

U.S. DEPARTMENT OF THE TREASURY

Press Center



Testimony of Treasury Assistant Secretary for Economic Policy Nominee Karen Dynan before the Senate Finance Committee

1/30/2014

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

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

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

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

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

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

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

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

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

###

