

**NOMINATIONS OF WILLIAM V. CORR,
DEMETRIOS J. MARANTIS, AND ALAN B. KRUEGER**

HEARING

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

ON THE

NOMINATIONS OF

WILLIAM V. CORR, TO BE DEPUTY SECRETARY, DEPARTMENT OF
HEALTH AND HUMAN SERVICES; DEMETRIOS J. MARANTIS, TO BE A
DEPUTY U.S. TRADE REPRESENTATIVE WITH THE RANK OF AMBAS-
SADOR; AND ALAN B. KRUEGER, TO BE ASSISTANT SECRETARY FOR
ECONOMIC POLICY, DEPARTMENT OF THE TREASURY

APRIL 30, 2009



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

64-547—PDF

WASHINGTON : 2009

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON FINANCE

MAX BAUCUS, Montana, *Chairman*

JOHN D. ROCKEFELLER IV, West Virginia	CHUCK GRASSLEY, Iowa
KENT CONRAD, North Dakota	ORRIN G. HATCH, Utah
JEFF BINGAMAN, New Mexico	OLYMPIA J. SNOWE, Maine
JOHN F. KERRY, Massachusetts	JON KYL, Arizona
BLANCHE L. LINCOLN, Arkansas	JIM BUNNING, Kentucky
RON WYDEN, Oregon	MIKE CRAPO, Idaho
CHARLES E. SCHUMER, New York	PAT ROBERTS, Kansas
DEBBIE STABENOW, Michigan	JOHN ENSIGN, Nevada
MARIA CANTWELL, Washington	MICHAEL B. ENZI, Wyoming
BILL NELSON, Florida	JOHN CORNYN, Texas
ROBERT MENENDEZ, New Jersey	
THOMAS R. CARPER, Delaware	

RUSSELL SULLIVAN, *Staff Director*

KOLAN DAVIS, *Republican Staff Director and Chief Counsel*

CONTENTS

OPENING STATEMENTS

	Page
Baucus, Hon. Max, a U.S. Senator from Montana, chairman, Committee on Finance	1
Grassley, Hon. Chuck, a U.S. Senator from Iowa	3
Conrad, Hon. Kent, a U.S. Senator from North Dakota	4

ADMINISTRATION NOMINEES

Corr, William V., nominated to be Deputy Secretary, Department of Health and Human Services, Washington, DC	5
Marantis, Demetrios J., nominated to be a Deputy U.S. Trade Representative with the rank of Ambassador, Washington, DC	7
Krueger, Alan B., nominated to be Assistant Secretary for Economic Policy, Department of the Treasury, Washington, DC	8

ALPHABETICAL LISTING AND APPENDIX MATERIAL

Baucus, Hon. Max:	
Opening statement	1
Prepared statement	29
Conrad, Hon. Kent:	
Opening statement	4
Corr, William V.:	
Testimony	5
Prepared statement	32
Biographical information	34
Responses to questions from committee members	44
Grassley, Hon. Chuck:	
Opening statement	3
Prepared statement	58
Krueger, Alan B.:	
Testimony	8
Prepared statement	60
Biographical information	63
Responses to questions from committee members	71
Lautenberg, Hon. Frank R.:	
Prepared statement	85
Marantis, Demetrios J.:	
Testimony	7
Prepared statement	86
Biographical information	88
Responses to questions from committee members	97

**NOMINATIONS OF WILLIAM V. CORR,
TO BE DEPUTY SECRETARY, DEPARTMENT
OF HEALTH AND HUMAN SERVICES;
DEMETRIOS J. MARANTIS, TO BE A DEPUTY
U.S. TRADE REPRESENTATIVE WITH THE
RANK OF AMBASSADOR; AND ALAN B.
KRUEGER, TO BE ASSISTANT
SECRETARY FOR ECONOMIC POLICY,
DEPARTMENT OF THE TREASURY**

THURSDAY, APRIL 30, 2009

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

The hearing was convened, pursuant to notice, at 10:11 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senators Conrad, Wyden, Nelson, Grassley, Hatch, and Enzi.

Also present: Democratic Staff: Bill Dauster, Deputy Staff Director and General Counsel; Liz Fowler, Senior Counsel to the Chairman and Chief Health Counsel; Kathy Koch, Chief Tax Counsel; Ayesha Khanna, International Trade Counsel; Amber Cottle, International Trade Counsel; Janis Lazda, Trade and Economics Advisor; Darci Vetter, International Trade Advisor; Chelsea Thomas, Professional Staff; Diedra Henry-Spires, Professional Staff; and Mary Baker, Detailee. Republican Staff: Stephen Schaefer, Chief International Trade Counsel; David Ross, International Trade Counsel; David Johanson, International Trade Counsel; Michael Park, Health Policy Counsel; Susan Walden, Health Policy Advisor; Kevin Courtois, Health Staff Assistant; and Nick Wyatt, Tax Staff Assistant.

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

The CHAIRMAN. The hearing will come to order.

Theodore Roosevelt said, "Far and away, the best prize that life offers is a chance to work hard at work worth doing."

Congratulations to all three of you, for you have won the best prize. You have all been nominated by the President to work very hard, doing incredibly worthwhile things. You will be serving and leading not only the agencies to which you have been nominated,

but the United States of America. The President thinks that you are all up to the challenge, and I agree.

Mr. Corr, you have dedicated 35 years to health care policy. You have spent a lifetime preparing for the job. You started at the Tennessee Department of Public Health in 1972. You put in many years of hard work on several subcommittees in both the House and Senate. You worked as Chief of Staff for HHS Secretary Shalala. You worked as Chief Counsel and Policy Director for Leader Daschle, and you headed the Campaign for Tobacco-Free Kids. Mr. Corr, your prize for this hard work is more hard work. [Laughter.]

As Deputy Secretary of Health and Human Services, you will help lead the administration in the monumental task of health care reform. We clearly need a health care system that meets all of our needs. We need a high-performing health care system that guarantees all Americans affordable quality coverage no matter their age, health status, or medical history.

Health care reform will help to stabilize our economy, and it will help to make sure that we are prepared to handle our long-term fiscal challenges. The path to economic recovery is through health care reform. The President stated that, as has Peter Orszag, and as has almost everybody else who has paid some attention to this issue.

In the coming weeks, the Finance Committee will continue to hold health care reform roundtables and walk-throughs to discuss policy options. By June, we will be ready for a Finance Committee mark-up. We will be working in good faith. We are making good progress, but Congress cannot do this work alone. Earlier this week we confirmed Secretary Sebelius to head HHS. She will need a strong team at HHS to help pass comprehensive health reform.

Then there is the work of maintaining the operations of this vital department. We will need proven managers at HHS. We need an assessment of the adequacy of the resources at HHS top to bottom, and we will also need to reauthorize the TANF program this year. The challenges before you will be great. You, and we, will have to work very hard to accomplish these tasks, but I can think of little that could be more worthwhile than to accomplish them.

Mr. Marantis, you have a wealth of experience in international trade. As a lawyer at USTR, you gained hands-on experience enforcing our international trade agreements. As my Chief International Trade Counsel, you advised me, and many members of this committee and Congress, on U.S. trade policy for the past several years. I must say, I cannot think of anybody who gave us better advice.

You know well that Montana's and America's workers are my top priority, and you have worked hard to look out for America's workers as we compete in the international marketplace. You have dedicated yourself to public service. You have worked extremely hard to ensure that Congress finds the right balance on international trade. Your prize for all this hard work is more hard work.

As Deputy U.S. Trade Representative, you will be responsible for helping this administration find the right balance on trade policy, and in so doing you will help America retain its economic strength in the global economy.

This is a vital task, and I can think of no better person for this job. Demetrios, I could go on and on and on about how good you are at your work. I know it, my whole staff knows it, everybody you have worked with knows it: you are aces. But I do not want this to turn into a filibuster, nor do I want to embarrass you any more than you probably already are. Suffice it to say, I will look forward to continuing to work with you in your new role, and that is going to be a great job you have, and it is going to be just terrific and a lot of fun working with you in this new capacity.

Professor Krueger, you dedicated your career to the study of economics. More importantly, you have focused your work and study on the economics of labor markets and the workers who are the very backbone of America's economy. No matter what economic policy this administration makes, America's workers will feel it. You know that, I know that, and we must never forget it. Your prize for all this hard work is more hard work.

Professor Krueger, in your papers, research, and writings you have shown that you are not afraid to shake things up. You say what you think. You have used your research to question other people's findings; sometimes you have questioned your own. You have shown you are not afraid of new ideas. So I say, take that ingenuity and creativity with you to this new position, and I know you will.

Our country is in difficult times, and the President has called upon all of you to help lead. With your guidance, I am sure that America will emerge stronger than before. So I encourage you, all of you, to seize this opportunity. I encourage you to work hard at the worthwhile tasks that you have been given, and I hope that you can thereby help to ensure that we all receive the prize of a better tomorrow.

Senator Grassley?

**OPENING STATEMENT OF HON. CHUCK GRASSLEY,
A U.S. SENATOR FROM IOWA**

Senator GRASSLEY. Mr. Chairman, I am not going to give up my time, but I want to put a statement in the record and speak off the cuff to our three nominees.

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

Senator GRASSLEY. I want to start with the three or four words you just used about Mr. Krueger, that he shakes things up. I believe in congressional oversight, and each one of you three people has been involved in one way or another with powerful members of Congress who have also been involved in oversight. I spend a great deal of time on oversight.

I am glad to have each of you before us today with the experience that you have in oversight, particularly you, Mr. Corr, because where you come from, your former boss has quite a reputation for doing oversight. I hope it is as vigorous in Democratic administrations as it is in Republican administrations. I hope I have a reputation for doing it evenly, whether you have Republicans or Democrats.

So, my pleading to all of you would be, since you know all about the congressional responsibility of oversight—you probably know

we probably do not do enough of it, but those of us who do do it, I hope that I can plead with you in understanding that, when we write letters, that we get answers to our letters.

And more so than just getting answers to our letters, that we get it answered right the first time. I think, with the frustration you would have had with previous administrations, you would appreciate those of us who want to do oversight, want answers, and those of us who believe that the public's business ought to be public, that there should not be anything to hide.

In some of these departments in the Bush administration, I did not get the cooperation that I should have had. I thought it was disrespectful of a Republican Senator, but it is disrespectful of any Senator of any party, of any administration, of either party, when we do not get that proper response, just doing our job, you know.

So I would plead with you, since you have had experience of maybe not getting responses right away, that you would help us get our answers quicker, faster, and more accurately without pulling teeth, and with the understanding that the public's business ought to be public. Sometimes congressional oversight is part of that process. In that way, I hope you never retaliate against any whistleblower because you know, in your work particularly, Mr. Corr, that whistleblowing is a source of information that is very important.

So, I hope you are in a position not only to cooperate with them, but also to protect them when they are needlessly harmed, because they are ruined professionally, you know. We should not ruin anybody's profession just because they are trying to be patriotic Americans and reporting what is wrong.

Thank you all very much. I look forward to working with you. More importantly, congratulations on each of your appointments.

The CHAIRMAN. Well, thank you, Senator.

I might say to all of you that what Senator Grassley said is really true, and we back each other up. That is, when Senator Grassley sometimes asks an agency for information and does not get it, I help him, and vice versa. There have been times—although one might, today, wonder—when the Republican party has been in the majority and in that case, when I made a request, he has backed me up, and vice versa. So, we are a team. We are not tyrannical about it, but we are also very forthright about it too, and I know you will respond in kind.

Today's panel begins with you, Mr. Corr. The Senator from North Dakota has asked to introduce you.

**OPENING STATEMENT OF HON. KENT CONRAD,
A U.S. SENATOR FROM NORTH DAKOTA**

Senator CONRAD. Mr. Chairman, Senator Grassley, Senator Enzi, it is my honor to introduce William Corr as President Obama's nominee to be the Deputy Secretary for Health and Human Services. He does not really need an introduction around here because Bill has been an important part of the health scene in Washington for more than 30 years. I will not repeat all of his positions; Senator Baucus has already done that.

But I think all of us remember well his service as Chief Counsel and Policy Director for Leader Daschle. That is the role in which

I knew him and worked with him the most. I just want to say that the most important thing about Bill Corr is that he is an outstanding person.

He is honest, he is hardworking, he is a straight shooter, and he treats people—even the people with whom he disagrees—with respect, and we need a lot more of that in Washington. So I could not be more pleased than to introduce Bill Corr and to welcome him and ask this committee to pass on his nomination quickly and in a favorable manner.

We are very fortunate in this country to have people of his quality and his character who are willing to take on positions in public service. I thank the members.

The CHAIRMAN. Thank you, Senator, very much.

Next, after Mr. Corr, we will have, obviously, Demetrios Marantitis, who has been the Chief International Trade Counsel of this committee, and has been nominated to be a Deputy U.S. Trade Representative. Next, Alan Krueger, nominated to be Assistant Secretary of the Treasury for Economic Policy.

Thank you all three for coming. Our usual practice is to put your prepared statements in the record, and we will do that and would encourage you to summarize your statements.

But before we proceed, Mr. Corr, there is an opportunity now for you to introduce your family here.

Mr. CORR. Thank you so much, Senator Baucus, and for your opening comments, and Senator Grassley, for yours. Senator Conrad, thank you so much for that very gracious introduction. Senator Enzi, it is a pleasure to see you again.

You all know well that, in positions like the one I am about to enter into, if you do not have the support of your family, they are very hard to do. It is with enormous gratitude that I would like to introduce my wife, Susan Steinmetz, and my daughter, Allison Corr, who actually happens to work on the House side these days. And our second daughter, Leah Corr, is at the University of Virginia taking an exam at this moment.

The CHAIRMAN. Well, good luck. I hope she does well.

Mr. CORR. Thank you, sir.

The CHAIRMAN. What is the course? What is she taking?

Mr. CORR. She is a psychology major, and she is taking social psychology as the exam today, and three or four more to follow. I think we all remember those days.

The CHAIRMAN. Yes, we do.

Mr. CORR. Not very pleasantly.

May I proceed?

The CHAIRMAN. Yes. Why don't you all stand up, family, so we can show our appreciation? Your whole family. All right. Good. [Applause.]

Mr. CORR. May I proceed with a few other quick remarks?

The CHAIRMAN. Absolutely.

STATEMENT OF WILLIAM V. CORR, NOMINATED TO BE DEPUTY SECRETARY, DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC

Mr. CORR. I wanted to acknowledge the enormous importance of the mission of the Department of Health and Human Services and

the career employees who work there. The mission is of critical importance to our Nation, and it inspires public service. The mission is to protect the health of all Americans and provide essential human services, especially for those who are least able to help themselves.

The more than 65,000 employees at HHS work every day to help deliver health care, to support children and families, and to protect public health. Their work touches on virtually every American. It is with enormous pride that I return to that department and to the men and women of the department who work so hard on behalf of our country. It is a deep honor to be nominated by the President and to have the opportunity to work with Secretary Sebelius as she leads the department in its critical mission.

I wanted to just point out a few things about my past, because I think they are very relevant to the committee. Having worked in the Appalachian Mountains of eastern Tennessee setting up primary health care centers, community health care centers, I learned firsthand what it means to try to deliver care in a rural area. I also learned how important it is that we prevent disease rather than have to treat it.

In my work in the Congress, I have learned how valuable it is for the department to maintain a strong and productive working relationship with the Congress. Senator Grassley, I can assure you that we will be doing that with you in your oversight responsibilities.

If confirmed, I certainly will be returning to the department with an enormous level of energy and excitement about the opportunity to work with the 10 very important agencies. HHS is a huge department, ranging from the Administration on Children and Families to the NIH to the Indian Health Service. It is a place of very dedicated individuals.

I have returned at this time when it is so important, with health care reform being one of the major issues before the Congress, for the department to provide support, technical assistance to the committee, and to other committees on the Hill so that you can undertake this monumental task.

If confirmed, I certainly look forward to working closely with the committee and others in the Congress to ensure that health reform is implemented quickly, effectively, and consistent with congressional intent. Given the enormous other responsibilities beyond health reform for this department, including now this crisis involving H1N1 flu, the department, if I am confirmed, will do everything in its power to work closely with the committee as it undertakes these major responsibilities.

In closing, if I might say, I truly believe in the ability of the Department of Health and Human Services to make this country healthier and safer for all Americans, and I am deeply honored to have the opportunity, if confirmed, to carry out its mission.

Thank you so much, Senator Baucus. And Senator Conrad, again, thank you for your very gracious introduction.

The CHAIRMAN. Well, thank you, Mr. Corr, very much.

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

The CHAIRMAN. Mr. Marantis, this is the opportunity now for you to introduce your family.

Mr. MARANTIS. Thank you, Senator Baucus. I am very happy that my mother and my father, Cleo and Zachary Marantis, were able to come today, as well as my sister and brother-in-law, Denise and Evan Graff.

The CHAIRMAN. Could you all please stand so we can recognize you? [Applause.]

I must say to your parents directly, what a great son you have.

Mr. MARANTIS. Thank you, Senator.

The CHAIRMAN. I know you know it, but I just want to confirm it from my perspective.

**STATEMENT OF DEMETRIOS J. MARANTIS, NOMINATED TO BE
A DEPUTY U.S. TRADE REPRESENTATIVE WITH THE RANK
OF AMBASSADOR, WASHINGTON, DC**

Mr. MARANTIS. Thank you, Senator Baucus, Senator Grassley, and members of the committee. I am humbled to sit before you today as you consider my nomination to be Deputy U.S. Trade Representative. I am deeply honored to have been nominated for the post.

I have spent the past 4 years on the other side of the committee's dais on Senator Baucus's Finance Committee staff. Chairman Baucus, thank you for the opportunity to serve you, this committee, and the people of Montana. Thank you, Senator Grassley, for the kindness and support you have shown me over the years. The relationship between the two of you is an example of the fairness, trust, and honesty that I hope to replicate throughout my career.

I would also like to thank my family here who came today, as well as those who are here with me in spirit. I would also like to thank the staff—the wonderful staff—of the Senate Finance Committee, whom I have worked with for the past 4 years and have made this job really special.

Sitting today at this witness table, I know that the position for which I have been nominated promises to be the greatest challenge of my career. I do not take that challenge lightly. I approach it with humility and dedication. I also approach that challenge with 15 years of experience gained from working in international trade in the public, private, and nonprofit sectors.

Yet, what I have done in my career is not as important as the lessons I have learned. I have learned that good trade policy requires the courage to pursue the tough negotiations that yield the biggest benefits for America's economy, as well as the courage to walk away from the deal that just is not good enough. Good trade policy also requires the creativity to find new tools to enforce our current agreements so that our country's farmers, ranchers, manufacturers, and small businesses can benefit from trade.

Good trade policy also requires inclusiveness, consulting with all stakeholders even if we do not ultimately agree. I have learned that good trade policy requires the tenacity to doggedly pursue unscientific non-tariff barriers in the agricultural sector, as well as unfair subsidies that undermine America's manufacturers.

Good trade policy also requires the vision and optimism to realize that small trade agreements and sectoral deals can grow into a bigger regional or global opportunity for our country's exporters. My experience has taught me that good trade policy can work to the

benefit of the poorest countries around the world, as well as to the world's economic heavyweights.

Yet, the most important lesson I have learned comes from my past 4-plus years working on the Senate Finance Committee. That lesson is that good trade policy is simply not possible without your support and without the support of your colleagues in Congress. That support depends on recognizing that this administration's trade policy directly affects the workers, farmers, and ranchers in each of your States and across America.

I do not pretend that winning your support for this administration's trade policies will be easy; the issues this committee faces never are. But I have watched all of you, under the leadership of Senators Baucus and Grassley, try to form one product out of so many different voices. Sometimes it works and sometimes it does not, but what you have taught me is that we cannot hope to make progress on any one issue, no matter how easy or how controversial, if we do not try to work through our differences together.

It is these lessons that I hope to take with me to the job of Deputy U.S. Trade Representative. If I am confirmed, I will apply these lessons and build upon them. I will use them to find a way to manage our existing challenges, whether it is our trade and economic relationship with China or the issues associated with our trade agreement with Korea.

I also pledge to use these lessons to work toward new opportunities, including reform of our trade preference programs for the developing world and tackling the trade and competitiveness issues associated with climate change. These challenges occur in a time of profound skepticism in international trade and in an environment of historic economic uncertainty and instability. Meeting these challenges is a daunting prospect, but America thrives in adversity when we all work together. As history tells us, America's trade policy thrives when we approach it as a common, bipartisan endeavor between the Congress and the administration.

Thank you for considering me for the position of Deputy U.S. Trade Representative.

The CHAIRMAN. Thank you, Demetrios, very, very much.

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

The CHAIRMAN. Mr. Krueger, and your family?

Mr. KRUEGER. Thank you. Let me introduce my parents, Rhoda and Norman Krueger, and our daughter Sydney and my wife Lisa. Our son is currently attending classes at Princeton University, so he cannot be with us. [Applause.]

The CHAIRMAN. You may never see your son or your husband again because he will be working so hard. [Laughter.]

Mr. KRUEGER. I think my son appreciates that, that I am no longer around campus. [Laughter.]

STATEMENT OF ALAN B. KRUEGER, NOMINATED TO BE ASSISTANT SECRETARY FOR ECONOMIC POLICY, U.S. DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Mr. KRUEGER. Chairman Baucus, Ranking Member Grassley, Senators Conrad, Hatch, and Enzi, I thank you and your staff for the work that you have done in considering my nomination, and I

am honored to be here today. I am grateful to President Obama and Secretary Geithner for asking me to serve at the Treasury Department at this critical moment for our Nation's economy. I am also deeply grateful to my wife Lisa and to our children, Ben and Sydney, for their support and their willingness to allow me to return to working in the government.

My family has a tradition of public service. My mother worked as a first grade teacher in East Orange, NJ, and my father had a long career as a certified public accountant and as an Army veteran. My wife is a math teacher in our local public high school from which our son graduated and which our daughter currently attends. I have been very fortunate to work as a professor of economics and public policy at Princeton University for the last 22 years.

My teaching has primarily been in the area of labor economics, statistics, and public finance. I take great pride in the fact that one of the students in the very first undergraduate class I taught is now a Cabinet Secretary, OMB Director Peter Orszag.

I have conducted research on a range of topics, from unemployment and social insurance to terrorism and time use, from bond markets to labor markets, and from the economics of education to the economics of Super Bowl tickets. I have tried not to be tied to a particular doctrine of economic thought in my work and instead have sought to develop the best evidence possible to test theories of economic behavior.

I took a public service leave from Princeton and served as Chief Economist of the U.S. Department of Labor in the mid-1990s. After returning to academia, I distilled three important lessons from my experience in the government that influenced my outlook today. First, although as Senator Baucus mentioned, my main specialty is the labor market, a sound financial system is essential for economic prosperity, stability, and job growth.

