

Opening Statement of
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Before the
Committee on Banking, Housing, and Urban Affairs
Of the
United States Senate

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Chairman Dodd, Ranking Member Shelby, and members of the Committee, it is an honor to come before you as President-Elect Obama's nominee for Chair of the Council of Economic Advisers.

I want to thank Senators Feinstein and Boxer of California for their warm introductions. I am truly honored to have both of my home state Senators with us today and appreciate their kind words.

Before I begin, I would like to introduce three people who are with me today: my husband of twenty-five years, David Romer, who is also an economist, my father, Clifford Duckworth, from Massachusetts, and my 12-year-old son, Matthew. My two other children, Katie and Paul, are away at school and are not able to join us today.

Let me take a moment to tell you a little about myself. I was born in Illinois and lived in Connecticut, Ohio, Alabama, and New Jersey as I was growing up. I attended the College of William and Mary in Virginia and received my Ph.D. in economics from the Massachusetts Institute of Technology. I was an assistant professor at Princeton University for three years before moving to the University of California, Berkeley. I have been a professor at Berkeley for almost exactly twenty years, and have had the honor of teaching introductory economics to thousands of Berkeley freshmen.

As we are all far too aware, economic conditions in the United States, and indeed in much of the world, are weak and deteriorating rapidly. The unemployment rate announced last Friday was 7.2%, more than two percentage points above its level at the start of this recession. Job loss has now topped two and a half million and shows no evidence of stopping. And, our financial institutions remain in a precarious position and crucial credit flows have not been restored, despite unprecedented actions by the Congress, the Treasury, and the Federal Reserve.

As you may know, my area of expertise is the history and effects of monetary and fiscal policy. I have also done extensive work on the causes of the Great Depression of the 1930s and the sources of recovery from that national crisis. I never expected my knowledge of the 1930s to be useful in a modern policy setting. And, certainly, as bad as current conditions are, they remain far better than what our parents and grandparents

experienced 75 years ago. But, the U.S. economy over the past year has suffered the worst macroeconomic shock since the 1930s, and the risks to the economy are by far the greatest they have ever been in my lifetime. The possibility that continued economic decline will further weaken the financial sector and lead to a devastating rise in joblessness is a risk that demands immediate and unprecedented action.

It is for this reason that, if confirmed, I am dedicated to working with President-Elect Obama and Congress to forge an economic recovery plan to help stabilize the U.S. economy. Making crucial investments in infrastructure, education, healthcare, and energy, will not only help us through the current crisis, but also put us on a path to a much better future – a future in which we deal with our long-run energy needs, equip our children to compete in the world economy, and ensure that middle-class families once again realize the full promise of the American dream.

The vision of hope that the President-Elect has given the American people is one that I share. The resilience of the American people and the fundamental strength of the market system are the most important reasons for optimism. But I also believe that well designed, aggressive government policies will make a crucial difference. Indeed, much of my academic research has shown exactly this: government policies to increase aggregate demand do indeed increase output and reduce unemployment in the short and medium run. And, while I have not personally done research on the effects of government spending, I firmly believe that the evidence shows that timely government investment will be very beneficial.

Of course, getting through the current crisis and putting us on the road to better long-run growth will not be the end of the economic agenda. Much more work will need to be done in a wide range of areas, from health care to energy to financial market reform. And, all of this work will have to take place in the context of medium- and long-run budget projections in which government revenues and expenditures are painfully out of balance. Dealing with all of these issues will be difficult and will require extensive analysis and hard choices. But, I can think of no greater honor than to be a part of such an important endeavor, and I can think of no president whose leadership and judgment I would trust more than the President-Elect.

In closing, let me say just a word about the organization I have been nominated to lead. The Council of Economic Advisers was created to provide the president, and through its reports, the Congress, with the best advice professional economists have to offer. It is an institution with a proud history of providing honest, first-rate economic analysis. This is a tradition I would intend to continue and strengthen. As someone who has spent my entire professional life as a scholar and teacher, I am a firm believer in the power of knowledge and research. I would do my utmost to protect the integrity of the CEA, and make it a center for unbiased, scientific analysis of the crucial economic issues facing our country in the years ahead.

Thank you. I would be happy to answer any questions you might have.