.

3. **Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.**

   None other than related to my anticipated ongoing employment relationship as a tenured faculty member at Harvard University described above in question B1.

4. **If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.**

   Yes.

C. POTENTIAL CONFLICTS OF INTEREST

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

   In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Health and Human Services 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 the Department's designated

agency ethics official and that has been provided to the Committee. I am not aware of any other potential conflicts of interest.

2. **Describe any business relationship, dealing or financial transaction which you 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 have consulted with the Office of Government Ethics and the Department of Health and Human Services 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 the Department's designated agency ethics official and that has been provided to the Committee. I am not aware of any other potential conflicts of interest.

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. Activities performed as an employee of the Federal government need not be listed.**

   In the last 10 years, I have testified before Congress on two occasions:

   U.S. Senate Committee on Finance: "Drug Pricing Under Medicare Part D" (January 11, 2007)

   U.S. Senate Committee on Finance: "Health Reform and Health Insurance Coverage" (March 14, 2007)

   In the last 10 years, I have testified once before the Massachusetts Legislature:

   Massachusetts State Joint Committee on Mental Health and Substance Abuse Hearings on Mental Health and Substance Abuse Care Delivery and Carve-outs (January 17, 2006)

   In addition, I have written OpEd articles, some of which relate to legislation. These are listed with my publications in response to question A-15, above.

4. **Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)**

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Health and Human Services 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 the Department's designated agency ethics official and that has been provided to the Committee. I am not aware of any other potential conflicts of interest.

5. **Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.**

6. **The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:**

   Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. **Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.**

   No.

2. **Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.**

   No.

3. **Have you ever been involved as a party in interest in any administrative**

agency proceeding or civil litigation? If so, provide details.

No.

4. **Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.**

No.

5. **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 you are confirmed by the Senate, 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 you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?**

Yes.

FINANCE COMMITTEE QUESTIONS FOR THE RECORD

United States Senate
Committee on Finance

Hearing on
Confirmation of Richard Frank for Assistant Secretary of Planning and Evaluation, HHS
January 30, 2014

Questions from Senator Hatch

Question 1:

If you are confirmed as the Assistant Secretary for Planning and Evaluation (ASPE), you will play an important role in evaluating and recommending policy proposals for the Administration. As such, you will be instrumental in helping set policy priorities for your part of HHS and the Department as a whole. Can you describe what issues you would focus on as your top priorities if you are confirmed?

Answer:

Areas of high priority to me include the following. A) Delivery system reform especially as it applies to new efforts to integrate and coordinate care for vulnerable populations such as those dually eligible for Medicare and Medicaid and the development of a strategy to measure, report and encourage quality health care in new payment and service delivery models. B) Developing analyses that can help guide policy for how HHS programs can contribute to strengthening our disability programs. C) Using the tools of modern economics to support efforts by the FDA to address new regulatory challenges such as the new regulatory pathway for "follow-on biologics".

Question 2:

As you are aware, the Chairman and I have been working to overhaul the broken SGR system. We believe that quality, not quantity, should be rewarded. Please describe your plans to evaluate payment models that would align incentives for providers, patients, and the Medicare Trust Funds.

Answer:

It is my view that ASPE has much to contribute in producing analyses and evaluations that would inform the Congress and the Administration on efforts to align incentives for providers, patients, and the Medicare Trust Funds. ASPE supports HHS by assisting in providing evaluations of models tested by the Center for Medicare and Medicaid Innovation, contributing to the innovative payment models and quality measures. It would be helpful for ASPE to conduct research on risk adjustment, help in the development of pay for

performance mechanisms, analyze the design of risk sharing arrangements, and aid in the development of new performance/quality measures that would be useful for helping consumers make informed choices.

Question 3:

I understand you have particular expertise in mental health policy. As you know, Chairman Baucus and I have both long had an interest in access to high quality mental and behavioral health care. In fact, in July, we sent out a call for suggestions from the community as to how Medicare and Medicaid can be cost-effectively reformed to improve access and quality of care. What are the next important questions on mental health policy you'd like to get answers to if you were confirmed as the head of ASPE?