Second, it is essential for the public to be well-informed about economics and finance. In this regard I have written regularly for the public on economics, I have prepared a textbook for high school students on economics and personal finance, and I have also served as Chief Economist for the Council on Economic Education.

Third, in the long run our prosperity depends, first and foremost, on our human capital. Human capital, defined as the skills and abilities possessed by the workforce, accounts for the largest share of our national income. I am humbled and honored to have the possibility of serving the Nation, should I be confirmed. If you and your colleagues in the Senate give me the opportunity to serve as Assistant Secretary for Economic Policy at the Treasury Department, I promise to apply my human capital to the best of my ability to justify your trust and confidence.

Thank you very much.

The CHAIRMAN. Thank you, Professor. You confirmed one of my theories, which is: you show me an achiever, and you clearly are one, and I will show you that there is a higher probability that one of his parents was a teacher. I have always suspected that, and you just confirmed it.

Mr. KRUEGER. And you made her day. [Laughter.]

The CHAIRMAN. And you are making hers, clearly. [Laughter.]

All right. I have standard questions I have to ask each of the three nominees, and I will ask them of all of you.

First, 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?

Mr. CORR?

Mr. CORR. No.

Mr. MARANTIS. No.

Mr. KRUEGER. 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?

Mr. CORR. None.

Mr. MARANTIS. No, sir.

Mr. KRUEGER. No, I do not.

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 you are confirmed?

Mr. CORR. Yes, I do.

The CHAIRMAN. Great.

Mr. MARANTIS. Yes.

Mr. KRUEGER. Yes, I do.

The CHAIRMAN. Thank you. All right.

I will start with you, Mr. Corr. As we pursue meaningful health care reform this year—and that is a tremendous opportunity we all have, to put in place a transformative, game-changing new paradigm in health care policy, one that addresses quality in America, one that allows for coverage so all Americans have health insurance, and one that begins to control the increase in costs in this country.

It is critical that you, among many others—especially you at HHS, the Secretary, you, the administrator, and so forth—rejuvenate CMS and HHS in a very creative way so that the agency, the department, feels that it is all on the same team. That is, there are some here who think that HHS sometimes is sclerotic, it is just hidebound, not very creative, a crank-turning bunch of folks there, just not very thinking. We cannot have that. Without getting into whether it is true or not, we just cannot have it.

I just very, very strongly urge you to do all you possibly can to help address the morale—not that it is bad, but boost morale—at the department in the relevant agencies so that we can implement meaningful health care reform. I would like you just to comment on that.

Mr. CORR. Certainly, Senator Baucus. Thank you for that opportunity. It is a matter of morale. It is also a matter of vision. I think the administration, starting with the President, has laid out a vision for health reform. You, and this committee, have laid out a vision for health reform. We are entering a time when it is absolutely critical, as you say, that CMS employees and others throughout the department build upon that vision.

There are many things that we have learned that need to be applied. We have learned that there are ways that we can, through

payment reform, improve outcome, we can improve quality. We have the opportunity, because of the resources that Congress has provided, to improve health information technology. We have resources through the Recovery Act to expand our workforce and to focus more on prevention.

All of those need to also be realized in the way CMS operates. There are opportunities outside of new legislation for Medicare and Medicaid to move forward with the same vision that is being articulated by you and others now for health reform. I know Secretary Sebelius feels that way, and she is going to be looking for a very visionary and aggressive CMS administrator and for others to fill the key positions in CMS. I hope that it will not be very long before you will be saying to us, you are now doing what CMS needs to be doing.

The CHAIRMAN. Well, I appreciate that. Not to be argumentative, but there are some very, very thoughtful people in health care who really seriously wonder whether CMS is up to the job. They think it is even arguable whether it does a decent job in implementing, and it is not up to the task of designing the new reforms that we have in mind. That has not been their job and they are not, therefore, staffed up in that regard.

Some suggest we need another sort of outfit alongside of CMS to do the design work, for payment reform, say, and reimbursement reform, and the bundling, and medical home concepts that we are talking about here, the Accountable Care Organizations, et cetera. Others say, well, no, we will just bolt on a new division of CMS. But there is very, very deep concern whether, in fact, despite the good intentions, CMS is really up to it. So comment a little further on what you think—we have the vision in the legislation we are proposing. The vision is clearly there. The next question is, is the agency there?

Let me ask the same question a little bit differently. Presidents come and go. Members of the Senate come and go—maybe a little less so. [Laughter.]

Senator GRASSLEY. Or change parties.

The CHAIRMAN. God willing. God willing. [Laughter.]

But the bureaucracy is always there, and they know it. They can hunker down. They can weather the storm. "This, too, shall pass." That is the attitude in a lot of the bureaucracy in the country. Not just HHS, but it is all agencies. It takes a super-human special effort to really create a contagious booster. The thought I had was, maybe the President can do it. Maybe the President himself could personally go to HHS. Maybe the President himself, personally, could go to CMS and just spend some time there. His positive, upbeat attitude is very contagious, as is his sense of hope and promise. There is a terrific opportunity here. I just urge you to try to think of ways that are unconventional to boost morale.

Mr. CORR. Senator, if I may say, it begins also with leadership. I think that Secretary Sebelius intends to bring in outstanding leaders to the department, to CMS. There is a great deal of leadership being provided by people all around the country. You have had many of them testify before the committee during your roundtable discussions.

So, Secretary Sebelius certainly intends to bring in outstanding leadership to provide vision for those people and to move the bureaucracy in a way that it takes full advantage of the expertise that does exist at the career level that needs to be unleashed and directed in ways that are imaginative and productive for the American people. I hope, within several months, when you make that assessment again, that you will be able to say different things about the directions that CMS is moving in.

The CHAIRMAN. Thank you very much. I appreciate that.
Senator Grassley?

Senator GRASSLEY. Yes. Following up on what he said, and let me say it this way: when you are in the position you are going to be in, you can make things change, because with a bureaucracy you are either going to lead or you are going to be led. Do not let them lead you!

The culture of bureaucracy, Republican or Democrat, remains the same. You have to have somebody change the culture. You three people, at least in your areas, you are the type of people who can do it. I would encourage you to do it.

I want to ask Mr. Corr, I am not going to go into the background of the False Claims Act. I think you know all about that, and so my questions are about that.

Let me ask four questions right in a row, because I think they are simple enough. I want to get on to some trade stuff.

Will you work cooperatively with the Attorney General and the Department of Justice to vigorously enforce the False Claims Act?

Two, will you oppose efforts by industry groups, including the health care industry, to weaken the False Claims Act and the qui tam provisions that are a part of it?

Three, would you agree to promote a close working relationship between qui tam relators—this is kind of sometimes a whistleblower in things we talk about—and the Department of Health and Human Services for the purposes of reducing fraud, waste, and abuse in Federal health care programs?

Lastly—well, let us answer those three questions because the last one might—

Mr. CORR. The answer is “yes” to all of them, Senator.

Senator GRASSLEY. Thank you very much.

This is about something you probably cannot answer right now until you read the bill, but would you work cooperatively with me to ensure that a bill I introduced earlier this year to restore the original intent of the False Claims Act is reviewed and commented on by the department in a timely manner?

Mr. CORR. Absolutely.

Senator GRASSLEY. And with constructive input?

Mr. CORR. Absolutely.

Senator GRASSLEY. All right.

Mr. Marantis, thank you for what you have done for us for a long period of time in your close working relationship with Republican staff members, or maybe Finance Committee staff members, because there is not a whole lot of difference between Republican and Democrat staff members when it comes to the issue of cooperation. It might be a little bit different in philosophy, but a commitment

to get to the end. You have helped that along. Thank you very much.

We have had a drop of the Gross Domestic Product by 6.1 percent reported yesterday, led by a 30-percent decline in U.S. exports. So I guess I am kind of pleading with us as we are in a recession here, and you are part of an administration that is fighting to get this recession over, one disappointment I would have is that I have not seen, with the importance of trade in creating jobs in America, more action to utilize trade to sustain and expand the number of good-paying jobs we have in America. I have seen movement on Panama, but not quite enough movement yet on Colombia and Korea. So, that is one point I want to make before you comment.

Second, you have made quite a commitment to engaging this committee on a bipartisan basis to advance a positive trade agenda. We have heard a similar commitment from Ambassador Kirk when he was before the committee. But that commitment has to translate into action. You are in a position to make that translate into action.

So, since the President has offered to move ahead on the Panama treaty, and I understand that they are consulting closely with at least one Democratic member of Congress on steps to be taken, but so far I have not heard that Ambassador Kirk is communicating with Republicans. I know that maybe we can be taken for granted, but I hope we will not be taken for granted, because we get the same pressures of protectionism that everybody else gets. It is going to take a bipartisan effort to get this done.

Then, third, I appreciate your commitment to enforcing trade agreements. I think that is very important. Just yesterday I had representatives from an Iowa company visiting my office to discuss a case they filed under section 337 of the trade laws. Apparently a Chinese company has stolen its trade secrets and is trying to sell products in the United States based on those secrets. So we need vigilant enforcement of these trade laws. We cannot hesitate to take action with the WTO for a level playing field.

So my first question is, do you agree with what I have said about enforcing trade laws?

Mr. MARANTIS. Senator, thank you. Absolutely. Ambassador Kirk—one of his key priorities will be vigorous enforcement of U.S. trade laws, because we need to have confidence in the United States, if we are going to conclude trade agreements, that we are going to enforce them vigorously.

Senator GRASSLEY. Yes. Then the last question is, some ideas from you as you are going into this new job. I do not expect you to know exactly everything about it at this point, but how can we encourage our trading partners, including China, to live up to the commitments they have made? That probably falls in other departments other than just yours, but from your perspective.

Mr. MARANTIS. Senator, USTR has a lot of tools in its tool chest to address enforcement. It has U.S. law, it has enforcement actions in the World Trade Organization, and it has a number of bilateral engagements with countries like China. USTR needs to act on all fronts to accomplish whatever enforcement problem we find around the world. I can commit to you, Senator, that, if I am confirmed, that will be one of my highest priorities.

Senator GRASSLEY. Could I beg for one more minute?

The CHAIRMAN. Absolutely. But you do not have to beg.

Senator GRASSLEY. All right. Would you indulge me to have one? And this is for Mr. Corr. Another, I think, simple question, but I need to kind of get people on record so that we know where you stand. I have already talked about my view of oversight, so I do not need to repeat a long paragraph about that. But I intend to continue that with the same even hand in a Democratic administration as I think I have done in several Republican administrations.

To do that, I would like a commitment, if you are confirmed, that you would do something to eliminate a lot of red tape I have to go through here, and that is whether or not a ranking member can have access to information without having the chairman participate in that.

Now, this goes back to the Reagan administration, 1986, 1987. Some Assistant Attorney General someplace made a ruling that a ranking member did not have the same right to information as a chairman had, see. Chairman Baucus has always cooperated with me. I do not know once he has not, and I hope I cooperated with him when I was chairman. But I would like to have you think about answering my letters without my having to run to Chairman Baucus all the time to get your attention.

Mr. CORR. Senator Grassley, I know this is an issue that you care deeply about, and that you mentioned in your opening remarks. I just wanted to say that, because of my experience working for congressional committees, I am very respectful of the need of congressional committees to do oversight on the Department, and I know that oversight improves the Department and its programs. I certainly look forward to cooperating with you in your requests and to being as responsive as we possibly can.

Senator GRASSLEY. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Conrad?

Senator CONRAD. Thank you, Mr. Chairman.

Thanks to all three of you for being willing to serve in the public sector. I think this is really a distinguished group of nominees, and I am delighted about the quality of the people that I see being put forward by this President.

Bill, let me start with you. I have a special responsibility to my colleagues with respect to the budget. As I look at health care reform, the thing that concerns me a great deal is that we are already spending almost 18 percent of our Gross Domestic Product on health care. The trend line that we are on would take us to 37 percent of GDP for health care, and clearly that is totally unsustainable.

We are already spending twice as much as a share of our economy as anyone else. One of the fears I have—and I have expressed it to the chairman—is that in health care reform it is entirely possible that we put in a boatload of additional money and do not bend the cost curve, do not reduce costs for the longer term.

What can you tell me that would give me an assurance that we are going to avoid that fate? To me that would be the worst pos-

sible outcome, to go through health care reform and just put in more money, take it to a higher level of our GDP going for health care, and put us in a totally unsustainable position.

Mr. CORR. Senator, I suspect possibly at this stage the only thing that I could say is that my sense is that the administration and all members of Congress share the concern that you raise. One of the main reasons for doing health reform is to bring down long-term health care costs to the Nation, to make the economy more competitive. To the extent that everyone is focused on that and intent on producing that result, we have the best chance we are going to have.

I think with the level of expertise around the country and in the Congress that is being brought to bear in thinking about these issues, I suspect over the next 3 to 4 months that this will be thoroughly debated and evaluated with the intention that the reforms that are put in place will have a long-term effect of reducing overall health care costs below the cost projections that we are now on.

Senator CONRAD. Well, I appreciate that. I feel so strongly about this, that it has to be central to what we do, because our country is in a situation in which unbelievable pressure is being put on our competitive position, on our families, on our companies. When we are spending twice as much as anybody else and we are nowhere near the top in health care outcomes, something is radically wrong.

I look at the Mayo model and I compare it to UCLA. The Mayo model, they are getting the best health care outcomes and at a cost one-half as much as the UCLA model. I mean, Dartmouth tells us we are wasting 30 percent of our expenditure on health care and are not getting any improvement in health care outcomes for that expenditure. That is \$700 billion a year. Even in Washington, that is real money.

Demetrios, just very quickly, increasingly we are seeing countries manipulate their currencies for the purpose of gaining trade advantage. I have raised this issue repeatedly in the Finance Committee as we consider trade agreements. Traditionally, people tell me, well, there is nothing we can do about considering currencies. We have seen circumstances in which we negotiate an agreement, reduce tariff barriers, and then have the country devalue their currency, completely swamping the effect of the reduction in the tariff levels.

What would be your attitude with respect to considering currency valuations in trade agreements?

Mr. MARANTIS. Senator, I still have scars on my back from when this committee considered currency legislation in 2007. The greatest thing that I could say to you right now is that the Treasury Department has the lead on all issues with respect to currency policy, so you should ask my colleague sitting here. [Laughter.]

In all seriousness, though, Senator Conrad, it is an important issue. Regardless of whether it is China or any other country, when we look at our trade and economic relationship with that country and what barriers our exporters face, we need to look at the whole panoply of issues. Currency is certainly one of them, particularly when we look at our relationship with China.

Senator CONRAD. Let me just tell you, in my staff memo to me about you, this is what they said: "He is very smart, thoughtful,

and well-versed in the range of trade issues he will cover at USTR.” Demetrios, I mean, how can he beat that? [Laughter.]

Mr. MARANTIS. Thank you, Senator Conrad.

Senator CONRAD. Do I have time remaining?

The CHAIRMAN. Absolutely.

Senator CONRAD. Mr. Krueger, you are being asked to take on an extraordinarily critical position at this time. As I look at our economic circumstance, I believe one reason we got into this soup is we had an overly loose fiscal policy, massive deficits and debt, overly loose monetary policy under the control of the Fed, a dysfunctional trade policy, and an overlay of deregulation on top of it all that created the seed bed for bubbles to form. The result is, we got a housing bubble. We got much more than that. We got a commodity bubble. Wheat went to \$18 a bushel. We got an energy bubble. Oil is \$145 a bushel.

The CHAIRMAN. A barrel.

Senator CONRAD. One hundred and forty-five dollars a barrel. Yes. Thank you, Mr. Chairman.

The CHAIRMAN. You have to remember, he is from a wheat State.

Senator CONRAD. Yes. We think of everything in bushel terms in my State. [Laughter.]

The chairman’s State is not too far behind.

What is your sense of what caused this, almost a global collapse?

Mr. KRUEGER. Thank you for the question. I think economists will be asking that for years to come. My view is that there were multiple factors that caused the recession, the deep recession that we are in and the financial crisis that we are in.

I think that when we look back at this we cannot say it was just one factor. The economy has checks and balances, and there were multiple failures in those checks and balances. One factor I would emphasize is the housing market. There were many bubbles, as you mentioned. The first one to burst in a major way was the housing bubble, and that is also an enormously important market in the U.S. and around the world.

From there, there was collateral damage into other markets. There are many reasons why I think we can look at the housing market and ask, what enabled this nationwide bubble to occur? You pointed to many of them. One of the areas where the administration is looking very closely, as well as the Congress, is financial regulatory reform so that we can try to avoid having these types of problems going forward. But as I said, I do not think one gets into this type of a situation from just one cause. There are multiple areas where the economy failed.

The CHAIRMAN. I am going to have to——

Senator CONRAD. Yes. I appreciate it.

The CHAIRMAN. Good. Thank you.

Senator Enzi?

Senator ENZI. Thank you, Mr. Chairman.

I want to thank all of you for being willing to serve. You have very impressive resumes. I think that it will be a real advantage to the United States to have you in the positions you have been nominated for.

I want to ask some questions that are a bit western-oriented. I noticed that all the Senators who are here are western. I will start with Mr. Marantis.

One of the concerns that the United States has is over soda ash, which is used in baking soda, making glass, and a whole bunch of other things. The United States has a great deal of this that is completely natural. China, however, makes a synthetic one. In order to protect their market, they put a 9-percent value-added tax on it. Then they took that off for a while because they recognized that they were using a lot of energy and creating a lot of pollution making their product. Now they have decided to add it back in again.

Is there anything that you can do along those lines in your position?

Mr. MARANTIS. Senator, one of the first letters I worked on on the Finance Committee was a soda ash letter on this very issue with Senator Thomas. It has been an issue. It has been an ongoing issue. I can assure you, Senator, that if I am confirmed it is something that I will raise at the earliest opportunity with the Chinese Government.

Senator ENZI. Thank you. I hope that you can coordinate a little bit the Department of Energy and the EPA, too, on helping China realize the mistake they are making by going back into that production.

Another question that Senator Thomas would have asked you has to do with the free trade agreement that we are looking at with South Korea. I want to know what you would be willing to do to ensure that the market share of U.S. beef products was protected.

Mr. MARANTIS. Senator, this is another issue that I have worked very closely on in my time in the Senate. The U.S.-Korea Free Trade Agreement offers enormous potential benefits to the U.S. economy. There are some key concerns that we still have to address, including on beef, as well as on autos.

On beef, Senator, it is very important that this government is very vigilant with respect to sanitary and phytosanitary barriers that are not based on science. Having worked on this issue for a number of years, I can assure you that at USTR, if I am confirmed, this will be a major priority of mine.

Senator ENZI. Thank you.

Mr. CORR, as you know, I am an opponent of tobacco. I know you have worked in that area as well. Consequently, it is my understanding—it has been reported anyway—that you are not going to get a waiver to handle any tobacco issues. If that is true, and you recuse yourself, who will be handling that in your place?

Mr. CORR. Senator, under the administration's ethics guidelines I will be recused from tobacco issues, if I am confirmed as Deputy Secretary. But the Secretary spoke to the committee about this matter. I know that she will take a direct interest in how—if the Congress were to pass legislation, or short of that, in the programs that now exist within HHS, she will take a direct interest.

The 10 agencies that make up the department also have very strong leadership, so, to the extent that we are working on programs at the Centers for Disease Control, then certainly the director would be responsible. To the extent that there are new respon-

sibilities for the Food and Drug Administration, then certainly the commissioner would take on that responsibility.

But the department is large, and the Assistant Secretary for Health is a critical leader within the department, as is the Surgeon General. So I think there are a number of people who will certainly carry forward the banner that you have carried for so many years, trying to discourage tobacco use. It is the number-one cause of preventable death. If we could make progress in preventing tobacco use we could certainly contribute greatly towards Senator Conrad's concern about bending the health care cost curve a decade from now.

Senator ENZI. Absolutely. Of course, as you know, I am a little disappointed that health care wound up in reconciliation. I think that it has caused some rifts there that did not need to happen, because I think everybody so far is working on making sure that the reform happens. I want to congratulate the chairman on yesterday's walk-through on the different alternatives that were presented for solving a portion of the problem—probably the easiest one, and it took us 5 hours to get through.

Something that I was at a hearing on yesterday as well was the H1N1, which we are not referring to as swine flu because we do not want to decrease the sale of pork. That is important, and it has nothing to do with eating pork. But on the H1N1, there are different case counts coming out from different parts of government and from international authorities. Is there any way that we can ensure better coordination during this and other public health emergencies?

Mr. CORR. Senator, in terms of this one, the administration is endeavoring to have one set of numbers released each day. The Centers for Disease Control Acting Director Dr. Richard Besser, in his morning press conferences—he is having one every day between 11 and 1—at that point we are trying to release the latest numbers, both domestically and internationally, as well as other information.

We are trying to stay with those numbers all day so that the American people get one very clear picture about what is happening with H1N1. Every afternoon around 3 o'clock, Secretary Sebelius and Secretary Napolitano are holding press conferences in which we can update information.

The goal is, as you say, to have a consistent set of information that is available based on the best science, the best evidence that we have. Our experts within our government are working closely with experts from around the world and the World Health Organization. Everyone recognizes that it is critical that we speak with one voice and with one set of recommendations about what people need to do.

Senator ENZI. Thank you. I apologize for running over. I had a question for Mr. Krueger as well. I will submit that in writing. I do not want him to feel neglected, and I appreciate what he is willing to do.

[The question appears in the appendix.]

The CHAIRMAN. Thank you, Senator. You made an earlier statement about health care being in reconciliation. That is not necessarily going to be the case. In fact, it is my intention that we not use reconciliation as we take up health care reform.

Senator ENZI. I appreciate that.

The CHAIRMAN. Senator Hatch?

Senator HATCH. Well, I commend the chairman for that comment, because I think that it would be a catastrophic problem for everybody if this was made into a partisan exercise rather than a bipartisan one.

I want to welcome the three of you here today, and I have a lot of respect for each of you, as I think you know.

Mr. CORR, we have worked together a long time. I think very highly of you and of the people with whom you have worked. Now I find that this H1N1 flu breakout is disturbing, especially since a vaccine will not be available, they tell me, until October. Is there a role for Congress, perhaps through the Biomedical Advanced Research and Development Authority, to help speed up the development of this vaccine?

Mr. CORR. In terms of this vaccine, Senator, I believe that the resources are in place. The President has, as you know, asked for some additional resources. The decision about whether to go to production on a vaccine has not been made yet. The work is being done now on the type of vaccine that would be produced.

We certainly, though, have longer-term issues in terms of our advanced research and development for medical countermeasures. I know the administration is going to want to be talking with you and other members of the Congress about the resources that we need to ensure that in other emergencies, natural or otherwise, we are well prepared.

Senator HATCH. Well, that is great. I have been informed there are 91 cases in this country. We may have one in Utah as of today, and it is a matter of great concern to all of us throughout the country. There are a lot of other questions I have on that, but just know that we will be working with you.

