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ANTICIPATED NOMINATION OF JANET L. YELLEN

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

ON THE

ANTICIPATED NOMINATION OF

JANET L. YELLEN, TO BE SECRETARY, DEPARTMENT OF THE TREASURY

JANUARY 19, 2021

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ANTICIPATED NOMINATION OF JANET L. YELLEN, TO BE SECRETARY, DEPARTMENT OF THE TREASURY

TUESDAY, JANUARY 19, 2021

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

The hearing was convened, pursuant to notice, at 10:16 a.m., in Room SD–106, Dirksen Senate Office Building, Hon. Chuck Grassley (chairman of the committee) presiding.

Present: Senators Crapo, Cornyn, Thune, Portman, Toomey, Scott, Cassidy, Lankford, Daines, Young, Sasse, Wyden, Stabenow, Cantwell, Menendez, Carper, Cardin, Brown, Bennet, Casey, Warner, Whitehouse, Hassan, and Cortez Masto.

Also present: Republican staff: Nicholas Wyatt, Tax, Infrastructure, and Nominations Policy Advisor. Democratic Staff: Michael Evans, Deputy Staff Director and Chief Counsel; Ian Nicholson, Investigator; Joshua Sheinkman, Staff Director; David Berick, Chief Investigator; and Peter Gartrell, Investigator.

OPENING STATEMENT OF HON. CHUCK GRASSLEY, A U.S. SENATOR FROM IOWA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. Today, we welcome the Honorable Janet Yellen to consider an anticipated nomination for her to become Secretary of the Treasury.

The role of Treasury Secretary covers responsibilities over a large number of issues, including taxes; fiscal management, including the debt; financial sanctions; and economic policies. The Treasury Secretary also serves as Chair of the Financial Stability Oversight Council, which has wide-ranging financial oversight and regulatory authorities. Dr. Yellen has a history in academics, think tanks, the Federal Government, and at the Federal Reserve.

This hearing takes place in the midst of an ongoing pandemic, along with significant divisions in Congress and in the Nation. I hope we can move away from partisan divisiveness and personalized attacks against each other. Dr. Yellen, if confirmed, you can be instrumental in helping generate an environment for bipartisan efforts and reasoned debate.

You have expressed that you have interest in aggressively pursuing mitigation efforts toward climate change, which you see as a global existential threat. The incoming administration has also identified interest in raising taxes, coupled with massive spending programs, and working to reduce income inequality. And Senator

Schumer has said that he'd like to change America. I'll be interested in hearing more about those and other things as we continue to consider your nomination.

As I've already indicated to you, I think it would be a big mistake to raise taxes on individuals and businesses as they struggle through an economic recovery and a pandemic. I know that the incoming administration has said they'd like to pursue a two-pronged strategy, with a massive stimulus followed by tax hikes, coupled with even more spending, maybe on infrastructure. We are already closely examining President-elect Biden's proposal for around $1.9 trillion of stimulus, which even some prominent Democrat economists have said does not seem to be well-targeted. With the trillions already in the pipeline, and close to $1 trillion of relief enacted just a few short weeks ago, it is important to focus efforts on pandemic relief. Now is not the time to enact a laundry list of liberal structural economic reforms. Dr. Yellen, if you are confirmed, I hope that you will work with us on the proposal.

Moving forward, President-elect Biden has stated numerous times that no one making under $400,000 would see their taxes raised. For example, last year on CNBC President-elect Biden stated what we can think of as the new Biden Rule that, quote, "nobody making under 400,000," and he said "bucks, would have their taxes raised, period," end of quote.

While I do not think we need to be raising taxes, I will pay close attention to see that the incoming administration abides by that new Biden Rule and does not go after taxing small businesses and the middle class.

On my part, let me tell you that I believe in free and fair trade, both internationally and domestically. International trade is important to American businesses, and especially important to the agricultural sector and the farmers across America. I will make sure that the incoming administration does not overlook the importance of agriculture or the interests of rural America.

I am against foreign countries trying to tap into the U.S. tax base with unilateral digital services taxes under their self-proclaimed "rights" to invade our tax base. They do not have that right.

I do not support socialism, or Marxism, or so-called democratic socialism that would end with command-and-control policies. I also do not support any rapid or drastic wiping out of industries and their workers based mostly on ideology and often on misleading analyses, with some notion of taking care of the carnage through massive government income and wealth redistribution.

Prior to the pandemic, although there were economic and structural challenges to the economy, we saw a very historic 50-year low in unemployment rates, record lows in gaps between minority unemployment and the overall unemployment rate, inclusive growth with real wages growing faster for lower earners, record highs in real median household income, stronger median income growth for minorities than others, and reductions in income inequality and poverty.

Although those were goals of Democrats, we did not hear much about the accomplishments from members of the other party. Those accomplishments came about in an environment in which tax burdens were lowered and made more progressive, and regulation was made more efficient.

Instead of welcoming the accomplishments, we have heard from the other side that we need to change America. I would like to see us continue with the accomplishments we saw prior to the pandemic.

Now let me close with a comment on transparency. This committee has traditionally expressed bipartisan interest in reminding all nominees who come before this committee that transparency is important for our members. That means that I expect that you will respond to inquiries from any Senator on this committee no matter on which side of the aisle they sit. Prompt and thorough responses to our inquiries and investigations are what we expect.

With that now, Senator Wyden?

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

OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM OREGON

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

I want to begin, Chairman Grassley, by thanking you and Senator Crapo for the help in scheduling Chair Yellen's hearing this morning. And, Senator Grassley, I also want to thank you for joining me last week in exposing the pharmaceutical companies' insulin price-gouging scheme. America knows that they are getting mugged at the pharmacy counter. Now this committee can use a fresh investigation that helps lay out a plan to finally end one of the all-time big anti-consumer rip-offs, which is what is going on with insulin.

Mr. Chairman, I thank you for that. Now to turn to Chair Yellen.

This is the second time in 12 years that a Republican President leaves the office with the economy in ruin. Today, there is also a surging pandemic and armed troops guarding our Capitol from far-right insurrectionist attack.

The Biden administration is not going to begin with inaugural balls. It is going to begin with all-out triage. My top economic priority is avoiding the mistake Congress made in the last recession, which was taking a foot off the gas pedal before recovery took hold. Congress did not do enough in 2009 to help the unemployed and struggling homeowners. And if stepping off the gas was not bad enough, 2 years later House Republicans passed policies that yanked out the spark plugs and let the air out of the tires as well.

In Oregon, it took 7½ years for unemployment to return to its pre-recession level. That cannot happen again, or else millions and millions of people will go through years of needless hardship. Some will never recover the lives that they had prior to the pandemic.

Unemployment is again rising. Federal Reserve data shows that workers of modest income are facing Great Depression-level joblessness. One out of five are out of work. And Donald Trump repeatedly pressed a false and manipulative choice between public health and economic recovery, and now America has neither.

The good news is Chair Yellen knows that going small on economic relief would be a big mistake. Chair Yellen is exactly the right person to lead the Treasury Department. Nobody could be better qualified for this job. And, Mr. Chairman, I would ask unanimous consent at this point to put into the record a letter signed by eight former living Treasury Secretaries urging swift confirmation of Janet Yellen.

The CHAIRMAN. Without objection, so ordered.

[The letter appears in the appendix on p. 54.]

Senator WYDEN. Thank you, Mr. Chairman.

And I just say to my colleagues, all of those Treasury Secretaries do not just come together by osmosis. They believe deeply in the challenge ahead of us in this country, and they all think Janet Yellen is up to the job. And nobody deserves more credit than Chair Yellen for the longest economic expansion that we have seen in our history, which lasted until the pandemic hit.

Federal Reserve Chair Yellen changed decades of conventional economic wisdom that put too much focus on inflation and deficits. She was correct that policymakers should focus more on wages, employment, and inequality, and that the economy safely could run a little hotter.

Now, she took some heat at the time from Republicans, but later they tried to attribute Janet Yellen's success to the outgoing administration. But the numbers show the successes of Chair Yellen's approach. Unemployment went down. Wages went up. And a lot of working Americans were better off than they were before.

Who better to lead the Treasury Department and help kick off the next economic expansion than the person who did so much to bring about the last one? Right out of the gate, the Biden administration and Congress need to send major relief to America's working families. That means increasing relief checks to $2,000. And it means extending enhanced unemployment benefits to all of those who have lost their jobs through no fault of their own.

At Mitch McConnell's insistence, the December economic package reduced unemployment benefits from the CARES Act and extended them only until the middle of March. There are groceries in my refrigerator that are going to last longer than Mitch McConnell's unemployment agenda.

Now this has been a common story, a common story of Washington letting key economic lifelines expire. They get extended. They expire. They get extended. Congress cannot go on with this snooze-button legislating. Our workers and our economy need a government that is predictable and reliable. That means the Congress needs to tether the extension of unemployment benefits to economic conditions on the ground, with automatic triggers. Those benefits should not be subject to the whim of one elected official.

The tattered patchwork of State unemployment insurance systems also needs fixing. My home State of Oregon saw this when the COVID crash hit. In other cases, it was because of Republican lawmakers having intentionally hobbled unemployment insurance programs. Workers suffer because of it, particularly black and Hispanic workers. Congress needs to reform the program, which I think should include bringing all workers into the system, increasing base benefits, and ensuring that it can hold up in a crisis.

Also, part of our work has to involve fixing America's broken-down, dysfunctional tax code. And to me, it has to start with the proposition that corporations, millionaires, and billionaires all have to pay their fair share. I am developing a proposal to reform the taxation of capital gains for the top three-tenths of 1 percent of taxpayers. My plan would tax wealth like work, and it would minimize the ability of those who are particularly well-off and have all the accountants and all the lawyers to just defer, and defer, and defer paying their taxes.

If you are a nurse—and I was just home for the last close to 10 days with virtual town halls, and talking to folks in a socially distanced way, and one of the things I discussed is, if you are a nurse in Oregon taking care of COVID patients, you have to pay taxes with every paycheck. You do not get to defer your taxes if you are a nurse treating COVID patients. But if you are a billionaire, you can defer, and defer, and defer paying taxes and, in many instances, figure out a way to pay nothing at all.

My plan would put a stop to that unfairness, and the revenue would help preserve the Social Security guarantee for decades to come with additional funds for other priorities.

Now, the outgoing administration had a different approach. They were big on corporate tax giveaways, and they actually increased incentives to ship jobs overseas instead of eliminating them. I want those mistakes fixed.

Before I wrap up, I want to turn to an existential threat for, particularly our kids and our grandkids, and that is climate change. The Treasury Department is going to have a key role to play on these climate issues.

Much of America's energy policy is tax policy. Having worked with my friend from Washington State, Senator Cantwell, we know there are now 44 energy tax breaks on the books. And some of them look like they just came from yesteryear.

I have a bill to replace these 44 breaks with 3 that go right to the heart of a new set of priorities: reducing carbon emissions and promoting innovation. The three are for clean electricity, clean transportation, and energy conservation. I am also developing a proposal that would make polluters pay for the cost of climate change, with much of the revenue returned directly to the American people through annual cash payments.

The Treasury Department plays a big role—as Chairman Grassley noted—in trade. Over the last 4 years the American people got a lot of tough talk about trade, but there was a big gap between the tough talk and delivering on the big promises.

This administration drove away our economic allies. It actually isolated us in the crucial fight against trade cheats in China and elsewhere. Members of this committee are also concerned about currency manipulation and other tactics that rip off high-skill, high-wage jobs at a time when wage growth has got to be right at the top of our economic agenda.

I am looking forward to working with Secretary Yellen on all these issues, and more. And I certainly hope—and Chairman Grassley and I have been talking about it—that with her stellar, extraordinary qualifications, we can get her nomination approved as quickly as possible. And it seems to me, with the economic crunch we are facing, it ought to be approved on Day One.

Now I will close by saying everybody has a constitutional right to be foolish, but nobody can question Chair Yellen's qualifications.

This country has never had a woman as Treasury Secretary. What a shame. Anybody who doubts Chair Yellen's commitment to policies that give everybody a chance to get ahead, just has not been paying attention.

So, colleagues, I look forward to working with all the members, Democrats and Republicans, throughout this session. And I think it is very appropriate that we begin with the consideration of a person who is so extraordinarily qualified, and who I very much appreciate being willing to return to public service. President-elect Biden could not have made a better choice, colleagues, than Janet Yellen.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

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

The CHAIRMAN. The chair now recognizes and welcomes Senator Feinstein from California, for the purposes of introduction.

STATEMENT OF HON. DIANNE FEINSTEIN, A U.S. SENATOR FROM CALIFORNIA

Senator FEINSTEIN. And I thank the chair. Thank you very much, Senator, and other Senators. It is just fine to be here this morning.

I have known Janet since she became President of the Federal Reserve Bank of San Francisco in 2004. She has been professor, and now emeritus at the University of California, Berkeley since 1980—that is 40 years.

Janet has an impressive record. She served twice on the Federal Reserve Board of Governors and was the first woman to chair the Fed from 2014 to 2018. She also served as Chair of the Council of Economic Advisors under President Clinton, and she is currently professor emeritus at the University of California, Berkeley, as well as a distinguished fellow at the Brookings Institution.

Some have joked that Janet's husband of 42 years, George, won the Nobel Prize in Economic Sciences, yet he is regarded by many as the second most accomplished economist in his own home. But it can be said that all of these accomplishments did not come easily for a women in the male-dominated field of economics.

Out of 24 students who received doctorates in economics at Yale in 1971, Janet was the only woman. And she has been a trailblazer her entire career. Now she brings to us the experience and leadership needed at Treasury at this critical juncture.

I believe that Janet Yellen really understands that the economy is not an abstract series of charts and figures, but a collection of real individuals, families, communities, problems, and businesses that need help. And these are the many reasons that Janet received bipartisan praise when President-elect Biden announced her nomination in December.

For one, her deep policy expertise matches her understanding of the impact of economic policy on people. She is also a pragmatic and steady hand who recognizes the need for fiscal discipline. In short, she is the ideal candidate to head Treasury at a time when we can afford nothing less.

So I urge and hope that this committee will rapidly approve her nomination, and I thank you for the privilege, Mr. Chairman. Thank you.

The CHAIRMAN. Thank you, Senator Feinstein.

I want to go back to Senator Wyden, because he asked to speak on another point, before I got to Dr. Yellen.

Senator WYDEN. Mr. Chairman, just on your point earlier, because we need to get to Chair Yellen, I very much share your view with respect to transparency. You and I have worked on those issues.

I also want to put on the record that the Treasury's record over the past 4 years on this was dismal, on things like FinCEN. It has got to do better, but do it in a bipartisan way. Thank you.

The CHAIRMAN. Thank you very much.

Now, I did not congratulate Dr. Yellen on her appointment. I do that now, and ask her to make her opening statement.

STATEMENT OF HON. JANET L. YELLEN, Ph.D., SECRETARY-DESIGNATE, DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Dr. YELLEN. Chairman Grassley, Ranking Member Wyden, members of the committee, it is an honor to appear before you. And, Senator Feinstein, thank you for that very kind introduction.

Senator FEINSTEIN. You are welcome.

Dr. YELLEN. I have immense respect for the task before this committee: rebuilding the American economy from the sharpest downturn in history. If I am fortunate enough to be confirmed, I would strive to be a good partner in that work. I have spent almost my entire life thinking about economics and how it can help people during hard times.

My father was a doctor in Bay Ridge, Brooklyn. It was more of a working-class neighborhood back then. His patients would take the bus from their jobs at factories or docks, and they would come to our stoop, because that is where my dad's office was, in our basement.

He was the kind of doctor who treated the whole patient. He knew about their lives, about when they had been fired or could not pay. Those remain some of the clearest moments in my childhood.

My parents had been children of the Depression, and they had a visceral reaction to economic hardship. Economics is sometimes considered a dry subject, but I have always tried to approach my science the same way my father approached his: as a means to help people.

And this committee, I believe, has viewed it the same way, especially during these last few months. When economists look back on the pandemic, I expect they will conclude that Congress's actions averted a lot of suffering. But more must be done. Economists do not always agree, but I think there is a consensus now that without further action, we risk a longer and more painful recession now, and longer-term scarring of the economy later.

The pandemic has caused widespread devastation. Whole industries have paused their work. Eighteen million unemployment insurance claims are being paid every week. Food bank shelves are going empty. The damage has been sweeping. And as the President-elect said last Thursday, our response must be too.

Over the next few months, we are going to need more aid to distribute the vaccine, to reopen schools, to help States keep firefighters and teachers on the job. We will need more funding to make sure unemployment insurance checks still go out, and to help families who are at risk of going hungry or losing the roof over their heads.

Neither the President-elect nor I propose this relief package without an appreciation for the country's debt burden. But right now, with interest rates at historic lows, the smartest thing we can do is act big. In the long run, I believe the benefits will far outweigh the costs, especially if we care about helping people who have been struggling for a very long time.

People worry about a K-shaped recovery, but well before COVID–19 infected a single American, we were living in a K-shaped economy, one where wealth built upon wealth, while working families fell farther and farther behind. This is especially true for people of color.

At the Fed, I became accustomed to the institution's dual mandate: to promote stable prices and maximum employment. As Treasury Secretary, I think there will be a dual mission too: helping Americans endure the final months of this pandemic and keeping people safe while getting them back to work. That is our first task. But then there is the longer-term project. We have to rebuild our economy so that it creates more prosperity for more people and ensures that American workers can compete in an increasingly competitive global economy.

Members of the committee, these are very ambitious goals, and I know we will need to work together. You can count on me to do that in a bipartisan way.

My husband and son are watching us on C–SPAN from the other room. They are not only wonderful people, they are also wonderful and opinionated economists themselves. So I am used to debate about these issues in the house, and I would welcome it in the Senate.

Thank you. I look forward to your questions.

[The prepared statement of Dr. Yellen appears in the appendix.]

The CHAIRMAN. Thank you, Dr. Yellen. Before I go to questioning, I have four obligatory questions that we ask all nominees before this committee. And they are usually stated in exactly the same way.

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?

Dr. YELLEN. No, Senator Grassley, I do not believe I have any conflict of interest.

The CHAIRMAN. Okay. 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?

Dr. YELLEN. No, I do not.

The CHAIRMAN. Do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress, if you are confirmed?

Dr. YELLEN. I will testify, if they ask, before any committee of Congress.

The CHAIRMAN. And finally, do you commit to providing a prompt response in writing to any questions addressed to you by any Senator of this committee?

Dr. YELLEN. Yes, I commit to that.

The CHAIRMAN. In regard to that last one, I hope—I think Senator Biden, as Senator, would agree with me that when the Trump administration first came in, they issued some sort of a regulation that they were going to only answer questions for committee chairmen. We finally got them off of it. I do not know whether they answered every question of every Senator or not—they probably did not—but I hope that we do not hear that from this administration, that you have to be chairman of a committee to get an answer to your question.

Before I ask the first question—but it is kind of along the lines of the question I was going to ask you—I just heard your opening comment about learning so much from your father about the workers of America and about the business of America. I hope you will continually remind people that you have that background, and that you take it into consideration every opportunity you can. Because I think people think you, being in public service for such a long time, may have forgotten that, just like I think a lot of people think that, after Chuck Grassley has been in the United States Senate for 40 years, he has forgotten the 10 years he spent on the assembly line with the workers of Iowa. And it is important that they be reminded of these backgrounds.

Dr. Yellen, how will you work at Treasury to ensure that the interests of American workers and businesses in rural America are not ignored?

Dr. YELLEN. Senator Grassley, thank you for that question. It will be my core focus, if I am confirmed as Treasury Secretary, to focus on the needs of America's workers, those living in cities and in rural areas, and to make sure that we have a competitive economy that offers good jobs and good wages. And I really look forward to working with President-elect Biden and his team, first to address the critical issues we face as a country now with the pandemic causing such misery for so many small businesses that have failed or are at risk of failing and need our help, and the unemployed workers who have been so badly affected by the impact of the pandemic, especially in the service sector.

It has disproportionately hit the service sector and the workers who are employed in that sector, and it has been particularly brutal in its impacts on minorities and on women. And I will be focused from Day One on providing support to America's workers and to small businesses, putting into effect as quickly and efficiently as I can the relief in the bill that was recently passed and then, over time, working for a second package that I think we need to get through these dark times before the vaccination program enables us to go back to life as we knew it. But over time, I look forward to working with President-elect Biden and his team to build back better, and to address many of the challenges that have faced America and that have had such an adverse impact on America's workers and small businesses.

We need to invest in our infrastructure. We need to invest in R&D. We need to invest in training and workforce development, so that we have an economy that is productive and competitive, and workers and families can thrive.

The CHAIRMAN. Thank you very much for that answer. That was kind of a shotgun approach to questioning. I now have a rifle approach.

Democrats have been arguing for repeal of the $10,000 cap on State and local tax deductions, often referred to as SALT, even as part of a pandemic relief effort. Yet, even left-leaning commentators such as the Tax Policy Center point out that a SALT repeal would provide the top one-tenth of 1 percent of households with an average tax cut of about $144,000, with essentially no benefit going to the bottom half of the household earners.

Do you think it makes sense for the pandemic relief efforts to prioritize six-figure tax cuts for the wealthiest few, when millions of middle-class American families are struggling to make ends meet? And would you oppose including a repeal of the SALT cap in any further relief or stimulus measure?

Dr. YELLEN. Senator Grassley, thank you for that question. I certainly believe in a fair and progressive tax code where wealthy individuals and corporations pay their fair share. This deduction—the SALT deduction—was eliminated only a few years ago. And before making a decision about what should be done going forward, I think it is critical to study and evaluate what the impact has been on State and local governments and their ability to provide critical services. And I promise to work with those at Treasury and throughout the administration in evaluating what impact that has had on States and local governments, on households, on small businesses, and study this issue further.

The CHAIRMAN. I have to go to Senator Wyden now. My next question would have dealt with an issue that he and I have worked very closely on in regard to the unfair digital services tax that we see other companies putting on our country, and I will submit questions like that for answer in writing.

Go head, Senator Wyden.

Senator WYDEN. Thank you, Mr. Chairman. And, Chair Yellen, great to have you in the virtual house. I am going to see if I can cover a fair amount of ground quickly.

I think we all understand that the country has been hit by an economic wrecking ball. And so my first question to you would be, what economic policies will give Americans the biggest bang for the buck in the immediate term?

Dr. YELLEN. Well, I think relief that we provide to those who are in the greatest need, and to small businesses, has the best chance of providing both relief to those who have been so badly affected by the pandemic and creating a great deal of spending per dollar spent, which will create jobs throughout the economy, having the biggest bang for the buck.

So I see, for example, extended unemployment insurance, SNAP benefits, and so forth, as having a very large bang for the buck. Of course, in a way, the biggest bang for the buck comes from the money we spend on public health to make sure that we have widespread vaccinations quickly, so schools can reopen, and so we can get past the pandemic and reopen businesses and the economy safely and avoid scarring that will occur if there is permanent job loss.

Senator WYDEN. Good. I also appreciate your comment with respect to extended unemployment, because that is one of the policies that allows us in the future, in terms of reforms, to tie benefits to economic conditions on the ground so it gives you time to fully get us to that longer-term economic recovery. So that is very helpful.

The second question I want to talk to you about is China, because we all understand that China's cheating has taken a huge toll on our workers, and particularly on creating more high-paying jobs.

Now I think that the President-elect is absolutely on the right course, saying he is going to mobilize the allies to work with us in terms of dealing with China. That is going to take a little bit of time. So what I would like to hear from you again is, in the near term, what do you believe you can do, perhaps your first couple of steps, to start to mobilize our country to make sure that workers get a fair shake in view of all this China economic cheating?

Dr. YELLEN. Well, China is clearly our most important strategic competitor. As you said, we need to work with allies. We also need to strengthen our own economy so that we can compete. And President-elect Biden will soon come forward with a package to accomplish that by investing in our infrastructure, investing in our people, and creating a more competitive economy in research and development.

We need to take on China's abusive, unfair, and illegal practices. China is undercutting American companies by dumping products, erecting trade barriers, and giving illegal subsidies to corporations. It has been stealing intellectual property and engaging in practices that give it an unfair technological advantage, including forced technology transfers. And these practices, including China's low labor and environmental standards, are practices that we are prepared to use the full array of tools to address. Of course it is important over time to work with our allies.

Senator WYDEN. Very good. I am going to see if I can get two other questions in and go maybe 30 seconds over, like the chairman. You heard me talk with respect to climate change, about refocusing our tax code so we can really zero in on eliminating carbon emissions.

Can you give us one step that you think you could begin with to tackle this climate question?

Dr. YELLEN. Well, this is one of the most critical issues facing our country and the world. And it poses an existential threat. It will be a focus of President-elect Biden and his entire administration.

The infrastructure plan that President-elect Biden will come forward with will involve investing in clean technology, renewable energy, and promoting the use of electric vehicles. And in the process of addressing this very significant challenge, there is also the opportunity of creating good jobs in the process. And that will be a benefit.

Treasury will cooperate by looking at ways that we can direct investment, enabling private firms to have the information they need to support sustainable investing.

Senator WYDEN. One last question, very quickly. *The Wall Street Journal* is reporting on your comments to affirm the United States's commitment to a market-determined exchange rate, if you are confirmed.

Well, obviously Americans are interested in your thoughts on the dollar. Could you briefly outline for the committee your thoughts on the dollar?

Dr. YELLEN. Thank you, Senator Wyden. I believe in a strong and equitable U.S. economy that delivers good jobs with rising wages for all Americans. Maintaining confidence in the long-term strength of the U.S. economy, and the stability of the U.S. financial system, is good for America, as well as our trading and investing partners.

I look forward to working with Congress to make the U.S. economic recovery as strong as possible. I believe in market-determined exchange rates. The value of the U.S. dollar and other currencies should be determined by markets. Markets adjust to reflect variations in economic performance and generally facilitate adjustments in the global economy.

The United States does not seek a weaker currency to gain competitive advantage. And we should oppose attempts by other countries to do so. The intentional targeting of exchange rates to gain commercial advantage is unacceptable.

If confirmed, I will work to implement the President-elect's promise to oppose any and all attempts by foreign countries to artificially manipulate currency values to gain an unfair advantage in trade.

Senator WYDEN. Thank you, Mr. Chairman.

The CHAIRMAN. I am going to turn the gavel over to Senator Crapo. He will be the next person to ask questions. The Republicans have a rule that you can only be chairman of the committee for 6 years, and so this could be my last hearing as chairman of the committee. And it has been a great privilege to chair one of the most important committees in Congress.

I first joined this committee in 1981 during the 102nd Congress and became chairman briefly in 2001, before the switch in party membership changed the balance. And then I chaired it two times since. I will continue to serve on this committee of course, but leading this committee has been one of the highlights of my years in the Senate.

Once the Senate organizes, Ranking Member Wyden will become chairman. But as I turn the gavel over to Senator Crapo, I know this committee will be in the good hands of Senator Wyden and Senator Crapo over the next 2 years.

Thank you very much. Senator Crapo?

Senator CRAPO. Well, thank you very much, Senator Grassley.

I want to commend him, even though he just stepped out of the room, for his great service, and for the opportunity to serve under his leadership as the chairman.

I will just take a brief moment here to say Senator Wyden and I have worked together for years on a bipartisan basis and have built a lot of really big successes. I look forward to working with you, Senator Wyden, as we move forward.

And, Dr. Yellen, I appreciate your service. I have worked with you as well. As you know, when we discussed this a little while back, we had a good working relationship while you were at the Fed, and I look forward to developing and continuing that good working relationship as we move forward.

My first question is going to be on tax policy. Prior to the Tax Cuts and Jobs Act, the TCJA, the United States had one of the highest corporate tax rates among developed countries. As a part of the TCJA, Congress lowered the corporate tax rate to ensure that our domestic businesses could remain globally competitive. But even now, the corporate tax rate in America is still the 11th highest among developed countries, according to the Tax Policy Center.

As a result of the COVID–19 pandemic, U.S. companies are struggling to stay in business and to keep employees on payroll. President-elect Biden's proposals include a significant increase in the corporate tax rate that would hit already vulnerable businesses and put U.S. companies once again at a strong competitive disadvantage with the rest of the world.

What is your view of raising taxes on struggling businesses during the COVID–19 pandemic?

Dr. YELLEN. Well, thank you for that question, Senator Crapo. I too want to say that I both enjoyed my working relationship with you during my years at the Fed and look forward to a very productive working relationship going forward.

On the 2017 tax cuts, the President-elect has said that eventually, as part of a larger package that would include significant spending and investment proposals—but not now while the pandemic is really depressing the economy—he would want to repeal parts of the 2017 tax cuts that benefited the highest-income Americans and large companies. And he wants to reverse the law's incentives to offshore operations and profits.

But he has been very clear that he does not support a complete repeal of the 2017 tax law. There are some areas, though, that he would amend. For example, a provision in that law had the unfortunate byproduct of rewarding companies for moving their operations offshore. And the President-elect would reverse that.

We look forward to actively working with other countries, through the OECD negotiations on taxes on multinational corporations, to try to stop what has been a destructive global race to the bottom on corporate taxation. And in that context, we would assure the competitiveness of American corporations, even with a somewhat higher corporate tax.

Senator CRAPO. Well, I appreciate that last observation. As we discussed on the phone last week, I encouraged you to make, as one of your top considerations for any changes to our business tax policies, the competitiveness of the U.S. businesses and the need to make sure that the United States remains an attractive place for investment and capital formation and job creation. So I look forward to working with you on that.

Can you explain again your views on the importance of these kinds of considerations when assessing potential changes to tax policy?

Dr. YELLEN. Well, Senator Crapo, I strongly agree with your view that it is necessary for U.S. companies to be globally competitive. And that is why these OECD negotiations are so important. It would enable us to collect a fair share from corporations, while maintaining the competitiveness of our businesses, and diminish the incentives that American companies now have to offshore activities. That is certainly something we do not want to reward.

Senator CRAPO. Well, I look forward to working with you on those OECD negotiations and the other aspects of tax policy that we just discussed.

One last quick question. As chairman of the Banking Committee, I worked in a bipartisan manner to pass the Foreign Investment Risk Review Modernization Act; the Export Control Reform Act; and, as part of the NDAA, the Anti-Money Laundering Act of 2021.

The Treasury Department plays a major role in implementing these statutes and managing our relationship with China through the Office of Terrorism Financing and the interagency process for CFIUS and other export control decisions.

Do you agree to commit to work with me as the Treasury Department moves forward on the export control decisions for foreign investment and modernizing our anti-money-laundering bank secrecy provisions, as well as beneficial ownership rules?

Dr. YELLEN. Senator, you have my pledge that I will work closely with you on these very important matters. And I want to thank you and Congress for passing a law that will enable us to identify an official ownership of shell corporations and really make a big difference in our ability to address terrorist financing and improve the effectiveness of sanctions.

Senator CRAPO. Thank you. I appreciate your attention to this.

Senator Stabenow is next. I believe she is remote.

Senator STABENOW. Well, good morning. First I want to say "thank you," Senator Crapo, to you. Congratulations on your incoming position, and also to Senator Wyden, Senator Grassley, who I think are off to a great start in the committee, doing this in a bipartisan way, and I look forward to a lot more opportunities.

Also, Madam Chair, I have to tell you, as I have indicated to you before, I was extremely excited to hear of your nomination. I cannot think of anyone with more competence, more experience, more integrity, to serve as Secretary of the Treasury. And it is just extra special that you come in as the first woman to do so. So, congratulations.

Dr. YELLEN. Thank you so much, Senator Stabenow.

Senator STABENOW. You are welcome.

Let me first say that I do not believe we have an economy unless somebody makes something, and somebody grows something. That is what we do in Michigan; we do both. But I want to talk about the "making" part of it now, as we have talked before, and how we have to make more of it in America. And I think Michigan certainly is part of leading the way.

And to tackle the big issue around the climate crisis, as well as global leadership in manufacturing and so on, certainly electrifying our vehicle fleet is a very important part of that.

So just to refresh, the U.S. auto industry accounts for about 3½ percent of our gross domestic product. And for us in the United States, GM is investing heavily in electric vehicles, some $27 billion to bring 30 different EVs to the marketplace in the next 4 years—very aggressive. Ford is doing the same kind of thing. Ford is doing the same with $11.5 billion, including their electrifying of their F–150 truck. So there are very exciting things happening. The same with FCA with their popular Jeep line. All good news that we are doing that.

However, when we talk about China, it is not just stealing our patents and currency manipulation and other things that I have deep concerns about, but what we are seeing is that over the last decade the Chinese Government has invested $100 billion in the EV industry. And what is very concerning is that of the 142 lithium ion mega-factories under construction, out of 142, 107 of them are in China, and only 9 of them are in the United States.

So it is no surprise that by 2025, 54 percent of the EV sales are projected to occur in China. So we have to get ahead of this. I know, looking at the Build Back Better plan of our President-elect, I know that he cares and you care about this as well, but I wonder if you could speak for a moment on what we need to do, particularly around the consumer incentives, until we get enough people purchasing these. Consumer incentives are critical. Senator Alexander and I had a bipartisan bill to extend the current consumer credit. This needs to get done this year, and Senator Schumer—I am working with him on a broader package that is very important to take us to the next step in electric vehicles.

But I wonder if you might talk about what we need to do, or do you support the consumer credit that we need to create the market for purchasing EVs?

Dr. YELLEN. Thank you for that question, Senator.

Climate change is a critical problem facing the country, and President-elect Biden is committed to a wide range of policies to address it, and in the process, making sure that in doing that, we create good jobs for American workers. As you have suggested, it is important that we make things in America.

And electric vehicles are a very important way of both creating good jobs and addressing climate change. The President-elect is supportive of restoring full incentives for electric vehicles. He wants to ensure a robust electric vehicle market. And on top of that, that will involve building infrastructure and making sure that our workers have the skills that are needed to succeed in electric vehicles.

Senator STABENOW. Thank you. Along with that, we know that a lot of the jobs in electric vehicles now are the component parts. They are mid-sized employers, the auto suppliers in the supply chain that is so critical right now, and we are making these component parts. And our auto suppliers are very excited to do that.

But I am concerned that with what has happened under COVID that the piece that just did not happen as I believe it should—and despite Senator Mark Warner, who did such wonderful work that

I supported and worked with our auto suppliers on to deal with our mid-level businesses—we just, I believe, have not done fully what we need to do to support those jobs.

Do you have any thoughts on where we need to go for mid-level employers that employ about 50 million people in this country?

Dr YELLEN. Yes, I think that you are absolutely right, Senator Stabenow, that the largest corporations that have access to capital markets have not had trouble raising money. We have a heavy focus on small businesses, trying to get them the aid they need, and mid-sized businesses have had problems. The Main Street lending program the Fed set up was not very effective at reaching them. And so that is an important area for us to focus on, making sure that capital is available for those businesses so that they can continue to create jobs and thrive in our economy.

Senator STABENOW. Thank you——

Senator CRAPO. Senator Stabenow——

Senator STABENOW. I am out of time. I would just—not a question, but just, Madam Chair, you and I have talked about the multiemployer pension crisis. I am deeply concerned about that and the over 1.3 million workers and families who are affected. So I look forward to talking with you more and developing a way to protect those middle-class Americans.

Thank you, Mr. Chairman.

Senator CRAPO. Thank you. And I have been notified by staff that those who are remote may not have the clock in front of them, so I will try to remind those who are remote when their time runs out.

Next is Senator Thune.

Senator THUNE. Thank you, Mr. Chairman.

Dr. Yellen, welcome. Congratulations. I am going to try and roll a lot of thoughts and questions into sort of one big package here. But the one thing that concerns me, that nobody seems to be talking about anymore, is the massive amount of debt that we continue to rack up as a Nation. And in fact the President-elect has proposed a couple-trillion-dollar fiscal plan on top of that which we have already done, which would add somewhere on the order of about $5.3 trillion to the deficit. And that is according to the Committee for a Responsible Federal Budget, of which you have been a board member.

That is 25 percent of GDP. And it would move the additional debt above 100 percent debt-to-GDP, which are categories that we have not been in literally since the 1940s.

And so what I am concerned about is, we seem to have no concern now about borrowing money in the short term, and the argument is that interest rates are low, it is like free money. It is not. It has to be paid back.

And at some point, people who are lending us money are going to say the risk/return ratio is not sufficient for the risk and are going to demand a higher interest rate. That will happen at some point. Interest rates will start to normalize and we will have to refinance at a higher interest rate. And pretty soon the interest on the debt exceeds what we spend on even national security for our country.

Republicans traditionally have believed that we ought to reduce spending; that we need to reform entitlement programs; that we need to have policies in place that create great growth in the economy, all of which make the debt look smaller by comparison. Democrats have argued we need more revenue, more taxes. And Senator Crapo also already sort of got at that issue.

But I just want to know what you think. Because I know in the past you have expressed concerns about the debt and the deficit. The two previous administrations have not been very interested in entitlement reform. We have not only the debt that we are adding to in the short term because of the pandemic, but we have structural problems that are long-term that are going to continue to drive that debt higher in the future.

What are your thoughts with respect to reforming entitlements, with respect to the amount of the debt situation we find ourselves in right now, and when is it enough? When is it too much? When do we hit that point where the thing starts to collapse? That is what really concerns me. And nobody is talking about it really, in either party anymore. It was something that used to occupy a lot of our discussions in the past, but nobody seems to care much about it. And for me, that is a huge warning sign on the horizon, the fact that we have an ever-growing deficit, an ever-growing debt, and no apparent interest in taking the steps that are necessary to address it.

Dr. YELLEN. Senator, I agree with you that it is essential that we put the Federal budget on the path that is sustainable, and that we are responsible to make sure that what we do with respect to deficits and debt leave future generations better off.

But the most important thing, in my view, that we can do today to put us on a path of fiscal sustainability is to defeat the pandemic, to provide relief to the American people, and then to make long-term investments that will help the economy grow and benefit future generations.

To avoid doing what we need to do now to address the pandemic and the economic damage that it is causing, would likely leave us in a worse place fiscally and with respect to our debt situation, than taking the steps that are necessary and doing that through deficit demands. We really have to worry about scarring of workers due to this pandemic and the loss of small businesses that can really harm the long-run potential productivity of our economy and leave us with long-run problems that would make it difficult to get back on the growth path that we were on.

And it is really critically important to provide this relief now. And I believe it would be a false economy to stint. But over the longer term, I would agree with you that the long-term fiscal trajectory is a cause for concern. It is something we will eventually need to attend to, but it is also important for America to invest in our infrastructure, invest in our workers, invest in our R&D, the things that make our economy grow faster and make it more competitive, and it is important to remember that we are in a very low interest rate environment. And that is something that existed before the pandemic hit.

Interest rates were low even before the financial crisis of 2008. This has been a trend in developed economies. You can see it across the developed world. And it represents structural shifts that are likely to be with us a long time.

So, although the debt-to-GDP ratio has increased, it is important to note that the interest burden of the debt, interest as share of GDP, is no higher now than it was before the financial crisis in 2008, in spite of the fact that our debt has escalated.

And of course interest rates can increase. Eventually we have to make sure that primary deficits in the budget are sufficiently small that we are on a sustainable path. But right now the challenge is to get America back to work, and to defeat the pandemic.

Senator CRAPO. Thank you.

Senator Cantwell?

Senator CANTWELL. Thank you, Mr. Chairman, and I too want to congratulate the nominee. I want to thank President-elect Biden for nominating a woman and, Dr. Yellen, for your willingness to serve.

I can already see by the words that you have chosen—women, workers, workforce, workforce training—that you are likely to deliver economic policies that are more focused on Main Street than Wall Street. And I hope that is what I am hearing, because I believe that we need wage growth in America; that Americans from all walks of life need more access to wage growth. And I hope the policies of the Biden administration and you will help deliver that.

I have four areas that I would like to quickly go over, if I could, that are important to these policies. First, I want to make sure that you are going to protect Federal taxpayers and their investments as far as the private banking that exists in America, and that you will protect and continue to enforce the important laws that are on the books, and use the Federal Stability Oversight Council to make sure that we are protecting depositors from having the Federal Government again ever having to bail out Wall Street, and to make sure that we are focusing on Main Street instead.

Dr. YELLEN. Senator Cantwell, I could not agree with you more. Our focus should be on Main Street, not Wall Street. And we should demand, as Dodd-Frank insisted, that the largest institutions—particularly those that pose systemic risks—have adequate capital and liquidity and plans by which, if they were to fail, they could be resolved without posing burdens on taxpayers.

Through my time at the Fed, I worked very hard to strengthen the banking system, to make sure that these institutions do not operate in ways that would harm Main Street. And I am pleased to see that, when the pandemic hit and there was a good deal of financial disruption, especially the largest banks have been able to, due to the reforms that were put in place, continue to lend, to survive with adequate capital, and to support the needs of households and businesses.

And you have my absolute pledge that this will continue to be my focus——

Senator CANTWELL. Thank you. Thank you. I have to jump to the next one that is very important. I have an economy that has one in four jobs related to trade. I have not been a fan of the Trump administration's, what I would call "unilateral protectionism." I do not think that this is the direction for an economy where 95 percent of consumers live outside the United States of America. We have digital trade issues that need to be resolved. We have national security issues that need to be resolved.

So a recent Oxford Economics trade war study said that the Trump administration's trade war cost us 245,000 American jobs, and the Federal Reserve Bank of New York and Columbia University found that U.S. companies lost $1.7 trillion in the price of their stocks as a result of U.S. tariffs imposed in the trade war.

So I am asking you, do you repudiate basically unilateral protectionism?

Dr. YELLEN. Senator, I believe we should try to address unfair trade practices. And the best way to do that is to work with our allies, rather than unilaterally. And when the unfair practices have to do with things like stealing intellectual property, engaging in forced technology transfer, or subsidies that provide an unfair technological advantage, I think we should focus directly on those practices and work with our allies to make sure they are addressed.

Senator CANTWELL. Well, we in the Pacific Northwest believe in an export economy. And so we want an export economy to take place, so you have to have trade. And so we want to continue to focus on that.

I do believe in using sanctions, though. And I think the Trump administration failed to be as aggressive on sanctions. I want to make sure that you will use that as an economic tool, particularly as it relates to cyber-attacks on our infrastructure.

In the last few weeks, there have been so many momentous occasions that I think we have lost sight of the incredible impact of what happened with the hacking of our information system. And I want to know that you will use sanctions when necessary on people who have attacked our infrastructure.

Dr. YELLEN. Sanctions are a critically important tool to address cybersecurity and other threats. And you can be sure that I will be focused on making sure that they are used strategically and appropriately. And I intend to ask my Deputy, if he is confirmed, Adewale Adeyemo, to quickly begin a review of our sanctions policy to make sure we are doing this in a strategic way, and in the most effective way we can.

Senator CANTWELL. Thank you. And I look forward to working with you on increasing affordable housing tax credits. My colleague, Senator Young, and I continue—we know you understand how much affordable housing is important to our country and our economy.

Thank you, Mr. Chairman.

Senator CRAPO. Thank you. And I agree with you on that as well. Next is Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. And, Dr. Yellen, congratulations on your nomination. I look forward to supporting you.

I know that Senator Grassley asked you a question on SALT. I hope when you study it, you look at the fact that there are States like New Jersey that give billions more than we get back, and States like Iowa that get $5 billion more than they pay in Federal taxes, or Kentucky that gets $111 billion more than it pays in Federal taxes, or Florida that gets $60 billion more than it pays in Federal taxes.

So you cannot have States continue to be economic engines, and then also be hurt in this case by the property tax deduction. So it should be a total—a total look at the equation, and I hope you will do that as part of your review.

Dr. YELLEN. I will do that.

Senator MENENDEZ. Now since 2020, over the last year, State and local governments have laid off 1.3 million workers. That is 1.3 million doctors and nurses and teachers and school custodians, 1.3 million essential workers we rely on to fight for us on the front lines in the battle on COVID.

It is economic malpractice, from my perspective, what is happening. Could you explain some of the lessons that were learned from the 2008 Great Recession and the consequences of Congress failing to adequately address the fiscal crises facing State and local governments that are causing these and other impending layoffs?

Dr. YELLEN. Well, as you know, in 2008 when the economy suffered such a serious downturn, State and local governments saw a huge shortfall in revenue and an increased need to spend on safety-net type programs. And they faced massive deficits.

And although Congress and the administration passed the American Recovery and Reform Act and spent at the Federal level, there was a huge offset just from the total economic point of view. It came about because State and local governments have to balance their budgets, and they were forced to slash their workforces.

And the same thing as you just described is happening now. And so——

Senator MENENDEZ. And that was a drag on the economy, was it not?

Dr. YELLEN. It was a tremendous drag on the economy. And the same would be true now. And as you mentioned, we are seeing layoffs, especially with teachers, but prospectively policemen and firefighters and——

Senator MENENDEZ. So it would not be a good time to withhold fiscal support from State and local governments?

Dr. YELLEN. Not in my view.

Senator MENENDEZ. Right. Now you stated that the economic fallout of the pandemic is, quote, "an American tragedy," and I agree. What makes it uniquely an American tragedy is that minority communities—and as the longest-serving Latino in Congress, I can tell you that community, African Americans, and other minority communities have borne the disproportionate brunt of the COVID-related economic fallout.

In December, nearly 10 percent of African American workers and 9.3 percent of Latino workers were unemployed, compared to 6 percent of the other population. Twenty-eight percent of black renters and 24 percent of Latino renters were not caught up on their rent, compared to 12 percent of white renters. Fifty-five percent of African American adults and 51 percent of Latino adults reported difficulty in covering their expenses, compared to 31 percent for white Americans. That is a very dark and dire picture.

If confirmed, you will be in a position to promote policies to reduce racial inequality, especially as we continue to fight the COVID–19 pandemic. Can you give me a sense of how you plan to ensure that our response to the economic crisis will also help the minority communities that are being disproportionately hurt?

Dr. YELLEN. Senator, you cited some dramatic and disturbing statistics. And they are absolutely right. This pandemic is taking just an unbelievable toll on low-income workers—and on minorities especially.

And because I am so concerned about the impact on minority communities, the very first meeting that I had after my nomination was announced was with representatives of racial justice and equity groups to hear from them what their needs are. And I promise you that I will be fully focused on putting into place, at every level, relief for these communities.

An example would be the State Small Business Credit Initiative that is contained in President-elect Biden's package announced last week. There is money there to capitalize lending to small businesses, and a proposal to provide grants to loans for small entrepreneurs.

And of course with respect to food security, evictions, unemployment insurance, and relief that these households need—paid leave, the minimum wage—all of these things I believe will be very beneficial.

Senator MENENDEZ. My time has expired, but I just want to say I hope as part of that—I like a lot of what you said—I hope you also diversify the Treasury Department, which really needs to have voices at the table to help you meet those challenges.

Dr. YELLEN. I completely agree with you, Senator.

Senator MENENDEZ. Thank you, Mr. Chairman.

Senator CRAPO. Thank you.

Senator Toomey?

[No response.]

Senator CRAPO. Is Senator Toomey on line? I am told that he is not. So we will move on to Senator Carper.

[No response.]

Senator CRAPO. I am told you are here, Senator Carper. Oh, excuse me. All right, we will go on to Senator Scott.

Senator SCOTT. Good morning.

Senator CRAPO. I hear you. Go ahead, Senator Scott.

Senator SCOTT. Excellent. Can you hear me?

Senator CRAPO. I can hear you. Now we can see you also. Go ahead.

Senator SCOTT. Excellent. Thank you, Mr. Chairman, and thank you—I want to continue to call you "Chair Yellen," Dr. Yellen, and it is so good to see you again and thank you for your willingness to serve during these challenging times, without question.