Answer:

Recent developments in our scientific understanding alongside expansion of insurance coverage for behavioral health care and a new appreciation for the pay-offs from integrated and coordinated care raise several important questions that I believe would be constructive for ASPE to pursue. Advances in neuroscience offer new opportunities to intervene early to attenuate the disabling effects of severe mental disorders. Small-scale studies are showing great promise for early intervention programs. If we are to bring to scale such promising interventions we need to understand how payment and delivery system arrangements can encourage such innovations. Today we have new appreciation for the value of integrated and coordinated care. Thus a key question is how we can continue efforts in Medicare, Medicaid and many private insurance plans to promote integration and coordination of the range of health care services that are required to meet the needs of an aging and increasingly diverse population. Finally, through efforts by the Congress and state governments we are in the midst of a significant expansion in insurance coverage for behavioral health care. I think it is important to quickly develop an understanding of the best ways to encourage the market to respond to the growing demand for these treatments.

Question 4:

Dr. Frank, at ASPE, you would be in charge of producing enrollment and other information about the Affordable Care Act. These data are critical in helping policy-makers evaluate the effectiveness of the exchanges and policy itself. Currently, ASPE publishes the number of individuals who have "selected" a plan, but not how many have paid their first premiums. Without information on premiums paid, we cannot truly understand how many people have signed up for Obamacare. How will you assure that information about the number of individuals who have or have not actually paid premiums for exchange plans is made public?

Answer:

I am committed to transparency and offering as complete a picture of enrollment as the data can reliably provide. As we reach the end of the open enrollment period, our ability to report the types of data that you highlight in the question will improve. For example, my understanding is that many insurance companies extended the deadline for premium payment until the end of January. If confirmed, I look forward to working with the Committee and others to produce information that will help the Congress and the American people assess the progress in implementing the Affordable Care Act.

Question from Senator Thune

Question 1

You served as Deputy Assistant Secretary for Planning and Evaluation from 2009-2011. During that time, one of your areas of focus was long-term care issues.

a. **What do you think are the possible solutions to the problem of long term care financing?**

As the US population ages, older Americans will need help with functional impairments and basic daily living - long term care. Today they typically turn to family members and friends for "informal" care, pay for services out of pocket, and, to a lesser extent, use private long-term care insurance. The largest public source of funding is Medicaid that has strict resource and asset limits. Demographic shifts mean that family resources will be less available to meet long-term care needs in the future. Large segments of the U.S. population are not well equipped to absorb the costs of needing long-term care without impoverishing themselves. The challenge of providing and financing high quality, consumer centered long-term care requires a multi-faceted response building on the institutions and financing methods we have in place today. That is, there is potential to expand the protection against the cost of needing long-term care through: 1) development of policies that encourage savings that would be used to pay for long-term care; 2) working with industry and states to use industry standards, public program designs and state policy initiatives to expand the long-term care insurance market; 3) examining ways to enhance the role of employers in the purchase of long-term care insurance; 4) examining current incentives that promote personal long-term care planning to explore whether they can be structured to better promote financial protection among middle class Americans; and 5) engaging in public education about the preparing for aging and its risks. Finally, I would like to continue to explore policies that support families and consumers of long-term care that enable people to stay at home, where they overwhelmingly prefer to be, with the help they and their family members need.

b. **Are there policy or program ideas related to long term care that you seek to focus on if confirmed?**

Three areas offer important points of analytical focus. 1) There are a number of efforts that seek to rebalance long-term care services in favor of community based care that have recently been initiated. 2) A number of states are examining the potential to expand the role of self-directed long-term care. 3) There are important new efforts aimed at making long-term care more cost effective through managed long-term care initiatives. I see evaluating and developing ideas about refining these efforts as important contributions that the ASPE can make to long-term care policy and program design.

Do you believe in a federal mandate for participation in any type of federal long term care program?

I do not believe that any type of mandated federal long-term care program is viable at this time.

Question from Senator Grassley

Question 1:

I am concerned about the CMS decision to reconsider Medicare Part D's six protected classes. It is my understanding that an advisory committee helped CMS formulate the proposed policies.

Can you provide me the names of the individuals who served on the advisory committee?

Furthermore, I understand that the advisory committee received a report from a contractor that helped advise the committee.

Can you provide me the name of the contractor and the report provided?

Finally, given the magnitude of this decision and the potential impact of it, I am sure CMS devoted significant time to consulting with other government experts.

Can you provide me with communications between CMS and the National Institutes of Health, the CDC, and the Substance Abuse and Mental Health Services Administration on this subject?