We will have an opportunity to work together on a lot of very crucial issues, especially FDA issues. Not just FDA, but certainly that will be part of it. I look forward to working with you. I am expecting you to get your old boss, Henry Waxman, to get back into the partnership with his old partner Orrin, here. We will work with him and see what we can do on some of these very crucial issues.

Mr. CORR. Senator Hatch, may I say thank you for your question about the resources for the vaccine development. As we move through this day-to-day, we will certainly let you know if there are issues.

Senator HATCH. If you would. If you would, I would appreciate it.

Mr. Marantis, thank you for your work on this committee. We look forward to working with you at USTR. As you know, I have been an outspoken advocate for international trade. Most recently, I expressed my concern over the so-called May 10th deal. I also have strong feelings about the vigorous and aggressive enforcement of our intellectual property rights throughout the world, and I am hopeful that you will really take that on as a very, very important part of what you are doing.

I am also concerned about the message we are sending to our friends south of the border, especially Colombia, by not moving the

U.S.-Colombia Free Trade Agreement. Here we have a leader who has straightened a lot of things up down there, including the protection of labor union leaders, much more than anybody else has ever done, and we are playing around with that agreement like it is not important. I really believe that we need efficacy by good people like you on the Democrat side to get them to wake up. We can no longer play games with this type of thing in our hemisphere, with all of the problems we have.

But to ask a question, can you please give me your thoughts on what more USTR can do to better protect American intellectual property?

Mr. MARANTIS. Senator, thank you for that question. I have worked over the years with your staff on developing some thoughts on improving enforcement of IPR. It is a critical priority for Ambassador Kirk. President Obama, as well, in his trade policy report, underscored this commitment to vigorous protection and enforcement of intellectual property rights. That is going to be a key issue with all countries that I deal with in my portfolio, if I am confirmed. I look forward to working with you and members of this committee to figure out what better ways and what more we can do to protect and enforce U.S. IPR rights abroad.

Senator HATCH. Well, I am also a firm believer that U.S. labor laws should be changed in the light of day. I believe that any effort to change our domestic labor laws through international trade agreements, those efforts are wrong. We ought to have the guts to stand up and do what has to be done right here in the Congress. I am especially referencing the May 10th trade deal.

Can you provide us your assurance that you will do all you can while at USTR to ensure that there is no effort to change U.S. labor laws through our trade agreements?

Mr. MARANTIS. Senator, the May 10th agreement—the most important aspect of the May 10th agreement was the fact that it was bipartisan. Any effort to make any changes to that will have to be done on a bipartisan basis in very close cooperation with you and members of this committee.

Senator HATCH. Well, thank you.

Mr. Krueger, I do not want to ignore you. I want to really give you a rough time if I can. [Laughter.]

You have a great sense of humor. I have really enjoyed listening to you today. But when you were writing in the *New York Times* in March of 2006 about a cost versus benefit analysis of going to war in Iraq, you noted that “Credible estimation of counterfactual outcomes of alternative policies for cost-benefit comparison has been a hallmark of modern economics.”

Now, do you believe that a “credible estimation of counterfactual outcomes of alternative policies for cost-benefit comparison” should also apply to the economic agenda, including the President’s stimulus bill, TARP, and the budget? Go ahead. You can answer that.

Mr. KRUEGER. Thanks for the question, Senator. I do believe that economic analysis can help guide decisions, being an input for decisions. Of course, economics is only one factor. A hallmark of modern economics is to try to understand the impact of policies by raising the question, what would have happened in the absence of

those policies? It is an extremely different counterfactual situation to answer.

One of the points I was trying to make in that piece in the *New York Times* article that you cited was that this is the way—that economic analysis approach is an issue like the cost of war. It is only one input. There are tremendous challenges. One should not base decisions just based on this particular input, and we should be aware of the limitations.

I think, on the financial stability plan, that the financial system was facing tremendous crisis, and that the financial stability plan has been working to stabilize the financial system. It is an extremely difficult and challenging question to know what would have happened in the absence of the actions that you cited. Nonetheless, I think asking those questions helps to guide, in some respects, decisions.

The CHAIRMAN. Senator Wyden?

Senator WYDEN. Thank you.

Senator HATCH. Mr. Chairman, if I could just say, I want to congratulate and thank each of you for being willing to serve, and I intend to support each of you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Wyden?

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

I think we have three very fine nominees here, and I look forward to supporting them. I just wanted to come down for a few minutes. One of the virtues of really enjoying working with Chairman Baucus is he often gives you tough assignments.

The CHAIRMAN. Now is your chance.

Senator WYDEN. As the new chair of the Trade Subcommittee, I had a couple of questions for Mr. Marantis, whom we have all respected in his work up here. A couple of points for Bill Corr, an old, old friend from the days when I served in the House.

Let me start with you, Mr. Marantis, with respect to international trade. I think it is well understood that there are some very important trade agreements coming up. I am one who has consistently voted for market-expanding agreements. I voted for the Central American Free Trade Agreement most recently. It is very obvious that there is great opposition to a lot of these trade agreements among working-class people. There is just no doubt about it.

One of the interests I have is finding new policies that would expand the winner's circle under international trade, to show middle-class families that they are going to do more to help them get ahead. This is an area the chairman and I have worked together on over the years, almost with the idea of there being something like a trade bonus for working people.

I am not even sure you need legislation. This is something companies can do even without legislation. For example, when there is a trade agreement that is passed and there are tariff reductions, some of those funds could be shared with workers, even without any legislation. So start by telling me a little bit about your thinking with respect to ideas for expanding the winner's circle so that more middle-class workers and their families see the benefit of these trade agreements.

Mr. MARANTIS. Thanks, Senator Wyden. The United States concludes great trade agreements. They are high standard, they open markets, and they provide new export opportunities. We do not do a very good job at explaining how we should take advantage of those trade agreements.

I spent the past 4½ years working with small- and medium-sized businesses in Montana, trying to help them identify export opportunities, how to take advantage of the trade agreements that the United States concludes. We need to do a lot more of that. We need to work closely with small- and medium-sized businesses to help them, to pair them up with the resources that the Department of Commerce and other agencies have, to actually export their products.

What I have learned in my time working with small- and medium-sized businesses in Montana is that there is so much interest out there to export, but there is not a lot of information on actually how to do that well. One of the things that I really would like to do, if I am confirmed at USTR, is to try to help figure out how to help small- and medium-sized businesses take better advantage of the very high-quality trade agreements that the United States negotiates.

On the trade bonus, Senator, I know that this is an issue that you have raised before. I have heard anecdotally that companies are beginning to experiment with trade bonuses. I do not know what experience they have had, but I would actually be curious to learn what they have done and how it has been received by their workers.

Senator WYDEN. I appreciate both of those points, there is no question. The chairman and I have talked about this, that we need to do a better job of explaining, in a global economy, what trade means. I do hope that we will look at some additional steps, some practical, additional steps. I am not wedded even to whether there needs to be legislation. After the Central American Free Trade Agreement, I suggested to companies, why don't you just do it voluntarily? You are going to get a tariff reduction. Share it with your workers.

Workers have been skeptical about the agreement. They see an agreement passed in June. A few months later the company, in effect, says we all have an opportunity to get ahead as a result of a trade agreement, and here is going to be a few hundred additional dollars that are going to be part of what you see as getting ahead in an agreement, sharing the winnings. So, if you would, continue to pursue that and look at the experiments. I think you are right, some companies are interested in that.

One question for you, Mr. Corr, and it tracks something I know you have great interest in, and that is health care prevention. The department runs a number of very important preventive services. The new Secretary has a great interest in this as well. One of the concerns we are going to have in health reform is that much of the good preventive work does not even get scored as a saving.

One of the big challenges we saw yesterday, for example, in our closed session, is we have to show that we are making some savings in order to have some credibility with the American people to

talk about the start-up costs that are inevitable in any new kind of effort.

For example, I have been interested in a number of prevention efforts. I would like to have seniors who lower their blood pressure and lower their cholesterol get reduced Part B premiums. If you send that kind of message, people who are far from their senior years are going to start thinking about ways to be healthier and think about some of the preventive benefits.

What is your thinking about how the department can do more in the area of health care prevention, and particularly get to Chairman Baucus and all of us some preventive approaches that can be scored as actually generating savings?

Mr. CORR. Senator Wyden, that certainly is the goal of the people in the department now who are working on health reform. It is a challenge because we have developed actually a relatively good evidence base over the last decade or two that demonstrates that prevention makes a big difference, that it actually, for individuals, reduces health care that they need. We have a problem. Even in the field of tobacco, we have a problem within the 10-year window that CBO scores of showing significant savings.

What I could tell you today is that people in the department certainly understand—Secretary Sebelius certainly understands—this issue, and we are going to do everything we can to bring the best minds in the country together not only with the goal of trying to demonstrate savings, but also making sure that we are taking full advantage of every opportunity to prevent disease rather than treat it. If we are going to reduce the long-term cost curves below current projections, we are going to have to do a better job of preventing disease.

Senator WYDEN. My time is up. Mr. Krueger, I am going to spare you with questions, but I am going to support you.

Mr. Chairman, thank you.

Mr. KRUEGER. Thank you.

The CHAIRMAN. Thank you, Senator.

I will just finish up with this last subject, Mr. Corr. I think the health care reform that we all want to pass is in danger, is in jeopardy, if we cannot document meaningful, significant reductions in costs. We all talk about bending the cost curve. I spent a lot of time with Peter Orszag at OMB, a lot of time with Doug Elmendorf at CBO. We all have to work together to find ways to honestly get the scores that we must have if we are going to get health care reform passed. With the huge deficits this country is facing, there are many who believe that this is not the time to pass health care reform. It is just too costly.

Now, clearly we both know that the cost of inaction is much greater than the cost of action, but that is a somewhat difficult argument to make when people see health care costs perhaps going up, especially when coverage is going to be increased. I just want to underline the points that many Senators here have said, namely, we really need you to join the team at HHS, OMB, CBO, all of us, to really find ways to show honestly if reforms we are undertaking will in fact result in lower costs; otherwise, health care reform is in jeopardy.

Mr. CORR. Senator, I certainly look forward to that opportunity, if I am confirmed, and will do everything in my power to do so. I know that others in the administration share the concern and the viewpoint, and we will be doing everything we can.

The CHAIRMAN. Good. Thank you. I know you will. I just want to make it clear.

Mr. CORR. I will carry the message.

The CHAIRMAN. As I see it, that is a concern we all have to work on.

Mr. CORR. Absolutely.

The CHAIRMAN. All right.

Mr. Marantis, Panama. I believe that the administration must develop an action plan on the Panama FTA that passes this Congress, otherwise there is very deep concern whether this administration really does have a trade policy, whether it cares about trade. Clearly, we have to worry about the bearer shares issue. I think that is pretty well resolved.

But the tax information and exchange agreement issues, I guess—I do not know if Treasury is handling that more than USTR, I am not sure, but that too has to be resolved, as well as some of the labor issues that some have raised. I frankly think some of those issues that have been raised by others, while they are important, should not get in the way of passing the Panama FTA.

So, if you could just give us a little assurance that the administration is going to develop an action plan on the Panama FTA so we can get that passed, I would surely appreciate that.

Mr. MARANTIS. Senator, I believe that, as we speak, USTR is working with Panama to address the outstanding concerns that you laid out and hopes to work with Congress soon to try to figure out what the most appropriate timing is to bring that agreement before you.

The CHAIRMAN. I know you know it, but I just want to restate how important that is. I was down with the President at the Summit of the Americas down in Trinidad and spoke to President Torrijos of Panama, and frankly, spoke with our President, too, about it. I know it is on his list. I know he wants to get the Panama FTA passed this year. But we just cannot delay. We have to move very quickly. I am just urging you to send the message back that, hey, we have to get moving on this thing because that would make a big, big difference and send, I think, a very positive signal to South America and Central America, but also to the world, that, hey, we are open for business. We Americans really do care about trade. This is a no-brainer, this one. We should get this done.

Mr. MARANTIS. Thank you, Senator. Message received. I will definitely convey that back to USTR.

The CHAIRMAN. Good.

China. I have a view that, how we as Americans manage the relationship with China going forward in the next 5, 10, 15, 20, 30 years could very well determine the future of American citizens, Chinese citizens, and perhaps even other peoples in the world. But China is growing so quickly, so rapidly, it is going to be such a dominant player on down the road.

I am concerned, frankly, that all administrations tend to look too much eastward across the Atlantic rather than across the Pacific to China and Asia more broadly. That is because of our heritage. Many of us have European roots. The major networks are on the east coast, newspapers are on the east coast. I have sometimes thought that, if Washington, DC was on the west coast, not the east coast, that we would have a little bit different view of the world, because proximity is power.

I would like you to give me your thoughts about the degree to which we develop an Asian policy and a China policy, and what some of those components might be.

Mr. MARANTIS. Senator, active engagement with the Asia-Pacific region is absolutely critical for our economic future, given that region's significance economically both today and tomorrow. That region is integrating every day, and we need to be able to position our exporters and our companies—and our country, for that matter—to be able to take advantage of the competitive advantages that the Asia-Pacific region presents.

There are so many opportunities out there for us, and so much of the past 4½ years working with you and traveling to Asia with you and seeing firsthand what is happening in that region and having lived there myself for 2 years, have shown me it is a priority area. It is a priority for Ambassador Kirk, it is a priority for me. I look forward to working with this committee and getting your advice on, what is the best approach? What should we do to be most effective and to position ourselves most effectively in the region?

The CHAIRMAN. I appreciate that. I just think it is critical for our kids' and our grandkids' futures that we get this relationship right. There are so many different dimensions. Clearly trade is one of them, but there are many, many others. But I again urge you very strongly to think strategically, think ahead. Where do you want to be with respect to China 5 years from now, 10 years from now, 15 years from now, instead of just some ad hoc reactions on a sometimes even daily basis?

Mr. MARANTIS. Senator, you have often said that 90 percent of life is showing up, and we have not shown up enough in Asia. This country has not shown up enough in Asia. That is one aspect of this job that I am most excited about—helping to think about how to best position American trade policy in that region.

The CHAIRMAN. I appreciate that very, very much. I just, again, believe it is that critical.

Mr. Krueger, some of us on this committee, and Senator Enzi somewhat alluded to it—policymakers in Washington, DC sometimes think about the east coast, they think of the west coast, maybe a couple of States in between, industrial States, but tend to forget the northern high Plains States in developing policy.

Mr. Corr, you mentioned, if I remember correctly, something about rural work. But I just want to remind everybody, there is rural, and there is rural. A long time ago, who was it? Doc Bowen was HHS Secretary. In this very room, he prided himself in being a rural doctor from Indiana. I reminded him that, well, rural in Indiana is not rural in some other States in this country. In fact, I did a rough calculation. Indiana is 22 times more urban than is the State of Montana.

I am reminded when Hilary Clinton, when she was First Lady, discussing her health care reform agenda, came to Montana. She got off the airplane in Billings, MT, which happens to be our largest city. She got off the plane and right away she said, this is not rural, this is hyper-rural. This is mega-rural. I mean, it just blew her away how rural that part of the country is. For example, New Jersey's population density is about 1,000 per square mile; in my State of Montana, it is about 6. So, Mr. Krueger, I just wonder if you could tell us how much experience you have in living in, or visiting, getting a sense of, rural—really rural—America.

Mr. KRUEGER. Thank you for the question. I have traveled all over the U.S. Also, I have gone further west to China. I understand there are differences, economic differences—significant economic differences—across regions of the country, differences in the way the housing crisis is affecting different parts of the country. I certainly appreciate that economic policy needs to be sensitive to those considerations. Should I be confirmed, I would very much look forward to learning more about the issues facing rural America and working with you and the committee on those issues.

The CHAIRMAN. Have you been to Montana?

Mr. KRUEGER. I have very much wanted to go to Montana. [Laughter.] And I very much hope to have the opportunity to visit Montana, but I have not been to Montana.

The CHAIRMAN. That is a great answer. The more you want to go to Montana, the better. [Laughter.] You will love it. I mean, it is just—we are very proud of Montana.

Mr. KRUEGER. I could tell you, my former dean has a house in Montana. I tried very hard to get him to invite me to visit him.

The CHAIRMAN. And who is that?

Mr. KRUEGER. Henry Bienen, who is now president of Northwestern.

The CHAIRMAN. A lot of people from the east do have places in Montana. [Laughter.]

Mr. KRUEGER. I place Northwestern in the midwest.

The CHAIRMAN. Yes. Right. That is really interesting. Apologies to all of our friends from Texas. We Montanans like to think we are prouder of Montana than Texans are of Texas, only we are not so loud about it. [Laughter.]

Which I think somewhat captures just the pride we have in our State. You will have a great time there.

Mr. KRUEGER. I will follow up.

The CHAIRMAN. All right.

In your new job, there are an infinite number of tasks you can undertake. What is your number-one priority, or second and third priority as you organize your life in this new world?

Mr. KRUEGER. That is an excellent question. I do not come here with a particular agenda. What I have told people, told your staff, is my number-one item on my agenda is to see the economy improve. I am willing to look at lots of different ways of doing that, entertain many different options. I think at the moment, stabilizing the financial markets is absolutely critical for seeing improvement in the economy. The stimulus bill that the Congress passed is going to help increase aggregate demand. But to me the only item on my agenda at the moment is helping, should I be confirmed, the ad-

ministration to evaluate policies to see the greatest improvement in the economy, to see the economy working again for the American people.

The CHAIRMAN. Including?

Mr. KRUEGER. Including all parts of the United States, including Montana.

The CHAIRMAN. Good answer. [Laughter.]

As you do all that, I just, again, urge you to get out there and see all parts of the country.

What is the most unconventional position you have taken that you have been most proud of?

Mr. KRUEGER. I think it is probably the work I did on the minimum wage. I do not know if pride is the—and I should be clear, that some of my work has challenged the conventionally accepted views on economics.

The CHAIRMAN. Right.

Mr. KRUEGER. I did not start out intending to challenge the views in any of that work. I approached working on minimum wage and other issues as a scientific issue. We received a lot of criticism for the work. I take this criticism very seriously. I am kind of proud, I suppose, that I think the work has held up to the criticism. But there are many areas where I am proud of the research I did.

The CHAIRMAN. All right. What is one of the most unconventional positions you have taken that you are least proud of, where you really blew it?

Mr. KRUEGER. I really blew it? I can tell you the one that gets me into a lot of trouble. I did a study on the benefit of going to highly selective colleges, and there have been some previous studies which looked at the benefit of attending an elite school like Princeton, versus a less highly selective school. One of the difficulties is, it is hard to compare apples to apples. The students who apply to the more selective schools tend to have higher grades coming from high school. They might achieve more anyway.

What I did was try to match up students, together with a co-author. What we did was to try to match up students who had the same set of options, they were accepted at the same set of schools. Within that set, it did not seem to matter very much where they went to school. Even more importantly, what we found was what seemed to matter most was the schools that they applied to, whether they got in there or not.

So what I concluded from that work is, what the students bring to their higher education, the ambition and motivation they have, is extremely important. It is also important what the school puts in, but just being a selective institution is not sufficient. The school has to put resources into the student's education.

Now, you can imagine that, at Princeton University, this was not necessarily the finding that the university was expecting. Princeton is such a wonderful institution, they put a link to my study on the home page for the university, so they did not try to conceal it. But it is certainly a result that has raised a number of eyebrows.

The CHAIRMAN. Well, I must say that Princetonians are certainly proud of Princeton. When I was in law school, I lived off-campus with two fellows from Princeton. You will not believe all the Prince-

ton banners in that house and everywhere. Everything was Princeton, everywhere. I was at Stanford.

Mr. KRUEGER. I should have mentioned earlier that my family and I did live a year visiting Stanford. We lived in Woodside.

The CHAIRMAN. Woodside. Is that why your daughter is interested in going to Stanford?

Mr. KRUEGER. That is partly it.

The CHAIRMAN. I might say to your daughter, it is interesting, although this may or may not be helpful—[Laughter.]

Your father is certainly proud of Princeton. Fifty percent of the Senators at this hearing today are from Stanford, and they are all on this side of the aisle. [Laughter.]

Well, thank you all very, very much. I wish you great luck. Before I adjourn, I might tell Senators, all Senators who may have additional questions, I would ask them to submit their questions before 5 this afternoon, and I ask all of you to respond very quickly so we can get you all confirmed.

The hearing is adjourned.

[Whereupon, at 11:38 a.m., the hearing was concluded.]

A P P E N D I X

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Hearing Statement of Senator Max Baucus (D-Mont.) Regarding Nominations to Key Administration Posts

Theodore Roosevelt said: "Far and away the best prize that life offers is the chance to work hard at work worth doing."

Congratulations to all three of our nominees, for you have won the best prize.

You have all been nominated by the President to work very hard, doing incredibly worthwhile things.

You will be serving and leading not only the agencies to which you have been nominated, but the United States of America. The President thinks that you are all up to the challenge. I agree.

Mr. Corr, you have dedicated 35 years to health care policy. You have spent a lifetime preparing for the job.

You started in the Tennessee Department of public health in 1972. You put in many years of work on several subcommittees in both the House and Senate. You worked as chief of staff for HHS Secretary Shalala. You worked as chief counsel and policy director for Leader Daschle. And you headed the Campaign for Tobacco-Free Kids.

Mr. Corr, your prize for this hard work is more hard work. As Deputy Secretary of Health and Human Services, you will help lead the administration in the monumental task of health care reform.

We need a health care system that meets all of our needs. We need a high-performing health care system that guarantees all Americans affordable, quality coverage, no matter their age, health status, or medical history.

Health care reform will help to stabilize our economy. And it will help to make sure that we are prepared to handle our long-term fiscal challenges.

In the coming weeks, the Finance Committee will continue to hold health care reform roundtables and walk-throughs to discuss policy options.

By June, we'll be ready for a Finance Committee markup. We're working in good faith. And we are making good progress. But Congress cannot do this work alone.

Earlier this week, we confirmed Secretary Sebelius to head HHS. She will need a strong team at HHS to help pass comprehensive health reform.

And then there's the work of maintaining the operations of this vital Department. We'll need proven managers at HHS. We need an assessment of the adequacy of the resources at HHS, top to bottom. And we will also need to reauthorize the TANF program next year.

The challenges before you will be great. You, and we, will have to work very hard to accomplish these tasks. But I can think of little that would be more worthwhile than to accomplish them.

Mr. Marantis, you have a wealth of experience in international trade.

As a lawyer at USTR, you gained hands-on experience enforcing our international trade agreements.

And as my chief international trade counsel, you advised me — and many Members of this Committee and Congress — on U.S. trade policy for the past several years.

You know well that Montana's and America's workers are my top priority. And you've worked hard to look out for America's workers as we compete in an international marketplace.

You have dedicated yourself to public service. You've worked extremely hard to ensure that Congress finds the right balance on international trade.