I will hop right to it, because Chairman Crapo will keep me to my 5 minutes. The first question I have is about the pandemic relief package that has been presented. You know as well as I do that in December we passed a package that included $80 billion for schools to reopen and $280 billion to restart the Paycheck Protection Program for a second round. It also included billions of dollars for the vaccines, which I think is certainly an area where we need to invest even more than we have so far, without question. But the $1.9-trillion package that has been presented to us is a package that focuses on some priorities that I think will actually hurt our economy as much as they would improve our economy.

One in particular is the issue of raising the minimum wage to $15 an hour. In talking to businesses around the country, and specifically at home, the one thing that even the Congressional Budget Office recognizes is that by increasing the minimum wage to $15 an hour, it could shutter somewhere around 3.7 million jobs on the high end, a minimum of 1.3 million jobs in our economy. And the last thing this economy needs, as we attempt to recover, is a loss of 1.3 to 3.7 million jobs.

But in addition to that, it would increase the cost of doing business significantly. It would certainly devastate the opportunity to develop new jobs in rural America and in rural South Carolina as well. And for those minorities newly coming into the workforce, it would actually have a disproportionate impact on those folks who, as you said in your testimony, you want to target for relief and opportunity.

To say it differently, over 110,000 restaurants have closed during the pandemic. Thousands of those restaurants are in South Carolina. By increasing the minimum wage to $15 an hour and eliminating tips for servers at restaurants, we will do actually what I would consider an existential threat to those restaurants and, frankly and more importantly, to those employees of restaurants.

How do we grapple with parts of this package that really are philosophical in nature and deny the practical reality that comes from them?

Dr. YELLEN. Well, Senator, I appreciate that question. President-elect Biden has proposed raising the minimum wage to $15 an hour because right now we have millions of American workers who are putting their lives on the line to keep their communities functioning, and sometimes even working multiple jobs, but are not earning enough to put food on the table and a roof over their heads. And they are suffering in countless ways, especially during this pandemic, and really struggling to get by. And raising the minimum wage would really help many of those workers.

And that is the reason for doing it. Now in terms of potential job loss, there is now a large economics literature on this. And much of it suggests that raising minimum wages—this is when researchers often look at what happens when one State raises its minimum wage and a neighboring State leaves it alone, to see how businesses fare in the two different places with different treatments.

And the findings are that the job loss is very minimal, if anything. So I think that the likely impact on jobs is minimal. That is my reading of the research. And of course all businesses are struggling, and it is critical to help those businesses. I appreciate the PPP package in the recently passed bill. I pledge that we will do everything we possibly can to get that money out to struggling businesses effectively.

It is critically important to help those businesses. The money that has been allocated to a city that applies to support them and their lending, especially in low- and moderate-income communities, that is critically important aid, and President-elect Biden has proposed yet more aid to these businesses so that they can survive this pandemic and get back on their feet.

Senator SCOTT. Well, thank you for your answer, Dr. Yellen. I would say that there is no doubt that when you artificially increase the minimum wage, you are going to permanently decrease the number of jobs in the economy. When we have a market-driven increase of the minimum wage, we see production go up, and the value of work increases as well.

My final question in my time that I have left, which doesn't look like much——

Senator CRAPO. Actually, your time has expired.

Senator SCOTT. Yes, sir. Let me just say this for the record, and perhaps you can answer it on the record for me. When we think about enough being enough, if there was another downturn in our economy, whether it's based on another pandemic or some other act, what are we doing to make sure that we have the resources necessary for that next downturn in 2 or 3 years, as opposed to using every weapon in the quiver today for what is a recovery that has started? I think it would be prudent for us to save some of the resources for the next time we need to respond to a global crisis of some sort.

Thank you, Dr. Yellen. And I will look to have that answer just in writing, ma'am.

Dr. YELLEN. Yes, thank you.

Senator CRAPO. Thank you, Senator Scott.

Next, we will go back to Senator Toomey.

Senator TOOMEY. Thank you, Mr. Chairman. Can you hear me?

Senator CRAPO. Yes.

Senator TOOMEY. Thank you. And, Dr. Yellen, welcome and thank you for your past service to the country and for your willingness to serve in this capacity. I look forward to working with you, but I have to admit that the contours of the stimulus bill as proposed by the Biden administration are going to make that difficult. The ink is barely dry on the second-largest stimulus package in American history, nearly a trillion dollars after nearly $3 trillion earlier in the year, and we are looking at another spending blowout. The only organizing principle that I can discern is, it seems to spend as much money as possible, seemingly for the sake of spending it. An additional $1,400 per person, regardless of the person's circumstances, guaranteeing that there will be several thousand dollars in payments going to families with six-figure incomes who have had no income interruption whatsoever, just makes absolutely no sense.

Increasing unemployment payments such that a majority of unemployed workers will make more money being unemployed than they make working, can only slow the return to a normal, healthy labor market. Sending States more money than they have lost in lost revenue or in additional spending is just not a good idea. And I completely agree with Senator Scott. Obviously an arbitrary government-mandated minimum wage increase is going to cost jobs. If not, then of course we would just raise the minimum wage to $20, or $30, or $50 an hour. Obviously it will result in some job losses.

So these proposals are not targeted at those people who really need them. It cannot be justified on the grounds of effectiveness.

And it is going to be hard to get to a bipartisan agreement based on this.

I will say I am pleased to hear your testimony that you think that the tax increases, the really massive tax increases that President-elect Biden is proposing, will be delayed. By the way, it is implicit the economic damage that those tax increases will do.

It is quite a staggering list. Huge increases in individual rates. Adding a 12.4-percent payroll tax on upper-income people will have many Americans with combined State and local marginal tax rates well into the 60 percentages. Huge increases on corporate America, which will make America a less attractive place to headquarter a multinational company, which will make it less attractive to invest here.

And I would point out that we reached record low unemployment rates and rising wages, especially for the lowest-income people, after our tax reform. I am not sure why we want to go back on that.

But let me zero in on one particular idea that some of our colleagues have suggested—and I think Senator Wyden was alluding to this during his opening comments—and this is the idea that, separate and apart from the Biden administration's proposal to double the taxes on capital gains, some are suggesting that we start to impose taxes on unrealized gains. An asset appreciates, and we charge a tax on that, even though there is no liquidity event, there is no sale, there is no actual realized gains. We will, I guess, have a mark-to-market, if that is even possible in some cases, and impose a tax on that.

So my question for you, Dr. Yellen, is, without getting into any particular bill, do you support the idea of taxing unrealized appreciation of assets?

Dr. YELLEN. Well, I do believe that capital gains should at some point be taxed. Right now, step-up of bases at death provides a route by which a very large share of capital gains are never taxed at all.

Senator TOOMEY. That is a separate issue. That is a distinct issue. The idea of an annual tax on an unrealized appreciation of assets is what I am asking about.

Dr. YELLEN. Well, what I wanted to say is that there are simply different ways of addressing the issue of how to make sure that some taxes are collected on capital gains, and this mark-to-market approach is one method, but certainly not the only method. And there may be technical challenges associated with it. So I would want to have the administration look at different approaches.

Senator TOOMEY. And, Mr. Chairman, are we operating on a 5-minute clock?

Senator CRAPO. Yes, we are, and your time just ran out.

Senator TOOMEY. I see that. I look forward to the second round.

Senator CRAPO. All right; thank you.

Next is Senator Carper on the line.

Senator CARPER. Thanks, Mr. Chairman.

Dr. Yellen, good morning, and we are delighted that you are joining us and for your being nominated. And again on behalf of all of us, thank you for your extraordinary service to our country for almost as long as I have been a member.

When I was new in the Senate, one of the people I did not really know very well was Ted Kennedy, and I suggested we maybe have a cup of coffee just to get to know each other. And it actually turned out to be lunch. When we were having lunch, I said: "Why is it that, even though you are considered the most liberal Democrat in the Senate, you have lots of Republicans in the Senate who want you to be their lead co-sponsor on the big bills? Why is that?"

And I will never forget what he said, Dr. Yellen. He said, "I'm always willing to compromise on policy. I'm never willing to compromise on principles." Always willing to compromise on policy; never willing to compromise on principles.

Our President-elect knows—having served in the Senate for the better part of 4 decades, he knows the need to be able to find consensus and develop consensus. Ted Kennedy kept his word. He never compromised on principle. He was always willing to compromise on policy.

Could you talk about the principles that the administration and Congress should not be willing to compromise on with respect to the next COVID relief package?

Dr. YELLEN. Well, I think that the administration should be insistent that we have the resources to address the public health challenges to mount a vigorous national campaign to make sure that vaccinations are as rapid as possible. Not only is this going to prevent needless suffering and loss of life, but it is also the best and most effective way to get our economy back on track, and to get to re-employ all the workers who have been suffering in businesses that are really struggling to survive. So that is something——

Senator CARPER. Dr. Yellen, I could not agree more. I could not agree more. I would like to say, the main thing is to keep the main thing the main thing. And the main thing for this economic recovery is to reel in this pandemic. The best way to do this, as we are getting new vaccines almost by the month now, is to vaccinate the heck out of our country.

Dr. YELLEN. I completely agree with you. And I think that that is a top priority. And then I would say another principle that is really critical is that we have to relieve the suffering that this pandemic has caused. It has been——

Senator CARPER. How do we do that? How do we maybe target that a little bit better, or differently, than is proposed in this relief package from the incoming administration?

Dr. YELLEN. Well, we need to look at how to target it. It needs to go to the businesses that are most at risk, small businesses, particularly businesses in low- and moderate-income areas that received less than a proportionate share of PPP relief in the first round of PPP aid. So we need to target small business relief to those most vulnerable businesses. We need to make sure that people are not going hungry in America, that they can put food on the table, that they are not losing their homes and ending up out on the street because of evictions.

We really need to address those forms of suffering. And I think we should not compromise on it. And if we do not do so, that suffering and the loss of spending it will cause will cause other people to lose jobs and permanent scarring. It will harm the economy over the longer term.

Senator CARPER. Thank you for that. We have millions of people who have lost their jobs. In many cases, their employers are out of business. And the folks who have lost their jobs do not have the skills to be able to do the jobs that are out there being taken. We heard some ideas how to address that.

One is to use our community college system across the country to provide not just the ability to get a 2-year degree, but in some cases, a certificate for a job that needs to be done. Could you speak about that?

Dr. YELLEN. I am strongly supportive of supporting the community college system. I think it provides a wide range of very valuable training. In some cases it is helping people to go on to college, but in many cases providing training, as you indicated, to workers who have lost their jobs who need new skills and a new credential to be able to move into jobs that are available in expanding sectors. And I think investing in that system, making sure it is available to anybody who needs it and can benefit from it, is really important.

Senator CARPER. Well, thanks so much. Mr. Chairman, I may have used up my time——

Senator CRAPO. Yes, you have.

Senator CARPER. I will mention a question for the record, and then I will stop.

Senator CRAPO. Go ahead.

Senator CARPER. I am going to ask you a question for the record. I am going to ask you to share your thoughts with us on the need for measures such as temporary refundability. It's about clean energy tax credits that can help the clean energy industry secure project financing and get back on its feet. I will ask you that question for the record, but I just wanted to ask it here.

Thanks for your extraordinary service. It is great to be with you, as always. Thanks, Mr. Chairman.

Senator CRAPO. Thank you.

Senator Cardin?

Senator CARDIN. Thank you, Mr. Chairman.

And, Dr. Yellen, thank you very much for your long public service and your willingness to take on this challenge. We thank your family also, because we know it is going to be a family sacrifice. I am sure your discussions at your dinner table will be very interesting.

Let me follow up on Senator Cantwell's question as it relates to sanctions. You indicate that you are going to have a review of the use of sanctions, and absolutely on cyber-attacks. But we are also suffering today in a decline of the democracy. Human Rights Watch said the last 4 years were a disaster for human rights. American values have been under attack. We have a decline in the number of democratic states in the world.

So Congress has passed sanction regimes in order to deal with strengthening the democratic states. And we have done that on specific issues. We have done it on the global Magnitsky statute, and I just really want to encourage you, as you are reviewing the use of sanctions, to recognize that we have real challenges today, and the United States has to exercise its leadership.

Senator Young and I have introduced legislation to deal with corruption. Corruption is one of the most corrosive elements in the decline of democratic states, and we are suggesting using a tier system on how countries are dealing with corruption. Some of it will be dealing with human trafficking—with consequences.

So my first question is about your willingness to work with us in Congress so that we can be united in the use of sanctions globally to advance U.S. values.

Dr. YELLEN. You have my pledge, Senator Cardin. I look forward to working with you. These are very important challenges and goals. Sanctions are a tool that can be very effective, and I pledge to work with you on implementing them in a way that does address these abuses.

Senator CARDIN. Thank you.

My second point is an area that has been mentioned by many members, including yourself in your opening statement, and that is dealing with our minority community, the under-banked community, the under-served community, as we come out of COVID–19.

I have the honor of being a lead Democrat on the Small Business Committee and have worked with Senator Rubio in developing a lot of the tools that were in the first two major COVID relief packages. And we learned a lot from that.

It is difficult to get to the under-served communities, and we really do need to concentrate and find better ways to deal with them. We did learn that small businesses that are stressed much prefer a grant than a loan, even a forgivable loan, because they really do not want to put another loan on their books.

So we have looked at ways to develop grants that are targeted to the most vulnerable small businesses. We know that they need resource partners so that they are not last in line, but first in line in order to be able to get help. We know that there is a very limited amount of venture capital, particularly in emerging markets, for minority small businesses. And we certainly know the smaller the small businesses are, the more vulnerable they are.

So my plea to you is that, as you are developing these packages, please work with us and what we have found that has worked, and what has not worked, so we can really help the most vulnerable of our small businesses, the most vulnerable of our communities, as we look for tools to help those communities that are targeted to provide the relief to communities that have been left out for way too long.

Dr. YELLEN. Senator, I pledge to work with you closely on that. This is a very high priority objective of President-elect Biden. The proposal that he put forward last Thursday does contain funding for additional grants to these very hard-hit businesses, and also funds, a small business opportunity fund that would be able to be leveraged and enable various State and nonprofit programs to leverage a large volume of lending to businesses that have been hard-hit and that have opportunities.

But we will look for ways to target it and work with you closely to understand what is best.

Senator CARDIN. I thank you for that. My last question deals with the lack of retirement security for Americans. Before COVID–19, we were not doing what we needed to do. As a result of COVID–19, more and more households are not saving anything for retirement today.

We passed some legislation in the past, the SECURE Act. I have worked with Senator Portman on bipartisan legislation. We are working on bipartisan legislation in this Congress. I would just urge you to be an active partner with us in how we can increase retirement security options for workers in this country.

Dr. YELLEN. I completely agree with the priority that you place on this, Senator Cardin. Really, so many families are not prepared for retirement and have not been able to save for it. It is a huge problem, and the pandemic is making it worse, as hard-hit families are running down their savings. I think in this economy, everyone needs access to a workplace retirement saving plan, and I look forward to working with you to address this issue.

Senator CARDIN. Thank you very much. And thank you for your willingness to serve.

Dr. YELLEN. Thank you.

Senator CRAPO. Thank you.

Senator Cassidy?

Senator CASSIDY. Hey, Dr. Yellen. Nice to see you again. And again, thank you for our conversation before.

You used the word "targeted" multiple times in your response to Senate Cardin. Senator Carper suggested that perhaps the Biden plan could be a little bit more targeted. The extra $1,400 to families, some of whom, you know, are working, they see no decrease in their income, many of whom actually—an analysis from the first check, the $1,200, showed that for many it turned out to be discretionary income. They put it in savings, and there are some reports that there was more money invested in the stock market.

So do you—since you mentioned "targeted," would you view this additional $1,400 stimulus check as a targeted relief?

Dr. YELLEN. Well, I believe that in the President-elect's proposal it would go to individuals earning $75,000 or less, or couples earning $150,000 or less. Some families presumably do not greatly need the money, but there are many families who were under stress, people have had to drop out of the labor force while receiving unemployment——

Senator CASSIDY. I only have 5 minutes. But on the other hand, the unemployment insurance that has gone out there was very directed relief for those who have had to drop out of the workforce. I totally accept that. But it seems like the $1,400 on top of the unemployment, and on top of some of the other—you know, the rent relief, for example, seems to be less targeted. And I go back there because "targeted" keeps on coming up.

Dr. YELLEN. It is less targeted. But there are many families that are bearing unacceptable financial burdens that are not addressed by unemployment compensation. People who have had to drop out of the labor force because their children are out of school, who simply cannot participate because they need to take care of family priorities——

Senator CASSIDY. Can I interrupt again, just because—I do not mean to be rude. I only have 5 minutes, and I only have 2½ left.

There is also money for education. And I will note that in the COVID relief package just passed, plus the CARES package, I think we have put in a net of $66 billion for education. The total of Federal outlay is typically only $57 billion. So we actually are over 100 percent of what the schools already get. Again, if we are looking at what is targeted—although I am sure there is always somebody who has need—it seems as if that need would have been met with an over 100-percent increased subsidy to a school. So I will just mention that.

Let me ask you a couple more things. The previous administration considered issuing 50-year bonds to take advantage of the low interest rates, and to retire some of the shorter-term bonds. Is that something that you would consider? Because I think they decided against it, but I am just wondering what your appetite would be. What would you think this administration's appetite would be for that?

Dr. YELLEN. Well, there is an advantage to funding the debt, especially when interest rates are very low, by issuing long-term debt. And I would be very pleased to take a look at this issue, examine what the market would be like for bonds at that maturity, and I am interested in hearing your thoughts on this issue and working with you on that.

Senator CASSIDY. Let me also ask about infrastructure, because that may involve borrowing. In infrastructure, clearly the problem of the big package has been, how do we finance it? Now if we spend roughly $450 billion on increased stimulus checks, well, intuitively that is going to take away some of the appetite for more deficit spending for an infrastructure package. But obviously, putting Americans back to work with an infrastructure program would be very beneficial for Americans.

I will just say that editorially. It does seem that there is only going to be a certain limit for borrowing if we do not have a source of revenue to pay for it.

Let me go back to the infrastructure. What thoughts do you have on infrastructure? And is this one of the programs that you see the Biden administration would be considering not raising revenue for but probably just borrowing in order to pay for it to get the economic benefit?

Dr. YELLEN. Well, I think that—so let me just say that President-elect Biden has proposed an ambitious Build Back Better program that involves infrastructure. It involves clean energy, investing in manufacturing, R&D training, and we have yet to decide exactly how that should be financed. Remember that companies often borrow to invest in projects that have sufficiently high returns where there is a net benefit. And there are at least some investment programs for the public sector that have been shown to have extremely high returns where I think one could argue for borrowing to finance them.

But that is something that we will have to look at carefully, the financing of those programs.

Senator CASSIDY. Thank you very much. I yield back. Thank you.

Senator CRAPO. Thank you, Senator Cassidy. And to all of the Senators, we have a limited time available in this room. We still have time to get through all the questions, but I am going to ask all the members to please pay very close attention to the clock.

With that, we go next to Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. Dr. Yellen, welcome. I am looking forward to working with you to make the World War II-level investment we need to defeat the pandemic and build a better economy that honors the dignity of all work.

Last week on the way out the door, the current Treasury Secretary rushed through an agreement with the Federal Housing Finance Agency that locks in big changes to the GSEs, leaving you to deal with the consequences. In the Banking and Housing Committee, I have laid out a path for reforming our housing finance system. I look forward to working with you on these principles, and on implementing the $25-billion Emergency Rental Assistance program we passed last month.

We also need to make sure that the IRS is enforcing our tax code in a fair way. I want to work with you to make sure the IRS's auditing and enforcement activities do not have disparate impacts for black and brown communities, as soon-to-be-chair Wyden has brought up also.

Another critical issue is fixing the multiemployer pension crisis. There are over a million Americans relying on us to save the pension that they have already earned. I am glad Senator Stabenow raised that earlier. I look forward to working with her and with you to address this problem, which gets worse by the month.

Many of us also were excited that the President-elect included an expansion of the Earned Income Tax Credit and the Child Tax Credit in the rescue plan, especially the refundability of it. That is going to make a huge difference in the lives of so many families. I thank my colleague, Senator Bennet, for his partnership on this.

For the first time ever—and we have talked about this—we can give families the option to get their CTC checks monthly. That is what my Working Family Tax Relief Act calls for. If we combine that with the plan to give every American access to a no-fee checking account at a community bank or credit union, or the Post Office, we can give millions of families the security of a steady financial boost and give them more power over their lives. They will not have to worry about a predatory financial institution charging them exorbitant fees just to use their own money.

So I have two quick "yes" or "no" questions. If we make monthly distribution optional for families, will you ensure that IRS makes every effort to implement it as fast as possible?

Dr. YELLEN. Yes, I will. I will need to consult with IRS, but I will try to get it implemented as rapidly as possible.

Senator BROWN. And, Madam Chair, if the IRS needs additional funding to make this happen, will you make sure the President-elect's budget proposal includes the funds the IRS will need?

Dr. YELLEN. Yes.

Senator BROWN. Thank you.

Turning now to the impact, following on from Senator Menendez, on State and local governments, how that affects millions of workers: my State faces a $2.4-billion budget gap. My State—all States need help for the layoffs of teachers and firefighters and sanitation workers and children's service workers. I am glad President-elect Biden understands that and is calling for that $350 billion in new aid.

Just, if you would expand a bit, briefly, what are the costs if our country fails to make this investment in local and State governments?

Dr. YELLEN. Well, we are already seeing substantial layoffs of teachers. And with budget shortfalls, we are going to see further layoffs of essential workers, including policemen and firefighters and sanitation workers. And not only is this going to be a further hardship for these essential workers in the communities that they serve, but it is also going to have ripple effects through the economy as they contract their spending and create further job losses throughout the economy.

And so I think it is very important that we provide this aid. It is also critical to get children back to school. The State and local governments and their school systems need the resources to reopen schools. It is President-elect Biden's plan to try to have that happen within the next 100 days, but the schools need more resources that State and local governments would be hard-pressed to provide.

Senator BROWN. Thank you, Madam Chair. A number of my colleagues have talked today about competitiveness. It is clear from your comments you understand that corporations paying their fair share and reforming our tax code puts workers first, American jobs first, and actually helps America competitively. So investing in workers through the dignity of work helps us be more competitive.

Mr. Chairman, I will just close with this. I wanted to talk for a moment about the work that you and I did in the Banking and Housing Committee. I appreciate Chair Yellen's comments today in *The New York Times* about restoring FSOC to its intended role.

I look forward to working with the chair and with Ranking Member Toomey on that, climate change, creating clean energy jobs, implementing, as you and I have talked about, Madam Chair, our anti-money laundering bill where we are losing billions of tax dollars to these anonymous overseas shell corporations, revenue that could be used to do a lot of the things that we have talked about today.

So I am thrilled that you are returning to public service. And, Mr. Chair, I thank you for your forbearance.

Dr. YELLEN. Thank you, Senator.

Senator CRAPO. Thank you, Senator Brown.

Senator Lankford?

Senator LANKFORD. Thank you. Dr. Yellen, thanks again for stepping back into government service. It is not an easy thing for anyone to be able to step in, and especially in this season. So thanks for stepping back in again to be able to do that.

Let me ask you a whole multitude of questions, and I will try to be rapid and be able to walk through some of these. You made a comment to Senator Thune earlier saying eventually we are going to have to deal with the issue of debt.

What is kind of the warning sign that you look for? And is there an upper limit to the Federal debt that we should be watching for? And in your perspective, what are the key signs? Because if you use the word "eventually," that would tell me that you do not think it is infinite. What is that upper limit?

Dr. YELLEN. Well, I would agree with you. I think there is no single metric that summarizes a number for all fiscal situations. But one metric that I do think is useful to keep in mind is the interest burden of the debt. What share of our economy, of GDP, is going to pay interest on the debt? The higher that gets, the more we find we have to use tax revenue just to pay the interest on the debt. And eventually that can lead to having to curtail other services, other spending, or eventually lead to runaway debt accumulation that would be an unsustainable path.

During the low interest rate environment like we are in, what we are seeing is that, even though the amount of debt relative to the economy has gone up, the interest burden has not.

So I would keep the interest burden in mind as a metric. Right now it is low, but longer-term we have to make sure that the deficits that we run in the Federal budget are consistent with stability in that kind of ratio.

Senator LANKFORD. I would submit that we have to find an earlier warning sign. Because once interest rates start ticking up, in some ways it is too late because you have so much debt and the interest rates begin to tick up. If you find that moment when it is unsustainable, it rapidly gets worse.

You made a comment in an interview in 2018 that I want to be able to follow up with you on. In this particular interview, you said, the United States' debt path was unsustainable, and that "if I had a magic wand, I would raise taxes and cut retirement spending." Do you remember what you meant by that? It was a comment that you made in 2018, and I am not playing quiz show with you to try to go back and be able to review that. I want to know just your perspective in 2018. If you had a magic wand, because of an unsustainable debt path, you would raise taxes and cut retirement spending.

Dr. YELLEN. Well, we have long known that as our population ages, and if medical expenses and health-care costs continue to rise over time at rates faster than the general level of other prices, that there would be increasing shortfalls in both Social Security and Medicare—and that eventually we would need to find ways to address it.

And it does not have to be—these are very important programs. I think it is important to remember that, once upon a time, poverty in the United States—if you looked at who the poor population was, it was the elderly. And these programs have played an essential role in giving Americans a safe and secure and dignified retirement. So we need to preserve these programs, and certainly preserve the benefits, especially for lower-income Americans who depend on them.

Senator LANKFORD. You are not discouraging retirement savings, or tax incentives for individuals who choose——

Dr. YELLEN. No, I think—I mean, I think we should also have incentives and ways to help people save for retirement above and beyond that. But I would want to see these benefits preserved.

One thing that we could do to diminish imbalances is to find ways to deliver health care more cheaply and more efficiently. And there are a lot of ideas for doing that. And I would look first to those kinds of things to achieve sustainability.

Senator LANKFORD. Okay, so really what you meant by that was not cut retirement spending. It was cut the amount that retirees spend on health care? Is that what you are saying?

Dr. YELLEN. Well, that would be an important way to find ways to deliver these health-care services more efficiently.

Senator LANKFORD. Thank you. I will have several questions for follow-up on the record about the role of OCC. Obviously that is a different role. You had mentioned before, taxes not right now. It would be hard to be able to do that right now. I want to get a feel from you on what the initial metrics are you are looking for before we can raise taxes, to be able to deal with that. And also sanction issues with Iran and how that specifically plays into the coming decisions you will have to make. So I will submit those for the record, and I appreciate your testimony.

Dr. YELLEN. Thank you.

Senator CRAPO. Thank you, Senator Lankford. I appreciate the Senator's paying attention to the clock.

Senator Bennet?

Senator BENNET. Thank you. Thank you, Mr. Chairman; it is good to see you. And thanks, Dr. Yellen, for your willingness to serve. I think we are very, very lucky that you are willing to do it, especially at this time.

And I wanted to say one word to my colleagues. I heard the discussion today about the deficit. And I share the view that in the long term we need to figure out how to create a sustainable fiscal path for our country. I share that view. I also believe that we made some poor choices in terms of what we borrowed money to spend on. We had two wars in the Middle East that lasted for 20 years that cost us something like $5.6 trillion, all of which was borrowed, none of which was paid for. We have cut taxes by $5 trillion, almost all of it to the wealthiest people in America. And we borrowed every penny to do that. And, as Dr. Yellen was just saying, I do not think anybody can take pride in this health-care system in America that costs twice as much as any other health-care system in the world, and we are borrowing a whole bunch of money to do that.

What we have not done is invested in our human capital, our people. What we have not done is invested in our infrastructure in America, in the next generation of Americans. So it is not just a matter of what the balance sheet looks like; it is also a question of what are the choices that we are making? And I hope together we are going to make some choices with this new administration to invest in the American people and give them a fighting chance in this terrible pandemic, and in this slowing economy.

And it brings me to my question for you, Dr. Yellen. I cannot actually see you, but I wanted to talk about the decision that the Biden administration made to include the expanded Child Tax Credit and to make it fully refundable, to take it up from the level that it is today to $3,000. Sherrod Brown, my colleague from Ohio, and I have been working on that for almost a decade. If this manages to make it through the Congress, we will have cut childhood poverty in America by 45 percent. By some estimates, the cost of childhood poverty in this country is a trillion dollars.

You were mentioning a minute ago in your answer to the Senator from Oklahoma the importance of programs like Medicare in ending the poverty we see among seniors, or diminishing it. We have a crisis in our country, because so many of our children are growing up in poverty.

It would seem to me that, of all the things we have talked about today, at least from my perspective, I cannot think of anything that would make a greater difference in the prospects of the next generation, and of this country's prospects, than cutting childhood poverty almost in half in the way that you have proposed in the Biden recovery package.

I wonder, Dr. Yellen, if you could say a word or two about the importance of that proposal.

Dr. YELLEN. Well, Senator Bennet, I very much agree with all of the points that you just made, that childhood poverty is way too high in America. And one of the best ways that we can reduce that is providing a refundable Child Tax Credit at a level that really makes a dent in that. And I think that this proposal is really important because, as you said, it will substantially reduce childhood poverty, give families the ability to invest in their children, and give them the kind of tools that they need to succeed in this economy.

Senator BENNET. You know, one of the things we suggested in our bill—I think Senator Brown talked a little bit about this—is the idea that the Treasury Secretary could set up monthly advance Child Tax Credit payments.

I wonder, just in the last seconds that I have, whether you agree that monthly payments would aid in smoothing families' incomes and spending levels over the course of the year, better helping them make ends meet during this difficult time?

Dr. YELLEN. I agree. These families have serious liquidity issues, and not having to wait until tax day to receive these payments would be very beneficial. So I would certainly explore with the IRS if it is possible to make these available in advance on a monthly basis.

Senator BENNET. Well, we look forward to working with you on that. I am out of time. Mr. Chairman, thank you.

Senator CRAPO. Thank you, Senator.

Senator Daines?

Senator DAINES. Thank you, Mr. Chairman. And thank you, Dr. Yellen, for being here today. I look forward to meeting with you one-on-one later this week as well.

Before the pandemic, we had a booming economy. The national unemployment rate was 3.5 percent, the lowest level we had seen in 50 years. Wages were growing for workers across the board. In fact, importantly, the wages for lower-income Americans were finally growing faster than those for high-income earners. And I believe this is due, in no small part, to the impact of the Tax Cuts and Jobs Act signed into law in December of 2017.

I am concerned by President-elect Biden's plans to increase taxes. I think that raising taxes in general is not a good idea, but particularly in the middle of a pandemic. It will be very harmful for growth.

If you think about Montana, in our State 99 percent of our businesses are small businesses. And our small businesses, our mom and pop shops across our State, every corner, they have been hit hard by the pandemic. And this targeted relief has helped some, but the last thing we should be doing, in my opinion, is raising taxes—not ever, in fact, but especially not during or after a pandemic.

Dr. Yellen, I would like to get your thoughts on this topic. Do you agree that raising taxes while the economy is still recovering from the pandemic is a bad idea?

Dr. YELLEN. Well, Senator, the focus right now is on providing relief, and on helping families keep a roof over their head and food on the table, and not on raising taxes. But longer-term, I think it is important to the Biden program of Build Back Better, investing in people, investing in infrastructure, investing in research and development, in manufacturing and things that will create good jobs and make our economy more productive. We need to think about taxes in the context of the package that aims to do those things.

And to the extent that financing is required for these very valuable investments, I believe it should be coming in a fair way. Taxes—collections relative to the economy have declined over time, and although the corporate tax cuts I think did improve the competitiveness of American businesses—and President-elect Biden is not proposing to raise the corporate tax to the level before that act—it is very important that corporations and wealthy individuals pay their fair share.

And the proposals that he will make will be in the context of an overall package that is very beneficial to the economy. And I think working in the context of the OECD negotiations on global taxation, we have much greater leverage to keep our firms, American firms, competitive if we avoid a race to the bottom in corporate taxation globally. And that is one of the——

Senator DAINES. I know we will have a chance to have probably a vigorous and robust discussion about that, but I want to remind everybody on this committee that it is the pass-throughs and the non-C corps that are the primary drivers of economic growth in a State like Montana. It is small businesses. But we will have that discussion at a later point.

I want to shift gears about a bill I have with Senator Warren on the Retirement Savings Lost and Found Act. This really gets back to retirement policies to help Americans ensure that they are saving for their retirement. This bill recognizes, as people switch jobs—which Americans are doing at higher rates than ever before—many unknowingly leave behind employer-sponsored retirement savings accounts. This bill addresses the problem by requiring Treasury and Social Security to create a national lost and found registry, using data employers are already required to report to the Treasury Department.

Dr. Yellen, would you support this concept? It is a bill I have with Senator Warren. And would you commit to working together to make sure this will be administered smoothly by the Treasury?

Dr. YELLEN. Absolutely. I think it is an important objective that you have outlined there. And if it does become law, of course we will do everything possible to make sure that it is implemented effectively.

Senator DAINES. Okay. Dr. Yellen, I am out of time. Thank you for your answers.

Senator CRAPO. Thank you.

Senator Casey?

Senator CASEY. Thank you, Mr. Chairman. Dr. Yellen, thank you for your service to the American people again, and for——

Dr. YELLEN. I am sorry, I cannot hear you.

Senator CRAPO. Senator Casey, can you hear us?

Senator CASEY. I can hear you.

Senator CRAPO. Oh, we can hear you again. Why don't you start again.

Senator CASEY. Okay. Well, Doctor, thanks so much. I hope you can hear me.

Dr. YELLEN. Now I can hear you.

[Pause.]

Senator CRAPO. Senator Casey, we cannot hear you anymore. Can you hear us?

[Pause.]

Senator CRAPO. I take it that we have a technical difficulty. When we can get Senator Casey back connected, we will return to him.

Is Senator Whitehouse—I think he had to step out——

Senator WHITEHOUSE. No, I am here.

Senator CRAPO. Oh, good. Go ahead, Senator Whitehouse.

Senator WHITEHOUSE. Okay, great. Bob, I am sorry to bump you. I hope your technology improves. Dr. Yellen, welcome back. It is good to be with you.

The American political system right now is rotten with dark money. Anonymous donors are all over our political system with huge contributions that have been aptly described as a tsunami of slime flowing through our country. ProPublica has chronicled the inconsistent statements made by some of these groups between what they report to the IRS and what they report to election officials. Both statements are under oath, so when they are inconsistent, that raises a red flag.

I just wanted to flag for you that when you are confirmed, I intend to ask you to direct a review of the IRS 501(c) policies. Because it is my belief that for a long time the policies of the IRS have been very misaligned with a statutory direction that Congress gave the IRS over these agencies, and that to a degree, the IRS was bullied into taking these non-statutory positions because there was so much blowback from the dark money forces and from their mouthpieces when they tried to intervene.

I think the 501(c) problem, and the extent to which anonymous money is now interfering in our politics, is deadly serious. And I hope when I ask you, you will take an honest look at this and not appoint someone to do it who will give it a whitewash, and instead take a really good, hard look at what went wrong.

Dr. YELLEN. Senator, I would be very glad to work with you on that. You are pointing to a very disturbing situation, and I will need to get up to speed on where things are with that. But I would be glad to initiate a serious review of this matter.

Senator WHITEHOUSE. Good. Another serious matter is Freddie Mac warning of a coastal property value crash around the country because of climate change-driven sea-level rise; 40 sovereign banks warning of systemic global risk to the economic system from climate change; economists warning of a carbon bubble that will clobber the U.S. economy.

And given how serious all of that is, I am wondering where your senior-level climate person will be in the Department of Treasury. There is no specific office. How are you going to staff addressing climate at the most senior levels of Treasury?

Dr. YELLEN. Well, I will look to appoint someone at a very senior level to lead our efforts and to create a hub within Treasury in which we particularly focus on financial system-related risks and tax policy incentives toward climate change.

I think we need to seriously look at assessing the risks to the financial system from climate change. The Federal Reserve has recently said that they would be joining the network of supervisors for greening of the financial system. There are methodologies to do that, and we will focus on that.

Senator WHITEHOUSE. In a word or two, how seriously do you think we should take Freddie Mac's warnings of coastal property value crash, the sovereign bank warnings of systemic risk, and so many economists' warnings of a carbon bubble crash?

Dr. YELLEN. I think we should take these risks very, very seriously. I think climate change is an existential threat, and both the impact of climate change itself, and policies to address it, could have major impacts creating stranded assets, generating large changes in asset prices, credit risks, and so forth that could affect the financial system. So these are very real risks.

Senator WHITEHOUSE. And systemic risk is a mild phrase, but it conveys a very powerful message, does it not?

Dr. YELLEN. Yes, it does. I agree with you.

Senator WHITEHOUSE. Last question: I believe that foreign corruption and kleptocracy are inimical to our national security interests. For too long, the U.S. has been a haven for international corruption and kleptocracy through our shell corporations. With intense leadership from Mike Crapo—who I want to give a big shoutout to here—and Sherrod Brown, we got into the national defense bill the Beneficial Ownership Reform Incorporation Transparency bill, another tedious name for something that is actually very brutal and essential. And I am interested in who you think will lead the effort of cleaning up that mess using this new statute within Treasury, and how high up within Treasury you will place responsibility for cleaning up the dark money shell corporation problem that America has fomented.

Dr. YELLEN. So let me start by saying that this is a very important problem and that the act that was recently passed by Congress gives us an enormously potent tool to address this problem.

We will try to get up and running as quickly as possible and devote ourselves to building that database so that we can address these issues. And we will be certainly looking to give this very high priority.

Senator WHITEHOUSE. You agree it has a national security dimension?

Dr. YELLEN. Absolutely.

Senator WHITEHOUSE. That is it for me. Thank you very much, Dr. Yellen. I really look forward to working with you, and to Bob Casey, my apologies for jumping ahead of you.

Senator CRAPO. Thank you, Senator Whitehouse.

Senator Portman?

Senator PORTMAN. Thank you, Mr. Chairman. And to Dr. Yellen, thank you very much for your time you gave me recently to talk about many of the issues that I know have come before the committee today. I am going to revisit one that I am sure has been talked about, which is the fiscal discipline question. A Treasury Secretary can be very powerful within an administration, providing a voice for fiscal sanity, and I would urge you to do that.

Our conversation was about the relatively low interest rate environment and the fact that you think that investments are needed, and that going into further deficits and adding to our debt is appropriate. I would hope, again, that although we do have relatively low rates today, knowing that that could change, we should not get too comfortable with that, and second, that we have historic levels of deficits now, and as a percent of our GDP, not seen since World War II, which is frightening.

One quick story. When I was OMB Director under the Bush administration—this is a long time ago, 14 years ago—I wanted to propose a balanced budget over 5 years. And there was an ability to do that, only 14 years ago. Think about that, a balanced budget not over 10 years, over 5 years in the budget.

There was quite a debate in the administration at the time and, frankly, I think I was on the losing end of it until somebody weighed in. And that was Hank Paulson, who was then Secretary of the Treasury. And I will always be grateful to him for that. I think it was the right thing to do. At least it showed that we could get to a balanced budget by making some tough decisions, and the Treasury Secretary obviously was someone whom people were listening to from an economic point of view.

So with that, I do not know that I have posed a question, but I would love to hear your response to what you see as your responsibility to be a voice of fiscal sanity within the administration.

Dr. YELLEN. I completely agree with you, Senator Portman, that the Treasury Secretary has to be a voice for fiscal sanity. And I pledge—I pledge to do that. Our finances need to be on a sustainable, long-run course, and that is very important for us to focus on. I pledge—I pledge to do that.

Right now, short-term, I feel that we can afford what it takes to get the economy back on its feet, to get us through the pandemic, and to relieve the burdens that it is placing on households and small businesses. And research from other countries suggests that often spending money to address a weak economy ends up creating a lower debt burden in the long run than failing to provide that support. So that will be my focus in the short run: getting the economy back on its feet.

But longer-run, there are challenges in achieving fiscal sustainability. We have to make sure ultimately the deficits that we run, if we do that, are consistent with fiscal sustainability. The world has changed. I believe the future is likely to bring low interest rates for a long time, but of course it is a risk that interest rates can rise. And we need to consider that risk as well in crafting a sustainable and responsible policy.

Senator PORTMAN. Thank you. I will look forward to working with you on coming up with ways to deal with that long-term structural deficit, because we all know about it. We all know it is there. It is the mandatory spending side of the ledger. And I have talked to you about this in our conversations privately, but I do look forward to working with you on that.

The Tax Cuts and Jobs Act was passed in 2017, and the resulting economic improvements were dramatic. We had, as of February, as I recall, 16 straight months of wage gains of 3 percent or more, before COVID hit. It is unbelievable. We had a poverty rate at record levels since poverty rates began to be measured back in the 1950s. We have never had a rate as low as we had going into the pandemic. Obviously unemployment was low, historically low for many groups, including blacks, Hispanics, and others.

So this is a good thing. We had an opportunity economy that many of us talk about, but it actually was happening. And I think a lot of it was because of the investment that businesses were making, small and large alike, because of the tax reform that really made it more advantageous to invest in America: $482 billion in equipment, buildings, and—most importantly to me—employees by U.S. businesses during this time period after the 2017 bill and before the pandemic hit.

Let me ask you, if I could, about one part of that. And that is the corporate rate. My understanding is that President-elect Biden has talked about raising the corporate rate, and also raising the amount of taxes that one would pay for global income, both of which I think are going to result in less investment in the United States. The whole reason we lowered the rate was to be sure we were more or less competitive with the rest of the developed world. Our rate is still, frankly—when you include the State income tax—higher than the average, but it is at about the average, whereas before, we had the highest rate among all the developed countries. And what people were doing was investing overseas, not in America. We were losing jobs, and we were losing businesses. Companies were inverting, we were losing investment, and much of that has started to come back. It has been a good thing.

The bill introduced a concept of not just lower rates, but also this global intangible low-tax income, the GILTI regime, which is very complicated, but basically it is anti-base erosion, meaning that it effectively acts like a minimum tax on foreign earnings of U.S. companies. Prior to that, companies could just defer their taxes forever because our rates were so high people would defer, and defer, and defer. Now they have to pay it. And you know, it is kind of a minimum tax.

The high U.S. tax rate we had before made the deferral necessary, but it also caused this lock-out of foreign earnings as a barrier to U.S. investment, again creating incentives for acquisitions of U.S. companies by foreign companies that could get a better deal.

So we both lowered the rate and eliminated deferral. As a result, we have created a more level playing field. I just am worried about these proposals to both increase the corporate tax and to double the rate, as I understand it, on GILTI, on this minimum tax, from 10½ to 21 percent. It would put us again in a noncompetitive situation relative to our OECD trading partners. And you know, the OECD right now is considering a global minimum tax rate of 12.5 percent. So they are going the opposite way, because they get it. This creates more jobs in their countries.

So I hope that you will push back against that, understanding that you may not approve all of the tax cuts and tax reforms that were in there, but certainly on the business side, this created an incentive to invest in America.

Senator CRAPO. Senator Portman——

Senator PORTMAN [continuing]. The ability to write off your investment.

Senator CRAPO. Senator Portman, we are on a time schedule here because another committee needs to take this room. So could I ask that to be a question for the record?

Senator PORTMAN. Well, I would love to hear your response in the record for that. Again, I appreciate our conversation on that and other issues, and I look forward to hearing from you. Thank you.

Senator CRAPO. And, Dr. Yellen, I know you have responded to that type of question a couple of times, but if you could give a very thorough response to the question for the record, because I thought that was a very well-stated question——

Senator PORTMAN. Thank you, Mr. Chairman.

Senator CRAPO. Thank you.

Next we will return to Senator Casey.

Senator CASEY. Mr. Chairman, you can hear me now?

Senator CRAPO. Yes. We got it.

Senator CASEY. Thanks. Dr. Yellen, thank you for your willingness to serve the American people again. We are grateful for that.

I wanted to focus my questions, maybe two broad questions, mostly on children. But they will touch on other issues as well.

First of all, the role of both child care and early childhood education, talking about early care learning, the importance of that to the economy—and in particular to labor force participation by women, which we know is a major challenge we have. The pandemic has exposed the importance of caregiving on our economy: those who care for and support children, who support and care for seniors and people with disabilities. We are seeing more clearly now, probably than ever, the importance of quality, affordable care for those Americans, and the connections between that care and our economy.

In President-elect Biden's American Rescue Plan, he included a provision very close to my bill, the Child and Dependent Care Tax Credit, the expansion of that. So I just wanted to ask you about both the question of child care and the care economy as an economic imperative to the country.

If you could, discuss your ability to elevate this issue, both as it relates to COVID–19 as well as the importance in terms of the short- and long-term competitiveness of our economy.

Dr. YELLEN. Well, thank you for that question, Senator. I feel this is a really critical area, both because of the pandemic and longer-term. The availability of child care and paid leave greatly affects the ability of women to participate in the labor force. And once upon a time, we had one of the highest labor force participation rates for women of any developed country, and that has really changed, and we are no longer anywhere near the top.

And where we stand out is that the United States does much less on the front of child care and paid leave than most other developed economies. And I agree that the competitiveness of our economy and wanting women to be able to participate is really critical to address the shortages, and it has been more than evident in the pandemic. It is women who have suffered a disproportionate loss in jobs, who have a disproportionate burden of caring for children who are out of school, and for relatives who are ill and need help. And it has really impacted them mightily because of a lack of these supports.

Senator CASEY. Well, I appreciate that, because it is, I think, very much apparent now because of the pandemic how important those programs are, and those strategies for caregiving.

My last question, before my time runs out, Dr. Yellen, is about kid savings accounts. This has been an idea that has been around, proposed over the last 20 years. I have worked with Senator Wyden on the Young American Savers Act. It is a measure that I proposed, a similar measure in the debate on the 2017 tax bill. The Democrats all voted for it.

I think it is time, finally, to enact this savings account to support equity building for our Nation's kids so we can also at the same time support emergency savings for their parents.

Could you discuss briefly—and I know we only have less than a minute left—the role of asset building in securing the middle class?

Dr. YELLEN. Well, just very briefly, Senator, I certainly agree that assets are not only essential for people in dealing with an emergency, it is shocking that such a large fraction of Americans would not have $400 to deal with an emergency. And it is necessary for home ownership, for business formation, for saving. And we have huge wealth disparities—even greater than income disparities—and a racial wealth gap has also worsened over time.

So looking for strategies to address that gap and promote asset building, I think should be very much at the forefront of policy.

Senator CASEY. Well, Dr. Yellen, thanks so much. Good luck in your confirmation. I will have some other questions for the record. Thank you, Mr. Chairman.

Dr. YELLEN. Thank you, Senator.

Senator CRAPO. Thank you, Senator Casey.

Senator Hassan?

Senator HASSAN. Well, thank you, Mr. Chairman and Ranking Member Wyden, for holding this important hearing and doing it today. Thank you, Dr. Yellen, for appearing before the committee, and for your willingness to serve our country during this difficult time. Having someone with your expertise at the Treasury is going to be pivotal to helping struggling families and businesses as we work to contain the virus, protect and create jobs, and rebuild the economy.

I have three questions that I think we can cover in our time. As we discussed when we met earlier this month, Dr. Yellen, I am working on a bipartisan effort with Senator Young to expand the research and development tax credit for small businesses. New businesses and innovative startups are a major source of job creation, which is going to be key to rebuilding our economy after we contain the virus.

Dr. Yellen, could you speak to the importance of R&D investments to creating jobs and to the economic recovery? And at the Treasury, will you work with us to explore ways to support R&D through the tax code?

Dr. YELLEN. Thank you, Senator. Certainly I look forward to working with you. This is a very important matter. R&D is essential to innovation and to the growth of our economy. It has made a huge contribution. And I think you are absolutely right that new businesses, and innovative businesses, have driven job creation.

So finding ways to support R&D investments, including by small or new businesses, is something I look forward to working with you on.

