

**INTRODUCTORY STATEMENT OF KRISTIN J. FORBES  
NOMINEE FOR MEMBER OF THE COUNCIL OF ECONOMIC ADVISERS  
BEFORE THE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS  
UNITED STATES SENATE**

Tuesday, September 16, 2003

Chairman Shelby, Ranking Member Sarbanes, and members of the committee, it is my privilege to appear before you today. I am honored to be nominated by the President, and considered by you, to serve as a Member of the Council of Economic Advisers.

After just observing the 2<sup>nd</sup> anniversary of September 11, 2001, this is a particularly poignant moment to reflect on the tremendous strength and resilience of the U.S. economy. In the past few years, the United States has experienced an unprecedented series of challenges—from the bursting of the stock market bubble, to the deadly terrorist attacks of September 11<sup>th</sup>, to the corporate accounting scandals, to the wars in Afghanistan and Iraq. Reflecting on these events reminds me, first of all, of the importance of family, friends, and community. In that vein, I am delighted to be joined here today by my husband, Steve Calhoun, and by my parents, Alison and Jim Forbes.

Reflecting on these events of the past few years also reminds me of the tremendous vitality of the U.S. economy. Despite this series of challenges, the U.S. economy has remained strong and dynamic. The recession of 2001 was one of the shallowest (as measured by the fall in GDP from its peak) in post-World War history. The U.S. economy grew faster than any other major economy in 2002, and is expected to continue to do so in 2003. Productivity growth is rapid and has recently exceeded even optimistic expectations.

Despite these positive signs, however, there are also reasons to be cautious and vigilant. Employment has been very slow to recover and unemployment is still too high. If growth in the U.S. continues to outpace that in the rest of the world, the U.S. trade deficit is likely to increase. In the next decade as the baby-boomers retire, the payments for Social Security and Medicare will put additional pressure on the federal budget.

Given these challenges, it is important to reinforce the underpinnings of the U.S. economy that have contributed to its strength and vitality. The United States is a land of opportunity, where hard work and perseverance allow people to rise from humble beginnings to comfortable lifestyles. The United States is a land where an individual with a good idea can start his or her own business and flourish. These possibilities exist in the U.S. due the economy's reliance on market forces, combined with a strong protection of individuals' rights. The U.S. government has an important role to play in building and enforcing the institutions necessary to ensure that markets function efficiently and that individuals' rights are protected.

Not only does the government have an important role to play in reinforcing the existing strengths of the U.S. economy, but also to ensure that the economy successfully adapts to new challenges. The U.S. response to the series of corporate accounting scandals—arresting corrupt managers, allowing insolvent firms to go bankrupt, and passing new legislation to reduce these problems in the future—is a model of rapid adaptation that is the envy of many other countries. Over a decade after its asset bubble burst, Japan is still struggling with how to address many of the same issues. As the United States becomes increasingly integrated with the rest of the world, it will continually face new challenges on how to manage this adjustment, while still reaping the tremendous benefits of globalization.

Given the important role of government in protecting the strength and vitality of the United States, I realize the substantial responsibility entailed in a position as a Member of the Council of Economic Advisers. My background—a PhD in economics, a professor and award-winning teacher at the Massachusetts Institute of Technology, and a recent position as a Deputy Assistant Secretary in the U.S. Treasury Department—have helped prepare me to meet these challenges. If confirmed, I will be honored to accept this responsibility of providing sound economic advice to help ensure the continued vibrancy of the U.S. economy.

Thank you for your time. I look forward to answering your questions.