Your prize for all this hard work is more hard work. As Deputy U.S. Trade Representative, you will be responsible for helping this administration to find the right balance on trade policy. And in doing so, you will help America retain its economic strength in a global economy.

This is a vital task. And I can think of no better person for this job. Demetrios, I could go on and on about how good you are at your work. But I don't want this to turn into a filibuster. Suffice it to say, I will look forward to continuing to work with you in your new role.

Professor Krueger, you dedicated your career to the study of economics.

More importantly, you have focused your work and study on the economics of labor markets — the workers who are the very backbone of America's economy. No matter what economic policy this administration makes, America's workers will feel it.

You know that. I know that. And we must never forget it.

Your prize for all this hard work is more hard work. Professor Krueger, in your papers, research, and writings, you have shown that you are not afraid to shake things up. You used your research to question other people's findings. Sometimes you questioned your own. You've shown you're not afraid of new ideas. Take that ingenuity and creativity with you to this position.

Our country is in difficult times. And the President has called upon you all to help lead. With your guidance, I am sure that America will emerge stronger than before.

So I encourage you all to seize this opportunity. I encourage you to work hard at the worthwhile tasks that you have been given. And I hope that you can thereby help to ensure that we all receive the prize of a better tomorrow.

###

**Opening Statement
Health and Human Services Deputy Secretary-Designate Bill Corr
Senate Committee on Finance**

April 30, 2009

Chairman Baucus, Senator Grassley, and members of the Committee, thank you for inviting me here today to discuss my nomination to be Deputy Secretary of the Department of Health and Human Services.

The mission of the Department of Health and Human Services is of critical importance to our nation and inspires its employees to public service. That mission is to protect the health of all Americans and provide essential human services, especially for those who are least able to help themselves. The more than 65,000 employees who serve at the Department are dedicated to fulfilling this mission. They work every day to help deliver health care to those in need, to support children and families, and to protect public health. Their work touches the life of virtually every American.

I am deeply honored that President Obama has nominated me to work with these dedicated men and women and to assist Secretary Sebelius in leading the Department on its critical mission. I believe my previous experience has prepared me to take on this important job.

My professional career has been dedicated to public service, with an extensive focus on health care delivery and public health from the community to the national level. I have worked in an impoverished region of the Appalachian Mountains in eastern Tennessee and southeastern Kentucky organizing and directing non-profit, community-built and owned primary health care centers where I learned first-hand what access to health care means in rural communities and why we must focus on preventing disease before we have to treat it.

I have worked on these and other challenging health problems on Congressional committees in both the Senate and the House of Representatives, an experience that will be invaluable as the Department strives to maintain a strong, productive working relationship with Congress.

And, if confirmed, I will be returning to a Department I know well and have served in the past. During my previous five-year tenure, I served first as Deputy Assistant Secretary for Health in the Public Health Service, and ultimately as the Department's Chief of Staff. During my time at HHS, I managed key issues and programs in the Department and its ten major agencies, and developed a keen understanding of the Department's inner workings.

I am eager to return to the Department during this historic effort to ensure that all Americans receive quality, affordable health care. As this Committee and others work to

craft comprehensive health reform legislation, I share the conviction of President Obama, Secretary Sebelius, and so many senators that health reform legislation must be completed this year. If confirmed, I will help ensure the Department provides any support and technical assistance that may help you and your colleagues as you undertake this monumental task.

While the key components of health reform legislation are still to be determined, I expect that the Department of Health and Human Services will have major responsibility for its implementation. If confirmed, I look forward to working closely with this Committee and others in Congress to ensure that health reform is implemented quickly, effectively, and consistent with congressional intent.

As you know, HHS has many other responsibilities that must be carried out as we work to craft and implement health reform. The Department's work includes supporting critical scientific research at the National Institutes of Health; protecting our food and medicine through the Food and Drug Administration; improving public health and combating disease at the Centers for Disease Control and Prevention; and managing a multitude of human service programs, such as Head Start and Temporary Assistance for Needy Families. And as this Committee knows well, the Department is currently working to protect or provide health coverage for over 11 million uninsured low-income American children through the Children's Health Insurance Program Reauthorization Act.

Moreover, the recent outbreak of 2009 H1N1 flu in parts of the U.S. and around the world, and HHS's ongoing work to respond to this matter, has further demonstrated just how important a role the Department plays in coordinating a national response to public health and other challenges that we may be forced to confront at a moment's notice.

These agencies, programs, and initiatives are fundamental to making our nation safer, stronger, and healthier. If confirmed, it will be my priority to ensure that this critical work continues, and that the Department meets its responsibility to be efficient and effective with taxpayer dollars.

Chairman Baucus and Senator Grassley, thank you again for the opportunity to be here today. I truly believe in the ability of the Department of Health and Human Services to make this country healthier and safer for all Americans and am honored to be nominated to carry out its mission. 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.) William V. Corr
2. Position to which nominated: Deputy Secretary, Department of Health and Human Services
3. Date of nomination: March 17, 2009
4. Address: (List current residence, office, and mailing addresses.)
home:
office:
5. Date and place of birth: July 21, 1948; Selma, Alabama
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.)
Shades Valley High School, Birmingham, Alabama, 1963 – 1966, High School Diploma, June 1966
University of Virginia, 1966 - 1967
University of Alabama, 1967 – 1968
University of Virginia, 1968 – 1970, BA, May 1970
Vanderbilt University, 1970 – 1973, JD, May 1973
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.)
1. Consultant (part-time), Tennessee Department of Public Health, Nashville, Tennessee, approximately January 1972 - May 1973.

2. Executive Director, United Health Services of Kentucky and Tennessee, Clairfield, Tennessee, February, 1974 – March, 1977.

3. Counsel, Subcommittee on Health and the Environment, U.S. House of Representatives, March 1977 – October, 1989.

4. Chief Counsel and Staff Director, Subcommittee on Antitrust, Monopolies, and Business Rights, U.S. Senate Judiciary Committee, October 1989 – October 1993.

5. Department of HHS - Chief of Staff; Counselor to the Secretary; Deputy Assistant Secretary for Health; October 1993 – March 1998.

6. Chief Counsel and Policy Director, U.S. Senate Minority Leader, March 1998 – March 2000.

7. Executive Director, Campaign for Tobacco-Free Kids, Washington, DC, March 2000 – January 2009.

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.)

Member, Board on Health Promotion and Disease Prevention, Institute of Medicine, May 2000 – December 2003

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.) – Member, Board of Directors, Center for Science in the Public Interest

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.) No offices held. Memberships are in: Temple Rodef Shalom and Chesterbrook Swim and Tennis Club.

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.

I volunteered for Senator Tom Daschle's reelection campaign in 2004, for Obama for America in 2008, and the Presidential Transition Team in 2008/2009.

- 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.

10/24/08	\$500	Democratic Congressional Campaign Committee
10/24/08	\$500	Democratic Senatorial Campaign Committee
10/6/08	\$250	Judy Feder for Congress
6/30/08	\$250	Judy Feder for Congress
3/18/08	\$250	Judy Feder for Congress
9/3/07	\$250	Judy Feder for Congress
10/27/06	\$1,000	Democratic Congressional Campaign Committee
10/17/06	\$500	Jim Webb for Senate
10/17/06	\$750	Democratic Senatorial Campaign Committee
10/13/06	\$250	Judy Feder for Congress
7/27/04	\$1,000	John Kerry for President
2/9/04	\$1,000	Tom Daschle for Senate
6/12/03	\$500	Tom Daschle for Senate
10/30/02	\$200	Paul Wellstone for Senate
10/21/02	\$500	DASHPAC (Dedicated Americans for the Senate and House PAC)
8/23/01	\$600	DASHPAC
12/29/00	\$500	DASHPAC

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.)

The William V. Corr Award for Excellence is awarded annually (since 1978) by the Tennessee Primary Care Association "for outstanding leadership resulting in health policy development or innovative implementation in the state."

U.S. Department of HHS - Secretary's Award for Distinguished Service, May 1997; FDA Commissioner's Special Citation, 1995.

Honoree, 1997, National Organization for Rare Disorders.

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

None

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.)

1. **Date:** May 20, 2008

Title: 2008 Youth Advocates of the Year Gala remarks, Champion Award - Gov Phil Bredesen

Organization: Campaign for Tobacco-Free Kids

2. **Date:** Feb 21, 2008

Title: FDA at a crossroads - Should FDA regulate the leading cause of preventable death, tobacco products?

Organization: UVA Law School

3. **Date:** October 24, 2007

Title: The Bloomberg Global Initiative to Reduce Tobacco Use

Organization: National Conference on Tobacco or Health

4. **Date:** October 24, 2007

Title: The Tobacco Companies are Racketeers - An update on the U.S. federal tobacco lawsuit-plenary session

Organization: National Conference on Tobacco or Health

5. **Date:** October 26, 2007

Title: Global Tobacco Treaty - The Case for U.S. Involvement

Organization: National Conference on Tobacco or Health

6. **Date:** August 24, 2007

Title: FDA Regulation of Tobacco: An "Essential Element" in Reducing Tobacco Use and Related Morbidity and Mortality

Organization: American Cancer Society, Board of Directors

7. **Date:** February 6, 2007

Title: Key Opportunities for Tobacco Prevention and Cessation in the U.S.

Organization: National Cancer Advisory Board

8. Date: July 14, 2006
Title: U.S. v. Philip Morris: Implications for Tobacco Control in the United States and Beyond: How Six Tobacco Control Organizations are Countering Political Interference in the DoJ Tobacco Trial
Organization: World Conference on Tobacco or Health

9. Date: June 15, 2006
Title: Tobacco Control in Indiana
Organization: Indiana Tobacco Prevention and Cessation Agency

10. Date: September 23, 2005
Title: Tobacco Control Policy: Low Socioeconomic Status Women and Girls
Organization: NCI- Robert Wood Johnson Foundation

11. Date: May 10, 2005
Title: Youth Advocates of the Year Gala
Organization: Campaign for Tobacco Free Kids

12. Date: May 2004
Title: Youth Advocates of the Year Gala
Organization: Campaign for Tobacco Free Kids

13. Date: March 29, 2004
Title: An Industry That Claims It Has Changed...
Organization: American College of Chest Physicians

14. Date: March 24, 2004
Title: Tobacco Control in the 21st Century - Sustaining Successes; Achieving New Ones
Organization: Washington State Tobacco Prevention and Control 2004 Annual Conference

15. Date: March 12, 2004
Title: Making NOISE in North Carolina
Organization: North Carolina Teen Town Meeting, Sponsored by NC Department of Health

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.) I believe I am qualified to serve as Deputy Secretary based on my 35 years of extensive experience in public health and the health care system, the Department of Health and Human Services and the Congress, and based on my management experience.

I have substantial knowledge of, and experience with, health care and public health issues from the community to the national level. After graduating from law school, I worked for four years in an impoverished region of the Appalachian Mountains (eastern Tennessee and southeastern Kentucky) organizing and directing non-profit, community-built and owned primary health care centers. I worked to create and implement an innovative delivery system to serve poor and medically underserved populations and our work resulted in Tennessee state laws being changed to permit the new approach. During my tenure on Congressional committee staff, I was responsible for developing, drafting, negotiating and advancing numerous bills covering a wide range of health care and public health issues. And, during my five-year service in the Department of HHS, I served in several positions in which I was involved in an even wider range of health and human services issues. Finally, during my eight-and-one-half years of service at the Campaign for Tobacco-Free Kids, I worked on the reduction of tobacco use, the number one cause of preventable death in our country.

I have substantial management experience in the Department of HHS. During my previous five-year tenure, I served as Chief of Staff, Counselor to the Secretary and Deputy Assistant Secretary for Health in the Public Health Service. During this service, I managed signature and other key issues in the Department and its ten major agencies. I worked closely with Secretary Shalala and Deputy Secretary Thurmon on the full range of management responsibilities across the Department. I worked with the White House on behalf of the Department, and I helped manage relationships with both Democratic and Republican-led Congresses with regard to legislative issues and oversight of the Department. My eight and one-half years of management responsibilities at the Campaign for Tobacco-Free Kids have also prepared me for the responsibilities I would have at HHS.

My eighteen years of Congressional experience with legislative and oversight committees in the House and Senate and with the Senate Leadership will enable me to ensure that the Department has a productive relationship with Congressional Committees and with Senators and Members. I was Counsel to the House Energy and Commerce Subcommittee on Health and the Environment for twelve years when it was chaired by Representative Paul Rogers and Representative Henry Waxman. I was the Staff Director and Chief Counsel for the Senate Judiciary Subcommittee on Antitrust, Monopolies and Business Rights for four years when it was chaired by Senator Howard Metzenbaum. Finally, I was Policy Director and Chief Counsel for then Senate Minority Leader Tom Daschle for two years.

In all the positions during my tenure with Congress and the Department, I have represented Congressional and Departmental interests in working with other governmental entities, with public and private organizations and with individual parties that are vitally interested in our government. This experience will enable me to ensure that the Department has a productive and appropriate relationship with these many interested parties.

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.

Yes

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 Health and Human Service'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.

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 Service'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.

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.

The mission of the Campaign for Tobacco-Free Kids and its affiliated Tobacco-Free Kids Action Fund is to reduce tobacco use and the toll it takes primarily through changing public policies at the local, state, national and international levels. The organizations conduct public education and legislative campaigns in support of public policies that are proven to reduce tobacco use and exposure to tobacco smoke. These policies include statewide tobacco prevention and cessation programs, smoke-free workplace laws, tobacco excise taxes and regulation of tobacco products and their marketing. As Executive Director, I oversaw this continuing work by the staff of the Campaign. In addition, I participated in direct communications and lobbying with the Congress, primarily around legislation to give FDA the authority to regulate tobacco products. As part of these same lobbying activities, I had two meetings with the Bush Administration at which FDA legislation was discussed, the most recent being on March 20, 2007 with the FDA Commissioner.

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 Service'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.

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.

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

**Responses to Questions for the Record From William Corr
April 30, 2009**

Grassley QFRs

MSP Qui Tam:

In the 1980s, Congress enacted the Medicare Secondary Payer (MSP) statute that was designed to protect Medicare expenditures from waste and abuse when Medicare footed the bill for services, but another insurer was supposed to pay. The MSP statute provided a right of action to either the Department of Justice or to private litigants to file suit on behalf of Medicare. This law was based largely upon the successes of other *qui tam* statutes—such as the False Claims Act—and was designed to recover monies that Medicare wrongfully paid out. However, recent court decisions have held that the MSP statute is not a *qui tam* statute for the purposes of recoveries. As a result, any monies recovered by a plaintiff are theirs to keep and not required to pay back to the U.S. Treasury. This is an inaccurate reading of the statute and creates a result contrary to the purpose of the statute.

The Department of Justice filed a brief in the Federal District Court for the Western District of North Carolina as an Intervenor defending the constitutionality of a *qui tam* provision that allows relators to file suit on behalf of the Government for misuse of patent markings (35 U.S.C § 292).

In that brief, the Justice Department expressly stated that Congress has enacted several *qui tam* provisions and expressly noted that the MSP statute (42 U.S.C. § 1395y) provided a *qui tam* cause of action for “failure to pay primary health insurance claims where Medicare is the secondary payer.” Based upon this statement, the Justice Department seems to agree that the MSP statute is a *qui tam* statute similar to those such as the False Claims Act.

- Mr. Corr, do you believe that the MSP statute is a *qui tam* statute?

I understand that the question of whether the Medicare Secondary Payer (MSP) private cause of action is a *qui tam* provision has been the subject of consideration by multiple courts in recent years, and that all courts have ruled that MSP is not a *qui tam* provision. If confirmed as Deputy Secretary, I will carefully examine the issue, and consult with the Department of Justice where appropriate.

- Will you support the use of the MSP statute and the *qui tam* mechanism in the statute to help Medicare recover monies expended when Medicare should have been the secondary payer?

As noted above, judicial precedent to date does not consider the MSP statute as containing a *qui tam* mechanism; I do not believe I am in a position to unilaterally second-guess that precedent. Having said that, as I mentioned in my answer to the previous question, if confirmed, I commit that I will carefully examine the issue in consultation with the Department of Justice.

- **Do you believe that the Government is entitled to a share of any monies recovered under the MSP statute given that the monies recovered were lost due to Medicare paying when a secondary payer should have footed the bill?**

Since the MSP statute is designed to ensure that Medicare avoids making payments that the program is not required to make and can recover payments that should have been made by primary payers, yes, I believe that the government is entitled to a share of any monies recovered under the statute. The private right of action in the MSP statute is only one of several tools Medicare can use to recover payments that should have been made by primary payers.

- **Will you ensure that the goals of the MSP statute are not harmed by any regulations issued by the Department of Health and Human Services regarding secondary payer issues?**

I support the stated goal of the MSP statute—to ensure that Medicare avoids making payments that the program is not required to make and can recover payments that should have been made by primary payers. If confirmed, I will work to uphold that goal.

Sentinel Initiative

As part of the Sentinel Initiative, I understand that a joint effort is underway between CMS and FDA to link Medicare Part D claims data to other sources of data to expand the quality and quantity of information available to help ensure the safety and effectiveness of drugs on the market. In January, Chairman Baucus and I along with Senator Kennedy, Senator Gregg, and several Members of Congress sent a letter to HHS urging the Agency to fully explore the legal and public policy issues that may be associated with the use of these data sources.

- **Will you commit to ensuring the successful development and implementation of this initiative?**

Improving information for patients and providers about drug safety and effectiveness is a priority for HHS, and the Sentinel Initiative reflects that commitment. Drug safety and effectiveness have significant implications for both health outcomes and the cost of care, and more attention is needed in these areas. If confirmed, I will work with the Secretary and the leadership at CMS and FDA to further develop and refine this initiative and other related efforts. In addition, I would note that this Initiative is an excellent example of the

type of cross-agency collaboration and coordination that the Secretary hopes to foster across HHS.

Quality Improvement Organizations

Over the years, I've conducted oversight of publicly funded Quality Improvement Organizations, or "QIOs." These organizations are supposed to ensure medical care is reasonable and medically necessary, provided in the most economical setting, and meets professionally recognized standards. These organizations receive over \$300 million every year from American taxpayers. Yet it's difficult to measure what effect, if any, their existence has on medical care. Furthermore, as my investigations have uncovered, some of these organizations are plagued with waste, improper expenses, conflicts of interest, and other problems. Yet, in my experience, there is little to no oversight of these organizations by CMS. Even when problems are discovered, there are no repercussions and scopes of work are renewed as if it was a foregone conclusion.

- How will HHS ensure that CMS has appropriate oversight in place to ensure that the QIOs are accomplishing the tasks given to them, and doing so in an efficient and ethical manner?
- If confirmed, will you pledge to hold QIOs accountable when they are found to have wasted taxpayer money and failed to perform the duties and activities as outlined in their scope of work?

The Administration supports the use of Quality Improvement Organizations (QIOs) as part of the effort to improve the quality of care for Medicare beneficiaries. As you know, QIOs work with stakeholders to refine health care delivery systems to ensure that patients—particularly those who are members of underserved populations—get the care they need when they need it. QIOs also investigate complaints from beneficiaries.

If confirmed, I will work to ensure that CMS holds all Medicare contractors accountable, including the QIOs. I understand that CMS has built an information management system that is designed to improve oversight of the program and help the Agency monitor how QIOs are performing. I also understand that CMS has policies in place that address potential conflicts of interest by QIO contractors. If confirmed, I am committed to working with Congress to ensure that QIOs do the job they were intended to do efficiently and effectively, and to take appropriate action when they do not.

Nursing Homes

In America today, there are over 1.7 million elderly and disabled individuals in roughly 17,000 nursing home facilities. This number is going to grow by leaps and bounds as the baby boomer generation ages. Unfortunately, as in many areas, with

nursing homes a few bad apples often spoil the barrel. Too many Americans receive poor care, often in a subset of nursing homes. Unfortunately, this subset of chronic offenders stays in business, in many ways keeping their poor track records hidden from the public at large, and often facing little or no enforcement from the federal government. In the market for nursing home care, like in all markets, consumers must have adequate data to make informed choices. To this end, last Congress I introduced legislation requiring greater transparency regarding nursing home staffing, ownership, whether a home has been cited for deficiencies, and other measures.

- If confirmed, will you support greater transparency in the nursing home industry regarding nursing home ownership, staffing, and quality?

Yes. I know that assuring the quality of care, transparency, and accountability in nursing homes has been a top priority of yours for many years. I share your support for greater transparency in the nursing home industry, and, if confirmed, I look forward to working with you on this important issue.

- CMS recently launched the Five-Star Quality Rating System in an effort to bring about greater transparency regarding quality of care. While this is a good beginning, the system will need a lot of work to ensure that the information presented online is useful and gives the full picture about a nursing home. Will you direct CMS to work with my office and others to continue to improve this program?

As you know, CMS created the Five-Star Quality Rating System to help consumers and caregivers to more easily compare and decide between different nursing homes. If confirmed, I look forward to working with your office and others to continue to improve the quality and safety of our nursing home care through programs like this.

FDA's Foreign Inspection Program

In September 2008, the GAO reported that the FDA inspects relatively few foreign establishments each year to assess the manufacturing of drugs currently sold in this country. GAO also estimated that the FDA inspects about 8 percent of foreign establishments in a given year and that based on this rate, it would take the FDA more than 13 years to inspect these establishments once. Furthermore, for establishments that were inspected and found to be deficient, FDA's follow-up inspections were not always timely. According to the GAO, most of the foreign drug establishments to which FDA issued 15 warning letters had previously been found by the agency to be out of compliance with Good Manufacturing Practices.

Similarly, the GAO testified in May 2008 that FDA conducts relatively few inspections of foreign establishments that manufacture medical devices—about once

every 6 years for high-risk devices and about once every 27 years for medium-risk devices.

- **What steps would you take as Deputy Secretary to ensure appropriate oversight by the FDA of foreign establishments that manufacture drugs and medical devices for the U.S. market?**

If confirmed as Deputy Secretary, I look forward to working with the President and Congress to provide FDA with the resources it needs to meet its oversight responsibilities. In addition, I would work with FDA to ensure that it is using its inspectional resources wisely.

- **What, in your opinion, are important steps that the FDA should take to enhance its foreign inspection program?**

As I mentioned in my answer to the previous question, I believe FDA must use its inspectional resources wisely. Specifically, I believe it can (1) expand its efforts to apply a risk-based approach when determining where and when to conduct inspections, (2) establish, where appropriate, dedicated inspectorates for the products it regulates, and (3) work with foreign allies to more effectively use the information they gather through their own inspections to help target FDA's resources efficiently.

- **What do you believe is the Department's role in ensuring the safety of drugs and devices that enter the U.S. market?**

I believe the role of the Department generally and FDA specifically is to ensure that foreign facilities manufacture high-quality FDA-approved drugs and devices for the U.S. market.