Senator HASSAN. Well, thank you, Dr. Yellen. As we continue to assist struggling businesses to keep their employees on payroll, we also need to strengthen support for the risk-takers and innovators who create new jobs and help us grow the economy.

Toward that end, the recent economic relief package contained a bipartisan bill that I introduced with Senator Burr to allow small businesses to both participate in the Paycheck Protection Program and to claim the Employee Retention Credit. Unfortunately, according to the National Federation of Independent Businesses, one of the supporters of our bill, many small businesses remain unaware that they can receive up-front payments of the Employee Retention Credit to help keep workers on payroll and cover employee healthcare costs.

Dr. Yellen, how can Treasury increase awareness of the Employee Retention Credit so that small businesses can quickly and effectively receive the full range of economic relief available?

Dr. YELLEN. Well, Senator, first let me say that I think allowing these businesses to utilize both PPT and the Employee Retention Credit was a very worthwhile innovation and should really help a lot of businesses. So we want to make sure that they know about it.

I will discuss this, I promise, with the IRS to see if there is something that they can do, but perhaps we can also work with nonprofits and with groups like the Federation for Small Businesses to see if we can find ways to publicize it so that they are aware that this is a benefit that is available.

Senator HASSAN. Well, thank you. I think this is an important factor in helping us accelerate the recovery and protecting jobs. So thank you for your willingness to work with us on that.

I want to switch topics a little bit to the issue of terrorist financing. In previous Finance hearings with outgoing Secretary Mnuchin, I have raised the importance of Treasury programs that combat the financing of terrorist and criminal organizations. The bipartisan National Defense Authorization Act passed earlier this month included a provision led by Senator Warner that established an advisory group with Treasury to counter new ways that terrorists use emerging financial technology. One area of growing concern, for example, is the potential for terrorists and criminals to use cryptocurrency to finance their activities.

So, Dr. Yellen, can you outline some of these emerging technological concerns and how Treasury should combat new forms of terrorist criminal financing?

Dr. YELLEN. Senator, I think you are absolutely right that the technologies to accomplish this change over time, and we need to make sure that our methods for dealing with these matters of terrorist financing change along with changing technology. Cryptocurrencies are of particular concern. I think many are used, at least in the transactions sense, mainly for illicit finance, and I think we really need to examine ways in which we can curtail their use and make sure that anti-money-laundering does not occur through those channels.

Senator HASSAN. Thank you, Doctor. Thank you, Mr. Chairman. My time is up. I look forward to working with you, Dr. Yellen.

Dr. YELLEN. I look forward to working with you as well.

Senator CRAPO. Thank you. And next is Senator Cortez Masto.

Senator CORTEZ MASTO. Thank you, Mr. Chairman——

Senator WYDEN. Senator Crapo, with leave from my colleague from Nevada, and in no way taking from her time, I would just like to take maybe 90 seconds to describe where I think we are with respect to the Yellen nomination. I hope that will be acceptable to my colleague from Nevada. I will be very quick, and this does not come off of her time.

Senator CRAPO. Yes.

Senator WYDEN. The majority and minority have been talking, and we now have an agreement that Senate Finance Committee members will have their questions in for the nominee tomorrow.

Senator CRAPO. Close of business tomorrow.

Senator WYDEN. Close of business tomorrow. So my hope would be, Senator Crapo, that we could have Chair Yellen on the floor of the United States Senate on Thursday. And obviously we are taking it a day at a time, and we have made some headway here in the last hour regarding deadlines for member questions. I mean, this is a person who has been confirmed again and again and again, and all these past Treasury Secretaries are in support of her. So I appreciate the discussions that we have had in the last hour. We have made some progress. I hope she will be on the floor on Thursday. Thank you.

Senator CRAPO. Well, thank you, Senator Wyden. And I will talk with Senator Grassley, and we will work with members on our side to work expeditiously. Thank you.

Now, Senator Cortez Masto.

Senator CORTEZ MASTO. Thank you. Thank you, Mr. Chairman.

Dr. Yellen, congratulations. Thank you for the courtesy meeting last week. I am going to try to keep it brief. It has been a long morning and afternoon for you, and I thank you so much for your patience. I enjoyed listening to all of your responses to my colleagues.

Two issues: hospitality—and we have talked about that. And the other is housing. So let me just talk a little bit about—as you well know, in Nevada we have been so hard-hit. Before the pandemic, the travel and tourism industry was one of the largest sectors of the economy. In 2019, travel generated $1.1 trillion in spending and supported 15.8 million American jobs. But the COVID–19 pandemic has devastated the travel industry more than any other sector of the economy. And according to Oxford Economics, the U.S. lost $510 billion in travel spending and 4.5 million travel jobs in 2020.

So my question to you is, what are your recommendations for addressing this hardest-hit service sector and its workers, like those in Nevada and across the country?

Dr. YELLEN. Well, Senator Cortez Masto, I am really aware of just how badly the Nevada economy has been impacted by the pandemic because of the focus on travel, tourism, leisure activities. This is, as you said, the hardest-hit sector with the most pain and job loss, and getting this pandemic addressed and over with so people can go back about their lives and travel and enjoy leisure activities is top of the agenda—and in the meantime, making sure that we support the workers and the businesses that have been so badly affected, giving them what they need to get through this and come out the other side, and to help State and local governments in a variety of ways reopen schools and make sure that you do not have to fire emergency workers because of the budget pressures that your State faces, and others.

Senator CORTEZ MASTO. Thank you, Dr. Yellen. Let me be a little bit specific. Last fall, Senator Cramer and I introduced a bipartisan bill. It is the Hospitality and Commerce Job Recovery Act. What it does is, it provides refundable tax credits for businesses and individuals to boost demand for travel, once it is safe to travel again.

I am curious what your thoughts are. Can tax credits be an effective tool to incentivize spending and help certain sectors like the service sector and travel sector recover and the economy turn around?

Dr. YELLEN. Well, Senator, I would be glad to take a look at that and work with you and examine the details more fully.

Senator CORTEZ MASTO. I appreciate that. Thank you.

As you said in your introduction, you know that the sector, particularly the service sector, has been so disproportionately impacted, we need to continue to provide relief and investments in this sector. So I am hopeful that you and the Biden administration will work with us moving forward.

Housing—I know I have about a minute left. Let me ask you this—and this was an issue. Nevada is literally dealing with an affordable housing crisis that started even before this pandemic. I know it is happening across the country. And we talked a little bit about this.

Could you really address how the Treasury Department can work with us, as well as the Biden-Harris administration, to address what we see in the affordable housing crisis across the country?

Dr. YELLEN. It is a huge problem, Senator. And we really need to devise effective ways to work on this and support affordable housing. Things like the Low-Income Housing Tax Credit, I think, have been very important, and we will need to come up with other innovative strategies. This really is a crisis in many parts of the country.

Senator CORTEZ MASTO. Well, I know my colleague, Senator Cantwell, mentioned this to you as well during this hearing. I look forward to working with you, as well as the Biden administration, to address this issue.

Thank you again for your willingness to serve.

Dr. YELLEN. Thank you, Senator. I appreciate it.

Senator CRAPO. Thank you, Senator Cortez Masto.

Senator Young?

Senator YOUNG. Dr. Yellen, it is good to see you again. I enjoyed our visit the other day. Congratulations once again on your nomination.

Dr. YELLEN. Thank you.

Senator YOUNG. I would like to ask you, for starters, some questions about our hardest-hit businesses. You know, it has been widely reported that we are in the midst of a K-shaped recovery where Wall Street is doing pretty well. So many of our small businesses are doing well. In fact, we have seen record profits from a number of them. Meanwhile, a number of our Main Street firms are, if not hollowed out, certainly just pockmarked with businesses that are shuttered on account of this pandemic and associated public health measures.

In your July 17th testimony before a House subcommittee, you indicated, Doctor, that there would be scars left on the economy. And by that I infer you probably meant an erosion of skills in our workforce, a loss of innovation that tends to occur among the small firms, to say nothing of the future opportunities for growth.

In the State of Indiana, it is estimated that one in four small businesses faces closure, including generations-deep family businesses that have really become pillars within given communities. So there is a social and cultural dimension to this as well. That's all if economic conditions do not improve.

Blessedly, we have invented these vaccines, and the economy will be opening up. And we have a relief package that we came together on and passed for the American people before year's end. In light of that relief that we have offered, it seems to be making a difference. There seem to be some sunnier days ahead.

What do you expect the need to be for additional small business assistance? And why do you expect that need to exist to a particular level?

Dr. YELLEN. Well, unfortunately, I fear we have some very difficult months ahead before the vaccine has been widely enough disseminated to really open up the economy and let people get back to their regular lives of going out to eat in restaurants, and engaging in entertainment, and things that involve face-to-face contact.

So I think the PPP funding included in the last bill is tremendously important. We are going to do everything we can to work with the Small Business Administration to get that support out as quickly and as effectively as we can.

These small businesses are the lifeblood of their communities and provide a disproportionate share of jobs in America. And so supporting them—I think of scarring as not only affecting workers, but when businesses fail that have been the backbones of their communities, that is permanent job loss for workers and a tragedy for the communities.

So this is certainly something we want to do. And if more funding is needed, we would come back and ask for that. We have asked for some money for grants to the smallest businesses, and some funding to support State and local nonprofits in getting assistance out.

Senator YOUNG. Well, and I have to say, that seems prudent to me, Doctor. It is my sense, informed by conversations with people on the ground as well as economists, that there will be additional assistance needed for some of our hardest-hit businesses. But we are going to have to continue to monitor that. I think that is the right approach.

I also sense it is prudent—again after consultation with others—to hold off certain campaign promises that might have been made, and I want to get your perspective on that, in particular, tax increases in the middle of a global pandemic which has triggered this massive economic downturn.

Dr. YELLEN. So the focus now is not on tax increases. It is on programs to help us through the pandemic. But we also, the President-elect also wants to pursue his Build Back Better agenda to strengthen the economy and make sure that we create good jobs at good wages for workers and invest in infrastructure and our people. And in that context, there may be a need for additional financing. We should not think about tax increases in the abstract. I think anything that is proposed should be focused on corporations, and on individuals, and in the context of a larger program.

Senator YOUNG. Yes, Doctor. So I will not focus on the abstract. Let me get very particular. Are there any elements of the revenue-raising portions of the Build Back Better plan that you believe should be reconsidered?

Dr. YELLEN. I am not sure what you have in mind. There have been a few things that have been specified, but probably not a complete program. President-elect Biden has proposed increasing the corporate tax and making American companies that offshore jobs, reducing those incentives, and in doing that, I think worrying about the competitiveness of American business would propose to do this in the context of global agreements on corporate minimum taxes.

Senator YOUNG. I am grateful for the answer. I will have to probably submit some follow-up questions for the record pertaining to the loss of jobs. But should companies invert—that is, send their headquarters overseas to have lower tax rates—which was one of the reasons that the rate was lowered initially, but nonetheless——

Dr. YELLEN. We need to avoid that, for sure.

Senator YOUNG. Yes. Good. We agree on that as a matter of principle.

You and I discussed my proposal with Senator Bennet to create a long-term working capital loan program for our hardest-hit businesses. It is called the RESTART Act. Sixty bipartisan co-sponsors were earned here in the United States Senate, roughly 180 in the House of Representatives, and thousands of small businesses in Indiana and across the country were supportive of this.

To the extent we need additional small business relief, and you have indicated we might, is this something that you might work on with me and Senator Bennet to try and perfect and perhaps implement in a bipartisan way?

Dr. YELLEN. Absolutely; I would look forward to working with you on that.

Senator YOUNG. Thank you so much.

Senator CRAPO. Thank you, Senator Young.

Senator Sasse?

Senator SASSE. Thank you, Mr. Chairman.

Dr. Yellen, congratulations on your nomination, obviously an important capstone to a very distinguished career.

I want to focus on a set of topics that involve the national security equities of the Treasury Department, more than some of the topics of the last couple of questions. It is my view that whenever the Senate is fulfilling our advice and consent obligations with regard to any senior position that has national security equities, one of our obligations is to make sure that the nominee in question regards herself or himself as having a national security portfolio.

And secondarily, I think is it clear that there is a bipartisan consensus in the Senate now—I come to you having just been in the Intelligence Committee hearing, first open and then closed—and the bipartisan consensus is overwhelming that the number one long-term geopolitical threat the United States faces, not just in the next 4 years but probably in the next 4 decades, is the Chinese Communist Party.

So I want to ask you two questions about that first. Dr. Yellen, do you believe that the Secretary of the Treasury is a national security position in the President's Cabinet?

Dr. YELLEN. Absolutely. I think Treasury, along with the rest of the administration, needs to stay laser-focused on that. We have many tools that are implemented through Treasury to address national security concerns. The Treasury leads the CFIUS process, and we have sanctions and enforcement actions that can serve to dismantle financial and support networks of those who seek to do us harm. And certainly leadership of Treasury is important, and it is a priority.

Senator SASSE. Thank you. I am glad to hear you say that, Dr. Yellen. Both the CFIUS point and the portfolio and sanctions regime. I also in the past have chaired the subcommittee of Banking that deals with sanctions. And I agree with you that you have a very important and professional staff in that area, and I am glad to hear that you regard it as a priority.

Do you regard the Chinese Communist Party as an existential threat to the United States?

Dr. YELLEN. Well, I regard China as our most important strategic competitor, and feel it is necessary to devise an administration-wide and multi-faceted approach to address the threats that China causes.

And certainly we need to target illicit activities that are linked to theft of intellectual property and trade secrets, illegal efforts to acquire critical technologies and sensitive U.S. data, and fentanyl traffic, among other things.

Senator SASSE. Thank you. I agree with your list. In addition, I wonder if you would regard Chairman Xi and his regime as guilty of genocide in Xinjiang at present?

Dr. YELLEN. I think it is guilty of horrendous human rights abuses, yes.

Senator SASSE. Thank you. I do think the word, not to quibble here—I will not make you respond precisely to the word "genocide," but I think it is important for us to recognize what has been happening in Xinjiang is a genocide. And so it is not just one issue among many, where we can sort of varnish it as merely a geopolitical competitor. Chairman Xi's regime is evil, and they are raping and torturing Uigur women at present. So I think we need to be well-aware of the nature of the regime we are dealing with.

Obviously one of the most important pieces for the purposes of thinking about the future of the U.S. economy is the long-term technology race we face with China. For years, American economic and technological innovation have fueled the CCP's mastery of the digital economy, and then they have gone on to use that mastery of the digital economy to do a parade of horribles, some of which you just listed, importantly.

Could you walk us through how you think about a review of our technological interdependence with China? And do you believe that some degree of decoupling is going to be incumbent upon us in the next 4 years?

Dr. YELLEN. Well, I think that we face a significant competition with China. And to address the subsidies that China has put in place, and other policies to erode our technological edge, I think first and foremost we have to make sure that we as an economy make the investments that enable us to compete with China, investments in manufacturing and infrastructure and training and research and development, that are ultimately our sources of economic strength.

But we need to aggressively counter unfair practices that China uses, whether it is forced technology transfer or to invest in ways in the United States that are dangerous to our national security.

Senator SASSE. Thank you. I agree with you that there are a number of strategic areas where we are under-investing, from AI to quantum to biotech to robotics, machine learning, et cetera. But as relates to 5G in particular, and Huawei, could you use that as a case study to walk us through kind of how you think our policy should be unfolding in the 5G space, and how we should be trying to bring together allies to battle the unfair practices that we see from Huawei around the world?

Senator CRAPO. And, Senator Sasse, may I ask that you make that a QFR? Because we are running against a tight deadline here.

Senator SASSE. Yes, Mr. Chairman. Dr. Yellen, I will make that a QFR. And again, congratulations on your nomination, and we look forward to working with you on these topics.

Dr. YELLEN. Thank you, Senator Sasse.

Senator CRAPO. Thank you, Senator Sasse.

We are running up against a tight deadline here, because we have to have this room available for another committee. But we are going to return to two Senators, Senator Toomey and Senator Menendez, and then we will wrap up the hearing.

And with that, Senator Toomey?

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

Dr. Yellen, I want to talk just a little bit about housing reform, housing finance reform, I should say, which I think in some ways is the great unfinished business of the financial crisis. As you know, the GSEs, Fannie Mae and Freddie Mac, are still in conservatorship, still perceived as too big to fail. Now they hold no capital.

But Secretary Mnuchin and Director Calabria of the HFHA did take some significant steps, it seems to me, steps in the right direction. While I would have preferred going further, at least there is an end to the automatic profit sweep. There is the opportunity to build up capital through retained earnings. There is a capital target now for the GSEs, and there are rules that are meant to limit the acquisition of the riskiest loans by the GSEs.

Have you had a chance to look at these reforms? And have you determined that you would support leaving them in place?

Dr. YELLEN. Senator Toomey, it is a very important matter. Nothing is more important to the future of housing in the United States than what we do with Fannie and Freddie. And I need to look carefully at what has been put in place, and ultimately we need to find a solution that has bipartisan support and to work with Congress to craft an approach.

Senator TOOMEY. Okay. Will you commit to developing and releasing reform principles both on the regulatory side as well as on the legislative side?

Dr. YELLEN. We will certainly give priority to studying this issue and coming up with ideas about what should be done.

Senator TOOMEY. Okay. And just quickly to follow up on a conversation we had the other day about the FSOC designations, you know one of my concerns has always been that SIFI designations raise the expectations of a taxpayer bailout, should a problem occur. In a way, it designates these firms that are so designated as too big to fail.

Interestingly, certain categories of financial institutions have not been designated. And it occurs to me that certain business models are inherently less of a risk to our financial system—for instance, asset managers that simply hold assets on behalf of investors, as opposed to banks that intermediate credit and transform maturity.

So asset managers have not been designated as SIFIs thus far. Do you agree with the decision that has been made not to designate asset managers as SIFIs thus far?

Dr. YELLEN. Well, when I served on FSOC as Fed Chair, it was proposed to look at activities that asset managers engage in that might pose systemic risks. And a paper was issued that mentioned problems of possibly looking at high-leverage and hedge funds. A working group was formed that was to look at—I think it has since been disbanded—the matter of whether or not some hedge funds have dangerous levels of leverage. Open-ended mutual funds that promise daily redemption and liquidity that invest in assets that are relatively illiquid can pose problems.

And I think we saw some of those problems in March. I think these are—this is an activities-based approach that FSOC was pursuing. And I thought that that was the right approach.

So you know, I would hope to look again at some of those approaches.

Senator TOOMEY. I will just point out, the decision was made not to designate them. And I think that was the right decision. And I would point out that money market funds have been remarkably stable and successful.

But I appreciate that, and I look forward to working with you on these and other issues. Thank you, Mr. Chairman.

Senator CRAPO. Thank you, Senator Toomey.

Is Senator Menendez back? I am being told that he has not been able to make it back. And so that will conclude the questioning.

Dr. Yellen, you have made it through to the end of the hearing. I know this was a long day for you, and we appreciate the fact that you are willing to serve. We congratulate you on your nomination. And as you probably heard in some of the discussion, a number of the Senators will want to submit to you questions for the record. Some have already been stated here during the questioning period. Others will be submitted in writing.

Those questions for the record are due by close of business tomorrow. And as Senator Wyden indicated, the committee does want to move expeditiously. So we ask you, Dr. Yellen, to please respond to these questions for the record as quickly as possible.

We would like some thorough answers to all of these questions, but please respond to these as quickly as possible.

And with that, again, Dr. Yellen, thank you so much for being here with us today. And this hearing is concluded.

[Whereupon, at 1:22 p.m., the hearing was concluded.]

A P P E N D I X

Additional Material Submitted for the Record

Prepared Statement of Hon. Chuck Grassley, a U.S. Senator From Iowa

Today, we welcome the Honorable Janet Yellen to consider an anticipated nomination for her to become Secretary of the Treasury.

The role of Treasury Secretary covers responsibilities over a large number of issues, including taxes; fiscal management, including the debt; financial sanctions; and economic policies. The Treasury Secretary also serves as Chair of the Financial Stability Oversight Council, which has wide-ranging financial oversight and regulatory authorities. Dr. Yellen has a history in academics, think tanks, the Federal Government, and at the Federal Reserve.

This hearing takes place in the midst of an ongoing pandemic along with significant divisions in Congress and in the Nation. I hope we can move away from partisan divisiveness and personalized attacks against each other. Dr. Yellen, if confirmed, you can be instrumental in helping generate an environment for bipartisan efforts and reasoned debate.

You've expressed that you have interest in aggressively pursuing mitigation efforts toward climate change, which you see as a global existential threat.

The incoming administration has also identified interest in raising taxes, coupled with massive spending programs, and working to reduce income inequality. And Senator Schumer has said that he'd like to change America. I'll be interested in hearing more about those and other things as we continue to consider your nomination.

As I've already indicated to you, I think it would be a big mistake to raise taxes on individuals and businesses as they struggle through an economic recovery and a pandemic. I know that the incoming administration has said they'd like to pursue a two-pronged strategy, with a massive stimulus followed by tax hikes coupled with even more spending, maybe on infrastructure.

We are already closely examining President-elect Biden's proposal for around $1.9 trillion of stimulus, which even some prominent Democrat economists have said does not seem to be well-targeted. With the trillions already in the pipeline, and close to $1 trillion of relief enacted just a few short weeks ago, it is important to focus efforts on pandemic relief. Now is not the time to enact a laundry list of liberal structural economic reforms. Dr. Yellen, if you are confirmed, I hope that you will work with us on the proposal.

Moving forward, President-elect Biden has stated numerous times that no one making under $400,000 would see their taxes raised. For example, last year on CNBC, Biden stated what we can think of as the new Biden Rule that "nobody making under 400,000 bucks would have their taxes raised, period. . . ." While I don't think we need to be raising taxes, I will pay close attention to see that the incoming administration abides by that new Biden Rule and doesn't go after taxing small businesses and the middle class.

On my part, let me tell you that I believe in free and fair trade, both internationally and domestically. International trade is important for American business, and especially important to the agricultural sector and farmers across America. I will make sure that the incoming administration does not overlook the importance of agriculture, or overlook the interests of rural America.

I am against foreign countries trying to tap into the U.S. tax base with unilateral digital services taxes, under their self-proclaimed "rights" to invade our tax base. They don't have that right.

I don't support socialism, or Marxism, or so-called Democratic socialism that would end with command-and-control policies. I also don't support any rapid or drastic wiping out of industries and their workers based mostly on ideology and often on misleading analyses, with some notion of taking care of the carnage through massive government income and wealth redistribution.

Prior to the pandemic, although there were economic and structural challenges in the economy, we saw historic 50-year lows in unemployment rates, record lows for gaps between minority unemployment and the overall unemployment rate, inclusive growth with real wages growing fastest for low earners, record highs in real median household income, stronger median income growth for minorities than others, and reductions in income inequality and poverty.

While those are goals of Democrats, we did not hear much from them about these accomplishments. Those accomplishments came about in an environment in which tax burdens were lowered and made more progressive, and regulation was made more efficient.

Instead of welcoming the accomplishments, we have heard from the other side that we need to change America. I would like to see us continue with the accomplishments we saw prior to the pandemic.

Now, let me close with a comment on transparency. This committee has traditionally expressed bipartisan interest in reminding all nominees that transparency is important to our members. That means that I expect that you will respond to inquiries from any Senator on this committee, no matter which side of the aisle they sit on. Prompt and thorough responses to our inquiries and investigations is what we expect.

PREPARED STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON

Let me just say I share your views on the importance of cooperation between the Treasury Department and members of this committee on both sides of the aisle. But the fact is, the Treasury's record on this matter over the past 4 years was beyond dismal. Requests from my office were routinely met with useless, perfunctory responses, and in many cases my requests were outright rejected for flimsy reasons. In fact, I believe Secretary Mnuchin's responsiveness to requests from Democrats, particularly in regard to requests for FinCEN information, merits continued oversight. At the same time FinCEN was stonewalling my and other Democratic colleagues' requests, the agency was fast-tracking Republican requests.

I believe that under Chair Yellen's leadership, there will be a return to the productive relationship we expect between Treasury and the bipartisan members of this committee.

This is the second time in 12 years that a Republican President will leave office with the economy in ruins. Today there's also a surging pandemic and armed troops guarding the Capitol from far-right insurrectionist attack. The Biden administration won't begin with inaugural balls; it'll begin with all-out triage.

My top economic priority going forward is avoiding the mistake Congress made in the last recession—taking a foot off the gas pedal before recovery took hold. Congress didn't do enough in 2009 to help the unemployed and struggling homeowners. If stepping off the gas wasn't bad enough, 2 years later House Republicans passed policies that yanked out the spark plugs and let the air out of the tires too. In Oregon, it took 7½ years for unemployment to return to its pre-recession level. That cannot happen again, or else millions and millions of people will go through years of needless hardship. Some will never recover the lives they had prior to the pandemic.

Unemployment is once again rising. Federal Reserve data shows that workers of modest incomes are facing Great Depression-level joblessness. One in five are out of work. The President pushed a false choice between public health and economic recovery, and now the country has neither.

The good news is, Chair Yellen is exactly the right person to lead the Treasury Department through these big economic challenges. Nobody could be better qualified for this job. Nobody deserves more credit than Chair Yellen for the longest economic expansion in our history, which lasted until the pandemic hit.

At the Federal Reserve, Chair Yellen challenged decades of conventional economic wisdom that put too much focus on inflation and deficits. She was correct that policy-makers needed to focus more on wages, employment, and inequality—and that the economy safely could run a little hotter.

Republicans criticized her at the time, and later they tried to attribute her success to the outgoing administration. But the numbers show the successes of Chair Yellen's approach. Unemployment went down, wages went up, and a lot of working Americans were better off than they were before. Who better to lead the Treasury Department and help kick-start the next economic expansion than the person who was so integral to the last one?

Right out of the gate, the Biden administration and Congress need to send major relief to America's working families. Increasing relief checks to $2,000 is key. So is extending enhanced unemployment benefits. At Leader McConnell's insistence, the December package reduced unemployment benefits from the CARES Act and extended them only until the middle of March. There are groceries in my refrigerator that will last longer.

This is a common story in Washington: key economic lifelines expired, extended, expired, extended. Congress cannot go on with this "snooze button legislating." Our workers and our economy need a government that's reliable and predictable. That means the Congress needs to tether the extension of unemployment benefits to economic conditions on the ground with automatic triggers.

The tattered patchwork of State unemployment insurance systems also needs fixing. States including Oregon were overwhelmed when the COVID crash hit. In other cases it was because Republican lawmakers have intentionally hobbled their UI programs. Workers suffer because of it, particularly black and Hispanic workers. Congress needs to increase base benefits, bring all workers into the system, and ensure it can hold up in a crisis.

Congress also needs to fix our broken tax code, starting with the proposition that corporations, millionaires, and billionaires must pay a fair share. I'm developing a proposal to reform the taxation of capital gains for the top three-tenths of 1 percent of taxpayers. My plan would equalize tax rates for wage and capital income and minimize the benefit of deferring taxes.

If you're a nurse taking care of COVID patients, you can't defer your taxes—they come straight out of every paycheck. But if you're a billionaire, you can defer, defer, defer—and then never pay any tax at all. My plan would put a stop to that unfairness. The revenue would preserve the Social Security guarantee for decades to come, with additional funding for other priorities.

The outgoing administration was big on corporate tax giveaways, and it increased incentives to ship jobs overseas instead of eliminating them. I want to fix those mistakes.

The Treasury Department will have a key role to play on climate. Much of America's energy policy is tax policy. There are currently 44 energy tax breaks on the books. I have a bill to replace them with three focused incentives: clean electricity, clean transportation, and energy conservation. I'm also developing legislation that would make polluters pay for the costs of climate change, with a substantial portion of the revenue returned directly to the American people through annual cash payments.

The Treasury Department also plays a big role in trade. Over the last 4 years, the American people heard a lot of tough talk about trade, but the administration failed to deliver on most of its big promises. It drove away our economic allies, isolating us in the fight against trade cheats in China and elsewhere. Members of this committee are also concerned about currency manipulation and other tactics used to rip off American jobs.

I'm looking forward to working with Chair Yellen on all these issues and more. With the country facing the worst economic crisis in a century, it's critical that the Senate approves her nomination on Day One. Everybody's got a constitutional right to foolishness, but nobody can honestly question Chair Yellen's qualifications. It's a shame that this country has never had a woman Treasury Secretary. Anybody who doubts Chair Yellen's commitment to policies that give everybody a chance to get ahead just hasn't been paying attention.

Chair Yellen, thank you for your willingness to return to public service. President-elect Biden couldn't have made a better choice.

LETTER FROM FORMER SECRETARIES OF THE TREASURY

We write today to encourage the swift confirmation of Dr. Janet Yellen as the 78th United States Secretary of the Treasury. Our Nation faces urgent economic and national security challenges, and we believe that delaying the confirmation of our government's principal economic official would create unnecessary risk during this critical time.

Unprecedented economic conditions have created immense hardship and threaten to further undermine our security and prosperity. With millions of Americans out of work, long-term unemployment rising, and activity stalled in large sectors of the economy, daunting challenges will face the incoming administration. Addressing these pressing issues will require thoughtful engagement by the Department of the Treasury. Any gap in its leadership would risk setting back recovery efforts.

The Secretary of the Treasury also has a vital global role. As the chief economic diplomat for the United States and an essential leader in international economic policy, the Secretary not only represents our Nation to foreign governments and international bodies, but also can drive international cooperation to solve vexing global issues. Between the recent turmoil in the United States and the magnitude and urgency of international economic fallout from COVID–19, our allies are looking for reassurance that our country will be a trusted and reliable partner. Any delay in confirming Dr. Yellen will only allow concern and confusion to grow among our allies.

Beyond domestic and international economic leadership, the Secretary of the Treasury is also a critical participant in law enforcement and national security efforts. Treasury leads the country's efforts to monitor and combat financial crimes, terrorist financing, and other illicit financial activity among state and non-state actors. The threats to our national security from those who seek to exploit financial systems or evade sanctions are real and require sustained attention. At a time when our Nation's adversaries are actively looking for national security vulnerabilities, any gaps in leadership at Treasury will only serve to embolden them.

Finally, a word about Dr. Yellen. As former Treasury Secretaries, we are well-aware of the demands of the job and the steepness of the learning curve for new officials. It is our view—based on personal experience for many of us—that Dr. Yellen's experience, knowledge, judgment, and character make her uniquely qualified for this role. Our assessment of her integrity and ability is widely shared, including by the Senate, which has confirmed her several times, including most recently in 2014, and before which she has regularly testified. It is hard to imagine a better-prepared nominee to meet this great moment of need than Dr. Yellen. We urge the Senate Committee on Finance to move expeditiously to report her nomination to the full Senate to allow a highly qualified public servant to take up her urgent responsibilities.

Sincerely,

George P. Shultz
James A. Baker III
Robert E. Rubin
Lawrence H. Summers
John W. Snow
Henry M. Paulson, Jr.
Timothy F. Geithner
Jacob J. Lew

PREPARED STATEMENT OF HON. JANET L. YELLEN, PH.D.,
SECRETARY-DESIGNATE, DEPARTMENT OF THE TREASURY

Chairman Grassley, Ranking Member Wyden, members of the committee, it is an honor to appear before you. And, Senator Feinstein, thank you for that very kind introduction.

I have immense respect for the task before this committee: rebuilding the American economy from its sharpest downturn in history. If I am fortunate enough to be confirmed, I would strive to be a good partner in that work. I've spent almost my entire life thinking about economics and how it can help people during hard times.

My father was a doctor in Bay Ridge, Brooklyn. It was more of a working-class neighborhood back then. His patients would take the bus up from their jobs at factories or docks, and they'd come to our stoop because that's where my dad's office was—in our basement.

He was the kind of doctor who treated the whole patient. He knew about their lives; about when they'd been fired or couldn't pay. Those remain some of the clearest moments in my childhood. My parents had been children of the Depression, and they had a very visceral reaction to economic hardship.

Economics is sometimes considered a dry subject, but I have always tried to approach my science the same way my father approached his: as a means to help people. And this committee, I believe, has viewed it the same way—especially during these last few months. When economists look back on the pandemic, I expect they'll conclude that Congress's actions averted a lot of suffering.

But more must be done. Economists don't always agree, but I think there is a consensus now: without further action, we risk a longer, more painful recession now—and long-term scarring of the economy later.

The pandemic has caused widespread devastation. Whole industries have paused their work. Eighteen million unemployment insurance claims are being paid every week. Food bank shelves are going empty. The damage has been sweeping, and as the President-elect said last Thursday, our response must be too.

Over the next few months, we are going to need more aid to distribute the vaccine, to reopen schools, and to help States keep firefighters and teachers on the job. We'll need more funding to make sure unemployment insurance checks still go out, and to help families who are at risk of going hungry or losing the roof over their heads.

Neither the President-elect, nor I, propose this relief package without an appreciation for the country's debt burden. But right now, with interest rates at historic lows, the smartest thing we can do is act big. In the long run, I believe the benefits will far outweigh the costs, especially if we care about helping people who have been struggling for a very long time.

People worry about a K-shaped recovery, but well before COVID–19 infected a single American, we were living in a K-shaped economy, one where wealth built on wealth while working families fell further and further behind. This is especially true for people of color.

At the Fed, I became accustomed to the institution's dual mandate—to promote stable prices and maximum employment. As Treasury Secretary, I think there will be a dual mission too: helping Americans endure the final months of this pandemic and keeping people safe while getting them back to work. That's our first task. But then there is the longer-term project. We have to rebuild our economy so that it creates more prosperity for more people and ensures that American workers can compete in an increasingly competitive global economy.

Members of the committee, these are very ambitious goals, and I know we will need to work together. You can count on me to do that in a bipartisan way.

My husband and son are watching us on C–SPAN from the other room. They are not only wonderful people, they are also wonderful—and opinionated—economists themselves. So I am used to debate about these issues in the house. I'd welcome it in the Senate.

Thank you, and I look forward to your questions.

SENATE FINANCE COMMITTEE

STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. Name (include any former names used): Janet Louise Yellen.
2. Position to which nominated: Secretary of the Treasury.
3. Date of nomination: November 30, 2020 (date of announcement of nomination).

4. Address (list current residence, office, and mailing addresses):
5. Date and place of birth: August 13, 1946, Brooklyn, New York, United States.
6. Marital status (include maiden name of wife or husband's name):
7. Names and ages of children:
8. Education (list all secondary and higher education institutions, dates attended, degree received, and date degree granted):

   Fort Hamilton High School, 1961–1963 (diploma received May 1963).

   Brown University, B.A., 1963–1967 (degree received May 1967).

   Yale University, Ph.D. economics, 1967–1971 (degree received December 1971).
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 for each job):

   Brookings Institution, Washington, DC, Distinguished Fellow in Residence (2018–Present).

   Federal Reserve Board of Governors, Washington, DC, Chair (2014–2018); Vice Chair (2010–2014).

   Federal Reserve Bank of San Francisco, San Francisco, CA. President and CEO (2004–2010).

   White House Council of Economic Advisors, Washington, DC. Chair (1997–1999).

   Federal Reserve Board of Governors, Washington, DC. Member (1994–1997).

   University of California, Berkeley, Berkeley, CA. Eugene E. and Catherine M. Trefethen Professor of Business and Professor of Economics (1999–2004).

   University of California, Berkeley, Berkley, CA. Bernard T. Rocca Jr. Professor of International Business and Trade (1992–1994).

   University of California, Berkeley, Berkeley, CA. Professor (1985–1992).

   University of California, Berkeley, Berkeley, CA. Associate Professor (1982–1985).

   University of California, Berkeley, Berkeley, CA. Assistant Professor (1980–1982).

   London School of Economics, London, England. Lecturer (1978–1980).

   Federal Reserve Board of Governors, Washington, DC. Economist (1977–1978).

   Congressional Budget Office, Washington, DC. Consultant (1975–1976).

   Federal Reserve Board of Governors, Washington, DC. Consultant (1974–1975).

   Harvard University, Cambridge, MA. Assistant Professor (1971–1976).

   Yale University, New Haven, CT. Teaching Fellow and Research Assistant (1969–1971).

   Department of Labor, Washington, DC. Summer Intern (1967).
10. Government experience (list any current and former advisory, consultative, honorary, or other part-time service or positions with Federal, State, or local governments held since college, including dates, other than those listed above):

    Governor Gavin Newsom's Task Force on Business and Jobs Recovery. Member (2018–2020).

    California Assembly Select Committee on Asian Trade Advisory Board (2003).

    National Academy of Sciences (2000).

    President's Interagency Committee on Women's Business Enterprise. Chair (1997–1999).

    Congressional Budget Office. Panel of Economic Advisers (1993).

National Science Foundation. Committee of Visitors, Advisory Panel in Economics, Visiting Committee (1977–2004).

11. Business relationships (list all current and former positions held as an officer, director, trustee, partner (*e.g.,* limited partner, non-voting, etc.), proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution):

American Economic Association. President (2020).

Magellan Financial Group, Sydney, Australia (work done in Washington, DC). Consultant (2019–2020).

Committee for a Responsible Federal Budget. Board of Directors (2018–2020).

Washington Speakers Bureau, Washington, DC (spoke in many different locations). Paid Speaker (2018–2020).

Delta Dental of California. Director (2003–2004).

Yale University. Fellow of the Corporation (2000–2006).

Bay Area Council. Member of the Executive Committee (2007–2010).

Barter Trust. Adviser (1999–2000).

12. Memberships (list all current and former memberships, as well as any current and former offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations dating back to college, including dates for these memberships and offices):

Bretton Woods Committee. Advisory Council (2019–present).

Aspen Institute. Economic Strategy Group (2018–present).

Group of Thirty. Member (2009–2010). Senior Member (2018–present).

Climate Leadership Council. Founding Member (2017–present).

Yale Program on Financial Stability. Advisory Board (2019–present).

Tobin Center for Economic Policy at Yale University. Advisory Board (2020–present).

Bloomberg New Economic Forum. Advisory Board (2018–present).

Washington Center for Equitable Growth. Steering Committee (2018–present).

National Economic Education Delegation. Honorary Board Member (2018–present).

National Liberal Club. Member (2018–present).

British Academy. Member (2016–present).

Children's Hospital of Oakland, Board of Directors. Honorary Member (2008–2010).

Western Economic Association. President (2003–2004).

University of California. Professor Emeritus (2006–present).

Women's Economic Roundtable. Advisory Board (1999–2004).

Council on Foreign Relations. Term Member (1976–1981). Member (2005–present).

American Economic Association. Member (1971–Present). Advisory Committee (1986–1987). Nominating Committee (1988–1990). Vice President (2004–2005). President (2019–2020).

Pacific Council on International Policy. Board of Directors (2004–2008).

Western Economics Association. President (2003–2004).

Macroeconomic Advisers. Senior Adviser (2003–2004).

Delta Dental of California. Member of Board of Directors (2003–2004).

Jerome Levy Economics Institute. Board of Advisers (2002–2004).

Economists for Peace and Security. Trustee (2002–2010).

American Academy of Arts and Sciences. Member (2001–present).

The Faculty Club, University of California at Berkeley. Member (1982–present). Director (2000–2002).

Yale Club of San Francisco. Member (1993–1996, 2000–2004).

National Bureau of Economic Research. Research Associate (1999–2010).

Center for International Political Economy. Advisory Board (1999–2004).

Brookings Panel on Economic Activity. Advisory Board (1999–2004). Senior Advisor (1989–1994). Member (1987–1988, 1990–1991).

OECD High Level Sustainable Development Group. Member (1999–2001).

OECD Economic Policy Committee. Chair (1997–1999).

British Ambassador's Advisory Committee for the Marshall Fellowships. Member of Advisory Committee (1997–1997).

Rollingwood Citizens Association. Member (1996–1999).

Chevy Chase Recreation Association. Member (1994–1999).

International Trade and Finance Association. Member (1990–1994).

Journal of Economic Perspectives. Associate Editor (1987–1991).

Hadassah. Member (1987–present).

Committee on the Status of Women in the Economics Profession. Member (1985–1996).

Congregation Beth El. Member (1983–1994).

Hiller Highlands Country Club. Member (1978–present).

Yrjö Jahnsson Foundation. Lecturer on Macroeconomics (1977–1978).

13. Political affiliations and activities:

    a. List all public offices for which you have been a candidate dating back to the age of 18.

       None.

    b. List all memberships and offices held in and services rendered to all political parties or election committees, currently and during the last 10 years prior to the date of your nomination.

       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 prior to the date of your nomination.

       Democratic National Committee. $25,000 (September 24, 2020).

       Biden for President. $2,800 (August 15, 2020).

       Biden for President. $2,800 (March 1, 2020).

       Democratic Congressional Campaign Committee. $250 (February 6, 2019)

       McCaskill for Missouri. $2,500 (October 20, 2018).

       Democratic Congressional Campaign Committee. $15,000 (October 8, 2018).

       Donna Shalala for Congress. $1,000 (April 5, 2018).

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 received since the age of 18):

    Phi Beta Kappa (1966).

    Graduated summa cum laude, with highest honors in economics, Brown University (1967).

    National Science Foundation Graduate Fellowship (1967–1971).

    Honorary Woodrow Wilson Fellowship (1967).

    Guggenheim Fellow (1986–1987).

    Maria and Sidney Rolfe Award for National Economic Service, Women's Economic Round Table (1997).

Wilbur Lucius Cross Medal, Yale University (1997).

Honorary Doctor of Laws degree, Brown University (1998).

Honorary Doctor of Humane Letters degree, Bard College (2000).

Fellow, American Academy of Arts and Sciences (2001).

Berkeley Fellow (2012).

Distinguished Fellow, American Economic Association (2012).

Fellow, Econometric Society (2014).

Honorary Doctor of Commercial Science, New York University (2014).

Honorary Doctor of Social Science, Yale University (2015).

Honorary Doctor of Science, London School of Economics and Political Science (2015).

Honorary Doctor of Laws, University of Warwick (2015).

Blackwell Award, Hobart and William Smith Colleges (2015).

Honorary Doctor of Laws, University of Baltimore (2016).

Radcliffe Medal, Radcliffe Institute for Advanced Study, Harvard University (2016).

Paul H. Douglas Award for Ethics in Government (2017).

President's Medal, Brown University (2018).

Alice Award, National Woman's Party (2018).

Women of Power and Influence Award, National Organization for Women (2018).

Global Leadership Award, Columbia School of International and Public Affairs (2018).

Brooklyn Public Library Annual Award (2018).

Council on Economic Education, Visionary Award (2019).

Foundation Medal. University of California at Santa Cruz (2019).

Dean's Medal, Brandeis International Business School (2019).

Truman Medal for Economic Policy (2019).

Honorary Degree, Tel Aviv University (2019).

15. Published writings (list the titles, publishers, dates, and hyperlinks (as applicable) of all books, articles, reports, blog posts, or other published materials you have written):

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"Keynote," Standard Chartered's Middle East Summit (3/18/19).

"Monetary Policy, Currencies and Manipulation," Dollars and Sense Podcast, Brookings Institution (2/19/19).

"Federal Reserve Chairs: Joint Interview" (with Jay Powell and Ben Bernanke), American Economic Association Annual Meeting (1/4/19).

"Janet Yellen in Conversation With Paul Krugman," The Graduate Center, CUNY (12/10/18).

"Tools for Managing Financial Crises," Yale School of Management (11/26/18).

"Managing the Next Financial Shock," New Economy Forum (11/6/18).

"In Conversation With Janet Yellen," NACD Global Board Leaders' Summit (10/17/18).

"Conversation With Janet Yellen," 19th World Knowledge Forum (10/12/18).

"The Tenth Anniversary of the Financial Crisis," Griswold Center for Economic Policy Studies (9/21/18).

"A Fed Duet," Hutchins Center on Fiscal and Monetary Policy (2/27/18).

"The Current Economic Outlook and Monetary Policy," The Joint Economic Committee (11/29/17).

"Remarks accepting the 2017 Paul H. Douglas Award for Ethics in Government," at the Institute of Government and Public Affairs at the University of Illinois (11/7/17).

"A Challenging Decade and a Question for the Future," National Economists Club (10/20/17).

"The U.S. Economy and Monetary Policy," Group of 30 International Banking Seminar (10/15/17).

"Community Banking in the 21st Century," Fifth Annual Community Banking Research and Policy Conference (10/4/17).

"Inflation, Uncertainty, and Monetary Policy," 59th Annual Meeting of the National Association for Business Economics (9/26/17).

"Financial Stability a Decade After the Onset of the Crisis," Federal Reserve Bank of Kansas City (8/25/17).

Semiannual Monetary Policy Report to the Congress. The Committee on Banking, Housing, and Urban Affairs, U.S. Senate (7/13/17).

Semiannual Monetary Policy Report to the Congress. The Committee on Financial Services, U.S. House of Representatives (7/12/17).

"So We All Can Succeed: 125 Years of Women's Participation in the Economy," Brown University (5/5/17).

2017 annual conference of the National Community Reinvestment Coalition (3/28/17).

"Welcoming Remarks" at "Strong Foundations: The Economic Futures of Kids and Communities," 10th Biennial Federal Reserve System Community Development Research Conference (3/23/17).

"From Adding Accommodation to Scaling It Back," The Executives' Club of Chicago (3/3/17).

"Semiannual Monetary Policy Report to the Congress," The Committee on Financial Services, U.S. House of Representatives (2/15/17).

"Semiannual Monetary Policy Report to the Congress," The Committee on Banking, Housing, and Urban Affairs, U.S. Senate (2/14/17).

"The Economic Outlook and the Conduct of Monetary Policy," The Stanford Institute for Economic Policy Research (1/19/17).

"The Goals of Monetary Policy and How We Pursue Them," The Commonwealth Club (1/18/17).

"Welcoming Remarks" at "Conversation With the Chair: A Teacher Town Hall Meeting," Federal Reserve Board (1/12/17).

"The Economic Outlook," The Joint Economic Committee, U.S. Congress (11/17/16).

"Macroeconomic Research After the Crisis," 60th Annual Economic Conference. Federal Reserve Bank of Boston (10/14/16).

"Banking and the Economy: A Forum for Minority Bankers," Federal Reserve Bank of Kansas City (9/29/16).

"Supervision and Regulation," The Committee on Financial Services, U.S. House of Representatives (9/28/16).

"The Federal Reserve's Monetary Policy Toolkit. Designing Resilient Monetary Policy Frameworks for the Future," Federal Reserve Bank of Kansas City (8/26/16).

"Semiannual Monetary Policy Report to the Congress," The Committee on Financial Services, U.S. House of Representatives (6/22/16).

"Semiannual Monetary Policy Report to the Congress," The Committee on Banking, Housing, and Urban Affairs, U.S. Senate (6/21/16).

"Current Conditions and the Outlook for the U.S. Economy," The World Affairs Council of Philadelphia (6/6/16).

"When the Federal Reserve Speaks . . . The World Listens" (with former Fed Chairs Ben Bernanke, Paul Volcker, and Alan Greenspan), International House in New York (4/7/2016).

"The Outlook, Uncertainty, and Monetary Policy," The Economic Club of New York (3/29/16).

"Semiannual Monetary Policy Report to the Congress," The Committee on Banking, Housing, and Urban Affairs, U.S. Senate (2/11/16).

"Semiannual Monetary Policy Report to the Congress," The Committee on Financial Services, U.S. House of Representatives (2/10/16).

"The Economic Outlook," The Joint Economic Committee, U.S. Congress (12/3/15).

"The Economic Outlook and Monetary Policy," The Economic Club of Washington (12/2/15).

