

**Nomination Hearings of
Peter R. Orszag to be Director, Office of Management and Budget and
Robert L. Nabors II to be Deputy Director, Office of Management and Budget**
Chairman Joseph I. Lieberman
January 14, 2009

AS PREPARED FOR DELIVERY

Good morning. Today we hold two back-to-back hearings back to back for the nominees to lead the Office of Management and Budget. First, we will consider the nomination of Peter R. Orszag to be Director of OMB, and immediately afterwards, we will consider the nomination of Robert L. Nabors to be Deputy Director.

Dr. Orszag and Mr. Nabors, I welcome you both. We're happy to have you with us today and thank you for your service to our country and your willingness to serve once again.

These nominations come at a time of unprecedented budgetary and economic peril for the nation, which means challenge beyond even the normal for OMB and those who will lead it. The economy is facing a painful recession at the same time our government faces massive budget

deficits. In response, the incoming Obama Administration is putting together a major recovery package, developing plans to achieve long-term budget stability, and at the same time instituting an ambitious process to improve performance and reduce costs of government. Those are difficult and critically important undertakings, and OMB must be a leader in all of them. So the two of you have your work cut out for you.

Dr. Orszag, with your extensive experience in budget and public policy, you are well qualified to assume the big responsibilities of the position to which you have been nominated. Your government experience includes nearly two years as director of the Congressional Budget Office and several years as a senior economic advisor in the Clinton White House. You have also held prominent academic and private-sector positions in a wide range of economic and policy areas.

The Director of OMB is a key member of the President's economic team, helping the President prepare and execute the budget across 14 cabinet departments and more than 100 executive agencies, boards, and

commissions. The OMB Director recommends how to spend every tax dollar, oversees the management of every federal government agency program, and reviews rules vital to the public health, worker safety, environmental protection, and regulation of our financial institutions.

I do not believe I am overstating the gravity of the situation to say that we are at a defining moment in our history. GDP is falling and unemployment is rising. In the last year, America's stock markets and housing sector have lost more than \$12 trillion in value. Consumers aren't spending, banks aren't lending, manufacturing plants are closing down, and icons of American industry - such as General Motors and Chrysler - are on the brink of bankruptcy. Over half a million workers lost their jobs in December, bringing the total jobs lost in 2008 to 2.6 million. The national unemployment rate is 7.2 percent and rising. Most economists now predict that the current downturn will be the worst since the Great Depression.

The incoming Administration has adopted an aggressive and

activist approach to jumpstart the economy based on an economic recovery and reinvestment program which will inject a massive increase in demand for goods and services - a demand that would come from the government through public works spending, and from consumers and businesses through tax relief. The price tag of \$800 billion or more is jaw dropping, unprecedented, and, in this case, necessary.

If confirmed as Budget Director, you will therefore be overseeing government spending like none we have ever witnessed. The stimulus package alone dwarfs the size of most nations' budgets and, if enacted, it would be more than eight times the size of the annual budget of our largest state -- California. I look forward to hearing from both of you today about the measures you intend to take to ensure and with the maximum benefit for our people and our economy.

Beyond the immediate crisis, we face long-term fiscal imbalances that have been rising for years, while we have acted as if they were not there. Now, the moment of truth and responsibility has arrived. Last

week, the Congressional Budget Office projected a \$1.2 trillion national deficit in FY2009 and a cumulative deficit of over \$3 trillion over 10 years. And these numbers don't even take into account the cost of the stimulus package or the long-term costs of rising health care and Social Security expenditures beyond the 10-year budget window. In both academia and government, Mr. Orszag, you have been a leader in identifying and analyzing the major long-term budgetary challenges of our time, so I am eager to hear your thoughts on how the new Administration can move our country, with Congress, toward fiscal responsibility.

For decades, we have depended on the willingness of our trading partners to subsidize our consumer and government deficits. The result has been large trade deficits and a gradual transfer of wealth from the United States to foreign nations, notably China and the Middle East. Over the long term, and perhaps now in the short term, this is not just undesirable, it is unsustainable. I want to know how you would recommend we begin to right these imbalances, both at the

governmental and macro-economic levels.

The OMB Director will also be a key player in helping to strengthen what we all agree is our fragmented financial regulatory structure to prevent the type of financial melt-down we are now experiencing from happening again. The failure of our regulatory agencies to police Wall Street adequately has contributed mightily to the current crisis. I personally believe that rather than adding layers of regulation to the patchwork that already exists, real reform must begin by clearing the table of the entire federal framework of financial governance so we can build a new regulatory system that will work to protect America's investors and institutions. The OMB Director will have an important voice in any substantial reorganization of the financial regulatory structure, and so I would like to hear your views on what should be done.

Oversight of federal acquisition of goods and services is another increasingly important responsibility of the OMB Director. Federal

purchasing has exceeded \$400 billion a year for the past several years, and OMB must wring every possible efficiency out of the contracting process. We simply cannot afford the cost overruns or wasteful spending that we too often see. The government's increased reliance on contractors has created a need for more sophisticated and demanding management across agencies on a range of complex issues, including oversight of contractor performance, safeguards against conflicts of interest, prohibitions on contractors performing inherently governmental work, and the replenishment of the acquisition workforce.

Finally, the OMB Director has critical responsibilities to guide implementation of information technology and e-government across the federal government. I personally am excited that the President elect has big plans to use technology to increase accessibility and accountability. This Committee has done extensive work in authorizing e-government legislation, and I look forward to working with you to help this shared vision become a reality.

We have a lot of important ground we must cover today, and a lot of critically important work we must do together in the years ahead.

Senator Collins?