FDA's 510(k) Review of Medical Devices

On January 15, 2009, the GAO issued a mandated report on the FDA's premarket review of medical devices. Under the Medical Device Amendments of 1976, class III device types in commercial distribution before May 28, 1976 were allowed to be cleared for marketing under FDA's less stringent 510(k) review process. Devices substantially equivalent to these device types could also be cleared through the 510(k) process. According to the FDA, class III devices are devices (1) for which insufficient information exists to assure safety and effectiveness solely through general or special controls and (2) that are life-supporting or life-sustaining, are of substantial importance in preventing the impairment of health, or present a potential, unreasonable risk of illness or injury, such as pacemakers and heart valves. The Safe Medical Devices Act of 1990 required FDA to issue regulations before Dec. 1, 1995 (1) reclassifying class III device types that were on the market before May 28, 1976 as class I or II devices or (2) requiring those device types to remain as class III. In addition, the legislation required FDA to issue regulations

requiring the submission of premarket approval (PMA) applications for the class III device types not reclassified as class I or II. The GAO found that after the passage of more than 14 years, FDA has yet to complete the tasks specified by the Safe Medical Devices Act. As a result, some high risk devices may be cleared with less stringent review by the FDA. The GAO recommended that the FDA “expeditiously take steps to issue regulations for class III device types currently allowed to enter the market via the 510(k) process.”

In April 2009, the FDA announced that it is taking steps to complete the review of these class III devices and issued an order for 25 manufacturers to submit safety and effectiveness information to the agency for their class III devices that were marketed in the U.S. prior to the Medical Device Amendments of 1976.

- What steps would you take to ensure a thorough review of the new data by the FDA?
- How will you ensure that FDA promptly identifies the devices that will require submission of premarket approval applications?

Pre-market approval applications will provide FDA the opportunity to review important data about marketed devices. I am pleased that this review, long overdue, is finally underway. I will work with the new FDA Commissioner and Principal Deputy Commissioner to ensure that FDA implements the review effectively. This is a very important process, and it is critical that FDA follow through.

FDA Oversight of Off-Label Promotion

The FDA regulates the promotion of off-label uses of drugs and devices to ensure that promotional materials are not false or misleading. But the GAO reported last year that not only does the FDA not screen all promotional materials but the agency also lacks a system that consistently tracks the receipt and review of promotional materials submitted to the FDA.

In comments to the GAO, FDA disagreed with GAO’s recommendation to establish a tracking system to facilitate a more systematic approach to FDA’s reviews of promotional materials and enhance its monitoring and surveillance efforts by providing data on materials reviewed and the findings of those reviews. What is your position on GAO’s recommendation?

As you well know, one of the key responsibilities of the FDA is to oversee the promotion of drugs and devices. Like you, I am concerned about dissemination of false or misleading promotional materials, which can lead to misinformed and misguided decisions by patients and practitioners regarding the selection and use of medical products. I am interested in hearing any ideas you and others may have about improvements to FDA’s regulation of medical product promotion. If confirmed, I will

work with the new FDA Commissioner to ensure that the agency appropriately oversees promotional materials for medical products.

- **What steps would you take as Deputy Secretary to ensure appropriate oversight of off-label promotion by the FDA?**

Off-label promotion is of concern both because it can lead to inappropriate use of prescription drugs and because it can unnecessarily drive up the cost of health care. This is an important issue for FDA, and, if confirmed, I look forward to working with a new FDA Commissioner and Principal Deputy Commissioner to review and improve the agency's current oversight efforts.

- **How will you ensure that FDA has the resources it needs to improve its oversight?**

It is critical that the FDA has the necessary resources to properly oversee the promotion of off-label uses of drugs and devices. Identifying where the agency is most in need of resources and working to improve the effectiveness and efficiency of these programs are fundamental to ensuring that the FDA is protecting the health and safety of the American public. If confirmed, I would look forward to working with you and others in Congress to ensure that the FDA has the resources it needs to achieve these goals.

Certification to the FDA

In April 2008, the Journal of the American Medical Association published troubling findings regarding the maker of the painkiller Vioxx. Based on a review of documents from recent litigation involving that drug, the authors of those articles concluded that the maker of Vioxx was not forthcoming in its communication with the FDA about the mortality risks seen in clinical trials of Vioxx conducted in patients with Alzheimer disease or cognitive impairment.

In addition, FDA has stated that companies that are legally required to register with the FDA and list all of their products in commercial distribution do not always list all products or update their listings; thus FDA does not have a complete and accurate list of products on the US market, including unapproved drugs. Without complete and accurate information, the FDA cannot take appropriate enforcement actions.

On April 23, 2009, Senator Kennedy and I introduced the Drug and Device Accountability Act of 2009 to expand the FDA's authority for ensuring the safety of drugs and medical devices in the US market, including foreign-produced drugs and devices, and augment the agency's resources through the collection of inspection fees. One of the provisions in DADAA requires senior officers in drug and device companies to certify to the FDA that none of the information and data that they

submit to the agency is false or misleading. False or misleading certifications could be subject to civil as well as criminal penalties.

- **What is your position on a certification requirement for drug and device manufacturers and their senior officers who are responsible for submitting a drug or device application or supplement, reporting a safety issue, submitting clinical trial data and submitting updated information regarding their products in commercial distribution?**

I believe FDA should have an effective enforcement mechanism to use when drug or device companies submit false or misleading information to the agency. If confirmed, I look forward to working with you, Senator Kennedy, and others to ensure the FDA has the necessary tools to address unlawful information submissions to the agency.

- **What is your position on holding the responsible senior offices criminally and/or civilly accountable for the information they provide to the FDA on behalf of a drug or device manufacturer?**

I agree with you that industry should be held accountable for submitting false or misleading information to FDA. If confirmed, I look forward to working with you, Senator Kennedy and others on any additional requirements that should be imposed on industry to ensure FDA receives truthful and non-misleading information.

Physician Payments / Sunshine

Practicing physicians receive billions of dollars every year from pharmaceutical and medical device companies. This money is passed along as consulting agreements, funding for research, and speaking fees. There're mountains of evidence to suggest that these relationships can have an effect on physician practice—on what drugs a doctor prescribes, or what device a surgeon implants. Only a few states have laws that let patients know if their doctors are taking this money. And when a doctor reads a journal article they do not know if this money may have tainted the research. Universities don't even know if their professors are taking this money which puts them in a tough spot when trying to comply with NIH regulations on conflicts of interest.

To bring some transparency to this issue, Senator Kohl and I have introduced the Physician Payments Sunshine Act, a bill that will require companies to report to the Department of Health and Human Services any financial relationships they have with physicians. The Department will then place these payments online, on an easy to read website. Physician Payment Sunshine provisions are currently being considered by the Committee as part of its efforts to transform health care delivery systems.

I believe that sunshine is the best disinfectant, and that a little bit of sunshine and transparency on these payments will go a long way to cure improper without burdening those that benefit the public and the health care system.

- **If confirmed, how would you ensure that the NIH and FDA take conflicts of interest seriously in federal grants and drug trials?**

We must ensure that the public interest is always put first. If confirmed, I will work to ensure that conflicts of interest are taken seriously by all HHS departments and agencies. However, we need to be careful not to create a situation where our scientists are discouraged from sharing information or collaborating with others, including with the private sector. I do not believe that it is in our nation's best interest to create a world where university and government scientists are completely isolated from industry scientists.

I share the President's and the Secretary's view that transparency, particularly with respect to financial and personal relationships that could potentially influence decisions made by the Department, is the key to avoiding conflicts of interest. If confirmed, I will work with Secretary Sebelius and Congress to promote such transparency, and to ensure thorough review of any and all situations where there is a real or perceived conflict of interest.

- **Do you agree that more transparency is needed in the financial relationships between practicing physicians and drug and device companies? If so, do you support federal legislation establishing this transparency?**

Secretary Sebelius and I both believe that it is essential to promote transparency in the relationship between practicing physicians and drug and device companies. If confirmed, I will commit to examining this issue more closely, and working with you and others in Congress to develop legislative solutions where appropriate.

Whistleblowers

For years, I've been an advocate of whistleblowers. Too often, federal whistleblowers sacrifice their employability, their family's finances, and even their good names in order to bring to light fraud, waste, abuse, and other wrongdoing within the federal government. In fact, I've long said that the President of the United States ought to have a Rose Garden ceremony honoring whistleblowers. What a powerful message that would send to the bureaucracy and bad apples within government.

- **What steps would you take as Deputy Secretary to ensure that whistleblowers within the FDA, NIH, CDC and other agencies are protected, and that the claims they bring to light are seriously investigated?**

The role that whistleblowers play in protecting the public interest cannot be underestimated, and Secretary Sebelius and I share a commitment to protecting these individuals. Each agency should have a clear process for investigating concerns of whistleblowers and making sure that they are not subjected to any kind of penalty or retaliation. If confirmed, I will insist that this important issue be addressed.

- **Will you advise HHS federal employees that they are free to come to Congress and discuss their concerns with Congress regarding the operation and activities of HHS? Yes or no? If not why not? If yes, when will you do that?**

I support HHS cooperation with Congressional investigations. Congress plays an important oversight role to ensure that the public interest is protected and prioritized.

If I am confirmed, I will also make it a priority for concerns about agency function to be handled appropriately by the agencies themselves in the first instance. Each agency must have a clear and credible process for listening to and investigating concerns raised by any of its employees, and each agency should make this process accessible to all of its employees. Each agency also has an OIG that can review complaints raised by anyone in the Department.

NIH Issues

Beginning last summer, I have uncovered several incidents where prominent physicians taking grants from the National Institutes of Health (NIH) failed to follow NIH policies on conflicts of interest. As reported in the New York Times on June 8, 2008, I uncovered a physician at Harvard who is receiving NIH grants but had reported only a fraction of his outside income. On October 3, 2008, the New York Times reported on a physician at Emory University who had failed to notify Emory that he was receiving large payments from a pharmaceutical company while also receiving an NIH to study that company's drug. Even before I began my investigation, the Inspector General released a report in January 2008 noting that the NIH does not track these conflicts and does not know how they are resolved.

- **Describe what you think would be an appropriate conflict of interest policy for NIH grantees.**

I know that NIH is fully committed to its oversight activities to prevent financial conflicts of interest. It is vital to the mission of NIH that it maintain objectivity in research, and the agency takes its responsibility to provide oversight of extramural investigators' conflicts of interest very seriously. NIH is at the forefront of an initiative to reexamine the existing regulation to facilitate regulatory compliance and effective oversight.

In that effort, NIH, on behalf of the Department and PHS, developed an Advanced Notice of Proposed Rulemaking (ANPRM) to create an open dialogue with all affected parties

on the complex issues surrounding financial conflicts of interest (FCOI). The ANPRM will invite public comments on the possibility of revising the FCOI regulation, and was crafted to highlight areas in the current regulation where there may be inherent weaknesses.

I support these efforts by NIH, and I agree that it is time to reexamine the current FCOI regulation. If confirmed, I look forward to exploring this and other ways to ensure that PHS-supported research is conducted in a fair and unbiased manner.

My investigations have uncovered several cases where a grantee did not report their conflicts of interest as required under the current regulations.

- **What types of penalties would you put in place for grantees who failed to report their outside income when taking NIH grants?**

It is simply unacceptable for bias to be injected into the process of awarding NIH grants, and NIH has shown that it will not tolerate it. In fact, NIH has suspended one grant at an institution because it did not comply with the requirements of the FCOI regulation. Additionally, NIH-wide special reporting requirements have been imposed to strengthen the current administrative process by which NIH identifies and then manages, reduces, or eliminates conflicting interests at a grantee institution.

It is my understanding that, when an institution fails to comply with the terms and conditions of an award and does not demonstrate compliance with the federal regulations, Departmental policy grants NIH the authority to impose a whole range of enforcement actions. The enforcement action that is ultimately taken depends on the severity and duration of the non-compliance, and NIH will undertake any such action in accordance with applicable statutes, regulations, and policies. If confirmed, I will work with the Secretary and NIH officials to ensure that the agency takes appropriate enforcement actions in these cases.

According to documents I released in a congressional hearing, Emory University concluded in 2004 that Dr. Charles Nemeroff violated their IRB policies. Further, staff with the Office for Human Research Protection (OHRP) informed my investigators that they only investigate a handful of violations each year.

- **Please provide details of how you plan to strengthen human subject research protection in clinical trials.**

It is my understanding that OHRP actually does evaluate every allegation of non-compliance that it receives. These evaluations determine whether the allegation provides credible evidence of non-compliance and whether it is within OHRP's jurisdiction. Whenever an evaluation finds that there appears to be such evidence, OHRP opens a compliance case and fully investigates.

I have been advised that the number of compliances case each year, while relatively small, reflects the number of complaints being made to OHRP. Additionally, OHRP also opens a handful of not-for-cause reviews of institutions each year.

Having said that, I believe that there is room to improve protections for research subjects. If confirmed, I will examine this issue closely and work with Secretary Sebelius to strengthen these protections.

On April 25, 2007, Senator Baucus and I released a report on industry influence on Continuing Medical Education (CME).

- **What steps will HHS take to ensure that CME is practiced in a way that is educational for doctors and free of industry bias?**

As you may know, recently enacted legislation has directed OMB's Office of Federal Procurement Policy (OFPP) to develop and implement conflict of interest acquisition guidance for all federal agencies. If confirmed, I will look forward to working with OFPP to implement policies that avoid the conflicts of interest you have described. A major component of avoiding significant conflicts is insistence on full public disclosure of all such relationships. Case-by-case review of any situation that is not completely straightforward would ensure that we manage conflicts that arise from legitimate interests, and prohibit interests that do not further the mission of HHS.

Questions have also been raised regarding conflicts of interest in outside contractors hired by HHS. In some cases, contractors were doing work for companies while also performing regulatory work for the government on the products of these same companies.

- **As Deputy Secretary of HHS, what types of policies would you put in place to ensure transparency and reporting requirements regarding outside contractors and their conflicts of interest?**

In addition, I understand that recently issued guidance requires government contractors to establish and maintain specific internal controls to detect and prevent improper conduct in connection with government contracts or subcontracts. It is the contracting officer's responsibility to validate that the contractor has established an appropriate internal control system within a designated time frame. If confirmed, I will work to ensure this guidance is implemented and enforced.

Follow-up Question to Mr. Corr on Medicare Secondary Payer:

Mr. Corr, in your answer to my written questions you stated, “all courts have ruled that MSP is not a *qui tam* provision”. While there have been court decision finding that MSP is not a *qui tam* statute, the Department of Justice has filed a brief in the U.S. District Court for the Western District of North Carolina, Charlotte Division, which contained the following footnote:

There are currently several other *qui tam* provisions in the United States Code in addition to the False Claims Act, 31 U.S.C. § 3730(b), and the patent false marking statute at issue here, 35 U.S.C. § 292. *Vermont Agency* identified several *qui tam* statutes in existence in 2000 which had been enacted prior to 1900. 529 U.S. 768 n.1 (discussing 25 U.S.C. § 201 (penalties for violation of laws protecting commercial interests of Native Americans); 18 U.S.C. § 962 (forfeitures of vessels privately armed against friendly nations); 46 U.S.C. § 723 (forfeiture of vessels taking undersea treasure from the Florida coast)). *Vermont Agency* also identified 25 U.S.C. § 81 (providing cause of action and share of recovery for contracting with Native Americans in an unlawful manner) as being on the books at the time of the decision; however, the *qui tam* provisions of that statute were repealed when Section 81 was amended with the March 14, 2000, enactment of The Indian Tribal Economic Development and Contract Encouragement Act, Pub. L. 106-179. Congress has also enacted *qui tam* statutes of more recent vintage which remain on the books. See 42 U.S.C. § 1395y (failure to pay primary health insurance claims where Medicare is the secondary payer); 26 U.S.C. § 7341 (forfeiture of sums paid for property sold to avoid tax); 17 U.S.C. § 1326 (penalty for false copyright marking). *Emphasis added.*

This filing clearly indicates that, in the view of the Department of Justice, the MSP statute is a *qui tam* statute. Further, in a recent decision in the U.S. District Court for the Eastern District of Virginia titled *Pequignot v. Solo Cup Co.*, No. 1:07cv897, 2009 WL 874488 (March 27, 2009) the District Court stated that scholarly articles have identified six elements of a *qui tam* statute. Specifically, the elements are:

- (1) The statute defines an offense against the sovereign or proscribes conduct contrary to the interests of the public;
- (2) A penalty or forfeiture is imposed for violation of the statute;
- (3) The statute permits a civil or criminal enforcement action pursued by a private party;
- (4) The private informer need not be aggrieved and may initiate the action in the absence of any distinct, personal injury arising from the challenged conduct;
- (5) A successful informer is entitled to a private benefit consisting of part or all of the penalty exacted from the defendant; and
- (6) The outcome of the private informer’s enforcement action is binding on the government.

In your responses, you stated that you “support the stated goal of the MSP statute” but that you weren’t in a position to “unilaterally second-guess” courts that have held that MSP is not a *qui tam* statute. As a matter of policy, and not second guessing the courts, please respond to the following:

- Do you believe that MSP should have a *qui tam* mechanism for the purposes of assisting Medicare recover taxpayer funds expended by Medicare when a Secondary Payer exists? Why or why not?

Answer: In reviewing your second set of questions and rereading my answers to your previous questions, I want to clarify that I really am not in a position to determine whether or not *qui tam* provisions are or aren't part of the MSP statute. To the extent that courts and the Department of Justice say that the MSP statute does contain such a provision, I would support it just as I support *qui tam* under the False Claims Act.

- Does either the position of the Justice Department arguing that the MSP statute is a *qui tam* statute and the factors outlined in *Pequignot* change your reliance upon the court decisions determining that MSP is not a *qui tam* statute? Why or why not?

Answer: Again, I am not in a position to interpret these cases. However, just as I support the *qui tam* provisions in the False Claims Act, if the MSP statute is determined by the courts or the Department of Justice to contain a similar *qui tam* mechanism, I would support such a provision.

- If confirmed, would you support efforts to ensure clarity in the MSP statute confirming the intent that it function as a *qui tam* statute? Why or why not?

Answer: As I have stated in response to other questions, I believe that *qui tam* provisions are valuable in enabling the government to ferret out fraud. To the extent that Congress or the courts clarify that the MSP statute contains a *qui tam* provision, I would support it just as I support the *qui tam* provision of the False Claims Act. If confirmed, I commit that I will carefully examine the issue in consultation with the Department of Justice.

*United States Senate
Committee on Finance*

*Sen. Chuck Grassley · Iowa
Ranking Member*



Nomination Hearing Opening Statement
April 30, 2009

Thank you Chairman Baucus. Today the Finance Committee is considering the nominations of three individuals; Mr. Bill Corr, Mr. Demetrios Marantis and Dr. Alan Krueger. First, the nomination of Mr. Bill Corr to be Deputy Secretary of the Department of Health and Human Services. Thank you Mr. Corr for your willingness to serve your country.

If confirmed, you will be leading over 64,000 employees and in charge of an annual budget of about 700 billion dollars. The Department of Health and Human Services and its operating divisions serve many vital functions to promote the health and well being of all Americans. For example, just this past week, the country has turned to the Centers for Disease Control and Prevention to respond to the serious problem of Swine Flu. The Centers for Medicare and Medicaid Services provides health care to about 100 million Americans through the Medicare, Medicaid and the Children's Health Insurance Program, sometimes better known as CHIP. Americans also rely on the Food and Drug Administration to ensure the safety of food, drugs and devices that are consumed and used every day. And the National Institutes of Health is the principal driver of basic and applied biomedical research. It is good that you will be bringing your experience working for congress to the department. I hope your knowledge of what we do in the legislative branch will lead to a constructive relationship as we move forward on the difficult challenges of health care reform. I also appreciate your history and tenacity on oversight issues. This is a passion that we share and I can assure you that I will be asking you to help me in my efforts. Mr. Corr, you come at a time when we face many significant challenges in the health care arena. I want to thank you again for your willingness to serve and express again, that if confirmed, I look forward to working with you to meet these challenges in the days and months ahead.

We will also consider the President's nomination of Mr. Demetrios Marantis to be Deputy United States Trade Representative in the Office of the U.S. Trade Representative. Mr. Marantis is well known to all of us on the Finance Committee. For four years, he has ably served Chairman Baucus on the Finance Committee staff, most recently as the Democratic Chief International Trade Counsel. So he has played a central role in all of our efforts on trade. He's been a firm advocate for the Chairman's views, and although I haven't always agreed with those views, he's always worked with me and my staff in good faith. Demetrios brought a genuine spirit of bipartisanship to his job, and I'm sorry to see him depart. Not only is he very smart, he's also one of the nicest staffers I've met, and he will be missed. But if he is confirmed for this new position, I fully expect that we'll continue to see him on a regular basis.

The Finance Committee is also considering the nomination of Alan Krueger to be Assistant Secretary for Economic Policy at the Department of the Treasury. If confirmed to this position, Dr. Krueger will be responsible for analyzing and reporting on economic developments in the U.S. and the whole world. This entails the collection and comprehension of significant amounts of data. For the occupant of this position to succeed, this must be done with the sole objective of finding robust answers that stand up to scrutiny that are not subject to political manipulation. Everyone wants our economy to flourish, and for that to happen we all require accurate data on the situation we are facing, and the impacts certain policy changes are likely to have. While I don't expect to agree with every conclusion reached by this office, I do expect that this office will be receptive to questions and be willing to explain how they reached their conclusions. Thank you all for appearing here today, and I look forward to your testimony.

Opening Statement of Alan B. Krueger
Nominee for Assistant Secretary of the Treasury for Economic Policy
United States Senate Committee on Finance
April 30, 2009

Remarks as Prepared for Delivery

Chairman Baucus, Ranking Member Grassley, distinguished members of the Committee, I am honored to have my nomination come before you today.

I want to thank your staff for meeting with me last week and discussing economic policy issues.

I am grateful to President Obama and Secretary Geithner for asking me to serve at the Treasury Department at this critical moment for our nation's economy.

I am also deeply grateful to my wife, Lisa, and to our children, Ben and Sydney, for their support and willingness to allow me to return to working in the government.

My family has a long tradition of public service. My mother worked as an elementary school teacher in East Orange, New Jersey, and my father had a long career as a certified public accountant and is an army veteran. My wife is a math teacher in our local public high school, from which my son graduated and my daughter currently attends.

I have been very fortunate in my own education. After graduating from my local public high school in Livingston, New Jersey, I attended Cornell's School of Industrial & Labor Relations with the idea of becoming a lawyer, but quickly became fascinated by the power of economics and statistics for improving people's lives. I then earned a Ph.D. in economics from Harvard University in 1987, where I was fortunate to work with Larry Summers and Richard Freeman, two of the most innovative, productive and policy-relevant economists of their generations.

I subsequently have had the great privilege of working as a professor of economics and public policy at Princeton University for the last 22 years, teaching undergraduate and graduate students and conducting research. My teaching has primarily been in the areas of labor economics, statistics, public finance and the economics of education. I take great pride in the fact that one of the students in the first undergraduate class I taught is now a Cabinet Secretary, OMB Director Peter Orszag.