In addition to the speeches listed above, Dr. Yellen served as a paid speaking guest, as arranged by the Washington Speakers Bureau, for the following organizations on the following dates:[1]

Arranging Organization	Date	Location
Moore Capital	03/27/18	Washington, DC
Jefferies	04/02/18	New York, NY
BTIG	04/03/18	New York, NY
Strategas Research Partners	04/04/18	New York, NY
Cisco	04/12/18 and 04/13/18	Kiawah Island, SC
Nomura	04/16/18	New York, NY
Deutsche Bank	05/01/18	New York, NY
UBS	05/02/18	New York, NY
Apollo Global Management	05/09/18	New York, NY
Itau	05/16/18	New York, NY
Experian	05/21/18	Scottsdale, AZ
Morgan Stanley	06/05/18 and 06/06/18	New Orleans, LA
Stifel Financial	06/13/18	Boston, MA
Charles Schwab	06/14/18	Avon, CO
Neuberger Berman	06/20/18	New York, NY
Credit Suisse	06/25/18	London, England
Amundi Asset Management	06/28/18	Paris, France
Federal Home Loan Bank of Chicago	08/03/18	Chicago, IL
University of San Francisco	08/29/18	San Francisco, CA
Association of Foreign Investors in Real Estate	09/07/18	Washington, DC
Carlyle Investment Management	09/13/18	Washington, DC
BCA Research	09/24/18	Toronto, Canada
BNP Paribas	09/25/18	New York, NY
Mitsui	09/27/18	New York, NY
National Association of Corporate Directors	09/30/18	Washington, DC
Vanguard	10/01/18 and 10/02/18	Chicago, IL
Barclays	10/08/18	Chicago, IL
Vanguard	10/08/18 and 10/09/18	Chicago, IL

[1] Dr. Yellen did not deliver prepared remarks during any of these appearances.

Arranging Organization	Date	Location
World Knowledge Forum	10/12/18	Seoul, South Korea
Mortgage Bankers Association	10/15/18	Washington, DC
Macquarie Holdings	10/26/18	La Quinta, CA
Finance Montreal	10/29/18	Montreal, Canada
Charles Schwab	10/30/18	Washington, DC
Chicago Mercantile Exchange	11/13/18	Naples, FL
Caixin	11/13/18	Naples, FL
JP Morgan Chase	11/14/18	New York, NY
Turnaround Management	11/15/18 and 11/16/18	Chicago, IL
Bank of America	11/29/18	New York, NY
Citadel	12/11/18	New York, NY
UBS	01/06/19	Atlanta, GA
Wealth Vest	01/09/19	Washington, DC
National Retail Federation	01/14/19	New York, NY
ING	01/15/18	Amsterdam, Netherlands
PricewaterhouseCoopers	01/23/19	Davos, Switzerland
City National Bank	01/28/19 and 01/29/19 and 01/30/19 and 01/30/19 and 01/31/19	New York, NY; Washington, DC; Orange County, CA; Los Angeles, CA; and San Francisco, CA
Structured Finance Industry Group	02/26/19	Las Vegas, NV
Standard Chartered Bank	03/03/19	Dubai, UAE
Citi	03/06/19 and 03/11/19 and 03/12/19	New York, NY and London, England
Entrust	03/07/19	New York, NY
Credit Suisse—Hong Kong Development Council	03/25/19	Hong Kong
Texas Christian University	03/28/19	Fort Worth, TX
BNP Paribas	04/02/19	Brussels, Belgium
Institute for Supply Management	04/09/19	Houston, TX
PIMCO	05/05/19 and 05/06/19	Newport Beach, CA
National Investment Center	09/12/19	Chicago, IL
Bank of America	10/02/19	New York, NY
Barclays	10/15/19	New York, NY

Arranging Organization	Date	Location
Citadel	10/17/19 and 12/3/19	Hong Kong and New York, NY
Google	10/30/19	Washington, DC
Magellan Financial Group	10/31/19	Washington, DC
Prudential Global Investment Management	11/06/19	New York, NY
HSM	11/21/19	New York, NY
Stifel Financial	12/04/19	New York, NY
Hong Kong Development Council	01/13/20	Hong Kong
CFA Society Atlanta	02/05/20	Atlanta, GA
Magellan Financial Group	03/31/20 and 05/12/20 and 08/20/20	Teleconferences
Citi	4/30/20 and 5/19/20 and 5/20/20 and 6/15/20 and 7/15/20 and 10/14/20	Webinars
Fiserv	05/26/20	Webinar
Ares Management	05/26/20	Webinar
Salesforce	06/24/20	Webinar
Goldman Sachs	06/17/20	Webinar
Barclays	07/29/20	Webinar
Magellan Financial Group [2]	11/16/20	Teleconferences
Principal Financial Investors	09/17/20	Webinar
Credit Suisse	09/30/20	Webinar
Pillsbury Winthrop Shaw Pittman	10/09/20	Webinar
PMI	10/22/20	Webinar
Standard Chartered Bank	10/27/20	Webinar
Advisor Group	10/28/20	Webinar
Citadel	10/09/20 and 10/20/20 and 10/26/20 and 10/27/20	Webinars
Daiwa Securities	11/05/20	Webinar
Deloitte	11/20/20	Webinar

[2] Dr. Yellen's engagement on November 16, 2020 was not arranged by Washington Speakers Bureau.

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

I served as chairman of the Board of Governors of the Federal Reserve System from February 2014 to February 2018 and as vice chairman between October

2010 and February 2014. I served as President and Chief Executive Officer of the Federal Reserve Bank of San Francisco from 2004 to 2010 and as Governor of the Federal Reserve System between August 1994 and February 1997. Through this service, and my background in macroeconomics, I acquired an understanding of major issues facing the U.S. and global economies, and the roles of monetary and fiscal policy in supporting economic growth, job creation, and price stability. I participated during these years in financial crisis interventions and helped to establish a Division of Financial Stability at the Federal Reserve Board. As Chair, I participated as a member of the Financial Stability Oversight Council. I also oversaw banking supervision and regulation, and the operation of the payments system. This background will inform my work at Treasury as Chair of FSOC, and on financial regulation more generally. This experience is also relevant to Treasury's role with respect to the Bureau of Printing and Engraving and the Mint. During my term as Chair of the Federal Reserve, I actively participated in the G20 and G7 Ministers and Central Bank Governors meetings and those of the IMF. As Treasury Secretary, I would participate in these same international bodies. I also was deeply involved in the Federal Reserve's work in Community Development and met regularly with representatives of community organizations, developing an understanding of the particular challenges facing low- and moderate-income communities in obtaining access to credit and stable jobs. This background will inform my work at the Treasury Department in these same areas. I also gained experience at the Federal Reserve in managing a large and diverse organization—skills that will be needed at Treasury as well.

My training is as a professional economist with a specialty in macroeconomics and international economics. I have published original research on a wide variety of topics in international and macroeconomics. I am best known for my work exploring the causes of price and wage rigidity. This work provides a basic rationale for the use of monetary policy and fiscal policy to stabilize the economy. My research has also focused on the causes and consequences of unemployment.

From 1980 until I joined the Federal Reserve Board as a Governor in 1994, and for 5 years after leaving the Council of Economic Advisers, I served on the faculty of the Walter A. Haas School of Business at the University of California, Berkeley, where I taught international and macroeconomics in the MBA and executive education programs of the school. Beginning in 1999, I also held a faculty appointment in the Department of Economics.

I received my B.A. summa cum laude from Brown University in 1967 and my Ph.D. in economics from Yale University in 1971. From 1971 to 1976 I served on the faculty of the Economics Department at Harvard University, after which I served as an economist in the International Finance Division of the Federal Reserve Board. I was also a faculty member at the London School of Economics and Political Science before moving to Berkeley.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections (including participation in future benefit arrangements) 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 current and former investments, obligations, liabilities, or other personal relationships, including spousal or family employment, which could involve potential conflicts of interest in the position to which you have been nominated.

   Any potential conflict of interest will be resolved in accordance with the terms of my ethics agreement, which was developed in consultation with ethics officials at the Department of the Treasury and the Office of Government Ethics. I understand that my ethics agreement has been provided to the committee. I am not aware of any potential conflict other than those addressed by my ethics agreement.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years (prior to the date of your nomination), 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.

   Any potential conflict of interest will be resolved in accordance with the terms of my ethics agreement, which was developed in consultation with ethics officials at the Department of the Treasury and the Office of Government Ethics. I understand that my ethics agreement has been provided to the committee. I am not aware of any potential conflict other than those addressed by my ethics agreement.

3. Describe any activity during the past 10 years (prior to the date of your nomination) 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.

   In my personal capacity, and solely on my own behalf, I have provided technical advice and publicly supported the following bills: The Paycheck Recovery Act (H.R. 6918), The Worker Relief and Security Act (H.R. 7821), and The HEROES Act (H.R. 6800). On my own behalf, I have also testified before Congress and advocated for the need of additional fiscal support during the COVID crisis.

4. Explain how you will resolve any potential conflict of interest, including any that are disclosed by your responses to the above items. (Provide the committee with two copies of any trust or other agreements.)

   Any potential conflict of interest will be resolved in accordance with the terms of my ethics agreement, which I understand has been provided to the 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.

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 (*e.g.,* an Inspector General's office), professional association, disciplinary committee, or other ethics enforcement entity at any time? Have you ever been interviewed regarding your own conduct as part of any such inquiry or investigation? If so, provide details, regardless of the outcome.

   In 2015 the Federal Reserve's Inspector General's office investigated Medley Global Advisers' publication of important information expected to appear in Fed meeting minutes the next day. I was interviewed in connection with this unauthorized disclosure and fully cooperated. The Inspector General's investigation was completed.

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? Have you ever been interviewed regarding your own conduct as part of any such inquiry or investigation? 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.

   To my knowledge, in my personal capacity I have never been a party in interest to any administrative agency proceeding or civil litigation. As a Governor and Chair of the Federal Reserve Board, I was named in my official capacity as a party in a number of lawsuits. I can provide information on any of those lawsuits if requested by the committee.

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.

QUESTIONS SUBMITTED FOR THE RECORD TO HON. JANET L. YELLEN, PH.D.

QUESTIONS SUBMITTED BY HON. CHUCK GRASSLEY

INDIVIDUAL/FAMILY TAX ISSUES

Question. During the campaign, President Biden pledged not to increase taxes on anyone making under $400,000. However, a significant tax increase will go into effect on millions of middle-class taxpayers in 2026 unless Congress acts to extend the tax cuts and reforms enacted in 2017. Given President Biden's campaign pledge, will you, if confirmed as Treasury Secretary, work with Republicans in Congress to make these tax cuts permanent in order to prevent a massive tax increase on American Families?

Answer. Expiration of particular aspects of the Tax Cuts and Jobs Act of 2017 will impact taxpayers with incomes under $400,000. As noted, President Biden pledged during the campaign that no American taxpayer with income under this threshold will be subject to a tax increase. If confirmed as Treasury Secretary, I will work with members of Congress to address the expiration of various aspects of the 2017 tax law, including in particular those that impact middle-class taxpayers and families with incomes below the $400,000 threshold.

Question. At various times during the campaign, President Biden suggested he would repeal the Tax Cuts and Jobs Act either in full or in part. Please indicate (yes or no) whether the incoming Biden administration supports the following:

Would the Biden administration support repealing the doubling of the Child Tax Credit from $1,000 to $2,000? If no, would the administration support making this provision permanent?

Would the Biden administration support repealing the enhanced standard deduction, which increased the standard deduction from $6,500 to $12,000 for singles, from $13,000 to $24,000 for married couples, and from $9,550 to $18,000 for heads of household in 2018? If no, would the administration support making this provision permanent?

Would the Biden administration support repealing the reduced tax rates put in place for middle-class taxpayers, which included reducing the 15-percent bracket to 12 percent? If no, would the administration support making this provision permanent?

Would the Biden administration support repealing the qualified business income deduction, which allows small businesses to deduct up to 20 percent of their qualified business income? If no, would the administration support making this provision permanent?

Answer. During the campaign, the President advanced a series of principles around tax policy in general, and the 2017 tax cut in particular. In describing how he wants to repeal the parts of the 2017 tax cuts that benefited the wealthiest Americans and large companies, he clarified that the repeal of certain aspects of the tax law would be restricted only to those taxpayers making more than $400,000 a year, with a firm commitment that taxpayers earning less than this amount would not see their taxes increase. At the same time, throughout the campaign and following the presidential election, President Biden has proposed a series of tax cuts and policy initiatives, such as an expansion in the Child Tax Credit and additional financial support for small businesses, aimed at strengthening the progressivity of the tax code and aiding small businesses during the recovery. If confirmed, I will work with Congress to implement a fair, efficient, pro-growth tax code that provides relief for middle-class families, workers, and small business owners.

Question. Senate and House Democrats have argued for repealing the $10,000 cap on the State and local tax (SALT) deduction as part of pandemic relief efforts. According to the Tax Policy Center, a joint project of the Urban Institute and Brookings Institution where you are a distinguished fellow, such a proposal included in a House-passed pandemic relief measure would provide the top 0.1 percent of households an average tax cut of nearly $144,000. At the same time it effectively would give no benefit to the bottom half of households. In your opinion, does it make sense for pandemic relief efforts to prioritize six-figure tax cuts for the wealthiest few when millions of middle-class American families are struggling to make ends meet? Would you oppose including a repeal of the SALT cap in any further relief or stimulus measures?

Answer. See response to the next question.

Question. President Biden's position on the SALT cap was less than clear during the campaign. Third-party analyses of his campaign proposals have come to different conclusions on his intentions. For instance, the Tax Policy Center assumes he would *not* repeal the SALT cap, but would allow it to expire at the end of 2025. However, an analysis by the American Enterprise Institute assumes his intent is to repeal the SALT cap. Can you please clarify what the incoming administration's position is regarding the SALT cap?

Answer. In response to both questions, as I noted at the hearing, I certainly believe in a fair and progressive tax code where wealthy individuals and corporations pay their fair share. On this issue, as with many others, it is important to consider the entire equation. For example, it is critical to study and evaluate what the impact of the SALT cap has had on State on local governments, and those who rely upon their services. I will work with those at Treasury and throughout the administration in evaluating those impacts, as well as other aspects of this issue.

Question. President Biden has proposed reducing the estate-tax exemption amount from the current level of approximately $11.5 million to only $3.5 million, coupled with an increase in the top estate-tax rate from 40 percent to 45 percent. This change would disproportionately affect farmers and small business owners in Iowa and across the Nation through wasteful compliance costs and increased taxes. If confirmed, will you work to promote tax policy that will not harm farmers and small business owners and their families?

Answer. If confirmed, I look forward to working with you to advance a range of policies that the President has proposed to strengthen rural America and small businesses.

On the President's estate tax proposal in particular, it may be helpful to note that only about the wealthiest 6 out of every 1,000 estates would face any tax—less than 1 percent—and every couple with assets under $7 million would be fully exempt from the estate tax.

RETIREMENT TAX ISSUES

Question. Millions of retirees and participants in multiemployer pension plans face an impending crisis. Many plans are in poor financial health, and the PBGC's multiemployer pension insurance fund is projected to be insolvent in 2026 according to PBGC's latest annual report. I am committed to finding a bipartisan solution that can resolve this crisis. If confirmed, will you commit to working with this committee and other interested Senators on a long-term solution that will secure the retirement benefits for these retirees while also reforming the underlying system and ensuring taxpayer dollars will not be used to finance a private-sector system in perpetuity?

Answer. This is a critical time for the PBGC. Millions of working people and retirees are counting on it to help pay and secure their hard-earned pensions. I know Congress has been trying to address the multiemployer pension crisis for a number of years and, if confirmed, I will work with this committee and the Department of Labor to find and enact a comprehensive solution to this problem. The President supports passage of the Butch-Lewis Act, which offers low-interest loans to financially troubled multiemployer plans—helping them to meet their commitments.

Question. As part of his tax plan, President Biden has promised to change the tax benefits of contributing to tax-deferred retirement accounts. Under the Biden plan, instead of contributing pre-tax dollars to a retirement account such as a 401(k), workers would be entitled to a tax credit equal to after-tax amounts contributed. If enacted, this approach would significantly change the way Americans save for retirement and could end up discouraging retirement saving. If confirmed, will you commit to working with this committee to ensure that any changes to the retirement savings system don't disincentivize workers from saving?

Answer. During the campaign, President Biden called for the equalization of the tax benefits for retirement saving across the income scale. There are many possible options for making retirement contributions more generous to middle-income families. I look forward to studying this issue further, as a way of building wealth for the middle class.

Question. As you know, Congress passed the SECURE Act in 2019, which made improvements to the retirement savings system. There is bipartisan support for additional legislation that would further incentivize retirement savings and make it easier for small businesses to provide employees with a retirement plan. If confirmed, will you support this effort?

Answer. I look forward to working with you to find ways to improve the retirement savings system. During the campaign, President Biden proposed to give small businesses a tax break for starting a retirement plan and giving workers the chance to save at work. In addition, under the President's plan, almost all workers without a pension or 401(k)-type plan will have access to an "automatic 401(k)," which would provide the opportunity to easily save for retirement at work—putting millions of middle-class families on the path to a secure retirement.

Question. Multiemployer pension plans are not the only pension plans facing a looming crisis. Many State and local government pension plans are severely underfunded and, in too many cases, have been mismanaged. Absent reform, these public pension plans may soon be unable to pay benefits to retirees, and making matters worse, these State and local programs have never been covered by the Pension Benefit Guaranty Corporation's insurance program of last resort. This crisis has caused some to suggest that the Federal Government should bail out these State-based pension plans. Instead of taxpayers in all States bearing the responsibility for subsidizing the failing pension plans of a few States, other options should be explored. For example, private-sector solutions such as annuities could help transfer some of the risk away from the troubled plans. If confirmed, will you commit to working with this committee and other interested Senators to evaluate all possible solutions to this crisis that will secure the retirement benefits for many public-sector retirees while avoiding the need for taxpayers to subsidize State and local pension benefits?

Answer. If confirmed, I look forward to working with members of this committee and other Senators to explore this issue and evaluate potential policies that might address it.

DOMESTIC BUSINESS TAX ISSUES

Question. Prior to the Tax Cuts and Jobs Act (TCJA), the United States had one of the highest corporate income tax rates among developed countries. TCJA lowered the corporate rate to ensure that our domestic businesses would remain globally competitive. Even at 21 percent, the United States still holds the 11th highest corporate tax rate out of the top 36 developed countries, according to the Tax Policy Center.[1]

President Biden has proposed increasing the 21-percent rate to 28 percent. If enacted, the United States once again would have one of the highest business tax rates among developed countries. Unfortunately, not just U.S. companies would be affected by the rate increase. There is an economic consensus that a significant portion of the corporate income tax falls on workers in the form of reduced wages and benefits. Even the Tax Policy Center, which is a joint venture of the Urban Institute and Brookings Institution where you are a Distinguished Fellow, assumes 20 percent of the corporate tax falls on workers. Similarly, the Joint Committee on Taxation and Congressional Budget Office have both concluded that 25 percent of the corporate tax is borne by workers. If the corporate tax rate is increased to 28 percent as proposed, American workers will also feel the burden through fewer jobs, reduced wages, and less benefits.

What are your views on increasing the corporate tax rate above that of most developed countries, particularly if a significant portion of the rate increase would also be borne by American workers?

With the unemployment rate continuing to be high due to the COVID–19 pandemic, wouldn't an increase in the corporate tax rate that is borne in significant part by labor hinder efforts to restore the historically low unemployment rates we saw in 2019?

Answer. As I discussed in my testimony, President Biden's economic strategy and investments in people, infrastructure, research and development—will create good-paying jobs and make our economy more productive. The President believes that it is critical that we raise additional revenues from the wealthiest Americans and corporations to cover our long-term obligations to our Nation's seniors and many others.

Question. The Tax Cuts and Jobs Act (TCJA) introduced section 199A of the Internal Revenue Code, which provides a 20-percent deduction for pass-through businesses, such as sole proprietorships, partnerships and S corporations, with qualifying business income. Section 199A was intended to provide parity for pass-through businesses that did not benefit from the reduction in the corporate tax rate. Most small businesses operate in pass-through form, and many of these small businesses have been hardest hit by the COVID–19 pandemic.

How do you view raising taxes on small businesses through the repeal of section 199A?

Answer. President Biden is committed to improving the economic environment for small businesses through a variety of strategies. This begins with providing necessary support during the pandemic so that small business owners can keep their lights on, and continues with an assortment of policies that will provide much-needed capital to aspiring entrepreneurs—especially those in underserved communities and without existing banking relationships.

For example, in the emergency package he unveiled last week, President Biden proposed policies that would provide small businesses with the funding they need to reopen and rebuild. In that package, President Biden proposed to (1) provide $15 billion in grants to more than 1 million of the hardest hit small businesses and (2) leverage $35 billion in government funds into $175 billion in additional small business lending and investment to help entrepreneurs innovate, create and maintain jobs, build wealth, and provide the essential goods and services that communities depend on.

President Biden is also committed to a tax code which rewards work, not just wealth, and this extends to the work supplied by small business owners. As section 199A is a relatively new provision, I commit to studying its impact on small businesses since its inception to determine the extent to which it is helping to improve the prospects of America's small business owners.

Question. Currently, under section 174 of the Internal Revenue Code, U.S. businesses can immediately deduct research and experimental (R&E) costs, incentivizing research investment and job creation in the United States. Beginning next year, however, U.S. businesses will be required to capitalize and amortize those costs over

[1] *https://www.taxpolicycenter.org/fiscal-fact/oecd-corporate-tax-rate-ff-01042021.*

5 years rather than immediately deducting them. Immediate expensing of research expenditures provides a critical incentive for investment in innovation.

President Biden's "Made in America" tax proposals suggest that the Biden administration plans to encourage investment in manufacturing, jobs, and innovation in the United States. Would you support maintaining the current immediate deductibility of R&E expenses, particularly during the COVID–19 pandemic when advances in innovation are critical?

Answer. See immediately below for a combined response to both questions.

Question. As a result of the Tax Cuts and Jobs Act (TCJA), business interest deductions were limited to 30 percent of earnings before interest, taxes, depreciation and amortization (EBITDA). However, after this year, the limitation will be reduced further to 30 percent of earnings before interest and taxes (EBIT). As a result, U.S. businesses with significant depreciation, such as manufacturers, will see the amount of interest they can deduct drastically limited, thereby increasing the cost of capital. What are your views on further limiting the ability of U.S. businesses to deduct interest, particularly at a time when some U.S. companies are borrowing to keep their doors open and employees on payroll?

Answer. President Biden has proposed an array of reforms that would ensure the wealthiest taxpayers and corporations pay their fair share. These and other proposals will be further developed as part of the budget process, and, if confirmed, I look forward to continued conversations with you about the President's legislative agenda.

If confirmed, I will carefully consider the concerns you raise regarding deductibility of research expenditures and limitations on business interest deductions, paying particular attention to any effects on small businesses during the recovery.

Question. President Biden has proposed a new 15-percent corporate minimum tax based on book income, rather than taxable income as currently used in the tax code. As you know, book income, as reported on a company's financial statements, is designed to provide information on the company's performance for investors and creditors based on generally accepted accounting principles. On the other hand, taxable income is computed in accordance with the Internal Revenue Code and regulations as the basis for imposing taxes.

Under the tax code, U.S. taxpayers are permitted to adjust their taxable income by allowable deductions, many of which reflect incentives that Congress intended to encourage certain behavior. For example, bonus depreciation is intended to encourage U.S. companies to invest more in capital expenditures, like equipment and fixed assets. Imposing a minimum tax would effectively remove the benefit and undermine the legislative intent of those provisions. Further, it would require companies and the IRS to calculate tax liability under different tax bases, creating significant complexity for taxpayers and the IRS.

Given the important differences between accounting principles and the deductions permitted by the tax code, do you agree there are legitimate reasons for substantial differences between book income and taxable income and that book income is not an appropriate basis for a new alternative tax regime?

Answer. The minimum book tax proposal was directed at asking those companies with low or zero tax liabilities to pay their fair share. Research has identified many examples of corporations with a large gap between their tax and book income. A minimum book tax could help recapture the tax revenue lost to gaming and tax avoidance. I look forward to working with you and others on this committee on this issue, if confirmed.

Question. Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress created a temporary rule allowing U.S. businesses to carry back net operating losses (NOLs) incurred in 2018, 2019, and 2020 to the prior 5 years. In the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, House Democrats proposed to repeal the CARES Act NOL provisions, effectively imposing a retroactive tax increase on businesses experiencing losses as a result of the pandemic. The expected revenue effect of the changes proposed in the HEROES Act was nearly $250 billion. Do you support this kind of retroactive tax change that would significantly increase taxes on businesses experiencing losses? Do you agree with former President Obama's sound advice when he said during the aftermath of the financial crisis, "The last thing you want to do is raise taxes in the middle of a recession"?

Answer. During the campaign, President Biden proposed an array of reforms that would ensure the wealthiest taxpayers and corporations pay their fair share, including proposals to increase the corporate tax rate to 28 percent and ensure robust taxation of overseas profits. These proposals will be further developed as part of the budget process and, if confirmed, I look forward to continued conversations with you about the President's legislative agenda. To the second part of your question, as I stated in my testimony, the administration's immediate focus is ending the pandemic and helping families get through the economic and public health crisis.

INTERNATIONAL BUSINESS TAX

Question. Senator Wyden and I have been aligned in our opposition to digital services taxes that unfairly discriminate against U.S. companies. To date, it has been the administration's position that any solution reached at the OECD should not "ring-fence" the digital economy, as it would disproportionately burden the U.S. business community and adversely affect U.S. fiscal security. Will you continue to negotiate towards a multilateral agreement at the OECD that does not unfairly target U.S. companies and compromise the U.S. tax base?

Answer. Yes, we are committed to the cooperative multilateral effort to address base erosion and profit shifting through the OECD/G20 process, and to resolving the digital taxation disputes in that context.

Question. A multilateral agreement reached at the OECD may require Congress to ratify a multilateral treaty and enact implementing legislation. It will become increasingly important that Congress be closely engaged with the OECD process to ensure members are on board with any potential legislative changes that may be necessary. As negotiations continue at the OECD, will you commit to keeping the tax-writing committees apprised of negotiations and developments occurring at the OECD?

Answer. If confirmed, I very much look forward to working with the tax-writing committees as we work through the OECD to update global tax rules in ways that stop the race to the bottom on corporate taxation, and prevent global profit-shifting, while securing the competitiveness of U.S. companies.

Question. Pillar 2 of the OECD's proposed "unified approach" would effectively create a global minimum tax. The Treasury Department to date has made it a priority that the U.S. global intangible low-taxed income (or GILTI) tax regime would be treated as a "deemed compliant" regime under any multilateral agreement. Do you plan to continue to advocate for GILTI to be treated as a deemed-compliant regime under Pillar 2?

Answer. The Biden-Harris administration will pursue a comprehensive multinational agreement to update global tax rules in ways that establish effective minimum taxation rules, prevent global profit-shifting, and ensure that corporations pay their fair share. We will pursue in a manner that will maintain competitiveness and diminish the incentives that American companies now have to offshore activities. I look forward to working with you and your staff on this important issue.

Question. As part of the proposed Pillar 2 approach, the OECD has proposed an "undertaxed payment rule" that would complement the global minimum tax. The undertaxed payment rule effectively would tax a business on a payment made if the recipient business is not subject to a certain level of tax with respect to the payment. U.S. businesses have voiced concerns that payments received by a U.S. company from a foreign affiliate could be subject to the undertaxed payment rule if the payment receives preferential treatment under the foreign derived intangible income (FDII) regime or through the application of another preferential rate or credit regime. Will you advocate to preserve the application of U.S. tax law, including FDII and other preferential rates and credits, if Pillar 2 includes an undertaxed payment rule?

Answer. See response to the previous question.

Question. The Tax Cuts and Jobs Act (TCJA) created several new international tax regimes, including global intangible low-taxed income (GILTI), foreign derived intangible income (FDII) and the base erosion anti-abuse tax (BEAT). The Treasury Department has published extensive proposed regulations that were analyzed, refined, and finalized through a thorough review and comment process, consistent with the Administrative Procedure Act (APA). What are your plans for reviewing and/or revising regulations in these areas?

Answer. If confirmed, I will implement and enforce tax laws fairly. Any review of regulations will be done to ensure they are consistent with the law and congressional intent.

Question. President Biden has claimed that the Tax Cuts and Jobs Act (TCJA) incentivized U.S. companies to move manufacturing and intangible property overseas. As I've previously pointed out, these claims aren't supported by the facts. The nonpartisan Joint Committee on Taxation has concluded that the TCJA international provisions "are expected to reduce the incentives for this 'profit-shifting' activity, resulting in an increase in the U.S. tax base."[2]

Further, available data confirms that TCJA is actually encouraging companies to invest more in the United States. Data from the Bureau of Economic Analysis (BEA) show that, among U.S. multinationals, employment, investment, research, and production in the United States has increased at a faster rate in 2018 than the average rate over the past 20 years and faster than the growth rate of U.S. multinational companies abroad.[3] BEA data also illustrates that the quarterly average of dividend repatriations to the United States from foreign entities has tripled in the years since the enactment of the TCJA.[4] Do you agree that significant changes should not be made to the international tax system until the data on U.S. and foreign investment and repatriation are fully analyzed and understood, and it can be confirmed that any such change would not reduce the rate of employment, investment, research, and production in the United States?

Answer. I look forward to working with the dedicated career professionals at the Treasury Department to ground tax policy-making in the best available research and evidence. President Biden has laid out an ambitious set of tax proposals that would ensure that the wealthy and corporations pay their fair share, including proposals to increase the corporate rate to 28 percent and eliminate incentives for American companies to offshore operations. These and other proposals will be developed further as part of the budget process, during which they will benefit from the expertise of Treasury's professional tax staff.

Question. President Biden has proposed doubling the tax rate on global intangible low-taxed income (GILTI) earned by foreign subsidiaries of U.S. companies from 10.5 percent to 21 percent. The Biden proposal also would eliminate GILTI's exemption for deemed returns under 10 percent of qualified business asset investment (QBAI). While described as a "loophole," QBAI is intended to represent earnings attributable to physical infrastructure in a foreign country. Because GILTI is intended to target intangible income, income attributable to tangible income should not be subject to tax.

While President Biden has described GILTI as an incentive for U.S. companies to shift operations overseas, before the Tax Cuts and Jobs Act (TCJA), many U.S. companies paid no U.S. tax on their foreign earnings. An increase in the GILTI rate to 21 percent would make U.S. companies far less competitive with their foreign counterparts because most foreign countries do not subject a company's foreign earnings to the same level of tax as domestic earnings. Coupled with the elimination of QBAI, raising the rate to 21 percent would actually incentivize U.S. companies to invert or be acquired by foreign companies, particularly given that the OECD is currently considering a global minimum tax around 13 percent.

What is your view on the United States imposing a 21-percent tax on foreign earnings if the OECD is planning to implement a global minimum tax at or around 13 percent? Wouldn't that harm our U.S. companies by making them far less competitive?

Answer. I appreciate the concern with regard to the competitiveness of our U.S. companies amidst a changing international tax landscape. A global minimum tax agreed to at the OECD could, however, stop the destructive global race to the bottom on corporate taxation and help discourage harmful profit-shifting.

Question. President Biden's "Made in America" proposal includes a 10-percent penalty on goods and services imported by U.S. companies from foreign affiliates. This policy would only penalize U.S. companies, putting them at a competitive disadvantage with similarly situated foreign companies. It also ignores the reality of global supply chains. If our country penalizes imports from foreign countries,

[2] Joint Committee on Taxation, "Macroeconomic Analysis of the Conference Agreement for H.R. 1, the Tax Cuts and Jobs Act," JCX–69–17 (December 22, 2017) at 6.

[3] *https://www.bea.gov/news/2020/activities-us-multinational-enterprises-2018.*

[4] *https://www.bea.gov/news/2020/us-international-transactions-third-quarter-2020.*

couldn't this policy encourage foreign countries to tax goods or services imported from the United States?

Answer. The President's objective is to create incentives for American companies to create and maintain jobs at home. President Biden's Offshoring Tax Penalty is specifically aimed at those who offshore manufacturing and service jobs to foreign nations in order to sell goods or provide services back to the American market when those jobs could have been done by U.S. workers.

Question. As you are likely aware, there are three new tax treaties with Poland, Chile, and Hungary that have been pending with the Senate for a number of years. For each of these new treaties, there is an open question as to how to resolve an interaction with the base erosion anti-abuse tax (or BEAT), an international provision enacted as part of the Tax Cuts and Jobs Act after these treaties were concluded. Will you make it a priority for the Treasury Department to work with this committee and the Senate Foreign Relations Committee to ensure that these treaties are ratified and implemented as quickly as possible?

Answer. If confirmed, I look forward to working with the relevant committees of jurisdiction to address the ratification issues that have arisen with respect to the outstanding, concluded, but, as yet, unratified tax treaties with Chile, Hungary, and Poland.

Question. The Treasury Department and Office of Management and Budget (OMB) currently have a memorandum of understanding in place under which OMB's Office of Information and Regulatory Affairs (OIRA) reviews significant tax regulations issued by the Treasury Department. What is your view of the OIRA review process for significant tax regulations, and do you intend to preserve the arrangement requiring OIRA to review Treasury regulations?

Answer. I am committed to a robust and rational regulatory process. Regulatory decisions should be made based on careful consideration of the effects of potential regulatory choices.

Question. Technical corrections are an inevitable but essential component of any newly enacted legislation, including the Tax Cuts and Jobs Act (TCJA). Without enactment of the TCJA technical corrections, the legislation will not operate fully as intended. Unfortunately, the TCJA technical corrections haven't advanced in Congress due to political issues, leaving taxpayers with unnecessary uncertainty, compliance burdens, and hampering efforts to prevent abuse. Will you work with the tax-writing committees to provide technical advice and support enactment of technical corrections to TCJA and other tax legislation?

Answer. If confirmed, I would be committed to working with the tax-writing committees on technical corrections on all legislation.

OTHER TAX ISSUES

Question. Recently President Biden spoke about the need to help small businesses during the pandemic. In so doing, he qualified his remarks by saying, "Our priority will be black-, Latino-, Asian-, and Native American-owned small businesses, women-owned businesses, and finally having equal access to resources needed to reopen and rebuild."[5] Can you commit that, if you are confirmed, the Treasury Department will enforce the law equally for all Americans regardless of their race, sex, sexual orientation, or political beliefs?

Answer. If confirmed, I would be committed to ensuring that the Treasury Department and the IRS administer tax laws in a fair and even-handed manner, applying the law equally to all Americans. This includes by helping small business owners from historically marginalized communities have access to resources needed to reopen and rebuild.

Question. You have mentioned that there is more than a $7-trillion so-called "tax gap" projected for the next 10 years. The tax gap is often mentioned as a way to pay for things, but I have yet to see much in terms of concrete results from talk about closing the tax gap.

We have heard from many, including Treasury Secretary Mnuchin, that additional funding for the IRS to perform more audits, for example, could be fruitful. But it won't be fruitful if funds are used to target tax-exempt organizations whose political beliefs do not align with the administrations.

[5] *https://twitter.com/Transition46/status/1348403213200990209*.

According to an October, 2020, post on the IRS website from an IRS enforcement official: "Despite common misperceptions about IRS examination rates, the reality is that the likelihood of an audit significantly increases as income grows." There are other useful facts offered, some of which don't align with what we often see put forward by so-called activists.

Will you commit to working with the committee, on both sides, to separate the myths from the facts and help ensure that any additional resources for the IRS are used most efficiently?

Answer. If confirmed, I would be committed to ensuring that the Treasury Department and the IRS administer tax laws in a fair and even-handed manner, keeping politics out of the process. I will work with Congress to ensure that any increase in the IRS budget and staff is used fairly and efficiently.

Question. In 2006, I authored important updates to the IRS whistleblower program. Since that time, the program has been one of the most effective programs in addressing tax evasion, leading to the recovery of more than $6.1 billion in taxes that would have otherwise been lost to fraud. While over the years the IRS has taken a number of steps to improve the administration of whistleblower program, there is always room for improvement. According to the Fiscal Year 2020 IRS Whistleblower Report, over the past 2 years awards to whistleblowers have markedly declined while award-processing times have continued to steadily climb. As Treasury Secretary, will you commit to supporting the whistleblower program and to work with me, the IRS, and stakeholders to make improvements where necessary to ensure the program's continued success?

Answer. Whistleblowers are an important asset to the integrity of the agency and tax system more generally, and I will work to create an agency culture that respects whistleblowers and the laws that protect them.

Question. I have been a strong proponent of the bipartisan IRS private debt collection program, along with Senator Schumer. In 2015, Congress updated and made mandatory the IRS private debt collection program. This program is designed to chip away at the tax gap by requiring the IRS to contract with private debt collectors to collect inactive tax debt due but unpaid. These are the tax debts not being worked by the IRS and, absent this program, would likely never be collected. The program has proven its ability to collect hundreds of millions of dollars in otherwise uncollectible tax debts on an annual basis, including generating nearly half a billion dollars in net revenue in fiscal year 2020 alone. At the same time, it has generated additional resources for the IRS that have enabled the IRS to hire 400 compliance personnel and collect millions more in additional revenue. As Treasury Secretary, can you assure me that the Treasury Department will continue to operate the program to the full extent authorized under the law, including by ensuring that all inactive debts as defined by the statute are provided to the collection companies in a timely fashion?

Answer. If confirmed, I will work with the IRS to make sure that taxes are collected in an efficient and effective manner.

Question. In late 2019, the IRS announced that it was increasing its enforcement efforts against participants and promoters of syndicated conservation-easement transactions. This past summer, Senator Wyden and I released a report following our investigation into these transactions, showing them to be highly abusive tax shelters. The IRS estimates that promoters of these tax shelters have generated about $36 billion worth of illicit deductions for their customers between 2010 and 2018. As Treasury Secretary, will you commit to maintaining the IRS's enforcement efforts against syndicated conservation-easement transactions and work with this committee to enact legislation to prohibit abusive conservation-easement transactions?

Answer. If confirmed, I will work to ensure that the IRS's enforcement efforts are aimed at abusive tax shelters of any kind, and look forward to considering and working with you on the specific issue you raised.

Question. Over the last decade, accounts known as donor advised funds have grown substantially in popularity and are now estimated to hold over $120 billion worth of assets. These funds allow donors to claim a charitable tax deduction when they give money to the fund but before any of those dollars are provided to working charities. Do you foresee the Treasury Department regulating in this area to increase the flow of money out of these funds and into the hands of working charities?

Answer. I believe it is imperative that we continuously examine various tax preferences and deductions to ensure they are achieving their desired social and economic objectives. I look forward to working with the Treasury and the IRS, if confirmed, to learn more about areas such as this when developing a robust tax regulatory agenda to ensure the country's tax laws are implemented and enforced fairly and effectively.

MATTERS RELATED TO FSOC, OFR, AND FINANCIAL REGULATION

Question. The Financial Stability Oversight Council is charged, in part, with identifying risk to the financial stability of the U.S.

How do you define financial stability, and how do you measure it?

How do you define systemic risk, and how do you measure it?

What are the limiting principles that allow one to separate risks that are systemic from those that are not?

Answer. As you know, the Financial Stability Oversight Council (FSOC) was created by Congress under the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) following the Financial Crisis that brought the U.S. economy and financial system to the brink of collapse. When the executive branch implements laws passed by Congress, including carrying out the duties and fulfilling the responsibilities of the FSOC, we should look to the law that created the FSOC.

While the DFA does not define either financial stability or systemic risk explicitly, various provisions in the DFA use language that appears to indicate congressional intent in how the law should be viewed and executed. For instance, the long title of the legislation itself is instructive: "An Act to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end too big to fail, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes." That is, Congress intended for the executive branch to promote financial stability by implementing those provisions that Congress carefully crafted and spelled out in the DFA after numerous hearings, meetings, and discussions and after a lengthy, and thorough legislative process, ranging from the enhanced prudential supervision provisions in title I (which is entitled "Financial Stability Act of 2010"), orderly liquidation authority in title II, and consumer protection provisions in title X.

Indeed, one of the missions of the FSOC itself as spelled out by Congress with regard to financial stability in the DFA is as follows: "to identify risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace." This provision appears rooted in the experiences of the Financial Crisis, when the U.S. economy was close to ruin following the failures and near failures of large, interconnected bank holding companies and nonbank financial companies that threatened and undermined financial stability.

One of the criticisms of the prior regulatory architecture was that each functional regulator was in its silo and none was charged with holistically monitoring the financial system for risks that could threaten financial stability. Therefore, a core mission of the FSOC given by Congress is to monitor the financial system for risks—systemic risks—that could threaten financial stability by convening and coordinating with a group of regulators and staying vigilant in its mission.

In terms of systemic risk, the DFA includes provisions that discuss systemic risk beyond titles I and II of the DFA. For instance, a number of provisions address systemic risk in title VII ("Wall Street Transparency and Accountability Act of 2010") as well as title VIII ("Payment, Clearing, and Settlement Supervision Act of 2010"). In title VII, Congress clearly had systemic risk in mind when creating a paradigm for regulating derivatives for the first time, for example mandating that "In order to minimize systemic risk, under no circumstances shall a derivatives clearing organization be compelled to accept the counterparty credit risk of another clearing organization."

And in title VIII, Congress further set forth provisions relating to systemic risk in addressing systemically important financial market utilities:

"The purpose of this title is to mitigate systemic risk in the financial system and promote financial stability by—

(1) authorizing the Board of Governors to promote uniform standards for the—

(A) management of risks by systemically important financial market utilities; and

(B) conduct of systemically important payment, clearing, and settlement activities by financial institutions;

(2) providing the Board of Governors an enhanced role in the supervision of risk management standards for systemically important financial market utilities;

(3) strengthening the liquidity of systemically important financial market utilities; and

(4) providing the Board of Governors an enhanced role in the supervision of risk management standards for systemically important payment, clearing, and settlement activities by financial institutions."

Question. Large financial institutions are required to submit "living wills" to regulators, and "stress tests" are performed on those institutions. Part of the reason offered for those examinations of the institutions is that it is instructive to assess roadmaps of how institutions are arranged, and how they might respond to stressed conditions.

President Biden, in December of 2020, criticized the Federal Government as having been caught off guard and unprepared for cyberattacks, in association with breaches of the SolarWinds/Orion platform.

Members of the Senate Finance Committee and House Financial Services Committee during the Obama administration requested, numerous times and through many mechanisms, detailed information from the U.S. Treasury and Federal Reserve about contingency plans at Treasury and the Federal Reserve for any inability of the Federal Government to make timely payments on Federal debt obligations. Such an inability could arise because of cyber-attacks, a super-storm such as Sandy, breach of the debt limit, or other factors that temporarily knocks out Federal processing systems in financial networks or legal authorities to pay. Inquiries were made of you, Dr. Yellen, when you served as Chair of the Federal Reserve Board, though many believe that your responses were not complete or fully revelatory.

If requested, will you commit to providing Finance Committee members, who have oversight responsibility over Federal debt, with details of Treasury's contingency plans for what to do in the event that, for whatever reason, the Federal Government is temporarily unable to make timely payments on debt obligations?

Answer. I respect congressional oversight and look forward to addressing your questions about debt management, if confirmed. The market for U.S. debt is the most liquid and the deepest government securities market. It is essential that we take every step to ensure this never changes. This includes continuing to maintain the effective operations of our debt management team. I am committed to taking steps to ensure that we avoid the risks you outlined. As for one of the scenarios mentioned in the question—breach of the debt limit—as you know there are a handful of steps that a Treasury Secretary can take to delay the harmful impacts of a binding debt limit, and previous secretaries in both Democratic and Republican Administrations have taken steps to address this. Ultimately, the ability to avoid a debt ceiling impasse rests with Congress. Again, I would certainly want to work closely with Congress to address in advance the issue of the debt limit to avoid its harmful effects.

Question. You have identified to the committee that you "helped to establish a Division of Financial Stability at the Federal Reserve Board." Presumably, that Division has at its disposal resources from the Federal Reserve's budget to perform research on financial stability. At the same time, the Office of Financial Research likely engages in research on financial stability.

Why is it efficient or productive to have multiple agencies performing like research?

If implications of research from differing agencies differ, presumably disagreements or understandings could be reached bureaucratically within the FSOC structure, but is there any reason to be concerned about setting up structures that could lead to lack of accountability and abilities for agencies to point fingers at one another for failures in the event that we realize financial instability?

Answer. Congress created the Office of Financial Research (OFR) in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to support the Financial Stability Oversight Council (FSOC) in its mission, among others, to monitor the financial system for risks that could threaten financial stability:

"The purpose of the Office is to support the Council in fulfilling the purposes and duties of the Council, as set forth in subtitle A, and to support member agencies, by—

(1) collecting data on behalf of the Council, and providing such data to the Council and member agencies;

(2) standardizing the types and formats of data reported and collected;

(3) performing applied research and essential long-term research;

(4) developing tools for risk measurement and monitoring;

(5) performing other related services;

(6) making the results of the activities of the Office available to financial regulatory agencies; and

(7) assisting such member agencies in determining the types and formats of data authorized by this Act to be collected by such member agencies."

While a division of the Federal Reserve would presumably support the Federal Reserve, the OFR by statute is mandated to support the entire FSOC by, among others, providing data to the member agencies of the FSOC as well as making the results of its activities available to financial regulatory agencies.

It may be that each member agency has some capability related to financial stability from that agency's perspective. It appears clear from the statutory language, however, that Congress created the FSOC to, among others, play a coordinating role among the member agencies to provide a holistic view of overall risks to the financial system, and created the OFR to support the FSOC in its endeavors in terms of data and research.

Question. You and other anticipated Biden nominees for Treasury positions have signaled that you have interest in somehow building up the Office of Financial Research (OFR). That Office, set up by the Dodd-Frank Act, promised a lot in terms of essentially scanning the financial landscape to find heat maps of risks to a weakly defined notion of "financial stability," but delivered little of use. The OFR similarly utilized taxpayer resources on a quest to expand Legal Entity Identifiers to help monitor the financial landscape and activities; again, lots of promise, but little return for the investment of taxpayer resources. What, in particular and in terms of details, do you intend to do to beef up the OFR, and why do you think it will be useful outside of employing yet more government researchers and bureaucrats and arranging more seminar and research conferences?

Answer. Congress created the Office of Financial Research (OFR) in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to support the Financial Stability Oversight Council (FSOC) in its mission, among others, to monitor the financial system for risks that could threaten financial stability. In creating the OFR, Congress explicitly mandated that the OFR would fund itself not from taxpayer dollars, but instead from assessments on large, complex bank holding companies and nonbank financial companies designated for supervision by the Federal Reserve.

The mission of the OFR is an important one—that of supporting the FSOC with data and research capabilities—but it is by no means a cure-all for all policy questions and issues and, like any other organization, it is only as capable as the staff and the resources allocated allow it to be. It has been reported that the staffing level at the OFR has been reduced significantly in the past 4 years, and while it cannot be said with certainty at this point exactly what the specific staffing level or scope of assignment should be, it seems clear that there should be an assessment of staffing for the OFR to appropriately fulfill its statutory mission of providing support for the FSOC.

Question. In a 2012 paper titled "Behaviorally Informed Regulation," authors Michael S. Barr, Sendhil Mullainathat, and Eldar Shfir proposed, among other things, a scheme in which credit-card issuing firms could charge late fees that "they deemed appropriate, but the bulk of such fees would be placed in a public trust to be used for financial education and assistance to troubled borrowers." Firms could keep a share of the fees, but "the bulk" of the fees would effectively be nationalized and presumably controlled by the Federal Government's behaviorists. Do you support such a scheme of effectively nationalizing late fees on things like credit cards?

Answer. With the establishment of the Consumer Financial Protection Bureau (CFPB), that agency is responsible for consumer financial protection regulation. Congress enacted the CARD Act, which reformed credit card practices. My understanding is that these reforms have improved consumer experiences and reduced consumer costs.