My understanding is that the Centers for Medicare & Medicaid Services (CMS) did not form a formal advisory committee, but rather as described on page 1944 of the Contract Year 2015 Policy and Technical Changes to the Medicare Advantage and the Medicare Prescription Drug Benefits Programs proposed rule, convened a consensus panel of CMS pharmacists and the Chief Medical Officer for the CMS, Center for Medicare. The proposed rule is available at: https://www.federalregister.gov/articles/2014/01/10/2013-31497/medicare-program-contract-year-2015-policy-and-technical-changes-to-the-medicare-advantage-and-the

Fu Associates and Strategic Health Solutions reviewed 2012 Prescription Drug Event (PDE) utilization and American Hospital Formulary Service (AHFS) drug classes with respect to widely-used treatment guidelines and the MIPPA criteria, respectively. The results of these contractors' analyses can be found at: http://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovContra/RxContracting_FormularyGuidance.html.

We are currently in the midst of the Notice of Proposed Rulemaking Making comment period, which ends March 7, 2014. At the end of the comment period, access to all public comments will be available to the committee.

STATEMENT OF HON. ORRIN G. HATCH, RANKING MEMBER U.S. SENATE COMMITTEE ON FINANCE HEARING OF JANUARY 30, 2014 NOMINATIONS OF KAREN DYNAN AND RICHARD G. FRANK

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following remarks during a Senate Finance Committee hearing considering the nominations of Karen Dynan to serve as Secretary for Economic Policy at the Department of Treasury and Richard G. Frank to be Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services:

Today we are here to discuss two nominees. Each one, if confirmed, will conduct important policy analysis, but for different agencies.

Let me first address Dr. Karen Dynan, President Obama's nominee to be Assistant Secretary for Economic Policy at the Department of Treasury, who appears to me to be well qualified for the position.

She has a long career history of providing careful economic analysis. If she is confirmed, I hope that this will continue during her time at Treasury.

That said, I do want to comment on an unfortunate trend we've seen as this committee has processed nominees to various positions in the administration. I want to mention it now as I hope that this practice will stop with Dr. Dynan's nomination.

As the committee processes nominees, it is customary for Senators to submit written questions for the record. Unfortunately, in recent years, the answers we've been receiving in response to these questions have been lacking. Indeed, responses we've received from nominees – particularly Treasury nominees – have been incomplete, at best, and are becoming increasingly vacuous, often having little bearing on the real policy questions that are being asked.

The situation seems to be getting worse, despite complaints I have registered in this committee for years now. And, it's not just with nominees – sitting Treasury officials have answered questions in a similar manner, if they answer them at all.

I am pleased to see in Dr. Dynan's testimony an acknowledgement of the utility of using "data driven" approaches to policy analysis.

Such an approach is consistent with repeated requests I have made for data and information about Treasury's debt and cash positions as we near a debt limit.

Unfortunately, Treasury has not been willing to work with me thus far to improve data flows and availability to Congress, including the Congressional Budget Office, on debt-related matters.

Lack of information here in Congress leads to a situation where the Majority Leader in the Senate has recently said that we have until May to increase the debt limit, while the Treasury Secretary says something else, based on what he says is the "best data."

I have repeatedly asked Treasury for answers relating to those data, only to have my requests ignored. And, this, sadly, is par for the course with this administration.

Now, this doesn't bear directly on Dr. Dynan's nomination. But, I do hope that I've adequately communicated the level of frustration I have with the communication we've received from the Treasury Department.

Dr. Dynan, if you are confirmed, I hope you will commit to working with members of this committee – from both parties – to provide the best information possible on matters under your jurisdiction.

Next, let me turn to President Obama's nominee to be Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services.

If confirmed, Dr. Frank will run the policy-setting arm of HHS.

Congress, the Secretary, and others rely on the Assistant Secretary to produce fact-based, impartial analyses of important policy problems, not least of which will include an accurate assessment of Obamacare enrollment.

With the difficulties facing HHS as it implements the Affordable Care Act and administers health care programs for millions nationwide, ASPE needs thoughtful and experienced leadership, and, from what I've seen, Dr. Frank appears ready and able to provide that type of leadership.

Thank you, Mr. Chairman, for holding this hearing. It appears that we have two qualified nominees before us today. I look forward to their testimony.

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