I have conducted research on a range of topics, from unemployment and social insurance to terrorism and time use, from bond markets to labor markets, from the economics of education to the economics of Super Bowl and concert tickets. I have tried not to be tied to a particular doctrine of economic thought in my work, and instead have sought to develop the best evidence possible to test theories of economic behavior. This approach has led me to collect original data and use econometric methods to study natural experiments and policy changes. In the process, I started the Princeton Survey Research Center to facilitate innovative methods of data collection.

Princeton briefly served as the capitol of the United States, and the University is true to its motto, first coined by Woodrow Wilson, "Princeton in the nation's service" -- and later amended to include, "in the service of all nations." As part of this tradition, Princeton afforded me the opportunity to take a public service leave and serve as Chief Economist of the U.S. Department of Labor in the mid 1990s.

After returning to Princeton in 1995, I distilled three important lessons from my experience in government that influence my outlook today.

First, a sound financial system is essential for economic prosperity, stability, and job growth. The rapidly rising unemployment that our nation is currently enduring is not the fault of labor market impediments or institutions, but of a financial crisis caused by excessive risk taking and unreasonable leverage. President Obama and Secretary Geithner's Financial Stability Plan that the Treasury Department is implementing with your help is essential to turn our economy around and for a vigorous recovery to take hold. It is equally important for our long-term financial stability and economic prosperity that the U.S. returns to a fiscally sustainable path once this recession is behind us.

Second, it is essential for the public to be well informed about economics and finance, from a personal perspective as well as from a national and international perspective. In this regard, I have written regularly for the public in the *New York Times*. Reaching newspaper readers, however, only goes so far. Some two million students currently take a course in economics in high school each year, more than at the college level. For the past five years I have worked on writing a high school economics and personal finance textbook. I have also served as Chief Economist for the Council for Economic Education, the nation's premier organization for promoting economics and financial literacy in elementary and secondary schools. I am convinced that an economically and financially literate population is the best way to avoid the type of economic calamity that now befalls our nation and to build support for policies that will promote economic growth and shared prosperity.

Third, in the long run our prosperity depends first and foremost on our human capital. Human capital -- defined as the skills and abilities possessed by the workforce -- accounts for the largest share of our national income. A well trained and healthy workforce is necessary to develop and implement new technologies that fuel economic growth. For these reasons, I am pleased that President Obama's budget places an emphasis on the investments in education and training that are critical to our future, and paves a way for health care reform that improves efficiency, access, and quality. These investments will make our economy more productive and more competitive.

I do not need to tell this Committee that both the U.S. and the world economy are currently facing unprecedented turmoil, including rapidly rising unemployment, declining GDP and wealth, record numbers of foreclosures, and a precipitous drop in world trade. Yet we are a resilient nation with great resources, including our physical and human capital, our system of government, our tradition of entrepreneurship and our common sense approach to solving economic problems. I am convinced we can meet the serious challenges we face with the right mix of economic policies, and emerge a stronger country.

I am humbled and honored to have the possibility of serving the nation should I be confirmed. If you and your colleagues in the Senate give me the opportunity to serve as Assistant Secretary for Economic Policy at the Treasury Department, I promise to apply my human capital to the best of my ability to justify your trust and confidence.

Thank you.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)
Alan Bennett Krueger
2. Position to which nominated:
Assistant Secretary for Economic Policy, U.S. Treasury
3. Date of nomination:
March 10, 2009
4. Address: (List current residence, office, and mailing addresses.)

Residence:

Office:
5. Date and place of birth:
Sept. 17, 1960, Newark, NJ
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.)
Livingston High School, 1976-79, High School Degree, 1979
Cornell University, 1979-83, B.S. with honors in Industrial & Labor Relations, 1983
Harvard University, 1983-87, A.M. in Economics, 1985, Ph.D. in Economics, 1987

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.)

Professor, Princeton University, Princeton, NJ, 1987-present.
Chief Economist, U.S. Department of Labor, Washington, DC, August 1994- August 1995.

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.)

Advisor, National Counter Terrorism Center, Worldwide Incidents Tracking System.
Unpaid SGE employee of Census Bureau for less than one week.
Unpaid SGE employee of Bureau of Labor Statistics to access ES 202 data
Member of the Federal Economic Statistics Advisory Committee, 2000-01.
Consultant to Interagency Taskforce on Health Care Reform, 1993.
Member of panel for NJ implementation of NCLB.
Research Associate, Institute for Policy Reform, USAID, 1993-1994.

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.)

Member of Board of Directors, MacArthur Foundation, June 2008-present.
Member of Board of Trustees, Russell Sage Foundation, November 2004-present.
Member of Board of Directors, American Institutes for Research, October 1, 2002-present.
Gallup Organization, Consulting Senior Scientist
Chief Economist, National Council on Economic Education
Editor, *Journal of Economic Perspectives*, April 1996-January 2003; co-editor, August 1995-March 1996 and April 1993-August 1994; Associate Editor, 1992-1993.
Co-Editor, *Journal of the European Economic Association*, 2003-2005.
Elected Member of the Executive Committee, American Economic Association, 2005-07.
(Unpaid)
Member of Executive Committee of International Economic Association, 2005-present. (Unpaid)
National Urban League, Council of Economic Advisors
Institute for Labor (IZA), research associate
Member of Commission on the Measurement of Economic and Social Progress (unpaid)
Center for American Progress, Academic Advisory Board (unpaid)
SAIC, hired as consultant to advise National Counter Terrorism Center brain trust
Sandler Foundation, advised in two-day brainstorming meeting

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

Member of the American Economic Association
 Member of the Labor and Employee Relations Association
 Member of the National Academy of Social Insurance
 Elected Fellow of the American Academy of Arts and Sciences
 Elected Fellow, American Academy of Political and Social Science, 2003.
 Research Associate, National Bureau of Economic Research, 1992-present; Faculty Research Fellow, 1987-92.
 Board of reviewing editors, *Science*, 2001 – 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.

KRUEGER, ALAN PRINCETON PRINCETON,NJ 08540 UNIVERSITY/PROFESSOR	9/5/08	\$1,000	Obama, Barack (D)
KRUEGER, ALAN PRINCETON PRINCETON,NJ 08540 UNIVERSITY/PROFESSOR	9/16/06	\$1,000	Holt, Rush (D)
KRUEGER, ALAN PRINCETON UNIVERSITY PRINCETON,NJ 08540	8/15/00	\$1,000	Holt, Rush (D)
KRUEGER, ALAN PRINCETON PRINCETON,NJ 08540	7/14/98	\$500	Holt, Rush D (D)
KRUEGER, ALAN B PRINCETON PRINCETON,NJ 08540 UNIVERSITY/PROFESSOR	10/23/06	\$250	Feder, Judith (D)
KRUEGER, ALAN B PRINCETON PRINCETON,NJ 08540 UNIVERSITY/PROFESSOR	7/3/08	\$250	Feder, Judith (D)
KRUEGER, ALAN B PRINCETON PRINCETON,NJ 08540 UNIVERSITY/PROFESSOR	10/21/08	\$250	Feder, Judith (D)

Also contributed to state campaigns of Aaron Klein in 2006 (Maryland) and Jules Kopel-Bailey in 2008 (Oregon). My memory is that these were for around \$250 each, or less.

Also contributed \$100 to primary campaign of Charlie Wheelan (IL) in January 2009.

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.)

Susan Eaton Prize, Labor and Employee Relations Association, Jan. 2009
 IZA Prize for Labor Economics, November 2006.
 Elected Fellow, Society of Labor Economists, 2006.
 Docteur Honoris Causa, Université Libre de Bruxelles, November 2005.
 Visiting Scholar, Russell Sage Foundation, 2003-04.
 Elected Fellow, American Academy of Political and Social Science, 2003.
 Selected for Carnegie Scholars Program, 2003-04.
 Elected Fellow, American Academy of Arts and Sciences, 2002.
 Awarded Mahalanobis Memorial Medal by Indian Econometric Society, 2001.
 Awarded David N. Kershaw Prize by Association for Public Policy and Management, 1997.
 Elected Fellow of Econometric Society, December 1996.
 Teaching Prize, Woodrow Wilson School, Princeton University, Fall 1996.
 Alfred P. Sloan Research Fellow in Economics, 1992-94.
 NBER Olin Fellow in Economics, 1989-90.
 Class of 1934 Preceptorship, Princeton University, 1990-93.
 Elected Member, National Academy of Social Insurance, 1991-present.
 Sumner Slichter Fellowship, Harvard University, 1985
 Alpern Prize, Cornell University, 1983.

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

See the list on my CV and the list of *New York Times Publications provided separately*.

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.)

Usery Workplace Lecture, Georgia State University, April 27, 2006 on Trends in Employee Benefits.
 Cornelson Lecture, Davidson College, March 7, 2005 on the Economics of Education.
 Christie Lecture, Millersville University, Nov. 15, 2004 on the Federal Budget.
 I usually do not write out my remarks so I cannot provide copies.

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

20+ years of experience as an economics professor and researcher.
Ph.D. training in economics.
Experience as chief economist of U.S. Department of Labor.

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 take an unpaid public service leave from my current employer. I am under contract to write two economics textbooks with MacMillan/Worth Publishers; I will suspend work drafting the chapters for those books. I will sever ties with other organizations that I am associated with.

I may receive royalties from *The New York Times* and Princeton University Press for books and articles that I have written in the past. [COVERED BY ETHICS AGREEMENT – if so, put a note in – this issue has been covered by my ethics - resolved with ethics already -

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.

I am a tenured professor and will have continuing employment with Princeton University if I return within the period of my leave of absence.

I have contracts with MacMillan/Worth Publishers to complete two textbooks. I will not work on these textbooks while I am in government service.

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.

I have requested and been granted a one year public service leave from Princeton University. This can be renewed for a second year. A special exception is required for the leave to be renewed a third year. I expect to make a decision at the end of each year whether to return to Princeton or continue in my position.

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.

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.

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 was part of an effort led by researchers to support funding for the BLS's American Time Use Survey which involved meeting with Congressional staffers and circulating a letter signed by 1,000+ researchers.

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.

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: N/A

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.

No

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 From Alan B. Krueger
Senate Finance Committee Nomination Hearing
April 30, 2009**

SENATOR MAX BAUCUS

Question 1:

Your impressive career has demonstrated a commitment to understanding and strengthening U.S. workers and labor markets generally. I commend that. Yet I do get concerned when I hear economists talk about America as if it consisted of the East Coast, West Coast, and maybe a state or two in between. Too often states like Montana and their concerns are overlooked. If confirmed, will you give states like Montana – and its workers, farmers, ranchers, and business leaders – the attention they deserve?

Yes. I believe that one of the great strengths of the United States is the diversity among the states, including their economic activities and industries. One of my goals, should I be confirmed as Assistant Secretary for Economic Policy, would be to ensure that this diversity is properly reflected and accounted for in economic policy development.

Question 2:

Professor Krueger, some of your most recognized work has been the result of questioning conventional wisdom and government analysis, including your work on school vouchers, terrorism, and the minimum wage. Much of today's economic problems, I believe, could have been avoided had more people questioned the facts, dug a little deeper, or spoken up when something sounded too good to be true.

What aspects and lessons from your research will you bring to your new position? In what ways do you plan to bring your unconventional or counterintuitive thinking to your position? How will you keep your thinking and research fresh?

I firmly believe that one needs to probe the facts and data when considering how to address economic problems, and one should not be beholden to any one theory or ideology. My record as a researcher has indicated my interest in finding empirical answers to difficult questions. Sometimes those results bring into question the dominant theory and that is something that I am not afraid to do. I hope, if I am confirmed, to be able to continue to bring an empirical and fact-based perspective to the major economic issues that I would address. One thing that we all have become painfully aware of in recent months is that economic behavior – even in financial markets – sometimes defies the simple logic of rational-actor models. If confirmed, I would bring a willingness to critically evaluate, rather than simply accept, underlying assumptions of economic policy.

I plan on continuing to be involved in learning from and interacting with leading economists throughout the country, to continue to ask and find answers to questions and to guide my policy recommendations on those answers. The Treasury Department's office of Economic Policy has

an excellent career staff and if I am confirmed I look forward to working with these colleagues to come up with innovative ideas and data-driven proposals.

Question 3:

Professor Krueger, you have conducted extensive research on workers and the various factors that influence their well-being. Given your work, how do you picture the American workers today, and how would you like to picture him or her four years from now? What policy tools can we most effectively employ to realize a better future picture for our workers?

The labor market has weakened considerably since the recession began in December, 2007. Far too many workers have lost their job and there has been increased uncertainty among those who have jobs about their job security. There has also been a sharp increase in the number of long-term unemployed and the number of workers who have become so discouraged they have stopped seeking work. These developments have profoundly lowered the material living standard and well-being of millions of American workers. It is my hope that four years from now the economy will have returned to full employment and those who want jobs will be able to find good jobs with wages and benefits that are appropriate to their skill set. In addition to increased employment and wages, it is my desire that workers have access to affordable health care.

To accomplish these objectives I hope to work on the President's health care agenda to increase affordability and availability of health insurance for workers and to reduce the cost of providing health care to businesses. I also believe that increased and more efficient investment in education and worker training programs can increase real wages, raise productivity, add jobs to the economy and create a more skilled and dynamic labor-force. If I am confirmed and able to work in implementing the President's agenda, I hope to contribute to helping improve the conditions for American workers over the next four years.

SENATOR CHUCK GRASSLEY

Question 1:

Dr. Krueger, if confirmed, how will you ensure that your research is free from political manipulation and is able to withstand scrutiny from all sides?

I believe economics and statistics are powerful tools that can be used to improve people's lives. However, these tools are only effective if they are used in a rigorous and unbiased manner.

Throughout my career I have tried not to be tied to a particular doctrine of economic thought in my work, and instead have sought to develop the best evidence possible to test theories of economic behavior. If confirmed I intend to remain true to this approach in the context of policy development and implementation.

The Secretary asked me to serve in this position because he values economic research. If I felt otherwise I would have declined his offer to be considered for this position. I understand that, if confirmed, my most valuable service to the Secretary, President and the Nation will be to provide my best unbiased judgments based on the highest quality research available.

If you and your colleagues in the Senate give me the opportunity to serve as Assistant Secretary for Economic Policy at the Treasury Department, I promise to justify your trust and confidence by maintaining a high standard of quality in the research I conduct.

Question 2:

The projected budget deficit for this year is roughly \$1.7 trillion and the Senate passed a budget yesterday that claims to reduce the deficit to a massive \$520 million by 2014. While we can agree the new administration inherited a portion of the deficit, with this new budget are we moving in the wrong direction by not doing more to cut spending and really bring down the deficit?

At 12.3 percent of GDP in FY2009, the budget deficit does reach a very high level, but the Administration projects that the growing economy and the end of temporary spending measures and other policy developments will cause the deficit to decline sharply going forward. In the long term, the deficit remains at about 3 percent of GDP in the President's budget proposal, and the level of publicly held debt (net of assets we've acquired) is stable at about 60 percent of GDP in the long term (through 2019). That is still less than the current level in other major economies, like Japan. Cutting spending to bring down the deficit now would be counterproductive; the economy would languish, unemployment would remain high, and the standard of living would decline. The budget seeks to balance many competing needs, including the need to rebuild our outdated infrastructure and modernize our electricity grid. Cutting this type of investment would be counterproductive to long-run economic growth. While it may reduce the deficit in the short run, without those investments, productivity would be lower and economic growth slower. The standard of living would be lower than it otherwise would have been.

The President and Treasury Secretary have emphasized that reducing the growth of health care costs is essential for improving the long-term budget outlook. I share this view. If confirmed, I look forward to working with Congress and the Administration to develop workable solutions to the challenge of rising entitlement spending.

Question 3:

What is the effect on the American economy and our standard of living of large and persistent Federal budget deficits?

An unchecked rise in federal debt poses a serious threat to the U.S. economy in the longer term. The consequences of an out-of-control rise in the federal debt are troublesome. As I stated in my written testimony, I believe it is "important for our long-term financial stability and economic prosperity that the U.S. returns to a fiscally sustainable path once this recession is behind us." Otherwise, federal borrowing could crowd out private investment. Beyond some point, the rise in borrowing would raise interest rates, hurt private investment, and, in the long run, reduce productivity growth, which would reduce our long-run rise in the average standard of living. I share the President's and Treasury Secretary's commitment to fiscal discipline.

Question 4:

During your nomination hearing, you answered a question from Senator Baucus about unconventional positions you have taken in your work by discussing your research on the minimum wage. In responding to Senator Baucus you said that your work on this issue has held up against criticism. Have you received any criticism of your work on the minimum wage that you believe holds some validity? If yes, please explain how your work could be improved, and if not, please summarize the criticism your work has been subjected to, and why it is not substantial.

Yes. I believe that all empirical work has limitations. Mine is no exception. An econometric criticism of my 1994 study with David Card that we both believe has some validity is that we computed conventional standard errors for our estimates, assuming independent errors. However, since that work the profession has become much more aware of the clustering phenomenon in errors in cross-sectional data which can render conventional standard errors inappropriate, and some have argued that a comparison of two states is subject to the criticism that errors are correlated within states. I believe the best solution to this criticism is to conduct additional comparisons of other states and other minimum wage increases.

Question 5:

Your work at the Treasury department will be used to produce and justify specific policies. During your hearing you responding to a question from Senator Hatch on using counterfactual questions to make policy decisions by saying that this was only one input and decisions should not be based on one input. How will you ensure that your work is

given appropriate weight in policy formation and that conclusions drawn are appropriately utilized by the policy process?

I was honored to be asked by President Obama and Secretary Geithner to serve as Assistant Secretary for Economic Policy. I share their commitment to improving the lives of the American people and to working to strengthen the economy, create good jobs and to allow American workers a better opportunity to achieve prosperity for themselves and their families. If I am confirmed, I will continue to follow the approach that I have used throughout my career of not being afraid to ask difficult questions and to rely on the empirical answers to those questions to guide my thinking. In asking me to serve, Secretary Geithner has made it clear that he values my opinion and the process by which I seek to find answers to the difficult problems that our economy is confronting.

If I am confirmed, I will make it a top priority to bring the perspective of economics to bear on discussions throughout the Treasury and the interagency policy process. One way I will try to do this is by doing at the Treasury Department what I have tried to do throughout my career: be an honest broker of data and evidence, test assumptions and theories relentlessly, and use the tools of economics including cost-benefit analysis and counterfactual comparisons to make sound recommendations.

SENATOR DEBBIE STABENOW

Question 1:

No one understands restructuring more than my home state of Michigan. With auto sales near 30-year lows-77 percent of the Detroit Three auto jobs in Michigan have been eliminated. Michigan has the highest unemployment rate in the country with a total of almost 860,000 expected job losses in the state from 2000 to 2010. GM has recently announced that it will eliminate another 21,000 factory jobs, cut its network of 6,500 dealers almost in half and close 13 plants. As President Obama has said, the disaster that's hitting Michigan isn't a hurricane or a tornado, but that's not much consolation for the communities that have been devastated by this crisis. When a disaster hits a community, we respond with the resources they need to rebuild.

This is why I am pleased that the Administration has shown a commitment to help distressed auto communities in the same way we would step up after a hurricane or any other natural disaster. In your testimony, you say that "our long run prosperity depends first and foremost on our human capital." I completely agree and believe that we must invest in our workforce as part of the restructuring of the auto industry.

Question 1.A:

Given your experience with labor issues, how do you think we can help these displaced workers recover and transition into the high technology jobs of the future?

The greatest help that economic policy can give to auto workers or any displaced workers is to help them not lose their job to begin with. Critical to this goal is having both a strong US economy and a strong American auto industry. The Recovery Act and Financial Stability Plan represent vital first steps toward strengthening job growth because without consumers spending and credit flowing it is hard for any industry to prosper in the face of historic declines in sales. The President has stated that a strong and viable automobile industry is in the nation's interest, and I share that view. As you pointed out however, there has been a sharp decline in auto industry employment and unfortunately we may not have hit the bottom yet. I support the kind of effort that Dr. Ed Montgomery, the newly appointed Director of Recovery for Auto Communities and Workers, is undertaking as part of the auto recovery efforts. In particular, he is attempting to bring all parties – workers, firms, unions, other private sector employers, community-based organizations, state and local governments, and foundations – to the table to maximize communication and cooperation and to develop innovative strategies for relief and recovery. Dr. Montgomery is an outstanding labor economist and was an outstanding Deputy Secretary of the U.S. Department of Labor. I am confident that he will ensure that communities and workers can take full advantage of all available resources and to ensure that the funds are distributed quickly, efficiently and equitably.

My experience as a labor economist teaches me that a comprehensive effort, aimed at both retraining and community development, has the best prospect of helping a community to transition into taking advantage of the high-tech jobs of the future. If confirmed, I would welcome an opportunity to work with Dr. Montgomery and others in what I hope will be an

unprecedented effort to help distressed communities and displaced workers recover from auto industry restructuring.

Question 1.B:

What efforts should the government take to protect the health care and pensions of auto workers and retirees as we work to restructure the industry?

My understanding is that the pension and health benefits of both current workers and retirees have been central components in the negotiations around restructuring GM and Chrysler.

I further understand that the Administration has been diligent in mitigating the effect of this restructuring on the benefits retirees receive. I believe that the Administration places a high priority on securing the pension benefits that retirees spent a lifetime working for, and ensuring that workers and retirees have access to the health care benefits they deserve. An important priority has been to bring all stakeholders to the table to work toward maintaining these provisions.

It is important to keep in mind that defined benefit pension plans are partially insured by the Pension Benefit Guaranty Corporation. I have written in the past that it is important to make sure that PBGC is adequately funded and that it invests its funds appropriately.

Question 2:

Double Standard: If confirmed, you will be involved in both the assistance provided to the automakers and the assistance provided to financial institutions. I would like to hear your thoughts on the double standard for the treatment of the automakers and the banks. Although, the automakers have received a fraction of the funds that the banks have received, they have been held to much more strict restructuring requirements than the banks that contributed to the credit crisis which has consequently crippled the auto industry.

Question 2.A:

What are your thoughts on this double standard and, if confirmed, what will you do to ensure that financial institutions receiving taxpayer funds are held to the same level of accountability that is required of the automakers?

The challenges facing our largest banks and the American auto companies are very different and necessitate different strategies. In the case of the auto companies, the President has state a goal to ensure a strong, viable and competitive automobile industry. I share this goal. In the case of the financial institutions, the Administration is responding to systematic failures that threaten our entire economy. The goal is to shore up these financial institutions so that they continue lending, which will create business and jobs for American families, while protecting the taxpayers' investment.

Secretary Geithner has said he is committed to holding financial institutions that receive taxpayer funds to the highest standards of accountability. If confirmed, I will work with Secretary Geithner and the administration on these important initiatives.