Question. What would a "new Dodd Frank" entail?

Do you think that the Dodd-Frank legislation failed and there is, therefore, a need for a new one?

Answer. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA) was enacted by Congress in the aftermath of the Financial Crisis to address, among others, issues raised by the large, complex financial institutions whose material distress and failure threatened financial stability, and to strengthen the financial system to better withstand future crises.

The FSOC was one of the reforms to come out of the DFA, whose statutory mission is to monitor threats to financial stability. Other reforms included enhanced prudential standards, living wills, and stress tests, among others, that helped to strengthen the financial system compared to the pre-Financial Crisis era. While the DFA was helpful in providing authorities to address issues highlighted by the Financial Crisis, the passage of time has also shed light on new issues that may be necessary to deal with. If confirmed, I would be glad to work with Congress to discuss whether and how to further strengthen our oversight of the financial system.

Question. Do you intend to, in effect, resurrect and expand on the "operation chokepoint" efforts of the Obama administration through regulatory actions to have financial firms channel or restrict credit according to partisan and normative views, perhaps under the guise of "reputation risk"?

Answer. As you know, regulatory actions generally would be the purview of the prudential regulators—not the Treasury Department—and the regulators operate as independent agencies not under the supervision of the Treasury Department. That said, I understand that this is an issue of importance, and if confirmed, I would be happy to discuss this issue further to ensure that I'm fully appreciative of your concerns.

Question. Do you intend to take regulatory actions using authorities at the Financial Stability Oversight Council to have financial firms channel or restrict credit according to partisan and normative views?

Answer. Congress created the Financial Stability Oversight Council (FSOC) under the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) following the Financial Crisis to, among others, monitor threats to financial stability. In my view, maintaining the stability of the U.S. financial system is not, and should not be, a partisan issue, and if I have the honor of being confirmed, I would faithfully execute the laws that Congress passed to safeguard our economy and our financial system. And in carrying out the duties of the Treasury Secretary under the statutes enacted by Congress, I hope to work with Congress to understand the views and concerns of members of Congress.

CLIMATE CHANGE AND REGULATION

Question. In your October 2020 Group of Thirty (G30) paper, from a working group on climate change and finance that you co-chaired with Mark Carney, titled "Mainstreaming the Transition to a Net-Zero Economy," you call for establishment of independent "Carbon Councils," and advocate for governments to delegate decisions to those councils to determine policies toward climate change that are insulated from "short-term political preferences."

Please describe whether you will advocate for such global climate councils, which would remove decision-making and authority from Congress, and why you think that would be good for constituents that members of Congress represent and for the democratic process?

You also call for governments to set clear timelines for making climate-related financial disclosures by private-sector entities "mandatory by 2023." What would that mean for the U.S., and is that something you will try to do administratively, perhaps through an interpretation of FSOC authorities?

Answer. Climate change is an existential threat to not only our environment, but also our economy. President Biden has released a detailed plan to combat climate change, including rejoining the Paris Agreement, investing in sustainable infrastructure, and creating new green jobs. If confirmed, I will support him in implementing that plan at the Treasury. As we discussed in the Finance Committee policy meeting prior to my confirmation hearing, the views expressed in this paper are not views that I've discussed with President Biden and are not part of the President's planned approach to address the climate crisis. President Biden and I both respect Congress's vital role in addressing this issue and we hope to work with members of this committee and others in Congress to pass legislation needed to combat this urgent threat.

Moreover, climate change poses a potential systemic risk to the American economy, and I believe we must seriously look at assessing the risks to the financial system from climate change. This will be an issue regulators will also have to think more about in the years ahead, and we need to ensure that we have appropriate processes and regulations necessary to assess and mitigate this risk.

Question. The Climate 21 Project, which "taps the expertise of more than 150 experts with high-level government experience, including nine former cabinet appointees, to deliver actionable advice for a rapid-start, whole-of-government climate response coordinated by the White House and accountable to the President," produced a "Transition Memo" for the Department of the Treasury. The 22-page memo provides a detailed listing, and timeline, for development of the unelected authors' preferred agenda for tackling climate challenges at Treasury.

What recommendations of the Climate 21 Project's Transition Memo for Treasury do you intend to implement?

Answer. The President and I plan to listen to and incorporate input from many stakeholders in developing the administration's climate policy. Some of the suggestions in the memo—including announcing a commitment to this issue and integrating climate into our international diplomacy—are actions President Biden has already made clear will be taken across this administration. Going forward, the President's climate agenda will follow from the ambitious plan he has laid out.

Question. You have mentioned "stranded assets" several times during your confirmation process as a risk from climate change that you seem to believe could become some sort of aspect of a risk to financial stability.

Is the anticipated shut-down of the Keystone XL project by the incoming administration an example of stranded assets, where investments have been made and the Federal Government intervenes to strand them and make them worthless?

Is one of the largest risks to realizing large amounts of stranded assets a risk that the Federal Government will take unanticipated (when the investments were made) actions to make such assets essentially worthless, because of actions by the Federal Government intended to shut down production in sectors such as coal or other "fossil fuels?"

Answer. Stranded assets are a possible result when new forms of clean energy, transportation, and production displace those that have contributed to climate change. While government policy can play a role in setting market incentives, the transition from the finite supply of fossil fuels and other energy sources that contribute to climate change with renewable energy sources is not a decision or choice. Climate change is an existential threat to not only our environment, but also our economy. If confirmed, I will work with President Biden to help build a sustainable and more resilient economy.

TREASURY ADMINISTRATIVE MATTERS

Question. Do you intend to resurrect the Obama administrations failed and ill-designed myRA retirement savings scheme, partly by misusing the permanent, indefinite appropriation provided to Treasury for compensating financial agents?

Answer. The myRA retirement savings account, intended for people with taxable compensation income but who lack access to an employer-sponsored retirement plan, was designed to remove common barriers to saving, and give people an easy way to get started. If confirmed, I would want to assess whether this product or any other vehicle to promote savings would be appropriate and in demand under these new economic conditions.

Question. Will you commit to providing the committee with a frequently updated listing of financial agents, and their contractual responsibilities to Treasury, and all fiscal agency agreements with the Federal Reserve?

Answer. The National Bank Acts of 1863 and 1864 grant the Treasury Department the authority to retain financial agents to provide services on its behalf. Financial agents have the fiduciary obligation to protect the interests of the United States. Financial Agency Agreements (FAA) entered into by Treasury do not constitute procurement contracts under the purview of Federal Acquisition Regulations. However, we are committed to providing information about our fiscal agents and financial agency agreements with full transparency and in a timely manner, to the extent required by all applicable laws and regulations, without compromising the integrity of the nature of the information requested.

Question. In 2016, the Obama administration transferred $1.7 billion to Iran in cash, ultimately delivered in the form of pallets of (non-U.S.) cash, purportedly as part of a settlement of a decades-old arbitration claim between the U.S. and Iran. The transaction involved use of the so-called Judgment Fund housed at Treasury's Bureau of the Fiscal Service and payments-system resources of the Federal Reserve. At the time, since the Judgment Fund did not allow processing of individual claims of amounts over 10 digits, $1.3 billion of payment was divided into 13 claims of $99,999,999.99 and one claim of $10,390,236.28. To my knowledge, members of the Senate Finance committee, who have oversight responsibility over Treasury, did not receive any advance notice or consultation regarding the outsized and unusual payments.

Will you commit to informing the Finance Committee upon receipt of any request by a Federal agency or body to make Judgment Fund payments that are outsized and unusual prior to payments being made?

Answer. I am committed to working with Congress generally, and the Finance Committee specifically, on oversight matters. If confirmed, I will consult with the Finance Committee on concerns related to payments from the Judgment Fund.

Question. In a June 7, 2016 article in the Huffington Post titled "The Koch Brothers Are Trying to Handpick Government Officials. We Have to Stop Them," Senators Warren, Schumer, and Whitehouse put forward allegations, that have subsequently been shown to be false, against a Republican nominee for a Social Security Trustee position and a Republican nominee to a seat on the SEC. The authors identified that the two nominees had worked at a think tank that received financial support from the "Koch brothers." The nominees, and officials at the think tank identified that their research was not guided or constrained by any institutional donors, though the authors seemed unconvinced, calling directly into question the integrity of the nominees.

Given the sensitivity of some to institutional funding, especially if funding is provided to institutions that include conservative scholars, and given that the Charles Koch Foundation provided substantial funding to the Brookings Institution when you worked there, as did many "wealthy corporations" and billionaires:

Should there be concern that you, in your position as Treasury Secretary, if confirmed, will, as the authors of the article referenced above warn, "serve the wishes of wealthy corporations and their billionaire owners"?

Should concerns about think-tank funders be limited to think tanks that allow scholars to pursue conservative thoughts?

Should there be a double standard with respect to who is and who is not suspected of being influenced by corporations and "billionaires" depending on their political positions?

Answer. As I said at my hearing, my lifelong commitment to putting people back to work, to making sure small businesses and working families have relief they need to survive economic downturns like this one, comes from my heart and has been the story of my life. That is what will influence me, if confirmed, as Treasury Secretary.

Question. The American Economic Association, of which you were President, has a policy of publishing papers only if data and code used in the analysis are clearly and precisely documented and access to the data and code is non-exclusive to the authors.

Do you agree that such a policy should be applied to analyses performed and models and data used by the Federal Government, including agencies, aside from any administrative data that are not allowed to be publicly shared?

Answer. The American Economic Association is committed to the replicability of research published in its journals. In order to facilitate replication, authors of accepted papers that contain empirical work, simulations, or experimental work must provide information about the data, programs, and other details of the computations sufficient to permit replication. The American Economic Association provides funding for a data replication team that ensures that the results of papers published in its journals can be replicated running the same code and data that the authors used. Moreover, the availability of the code and data allows outside researchers to attempt broader definitions of replication, allowing the further development of evidence on the questions posed in the research and thus the advancement of science. Replication is an essential part of science, and therefore I am in support of facilitating replication. However, it is also important to note that replication comes after the original researchers have completed their work and have advanced to the stage of acceptance for publication. The association does not, for instance, require an author whose work is under consideration to submit their data and empirical strategy as they may need to continue their research before it is ready for publication. If confirmed, I look forward to advancing research and its replicability within the Federal Government.

Question. Will you consult with the Finance Committee if Treasury officials or officials at the IRS are contemplating special arrangements, such as hiring as temporary IRS or other agency employees, to enable researchers from outside government to gain access, under the guise of performing academic research, to data otherwise not sharable with private citizens (such as sensitive tax information)?

Answer. The IRS has, for many years, run the incredibly successful Statistics of Income (SOI) Joint Statistical Research Program. This program has helped provide new understandings of taxpayer behaviors that aid in administering the U.S. tax system, and new insights and understandings of the ways that existing tax policies affect individuals, businesses, and the economy. While this program was delayed due to COVID, a new call for researchers is planned for December 2021. These partnerships are cost-effective ways to learn about the many ways in which Federal Government policies impact Americans. Moreover, I appreciate how significant our economic needs are, and how we must leverage all of our resources to think creatively about how to best put the country's economy back on stable footing. It is equally as essential that appropriate precautions are taken to ensure that data privacy is preserved. If confirmed, I will work with the Treasury and the IRS to continue robust data protection and access practices. And I will do everything possible to protect Treasury data. I look forward to working with you and the entire Finance Committee to develop creative ways to better leverage the talent of government employees and outside researchers to improve tax and fiscal policy for all Americans.

Question. If confirmed as Treasury Secretary, you will help manage the debt, including the maturity structure of outstanding U.S. debt.

Do you believe that the optimal weighted-average maturity of the debt is above, below, or equal to where it now stands?

Do you plan to consider issuing any new federal debt instruments?

If you decide to issue any new Federal debt instruments, or decide to hold a higher average cash balance at Treasury, will you commit to informing the Finance committee, which has jurisdiction over the debt and Treasury operations, prior to so doing?

If the Federal Reserve in the future adopts yield curve control measures, how will you coordinate with the Federal Reserve with respect to implications for any target by Treasury of the average-maturity of the debt?

Answer. You raise important questions about the structure of the national debt. If confirmed, I look forward to reviewing current Treasury practices with respect to debt issuance, including analyzing the weighted-average maturity of the debt; discussing whether we have the right mix of Federal debt instruments; and understanding the cash balance needs of the Federal Government. I believe that congressional oversight and partnership on these issues is vital, and look forward to working with you on the full range of concerns regarding debt management that you have raised.

MATTERS RELATED TO TREASURY SECRETARY'S ROLE AS MANAGING TRUSTEE OF SOCIAL SECURITY AND MEDICARE TRUST FUNDS

Question. Social Security benefits are said to be "earned benefits," in that for every dollar of FICA tax paid in for disability or retirement benefits, there is a commensurate benefit that accrues to the taxpayer. An old Franklin Roosevelt quote is often invoked to reinforce the earned-benefit notion; in 1941, Roosevelt stated that "We put those payroll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. With those taxes in there, no damn politician can ever scrap my social security program." To some, it is important that Social Security programs remain as ones that can be characterized as earned benefits, meaning, again, that there is a benefit commensurate with every unit of tax paid in. Otherwise, some fear, dependence of Social Security benefits on partial general-fund revenue, or revenue cloaked as Trust Fund revenue but accruing to the Trust Funds as tax payments that do not carry any associated benefit accrual, would lead to Social Security being characterized as some sort of "welfare," and benefits being thought of as mere transfers to which recipients do not necessarily have legal, moral, or political "rights."

What, to you, is meant by "earned benefit" in the context of Social Security benefits?

Answer. Social Security was designed to ensure that every American is adequately prepared for retirement. The program recognizes that people who earn more may need a higher income in retirement to maintain a living standard in retirement that is commensurate with what they enjoyed while working. As such, higher earning Americans typically pay more into the system and receive greater Social Security payments in retirement. However, Social Security was also designed to reduce elder poverty by ensuring a minimum living standard in retirement regardless of earnings while working.

Question. Do you believe it is important to maintain a link between a benefit and a tax, such that for every unit of Social Security taxes paid in there is a commensurate claim to a pecuniary benefit?

Answer. The linkage between tax payments and Social Security benefits is particularly important for the lowest earning Americans who are contributing to Social Security even while facing pressing financial need in their daily lives. That their contributions are directly linked to their future well-being is essential. President Biden supports lifting the earnings cap on wealthy taxpayers with more than $400,000 in wages to pay the same rate on their income as other workers. Requiring such high earning tax payers to continue to pay into Social Security is not only crucial for the fiscal health of the program, but also for maintaining equity in the system.

Question. Do you believe that Social Security, while not being a main driver of future deficits, does contribute to deficits in the on-budget part of the, and the consolidated, Federal budget?

Answer. Spending out of the Social Security Trust Fund is an indicator of the need to continually monitor and evaluate the Social Security program in order to ensure that this crucial safety net that has helped protect the elderly from poverty since its inception endurs. Social Security is off-budget, in part, because the Greenspan Commission determined that changes in the Social Security program should be made only for programmatic reasons. I appreciate that as the population ages, shortfalls in Social Security are likely to increase, and that may require consideration of reform. President Biden has called for a Social Security reform package that would boost benefits for vulnerable beneficiaries—including widows and widowers, workers with low lifetime incomes, and older beneficiaries—and provide an across-the-board increase for all beneficiaries. The plan also improves the long-run fiscal position of the Social Security Trust Fund by asking wealthy taxpayers to pay the same rate on their income as other workers. On the whole, President Biden's plan would provide older Americans a more secure retirement. I look forward to working with Congress, if confirmed, to discuss these important issues, and ensure that the Social Security program continues for decades to come without burdening middle-class taxpayers.

Question. The Secretary of the Treasury is the Managing Trustee of the Social Security and Medicare Trust Funds. The Medicare Hospital Insurance Trust Fund is expected to be exhausted in a few short years. The Supplemental Medical Insurance Trust Funds is expected to continue to require General Fund transfers that can crowd out other spending priorities. Do you believe that the precarious state of Medicare's finances is a pressing problem that should be addressed by the Biden administration?

Answer. While the last report of the Trustees found no material change in the solvency of the Medicare programs relative to the prior year, Covid has accelerated the depletion of the Medicare Hospital Insurance Trust Fund according to Congressional Budget Office projections released in September 2020. Thus the state of Medicare's finances remains something that requires close attention and evaluation. President Biden is committed to ensuring the stability of Medicare, and providing Americans with greater access to Medicare by lowering the eligibility age. These changes are part of President Biden's commitment to improve access to health care for all Americans.

GENERAL MATTERS

Question. Your record and statements indicate that you may find "behavioral economics" to be useful. To some, behavioral economics is merely a way for economists to open up additional degrees of freedom into their analysis; and, with additional degrees of freedom, analyses lose rigor and results of the analyses become highly questionable and normative, in the minds of some. Some also believe that behavioral economics, and the "nudges" offered by them, often represent arrogant claims by elitists that, somehow, infallible "experts" or "technocrats" are needed to nudge, guide, cajole, and regulate the fallible non-experts because those fallible people, for various possible "behavioral" reasons, simply don't make choices that are in their own best interests. Do you support behavioral economic analysis and, if so, what discipline is there to prevent behaviorists from try to regulate and constrain Americans simply because of normative preferences of the behaviorists?

Answer. Behavioral economic analysis reflects the progress of economists in their quest to study how people make decisions given the many constraints they face. A fundamental premise is that people optimize, and do the best they can to make good decisions given their values, preferences, and opportunities. Over the past several decades, economists have discovered systematic ways in which individuals' decisions deviate from prior economists' assumptions. Behavioral economics seeks to replace old assumptions that have proven to be untrue using the insights of psychology and the evidence provided by experiments and observational data. As a result, economics has become a more rigorous social science. These insights give us a better understanding of how Americans are likely to experience and respond to public policy, and provide useful insight into the likely impact of policy on people's lives. Moreover, they provide accountability to ensure that policy choices have their intended effect. Your question refers to the insight of behavioral scientists that people are more likely to choose a default option rather than actively choosing the non-default option. That insight does suggest that good policy choices should recognize that the resulting default option will be chosen by a large share of Americans and therefore should be beneficial to a large share of Americans.

Question. The so-called HEROES Act (H.R. 6800), which passed in the House of Representatives in May 2020, directs the Federal Reserve, in section 110801, in unusual and exigent circumstances, to purchase obligations issued by any State, county, district, political subdivision, municipality, or entity that is a combination of any of the several States, the District of Columbia, or any of the territories and possessions of the U.S. Such purchases would occur within proposed modifications to the Municipal Liquidity Facility that was established under section 13(3) of the Federal Reserve Act, and the modifications would have to be made to, among other things, "ensure that any purchases made are at an interest rate equal to the discount window primary credit interest rate . . . commonly referred to as . . . the 'Federal funds rate' "; and, to "ensure that an eligible issuer does not need to attest to an inability to secure credit elsewhere." Given that the Federal funds rate is near zero, section 110801 in effect requires that the Federal Reserve make near-zero interest rate loans to States, municipalities, and the like, independent of whether those jurisdictions are able to secure credit elsewhere—something that turns the Federal Reserve into an agency providing assistance that is close to grant making.

Do you support the policies called for in section 110801?

More generally, do you support requiring that the Federal Reserve make loans to potentially non-creditworthy borrowers at the Federal funds rate?

More generally, do you support allowing the Federal Reserve to make grants to private or governmental entities?

Answer. The country is currently facing an unprecedented pandemic that has exposed economic inequalities rooted in our financial system for generations. I believe that it is imperative that the government does its part to catalyze an economic recovery that is both equitable and sustainable, and supports policies that pursue these outcomes. Right now, taking too little action poses the greatest risk to the health of our economy, the livelihoods of the American people who drive that economy, and future generations. I support, and will pursue actions that provide aid to fully distribute the vaccine, reopen schools, deliver badly needed aid to State and local governments, support small business owners—and most importantly get people back to work, if confirmed. From Georgia to Montana and Nevada to Maine, first responders, educators, other essential workers need our help now.

Question. You seem to oppose rule-based monetary policy, and instead prefer discretion. Do you symmetrically *not* support rules-based economic stabilizers, such as unemployment insurance tied formulaically to economic measures, and instead prefer fiscal-policy discretion that is consistent with a continuing role for Congress and representative democracy?

Answer. Automatic stabilizers play a critical role in mitigating the negative impacts of recession. Our current system needs both updating and expansion, as evidenced by the economic strain placed on workers and families during the most recent downturn. Designing and implementing a modern and effective system of automatic stabilizers is an important step to take now, so that we can minimize the negative impacts of any future recessions. I am eager to work with Congress, if confirmed, on ways to automatically adjust the length and amount of relief depending on health and economic conditions so future legislative delay doesn't undermine the recovery and families' access to benefits they need.

Question. You have, in recent years, identified that, in terms of long-term deficits, adjustments are needed in fiscal policies in light of demographics and what you referred to in 2017 as an "unsustainable debt path." Abstracting from the serious recession- and crisis-related economic challenges that we face, what fiscal policy adjustments do you believe are needed, and do any of them not involve simply raising taxes?

Answer. The most important thing we can do today to set us on a path to fiscal sustainability is defeat the pandemic, provide relief to the American people, and make long-term investments that will benefit future generations. There are long-term budget challenges. The President is committed to implementing responsible policies that grow the economy, ask high-income Americans and corporations to pay their fair share, and give our country even more capacity to face the challenges ahead.

The President is committed to putting the country on a fiscally sustainable path and making sure that what we do now leaves future generations better off. Past experience suggests that, in times of economic weakness and low interest rates like today, taking the kind of action that the President supports to provide aid to Americans and help support the economy can lead to lower debt as a share of the economy even when financed by larger deficits in the short run. That's because the action leads to a healthier economy that generates more revenue and less in the way of future safety net spending.

It is also urgent that we invest in the American people, in innovation, and in our physical infrastructure, because such spending will produce returns in the years ahead and leave future generations better off. Another important fiscal policy adjustment is the more efficient delivery of public services. For example, during the campaign, President Biden introduced several health reforms that would bend the growth in health costs, such as a plan to save billions by allowing the Federal Government to better negotiate drug prices. These reforms, coupled with higher rates of economic growth, can drive down long-term debt and deficits. In fact, the Penn-Wharton Budget Model found that the Biden health plan decreases the public debt by 4.6 percent over 10 years and 10.7 percent over 30 years.

Question. Do you support a wealth tax, and will you advocate for a wealth tax, including construction of an entirely new measurement and monitoring apparatus to track an entirely new tax base?

Answer. President Biden has proposed to tax the investment income of families making more than $1 million at the same rate they pay on their wages and to tax some previously untaxed capital gains on the final return of wealthy taxpayers. These reforms would remove biases in the tax code that favor wealth over work.

Question. Do you believe a wealth tax is constitutional?

Answer. I would defer to constitutional scholars on this question, though I note that President Biden has not proposed a wealth tax.

Question. What do you believe international evidence on the efficacy, or not, of wealth tax schemes tells us regarding whether or not it is useful to construct one in the U.S.?

Answer. I would need to undertake a careful review of this literature before I could offer a nuanced assessment of the lessons we could draw from the international evidence on wealth taxes for a wealth tax in the U.S. context.

Question. Former Treasury Secretary Lawrence Summers has written that "Lack of income growth and opportunity for middle-class families is a fundamental problem in American society. So too is rising inequality. The role of moneyed interests in shaping policy is also a crucial political problem. Wealth taxation is not an effective approach to any of these problems." Do you agree with Summers's conclusion that wealth taxation is not an effective approach to the problems he identifies?

Answer. I would need to undertake a careful review of this literature before I could offer a firm conclusion.

Question. Economists Gabriel Zucman, Emmanuel Saez, and Thomas Piketty have established a clear political agenda, with what is apparently a purely normative animus toward rich people, and little else of policy substance, guiding their policy prescriptions. Those activists have become renowned for playing fast-and-loose with data, definitions, interpolations, and the like in order to force massaged data to conform with their normative prior policy preferences. With respect to claims about the progressivity of the U.S. tax system, for example, Zucman and Saez have claimed that the top 400 richest Americans pay a lower tax rate than the bottom 50 percent, which even liberal economist and former Treasury Secretary Lawrence Summers is quoted as having said is "substantially inaccurate and substantially misleading." Numerous economists have questioned results, methodology, and attempts at Federal budget scoring of proposals put forward by Zucman, Saez, and Piketty in various co-authorship permutations. With the understanding that analyses, data, and claims from Zucman, Saez, and Piketty face credibility challenges, do you intend to rely on analyses and data that they produce in efforts to increase progressivity of the tax code in order to act on inequality?

Answer. Tax policy-making should be grounded in the best available research and evidence. There is broad agreement in the economics profession that income and wealth inequality have increased in recent decades, though the precise magnitudes differ across studies and methodologies. Similarly, there is broad agreement that higher taxes on wealthy families can raise substantial amounts of revenue and make the tax code more progressive.

There is no single best source of data or analysis for all purposes, but, if confirmed, I will work to ensure that Treasury's research and policy analysis is rigorous and based on the best available research.

Question. Measures of income inequality differ according to data and techniques used. Are you aware of, and can you comment on, any analyses that use administrative data to find inequality increases over the recent past that are smaller than those found using other data?

Answer. As noted above, there is a broad agreement in the economics profession that income and wealth inequality have increased in recent decades, though the precise magnitudes differ across studies and methodologies.

Question. Some believe that, independent of revenue raised or lost because of implementation of a wealth tax, it is important to institute a wealth tax so "billionaires" and high-wealth individuals do not hoard such wealth.

Do you support implementation of a wealth tax with the primary or sole intention of ensuring that there are fewer people with high wealth levels?

If so, what social problem would you be intending to solve by implementing the wealth tax?

Answer. As noted above, President Biden has proposed to tax the investment income of families making more than $1 million at the same rate they pay on their wages and to tax some previously untaxed capital gains on the final return of wealthy taxpayers. These reforms would remove biases in the tax code that favor wealth over work. He has not proposed a wealth tax.

Question. According to a post on the Internal Revenue Service's website titled "Audit Rates Increase as Income Rises," dated October 20, 2020, and authored by Deputy Commissioner Sunita Lough: "Despite common misperceptions about IRS examination rates, the reality is that the likelihood of an audit significantly increases as income grows." The posting provides data showing that higher-income taxpayers were audited at much higher rates in 2013–2015 than other taxpayers, and presents challenges surrounding audits of lower-income taxpayer receiving EITC (such as error rates on tax returns claiming EITC of around 50 percent and the improper payment rate involving EITC claims of more than $17 billion each year).

Do you agree with the data provided by Deputy Commissioner Lough in the aforementioned posting?

How would you address the seeming high error rates and high improper payment aggregate associated with taxpayers receiving EITC?

Answer. It is also important to note that IRS estimates also show that EITC errors are responsible for less than 10 percent of taxes that are not paid on time, while studies show that the top 1 percent of filers may be responsible for more than a quarter of that "tax gap." Furthermore, about a fifth of households who are eligible for the EITC do not file a tax return to claim it.

If I have the privilege of being confirmed, I look forward to working with Treasury, the IRS, and Congress to ensure that IRS tax compliance and enforcement activity is focused towards the largest sources of the tax gap, and that the tax laws are fairly applied for working families and wealthy filers alike. I would also work to both reduce EITC error and ensure that working families in fact receive their hard-earned credits, such as by working with the Treasury Department and Congress to reduce complexity and barriers to accurate, easy tax filing.

Question. On December 2, 2020, Project Syndicate published an article by Joseph Stiglitz titled "What Yellen Must Do." In the article, Stiglitz wrote that "some $500 billion of this 'global money' [SDRs] could be issued overnight if only the U.S. Secretary of the Treasury would approve." And, he wrote: "Biden could give the green light."

Do you agree with Stiglitz's recommendation, and do you plan to issue $500 billion of SDRs?

More generally, will you commit to consulting with Congress, on both sides of the aisle, before pledging any additional funding, or rearrangement of existing funding, to multilateral international institutions such as the IMF?

Answer. We must make sure that the IMF and World Bank are doing everything they can to ensure that developing countries have the resources for public health and economic recovery. We must also get the most vulnerable countries the debt relief they need at this critical time. I know that there are a variety of proposals out there. If confirmed, I will direct my team to analyze the full range of ways that the international community can strengthen its support for the most vulnerable countries during this emergency. I look forward to studying the issue further and pledge to adhere to the legal requirement to consult with Congress before making a decision on the U.S. position on an SDR allocation.

Question. You have advocated for additional "relief" funding for State, local, and other units of government, based partly on forecasts of "lost revenue." Those forecasts, since the onset of the pandemic, have been far off the mark. Moreover, they are often based on historical patterns between things like revenue and unemployment rates that obtained in past periods in which the economy was subject to recession-inducing forces, but nothing at all like we have seen since early 2020.

Do you continue to advocate for additional State, local, and other government relief?

If so, what data on revenue realizations guide your advocacy, and what studies of lack of State, local, and other government "relief" in past recessions lead you to believe that without additional funding now, recovery from a recession would be held back in some ways, and do you think that your assessment reflects a consensus from academic literature on the topic of efficacy of Federal relief aid to State, local, and other governments?

Answer. Relief for State and local governments remains essential to combat the pandemic, restart our economy, and reopen our schools. States and localities need funds for public health and education, and to keep front line workers on the job. The last thing we would want would be for States and localities to lay off teachers, transportation workers, sanitation workers, or the health-care workers, firefighters, and police officers so essential for public health and safety.

There is strong evidence from past recessions that a failure to support State and local governments will make this crisis worse. I understand that this recession is different from prior ones and have been closely following changes in State and local revenue and expenditure. Based on that ongoing review, it remains the case that State and local governments all across our country need the support of the Federal Government in this time of need.

Question. The incoming administration desires to reset the Federal minimum wage to $15, despite warnings from the Congressional Budget Office that such a move could cost upwards of 3.7 million workers a job. Of course, given variations in the cost of living across the country, $15 for a worker in, say, New York City or Berkeley, CA, is far different than for a worker in, say, West Virginia. And paying $15 an hour as an employer in Iowa is different, in terms of production costs, than in States with higher overall living costs. A $15 minimum hourly wage is only a bit below the May 2019 median hourly wage for all occupations for West Virginia.

Do you agree with the 2019 analysis from the Congressional Budget Office that increasing the minimum wage, depending on how the increase is implemented, will result in 1.3 million workers becoming jobless, and there is a two-thirds chance that the change in employment could be a decrease of up to 3.7 million workers?

Do you believe that many low-wage workers will become displaced by technology if a $15 minimum wage in enacted?

Do you believe there are negative employment effects of increasing the minimum wage at both the extensive and the intensive margin?

What economic literature do you rely on to make your assessments regarding effects of an increase in the minimum wage to $15, which is well outside the size of an increase that could be comfortably thought of as being within the relevant range of applicability of existing studies?

Would you support implementation of indexation such that an increase in the Federal minimum wage to $x per hour is implemented, but with $x per hour applying to any States with price levels equal to the national median and the minimum wage in other States or municipalities indexed to State or municipal living costs using the Bureau of Economic Analysis's Regional Price Parities (RPPs) measure?

Answer. Raising the minimum wage will lift tens of millions of Americans out of poverty while expanding access to opportunity for countless small businesses nationwide. It matters how it's implemented, and the President's minimum wage will be phased in over time, giving small businesses plenty of time to adapt. Raising the wages of the lowest-paid workers in America can unlock billions of dollars of consumer spending that could be used to fuel demand for the essential goods and services small businesses provide. With greater revenue coming in, entrepreneurs can not only pay their employees higher wages (which will increase productivity and retention), but also invest in new equipment, expand their operations, and grow their business.

Question. Recent reports indicate that unemployment insurance fraud in California alone may total $8 to $10 billion. Fraud takes resources away from those to whom the Federal Government intends to help and places them in the hands of undeserving fraudsters, some of whom seem to recently have been parts of organized crime rings, perhaps with international scope. I've already asked the Department of Labor to investigate California's unemployment insurance system, since the Governor of the State does not seem very interested in being serious about reining in fraud. And, in the relief package that was enacted just a few weeks ago, I argued for strengthened anti-fraud protections, while Democrats did not want many—if any—protections, partly based on a notion that fraud detection could involve use of racial- or income-biased risk-based fraud-detection systems.

Do you believe, with billions of dollars of fraud in the unemployment insurance system, additional fraud detection is important?

Do you believe that it is possible to enact legislation calling for systems of risk-based fraud detection without the result being use of systems or algorithms that have racial- or income-based biases?

Answer. The unemployment insurance (UI) program has provided a lifeline to millions of Americans in need. Due to the depth of this economic crisis, State agencies have been working tirelessly, and are stretched thin under this massive workload trying to get benefits to qualified applicants. I am supportive of efforts to combat UI fraud that do not impede working families from accessing funds when they need them most. If confirmed, I look forward to working with Congress and the Department of Labor on this important issue.

Question. You have referenced low interest rates as a partial rationale for massive expansions of Federal spending, and have identified that debt service costs are important to monitor with respect to future fiscal challenges.

Do you believe that there are risks that, given the maturity structure of outstanding debt and associated "rollover" risks in Federal debt financing, interest rates could rise above what most currently expect, thereby increasing likelihood of a fiscal crisis?

Is advocacy for massive expansions of Federal spending under a belief that long-term real interest rates will remain low for a long time into the future a risky bet, effectively using tax obligations of future generations as the wager, that rates will remain low for a long future period?

Answer. In the current environment, the most pressing challenge is to overcome the pandemic and rebuild our economy. That will require additional relief, as proposed by President Biden. I look forward to working with the Congress to secure that relief. Presently, interest rates are at historically low levels, and our interest burden as a percentage of GDP is also quite low. Therefore, in the current environment, it makes sense to focus on the relief needed to support families and businesses. I look forward to working closely with Treasury's debt management professionals to ensure we have an effective borrowing strategy. Over the longer term, as I have often stated, we need to ensure that our country is on a sustainable path with respect to our debt burden. I look forward to working with Congress on these important issues, if confirmed.

Question. In the past, I believe that you have identified that, outside of recession or an economic "crisis," long-term fiscal sustainability, including existing unsustainable mandatory spending programs, is something that is important to be concerned about.

Do you believe that now?

If not, and if your views have changed over the past couple of years, please explain how your views have changed and what evidence led you to change your views.

Answer. In the current environment, the most pressing challenge is to overcome the pandemic and rebuild our economy. That will require additional relief, as proposed by President Biden. I look forward to working with the Congress to secure that relief. Presently, interest rates are at historically low levels, and our interest burden as a percentage of GDP is also quite low. Therefore, in the current environment, it makes sense to focus on the relief needed to support families and businesses, rather than on the overall level of our national debt. Over the longer term, as I have often stated, we need to ensure that our country is on a sustainable path with respect to our fiscal position, including with respect to assuring that our safety net programs are robust and sustainable. I look forward to working with Congress on these important issues, if confirmed.

Question. You identified during the hearing on your anticipated nomination that some public projects have been shown to promise "extremely high returns." One idea put forward by you and others is that "investments" by the Federal Government in things like infrastructure projects with "high returns" would be prudent in the face of low real financing costs.

What are the public projects that you claim have been shown to promise "extremely high returns."

How are those returns measured?

How long will it take for the projects you identify as having extremely high returns to actually generate those returns (*i.e.,* how "shovel-ready" are they)?

Answer. Public projects can generate meaningful economic gains through a variety of mechanisms. For example, projects can increase economic activity by raising productivity, increasing labor supply, or stimulating the macroeconomy in the face of falling growth. Estimates by economists regularly find that each $1 of public spending can boost economic activity by well-over $1.5—and sometimes substantially higher. Examples of stimulative investments can also include unemployment insurance for workers facing long-duration unemployment, temporary increases in food stamps, as well as funding needed infrastructure projects.

The returns to public spending are measured through a variety of metrics, including increased economic activity, higher levels of employment, and even increased revenue. The amount of time required for these programs to generate returns can vary from one quarter to several years. In the case of investment in young children's education, it can take over a decade for the returns to fully materialize—although the gains persist for a generation.

Question. Your response to my question on rural interests during the hearing on your anticipated nomination was somewhat disappointing. It sounded as though you are intending to pursue general policies aimed largely or solely at economic aggregates, with a notion that anything you do in the aggregate will be enough to ensure equitably shared returns for rural families and rural economies. Do you have any ideas for policies that focus on rural and agricultural interests, given that many in rural America have felt left out of any returns from globalization and Washington, DC-based decision making?

Answer. I share your concerns that too many rural communities have been left behind by globalization and other forces, and I am committed to pursuing policies that specifically ensure that the unique needs of rural Americans are addressed. I believe there are opportunities, for example, in our efforts to expand access to capital and provide credit to entrepreneurs to pay special attention to ensuring that programs are available and accessible to rural small businesses. If confirmed, I look forward to working with you and members of the committee to achieve that goal.

Question. Do you believe that underfunded State and local public pensions pose a risk to financial stability in the United States?

Answer. States and localities face a wide range of conditions with regard to their public pensions, which can create varying challenges for their own fiscal situations—even if State and local public pensions are not typically considered a major risk factor to overall financial stability. If confirmed, I would look to pursue an economic agenda that would support the kind of broad-based economic growth that would also have a positive impact on public pensions.

Question. Republicans in Congress during the Obama administration had developed proposals to help address State and local public pension challenges. Will you commit to working with Congress and members of the Finance Committee on both sides of the aisle in examining the issue?

Answer. I look forward to learning more about proposals that members of this committee have developed on the issue, if confirmed.

Question. Given what I expect will be proper efforts on your part to examine diversity at the Treasury Department, your views on diversity will impact your decision making. With respect to a recent lawsuit alleging that Harvard University's admissions processes discriminate against Asians:

Why did you join an amicus brief to seemingly reinforce your view that statistical procedures and arguments used by your Berkeley colleague Professor David Card were more carefully executed than procedures and arguments used by the opposing side?

Do you believe, given arguments and analyses that you have seen related to the case, that Harvard admissions do not discriminate against Asians?

Using data from a lawsuit against Harvard, an April 2020 National Bureau of Economic Research paper (Working Pater 27068) by Arcidiacono, Kinsler, and Ransom identifies that they "show that there is a substantial penalty against Asian Americans in admissions with limited scope for omitted variables to overturn the results." Do you find the results of that paper to be relevant to your views expressed in the amicus brief that you joined, and do the results weigh on your views of whether or not Harvard has discriminated against Asians through its admissions processes?

Answer. I signed the amicus brief and supported the arguments that were laid out within it. I cannot speak further to the admissions process at Harvard, but as I said at my confirmation hearing, issues of diversity, inclusion, and racial equity are incredibly important, particularly at this moment in history when the pandemic has taken an unbelievable and disproportionate toll on low-income workers and especially people of color. And because I am so concerned about the impact on minority communities, the very first meeting that I had after my nomination was announced was with representatives of racial and economic justice groups to hear directly from them what their needs are. The focus of having diverse viewpoints and leadership within the Treasury Department will continue to be one of my top priorities.

Question. The U.S. private motor coach, school bus, and domestic passenger vessel industries have suffered unprecedented economic losses and furloughed hundreds of thousands of employees over the past 10 months due to the pandemic. Collectively, these industries have furloughed or laid off an estimated 308,000 employees due to the COVID–19 pandemic. These businesses do not expect to see the start toward a return to "normal" business operations until mid- to late 2021, at the earliest, forcing their employees to remain out of work or be lost to other industries. Congress provided some relief for these industries in the legislation signed into law on

December 27, 2020. That bill provided $2 billion in grants for these industries to be jointly administered by the Department of Treasury and the Department of Transportation.

Because this is an entirely new program that needs to be established by the Department of the Treasury in consultation with the Department of Transportation, what can the Department of the Treasury do to expedite development of the program and distribution of the funds?

Will you commit to expedite, if confirmed, this program and do everything possible to get funds to these companies as soon as possible?

Will you commit to providing the Finance Committee with details of the guidance and criteria that Treasury will use to administer these funds as soon as they are developed?

Answer. The $2-billion grant program included in the legislation signed last December is an important source of support for the private motor coach, school bus, and domestic passenger vehicle industries. I recognize the importance of these industries and the people they employ. If confirmed, I will work closely with leadership of the Department of Transportation to implement this program as quickly and effectively as possible, and I look forward to consulting and working with the Finance Committee on this important program.

FOLLOW-UP QUESTIONS SUBMITTED BY HON. CHUCK GRASSLEY

Question. At various times during the campaign, President Biden suggested he would repeal the Tax Cuts and Jobs Act either in full or in part. Please indicate (yes or no) whether the incoming Biden administration supports the following:

Would the Biden administration support repealing the doubling of the Child Tax Credit from $1,000 to $2,000? If no, would the administration support making this provision permanent?

Would the Biden administration support repealing the enhanced standard deduction, which increased the standard deduction from $6,500 to $12,000 for singles, from $13,000 to $24,000 for married couples, and from $9,550 to $18,000 for heads of household in 2018? If no, would the administration support making this provision permanent?

Would the Biden administration support repealing the reduced tax rates put in place for middle-class taxpayers, which included reducing the 15-percent bracket to 12 percent? If no, would the administration support making this provision permanent?

Would the Biden administration support repealing the qualified business income deduction, which allows small businesses to deduct up to 20 percent of their qualified business income? If no, would the administration support making this provision permanent?

Dr. Yellen did not answer each question to indicate whether the Biden administration would support either the repeal or permanency of the specified provision.

Answer. Both during the campaign and the transition, President Biden supported an expansion of the Child Tax Credit, namely making the credit fully refundable and raising the maximum value of the credit to $3,600 for families with young children, and $3,000 for others. During the campaign, he also firmly committed to a policy of avoiding tax increases on taxpayers with income under $400,000. Together, these suggest that the Biden-Harris administration will support higher levels and refundability of the Child Tax Credit. These improvements to the Child Tax Credit would be expected to have a dramatic effect on lifting children out of poverty nationwide, and I would welcome the opportunity to work with the committee on this effort.

Between the elimination of personal exemptions and expansion of the standard deduction, the Tax Cuts and Job Act put in place a series of reforms that shifted the relative tax burden for families largely based on household size and itemization status. I will need to study the economic and distributional implications of these combined reforms before making a judgment and look forward to engaging with you and others in Congress on this important matter, if confirmed.

During the campaign, President Biden supported repeal of the parts of the 2017 tax cuts that benefited the wealthiest Americans and largest companies; he clarified that the repeal of certain aspects of the tax law would be restricted only to those taxpayers making more than $400,00 a year, with a firm commitment that taxpayers earning less than this amount would not see their taxes increase.

The goal of the Biden-Harris administration is to provide support for small businesses through a variety of mechanisms, including expanded access to the PPP program and an array of programs designed to provide capital to underserved communities. Before making a judgment on this particular provision, I would need to study not only it's specific impact on small businesses, but the combined impact of other small business initiatives. I hope to closely consult with Congress as I better understand the impact of extending this provision.

Question. Senate and House Democrats have argued for repealing the $10,000 cap on the State and local tax (SALT) deduction as part of pandemic relief efforts. According to the Tax Policy Center, a joint project of the Urban Institute and Brookings Institution where you are a distinguished fellow, such a proposal included in a House passed pandemic relief measure would provide the top 0.1 percent of households an average tax cut of nearly $144,000. At the same time it effectively would give no benefit to the bottom half of households. In your opinion, does it make sense for pandemic relief efforts to prioritize six-figure tax cuts for the wealthiest few when millions of middle-class American families are struggling to make ends meet? Would you oppose including a repeal of the SALT cap in any further relief or stimulus measures?

In response to this question, Dr. Yellen indicated the administration needs additional time to examine the SALT cap to come to a decision on whether the cap is justified. Given the need for additional time to review this issue, does this mean the Biden administration would not be supportive of efforts to repeal the SALT cap as part of impending COVID relief/stimulus efforts?

Answer. President Biden has released his proposal for an American Rescue Plan that would form the basis of a new COVID relief package. As you know, that proposal did not include a repeal of the SALT cap. As the process of passing related legislation moves to the next phase, I anticipate that, if confirmed, I would be in a position to evaluate a wide range of proposals, and that I would be able to do so during the course of any negotiations with the benefit of the expertise of the Treasury Department. I would also welcome the views of members of this committee and others in Congress as we consider what provisions to include in any final relief package.

Question. Millions of retirees and participants in multiemployer pension plans face an impending crisis. Many plans are in poor financial health, and the PBGC's multiemployer pension insurance fund is projected to be insolvent in 2026 according to PBGC's latest annual report. I am committed to finding a bipartisan solution that can resolve this crisis. If confirmed, will you commit to working with this committee and other interested Senators on a long-term solution that will secure the retirement benefits for these retirees while also reforming the underlying system and ensuring taxpayer dollars will not be used to finance a private-sector system in perpetuity?

In her response, Dr. Yellen noted that President Biden supports passage of the Butch Lewis Act. Since efforts in 2020 focused on an alternative approach using partition relief:

Does the Biden administration support employing a partition approach to help failing multiemployer pension plans?

Do you believe taxpayer dollars should be committed in perpetuity such that the government would effectively finance this private-sector pension system?

Answer. I am aware that while members of Congress would like to seek a resolution to the multiemployer pension crisis, there are competing approaches to a resolution—including the Butch Lewis legislation and the partition approach. I respect the expertise of members of Congress, many of whom have been working to resolve this issue for years, and look forward to further consultation on this issue.

I believe that workers should have access to their earned pension benefits, but also believe it is imperative to find an approach that does not create undue burdens on American taxpayers. This is a complex issue, and I am eager to work with members of Congress to find a solution to ensure that working families who rely on the commitment of a pension plan aren't left behind.

Question. Prior to the Tax Cuts and Jobs Act (TCJA), the United States had one of the highest corporate income tax rates among developed countries. TCJA lowered the corporate rate to ensure that our domestic businesses would remain globally competitive. Even at 21 percent, the United States still holds the 11th highest corporate tax rate out of the top 36 developed countries, according to the Tax Policy Center.[6]

President Biden has proposed increasing the 21-percent rate to 28 percent. If enacted, the United States once again would have one of the highest business tax rates among developed countries. Unfortunately, not just U.S. companies would be affected by the rate increase. There is an economic consensus that a significant portion of the corporate income tax falls on workers in the form of reduced wages and benefits. Even the Tax Policy Center, which is a joint venture of the Urban Institute and Brookings Institution where you are a Distinguished Fellow, assumes 20 percent of the corporate tax falls on workers. Similarly, the Joint Committee on Taxation and Congressional Budget Office have both concluded that 25 percent of the corporate tax is borne by workers. If the corporate tax rate is increased to 28 percent as proposed, American workers will also feel the burden through fewer jobs, reduced wages, and less benefits.

What are your views on increasing the corporate tax rate above that of most developed countries, particularly if a significant portion of the rate increase would also be borne by American workers?

With the unemployment rate continuing to be high due to the COVID–19 pandemic, wouldn't an increase in the corporate tax rate that is borne in significant part by labor hinder efforts to restore the historically low unemployment rates we saw in 2019?

Dr. Yellen did not respond to the first question regarding her view on an increase in corporate tax being borne by American workers. Please provide a direct and substantive response.

Answer. President Biden has proposed a slate of proposals that would strengthen the economy and benefit American workers. The question of corporate tax incidence is one that received substantial attention during the presidential campaign. The recent change in the corporate tax rate enacted as part of the TCJA provides an opportunity to study precisely how changes in the corporate rate impact wages, although virtually all public finance economists agree that these dynamics will play out over several years. Presently, there is little evidence of a material increase in wages and thus incidence on workers. I look forward to studying this issue further and consulting with both Congress and public finance experts, if confirmed.