QUESTION 3:

TALF: Due to the credit crisis, dealers do not have the credit necessary to finance inventory or cover capital costs. Motor vehicle financing companies lack the funds to support dealers and to make loans to consumers. We must address the lack of financing available in order to have a viable automobile industry in this country.

QUESTION 3.A:

While the Term Asset-Backed Securities Loan Facility or TALF program has started to help the auto sector, it has only been used for retail consumer loans - and even this at a high price. However, due to the uncertainty facing the automobile industry, two of the three approved rating agencies have stated that they will not rate any portion of a loan to an auto dealer as AAA, regardless of the collateral. The result will have a ripple effect throughout the nation, beginning in my state, if dealers are unable to finance their inventory and finance it in an economical manner. If confirmed, you will have the opportunity to weigh in on this program.

I believe that for the domestic auto industry to thrive, the availability and affordability of credit must be improved, not only for consumers but also for dealers to finance their inventories. The uncertainty facing the auto industry has caused banks and other credit providers to restrict the availability of credit to dealers. While dealer floorplan loans are eligible under TALF, the rating agencies must make their own independent determinations, and unfortunately, the rating agencies have become reluctant to rate floorplan securities AAA, regardless of the credit enhancement offered. It is my understanding that the Federal Reserve and Treasury continue to review and study the eligibility requirements across asset classes, which may change in the future. I have been told that the auto task force is working on non-TALF solutions to this problem and if confirmed I intend to work closely with them.

SENATOR ORRIN HATCH

Question 1:

Mr. Krueger, when writing in the *New York Times* in March 2006 about a cost vs. benefit analysis of going to war in Iraq, you noted that “credible estimation of counterfactual outcomes of alternative policies for cost-benefit comparisons has been a hallmark of modern economics.” Do you believe that a “credible estimation of counterfactual outcomes of alternative policies for cost-benefit comparison” should also apply to the economic agenda, including the President’s stimulus bill, TARP, and the budget? Do you believe that the cost the stimulus bill, which was \$787 billion, TARP, which was \$700 billion, and the FY2010 budget, which is estimated at over \$3.6 trillion, will be outweighed by future benefits? Do you believe that there were alternative policies that would be less costly but provide the same benefits?

The 2006 *New York Times* article that you cited was intended to explain a framework for analysis by discussing one piece of a very complex situation. The article discussed the details of a study by economists at the University of Chicago that attempted to understand the complexities of the war using a cost-benefit framework. The cost-benefit framework, as I wrote in that article, inevitably suffers from the problem “...that the counterfactual situation – meaning the outcomes that would have occurred had another policy been pursued – cannot be known for sure.” In the piece I quoted former CBO director Doug Holtz-Eakin’s insight that, “The question of whether the war was worth it hinges not on budget cost or economic cost, but on what do we gain in the way of genuine security and international standing.” I do believe that cost-benefit analysis based on credible counterfactuals is a valuable input for guiding economic policy analysis. But, I am also keenly aware of the difficulty of finding a credible counterfactual, which is why I noted in the article that “cost-benefit comparisons of such weighty issues are more art than science.”

In the face of the enormous dislocations facing the financial system, it is a great challenge to estimate the damage that the economy would have sustained had TARP and the stimulus package not been enacted. This is a challenge that will occupy researchers for years to come. The lack of an unambiguous counterfactual prevents one from applying the cost-benefit framework in the standard way. Questions about the effectiveness of TARP and the other programs you cited are important, and if confirmed I will work to improve our overall understanding of these programs and their effects.

Question 2:

In an article published in August 2004, you stated “there is little question that union jobs pay more than the going rate for workers of a given skill level.” Recently, it has been reported that Treasury officials are working to convince debtors to come up with a critical deal to reduce Chrysler’s debt and reports this morning indicate that negotiations between the Treasury and Chrysler have faltered. Do you believe that it is imperative for the United Auto Workers to make concessions in salary and benefits to maintain the survival of the auto industry?

I have not been directly involved in any of the decisions regarding the future of Chrysler. However, I know that the President and Secretary Geithner are both dedicated to having a strong, viable American automobile industry. The process of shaping Chrysler's role in that future is still ongoing. As the President has said, in these difficult times everybody will need to make concessions. Stakeholders in the automobile industry are no exception. My understanding is that the UAW has already made important and difficult concessions on wages, benefits, and retiree health care.

Question 3:

Many Americans, as demonstrated this month through TEA parties, are asking if this greatly increased government spending will ever stop. After trillions of dollars for bailouts and other government spending, the President's budget makes no hard choices to reform runaway spending. I cannot see how the debt we are accumulating will be paid back without raising taxes. I believe it is time for us to take a stand on government spending. That is why I introduced legislation that would restrict Federal spending to the historical average of 20 percent of Gross Domestic Product. Do you think higher taxes are inevitable in order to pay for our growing debt?

The U.S. economy is facing enormous challenges and it is important to distinguish between short-run policies that the nation needs to pursue to pull the economy out of the current deep recession and longer run policies that should be pursued to boost economic growth and maintain a vibrant economic system. The surge in spending that will occur in FY2009 and FY2010 are examples of policies that, in my view, should be pursued in the short run to bolster the economy. These, combined with the reduced receipts due to the recession, are adding considerably to the deficit in the short run -- the Administration's budget puts the deficit at 12.3 percent of GDP in FY2009. Yet as the economy recovers, receipts will recover, and money invested in the private sector through the financial stability plans will be paid back, and government spending will return to a lower level. In the longer term, some forms of government spending and investment are needed to maintain long-term growth. For example, investment in infrastructure, modernizing the electricity grid, improving educational opportunities and programs to help cut rising health care costs would help boost productivity and raise long-term growth. Faster growth -- even with receipts fixed as a share of GDP -- will accommodate spending and help cut into the debt.

I agree with President Obama's statement in his Georgetown speech, "... our long-term deficit is a major problem that we have to fix." Hard choices will be required to address this problem. If confirmed, I would welcome the opportunity to work on these hard choices with you and others.

SENATOR JON KYL**Question 1:**

On July 24th, the minimum wage is scheduled to increase \$0.70 from \$6.55 to \$7.25 per hour. According to the Congressional Budget Office (CBO), a higher minimum wage is an unfunded mandate on the private sector and state, local and tribal governments. CBO estimated that the current and scheduled increases in the minimum wage will cost the private sector \$4.0 billion in 2009 and a combined \$10.7 billion in 2010 and 2011. Furthermore, CBO estimated that the 2007 minimum wage increase would impose nearly \$1 billion in additional labor costs on state, local and tribal governments between 2009 and 2011.

Question 1.A:

Would you agree that the scheduled increase in the minimum wage is likely to impose higher costs on private sector and government employers?

I believe that a minimum wage increase is likely to raise the amount that private sector and government employers pay in total payroll. The effect on their costs is more difficult to determine because factors including employee morale, productivity and recruitment and retention costs can all be affected by the minimum wage, and such factors are likely to vary across employers.

I do share your concern about employer costs in general, especially when those costs do not result in higher productivity or higher benefits for workers and society. This is why I think it is important that the Administration remain engaged in a wide range of policies that can be expected to reduce business costs. These include policies to lower health care costs and to increase access to credit.

Question 1.B:

Do current economic conditions warrant suspending the next scheduled increase in the minimum wage?

One relevant consideration is that over 60 percent of people currently live in states where the state minimum wage is already above the federal minimum wage. This will attenuate the effect of the next scheduled federal minimum wage increase on wages.

One of the conclusions I have drawn from previous studies on the minimum wage is that increases in the minimum wage primarily have an effect on the distribution of income and not on the efficiency of the economy. I am not aware of evidence in the current economic environment that would alter this conclusion.

Question 2:

The teenage unemployment rate at the end of 2006 stood at 14.7 percent. Since the last two scheduled increases in the minimum wage, teenage unemployment has increased to 21.7 percent, almost double the percentage point increase in the overall unemployment rate.

Question 2.A:

While the ongoing recession undoubtedly accounts for a large portion of the increase in the teenage unemployment rate, would you agree that the minimum wage increase has had at least some influence over the increase?

Judging the effect of a minimum wage increase on unemployment in a recession is difficult because employment is likely to fall even absent a minimum wage increase, as you mentioned in the preface to your question. One technique that economists have used is to compare employment changes across states, where a national minimum wage increase can affect a large or small number of employees given differences in preexisting state wage distributions. Studies of the minimum wage increases that took place in 1990 and 1991 using this approach generally did not find that the minimum wage had harmful effects on employment.

I suspect that the ongoing recession accounts for a large portion of the increase in the teenage unemployment rate, and perhaps all of it. The unemployment rate for adult men age 20 and over, a group very unlikely to be paid the minimum wage, increased by 126 percent from the end of 2006 to March 2009, while the increase for teenagers that you cited above was only 48 percent. From these figures it is not unambiguous that the minimum wage had an impact on the youth labor market apart from the effects of the recession.

Question 3:

Economists David Neumark of the University of California–Irvine, Mark Schweitzer of the Federal Reserve Bank of Cleveland, and William Wascher of the Federal Reserve Board examined how the minimum wage affects the incomes of families living near the poverty line. They concluded that a higher minimum wage does not lift low-income families out of poverty. “The answer we obtain to the question of whether minimum wage increases reduce the proportion of poor and low-income families is a fairly resounding “no.” The evidence on both family income distributions and changes in incomes experienced by families indicates that minimum wages raise the incomes of some poor families, but that their net effect is to increase the portion of families that are poor and near-poor.”

Question 3.A:

Do you think that increasing the minimum wage is the most effective policy Congress and the President can use to reduce poverty?

In the current environment, I think the most effective way of reducing poverty is by getting the economy growing again in a sustainable way and stabilizing the financial system so that it supports recovery rather than weighs against it.

In my 1994 book with David Card we concluded that "... our analysis points to a modest poverty reducing effect of the minimum wage." In the current environment, I believe the most effective way to reduce poverty would be to pursue policies that successfully stimulate growth in the economy.

SENATOR MIKE ENZI

Question 1:

Your scholarly research on labor market and education policies is well documented. As one of the most-cited academics in the field of economics, it is clear your work in these areas is highly regarded by your colleagues and worthy of the many outstanding academic prizes awarded to you. Your work in the fields of macroeconomics and finance is less obvious, however. Please summarize some of your recent investigations in these areas.

Although it is accurate that much of my research is on labor market and education policies, I have published scholarly research on a range of topics including macroeconomics and finance. Indeed, my most widely cited article according to scholar.google.com is titled, "Economic Growth and the Environment" (joint with Gene Grossman). This article, which has been cited 1,400 times, considers the effect of a nation's economic growth on various indicators of environmental quality from both a theoretical and empirical standpoint. Other research that I have conducted that falls in the field of macroeconomics includes my research on the Phillips Curve with Lawrence Katz ("The High Pressure U.S. Labor Market of the 1990s", The Brookings Papers on Macroeconomic Activity) and my book co-edited with Robert M. Solow, titled, *The Roaring Nineties* (Russell Sage Foundation Press, 2001). I have also studied macroeconomic topics concerning inflation ("Using Survey Data to Assess Bias in the Consumer Price Index," *Monthly Labor Review*, 1998) and I proposed a disequilibrium macroeconomic model in "Observations and Conjectures on the U.S. Employment Miracle" (with J.S. Pischke). Lastly, I would mention that labor market issues that I have researched extensively, such as unemployment, labor's share of national income and wage growth, figure prominently into modern macroeconomics.

I have also conducted and published research that falls in the field of finance. For example, my 2003 article with Kenneth Forston entitled, "Do Markets Respond More to More Reliable Labor Market Data? A Test of Market Rationality" was published in the *Journal of the European Economics Association*. This paper looked specifically at bond markets and attempted to understand what factors influence bond yields of various durations. In the paper we developed a theory for how rational Bayesian investors and markets should respond to new information, and then tested that theory with data from the U.S. Treasuries bond market. The paper is unique because the improvement in the precision of key information released on a specific day each month could be quantified from the sampling variability inherent in the employment estimate produced from the Bureau of Labor Statistics' monthly establishment survey. The sample size of that survey was increased dramatically, reducing sampling variability and the size of revisions, and thereby increasing the signal in the information released from the survey. The main finding of that study was that the bond market does not appear to incorporate all of the new information in the way that would be predicted by a theory of rational agents. The bond market does respond to new macroeconomic information on employment, but as that information became more precise over time the market did not respond more strongly as would be expected by rational agents. Although it may not appear surprising today that financial markets do not always respond rationally to new information, at the time the conclusion was not widely held.

**STATEMENT FOR THE RECORD
 SENATOR FRANK R. LAUTENBERG
 NOMINATION FOR ASSISTANT SECRETARY OF THE TREASURY
 FOR ECONOMIC POLICY
 APRIL 30, 2009**

Mr. Chairman and Members of the Committee,

It's my pleasure to introduce Alan Krueger, a New Jersey native, and encourage you to support his nomination to become Assistant Secretary of the Treasury for Economic Policy.

The members of this committee are acutely aware that we are struggling with the most severe economic crisis since the Great Depression. Just this morning, for example, the Commerce Department announced that Gross Domestic Product dropped at a 6.1 percent annual rate, hurt by sharp declines in exports and business inventories.

Back home in New Jersey, Mr. Krueger and I have seen the impacts of this tough economy first-hand: The unemployment rate in New Jersey is the highest it's been in 15 years. And those men and women who have a job are working longer – and getting less for their labor. That means less money to pay their expenses, from credit cards to gas and electric, while bills are piling up and collection agencies are calling.

The Treasury Department has never been more important. It is essential that we have the nation's top economists working together to bring us out of this recession and I am pleased that one of them comes from New Jersey.

Alan Krueger grew up in Livingston, New Jersey and is now the Bendheim Professor of Economics and Public Affairs at Princeton University. If appointed, Mr. Krueger would report directly to Treasury Secretary Tim Geithner. Mr. Krueger would be responsible for the review and analysis of both domestic and international economic issues and developments in the financial markets. Based on his years of expertise, and his work on employment rates, the importance of education and workers compensation, I believe he's the right person at the right time.

Like many of my colleagues, I was proud to support the *American Recovery and Reinvestment Act* as well as the 2010 Budget. Both the recovery law and budget provide critical tax relief to hard-working American families, promote job training and make it easier for high school students to go to college. We need bright and committed men and women to make these programs even more effective. I believe Mr. Krueger is one of those people and urge the committee to support his nomination as Assistant Secretary of the Treasury Department.

###

Statement of Demetrios J. Marantis
Nominee for Deputy United States Trade Representative
Before the Senate Committee on Finance
April 30, 2009

Mr. Chairman, Senator Grassley, and Members of this Committee, I am humbled to sit before you as you consider my nomination to be Deputy U.S. Trade Representative. I am honored that President Obama and Ambassador Kirk have selected me for this post.

I have spent the past four years on the other side of the Committee's dais on Senator Baucus's Finance Committee staff. Chairman Baucus, thank you for the opportunity to serve you, this Committee, and the people of Montana. And thank you Senator Grassley for the kindness and support you have shown me. The relationship between the two of you is an example of fairness, trust, and honesty that I hope to replicate throughout my career.

Sitting today at this witness table, I know that the position for which I have been nominated promises to be the greatest challenge of my career. I do not take this challenge lightly. I approach it with humility and dedication. I also approach this challenge with the fifteen years of experience gained from working in international trade in the public, private, and nonprofit sectors. Yet what I have done in my international trade career is not as important as the lessons I have learned through my years participating in the public policy deliberations of how trade can best serve the American people.

I have learned that good trade policy requires the courage to pursue the tough negotiations that yield the biggest benefits for America's economy, as well as the courage to walk away from a deal that is just not good enough. Good trade policy also requires the creativity to find new tools to open markets and to enforce current agreements so that our country's farmers, manufacturers, ranchers and small businessmen and women can benefit from trade. Good trade policy requires inclusiveness, consulting with all stakeholders, even if we do not ultimately agree.

I have learned that good trade policy requires the tenacity to doggedly pursue unscientific non-tariff barriers to our agriculture exports and the unfair subsidies that undermine America's manufacturers. Good trade policy requires the vision and optimism to realize that small trade agreements and sectoral deals can grow into a bigger regional or global opportunity for our country's exporters. And my experience has taught me that good trade policy can work to the benefit of the poorest countries around the globe as well as to the benefit of the world's economic heavyweights.

Yet the most important lesson I have learned comes from my four plus years working with all of you on the Senate Finance Committee. That lesson is that good trade policy is simply not possible without your support and the support of your colleagues in Congress. And that support depends on recognizing that this Administration's trade policy directly affects the workers, farmers, and ranchers in each of your states and across America.

I do not pretend that winning your support for this Administration's trade policies will be easy. The issues in the jurisdiction of this Committee are never easy. But I have watched all of you –

under the leadership of Senators Baucus and Grassley – try to form one product out of so many different voices. Sometimes it works. Sometimes it doesn't. But what you have taught me is that we cannot hope to make progress on any one issue – not matter how easy or controversial – if we do not try to work through our differences together.

It is these lessons that I hope to take with me to the job of Deputy U.S. Trade Representative. If I am confirmed, I will apply these lessons and build upon them. I will use them to find a way to manage our existing challenges, whether it is our trade and economic relationship with China or the issues associated with our trade agreement with Korea. I pledge to use these lessons to work toward new opportunities, including reform of our trade preference programs for the developing world and tackling the trade and competitiveness issues posed by climate change.

These challenges occur in a time of profound skepticism of international trade and in an environment of historic economic uncertainty and instability. Meeting these challenges is a daunting prospect. But America thrives in adversity when we all work together. And, as history tells us, America's trade policy thrives when we approach it as a common, bipartisan endeavor between the Congress and Administration.

Regardless of where I sit – on the staff bench or at this witness table – the Senate Finance Committee will always be where I came from, and I am grateful for the opportunity. I look forward to building on this experience to continue serving the people of this country with smart trade policy.

Thank you for considering me for the position of Deputy U.S. Trade Representative.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)
Demetrios James Marantis
2. Position to which nominated:
Deputy U.S. Trade Representative
3. Date of nomination:
March 17, 2009
4. Address: (List current residence, office, and mailing addresses.)
Residence:

Office:
5. Date and place of birth:
May 28, 1968, Greenwich, CT, USA
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.)

Harvard Law School – 9/90-6/93, J.D., 6/93
Princeton University – 9/86-6/90, A.B., 6/90
Harrison High School – 9/82-6/86, high school degree, 6/86

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.)

Senate Finance Committee, Chief International Trade Counsel, Washington, DC, February 2005-Present (I began as "International Trade Counsel" in February 2005 and was promoted to "Chief International Trade Counsel" in December 2006)

Kerry-Edwards 2004, Issues Director, Washington, DC, August 2004-November 2004

U.S.-Vietnam Trade Council, Chief Legal Adviser, Hanoi, Vietnam, September 2002-July 2004

Office of the U.S. Trade Representative, Associate General Counsel, Washington, DC, November 1998-August 2002

Akin Gump Strauss Hauer & Feld, Associate, Washington, DC and Brussels, Belgium, October 1993-November 1998

Akin Gump Strauss Hauer & Feld, Summer Associate, Washington, DC, June 1992-August 1992

White & Case, Summer Associate, New York, NY, June 1991-August 1991

Harvard Law School, Teaching Assistant, Cambridge, MA, August 1991-June 1993

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

None, other than those listed above.

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.)

Not applicable

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

New York State Bar (current)

District of Columbia Bar (current)

Washington International Trade Association (WITA), Board Member (current)

American Chamber of Commerce Hanoi, Board Member (2003-2004)

Cap and Gown Club, Princeton University

13. Political affiliations and activities:

- a. List all public offices for which you have been a candidate.

Not applicable

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

Issues Director, Kerry-Edwards 2004

Volunteer, Obama for America

- 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.

10/31/08	Obama for America	\$350
2/22/08	Obama for America	\$250
7/23/04	John Kerry for President	\$250
6/30/04	John Kerry for President	\$250
4/12/04	John Kerry for President	\$500
4/05/04	John Kerry for President	\$500

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.)

Recognition for Extraordinary Performance Representing the United States in Dispute Settlement Proceedings, 2000
Phi Beta Kappa, 1990
Dewitt Clinton Poole Memorial Prize Scholarship, 1989

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

***Lawyers: The "Missing Link" Between Public Law and Private Transactions*, Special Edition on the U.S.-Vietnam Bilateral Trade Agreement, LAW AND DEMOCRACY REVIEW 162 (Fall 2003)**

***The U.S.-Vietnam Bilateral Trade Agreement: International Trade and Independent Telecom Regulation*, 11 POSTS AND TELECOMMUNICATIONS JOURNAL 55 (November 2003)**

***Assessing the New WTO Dispute System: A U.S. Perspective*, 32 INT'L LAW. 795 (Fall 1998) (with Rufus H. Yerxa)**

***Human Rights, Democracy and Development: The European Community Model*, 7 HARV. HUM. RTS. J. 1 (Spring 1994)**

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.)

To the best of my knowledge, I have not delivered formal remarks in the past five years. Since beginning my job on the Senate Finance Committee in February 2005, I have spoken on numerous panels – most, if not all of which, were "off the record" – and for which I did not prepare formal remarks.

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

I am lucky to have over 15 years of deep experience in international trade matters. In that time, working in Washington, DC; Brussels, Belgium; and Hanoi, Vietnam, I have had the opportunity to analyze international trade issues from a variety of perspectives, including the private sector (5 years), the Executive Branch (4 years), the Legislative Branch (4 years), and the non-profit sector in the developing world (2 years).

I have negotiated provisions of trade agreements on behalf of the United States, represented the United States in trade disputes before the World Trade Organization, negotiated and drafted trade legislation, briefed Senators and Cabinet level officials, conducted congressional oversight of the trade functions of the administration, taught classes on international trade law and policy, developed a deep knowledge of the European Union, Asia and other regions, as well as worked closely with Members of Congress, congressional staff, career and political administration officials, U.S. foreign service officers, foreign government officials from countries around the world, members of the domestic and foreign press, and representatives of the business community, labor groups and other non-governmental organizations.

Such experience will be useful to the position of Deputy U.S. Trade Representative. That person is charged with a variety of responsibilities, including trade negotiations, trade enforcement, reporting to and interacting with Congress, and working with interested stakeholders, both inside and outside the government. With 15 years of extensive experience in these areas, I would be honored to represent the United States in this position to the best of my abilities.

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.

Yes

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 USTR'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 USTR'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 USTR'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 USTR'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 am not aware of any such activity, other than as an employee of the Federal government.

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 USTR'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.

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.

From October 1993-November 1998, I worked as an associate in the Washington, DC, and Brussels, Belgium offices of the law firm of Akin Gump Strauss Hauer and Feld. Of the approximately 100 clients I supported as a junior associate in that period, I worked on several matters, in a non-supervisory role, involving foreign governments. These matters did not involve a trade negotiation or a trade dispute with the United States. Provided below is a table that lists the client name, matter, time frame, and hours billed for matters involving a foreign government on which I worked as an associate during that period.

<i>Client Name</i>	<i>Matter</i>	<i>Time Frame</i>	<i>Hours</i>
Azerbaijan (I am not sure if the client was the government. Akin Gump does not have the records readily available.)	Analysis of international arbitration rules	7/92	30.60
Blue House (Korea)	Research regarding Congress's views of Korea	6/94-7/94	67.00
Ecuador	WTO dispute against the EU banana policy	6/96-7/96	27.20
Federation of Bosnia	Brcko arbitration	9/96; 1/97	5.20
Fondo de Promocion de Exportaciones de Colombia	General legislation, trade, and foreign policy issues	10/93-1/95	864.25
Korean Embassy	Analysis of prospects for Implementation of Uruguay Round	5/94	12.50

From September 2002-June 2004, I served in Hanoi, Vietnam, as Chief Legal Adviser to the U.S.-Vietnam Trade Council, which is a part of the International Center, a 501(c)(3) organization registered in the District of Columbia as a non-profit organization. In that capacity, I worked on U.S.-Vietnam Trade Council initiatives to provide technical assistance and capacity building to lawyers, businesses, and government officials, principally from Vietnam, on international trade matters. These activities – all funded by the U.S. Agency for International Development and the Atlantic Philanthropies – included participating in seminars, organizing study missions to the United States, preparing publicly available documents on international trade matters, developing legal curricula on international trade law, and teaching classes to law students, law faculty, and lawyers on international trade law. Specific subjects covered in these activities included implementation into Vietnam's domestic law of commitments Vietnam had made in the U.S.-Vietnam Bilateral Trade Agreement, obligations Vietnam would undertake as part of its accession to the World Trade Organization, and general principles of international and U.S. trade law.

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

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

SENATOR CHARLES E. GRASSLEY

**Questions for the Record
Nomination Hearing
for Mr. Demetrios Marantis to be
Deputy United States Trade Representative**

April 30, 2009

Question #1 (Colombia Free Trade Agreement)

Ambassador Kirk announced last week that he would “immediately” begin to develop an action plan for moving the Colombia trade agreement through Congress. Implementation of the Colombia trade agreement is my number one priority on the trade agenda.

Ambassador Kirk also pledged to involve Congress in the development of any benchmarks the Administration will apply in its consideration of implementing the Colombia trade agreement.

I intend to hold him to his pledge. Members of the Finance Committee must be fully involved in this process.

When can we expect USTR to engage us on this issue?

Answer: The Administration intends to work closely with you and members of the Finance Committee, as well as with Colombia and key stakeholders, to identify the further steps that Colombia needs to take to address the outstanding issues. USTR will seek to engage with you as soon as possible.

Question #2 (Korea Free Trade Agreement)

As you know, Chairman Baucus and I have sent a letter to the President urging him to start engaging South Korea on our pending trade agreement.

If you are confirmed, will you immediately get to work on the outstanding issues?

If we can resolve our differences on beef and address concerns that have been expressed by some on autos, would you support trying to implement the Korea trade agreement this year?

Answer: The United States -Korea FTA has the potential to provide significant benefits to the United States. However, I also recognize that concerns remain with the Agreement, particularly with respect to autos, and that there is a need for further progress on reopening Korea’s market to U.S. beef. I understand that USTR Kirk and his staff are undertaking a thorough review of the FTA and will be consulting extensively with Congress and other stakeholders to understand fully the exact nature of those concerns and how they can be addressed. If confirmed, I will devote

considerable efforts to this process, and to consulting closely with our Korean colleagues to effectively address U.S. concerns, so that we can be in a position to move forward with the Agreement as soon as practicable.

Question #3 (Pending Trade Agreements)

I've seen press reports indicating that the Administration does not want to reopen the texts of the Colombia, Panama, and Korea agreements.

I was pleased to see these reports. I agree that we should not reopen the agreements' texts.

If you are confirmed, will you work to ensure that the texts are not reopened?

Answer: There are outstanding concerns with the three pending FTAs. It is USTR's first preference to address those concerns outside the text of the agreement but will explore all options in close consultation with you and members of the Committee.

Question #4 (The May 10th Deal)

The President's Trade Policy Agenda states that we need to "build on" the labor provisions in our existing trade agreements.

I disagree.

You were involved in the negotiation of the so-called May 10th deal, so you know what a very difficult compromise it was.

Any effort to alter the terms of that compromise risks losing the support that led to the compromise in the first place.

What is your position on this issue?

Answer: As with other provisions in our trade agreements, experience will tell us if the provisions we worked out in the May 10th agreement work well or need to be amended. The May 10th agreement was a bipartisan agreement and USTR will not seek to build on that foundation without bipartisan support.

Question #5 (Trans-Pacific Partnership Agreement)

I support the negotiation of a Trans-Pacific Partnership Agreement.

Do you agree that the United States should participate in those negotiations?

If you are confirmed, will you advocate that the United States reengage in the negotiations as soon as possible?

Answer: Active U.S. engagement in the Asia-Pacific region is critical given that region's present and future economic significance. As trade integration deepens in that region, we must act purposefully to be sure that our exporters are well-positioned to compete. If confirmed, I will take a close look at U.S. participation in the Trans-Pacific Partnership, taking into account your advice on how to proceed and the best timeframe for doing so.

Question #6 (Trade Enforcement)

As you know, there have been calls to reinstate the "Super 301" provisions of U.S. trade law.

In your view, how would the international community respond to such a step?

Do you think reinstating Super 301 would be consistent with the spirit of the G-20 standstill agreement?

Answer: The G-20 Declaration of November 2008 provides that countries will refrain from raising new barriers to trade in goods and services for 12 months. I do not see any inconsistency between strong enforcement of our trade agreements and the Declaration. To the contrary, I think it is especially important to fight protectionist measures by enforcing our trade agreement rights in this time of economic difficulties.

That said, I am committed to ensuring full and vigorous enforcement of U.S. rights under our trade agreements and I would be pleased to work with you to ensure that we have all the tools appropriate for enforcement.

Question #7 (China)

(i) If you are confirmed, how would you anticipate splitting the China portfolio with the Treasury and State Departments? Will you insist on USTR's primacy on trade issues involving China?

Answer: Many agencies have important roles to play in the U.S.-China relationship. While the final structure and agenda of the Strategic and Economic Dialogue is still taking shape, it holds the promise of being an important mechanism to advance our cooperation with China on a range of issues. The Joint Commission on Commerce and Trade (JCCT) will remain a core mechanism for addressing bilateral trade and economic issues. In addition, there are a wide number of other bilateral dialogues between the United States and China that are ongoing and can make important contributions. While the development of new mechanisms to engage China may require closer interagency coordination than in the past, this does not indicate that the functional responsibilities for specific policy areas have shifted from one agency to another. The JCCT, chaired by USTR and Commerce, will remain the primary forum to address trade and commercial issues. To the extent that trade and commercial issues may be addressed in other dialogues, USTR will have a central role in those efforts, and USTR will continue to have primary responsibility for developing, and for coordinating the implementation of, United States international trade policy.

(ii) I'm troubled by evidence of repeat offenses by the Chinese adopting policies that are inconsistent with their obligations under the World Trade Organization. In November 2007, China agreed to terminate a number of prohibited subsidies. That was in response to a challenge that we filed in the World Trade Organization.

A year later, we're back in litigation over Chinese government support of "Famous Brands" that appears to incorporate prohibited export subsidies.

At the same time, China has not been particularly helpful in driving the Doha Round trade negotiations to an ambitious conclusion.

What can be done to induce more responsible actions by the Chinese as a stakeholder in the World Trade Organization?

Answer: If confirmed, one of my highest priorities at USTR would be to do everything I can to try to ensure that China complies with the obligations that it took on when it joined the WTO in December 2001. This effort will require continued vigilance, supported by sustained and vigorous bilateral engagement and the use of enforcement tools, such as WTO dispute settlement, where appropriate. We need to use every opportunity to make clear to the Chinese that adherence to internationally agreed trade rules is critical to a positive, cooperative and comprehensive U.S.-China trade relationship. Sustained effort is required overall – including closer coordination with our key trading partners – to ensure China goes much farther down the path toward behavior as a WTO member that reflects its position in the global economy, including in the context of the Doha negotiations, where it needs to show much greater leadership through market-opening contributions that are necessary to ensure a successful completion of the Round.

(iii) A constituent of mine, Amsted Industries Incorporated, is currently pursuing a Section 337 claim against one of its Chinese competitors. I was concerned to hear about the allegations in the case and I want to ensure that Amsted is able to take advantage of all possible options under U.S. trade law and our international agreements to address the matter.

Can you ensure me that, if you are confirmed, USTR will look into Amsted's concerns and determine whether there are any possible avenues under our trade laws and our international agreements (in addition to the action it is currently pursuing under Section 337) for addressing those concerns?

Answer: One of Ambassador Kirk's top priorities is to ensure that our trade relationship with China is fair, sustainable, and mutually beneficial. Working with affected stakeholders to resolve the trade problems they are experiencing is obviously key to achieving this goal. If I am confirmed, I will look into Amsted's concerns and will work closely with U.S. companies such as Amsted to find the most effective ways to address them.

Question #8 (India)

India is a major market for food and agricultural products. Yet many U.S. agricultural exporters have found it difficult to penetrate this market, and the United States currently provides only about 5 percent of India's current food imports.

This low figure appears to be due, at least in part, to high tariffs as well as non-tariff barriers that U.S. exporters encounter when trying to sell their products in the Indian market. What will you do to further open the Indian market to imports of U.S. agricultural products?

Answer: I share your concern about this situation, and if confirmed I will do everything I can to address trade barriers and increase access to India's market for U.S. agricultural products. The results of the Section 332 study that you and Senator Baucus requested the International Trade Commission to produce will help determine the most effective way to penetrate India's market.

Question #9 (U.S. Beef)

U.S. produced beef and pork encounter significant non-tariff barriers in Asian markets. Countries such as China, Japan, South Korea, and Taiwan, continue to impose restrictions on imports of U.S. beef citing concerns about BSE.

Yet the World Organization for Animal Health recognizes that U.S. beef from cattle of all ages, both boneless and bone-in, can be traded safely.

In addition, China and Taiwan impose non-science based restrictions on imports of U.S. pork due to alleged concerns about a veterinary drug that is commonly used in the United States.

Some countries in Asia are now using recent flu detections in humans in the United States as an excuse to impose new barriers on imports of U.S. pork.

But according to the World Organization for Animal Health, this virus is transmitted through human-to-human contact – it is not transmissible by food, and has not been detected in pigs.

What will you do to see that countries in Asian remove their scientifically unfounded restrictions on imports of U.S. beef and pork?

Answer: This Administration is committed to ensuring strong enforcement of existing trade rules. Having spent the past few years working to press our trading partners to dismantle unscientific barriers to our agriculture exports, I understand the importance of exports to the U.S. beef sector, and if confirmed, I can assure you that I will work closely with Ambassador Kirk, USDA and other agencies to engage with Japan, China and Taiwan as well as other trading partners to normalize our trade in beef in these important markets. If confirmed, I will also work to normalize our trade in beef and beef products to Korea. Since the Korean market reopened to U.S. beef in June 2008, U.S. suppliers have sold \$343 million worth of U.S. beef and beef products through this February, restoring Korea as the United States' third largest export market for beef and beef products.

In the case of barriers to U.S. pork, sanitary measures that are not science-based, including bans on the use of a veterinary drug that is commonly used in the United States, are a key problem for U.S. exporters. If confirmed, I will assist Ambassador Kirk in taking appropriate actions, including WTO cases where appropriate, in order to address barriers for U.S. pork and other agricultural producers.

Ambassador Kirk and USTR staff are also working to contact trade ministers in a number of countries which have taken non-science-based actions against U.S. pork due to concerns about the H1N1 human flu outbreak, urging them to comply with their international obligations and lift these non-science based bans. It is my intention to work closely with Ambassador Kirk, if I am confirmed, to remove any additional restrictions.

Question #10 (Environment)

As you know, Congress is considering whether to enact a cap and trade system to address carbon emissions.

Do you agree that any effort to limit such emissions must include the advanced developing countries, such as China and India?

What should we do if China and India refuse to participate in these efforts?

Answer: It's critical to get countries like India and China to take strong action to limit emissions, including through a global climate change agreement, and I understand that USTR is working closely with the State Department and other agencies in pursuing this objective. If confirmed, I will work with Congress and other agencies on developing options to address various concerns, such as the potential for carbon leakage. I would additionally want to ensure that any system that we put in place here to address climate change mitigation is consistent with our international obligations.

Question #11 (Japan – Insurance Services)

The Japanese government-owned company “Japan Post Insurance” is seeking approval to introduce a new product into the Japanese insurance market.

I raised this issue in the context of Ambassador Kirk's confirmation, and he pledged that USTR will press Japan in all appropriate fora to provide fair treatment to U.S. insurance companies.

What is the current status of this issue?

Answer: Ambassador Kirk and other USTR officials have been actively engaged in making clear to Japan our continuing concerns about fair treatment and the need for a level playing field in Japan's insurance sector before new postal insurance products are approved that compete with the private sector. USTR has made clear its serious questions as to whether a level playing field exists and that the U.S. Government looks to Japan to live up to its international obligations in this matter.

Question #12 (Reconstruction Opportunity Zones)

As you know, there is an important difference between the House and Senate bills to establish Reconstruction Opportunity Zones in Afghanistan and the Pakistan border region.

The House bill contains labor provisions taken from the Haiti preference program. I do not support the use of the Haiti labor provisions as a template for other preference programs, including this one.

What is your view of the ROZ concept?

Answer: The President strongly supports the creation of ROZs. There are many views on the details of how ROZs would operate; I look forward to working with you and your colleagues on the ROZ legislation to find an approach that will achieve our shared goals for this program.

Question #13 (Vietnam)

Do you support including Vietnam in the Tran-Pacific Partnership negotiations?

The decision to designate a country as eligible to receive benefits under the Generalized System of Preferences lies with the Administration. Do you believe that Vietnam meets the criteria to be designated as a beneficiary country under GSP?

Do you have other ideas for further developing our trading relationship with Vietnam?

Answer: Vietnam has indicated its interest in participation in the Trans-Pacific Partnership (TPP) negotiations. I understand that the TPP members have responded positively to this interest because of the seriousness with which Vietnam has implemented its commitments in its WTO protocol of accession. TPP members also believe that Vietnam's participation would encourage other ASEAN countries to join the TPP. If confirmed, I would want to consider this issue in the context of U.S. participation in the TPP and would consult closely with you on this question.

The United States initiated a review of Vietnam's request to become a GSP beneficiary in May 2008. Based on this review, I believe Vietnam will have to take additional actions, including on labor issues, to comply with the statutory eligibility criteria before the Administration would be able to designate it as a beneficiary country under GSP.

If confirmed, I want to consider how best to further develop our relationship with Vietnam in the context of overall U.S. engagement in the Asia Pacific and other issues and concerns unique to Vietnam. U.S. trade with Vietnam has grown significantly since the signing of the Bilateral Trade Agreement in 2001 and Vietnam's membership the WTO in 2007.

The United States signed a Trade and Investment Framework Agreement with Vietnam in 2007 and uses this forum to monitor Vietnam's implementation of its WTO commitments and to consider ways to further build the relationship. The Administration is currently engaged in Bilateral Investment Treaty negotiations with Vietnam, and Vietnam has indicated its interest in

participation in the Trans-Pacific Partnership negotiations, which the Administration is considering as well.

Question #14 (Trade Preferences and Least-Developed Countries)

(i) The United States currently provides duty-free treatment for certain sensitive products to African least-developed countries, but not to the Asian least-developed countries.

Should we extend the benefits afforded to African least-developed countries to Asian least-developed countries?

Answer: This is an important issue that has arisen as we consider whether and how to extend benefits to the least-developed countries (primarily in Asia) that do not currently have access to our more advanced regional trade preference programs like AGOA. I would like to work with you to address this issue, especially as the Finance Committee conducts its planned review of preference programs this year.

(ii) Is there a way to provide all least-developed countries with similar market access under U.S. preference programs while also being sensitive to the special needs of the sub-Saharan African region?

Answer: If confirmed, I will work closely with Congress, countries from sub-Saharan Africa and other interested groups to ensure that the countries needing the most help receive the benefits of our preference programs.

(iii) Should our trade preference programs be limited to least-developed countries?

Answer: The largest preference program, the GSP program, and the regional programs (AGOA, Andean, and CBI) extend benefits beyond the least-developed countries. Eliminating preferences for current beneficiaries that are not least-developed countries could adversely affect U.S. businesses that import those products and consumers. In addition, there are many countries where poverty levels are significant but the countries are not LDCs. In Africa, regional economic communities include both developing and least developed countries, and we should be mindful of the impact a change in policy would have on their regional integration goals. I do support close examination of the programs to ensure that the developing countries that need them most are benefiting from the programs and I look forward to working with you on the evaluation of your question.

(iv) The President's Trade Policy Agenda states that the Administration "will give careful consideration to proposals to concentrate benefits more effectively on the poorest countries." Do you have any ideas for concentrating benefits in this manner?

Answer: I know that USTR staff has ideas that they would like to present to me if I am confirmed and there are a number of suggestions put forward by NGOs, international institutions and think-tanks. I also understand that you have ideas on this subject as well. I do not want to

prejudge any of those and, if confirmed, will work with this Congress and solicit input from all stakeholders to identify the best way to make preference programs work.

Question #15 (Trade Preferences and Eligibility Criteria)

(i) Should least-developed countries be subject to program eligibility criteria, or should they be exempted from otherwise applicable eligibility criteria?

Answer: I believe the United States should continue to require beneficiaries of preference programs to satisfy the programs' eligibility criteria.

(ii) Some have criticized our preference program eligibility criteria for being too complex, while others have asserted that the criteria should be expanded to include additional elements. What is your view on reforming eligibility criteria in U.S. preference programs?

Answer: One area I would like to see improved is the coordination of U.S. foreign assistance with the needs of developing countries to meet preference program eligibility criteria and to assist the least-trade active countries benefit more from the programs. A better-funded U.S. assistance program would likely assist countries in satisfying appropriate eligibility criteria. In addition, as the Finance Committee reviews trade preference programs in the coming months, I look forward to working with you to evaluate the programs' eligibility criteria.

Question #16 (African Growth & Opportunity Act)

(i) Some have cautioned that the textile and apparel sector is not a sustainable growth sector in Africa because of strong competition from Asian nations. Instead, they recommend that African nations invest in sectors that require value-added activities, such as processed foods. What is your view?

Answer: The textile and apparel sector is one that has been an important "gateway" to industrialization for many countries. Though there are various challenges, AGOA has helped Africa to improve its competitiveness in this important sector, to attract considerable investment, and create tens of thousands of jobs. Vertical integration is beginning to occur – including the use of African cotton and fabric for apparel being produced for the U.S. and other markets. We will continue to work with African governments and the private sector to improve African competitiveness – particular in niche apparel and textiles markets. Work in this sector does not, in USTR's view, preclude efforts to enhance investment and value-added activities in other sectors such as processed foods.

(ii) Long-term investment is critical to economic development in the African region. How can we reform U.S. trade preference programs to spur long-term investment?

Answer: U.S. preference programs such as AGOA are spurring investments in Africa in key sectors such as apparel, agribusiness, and other non-traditional sectors like cut flowers. Many African countries are making the kinds of reforms in their business environment, implementing investment-friendly policies and practices, and thereby attracting more FDI. USTR will continue

to work with African nations to advance these types of reforms as well as educate the American business community about investment opportunities in sub-Saharan Africa.

(iii) If confirmed, what will you do to help developing countries better appreciate the economic benefits associated with liberalizing South-South trade?

Answer: Through regional economic organizations and the establishment of customs unions and free trade areas, intra-African trade is increasing. If confirmed, I will work hard to continue to support regional integration and to help countries realize the economic benefits of increased South-South trade.

Question #17 (Generalized System of Preferences)

(i) Should petroleum continue to receive preferential treatment under the Generalized System of Preferences?

Answer: Petroleum receives duty-free treatment just from least-developed beneficiaries. USTR believes that this treatment should continue, but I would welcome the opportunity to discuss this further with the Committee, if I am confirmed. I understand that there are concerns about corruption and misuse of oil revenues. I also understand that some steps are being taken to address these concerns. A positive development related to petroleum in Africa is the Extractive Transparency Initiative, which encourages oil-rich countries to focus on and improve transparency regarding use of oil revenues and investment in public works including infrastructure, health, and housing.

(ii) Should we continue to “graduate” super-competitive products imported from advanced developing economies – such as India – from the program?

Answer: Yes, as currently mandated by the GSP statute, USTR supports the continued review of “super-competitive” products as part of the annual GSP reviews.

(iii) Should we expect more cooperation from advanced developing preference program beneficiaries in multilateral trade negotiations?

Answer: USTR expects to work with all of our trading parties to reach a successful outcome to all multilateral trade negotiations. If confirmed, I look forward to working with you on this issue.

(iv) Should we consider requiring eligible beneficiaries under our trade preference programs to implement domestic reforms as a condition of enjoying preferential access to our market? If so, what model would you recommend?

Answer: Similar to my answer on eligibility criteria, better-coordinated U.S. assistance program support of preference programs (AGOA, ATPA, CBI, and GSP) would result in more domestic reforms occurring in the beneficiary countries.

Question #18 (Burma)

(i) As you know, each year this Committee considers an annual renewal of trade sanctions against Burma. What is your view on maintaining trade sanctions against Burma? What steps can we take to achieve better cooperation from China and Thailand in responding to the abuses of the Burmese junta?

(ii) Last year, Congress passed the JADE Act, which imposed stricter sanctions against Burma. Will you commit to keeping this Committee updated on the status of its implementation?

Answer: Trade sanctions are an important element in an overall strategy to bring about positive change for the Burmese people. The Administration is currently conducting a comprehensive review of U.S. policy toward Burma. As part of this review, it also will be important to review strategies for outreach to key regional partners, including Thailand and China, in order to strengthen our efforts to maintain and increase international pressure on the Burmese junta.

If confirmed, I will work closely with the Committee and will coordinate with agencies involved in implementation of the JADE Act (and Burmese Freedom and Democracy Act) including State, Treasury, and Homeland Security to keep the Committee updated on the status of implementation.

Question #19 (Cumulation)

Some have suggested that we work to provide for cumulation among all our trade agreement partners for rules of origin purposes.

What is your view?

Answer: As USTR considers next steps in trade expanding agreements, I look forward to working with you on a range of issues, if I am confirmed. Cumulation is a term that is defined in different ways by different partners. As with any other potential element of our agreements, any consideration of an approach to cumulation will have to be built upon a strong analysis that is particularly focused on costs, benefits, and consistency with WTO commitments.