Question. President Biden has proposed a new 15-percent corporate minimum tax based on book income, rather than taxable income as currently used in the tax code. As you know, book income, as reported on a company's financial statements, is designed to provide information on the company's performance for investors and creditors based on generally accepted accounting principles. On the other hand, taxable income is computed in accordance with the Internal Revenue Code and regulations as the basis for imposing taxes.

Under the tax code, U.S. taxpayers are permitted to adjust their taxable income by allowable deductions, many of which reflect incentives that Congress intended to encourage certain behavior. For example, bonus depreciation is intended to encourage U.S. companies to invest more in capital expenditures, like equipment and fixed assets. Imposing a minimum tax would effectively remove the benefit and undermine the legislative intent of those provisions. Further, it would require companies and the IRS to calculate tax liability under different tax bases, creating significant complexity for taxpayers and the IRS.

Given the important differences between accounting principles and the deductions permitted by the tax code, do you agree there are legitimate reasons for substantial differences between book income and taxable income and that book income is not an appropriate basis for a new alternative tax regime?

Dr. Yellen did not respond with her views on whether it is appropriate to use book-accounting rules as a basis for a new alternative tax regime. Please provide a direct and substantive response.

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[6] *https://www.taxpolicycenter.org/fiscal-fact/oecd-corporate-tax-rate-ff-01042021.*

Answer. I appreciate the potential complexities of using book income to calculate corporate tax burdens, but am also concerned about the zero or very low tax burdens borne by a subset of corporations. Ideally, the U.S. would implement a corporate tax code that limits opportunity for gaming, while also preserving access to tax provisions that encourage productive investment. This is a complex issue requiring further study of concerns related to basing corporate tax burdens on book income, and if confirmed, I hope to work with you and others in Congress, as well as the Treasury staff, on this issue.

Question. Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress created a temporary rule allowing U.S. businesses to carry back net operating losses (NOLs) incurred in 2018, 2019, and 2020 to the prior 5 years. In the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, House Democrats proposed to repeal the CARES Act NOL provisions, effectively imposing a retroactive tax increase on businesses experiencing losses as a result of the pandemic. The expected revenue effect of the changes proposed in the HEROES Act was nearly $250 billion. Do you support this kind of retroactive tax change that would significantly increase taxes on businesses experiencing losses? Do you agree with former President Obama's sound advice when he said during the aftermath of the financial crisis, "The last thing you want to do is raise taxes in the middle of a recession"?

Dr. Yellen did not express support or opposition to introducing a retroactive tax increase during the pandemic on businesses experiencing losses. Please provide a direct and substantive response.

Answer. President Biden has released his proposal for an American Rescue Plan that would form the basis of a new COVID relief package. As you know, that proposal did not include repealing the CARES Act NOL provisions. As the process of finalizing the package and advancing legislation moves to the next phase, I anticipate that I would be better positioned to evaluate and weigh in on a wide range of proposals and, if confirmed, would be better able to do so with the benefit of the expertise of the Treasury Department. I would also welcome the views of members of this committee and others in Congress as we consider what provisions to include in any final relief package.

Question. Pillar 2 of the OECD's proposed "unified approach" would effectively create a global minimum tax. The Treasury Department to date has made it a priority that the U.S. global intangible low-taxed income (or GILTI) tax regime would be treated as a "deemed compliant" regime under any multilateral agreement. Do you plan to continue to advocate for GILTI to be treated as a deemed-compliant regime under Pillar 2?

Dr. Yellen did not answer whether the Treasury Department would continue to advocate for GILTI to be treated as a deemed-compliant regime under Pillar 2. Please provide a direct and substantive response.

Answer. President Biden has proposed substantially reforming GILTI as part of his plan to ensure a fair and progressive tax code where wealthy individuals and corporations pay their fair share. If confirmed, I look forward to learning more from Treasury Department staff about the status of these negotiations and how they relate to other diplomatic efforts. As part of that process, I will consult with the staff about the extent to which such positions are appropriate, including whether it would be appropriate to treat the current U.S. GILTI regime as a "deemed compliant" regime.

Question. As part of the proposed Pillar 2 approach, the OECD has proposed an "undertaxed payment rule" that would complement the global minimum tax. The undertaxed payment rule effectively would tax a business on a payment made if the recipient business is not subject to a certain level of tax with respect to the payment. U.S. businesses have voiced concerns that payments received by a U.S. company from a foreign affiliate could be subject to the undertaxed payment rule if the payment receives preferential treatment under the foreign derived intangible income (FDII) regime or through the application of another preferential rate or credit regime. Will you advocate to preserve the application of U.S. tax law, including FDII and other preferential rates and credits, if Pillar 2 includes an undertaxed payment rule?

Dr. Yellen did not answer whether the Treasury Department would advocate to preserve the application of U.S. tax law, including FDII and other rates and credits, under Pillar 2. Please provide a direct and substantive response.

Answer. If confirmed, I look forward to learning more from Treasury Department staff about the status of these negotiations and how they relate to other diplomatic efforts. As part of that process, I will consult with the staff about the extent to which it would be appropriate to advocate for a multilateral rule specific to the United States FDII regime in the context of a global discussion of a generally applicable undertaxed payments rule.

Question. President Biden has proposed doubling the tax rate on global intangible low-taxed income (GILTI) earned by foreign subsidiaries of U.S. companies from 10.5 percent to 21 percent. The Biden proposal also would eliminate GILTI's exemption for deemed returns under 10 percent of qualified business asset investment (QBAI). While described as a "loophole," QBAI is intended to represent earnings attributable to physical infrastructure in a foreign country. Because GILTI is intended to target intangible income, income attributable to tangible income should not be subject to tax.

While President Biden has described GILTI as an incentive for U.S. companies to shift operations overseas, before the Tax Cuts and Jobs Act (TCJA), many U.S. companies paid no U.S. tax on their foreign earnings. An increase in the GILTI rate to 21 percent would make U.S. companies far less competitive with their foreign counterparts because most foreign countries do not subject a company's foreign earnings to the same level of tax as domestic earnings. Coupled with the elimination of QBAI, raising the rate to 21 percent would actually incentivize U.S. companies to invert or be acquired by foreign companies, particularly given that the OECD is currently considering a global minimum tax around 13 percent.

What is your view on the United States imposing a 21-percent tax on foreign earnings if the OECD is planning to implement a global minimum tax at or around 13 percent? Wouldn't that harm our U.S. companies by making them far less competitive?

Dr. Yellen's response provides that a "global minimum tax agreed to at the OECD could, however, stop the destructive global race to the bottom on corporate taxation and help discourage harmful profit-shifting." If a global minimum tax is agreed to at the OECD at or around 13 percent, would the Treasury Department propose that GILTI apply at the same rate as agreed to at the OECD or continue to pursue the 21-percent rate proposed during the campaign?

Answer. I appreciate your concern regarding the competitiveness of our U.S. companies amidst a changing international tax landscape. As you note, President Biden has proposed substantially reforming GILTI as part of his plan to ensure a fair and progressive tax code where wealthy individuals and corporations pay their fair share. The U.S. has strong and unique attractions as a residence for multinational corporations and, as a result, U.S. companies would remain competitive even if they faced a somewhat higher 21 percent rate of tax on their foreign earnings. This is even more true if a global minimum tax were agreed to at the OECD.

Question. President Biden's "Made in America" proposal includes a 10-percent penalty on goods and services imported by U.S. companies from foreign affiliates. This policy would only penalize U.S. companies, putting them at a competitive disadvantage with similarly situated foreign companies. It also ignores the reality of global supply chains. If our country penalizes imports from foreign countries, couldn't this policy encourage foreign countries to tax goods or services imported from the United States?

Dr. Yellen's response does not answer the question of whether this policy could encourage foreign countries to tax goods or services imported from the U.S. subsidiary of a foreign company. Please provide a direct and substantive response.

Answer. Anticipating the response of other countries to a tax change passed in the United States is difficult, and relies on a variety of specific factors concerning the nature of the change and the foreign country in question. While I would—if confirmed—welcome the opportunity to further explore this question with you with more specificity, President Biden's proposal would support American businesses and workers.

Question. I have been a strong proponent of the bipartisan IRS private debt collection program, along with Senator Schumer. In 2015, Congress updated and made mandatory the IRS private debt collection program. This program is designed to chip away at the tax gap by requiring the IRS to contract with private debt collectors to collect inactive tax debt due but unpaid. These are the tax debts not being worked by the IRS and, absent this program, would likely never be collected. The program has proven its ability to collect hundreds of millions of dollars in otherwise uncollectible tax debts on an annual basis, including generating nearly half a billion dollars in net revenue in fiscal year 2020 alone. At the same time, it has generated additional resources for the IRS that have enabled the IRS to hire 400 compliance personnel and collect millions more in additional revenue. As Treasury Secretary, can you assure me that the Treasury Department will continue to operate the program to the full extent authorized under the law, including by ensuring that all inactive debts as defined by the statute are provided to the collection companies in a timely fashion?

Dr. Yellen indicated that she would work with the IRS to "make sure taxes are collected in an efficient and effective manner," but did not address whether the Treasury Department, under her leadership, would faithfully operate the private debt collection program as required by law.

Answer. I look forward to working with Treasury, if confirmed, to ensure that the private-public partnership makes the tax system better for taxpayers while strengthening the IRS.

Question. In a 2012 paper titled "Behaviorally Informed Regulation," authors Michael S. Barr, Sendhil Mullainathat, and Eldar Shfir proposed, among other things, a scheme in which credit-card issuing firms could charge late fees that "they deemed appropriate, but the bulk of such fees would be placed in a public trust to be used for financial education and assistance to troubled borrowers." Firms could keep a share of the fees, but "the bulk" of the fees would effectively be nationalized and presumably controlled by the Federal Government's behaviorists. Do you support such a scheme of effectively nationalizing late fees on things like credit cards?

Dr. Yellen did not answer whether she supports such a scheme.

Answer. I look forward to studying the specific reform proposal raised in the paper and referenced in the question. If I am confirmed, I am committed to working with you to address the issues of insufficient financial literacy, reasonable access to credit, and a well functioning and competitive financial system raised by the paper. I look forward to working with Congress to ensure that consumers everywhere are informed and safe in the financial marketplace.

Question. You have mentioned "stranded assets" several times during your confirmation process as a risk from climate change that you seem to believe could become some sort of aspect of a risk to financial stability.

Is the anticipated shut-down of the Keystone XL project by the incoming administration an example of stranded assets, where investments have been made and the Federal Government intervenes to strand them and make them worthless?

Is one of the largest risks to realizing large amounts of stranded assets a risk that the Federal Government will take unanticipated (when the investments were made) actions to make such assets essentially worthless, because of actions by the Federal Government intended to shut down production in sectors such as coal or other "fossil fuels?"

Dr. Yellen did not identify whether she believes shut-down of Keystone XL is an example of a stranded asset. Dr. Yellen simply says that transition from fossil fuels and other energy sources to renewable energy sources is not a decision or choice. She did not comment substantively on whether shutdowns of energy-source sectors stemming from government regulation or other actions present a risk of a large amount of stranded assets being realized.

Answer. As you know, President Biden revoked the permit for the Keystone XL Pipeline. That decision was consistent with the finding of the State Department—after exhaustive review—that the pipeline's significance for energy security and economy is limited. The revocation for the permit for the Keystone XL Pipeline may negatively impact some investors in the project, however, the continued development of the pipeline would have created environmental risks.

I am committed to taking steps to better understand the physical and transition risks of climate change to our economy, if confirmed. President Biden has put forth a vision for investing in a clean energy economy that would recognize both the costs and risks of climate change on the economy, and the opportunities to create new, good-paying jobs.

Question. Do you intend to resurrect the Obama administration's failed and ill-designed myRA retirement savings scheme, partly by misusing the permanent, indefinite appropriation provided to Treasury for compensating financial agents?

Dr. Yellen did not identify whether she intends to resurrect myRA, which would entail use of a permanent, indefinite appropriation for financial agents.

Answer. I am very concerned about retirement adequacy in the United States, and am committed to identifying innovative, effective, and cost-efficient strategies for improving the financial well-being of American households. I am aware of the goals of the MyRA program, and some of the concerns surrounding the initiative's administration. If confirmed, I look forward to consulting with Treasury staff on the MyRA program and partnering with you and others in Congress to improve our country's retirement adequacy.

Question. In a June 7, 2016 article in the Huffington Post titled "The Koch Brothers Are Trying to Handpick Government Officials. We Have to Stop Them," Senators Warren, Schumer, and Whitehouse put forward allegations, that have subsequently been shown to be false, against a Republican nominee for a Social Security Trustee position and a Republican nominee to a seat on the SEC. The authors identified that the two nominees had worked at a think tank that received financial support from the "Koch brothers." The nominees, and officials at the think tank identified that their research was not guided or constrained by any institutional donors, though the authors seemed unconvinced, calling directly into question the integrity of the nominees.

Given the sensitivity of some to institutional funding, especially if funding is provided to institutions that include conservative scholars, and given that the Charles Koch Foundation provided substantial funding to the Brookings Institution when you worked there, as did many "wealthy corporations" and billionaires:

Should there be concern that you, in your position as Treasury Secretary, if confirmed, will, as the authors of the article referenced above warn, "serve the wishes of wealthy corporations and their billionaire owners"?

Should concerns about think-tank funders be limited to think tanks that allow scholars to pursue conservative thoughts?

Should there be a double standard with respect to who is and who is not suspected of being influenced by corporations and "billionaires" depending on their political positions?

Dr. Yellen did not respond to second and third questions above. Please provide direct and substantive responses to those questions.

Answer. I am not directly familiar with the circumstances under consideration in this question. Therefore, I do not think I am in a position to answer concerning the fairness of the relevant critiques. As a general matter, I have valued insight and discussion with scholars and colleagues that have varied viewpoints from my own.

I am not directly familiar with the circumstances under consideration in this question. Therefore, I do not think I am in a position to answer concerning the fairness of the relevant critiques.

Question. Social Security benefits are said to be "earned benefits," in that for every dollar of FICA tax paid in for disability or retirement benefits, there is a commensurate benefit that accrues to the taxpayer. An old Franklin Roosevelt quote is often invoked to reinforce the earned-benefit notion; in 1941, Roosevelt stated that "We put those payroll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. With those taxes in there, no damn politician can ever scrap my social security program." To some, it is important that Social Security programs remain as ones that can be characterized as earned benefits, meaning, again, that there is a benefit commensurate with every unit of tax paid in. Otherwise, some fear, dependence of Social Security benefits on partial general-fund revenue, or revenue cloaked as Trust Fund revenue but accruing to the Trust Funds as tax payments that do not carry any associated benefit accrual, would lead to Social Security being characterized as some sort of "welfare," and benefits being thought of as mere transfers to which recipients do not necessarily have legal, moral, or political "rights."

What, to you, is meant by "earned benefit" in the context of Social Security benefits?

Do you believe it is important to maintain a link between a benefit and a tax, such that for every unit of Social Security taxes paid in, there is a commensurate claim to a pecuniary benefit?

Dr. Yellen's response to the first question does not respond, in that it does not identify with any sense of precision what an "earned benefit" means to her in the context of Social Security benefits. Please provide a direct and substantive response to the question.

Answer. I support a benefit formula which is based on contributions but which also acknowledges the gains from a progressive schedule. Social Security's progressive benefit formula is offset, in part, by the regressive payroll tax cap. This longstanding balance between linking benefits to contributions, while also maintaining a progressive benefit formula, is one of the many successes of the program.

Question. The so-called HEROES Act (H.R. 6800), which passed in the House of Representatives in May 2020, directs the Federal Reserve, in section 110801, in unusual and exigent circumstances, to purchase obligations issued by any State, county, district, political subdivision, municipality, or entity that is a combination of any of the several States, the District of Columbia, or any of the territories and possessions of the U.S. Such purchases would occur within proposed modifications to the Municipal Liquidity Facility that was established under section 13(3) of the Federal Reserve Act, and the modifications would have to be made to, among other things, "ensure that any purchases made are at an interest rate equal to the discount window primary credit interest rate . . . commonly referred to as . . . the 'Federal funds rate' "; and, to "ensure that an eligible issuer does not need to attest to an inability to secure credit elsewhere." Given that the Federal funds rate is near zero, section 110801 in effect requires that the Federal Reserve make near-zero interest rate loans to States, municipalities, and the like, independent of whether those jurisdictions are able to secure credit elsewhere—something that turns the Federal Reserve into an agency providing assistance that is close to grant making.

Do you support the policies called for in section 110801?

More generally, do you support requiring that the Federal Reserve make loans to potentially non-creditworthy borrowers at the Federal funds rate?

More generally, do you support allowing the Federal Reserve to make grants to private or governmental entities?

Dr. Yellen's response is, at best, tangential to the specifics asked in the questions above. Please provide direct and substantive responses to the questions asked above.

Answer. I have not fully studied the specific language or the policy implications of the text contained in section 110801 of H.R. 6800.

Without specific context for the economic circumstances and the underlying position of the borrower, it would be inappropriate for me to suggest whether lending by the Federal Reserve would be appropriate or not.

The Federal Reserve's ability to extend assistance to private or government entities and the terms of such assistance is bound by the Fed's legal authority as provided by Congress, and the authorities laid out in the law will be the basis for whether providing such support is allowed.

Question. You seem to oppose rule-based monetary policy, and instead prefer discretion. Do you symmetrically *not* support rules-based economic stabilizers, such as unemployment insurance tied formulaically to economic measures, and instead prefer fiscal-policy discretion that is consistent with a continuing role for Congress and representative democracy?

Dr. Yellen's response provides her policy preferences, but does not provide a direct and substantive response to the question posed above. Please provide a direct and substantive response to those questions.

Answer. I support both automatic stabilizers and discretionary fiscal policy. Automatic stabilizers help to ensure that assistance is provided as long as it is needed and is phased out when it is no longer required, improving the predictability of policy. But there is also an important discretionary role for Congress to provide fiscal support suited to unique circumstances, such as those currently resulting from the pandemic. I believe there are circumstances when automatic stabilizers are not only appropriate, but can be expanded and improved (including an examination of the proper role of tying stabilizers to economic trends), but discretionary fiscal policy can—and should—play a critical role in any relief effort as well. With respect to monetary policy, I believe that both rules and discretion play valuable roles. The Federal Open Market Committee regularly examines the prescriptions of a variety of monetary policy rules. And it has publicized those recommendations in its Monetary Policy Report to Congress. Nevertheless, the committee retains discretion needed to respond as deemed appropriate to the often unique circumstances prevailing at a particular time.

Question. The incoming administration desires to reset the Federal minimum wage to $15, despite warnings from the Congressional Budget Office that such a move could cost upwards of 3.7 million workers a job. Of course, given variations in the cost of living across the country, $15 for a worker in, say, New York City or Berkeley, CA, is far different than for a worker in, say, West Virginia. And paying $15 an hour as an employer in Iowa is different, in terms of production costs, than in States with higher overall living costs. A $15 minimum hourly wage is only a bit below the May 2019 median hourly wage for all occupations for West Virginia.

Do you agree with the 2019 analysis from the Congressional Budget Office that increasing the minimum wage, depending on how the increase is implemented, will result in 1.3 million workers becoming jobless, and there is a two-thirds chance that the change in employment could be a decrease of up to 3.7 million workers?

Do you believe that many low-wage workers will become displaced by technology if a $15 minimum wage is enacted?

Do you believe there are negative employment effects of increasing the minimum wage at both the extensive and the intensive margin?

What economic literature do you rely on to make your assessments regarding effects of an increase in the minimum wage to $15, which is well outside the size of an increase that could be comfortably thought of as being within the relevant range of applicability of existing studies?

Would you support implementation of indexation such that an increase in the Federal minimum wage to $x per hour is implemented, but with $x per hour applying to any States with price levels equal to the national median and the minimum wage in other States or municipalities indexed to State or municipal living costs using the Bureau of Economic Analysis's Regional Price Parities (RPPs) measure?

Dr. Yellen did not directly and substantively respond to the questions above. Please provide direct responses to those questions.

Answer. President Biden has proposed raising the minimum wage to $15 as part of his American Rescue Plan. Doing so would benefit millions of workers—including many essential workers—who have struggled disproportionately during this K-shaped recovery. As a result of a minimum wage that has not been increased in 12 years, the inflation-adjusted minimum wage has fallen by nearly one-fifth. Raising the minimum wage to $15 would boost consumer spending power by low-wage workers, raise retention rates, and boost productivity—all of which would benefit workers and the economy at large. Moreover, the President's proposed agenda takes into account the interests of small business owners and pairs the minimum wage increase with immediate relief to small businesses as part of the crisis rescue package, as well as additional measures he will propose to build a stronger economy over the longer run.

I believe that the President's plan to pass a $15 minimum wage would benefit both low-wage workers and the economy at large. Past increases in minimum wage levels, at both the Federal and State level, have not resulted in sizable displacements from technology.

As I stated in my testimony, there is a robust economics literature on the minimum wage, and my reading of the findings of much of this literature is that the likely impact on employment is minimal, including at both the extensive and intensive margin.

I believe that it is important that all policy choices, including the minimum wage, consider any and all costs and benefits. The minimum wage has been carefully studied over many decades and the findings show that historically the benefits from raising the minimum wage have been far larger than any costs. Indeed, a number of well-regarded studies that I am familiar with, including a series of studies by economists Arin Dube and Michael Reich, have found no materially negative effects on unemployment.

President Biden has proposed a $15 Nation-wide minimum wage, and I believe that approach would greatly benefit struggling workers and strengthen the economy.

Question. Recent reports indicate that unemployment insurance fraud in California alone may total $8 to $10 billion. Fraud takes resources away from those to whom the Federal Government intends to help and places them in the hands of undeserving fraudsters, some of whom seem to recently have been parts of organized crime rings, perhaps with international scope. I've already asked the Department of Labor to investigate California's unemployment insurance system, since the Governor of the State does not seem very interested in being serious about reining in fraud. And, in the relief package that was enacted just a few weeks ago, I argued for strengthened anti-fraud protections, while Democrats did not want many—if any—protections, partly based on a notion that fraud detection could involve use of racial- or income-biased risk-based fraud-detection systems.

Do you believe, with billions of dollars of fraud in the unemployment insurance system, additional fraud detection is important?

Do you believe that it is possible to enact legislation calling for systems of risk-based fraud detection without the result being use of systems or algorithms that have racial- or income-based biases?

Dr. Yellen did not provide a direct response to second question above. Please provide a direct and substantive response.

Answer. I have not had the opportunity to explore the impacts of risk-based fraud detection systems and whether they create racial- or income-based inequities. Although the Unemployment Insurance system is administered by the Department of Labor, I would be happy to further discuss the broader issue with you, if confirmed.

Question. Given what I expect will be proper efforts on your part to examine diversity at the Treasury Department, your views on diversity will impact your decision making. With respect to a recent lawsuit alleging that Harvard University's admissions processes discriminate against Asians:

Why did you join an amicus brief to seemingly reinforce your view that statistical procedures and arguments used by your Berkeley colleague Professor David Card were more carefully executed than procedures and arguments used by the opposing side?

Do you believe, given arguments and analyses that you have seen related to the case, that Harvard admissions do not discriminate against Asians?

Using data from a lawsuit against Harvard, an April 2020 National Bureau of Economic Research paper (Working Pater 27068) by Arcidiacono, Kinsler, and Ransom identifies that they "show that there is a substantial penalty against Asian Americans in admissions with limited scope for omitted variables to overturn the results." Do you find the results of that paper to be relevant to your views expressed in the amicus brief that you joined, and do the results weigh on your views of whether or not Harvard has discriminated against Asians through its admissions processes?

Dr. Yellen did not respond to the last question above. Please provide a direct and substantive response.

Answer. I signed the amicus brief because I was persuaded by the argument that Professor Card made and the strength of his empirical work.

I have a long record throughout my career of drawing attention to issues of income inequality and racial equity, including my efforts as Chair of the Federal Reserve, and the work that I've continued to do since, to draw attention to the need to diversify the field of economics. I am committed to leveraging the full powers and authorities of the Treasury Department to address issues of inequality as well as diversity, equity and inclusion.

QUESTIONS SUBMITTED BY HON. MIKE CRAPO

TAXES

Question. A number of countries have imposed or plan to impose discriminatory digital services taxes (DSTs) that unfairly target U.S. companies. The Finance Committee has expressed bipartisan opposition to unilateral measures like DSTs, and advocated for countries to reach a multilateral agreement at the Organisation for Economic Co-operation and Development (OECD).

Will you continue to negotiate toward a multilateral agreement at the OECD that does not unfairly target U.S. companies and compromise the U.S. tax base?

Answer. Yes, we are committed to the cooperative multilateral effort to address base erosion and profit shifting through the OECD/G20 process, and to working to resolve the digital taxation disputes in that context.

Question. House and Senate Democrats have proposed lifting the limitation on the deduction for State and local taxes (SALT). Given the effect of the pandemic on our country and economy, Congress has passed significant relief bills that focus on unemployed Americans and smaller businesses that are struggling. The proposal to lift the SALT cap, on the other hand, would overwhelmingly benefit wealthy households. According to the Joint Committee on Taxation, over half the benefit from repealing the cap would go to taxpayers with incomes over $1 million, and 94 percent of the benefit would go to taxpayers with incomes over $200,000.

What is your view of lifting the SALT cap, and do you think now is the time for a tax break on high-income individuals and households?

Answer. As I noted at the hearing, I certainly believe in a fair and progressive tax code where wealthy individuals and corporations pay their fair share. On this issue, as with many others, it is important to consider the entire equation. For example, it is critical to study and evaluate what the impact of the SALT cap has had on State on local governments, and those who rely upon their services. I will work with those at Treasury and throughout the administration in evaluating those impacts, as well as other aspects of this issue.

Question. One area of bipartisan agreement is on the issue of retirement savings. Congress passed the SECURE Act in 2019. With my support, many of my colleagues in both houses and on both sides of the aisle are working to develop further legislation to promote retirement savings, which should be a top priority for the Finance committee.

As Congress considers additional legislation, do you commit to working with Congress on a bipartisan basis to enact policies that will further enhance Americans' ability to save for retirement?

Answer. President Biden has proposed giving small businesses a tax break for starting a retirement plan and giving workers the chance to save at work. In addition, under President Biden's plan, almost all workers without a pension or 401(k)-type plan will have access to an "automatic 401(k)," which provides the opportunity to easily save for retirement at work—putting millions of middle-class families on the path to a secure retirement. I look forward to working with Congress to improve Americans' retirement security.

HOUSING FINANCE REFORM

Question. Earlier this month, Treasury and FHFA announced revisions to the Preferred Stock Purchase Agreements (PSPAs) for Fannie Mae and Freddie Mac.

What are your views on the content of these changes, and what are the conditions under which you would support an exit from conservatorship?

Answer. It is critical that we have a housing finance system that works for all Americans, with widely available, affordable mortgage credit for home ownership as well as affordable rental housing. We need a system that promotes financial stability as a whole, as well as one that protects consumers and taxpayers and provides stability to households. A core feature of the U.S. housing finance system is the 30-year fixed rate mortgage. I look forward to working across the administration and with the Congress in support of these goals, if confirmed.

NON-PROPRIETARY MACHINE-READABLE DATA (FSOC)

Question. Dr. Yellen, I have long advocated for use of non-proprietary machine-readable data that is fully standardized, searchable, and transparent. This data modernization increases accountability to citizens and investors, and improves the government's ability to monitor and enforce compliance processes.

In your role as Secretary of the Treasury and as the Chair of FSOC, will you encourage Federal agencies to use non-proprietary machine-readable data formats that are easily downloadable?

Answer. I am aware that this topic has been of high interest to you and your staff for many years, and I appreciate your focus on the issue. If confirmed, I will work with FSOC member agencies as well as the Office of Financial Research to review existing standards and practices to ensure that the Federal Government is able to make the most informed and transparent policy decisions possible.

CLIMATE CHANGE AND BANK DISCLOSURES

Question. You have noted several times that you intend to make fighting climate change a priority as Treasury Secretary. Why do you think financial regulation is a more appropriate avenue to curb climate change rather than other agencies uniquely focused on agriculture and the environment?

What kind of financial regulation are you looking at (financial disclosure, FSOC requirements, or something that impacts capital)?

Answer. Climate change is an existential threat not only to our environment, but to our economy. Combating climate change will require leadership and action from various agencies, including Treasury. Structuring the right rules in the financial marketplace will ensure that institutions and their leaders are planning for the risk presented by climate change, protecting both the environment and the economy from crisis.

FAIR ACCESS TO BANKING

Question. First, and as you are fully aware, I am a strong opponent of Operation Chokepoint. During Chokepoint, we saw several politically disfavored industries, such as firearms and oil and gas, become essentially unbanked during this time, and in fact, it is still occurring today due to political pressure. I note all of this because I strongly support the OCC's fair access rule and believe that legal industries should be banked.

How will you ensure that *all* federally legal industries have fair access to banks, even with the political pressure that they face?

Answer. If confirmed, I plan to direct a review of all recently released rules and regulations. However, the fair access rule was promulgated by the OCC, which is an independent banking regulator.

INSURANCE CAPITAL STANDARD TRANSPARENCY

Question. The International Association of Insurance Supervisors (IAIS) continues its work to develop the global risk-based Insurance Capital Standard (ICS), which is intended to serve as a common language for supervisory discussions of group solvency and minimum Prescribed Capital Requirement ("PCR") for Internationally Active Insurance Groups. The ICS is an effort to define comparable standards and determine solvency levels for Internationally Active Insurance Groups (IAIGs). However, there is concern that the ICS does not fit U.S. markets and is incompatible with the State-based regulation of insurance in the U.S.

Treasury, the Federal Reserve Board (Fed), and the National Association of Insurance Commissioners (NAIC) have expressed these concerns about the ICS, and Team USA has also diligently been working on an alternative—the Aggregation Method—to meet the stated objectives of the IAIS in a less disruptive and costly manner. Furthermore, the Economic Growth, Regulatory Relief and Consumer Protection Act (EGRRCPA) also requires that the Treasury, Fed and FIO to study and report on the impact on consumers and markets in the U.S. before supporting or consenting to the adoption of any final international insurance capital standard.

Will you commit to engaging with the FSB and IAIS so the Aggregation Method, the preferred approach of U.S. supervisors for measuring group-capital, is deemed to be outcome equivalent to the ICS?

Answer. As with many questions of financial regulation, coordinating with our allies and with international bodies like the Financial Stability Board is essential to achieving regulatory outcomes that serve American interests and protect financial stability. And it is critical that international regulatory standards be designed to serve different markets with diverse structures and needs. Insurance is no different. I am committed to engaging with international bodies like FSB and IAIS to achieve regulatory outcomes consistent with the interests of American market participants and State-based regulators, and I will continue the Federal Insurance Office's efforts to study the effects of ICS on U.S. insurance markets, if confirmed.

DEBT

Question. For the last 3 years, you served on the Board of Directors of the Committee for a Responsible Federal Budget (CRFB). In its estimate of all of the Biden campaign proposals, the CRFB projects that even if all of the trillions of dollars in proposed Biden tax increases were enacted, the Biden plan would still increase deficits by $5.6 trillion over the next 10 years, under their central estimate.

How sustainable is the current path of the U.S. debt and associated deficits, and what steps can you take to put the U.S. on more stable fiscal footing in the long term?

Answer. In the current environment, the most pressing challenge is to overcome the pandemic and rebuild our economy. That will require additional relief, as proposed by President Biden. If confirmed, I would look forward to working with the Congress to secure that relief. Presently, interest rates are at historically low levels, and our interest burden as a percentage of GDP is also quite low. Therefore, in the current environment, it makes sense to invest in the relief needed to support families and businesses. Over the longer term, as I have often stated, we need to ensure that our country is on a sustainable path with respect to our debt burden. I look forward to working with Congress on these important issues, if confirmed.

FINANCIAL STABILITY OVERSIGHT COUNCIL (FSOC)

Question. You have mentioned that you supported the de-designations of some institutions previously designated by FSOC. You also mentioned that you agree it is important to regulate activities that heighten systemic risk, and that it in many cases that approach makes more sense than regulating individual firms. However, you have also said that individual firms also pose systemic risks and it is important to supervise and regulate them. Under the Trump administration, the FSOC has been meaningfully reoriented toward activities-based designation.

Do you agree with the guidance issued by FSOC on activities-based designations, and exhausting all available remedies to financial risks prior to considering entity-based designation?

Answer. As you know, the idea behind FSOC is to coordinate among regulators so that significant risks to our economy do not go unaddressed because they do not fall wholly into the purview of one regulator's jurisdiction. My view is that the FSOC should address risks whatever their origin. But our focus must remain on stability in our financial system and ensuring that we are prepared to mitigate market disruption in times of stress.

I understand that the legal landscape has shifted somewhat since the Obama administration, but I believe the FSOC should have the tools to protect our economy from systemic threats, whether they're presented by a single firm or risky actions by an array of firms.

However, designation was never meant to be a one-way street—the procedures required an annual review, and firms should continually be evaluated and are certainly able to adjust their business models to be less risky in an effort to be de-designated.

NATIONAL SECURITY POLICY CONCERNS

Question. If confirmed, you will be the first Treasury Secretary to enter your term as a statutory member of the President's National Security Council, thus, ensuring that the economic and financial dimensions of national security are as carefully considered as more traditional military, intelligence and diplomatic concerns. The list of national security concerns that you will face as Secretary on Day One is long and growing, and includes the enforcement of U.S. sanctions against Iran, Russia, North Korea, Venezuela and companies in China linked to its military; and, too, investment decisions before the committee on Foreign Investment in the United States (CFIUS). From among these national security concerns, I have a number of questions.

Foremost, then, will you commit to holding bad actors accountable, to dismantle the financial networks of terrorist organizations and others who seek to perpetrate harm against the United States and to ensure that U.S. foreign investment protects the national security interests of the United States?

How should the United States persuade other nations to follow our lead when it comes to sanctions against various targets, whether it be Iran, North Korea or terrorist groups?

What is your view of the Joint Comprehensive Plan of Action (JCPOA), the sanctions relief it provided Iran, and the continued enforcement of US sanctions mandated by law?

Will you use the voice of the United States to oppose IMF and World Bank loans to Iran and other State sponsors of terror?

China has long been one of the biggest violators of U.S. sanctions. If confirmed, how would you go about seeking better cooperation from China on sanction matters?

Finally, how should the United States persuade other nations to follow our lead when it comes to sanctions against various targets, whether it be Iran, North Korea or terrorist groups?

Answer. I commit to using Treasury's sanctions and enforcement authorities to identify and dismantle the financial networks of terrorists, proliferators, and others who seek to perpetrate harm against the United States. I furthermore commit to overseeing a rigorous review of foreign investments in the United States through the CFIUS process. This vital work to our national security is something we will do both independently and in coordination with partners abroad, through regular and formalized dialogue, information sharing, and joint actions. If such coordination does not succeed, the Treasury Department should be prepared to strongly urge other nations to join us in targeting dangerous terrorists and proliferators, and expose their complicity if necessary. When it comes to our competitor China, we must ensure that it is not allowed to violate our sanctions.

With regard to the JCPOA, The Biden-Harris administration is committed to ensuring that Iran takes the appropriate steps to resume compliance. Iran will only enjoy sanctions relief under the JCPOA if it complies with its nuclear constraints. Furthermore, if confirmed, I will ensure that Treasury continues its important work to combat Iran's support for terrorism and abuse of human rights.

When it comes to the IMF and World Bank, we must make sure that they are doing what they can to ensure developing countries have the resources for public health and economic recovery, and will evaluate how investment policies support global security and recovery working with our allies. The Biden-Harris administration will continue to maintain and impose sanctions on Iranian entities perpetrating human rights abuses, and evaluate tools to combat State sponsors of terror. In particular, President Biden is committed to working with our allies and partners to counter Iran's destabilizing activities in the region, including its support for violent proxies.

SUPPORTING MIDDLE EAST PEACE

Question. The Treasury Department has played a key role supporting the historic peace agreements reached in 2020 between Israel, the UAE, Bahrain, Sudan, and Morocco. If confirmed, will you continue Treasury's work to support these agreements and expand business opportunities between these countries and the United States?

Answer. The Biden-Harris administration has expressed support for the Abraham Accords, and I also support these historic agreements. I will work with others in the administration to foster economic cooperation between and among these countries, and with the United States.

OPPOSING BOYCOTTS OF ISRAEL

Question. For more than 40 years, the Treasury Department has played a key role in fighting international efforts to boycott Israel. If confirmed, are you committed to fighting efforts to boycott, divest or sanction our ally Israel?

Answer. President Biden has led efforts to oppose the delegitimization of Israel, whether in international organizations or by the boycott, divestment and sanctions (BDS) movement in the United States. I support President Biden's approach of opposing such efforts and if confirmed, will work as Treasury Secretary to oppose BDS activities directed at Israel.

QUESTIONS SUBMITTED BY HON. JOHN CORNYN

TAX INCREASES AND REPEALING THE TAX CUTS AND JOBS ACT

Question. The Tax Cuts and Jobs Act provided tax relief to taxpayers by lowering individual rates and expanding the child tax credit. It also helped to create a more competitive tax system for U.S. companies in today's global market, helping to create jobs and lowering the unemployment rate to a level not seen in 50 years prior to the COVID–19 pandemic. I know many of my Democratic friends are very critical of this law and have called for its immediate repeal, although the House of Representative did not send the Senate a repeal bill last Congress. I also understand that the incoming administration is proposing over $3 trillion in higher taxes.

In 2009, as the Nation was fighting to recover from the 2008 recession, President Obama was asked about the possibility of raising taxes. He did not mince words. He said, “The last thing you want to do is to raise taxes in the middle of a recession.”

I am concerned about the pledge made by President Biden that he intends to repeal the Tax Cuts and Jobs Act “on Day One.” Is the administration still advocating that Congress do so even as the country continues to recover from the COVID–19 pandemic?

It is imperative that this Congress and the administration do nothing to hamper a robust recovery. I am hoping that you agree that this is exactly the wrong time for Congress to be raising taxes. Placing unnecessary burden on most businesses during an economic recession will only serve to increase the cost of capital and hamper their ability to make the investments necessary to facilitate job and wage growth. Given the current economic conditions, do you think now is an appropriate time to raise taxes on the American people?

Answer. With tax revenues at historical lows, ensuring that wealthy individuals and corporations pay their fair share should be considered part of any plan to put our country on a path to fiscal sustainability. President Biden has stated that he will not ask families making under $400,000 per year to pay more in taxes, and will enact more than one-dozen middle-class tax cuts that will finally give working families the financial support they deserve.

When it comes to the timing of the various fiscal policies enacted as part of the relief and recovery effort, the most critical elements are to deliver necessary services and economic relief, including vaccine distribution, additional aid to small business, and expanded unemployment insurance. This principle is reflected in the President’s proposed COVID relief package.

U.S. DEBT AND ENTITLEMENT REFORM

Question. We have passed almost $3.5 trillion in response to the COVID–19 pandemic; this includes a $900-billion bill signed into law less than a month ago. Now, the incoming administration is proposing another $1.9 trillion. If enacted, the total amount enacted in less than a year will almost total $5.5 trillion, which is larger than Japan’s economy and is almost 25 percent of our GDP. This is an astonishing amount of money. It would also be more than what the Federal Government spent on everything—including defense, Social Security, Medicare, transportation—in 2019. We know this rate of spending is not sustainable. The Committee for a Responsible Federal Budget is already estimating that the budget deficit is set to exceed $2.3 trillion this fiscal year, the second-highest since World War II.

The future appears to be bleak. The Congressional Budget Office estimates that the Federal debt held by the public surpasses its historical high of 106 percent of GDP in 2023 and continues to climb in most years thereafter. For example, by 2050, it will nearly be two and a half (2.5) times what it was at the end of 2019. The growth in future Federal spending, primarily from entitlements, drives the upward projection of the national debt. In fact, CBO forecasts that spending will grow from an average of 21.3 percent of GDP from 2010 to 2019 to an average of 29.3 percent from 2041 to 2050. And, keep in mind, these estimates do not include the recent legislation passed in response to the COVID–19 pandemic or any new spending proposals from the incoming administration.

You have raised concerns about the debt almost every year over the past decade. You discussed the “unsustainable” path of the rising national debt as Vice Chair of the Federal Reserve, as Chair of the Federal Reserve, and as an economist at the Brookings Institution.

Do you still have these same concerns? If not, why not?

What is the incoming administration’s plan to control spending and reform our entitlement programs?

What reforms to the congressional budget and appropriations process does the incoming administration support?

Answer. I believe that the current economic crisis calls for robust fiscal support, but also believe it is critical that we put our country on a path towards long-term fiscal sustainability. In this vein, I've called for more fiscal support since the early days of the pandemic and continue to do so. Without question, we have to be conscious of our debt, but it's clear that fiscal stimulus to support the economy and the working families most affected by the impact of COVID–19 is our most urgent priority.

Today's low interest rates also increase the urgency of making investments in our people and in our infrastructure that will produce returns in the years ahead and leave future generations better off. The combination of persistently low rates and the need for investing in our people, communities, and environment offers our Nation a unique opportunity to make real progress in areas that have been neglected for too long.

There are long-term budget challenges. We are committed to implementing responsible policies that grow the economy, ask high-income Americans and corporations to pay their fair share, and give our country even more capacity to face the challenges ahead.

These policies will help drive down the debt relative to the size of the economy. As part of this effort, the administration will consider and seek reforms to the budget and appropriations process that can help aid the effort to achieve fiscal sustainability.

FINANCIAL INSTITUTION LENDING

Question. Federal financial policy issues cross over several Federal agencies, including the Treasury Department, the Securities and Exchange Commission, the Office of the Comptroller of the Currency, and the Federal Reserve. On this note, I applaud the Office of the Comptroller of the Currency for recently issuing a rule that would prohibit financial institutions from refusing to lend or provide other services to entire categories of lawful businesses. I think we can agree that that a borrower's credit characteristics should determine if they get a loan.

I am concerned about media reports that the new administration supports policies that would restrict capital investments in America's energy sector. These restrictions will reverse the progress we have made. We know that things like horizontal drilling and fracking have transformed the global energy market, and America is no longer hostage to foreign oil. Now it is one thing to allow market forces to change the Nation's energy mix, it is an entirely different matter to blacklist entire industries from accessing the capital markets.

Can you tell me if the incoming administration is considering policies that will limit access to capital for specific industries?

If so, what role will the Treasury Department play in limiting capital for American oil and natural gas development?

How will Treasury interact with the other Federal agencies, including the Federal Reserve on this effort?

Answer. If confirmed, I believe our near-term focus from a policy perspective should be on COVID relief and economic recovery. It is the responsibility of the Treasury Secretary to strengthen the U.S. economy, foster widespread economic prosperity, and promote an economic agenda that leads to long-run economic growth. Meeting that challenge undoubtedly requires focus on the current economy, but also requires a commitment to the building blocks of enduring prosperity.

The Treasury Department has a wide range of responsibilities to fulfill these commitments, including monitoring and overseeing various financial markets, administering our Nation's fiscal policies, engaging in international economic negotiations, and ensuring the stability of a wide range of factors related to the health of the U.S. economy.

In addition, you raise important questions about rulemaking by the independent Federal financial regulatory agencies. If confirmed, I look forward to working with the Congress on these important issues.

ELIMINATING THE CAP ON THE SALT DEDUCTION AND BENEFITS TO HIGH-INCOME TAXPAYERS

Question. The Tax Cuts and Jobs Act imposed a $10,000 cap on the amount individuals can deduct for State and local taxes, also known as the SALT deduction. The Tax Policy Center estimates that 57 percent of the benefit of repealing the SALT cap would go to the richest one percent of taxpayers. In addition, the Joint

Committee of Taxation estimates that if the cap were removed, over half of the dollar value of the benefit would flow to households making over $1 million. Last Congress, the House of Representatives passed the HEROES Act, which would roll back the SALT cap. Supporters of the HEROES Act argued its passage was necessary to help the Nation respond to the COVID–19 pandemic.

Do you agree with the analysis that eliminating the SALT cap created by the Tax Cuts and Jobs Act would provide a disproportionate direct benefit to upper-income taxpayers?

Do you think repealing the SALT cap is an effective policy response to the current COVID–19 pandemic?

Answer. As I noted at the hearing, I certainly believe in a fair and progressive tax code where wealthy individuals and corporations pay their fair share. On this issue, as with many others, it is important to consider the entire equation. For example, it is critical to study and evaluate what the impact of the SALT cap has had on State on local governments, and those who rely upon their services. I will work with those at Treasury and throughout the administration in evaluating those impacts, as well as other aspects of this issue.

U.S. CORPORATE TAX RATE AND U.S. COMPETITIVENESS

Question. The Tax Cuts and Jobs Act helped make American workers more competitive in today's global marketplace. One way it did this was by reducing the corporate tax rate, which was at the time one of the highest of those countries who are in the Organisation for Economic Co-operation and Development or "OECD." Many analysts argue that our high corporate tax rate led many U.S.-based companies to relocate their headquarters to foreign countries through so-called "corporate inversions." Now there are instances where companies are coming back to the United States.

In your view, is it essential that the U.S. retain a combined, including State and Federal, corporate tax rate that allows it to stay competitive with its developed country peers?

Answer. I believe it is necessary for U.S. companies to be globally competitive, and, if confirmed, would work through the OECD/G20 process to agree with our allies on a global tax regime that protects American competitiveness while ensuring corporations pay their fair share.

Question. Do you believe cost recovery provisions are essential for businesses to reinvest and that all economic sectors should be given access to these provisions?

Answer. I believe that businesses should be able to recover their costs so that the income tax taxes net income and not gross receipts. The timing of when businesses should receive such deductions is a complicated question, on which I look forward to working with you and the Treasury staff.

GOVERNMENT-IMPOSED MINIMUM WAGE RATE

Question. The incoming administration's $1.9 trillion package calls for an increase in the Federal minimum wage to $15 per hour. In 2014, former President Obama wanted to raise the minimum wage to $10.10 per hour. At the time, the Congressional Budget Office (CBO) estimated that this would lead to about 500,000 Americans losing their jobs. As Chair of the Federal Reserve, you were asked before the Senate Banking Committee about the CBO analysis and you replied, in part, that "there would be some amount of negative impact on employment" and that you would not argue with the CBO assessment. Just last month, CBO again confirmed that increasing the Federal minimum wage would cause some American workers to lose their jobs and their family income to fall in some cases below the poverty threshold.

Do you still agree with CBO's assessment that increasing the Federal minimum wage will lead to some Americans losing their jobs?

As you know, industries that traditionally pay minimum wage are many of those that have been negatively impacted by the COVID–19 pandemic; this especially includes restaurants and small businesses. Given CBO's assessment that increasing the minimum wage means job losses for American workers, how does increasing the Federal minimum wage help the Nation recover from the COVID–19 pandemic?

Answer. It is the responsibility of the Treasury Secretary to strengthen the U.S. economy, foster widespread economic prosperity, and promote an economic agenda that leads to long-run economic growth. Meeting that challenge undoubtedly requires focus on the current economy, but also requires a commitment to the building blocks of enduring prosperity. A living wage is one of those building blocks. Raising the wages for the lowest paid workers in America can unlock billions of dollars of consumer spending that can be used to fuel demand for the essential goods and services that small businesses provide. This is especially true for the workers who put their lives on the line each and every day to provide essential goods and services to our communities.

COMMITTEE ON FOREIGN INVESTMENT IN THE UNITED STATES (CFIUS) REFORM

Question. When we met virtually last month, we discussed how China seeks to acquire cutting-edge U.S. technology by any means necessary, including buying it, licensing it, or even stealing it through hacking or more traditional methods. I consider this a serious national security issue. Within the U.S. Government, the interagency body that is responsible for reviewing those types of transactions and determining their national security implications is known as the Committee on Foreign Investment in the United States, or as "CFIUS." The Treasury Secretary chairs this committee.

In 2018, Congress passed legislation I authored called the "Foreign Investment Risk Review Modernization Act." This legislation reformed and modernized the CFIUS process and the outgoing administration worked to implement this legislation.

Can I ask for your commitment that, if you are confirmed as Treasury Secretary, you will work to make sure that these reforms continue to be implemented and that Treasury will work hand-in-hand with all the other relevant agencies who serve on CFIUS?

I am also working on additional legislative proposals that build upon these reforms. Would you be willing to work with me in developing ways to further strengthen the CFIUS process?

On July 10, 2020, I sent a letter to the Treasury Department requesting a classified briefing on the status of CFIUS's review of a wind farm project located near Laughlin Air Force Base in Val Verde County, Texas. To date, I have not received that briefing. Will you be willing to provide this briefing and update me on the status of this review?

Answer. If confirmed, I will be fully committed to implementing the reforms to CFIUS passed in the Foreign Investment Risk Review Modernization Act. I plan to work closely with all CFIUS members to execute the committee's mandate and look forward to working with you on ways to strengthen the CFIUS process, which is so important to our national security. If confirmed, I will be happy to follow up with you on the question you raised and your request for a briefing.

GENERAL BUSINESS CREDITS/BUILDING BUSINESS BACK ACT OF 2020

Question. The CARES Act and its successor legislation focused on providing liquidity to those businesses that bore the burden of government action, including lockdowns that crushed economic activity. Members on both sides were proud to put in place the Paycheck Protection Program ("PPP") for small businesses that kept workers on the payroll. Another example is the employee retention tax credit. Congress modified and extended both programs on a bipartisan basis. I think we all know that these employment-based incentives saved millions of jobs.

I would like to draw your attention to a gap in the scope of the provision of liquidity for recovery. It affects major sectors of the economy. I am particularly concerned about that sector of the business community that is bigger than that defined for the PPP, but smaller than theFortune 100. The CARES Act set out lending facilities, such as the Main Street Lending Facility, but unfortunately, those facilities did not fill the gap.

At a recent SEC roundtable held by the Securities and Exchange Commission, one participant observed, "[G]etting credit into the large cap companies doesn't necessarily distribute credit to our small and medium-sized businesses that they need." During the last Congress, I introduced the "Building Business Back Act of 2020" to fill this gap. The proposal would accelerate the benefits of general business credits for which the government is already liable to the taxpayer and thus would not be new business tax relief. Rather it would simply ensure that these tax credits, sitting on company balance sheets, would be "monetized" or converted to the liquidity these companies need today.

A number of business stakeholders, including the Texas Association of Business, who employ millions of Americans, support this concept. In a letter to the Senate Finance committee, these organizations noted that "By temporarily giving companies the option to monetize their general business credits, Congress can help ensure that the recovery is as strong as possible."

Question. I would like to work with you on this proposal as the Biden administration considers additional recovery proposals. Are you willing to commit to do so?

Answer. If confirmed, I would welcome the opportunity to learn more about your legislation and work with you to get the economy back on track, particularly for small and mid-sized businesses which are the backbone of our economy. The country is currently facing an unprecedented pandemic that has exposed economic inequalities rooted in our financial system for generations. It is imperative that the government does its part to catalyze an economic recovery that is both equitable and sustainable.

U.S. INNOVATION

Question. Semiconductors underpin nearly all innovation today including military systems, telecommunications, health care, critical infrastructure, precision agriculture, and manufacturing. Almost 25 percent of our economic growth can be attributed to semiconductor technology. Semiconductors are the 5th largest U.S. export and essential to U.S. economic competitiveness and national security—and are a critical supply chain.

Unfortunately, the U.S. has lost substantial ground in manufacturing semiconductors while China is increasing their footprint. U.S. production has dropped from 24 percent to 12 percent and by 2030, Asia is projected to control 83 percent of the global manufacturing supply of semiconductors while domestic production could be less than 10 percent. According to the Organisation for Economic Co-operation and Development (OECD), between 2014 and 2018, other foreign nations (including Ireland, Israel, South Korea, and Taiwan) gave more than $50 billion to semiconductor firms to support construction of fabs in their countries, driving this capacity shift.

The United States must compete with foreign nations and invest in advanced manufacturing and packaging capabilities to secure our supply chain and build a robust domestic ecosystem to protect our national security. For this reason, I worked with my colleague Senator Warner, on introducing the CHIPS for America Act last year. We joined our efforts with Senators Schumer and Cotton to include this language in the NDAA on a floor amendment that passed with 96 Senators supporting-these provisions are now law. But more work needs to be done. We were not able to include an investment tax credit that is part of the CHIPS Act and we need to make sure the CHIPS Act is fully funded in the future.

Question. Given the global competition and incentives other countries currently offer, do you think the Federal Government has a responsibility to compete with these foreign countries, including China, to support reshoring manufacturing capabilities for critical industries to ensure supply chain security and create good-paying jobs here at home?

Answer. The Biden administration will engage in a whole-of-government approach to China that uses our available tools in a manner that is designed to achieve our economic, national security, and foreign policy goals. U.S. efforts to maintain its technological and innovation edge, including in sensitive "dual-use" technologies, must focus on reshoring critical supply chains. If confirmed, ensuring that the United States is able to compete in the global economy will be a top priority.

DIGITAL SERVICES TAX (DST) AND U.S. LEADERSHIP

Question. It is important we confront countries who put in place discriminatory taxes targeting U.S. companies and appropriating revenue from the U.S. tax base. Unfortunately, these taxes are expanding to cover a wider range of digital services, bringing many new US companies into scope, including streaming services, cloud, and financial services.

Recently the U.S. Trade Representative released section 301 reports on Austria, Spain, and the UK determining their digital services taxes (DSTs) are discriminatory towards U.S. companies, inconsistent with prevailing international tax principles, and highly restrictive of U.S. commerce and exports. These countries are joined by France, India, Italy, and Turkey—which are siphoning billions away from the U.S. tax base with similar discriminatory digital taxes.

Will the administration engage these countries to protect American companies and the U.S. tax base from these efforts?

Answer. I am certainly aware of the concerns U.S. companies have raised about digital services taxes. While the details of digital services taxes differ across jurisdictions, many have been designed in a way that unfairly singles out a few large U.S. digital platform companies. I look forward to consulting with the USTR and the Congress on these issues.

Question. What steps will the administration take to challenge these taxes from a trade and diplomatic perspective?

Answer. The administration is committed to a cooperative multilateral effort to address base erosion and profit shifting through the OECD/G20 process, and to working to resolve the digital taxation dispute in that context. I look forward to consulting with the United States Trade Representative and the Congress on these issues.

Question. How do you plan to assert American leadership in the discussions on tax reform being held at the Organisation for Economic Co-operation and Development (OECD) while protecting the U.S. tax base and U.S. industries?

Answer. At the OECD in particular, the administration will vigorously reengage with multilateral efforts to update global tax rules in ways that establish minimum taxation, prevent profit-shifting, and support a level playing field. More generally, the Biden-Harris administration will support multilateralism in international economic affairs not only in tax discussions at the OECD but across a range of issues, including with respect to bold and creative efforts to use all existing instruments at our collective disposal to help stabilize the global economy, and to set the foundation for a broad-based, inclusive global economic recovery. Recommitting to multilateral leadership writ large will also help reassert American economic leadership in international tax matters.

STUDENT LOAN DEBT

Question. Student loan balances in this country have climbed over the past decade as the cost of college has significantly outpaced inflation—increasing by some estimates 3 percent per year. I understand that the incoming administration supports forgiving $10,000 in student debt per borrower. Others have argued for canceling up to $50,000.

The Committee for a Responsible Federal Budget recently noted that nearly two-thirds of the benefit from canceling $50,000 in student debt would go to the top 40 percent of households and over three-tenths would go to the top quintile.

How would student loan forgiveness put a downward pressure on college costs?

As may know, there already exist numerous repayment programs for individuals with student loan debt, with an average amount of $32,000. Why does the Federal Government need to offer further debt forgiveness to individuals who have made a personal decision to take out a loan?

Answer. The rising costs of education and the potential impact that student loan debt have on a wide range of social and economic effects, ranging from putting home ownership out of reach, to forcing career choices, to delaying or eliminating retirement savings. Importantly, the burden of student debt disproportionately falls on students of color. A growing economic literature has raised serious concerns about the burden of student debt for some borrowers and its impact on lifelong wealth accumulation. Recent actions on student loan payment deferrals reveal that the Federal Government can have a role in addressing this problem. If confirmed, I will consult with the President and the Secretary of Education to discuss the various options and help identify the appropriate actions to alleviate this burden.

U.S. DOLLAR IN THE GLOBAL ECONOMY

Question. Many economists and investors refer to the U.S. dollar as a "reserve currency" when referring to its use by other countries when settling their international trade accounts. This provides our economy with certain, distinct advantages.

What policies will help the dollar maintain its position as a "reserve currency" in the global economy?

Answer. There are many important reasons that the U.S. dollar is the world's dominant reserve currency. The United States has the largest economy and the deepest and most liquid capital markets. Going forward, I am committed to maintaining a sound economy and confidence in our financial system. The Biden-Harris administration will make investments in the American people that will accelerate the U.S. economic recovery and lay the foundation for a strong and equitable U.S. economy in the years ahead.

Question. What are your views regarding the value of the dollar relative to the major foreign currencies?

Answer. The value of the U.S. dollar and other currencies should be determined by markets. Markets adjust to reflect variations in economic performance and generally facilitate adjustments in the global economy.

EXCHANGE RATES

Question. Through the Omnibus Trade and Competitiveness Act of 1988 and Trade Facilitation and Trade Enforcement Act of 2015, Congress gave explicit authority to the Treasury Secretary to address currency undervaluation by U.S. trading partners and identified bilateral negotiations as the appropriate recourse in such instances. However, recently other parts of the executive branch have been wading into these issues. For example, USTR launched an investigation and issued a report under section 301 of the Trade Act of 1974 into Vietnam's currency valuation practices, and the Commerce Department has begun considering currency undervaluation as a countervailing subsidy.

What are your thoughts on this matter and do you believe these actions by other agencies are outside the original intent of the existing statutes to address currency undervaluation?

Answer. The President opposes attempts by foreign countries to artificially manipulate currency values to gain unfair advantage over American workers. The Biden-Harris administration will be examining how Treasury, Commerce and USTR can work together to put effective pressure on countries that are intervening in the foreign exchange market to gain a trade advantage.

Question. Will you commit to reviewing the December 2020 report and reasserting Treasury's role in leading currency undervaluation issues?

Answer. It is critical that we address any issue pertaining to exchange rates in a coordinated manner. I look forward to working with Congress and my colleagues in the administration to address foreign exchange intervention to gain an unfair trade advantage.

TARIFFS

Question. We are currently engaged in a number of trade disputes with both allies and adversaries where tariffs have been used as the remedy of choice. These tariffs have each resulted in retaliatory tariffs against U.S. exporters including manufacturers and agricultural interests. Tariffs are taxes that are paid by U.S. businesses, raise costs for consumers and manufacturers and have led to markets being lost for our agricultural exporters. The current tariffs have had a negative impact on companies large and small, especially impacting the economic recovery of many U.S. businesses during COVID–19. President Biden has talked about the need to reevaluate the trade war and the economic impact caused by the tariffs.

Do you commit to conducting an economic review of the tariffs and the impact they have had on the U.S. economy?

Answer. The Biden administration will work towards a system that allows U.S. farmers and workers to compete on a level playing field. If confirmed, I am committed to working across the interagency to conduct a review of how we can best support American industry and 21st-century jobs.

Question. With the China Phase One deal still underway and with built-in mechanisms for bilateral engagement, do you foresee being actively engaged in bilateral talks with China as your predecessor was ?

Answer. President Biden has said he will review all aspects of the Trump administration's trade policies toward China, including how completely Beijing has lived up to the terms of the Phase One Agreement. We are closely monitoring China's adherence to all of its Phase One commitments, including both the purchase commitments and structural commitments. President Biden has said that he is not going to make any immediate moves on the current China tariffs. As part of his review, he is going to consult with allies to galvanize collective pressure. We need a different approach that actually brings meaningful pressure on China.

Question. What is your position on keeping the section 301 tariffs on China in place?

Answer. President Biden has said that we will review the tariffs on China and consult with our allies and will not be making changes until we do both of these things. The Biden administration will make use of the full array of tools to counter China's abusive economic practices and hold Beijing accountable.

FOREIGN TRADE ZONES (FTZS)

Question. Tariff levels are nearing those of the Depression-era in the 1930s. At that time, the Smoot-Hawley Tariff Act was a contributing factor to those high tariff levels. Today, record tariff levels are a result of largely unilateral actions used through delegated authorities given to the executive branch in the trade acts of 1962 and 1974. Shortly after the Smoot-Hawley Act was enacted, Congress set out to explore ways to improve trade flows. One such action was the creation of the Foreign Trade Zones (FTZs) Act in 1934. This program has been in existence for nearly 90 years, and today's tariff environment deserves Congress's attention to improving the program and achieving our Nation's trade and economic objectives.

As Secretary, you will be the executive officer of the FTZ board. I intend to examine the FTZ program and explore how its use can be beneficial in (1) working together with our partners and allies to reinvigorate trade flows; (2) restore critical supply chains; and (3) help rebuild our economy in the wake of COVID–19.

Can you provide your views on the recently reinstated NAFTA-era restriction (section 601(b) of title VI of division O of Public Law 116–260) that prevents products operating in FTZs from receiving reduced-tariff benefits under the U.S.-Mexico-Canada (USMCA) trade agreement?

Answer. I understand that this provision reinstated a rule from NAFTA's implementing legislation, which prevents goods produced in U.S. FTZs from receiving preferential treatment even if they meet rules of origin requirements. I support efforts to rebuild American manufacturing and exports. Foreign trade zones can offer American businesses the opportunity to compete on an even playing field with foreign companies by reducing tariffs and duties on foreign inputs. It is critical that our rules for FTZs ensure American producers receive this benefit and are able to compete on even footing with their foreign counterparts.

Question. What is the purpose of this restriction, and do you believe that the U.S. has treaty obligations under USMCA (or other agreements) to keep this provision in place? If so, can you specify the articles under which the USMCA obligations apply for this provision? Is the intent of this provision limited to U.S. law?

Answer. I was not involved in negotiating USCMA or developing this legislation, so I cannot speak to the purpose of this restriction or whether USMCA negotiators intended it. If confirmed, I will work to ensure free trade agreements protect American workers, including FTZ provisions.

Question. How does the FTZ restriction mentioned above effect businesses that currently use duty drawback to reclaim duties on products produced in the U.S. and subsequently exported outside the country?

Answer. In general, FTZs allow for immediate duty relief once FTZ status is achieved, whereas duty drawback requires a wait while the claim is processed.

Question. Do you believe that the FTZ restriction mentioned above is unfair to the FTZ equivalents in Canada and Mexico that do not have similar restrictions in their domestic laws?

Answer. We should strive for parity between our treaty implementing legislation and that of our treaty partners. I believe we should study the extent to which any differences in domestic FTZ treatment put American producers at a disadvantage and work to minimize disparities going forward.

Question. What role, if any, do you believe the FTZ program can play in creating a controlled and audited environment for providing domestic production and manufacturing capacity of critical supply chains?

Answer. I believe that under the right circumstances and with the right program design, FTZs can contribute to domestic manufacturing and supply chain security by reducing tariffs on foreign inputs used by domestic producers, encouraging value-added production by American manufacturers. If confirmed, I will seek to use all available trade tools to put workers first and restore American competitiveness.

CHINESE NATIONAL OFFSHORE OIL COMPANY (CNOOC)

Question. The Chinese National Offshore Oil Company (CNOOC) was added to the section 1237 list of "Communist Chinese Military Companies" authorized under the 1999 NDAA of which the Treasury's Office of Foreign Assets Control (OFAC) was tasked with writing the legal and technical guidelines for how this listing may be applied. This action, as well as others, such as the addition of CNOOC and other Chinese oil companies to the Department of Commerce Entity List have potentially significant economic impacts to U.S. companies with investments, partnerships, and operations in China as well as significant unintended consequences with these actions being taken in series and combination.

Will you commit to responsibly engaging industry stakeholders to inform how Treasury related sanctions align with economic impacts?

How will the Treasury Department under your leadership administer effective and targeted sanctions policies that harm their intended target, change malign behavior, and protect US economic interests in the process?

Answer. If confirmed, I commit to ensuring that the Treasury Department actively engages industry stakeholders on sanctions issues, seeking to carefully understand effects on markets, firms, and our national and economic security. Furthermore, the Treasury Department will conduct a careful review of sanctions to ensure that they are targeted, effective, and minimize unintended consequences.

QUESTIONS SUBMITTED BY HON. JOHN THUNE

Question. Rural communities across the country are hurting, and in many cases this was the reality before the pandemic. Can you comment on the administration's plans to help rural America access new capital and open markets?

Answer. I appreciate that many rural communities are struggling, and if confirmed, I am committed to working with my administration colleagues to address both the immediate economic pain being felt in many parts of rural America as well as longer-term challenges. As we develop and implement policies to help small businesses access capital, I will pay particular attention to ensuring that our approach addresses some of the barriers that might be unique to rural areas.

Question. If confirmed as Treasury Secretary, you would also head the Financial Stability Oversight Council (FSOC). Can you comment on some of the non-bank financial risks that you would be focusing on in your potential position as head of FSOC?

Answer. As you know, the Financial Stability Oversight Council (FSOC) was created by Congress under the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) following the Financial Crisis that brought the U.S. economy and financial system to the brink of collapse.

One of the missions of the FSOC itself as spelled out by Congress with regard to financial stability in the DFA is as follows: "to identify risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace." This provision appears rooted in the experiences of the Financial Crisis, when the U.S. economy was close to ruin following the failures and near-failures of large, interconnected bank holding companies and nonbank financial companies that threatened and undermined financial stability.

The fundamental purpose behind FSOC is to facilitate coordination among regulators so that significant risks to our economy do not go unaddressed because they do not fall wholly into the purview of one regulator's jurisdiction. My view is that the FSOC should address risks whatever their origin. But our focus must remain on stability in our financial system and ensuring that we are prepared to mitigate market disruption in times of stress. A clear example of such market disruption is the recent disruptions in the Treasury market, and it should be part of the FSOC's responsibility to look into the Treasury market disruption and any potential interplay with non-bank financial risks.

QUESTIONS SUBMITTED BY HON. ROB PORTMAN

Question. The Tax Cuts and Jobs Act was the first time Congress has passed meaningful tax reform in 30 years, and for many Americans. Hundreds of U.S. businesses, large and small, have made investments totaling $482 billion in equipment, buildings, and—most importantly—their employees. Prior to the pandemic, the TCJA helped American companies stay competitive by lowering the tax rate and providing relief to low-income and working families.

Do you favor increasing the corporate tax rate from 21 percent?

Answer. Yes. President Biden has proposed increasing the corporate tax rate to 28 percent.

Question. President Biden has proposed raising the corporate tax rate from 21 percent to 28 percent and doubling the tax rate on GILTI from 10.5 percent to 21 percent. Moreover, the OECD is currently considering a global minimum tax rate of *12.5 percent.* An increase in the GILTI rate to 21 percent would subject U.S. companies to significantly higher levels of tax than their foreign competitors, resulting in more profitable business opportunities for foreign companies and return to the inversion of U.S. companies or acquisition by foreign companies, resulting in a loss of U.S. jobs and investment.

What is your view on the United States imposing a 21 percent tax on foreign earnings of US companies, and how do you see that as being competitive if the OECD is planning to implement a much lower global minimum tax at or around 12.5 percent?

Answer. I appreciate your concern with regard to the competitiveness of our U.S. companies amidst a changing international tax landscape. A global minimum tax agreed to at the OECD would, however, stop the destructive global race to the bottom on corporate taxation. With a multilateral agreement in place, American companies would remain competitive even with a somewhat higher tax on their foreign earnings. Indeed, any gap between the U.S. minimum tax rate and a globally agreed rate would likely be smaller than the gap that exists today under the rules enacted under the Tax Cuts and Jobs Act.

Question. Some provisions from TCJA expire in the next few years, including provisions that aided working class families such as doubling the child tax credit and increasing the limit on the alternative minimum tax which was hurting small businesses and middle class families. Other provisions which incentivize innovation by providing a deduction for research and development expenses such as section 174, will provide a more limited benefit after this year.

Would you favor extending these provisions? If not, what policies would you support to ensure that we do not unfairly burden working-class families and allow for innovation as a driver of our economy?

Answer. President Biden is focused on supporting small businesses and working families through the severe hardship caused by the pandemic. He has recently proposed a comprehensive relief package that provides significant tax relief for working families through an expanded and refundable Child Tax Credit and an enhanced Earned Income Tax Credit. If confirmed, I would look forward to working with you and others in Congress to advance plans to fuel innovation by investing in American workers and American manufacturing, clean energy, critical infrastructure, and access to broadband.

Question. As you know, the Organisation for Economic Co-operation and Development (OECD) has been working over the past 2 years with the goal of having agreement on new international tax rules by mid-2021. I'm very concerned by the precedent set by some of these digital services tax proposals, especially as the proposal widened to consider "consumer-facing businesses." What we don't want is for American companies across all industries to end up receiving little benefit from a multilateral solution while paying significant revenue into "market countries."

What is your transition plan for the OECD negotiations?

Answer. If confirmed, I will ensure the Treasury Department immediately and vigorously engages with the international tax negotiations at the OECD. I believe these negotiations present an opportunity to establish a more stable, equitable international corporate tax system.

Question. How will the Department engage in the OECD negotiations and how it will prioritize this issue in relation to the multitude of domestic challenges facing the country?

Answer. Please see the answer to the previous question.

Question. In a bipartisan way, Senators have been monitoring the progress of the OECD process and repeatedly expressed an interest in protecting U.S. companies and the U.S. tax base during the discussions. I urge you to continue to press the Inclusive Framework members to treat U.S. businesses fairly in both Pillar One and Pillar Two; this will ensure that the U.S. tax base is protected and activities and income that should properly be taxed in the U.S. remain here.

Will you commit to keeping the members of the Senate Finance Committee updated on the progress of the negotiations and to bringing any final agreement back to the Senate to discuss with members of this committee?

Answer. If confirmed, I will certainly keep the Senate Finance Committee appropriately updated on the OECD/G20 negotiations. Any treaty arrangements would, of course, require the advice and consent of the Senate.

Question. Further, will you commit to providing information to the members of the Senate Finance Committee about the economic effects of any proposals on different types of U.S. businesses (manufacturing, financial services, technology, consumer products, etc.)?

Answer. If confirmed, I would look forward to future conversations with the members of the Senate Finance Committee about the economic effects of proposals by the OECD.

Question. Treasury has taken a leading role in Paycheck Protection Program with the SBA. However, the guidance has lagged and questions on forgiveness still linger.

How would your Treasury Department work with banks and small businesses to ensure they have the guidance they need?

Answer. If confirmed, I am committed to working with the SBA to ensure that small businesses and their lenders have clear guidance under the Paycheck Protection Program, especially with regard to forgiveness, so that the program can fully reach the goals Congress has set out for it and the impacted small businesses can benefit from this critical assistance.

Question. President Biden's stimulus proposal would give loans and grants to small businesses. However, I worry about the potential for this to be less than targeted and to achieve certain partisan priorities. I believe it is critical that all of these programs are structured to protect the maximum number of jobs regardless of the political environment.

How would your Department plan to structure this program?

Answer. The relief bill late last year was just a down payment to get us through the next few months. As the December jobs report shows, many families are still in need. We have a long way to go before our economy fully recovers.

Small businesses are the foundation of our economy and we must do everything possible to keep them afloat and back on track towards prosperous growth. The President looked at the latest data, consulted with experts, and put together a package that is necessary to spur an economic recovery, and lift more than 11 million Americans out of poverty in the process. If passed by Congress, I will, if confirmed, work to ensure the implementation of these programs catalyzes small business growth in a way that is both equitable and sustainable.

Question. The bipartisan relief package we passed in December will help provide much-needed support to Americans as we continue to combat the pandemic. It is crucial that we first see how effectively the aid from December works to serve as a bridge until vaccines become widely available and we can get back to normal life. However, President Biden proposed a $1.9-trillion stimulus plan prior to seeing the impact of the $900-billion package passed in December.

How will we know when we don't need more economic stimulus? What indicators would you rely on?

Answer. The pandemic and resulting economic crisis have created severe pain for families across the country. Unemployment remains troublingly high and millions of families are facing hunger or the risk of eviction. Additional relief is needed to strengthen the economy, address our public health challenge, and provide relief to communities that have been hardest-hit.

If confirmed, I will work hard to ensure that the package that passed in December is fully and efficiently implemented so that the assistance it provides gets to those who desperately need the help. And, I will continue to consult a range of economic indicators to understand how workers, households and communities are faring in the recovery. I would look forward to discussing the performance of various economic indicators with this committee.

Question. Aside from aiding our economy as we recover from the pandemic, what would your priorities be as Treasury Secretary?

Answer. It is the responsibility of the Treasury Secretary to strengthen the U.S. economy, foster widespread economic prosperity, and promote an economic agenda that leads to long-run economic growth. Meeting that challenge undoubtedly requires focus on the current economy, but also requires a commitment to the building blocks of enduring prosperity. Further, President Biden is committed to overcoming the economic and social crises facing our country and addressing persistent challenges such as climate change and racial inequality. If confirmed, I will be firmly committed to implementing policies designed to overcome these challenges.

Question. Recently, the U.S. dollar has weakened. Do you believe in a strong dollar? If so, what can we do to increase the strength of the dollar?

Answer. As I said at my hearing, I believe in a strong and equitable U.S. economy that delivers good jobs with rising wages for all Americans. Maintaining confidence in the long-term strength of the U.S. economy and the stability of the U.S. financial system is good for America as well as our trading and investing partners. I look forward to working with Congress to make the U.S. economic recovery as strong as possible.

I believe in market-determined exchange rates. The value of the U.S. dollar and other currencies should be determined by markets. Markets adjust to reflect variations in economic performance and generally facilitate adjustments in the global economy.

The United States does not seek a weaker currency to gain competitive advantage. We should oppose attempts by other countries to do so. The intentional targeting of exchange rates to gain commercial advantage is unacceptable. If confirmed, I will work to implement the President's promise to oppose any and all attempts by foreign countries to artificially manipulate currency values to gain an unfair advantage in trade.

Question. As Chair of the Federal Reserve, you were a staunch defender of an independent Central Bank. Historically, the Treasury Department and Federal Reserve have coordinated on certain policies. Thus, in your new role you will coordinate with Chairman Powell at times.

How will you ensure the Federal Reserve maintains its independence as it works with the Treasury Department?

Answer. The Federal Reserve has long operated as an independent institution, and I respect and believe strongly in upholding those norms. Given my prior leadership at the Federal Reserve, I understand deeply why it is so important to maintain the tradition of the independence of the Fed in monetary policy. In areas where it will be appropriate and necessary for coordination between the Treasury and the Fed, I, if confirmed, will certainly take those responsibilities seriously and will be well-positioned to work seamlessly with Chairman Powell.

Question. During our phone call, we discussed how improving retirement security is one of my top priorities in the coming Congress. There are many things that can be done on a bipartisan basis, which will be critical in such a narrowly divided Congress. I have worked on a bipartisan bill with Senator Cardin, which has four goals:

First, the bill improves savings rates for lower-income and part-time workers.

Second, the legislation focuses on improving access to workplace plans at small businesses.

Third, it allows older Americans who have not saved enough to save more.

Finally, this bill recognizes that many Americans live longer and ensures they do not outlive their money.

Can you commit to working on passing this bill in a bipartisan way in the coming Congress?

Answer. I appreciate your commitment to the important work of improving retirement security and your work with Senator Cardin on this legislation.

President Biden has proposed giving small businesses a tax break for starting a retirement plan and giving workers the chance to save at work. In addition, under President Biden's plan, almost all workers without a pension or 401(k)-type plan will have access to an "automatic 401(k)," which provides the opportunity to easily save for retirement at work—putting millions of middle-class families on the path to a secure retirement.

If confirmed, I look forward to working with you to improve Americans' retirement security.

Question. As you know, pensions are part of the three-legged stool of retirement for many Americans. My bill addresses the defined contribution leg. However, many Americans are worried about whether they will be able to receive the pensions they earned after years of hard work. Many of these people cannot simply just start working again. I was on the Bipartisan Joint Select Committee looking to strengthen this system. Unfortunately, we came up short on reaching a deal—but we had some good discussions and came up with a few good ideas.

However, good intentions and good ideas will not give the needed assurances to thousands of my constituents whose retirement security relies on their pensions and have received that heart-breaking notice that they may be forced to take benefit cuts.

Can you commit to me to work with us in a bipartisan way to ensure we provide security to those Americans?

Answer. If confirmed, I am committed to working with Congress and the Department of Labor to find and enact a comprehensive solution to the challenges facing multiemployer pension plans. The President also supports passage of the Butch Lewis Act, which offers low-interest loans to financially troubled multiemployer plans—helping them to meet their commitments.

Question. The final leg of the stool is Social Security. American workers have faithfully paid into this system. Unfortunately, the OASI trust fund could run out of money by 2035. If Congress were to allow this to happen and we see benefit cuts, we would be breaking our promises to the American people. I'm actually worried that the current pandemic may have brought that date forward.

The good news is that I believe we can work in a bipartisan fashion. I want to commit that I am willing to work with you, the incoming administration and my colleagues on both sides of the aisle on this critical issue.

Can you discuss both the impact of benefit cuts on the American people and any solutions you have to avoid such a cliff?

Answer. While the last report of the Trustees (issued in April 2020) found no material change in the solvency of Social Security relative to the prior year, this analysis was done for the pre-COVID period. COVID has accelerated the depletion of all major trust funds according to Congressional Budget Office projections released in September 2020. An across-the-board benefits cut for Social Security recipients would plunge some elder Americans into poverty and would violate the trust of Americans who paid into Social Security for decades. Strengthening Social Security is essential in order to ensure a secure retirement, especially for our most vulnerable populations. President Biden has called for a Social Security reform package that would boost benefits for vulnerable beneficiaries—including widows/widowers, workers with low lifetime incomes, and older beneficiaries—and also provide an across-the-board increase for all beneficiaries. The plan also improves the long-run fiscal position of the Social Security Trust Fund. It does this by asking wealthy taxpayers with more than $400,000 in wages to pay the same rate on their income as other workers. On the whole, President Biden's plan provides older Americans a more secure retirement. If confirmed, I look forward to working with Congress to shore up the Social Security program for decades to come without burdening middle-class taxpayers.

Question. As you know, the Treasury Secretary is the Chair of the Financial Stability Oversight Council (FSOC), which has enormous power to declare financial institutions to be systematically important financial institutions (SIFIs). This can subject them to increased regulation. It also gives them enormous power to liquidate institutions that are seen as a threat to the financial stability of the country. I was concerned during the Obama administration that many insurance companies and asset managers were declared SIFIs despite many outside observers not viewing them as "too big to fail."

Can you discuss your thinking at the time on these issues? What measurements are you considering moving forward? As Chair of FSOC, what would your areas of focus be?

Answer. As you know, FSOC was created in the aftermath of the Financial Crisis to coordinate among regulators and ensure significant risks to financial stability do not go unaddressed because they do not fall wholly into a single regulator's purview. I believe FSOC should address risks whatever their origin. But, our focus must remain on the stability in our financial system and ensuring that we are prepared to mitigate market disruption in times of stress.

Question. The conservation easement deduction encourages taxpayers to donate property that has conservation value, a policy goal that myself and colleagues on both sides share. Since being made a permanent part of the tax code in 1980, the deduction has been a cornerstone in the fight to expand conservation for a cleaner, healthier environment. Unfortunately, the Internal Revenue Service is increasingly challenging taxpayers' deductions on what can best be described as technical drafting issues related to conservation easement deeds when the underlying issue seems to be a perceived over-valuation of the easement. Groups as diverse as the National Taxpayer Advocate, the Land Trust Alliance, the American Bar Association (ABA), and the National Taxpayer's Union have called on the IRS to publish safe harbor guidance so that potential donors can have certainty that their easement deeds won't wind up subject to litigation. It seems patently unfair that landowners are losing at audit and in the Tax Court on technical drafting issues when requests for guidance from IRS on these very same clauses has gone unanswered for over a decade.

In fact, just last week the National Taxpayer Advocate in her 2020 Annual Report to Congress again recommended that the IRS "[d]evelop and publish additional guidance that contains sample easement provisions to assist taxpayers in drafting deeds that satisfy the statutory requirements for qualified conservation contributions, particularly the perpetuity requirement for those conservation easements that incentivize land preservation for future generations."

Will you commit to working with the IRS to publish sample deed language so that taxpayers can have certainty when making donations, helping to further this important policy goal? Once we have this guidance, I think it is important that we provide an opportunity for taxpayers to come into compliance with the new rules.

Answer. Taxpayer certainty with regard to tax treatment in all issues is an important goal for the system at large. If confirmed, I will strive to meet that goal through the issuance of taxpayer guidance, and I appreciate the importance of creating certainty for taxpayers on this issue.

Question. The pandemic has caused construction shutdowns, shortages of labor and materials, supply chain disruptions, financial uncertainty, shifting lending and transactional requirements, and indefinite delays on land transactions and project entitlements—all major obstacles for housing development and rehabilitation projects underway nationwide.

What new mechanisms and Federal incentives do you envision once we get past the pandemic to address the deepening of America's housing affordability crisis?

Answer. I believe it is critically important that we have a housing system that serves all Americans, and while the pandemic undoubtedly created challenges in the production of affordable housing, shortages of affordable housing predate the pandemic. I am committed to a Treasury Department that is focused on rebuilding our economy equitably. If confirmed, I would look forward to working with you and others in Congress to identify the correct (new or existing) solutions and incentives to address these important issues.

Question. According to the Census Household Pulse Survey, 19 percent of renters are currently unable to pay rent and, if that number remains steady, rent owed could amount to an additional $87.4 billion by the end of September 2021. I helped lead the creation of the first ever emergency rental assistance program through Treasury's Coronavirus Relief Fund in the coronavirus relief legislation enacted along with the omnibus at the end of last Congress. Emergency rental assistance is one of the most effective and sustainable ways to help tenants and housing providers get through this difficult time.

Do you support additional funding for of emergency rental assistance through the Coronavirus Relief Fund, if necessary? And what other policies do you foresee implementing to sustain our Nation's housing stability?

Answer. I am grateful to you for your leadership in developing effective and timely programs to support families who rent their homes and apartments, as well as housing providers, get through this difficult time. The relief that Congress provided is critical to supporting Americans in need. If confirmed, I would look forward to working with you and others in Congress to ensure that sufficient support is provided to help struggling families.

Question. Any major investment in the Nation's infrastructure should recognize the important relationship between America's growing demand for rental housing and the industry's ability to meet it. In 2016 at the end of the Obama/Biden administration, a tool-kit was released aimed at modernizing housing development regulations and removing local barriers. The tool-kit stressed the role that zoning, land use regulations and lengthy development approval processes have played as part of our housing affordability crisis.

What steps will this administration take as part of the infrastructure package to incentivize States and localities to remove these barriers and regulation that discourage development and renovation?

Answer. You raise important questions about the relationship between rental housing development and regulations at the Federal, State, and local levels. Rental housing is a critically important part of assuring housing affordability. If confirmed, I would look forward to working on ways to partner with you on these critical issues.

Question. In my role on the Senate Homeland Security and Governmental Affairs Committee (HSGAC) this Congress, I will be focused on the oversight jurisdiction over government-wide affairs, particularly Federal Government-wide cybersecurity. The Treasury Department was one of the agencies impacted in the recent SolarWinds cyber-attack. HSGAC will be focused on learning more about the attack and how to improve our preparedness with these attacks.

If confirmed, will you commit to working with Congress to provide timely and thorough information about the attack?

Answer. The recent SolarWinds cyberattack that impacted a number of agencies across the Federal Government is an issue of grave concern. If confirmed, I look forward to working with Congress as we learn more about the attack and how to improve our preparedness.

Question. As you are aware, I have a very strong interest in Ukraine and, as the co-chair of the Ukraine Caucus, have worked in a bi-partisan manner to support Ukraine with militarily, and economic assistance as well as pressuring them to continue on much needed anti-corruption reform. Ukraine faces grave threats from Russia and since the Russian invasion on Crimea in 2014 and their blatant support of pro-separatist forces in the Donbas have suffered greatly. Our sanctions program has been very effecting in making the Russians pay a heavy economic price for their actions.

Many of our sanctions are by executive orders. Can you make a commitment that you will encourage the President to keep these sanctions in effect and work with the Congress to strengthen these and other sanctions against our adversaries?

Answer. I understand your strong interest in this important matter. If confirmed, I will work closely with the White House and counterparts at other agencies across the administration on U.S. policy toward Russia. I commit to rigorously enforcing sanctions targeting Russian actors for territorial aggression in eastern Ukraine and Crimea and other threats to U.S. national security.

Question. Recent reports indicate that the Iranian regime and its military wing—the Iranian Revolutionary Guard Corps (IRGC)—may be siphoning money away from the NIMA system (FOREX Management Integrated System) in an effort to fund terror outside of Iran's boarders. This informal system was designed to give Iranian exporters access to a foreign exchange market so that they could convert their foreign earnings into rials. However, there are allegations that the IRGC has established a web of front companies which exploit this system to gain currency which is then given to IRGC affiliated groups throughout the region.

What steps will you take as Treasury Secretary to ensure that the IRGC is not able to exploit loopholes in the international banking system, and in more informal networks such as NIMA, to fund terror outside its borders?

Answer. If confirmed, I will ensure that the Treasury Department is closely focused on any Iranian efforts to evade sanctions and abuse the international banking system. Iran's support for terrorism is a very serious concern that, if confirmed, I will direct the dedicated Treasury staff to closely monitor and seek to disrupt with all available tools.

Question. Following the Obama administration's adoption of the Joint Comprehensive Plan of Action (JCPOA) with Iran, the Treasury Department granted Iran a specific license to access the U.S. financial system.

Should the Biden administration re-engage in negotiations with Iran regarding nuclear capabilities, would you also consider granting Iran a specific or general license to access theU.S. financial system?

Answer. The Biden-Harris administration is committed to ensuring that Iran takes the appropriate steps to resume compliance with its nuclear commitments. We will carefully review what sanctions relief would be appropriate if Iran complies, and Iran will only enjoy sanctions relief under the JCPOA if it complies with its nuclear constraints.

Question. Following the grant of the specific license to Iran, Treasury officials were asked by members of Congress if Iran was given access to the U.S. financial system as part of the JCPOA. Those Treasury officials, under oath, stated that Iran had not been given such access.

Do you pledge to provide truthful information regarding the granting of any specific or general license in response to congressional inquiries?

Answer. Yes, I will commit to provide truthful information regarding Iran sanctions and licensing in my communications with Congress.

FOLLOW-UP QUESTIONS SUBMITTED BY HON. ROB PORTMAN

Question. President Biden has proposed raising the corporate tax rate from 21 percent to 28 percent and doubling the tax rate on GILTI from 10.5 percent to 21 percent. Moreover, the OECD is currently considering a global minimum tax rate of 12.5 percent. An increase in the GILTI rate to 21 percent would subject U.S. companies to significantly higher levels of tax than their foreign competitors, resulting in more profitable business opportunities for foreign companies and return to the inversion of U.S. companies or acquisition by foreign companies, resulting in a loss of U.S. jobs and investment.

What is your view on the United States imposing a 21 percent tax on foreign earnings of U.S. companies, and how do you see that as being competitive if the OECD is planning to implement a much lower global minimum tax at or around 12.5 percent?

If the OECD agrees on a global minimum tax rate at or around 12.5 percent, would you propose increasing the rate on foreign earnings from its current rate of 10.5 percent? Additionally, please explain your response that any gap between the U.S. minimum tax rate and a globally agreed rate would likely be smaller than the gap that exists today. The rate currently being considered at the OECD is at or around 12.5 percent and the current GILTI rate is 10.5 percent, a difference of 2 percent. If the GILTI rate is increased to 21 percent, there would likely be a much larger gap between the GILTI rate and the OECD rate (assuming the rate is at or around 12.5 percent).

Answer. I appreciate your concern regarding the competitiveness of U.S. companies amidst a changing international tax landscape. As you note, President Biden has proposed substantially reforming GILTI as part of his plan to ensure a fair and progressive tax code where wealthy individuals and corporations pay their fair share. The U.S. has strong and unique attractions as a residence for multinational corporations, and, as a result, U.S. companies would remain competitive even if they faced a somewhat higher 21-percent rate of tax on their foreign earnings irrespective of the outcome of the OECD negotiations. This is even more true if a global minimum tax were agreed to at the OECD. Such a global minimum tax could stop the destructive global race to the bottom on corporate taxation and help discourage harmful profit-shifting.

Regarding the current gap, I was referring to the gap between the GILTI rate and the minimum tax rate on the foreign earnings of foreign-resident multinationals under current law. Today, most other headquarters' jurisdictions impose no tax on the foreign earnings of their domestically-headquartered multinationals.

Question. Following the Obama administration's adoption of the Joint Comprehensive Plan of Action (JCPOA) with Iran, the Treasury Department granted Iran a specific license to access the U.S. financial system.

Should the Biden administration re-engage in negotiations with Iran regarding nuclear capabilities, would you also consider granting Iran a specific or general license to access the U.S. financial system?

Answer. The Biden-Harris administration is committed to ensuring that Iran takes the appropriate steps to resume compliance with its nuclear commitments. We will carefully review what sanctions relief would be appropriate, if Iran complies—and Iran will only enjoy sanctions relief under the JCPOA if it complies with its nuclear constraints. As circumstances unfold and these reviews are conducted, I will commit to following up with congressional offices with more specificity.

Question. Should the Biden administration re-engage in negotiations with Iran regarding nuclear capabilities, would you consider granting Iran a specific or general license to access the U.S. financial system? Please state either yes or no.

Answer. Yes, if the Biden-Harris administration reenters the Iran nuclear deal, we would consider what sanctions relief would be appropriate. However, Iran will only enjoy sanctions relief under the JCPOA if it complies with its nuclear constraints. I fully appreciate the need to communicate with Congress on our Iran sanctions, and will plan to do that, if confirmed.

QUESTIONS SUBMITTED BY HON. PATRICK J. TOOMEY

TAX POLICY

Question. President Biden has proposed several changes to the way U.S. corporations are taxed, including amending provisions of the 2017 Tax Cuts and Jobs Act (Pub. L. 115–97). Among those changes President Biden has called for are significant modifications to the tax levied on "global intangible low-tax income" (GILTI). Under current law, this category of income is subject to a minimum tax of between 10.5 and 13.125 percent annually. As such, the United States is the only advanced economy that imposes a foreign minimum tax on the active foreign-source income of domestically headquartered multinational companies. The GILTI tax, in addition to other anti-base erosion provisions in the 2017 tax reform, was specifically designed to discourage profit shifting, and, along with the corporate income tax rate deduction, encourage U.S. companies to invest more in the U.S. rather than offshoring profitable economic activity.

Specifically, President Biden's proposal would assess GILTI on a country-by-country basis as opposed to the current aggregate approach; eliminate GILTI's exemption for deemed returns under 10 percent of "qualified business asset income" (QBAI); and double the tax rate assessed on GILTI. On the whole, these changes would make U.S. multinationals less competitive than they are today with a larger tax liability and a greater likelihood of inverting.

If the proposed legislative changes to GILTI are adopted along with an increase in the corporate rate, do you acknowledge U.S. multinationals would face higher effective tax rates and thus become less competitive than they are today?

Would a higher tax burden on U.S.-based multinationals make it less likely that a newly formed, or existing, U.S. multinational company would locate its headquarters in the United States?

Answer. During the presidential campaign, the President proposed raising the corporate tax rate to 28 percent—which is the midpoint of the pre-2017 level and the rate imposed after the tax act. At 28 percent, the corporate tax rate would be substantially below the level that had been in place for decades.

The Biden agenda would couple this tax change with massive investment that would benefit American businesses of all stripes and improve our international competitiveness. This includes a sweeping plan to bolster America's infrastructure, ranging from surface transportation to broadband to airports and waterways. The plan would allow billions of dollars to worker training and college education, in addition to apprenticeship programs—all of which would raise the productivity of American workers. The Biden plan allocates hundreds of billions in research funds for renewable energy and other economic priorities, which ultimately make us more competitive on the world stage. Finally, President Biden has advanced a plan to quickly distribute vaccines to households while also providing a lifeline for the American economy. These critical actions will help businesses across the country, including those that are subject to the higher 28-percent corporate tax rate.

Finally, if confirmed I commit to vigorously engage in the OECD/G20 negotiations to reform the international tax system. A global minimum tax agreed to at the OECD would stop the destructive global race to the bottom on corporate taxation. Indeed, any gap between the US minimum tax rate and a globally agreed rate would likely be smaller than the gap that exists today under the rules enacted under the Tax Cuts and Jobs Act.

Congress relied on the Treasury Department to fully implement the Tax Cuts and Jobs Act consistent with congressional intent. Over the last 3 years, Treasury has issued various regulations to carry out this responsibility. Taxpayers have made plans and investment decisions in accordance with the law and accompanying regulations. It is important that taxpayers be able to rely on the established law and regulatory implementation.

Question. Do you intend to use Treasury's regulatory authority to alter or repeal regulations pertaining to implementation of the Tax Cuts and Jobs Act?

If so, will you and other Treasury officials consult with Congress in a bipartisan manner prior to exercising rulemaking authority?

Answer. I will work to ensure the country's tax laws are implemented and enforced fairly. Any review of regulation will seek to ensure they are consistent with the law. Going forward, the Treasury Department will work in coordination with Congress on important issues such as these.

Currently, the OECD is in the midst of multilateral negotiations on tax challenges arising from digitalization. Negotiations thus far have centered upon two "pillars," one focusing on allocation of taxing rights and the other on a global anti-base erosion proposal.

The Trump administration was at first extensively involved in the negotiations, and expressed support for reforming the international tax system in order to provide for greater tax certainty and so that countries will drop their digital services taxes. However, negotiations were put on pause in 2020.

Question. As Treasury Secretary, will you commit to re-engaging in multilateral negotiations through the OECD process to address issues of tax challenges through digitalization?

Answer. If confirmed, I will commit to vigorously engaging in a cooperative multilateral effort to address base erosion and profit shifting through the OECD/G20 process, and to working to address the tax challenges raised by the digitalization of the economy in that context.

Question. Will you commit to closely examining the economic effects of any proposals on diverse sectors of the U.S. economy, and to supporting policies that promote long-term growth, as well as a transition period during which the new rules are implemented?

Answer. I appreciate your concern regarding the economic effects of any agreements reached in the OECD negotiations. If confirmed, I commit to examining the economic effects of any OECD proposals, and to supporting policies that promote equitable growth.

Question. Will you commit to keeping the Senate and the members of the Senate Finance Committee updated on the progress of the negotiations, and to bringing any final agreement back to the Senate to discuss with members of this committee?

Answer. If confirmed, I will commit to keeping the Senate and the members of the Senate Finance Committee appropriately updated on the OECD/G20 negotiations. Further, any treaty arrangements would of course require the advice and consent of the Senate and I commit to satisfying any such requirements.

Instead of waiting for agreement at the OECD level, a number of countries have chosen to unilaterally implement their own digital services taxes (DSTs). As of January 15, 2021, over a dozen countries have already imposed DSTs, with many more countries having either published proposals or announced an intention to publish a proposal to enact a DST.

The details of these DST proposals vary by country, but the policy frequently discriminates against non-resident businesses and imposes double taxation. Additionally, the DSTs of certain countries appear to be designed to specifically target United States digital companies.

In retaliation for these DSTs, the Trump administration has initiated investigations under section 301 of the Trade Act of 1974, into DSTs that have been adopted or are being considered by a number of U.S. trading partners. In several of these investigations, the United States Trade Representative has authorized the use of tariffs as a response.

Question. Do you agree that a multilateral solution to digital taxation is a better approach than relying upon retaliatory tariffs?

Answer. I am aware of the concerns U.S. companies have raised about digital services taxes. I agree that retaliatory tariffs also impose costs of their own on American households. I am committed to a cooperative multilateral effort to address base erosion and profit shifting through the OECD/G20 process, and will commit to work to resolve the digital taxation dispute in that context.

Several Democrats in Congress have endorsed a financial transactions tax (FTT). One such proposal would levy a 0.5-percent tax on stock trades and a 0.1-percent tax on bond trades. A FTT would significantly damage capital markets by raising transaction costs, decreasing trading volumes, and reducing liquidity. Over half of American households are invested in equity and fixed-income securities—either directly or indirectly—so this proposal would be destructive for American investors. President Biden has not included a FTT in his official tax policy platform.

Question. Do you believe that a FTT would reduce liquidity in capital markets? Would it raise costs and lower returns for the majority of Americans who are investors?

Answer. You raise an important question about financial transaction taxes (FTT). As you may know, President Biden has not put forward a financial transaction tax proposal. FTTs vary widely in their design, and have different impacts on markets. I have not yet had an opportunity to study particular FTT designs and evaluate their impacts.

FINANCIAL STABILITY OVERSIGHT COUNCIL

Question. I am concerned about the Financial Stability Oversight Council's (FSOC) designations of Systemically Important Financial Institutions (SIFIs). A SIFI designation is troubling in part because it creates moral hazard: it formalizes an institution's "too big to fail" status and creates the expectation that the taxpayers will bail out a SIFI that falls into financial distress.

Also troubling is FSOC's history of exercising its SIFI designation powers. Under the Obama administration, FSOC made overreaching SIFI designations of non-banks in a manner completely lacking transparency, and without providing a clear path for de-designation. Perhaps the best-known example of this was FSOC's designation of MetLife. A D.C. District Court judge overturned the designation, holding that FSOC had acted arbitrarily and capriciously by ignoring its own guidance on designation and failing to do a cost-benefit analysis, the bedrock of reasoned regulatory decision-making in our system.

Since then, in 2019, FSOC issued a policy that made several improvements to the non-bank designation process. These included emphasizing that designation is a last resort, requiring cost-benefit analysis and an assessment not only of the impact of a risk but also the likelihood that it will be realized, as well as creating both pre-designation and post-designation "off-ramps" to help firms and regulators avoid or reverse SIFI designation by mitigating systemic risks.

Congress still needs to reform Dodd-Frank to prevent FSOC from reverting to its troubling prior patterns of engaging in over-designation and arbitrary processes. In the meantime, I hope that as the FSOC Chair, you will exercise restraint in making any SIFI designations, and commit to a transparent and fair process.

Will you commit that, if confirmed, you will ensure FSOC continues to treat SIFI designation as a last resort; maintains a clear process for SIFI designation; conducts cost-benefit analysis for all designations; and provides institutions with the opportunity to avoid designation and, if designated, a clear path to reverse such designation?

Answer. You have raised a series of important questions regarding the Financial Stability Oversight Council. I will respond to the series of questions in one set of responses.

The Financial Crisis exposed enormous weaknesses in our financial system, and in our system of financial oversight. The crisis crushed the U.S. economy and caused enormous devastation to businesses and families. Taxpayers were exposed to significant risks. The weaknesses in our financial system led to an extremely slow recovery that hurt millions of Americans. In response, Congress enacted the Dodd-Frank Act to reform financial regulation, including regulation of the non-bank financial sector that had caused so much harm to the American economy. One important aspect of the Financial Crisis was that non-bank firms such as AIG and Lehman Brothers were not subject to meaningful and effective prudential supervision at the Federal level.

Congress established the Financial Stability Oversight Council to bring together the financial regulatory community to identify and respond to emerging threats to financial stability, and to promote market discipline. The Council is tasked with identifying "risks to US financial stability that could arise" and "respond to emerging threats to the United States financial system." To help achieve this, the SIFI designation authority is statutorily provided in order for FSOC to address risks that non-bank financial companies may pose to U.S. financial stability in the event of their material financial distress or failure. FSOC should have the tools to protect our economy from systemic threats, whether they're presented by a single firm or actions by an array of firms.

I agree that designation should not be undertaken lightly, that there should be a clear process for designation, and that designation was never meant to be a one-way street. Procedures should require an annual review, and firms, if designated, should be regularly evaluated and are certainly able to adjust their business models to be less risky in an effort to be de-designated. As you may know, I disagreed with the procedural changes put in place by the prior administration because I think they did not show fealty to the statute Congress enacted and risked re-exposing taxpayers, households, businesses, and our economy to the failure of non-bank firms.

Question. In a virtual event hosted by the Brookings Institution in June 2020, you proposed to expand FSOC's power to regulate directly the activities of non-bank financial institutions. You said, in part: "I personally think we need a new Dodd-Frank. . . . We need to change the structure of FSOC and build up its powers to be able to deal more effectively with all of the problems that exist in the shadow banking sector. I think the structure is inherently flawed. I think the agencies need a definite financial stability mandate."

Expanding FSOC's role to allow it to directly regulate financial stability, instead of coordinating the activities of regulators, would also entrust regulation of specific markets to a body made up of the heads of agencies with highly specific regulatory specialties and expertise in distinct and disparate regulated markets. This means that FSOC has members, who lack expertise in particular types of activities or regulated entities, but would be responsible for devising and implementing a compulsory regulatory regime to govern these same businesses.

Additionally, FSOC represents a highly politicized viewpoint. Its members are the political heads of all of the financial regulators. Despite purporting to represent several multi-member commissions with commissioners from both political parties, FSOC's members are the heads (*i.e.,* chairs) of those commissions. They are not obligated to submit their FSOC activities to a vote by their commissions, and can act unilaterally. And, FSOC is significantly less transparent and accessible than the underlying agencies.

Question. What do you consider to be "shadow banking" organizations?

Answer. One way that is commonly used to describe non-bank firms that engage in activities similar to banks is to describe them as "shadow banking" organizations. The term is meant to encapsulate a range of activities that may pose systemic risk to the financial system.

Question. As a practical matter, the financial regulators have extraordinary powers over the institutions they regulate. What additional regulatory powers are you suggesting FSOC should receive?

If FSOC or any of its component regulators were to identify a new problem in the regulatory system that they lacked the authority to address, wouldn't the appropriate response be to come to Congress and recommend that the duly elected representatives of the people enact legislation to address the problem rather than increasing the already vast powers of the financial regulators?

Answer. With respect to the important questions you raise, I would suggest that while the independent financial regulatory agencies and FSOC have significant authorities, it is difficult to regulate systemically risky activities that cut across markets. If I am privileged to be confirmed as Treasury Secretary, I would look forward to working with the members of FSOC and the Congress to explore these questions further.

I am concerned about recent proposals to advance a liberal environmental policy agenda through the regulation of banks and other financial institutions. Particularly troubling are calls to implement climate stress tests on banks. Financial regulators lack the expertise to make environmental policy.

More importantly, generating environmental regulation is not the mission of financial regulators. Rather than regulating the safety and soundness of a financial institution, climate stress tests and other climate policies in the banking space are designed to prevent those institutions from holding certain assets as a form of indirect punishment against disfavored industries such as oil and gas. Moreover, the climate stress tests are not a function of climate change itself impacting the firm's assets, but rather the risk that government—specifically unelected bureaucrats—will implement policies to ban or restrict them. Thus, climate change regulation is a self-fulfilling prophecy for the government: your oil and gas assets are unprofitable because we have decided to make them so.

Moreover, as the last year has demonstrated, banks are in a resilient position even when facing a severe unexpected financial downturn. As Federal Reserve Governor Randy Quarles noted in November 2020: "Liquidity and capital remain high and, indeed, have increased at our largest banks over the course of the COVID event. Firms have sharply increased their reserves, setting aside resources today against losses they may incur tomorrow. Banks are well positioned to serve as a bulwark against broader financial and economic stress." Adding an additional stress testing regime to the existing one would impose significant economic costs, but is not likely to result in a material additional benefit to stability.

Question. Will you commit not to use the Treasury Department to advance environmental policy through financial regulation?

Will you commit not to use FSOC to urge other agencies to advance environmental policy through financial regulation?

Answer. In the questions above, you raise important questions about the connection between environmental policy and financial regulation. I agree with Federal Reserve Chairman Jerome Powell that it is important for financial regulators to assess all the risks facing the financial system, including risks from climate change. If I am privileged to serve as Treasury Secretary, I would look forward to working with the members of FSOC and the Congress to explore these questions further.

CAPITAL MARKETS

Question. Despite the efforts of the Securities and Exchange Commission (SEC) over the past 4 years, it still appears to be too costly for a company to go and stay public. Going public used to be a capital-raising event but it is now all too often a liquidity event for early investors like venture capital funds and a company's founders. The 1990s saw an average of around 550 IPOs annually. During the last decade, the number of IPOs were almost one-third that figure, at around 200 annually. Similarly, during the 1990s there was an annual average of about 7,200 total public companies. Now, there are 40 percent fewer public companies, with an annual average of around 4,300 public companies. Although there was an increase in IPOs in 2020, a number of these IPOs were non-traditional special purpose acquisition companies (SPACs). Thus, 2020 may represent an aberration from the long-term decline of IPOs. Do you agree that part of the IPO decline can be addressed by lowering the costs of going and staying public?

Answer. You raise important questions about the structure of our capital markets and the vitality of the American economy. The causes and consequences of changes in the composition of capital markets and American businesses are complex. If I have the privilege of being confirmed as Treasury Secretary, I would look forward to studying these issues further and to working with the Congress on these important matters.

Question. In October 2017, the Treasury Department released a report and recommendations on improving the capital markets. Which recommendations in the report do you agree with?

Answer. The United States has the deepest and most liquid capital markets in the global economy. The President is committed to maintaining a sound economy and confidence in our financial system. If confirmed, I look forward to studying the findings of the 2017 report to see how Treasury can build even further on our already-strong capital markets while ensuring strong investor protections.

Question. Going public may not be appropriate for all businesses, such as a small family-run business. Private markets play an important role in capital formation and job creation. Two years ago, new companies accounted for more than 25 percent of all employment gains. According to the SEC, in 2019, registered offerings accounted for $1.2 trillion (30.8 percent) of new capital raised, while exempt offerings accounted for approximately $2.7 trillion (69.2 percent) of new capital raised. Do you agree that private markets are important to the economic growth of the United States?

Answer. I agree with you that both public and private markets are important to the economic growth of the United States. If I am privileged to be confirmed as Treasury Secretary, I would look forward to working with you on these issues.

Question. A small business in need of $500,000 often cannot raise that amount of funds from friends and family. However, $500,000 is often too small of an amount for a bank to make a loan or a venture capital firm to make an investment in a small business. How would you encourage further capital formation to fill this need?

Answer. I agree with you that small businesses often have critical capital needs that are not being met. Small businesses are the bedrock of the American economy and of our communities. Oftentimes, small businesses struggle to get access to bank loans, and venture capital investments are even harder to obtain, especially for businesses not located in a handful of large cities with significant venture capital presence. These means that many small businesses all across the country that would otherwise be successful founder through no fault of their own. Congress took an important step in the Omnibus legislation by providing additional small business relief and creating a new initiative at Treasury to support Community Development Financial Institutions that serve small businesses and other borrowers in economically distressed communities. If I am fortunate enough to be confirmed as Treasury Secretary, I would be honored to work with you and other members of Congress to expand access to capital for small businesses throughout the United States.

Question. Entrepreneurs, including minority and female entrepreneurs, need capital to transform their ideas into new businesses that will create jobs. Would minority and female entrepreneurs benefit from more opportunities to raise capital in the private markets?

Answer. I agree with you that entrepreneurs, including minority and female entrepreneurs, need better access to capital to launch and grow their businesses and to create jobs. There are a wide variety of potential ways to improve access to capital for entrepreneurs, and if confirmed as Treasury Secretary, I would look forward to working with Congress on strategies to expand access to capital for entrepreneurs.

Question. Retail investors could benefit from increased diversification of their investment portfolios and potentially higher investment returns if they had increased access to private investments, such as venture capital and private equity. Defined benefit plans frequently invest a portion of their assets in private investments. A 2018 study by the Center for Retirement Research indicates that a defined benefit plan may hold, on average, 19 percent of its assets in private investments. However, most Americans do not have a defined benefit plan and currently there is very little or no exposure to private investments in target date funds offered by employers' 401(k) plans. Do you support providing employees at least a limited exposure to private investments through diversified funds with long investment horizons, such as target date funds designed for workers with a retirement date more than 20 years in the future?

Answer. I agree that diversification in investments is a desirable outcome in principle, but there are many possible options for achieving that outcome. I look forward to studying this issue further, as building wealth for the middle-class, closing racial wealth gaps, and protecting the retirement safety of American workers are top imperatives for this administration.

DATA COLLECTION AND SECURITY

Question. In your role as Treasury Secretary, will you explore how to modernize data collection and data standards for Federal agencies, particularly to enhance data security and consistency and coordination between such agencies?

Answer. If confirmed as Treasury Secretary, in my role as chair of FSOC, I will work with the financial regulatory community and the Office of Financial Research to review existing data capture standards and practices. The goal will be to ensure that the Federal Government is able to make the most informed and transparent policy decisions possible, informed by secured processes and consistent metrics.

NATIONAL SECURITY

Question. The Office of Foreign Asset Control (OFAC) within the Treasury Department administers economic and trade sanctions based on U.S. foreign policy and national security goals.

Will you commit to have OFAC work with my staff to identify the ways in which current sanctions laws on North Korea and China, including the BRINK Act (Pub. L. No. 116–92) and the Hong Kong Autonomy Act (Pub. L. No. 116–149), can be more rigorously implemented?

Answer. Yes, I can commit to having OFAC personnel discuss with your staff the current sanctions on North Korea and China, including whether the current sanctions are effective and whether such sanctions should be strengthened and, if so, how to do so.

Question. Do you agree that Iran is the world's largest state sponsor of terrorism?

Answer. Yes. I do agree with that statement.

Question. Unless an Iranian government entity designated by OFAC as a Specially Designated Global Terrorist (SDGT) has permanently and verifiably ceased its support for terrorism, do you agree that lifting, rescinding, or significantly weakening such a designation would result in the Iranian government's enhanced capacity to support, finance, or commit acts of terrorism?

Answer. The Biden-Harris administration has made a commitment, as part of an overall review of the United States' posture toward Iran, to review current U.S. sanctions on Iran. I believe such a review should take into account how the lifting or lessening of such sanctions might impact Iran's ability to support terrorism and how to counter such support as effectively as possible.

Question. Will you commit to have OFAC provide regular and reoccurring staff-level briefings on the Iran sanctions program to the Senate Banking Committee while you are Treasury Secretary?

Answer. Yes, I will commit to working with the Senate Banking Committee to ensure that adequate briefings are provided on the Iran sanctions program.

Question. A primary goal of the Financial Crimes Enforcement Network (FinCEN) within the Treasury Department is to safeguard the financial system from illicit use and combat money laundering-related crimes, including terrorism. In 2011, under President Barack Obama, FinCEN found Iran was a jurisdiction of "primary money laundering concern" under section 311 of the PATRIOT Act. In 2019, under President Donald Trump, FinCEN finalized its finding that Iran was a jurisdiction of primary money laundering concern and took special measures to ensure that the Iranian financial system remained closed off from the United States.

Do you agree with the determinations made by FinCEN during the Obama and Trump administrations that Iran is a jurisdiction of primary money laundering concern?

Answer. Yes, I believe Iran is a jurisdiction of primary money laundering concern.

Question. Will you keep in place the Treasury Department's section 311 special measures on Iran as long the country continues to finance terrorism and fails to clean up its financial system?

Answer. I believe we should keep in place various rigorous restrictions on Iran targeting its malign support for terrorism until such time as this ceases. I also believe that we should closely examine all such measures in the policy review the

Biden-Harris administration will be conducting regarding the United States' overall posture toward Iran.

Question. The FY21 NDAA (Pub. L. No. 116–283) instructs the Director of FinCEN to "reach out to members of the small business community" when promulgating the regulations needed to carry out title LXIV of the law, which establishes new beneficial ownership reporting requirements. How will the Treasury Department implement this directive and how will it ensure that its regulatory process adheres to the Regulatory Flexibility Act (5 U.S.C. § 601 et seq.)?

Answer. I agree strongly on the need for Federal banking agencies, including but not limited to FinCEN, to consult with the small business community when promulgating regulations, including on the promulgation of rules and guidance to implement the beneficial ownership reporting requirements. If confirmed, I will ensure this consultation occurs.

Question. The United States dollar serves as the world's premier reserve currency. What level of U.S. public debt is a threat to the dollar's status as the world's reserve currency?

Answer. There are important reasons that the U.S. dollar is the world's dominant reserve currency. The United States has the largest economy, and the deepest and most liquid capital markets. We are committed to maintaining a sound economy and confidence in our financial system. Indeed, the Biden-Harris administration will make investments in the American people that will accelerate the U.S. economic recovery and lay the foundation for a strong and equitable U.S. economy in the years ahead. The world can be certain that the United States will not seek a weaker currency to gain competitive advantage.

QUESTIONS SUBMITTED BY HON. TIM SCOTT

Question. As I noted at your nomination hearing on Tuesday, we recently passed into law a historic, bipartisan $900-billion package to address the ongoing COVID–19 pandemic through additional targeted relief. This package provided more than $80 billion for schools to reopen safely, supported greater investment into rural broadband, sent more than $280 billion to restart the PPP for a second round, and even provided a second round of direct relief checks to Americans.

Yet here we are again, less than a month later, preparing to see another $1.9 trillion dollar package rammed through by way of President Biden's American Rescue Plan. The American Rescue Plan includes a third round of stimulus checks to the tune of $1,400-per-person, raises the Federal minimum wage to $15 an hour, and includes $400 per week enhanced unemployment benefits. With $4 trillion added to the debt last year alone, our national debt is now at its highest level relative to our economy since the end of World War II. At some point, we will start paying a price for this.

In your opinion, at what point should we start taking serious action to rein in the debt?

Should the mounting debt influence the size of additional COVID relief packages, and, in your view, when and how will we know that enough stimulus spending has been achieved?

Answer. As I said at my hearing, I agree that it is essential that we put the Federal budget on a sustainable path. But, I believe the most important thing we can do to achieve that goal is to defeat the pandemic, provide relief to the American people and make critical investments that will help the economy grow. To avoid doing that would run the risk of causing greater long-term fiscal damage. So, I agree that the long-term fiscal trajectory is a cause for continuous focus and attention, but I believe addressing that issue over the long term requires first taking sufficient and appropriate action to take on the pandemic and address the current economic crisis.

Question. As we know, the American Rescue Plan also includes $400 per week in enhanced unemployment benefits. However, this $1.9 trillion package seemingly skips over the opportunity to pair this with incentives for workers to build skills during this time. Such incentives allow workers to combat skill atrophy and re-enter the workplace from a more competitive place. The Skills Renewal Act, which I joined Senators Sasse and Klobuchar in introducing last year, would resolve this issue by creating a new, targeted credit for skills building.

Are you supportive of incentives to drive skills building and economic mobility, and do you believe concepts like this should be included in future COVID relief packages?

If confirmed, will you commit to working with me to achieve greater incentives for skills building, in particular for low-income Americans?

Answer. I believe that alongside efforts to provide financial relief and assistance to the unemployed and to struggling households, there is an important role for building skills and providing new opportunities for upward mobility. As we develop legislation to respond to the immediate crisis and build a strong recovery I would—if confirmed—welcome the opportunity to work with you to improve opportunities for skills building that can provide existing workers and the unemployed paths to higher-paying jobs.

Question. The American Rescue Plan would also increase the Federal minimum wage to $15 an hour. In July of 2019, the CBO released a report finding that raising the Federal minimum wage to $15 an hour could cause up to 3.7 million people to lose their jobs. In particular, the consequences will be especially brutal for small businesses, which already operate within razor-thin budget margins.

Taking into account the plethora of other forms of direct assistance provided in this $1.9 package, was there any consideration for a more moderate figure or delaying when this would go into effect?

Was there any consideration given for how this would harm small businesses, which employ nearly half of all Americans and which have already suffered a 32-percent reduction in revenues because of the pandemic?

Answer. The proposal to raise the minimum wage seeks to address the imbalanced nature of the recovery and will benefit millions of essential workers. I believe the workers who have risked their health to provide necessary services to American households should be paid a wage that allows them to afford basic necessities like food and rent.

The minimum wage increase would be phased in over time, giving small businesses plenty of time to adapt. This increase would also unlock billions of dollars of consumer spending that would fuel demand for the essential goods and services small businesses provide. With more revenue, small business owners could pay their employees higher wages—which will increase productivity and retention—and invest in new equipment, expand their operations, and grow their business.

Question. As you may know, my home State of South Carolina is a manufacturing powerhouse and a leader in trade. Under the Trump administration, and prior to the pandemic, we saw 1.2 million new manufacturing and construction jobs created here in the U.S., thanks to the pro-growth policies we put in place. Yet the ongoing trade wars have undoubtedly also restricted the ability for firms to experience greater growth and expansion. One thing I continue hear from my constituents is, "when are the tariffs going away?"

Your predecessor, Secretary Mnuchin, was very active in negotiating the China Phase One deal as well as other measures related to tariffs. If confirmed, how will you address the continued use of tariffs?

Answer. President Biden will review all aspects of the Trump administration's trade policies toward China, including how completely Beijing has lived up to the terms of the Phase One agreement negotiated with the Trump administration. As part of his review, the President will consult with allies to galvanize collective pressure on China and support American workers and businesses.

Question. What kinds of monetary, fiscal, and tax policies do you believe would most help improve the lives of those who work in our manufacturing sector?

Answer. America needs a stronger, more resilient domestic supply chain in a number of areas supporting domestic innovation, U.S. jobs, and national security. President Biden is calling for new incentives to spur domestic production of critical products in the United States. This will include new targeted financial incentives, including tax credits, investments, matching funds for State and local incentives, R&D support, and other incentives to encourage the production of designated critical materials such as semiconductors in the United States. He is also calling for the U.S. to close supply chain vulnerabilities across a range of critical products on which the U.S. is dangerously dependent on foreign suppliers.

Question. What in your view are the most important policies you would pursue as Treasury Secretary to promote an innovative and competitive manufacturing sector?

Answer. There is a wide array of policies that can help improve the strength of American manufacturers. This includes reforming and eliminating harmful tax policies which reward offshoring and penalize U.S. companies for manufacturing within U.S. borders, including some of the international tax reforms enacted as part of the Tax Cuts and Jobs Acts. In addition, government procurement can prioritize products made by American companies employing American workers, as in the policy laid out by President Biden during the campaign which promised to shift critical supply chains back to the U.S. through expanded procurement purchasing power. Empowering domestic manufacturers also includes pursuing innovative policies, like the Manufacturing Extension Partnership, which provides technical assistance to small manufacturers. Lastly, like all small businesses, American manufacturers benefit from accessible and affordable access to capital to grow and expand their businesses, and, if confirmed, I would prioritize policies that provide much-needed capital to aspiring entrepreneurs.

Question. As you know, I have a professional insurance background from my time before Congress as a small business owner serving policy-holders that are now my constituents. I believe that the International Capital Standard (ICS) framework as proposed would negatively impact the U.S. insurance market and its consumers, specifically as it relates to long-duration products like annuities that fill a critical need for South Carolinians who depend on these fixed-income products to support themselves during retirement. The ICS would increase the costs associated with offering these long-term products and make them less readily available. Furthermore, the ICS would negatively impact the ability of U.S. insurers to bring new and more affordable products to market that fulfill the growing and changing financial needs of everyday Americans.

The European regulators that have dominated this process thus far oversee markets with much different conditions than ours here at home. They lack the State guarantee funds we have to protect consumers in the event of an insurer default or insolvency. They lack a robust private-sector retirement product market like the one we have. We should reject foreign rules of the road when they pose a threat to the prosperity and well-being of the American consumer.As a member of "Team USA," the Treasury Department has advocated for the recognition of our policyholder-centric, State-based U.S. insurance regulatory system by the International Association of Insurance Supervisors (IAIS). It is imperative that the U.S. regulatory capital framework is recognized internationally so that American consumers and insurers are not adversely affected by the application of an ICS that was clearly not designed to meet our needs.

Will you be a strong voice as Treasury Secretary to advocate internationally for the recognition of the U.S. insurance regulatory capital framework? If so, how specifically?

Related to regulatory capital, the IAIS is in the second year of a 5-year monitoring period that will end in a decision as to whether the Aggregation Method (AM), which leverages the results of our existing regulatory capital framework, produces comparable outcomes to the ICS. The Treasury Department's Federal Insurance Office plans to complete a study of the impacts that ICS adoption will have on the U.S. consumers, insurers, and insurance markets. Under your direction, how would FIO plan to use the study and its results in order to support the assessment that the AM and ICS produce comparable outcomes?

Answer. It is critical that international regulatory standards are designed to serve different markets with diverse structures and needs. When it comes to the U.S., this means respecting our system of market-based insurance provision and State-based insurance regulation. I am committed to engaging with international bodies like FSB and IAIS to achieve regulatory outcomes consistent with the interests of American market participants and State-based regulators, and I will continue the Federal Insurance Office's efforts to study the effects of ICS on U.S. insurance markets. I look forward to studying this issue further and incorporating this research into my approach to advocating on behalf of U.S. insurers and State regulators, if confirmed.

Question. It has now been over 11 years since the government bailed out Fannie Mae and Freddie Mac and placed the institutions into conservatorship. Under the Trump administration, former Treasury Secretary Mnuchin and former HUD Secretary Carson, in consultation with FHFA Director Calabria, developed a plan for administrative and legislative reform of the Federal housing finance system. While those reformative actions have been a positive step forward, the GSEs are still more highly leveraged then they were before the financial crisis and taxpayers remain on the hook in the event of the next market downturn. I remain strongly committed to comprehensive reform of our housing finance system by Congress and look forward to working with Ranking Member Toomey and Treasury on this issue.

In your view, what role should the government play in providing an explicit backstop to the GSEs?

If confirmed, how will you work with FHFA to address housing policy and build on the achievements of this administration in the near-term?

Answer. You raise important questions about the housing finance system. We need a system that promotes financial stability, protects consumers and taxpayers, and provides stability and affordability to households. A core feature of the U.S. housing finance system is the 30-year fixed rate mortgage. I look forward to working across the administration and with the Congress in support of these goals, if confirmed. Treasury's support for Fannie Mae and Freddie Mac as set forth in the Preferred Stock Purchase Agreements has been crucial to providing stability throughout the conservatorship. I look forward to carefully reviewing the recent changes reflected in the agreements.

Question. During your tenure at the Federal Reserve, you were intimately involved in systemic risk regulation and have significant experience on FSOC. I was especially pleased by your recent exchange with Senator Toomey during Tuesday's hearing in which you indicated that you are supportive of FSOC emphasizing an activities-based approach to systemic risk instead of favoring designating individual entities as systemically important.

Should FSOC be required to follow a transparent framework for designating individual entities as systemically important after it exhausts all other alternatives?

Answer. As you know, the key tenant of the FSOC is to coordinate among regulators so that significant risks to our economy do not go unaddressed because they do not fall wholly into the purview of one regulator's jurisdiction. My view is that the FSOC should address risks whatever their origin. But our focus must remain on stability in our financial system and ensuring that we are prepared to mitigate market disruption in times of stress.

I understand that the legal landscape has shifted somewhat since the Obama administration, but I believe the FSOC should have the tools to protect our economy from systemic threats, whether they're presented by a single firm or risky actions by an array of firms. I understand this is an important issue, and if I have the honor of being confirmed, I look forward to working with you as we refine our process for activities-based approach.

Question. As you may know, last year 3.2 million baby boomers retired, effectively doubling the amount of retirees from 2019, according to the Department of Labor.

As America's aging population grows, what is your approach to ensuring a secure retirement, especially for our most vulnerable populations?

Answer. Having a strong Social Security program is essential in order to ensure a secure retirement for all Americans, especially for our most vulnerable populations. President Biden has called for a Social Security reform package that would boost benefits for vulnerable beneficiaries—including widows and widowers, workers with low lifetime incomes, and older beneficiaries—and provide an across-the-board increase for all beneficiaries. The plan also improves the long-run fiscal position of the Social Security Trust Fund by asking wealthy taxpayers to pay the same rate on their income as other workers. I look forward to working with Congress to ensure the strength of the Social Security program for decades to come without burdening middle-class taxpayers, if confirmed.

In addition, President Biden is committed to reforming the tax benefits associated with individual retirement saving so that all Americans are supported in their efforts to save for retirement. I look forward to studying this issue further, as building wealth for the middle-class and closing racial wealth gaps is a top imperative for this administration. Finally, older workers have experienced enormous job loss in our current recession. Helping older workers who were not yet ready to retire return to work is an essential part of ensuring that they will be prepared for retirement.

QUESTION SUBMITTED BY HON. BILL CASSIDY

Question. In the Consolidated Appropriations Act of 2020, Pub. L. 116–93, I was able to secure funds for the Financial Crimes Enforcement Network (FinCEN) to contract with an external vendor to thoroughly assess the risk that Trade-Based Money Laundering (TBML) and other forms of illicit finance pose to our national security.[7]

The inclusion of this funding stemmed from the FY2020 Financial Services and General Government Appropriations Act.[8] Further detail on the study is provided here:

> *Trade-Based Money Laundering.*—The United States has robust anti-money laundering and counter-terrorist financing regulations in place, yet transnational criminal organizations and terror organizations continue to fund their illicit operations. Rather than utilizing the formal financial system, many of these entities fund their organizations and operations through the use of trade transactions, known as trade-based money laundering (TBML). TBML disguises proceeds of crime by moving value through trade transactions. It is very hard to identify and investigate, which is why the use of trade to launder money has become such an attractive option to criminal and terrorist organizations.
>
> The Federal Government achieves an impressive level of success in identifying, investigating, and prosecuting money laundering offenses that occur through the formal financial system, yet TBML has been a challenge for U.S. agencies given the fluid nature of trade. Given that criminal and terrorist organizations use trade to finance their operations, it is necessary for the United States to understand the full breadth of risks posed by trade-based money laundering and other forms of illicit finance.
>
> The committee recommendation includes $2,000,000 for FinCEN to contract with an external vendor that will thoroughly assess the risk that TBML and other forms of illicit finance pose to our national security.[9]

Combating TBML is a top legislative priority of mine, and I am eagerly awaiting the results of the aforementioned study. Please provide me with an update on the status of the study. When do you anticipate completion of the study? Will you ensure that the study is a priority and that I receive monthly updates on its status until it is completed?

Answer. I agree that Trade-Based Money Laundering is a serious concern. If confirmed, I will promptly look into the status of the report and provide periodic updates to your office.

QUESTIONS SUBMITTED BY HON. JAMES LANKFORD

TAX

Question. In your appearance before the Senate Finance Committee on January 19, 2021, you made clear that recovering from the pandemic would be the first priority for the incoming Biden administration. You reiterated the need for the U.S. to be competitive and that we must encourage growth here at home. However, we also know that the incoming Biden administration has proposed increasing the corporate tax rate, reversing pieces of the Tax Cuts and Jobs Act, increasing the minimum wage, and imposing new regulations.

Can you confirm that tax increases will not be imposed while the economy and American businesses are still recovering from the pandemic?

Answer. If confirmed, my immediate priority would be taking the steps we need to address the current crisis—getting the pandemic under control, providing relief to struggling families and businesses, and supporting the communities that have been hardest hit. The American Rescue Plan that President Biden released reflects that focus, through measures that support the public health response and offer eco-

[7] *See* H. Comm. Prt. 38–678, at 635 (2019), available at: *https://www.govinfo.gov/content/pkg/CPRT-116HPRT38678/pdf/CPRT-116HPRT38678.pdf.*
[8] S. 2524, 116th Cong. (2019).
[9] S. Rep. No. 116–111, at 19 (2019), available at: *https://www.appropriations.senate.gov/imo/media/doc/FY2020%20FSGG%20Appropriations%20Act,%20Report%20116-111.pdf.*

nomic support to households. As I said in my testimony, in addition to this immediate relief, the President also intends to pursue measures that support a stronger economy over the longer term, and in that context, there will likely be opportunities to help pay for permanent investments through measures that close loopholes and ask the wealthy to pay their fair share.

Question. I am concerned about any tax increases on our small businesses, especially in the wake of a global pandemic. In response to questions from my colleagues, you've said the "focus is on providing relief, and on helping families and not on raising taxes," and that the administration would push for tax increases "longer-term."

When is longer-term and what economic signals will you be watching for before recommending a tax increase?

Answer. As I noted in my testimony, our first task is to provide immediate support to the economy by combating the pandemic, providing relief to families and businesses, and supporting hard-hit communities. In offering the American Rescue Plan, President Biden proposed an approach that would focus first on putting the Nation and its economy on a path out of this crisis. If confirmed, I would look forward to working with Congress to first pass these measures, and then to pursue policies that would build a stronger economy over the long term.

CHARITABLE GIVING

Question. As you may know, Congress enacted a non-itemizer charitable deduction last year, allowing single filers to deduct up to $300 in cash gifts (up to $600 for joint filers) for charitable donations that they make. Recent data has shown an uptick in small gifts since enactment, and charitable giving numbers for 2020 are expected to be the highest on record. While there are many reasons that Americans give to charity, the data suggests that the charitable deduction, now available to those taking the standard deduction, could have some impact on this increase.

Do you agree that tax incentives can encourage behavior, such as charitable giving, and that incentives like the charitable deduction should be available to all taxpayers?

Answer. A robust economic literature has established that tax incentives can in many cases influence behavior. In the case of charitable giving, it is likely that a diverse confluence of factors contributed to observed trends in giving, including those related to tax incentives and demand for services provided by charities owing to the pandemic. As Treasury Secretary, I would be committed to studying the impact of changes in tax law—such as the expansion in tax benefits for charitable giving—and helping to advance reforms that would enable the tax code to achieve its desired objectives. Moreover, I am committed to a fair and progressive tax code and will study the impacts of making such benefits available to a wider swath of taxpayers.

SOCIAL SECURITY

Question. According to the 2020 Annual Report from the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, released on April 22, 2020, on a combined basis, the Old-Age and Survivors Insurance and Disability Insurance trust funds will be unable to pay full benefits beginning in 2035. If confirmed, you would be Chairman of the Board of Trustees of the Social Security and Medicare trust funds and Managing Trustee.

In that role as Chair, do you believe that it is imperative that we address the trust funds' shortfall sooner than later?

Will you commit to working together to stabilize the long-term financial trajectory of the trust funds?

Answer. While the last report of the Trustees (issued in April 2020) found no material change in the solvency of Social Security relative to the prior year, this analysis was done for the pre-COVID period. COVID has accelerated the depletion of all major trust funds according to Congressional Budget Office projections released in September 2020. Strengthening Social Security is essential in order to ensure a secure retirement, especially for our most vulnerable populations. President Biden has called for a Social Security reform package that would boost benefits for vulnerable beneficiaries—including widows/widowers, workers with low lifetime incomes, and older beneficiaries—and also provided an across-the-board increase for all beneficiaries. The plan also improves thelong-run fiscal position of the Social Security

Trust Fund. It does this by asking wealthy taxpayers with more than $400,000 in wages to pay the same rate on their income as other workers. On the whole, President Biden's plan provides older Americans a more secure retirement. I look forward to working with Congress to shore up the Social Security program for decades to come without burdening middle-class taxpayers.

OCC

Question. Is it your opinion that under the National Bank Act a Federal charter requires deposit taking intuitions to engage in the "business of banking"?

Answer. You raise an important question about the legal interpretation of the National Bank Act by an independent Federal financial regulator, the Office of the Comptroller of the Currency. I respect the independence of the Comptroller of the Currency and I understand the importance of the question you are raising with respect to the OCC's interpretation of the National Bank Act. If confirmed as Treasury Secretary, I look forward to discussions with you on these important topics that have consequential implications for the future of banking and how we think about what banking is and should be.

SANCTIONS

Question. You mentioned in your testimony that you intend to conduct a review of all sanctions currently in place upon your confirmation to this position. If confirmed, you will inherit a broad portfolio of sanctions against Iran that have been enacted over the last 4 years.

Do you intend to pursue sanctions relief with Iran, or will you continue exerting pressure in an effort to prevent Iran from securing nuclear weapons?

What is your strategy to utilize these sanctions against Tehran for its nuclear enrichment activities? Do you intend to use the leverage these sanctions provide as a tool to secure concessions from the Iranian regime, and will you work with your interagency counterparts to pressure Iran to permanently suspend all uranium enrichment?

Do you intend to build on these sanctions with additional measures that target Iran's illicit activities and support for international terrorism?

Answer. With regard to the JCPOA, the Biden-Harris administration is committed to ensuring that Iran takes the appropriate steps to resume compliance with its nuclear commitments under the JCPOA. Iran will only enjoy sanctions relief if it complies with these nuclear constraints. Furthermore, if confirmed, I will coordinate with interagency partners on broader concerns with Iran and ensure that Treasury continues its important sanctions work to combat Iran's support for terrorism, abuse of human rights, and other illicit activities.

INTERNATIONAL DEVELOPMENT BANKS AND MULTILATERAL FINANCIAL INSTITUTIONS

Question. The Secretary of the Treasury is the Governor of the United States at the World Bank, International Monetary Fund, and Inter-American Development Bank.

Will you use the voice and vote of the United States to oppose loans to Iran and other state sponsors of terrorism by the IMF and World Bank?

Answer. The Executive Directors will represent and vote consistent with the U.S. position and U.S. law at these institutions.

Question. Will you use the voice and vote of the United States to oppose World Bank loans to countries such as China that have exceeded the graduation threshold of gross national per capita income?

Answer. The Executive Directors will represent and vote consistent with the U.S. position and U.S. law at these institutions.

Question. What is your strategy to leverage U.S. influence and to combat China's malign influence at these international financial institutions?

Answer. The Biden administration will be willing to make use of the full array of tools to hold China accountable. Our approach to date has focused on a unilateral approach—and, as a result, could have been more effective. Going forward, we should strive to meet this important challenge by building a united front of U.S. allies and partners, including through multilateral institutions, to confront China's abusive behaviors.

Question. China has increased its investments in Latin America as part of its Belt and Road Initiative. What is your strategy to utilize U.S. influence and leadership at the Inter-American Development Bank to provide an alternative to China's predatory lending to our friends in Latin America?

Answer. Competition with China, in Latin America and elsewhere, is one of the central challenges of the 21st century—and we also need to compete with China's economic statecraft. The Biden-Harris administration will craft an alternative vision that promotes democratic governance and transparency in our global health and development work. We will distinguish ourselves from China's approach to development, including the Belt and Road Initiative, by ensuring that social and economic safeguards are built into the projects we support. We will focus on partnerships and on strengthening local capacity. In addition, we will work with allies and partners to advocate for the highest environmental, social, and labor standards to promote development investments that are both beneficial and sustainable over the long term.

Question. How do you intend to approach Lebanon's request for emergency assistance from the International Monetary Fund? Will you use the voice and vote of the United States to deny Beirut's requests without clear, measurable commitments to public sector reforms and anti-corruption efforts?

Answer. The Executive Directors will represent and vote consistent with the U.S. position and U.S. law at these institutions.

Question. Will you oppose Special Drawing Rights (SDR) at the IMF for developing countries as a COVID relief measure if they will use some or all of the funds to pay back Belt and Road Initiative loans from China?

Answer. It is important that the IMF and World Bank are doing what they can to ensure developing countries have the resources for public health and economic recovery. We should also do what we can to get the most vulnerable countries the debt relief they need at this critical time.

I know that there are a variety of proposals out there. If confirmed, I will direct my team to analyze the full range of ways that the international community can strengthen its support for the most vulnerable countries during this emergency.

The Biden-Harris administration is committed to ensuring that creditors providing debt relief to poor countries are transparent about their respective exposures and agree to receive comparable treatment.

The imperative for disclosure and transparency is especially important for Chinese lenders. We will work together with allies, borrowing countries and multilateral institutions through the G20's new "Common Framework" to ensure comparable creditor treatment as well as ensure that scarce resources meant to alleviate health and economic burdens on the world's poor are not simply used to repay China or private creditors.

QUESTIONS SUBMITTED BY HON. STEVE DAINES

Question. Congress recently enacted legislation that would require small businesses to disclose information to the U.S. government about their beneficial ownership. The legislation, included in the National Defense Authorization Act, provides new authority to the Treasury Department to assist law enforcement with preventing criminal activity. I worry that this new authority could also unintentionally subject small businesses to new compliance costs and privacy issues.

Will you commit to working with small businesses, and other stakeholders, to address their concerns as the requirements for disclosure of beneficial ownership information go into effect?

Answer. I agree on the need for Federal banking agencies, including but not limited to FinCEN, to consult with the small business community when promulgating regulations, including on the promulgation of rules and guidance to implement the beneficial ownership reporting requirements. If confirmed, I will ensure that appropriate consultation occurs.

Question. In Montana, we have tribal and rural populations across the State that feel neglected by their Federal Government, which tends to focus on the loudest voices in big cities.

What will you do to make sure that tribal and rural interests in Montana and across America have their voices heard and reflected in Treasury's policies?

Answer. If confirmed, I will focus closely on ensuring that Treasury activities are designed and performed in ways that attend to rural and tribal communities, including by ensuring that appropriate communication and resources are made available through our recovery efforts. Tribal Consultations are conducted through the Office of Economic Policy and the Treasury Tribal Advisory Committee and advise the Secretary on matters related to taxation and dispensing technical assistance to Native American financial institutions officers. As Secretary, if confirmed, I will ensure that these areas act in concert and are more impactful. I will also work to remove obstacles and work with Congress on potential solutions to increase impact efficiency because I recognize that this crisis has hit tribal communities particularly hard and we have to ensure that they are getting the assistance that they need.

Question. China is rapidly innovating in the digital asset and financial technology space, beginning a pilot of a central bank digital currency in late 2020.

What are your plans to ensure the United States remains a cutting-edge leader in global financial services?

What are some concrete steps you plan to take to promote responsible innovation at the Treasury, specifically at FinCEN, OFAC and the OCC?

Answer. I believe the United States must be a leader in the digital asset and financial technology areas. This requires us to develop a regulatory framework that fosters innovation and promising new technologies while addressing legitimate concerns about the use of such technologies to finance terrorism and engage in other malign activities that threaten U.S. national security and pose risks to the financial system. I look forward to working with other Federal banking and securities agencies, the Federal Reserve, and Congress in developing and implementing such a framework.

Question. Secretary Mnuchin issued proposed rules in December 2020 that expands the reach of the Bank Secrecy Act (BSA) beyond its traditional scope as applied to digital assets, including, for the first time, customer counterparty requirements. Secretary Mnuchin did this without meaningful industry consultation and attempted to hold a truncated public comment period over the holidays. Will you pledge to revisit the scope of these rules to ensure adequate public comment and consistency with the past scope of the BSA?

Answer. I am aware of the rules proposed by FinCEN in December 2020 regarding how certain digital assets are treated under the Bank Secrecy Act. I agree on the need to ensure adequate consultation with and input from stakeholders If confirmed, I intend to ensure a full and substantive review of the proposals, which will include an assessment of how to ensure proper input from stakeholders.

Question. Certain digital asset characteristics may require paradigm-shifts in BSA supervision, *e.g.,* more use of digital asset analytics and other risk-based tools and less reliance on financial institution filings. This is especially important after the recent data breach at the Treasury.

Are you open to considering new BSA approaches that may be more effective in the financial technology space?

Answer. I agree that we need to look at BSA rules and oversight in light of the evolution of digital assets and other financial technologies. I understand that FinCEN in September 2020 issued an advance notice of proposed rulemaking regarding BSA reporting and other requirements, including the solicitation of comments on whether and how to use risk-based methodologies to improve anti-money laundering measures. I think the ANPRM is one means of soliciting and assessing whether risk-based approaches may be more effective, and I look forward to engaging with stakeholders to ensure that BSA reporting and oversight efforts are updated to address emerging risks and new means of promoting effective compliance.

Question. President Biden has stated he will prioritize financial incentives for the private sector to develop and implement a range of technologies to create jobs while reducing carbon emissions. One very promising, vital technology is Carbon Capture, Utilization and Sequestration (CCUS). Congress enacted section 45Q of the Internal Revenue Code on a bipartisan basis, and Treasury just last week published final regulations to implement those tax credits. These regulations will provide more legal certainty than had been the case previously, and it appears these regulations have widespread approval among the various interests supporting CCUS development. However, there is more that Congress can do to expand the value of the existing 45Q credits, the duration of the credits, and the applicability of the credits in order to induce the kind of expeditious and large scale implementation of CCUS technology that would appear to underlie the Biden administration's aspirations.

Can you please advise how you intend to facilitate the expanded use of the existing 45Q credits and whether the Biden administration will support efforts to expand the 45Q credit?

Answer. Climate change is an existential threat and one of the dominant forces shaping the world and our economy. Meeting this challenge is an urgent need, and I am committed to doing whatever I can to address this impending crisis. Using the tax code to set incentives for businesses and individuals to adopt climate-friendly policies is a critical tool in this battle. President Biden has been supportive of CCUS and of tax incentives to increase its availability and affordability. If confirmed, I will support the President in developing and implementing his climate agenda and using the tools at my disposal to tackle the challenge of climate change.

QUESTIONS SUBMITTED BY HON. TODD YOUNG

Question. As a response to the COVID–19 pandemic, last year Congress passed the two single largest relief packages in history. And just last week, President Biden proposed a nearly $2-trillion plan for further relief on top of his $5-trillion Build Back Better agenda.

While I believe the Federal Government's response to the economic crisis so far was vital, I can't ignore the effect this level of spending has had on our national debt, which continues to spiral out of control.

In testimony before the House last summer, you noted that despite the short-term importance of COVID relief, "at some point, we will have to think through how to ensure the long-run sustainability of Federal finances."

As the national debt approaches $30 trillion, how important do you believe it is for us to immediately prioritize the fiscal health of the U.S. government once our economy has recovered?

In FY 2020, the Federal budget deficit tripled from the previous fiscal year to over $3.1 trillion, largely in response to the pandemic. That being said, what realistic steps can be taken to slow or reverse course on this growing expansion of the Federal budget deficit?

Answer. I believe that the current economic crisis calls for robust fiscal support, but also believe it is critical that we put our country on a path towards long-term fiscal sustainability. In this vein, I've called for more fiscal support since the early days of the pandemic and continue to do so. Without question, we have to be conscious of our debt, but it's clear that fiscal stimulus to support the economy and the working families most affected by the impact of COVID–19 is our most urgent priority.

That being said, near-term fiscal support is not inconsistent with long-term fiscal sustainability, and the Biden administration will formulate policies to address these long-term fiscal concerns. During the presidential campaign, President Biden called for a series of offsets to pay for his permanent spending programs, proposed a Social Security reform package that would extend Social Security's solvency date, and introduced several health reforms that would bend the growth in health costs. Combined, these policies—coupled with pro-growth investments across the budget—will help drive down the debt relative to the size of the economy.

Question. A number of my colleagues have rightly asked you about the fiscal emergency that is our national debt. While I understand your concern to prioritize economic recovery in the immediate term, I was hoping to further understand your views on the contours of this crisis.

In your response to Senator Thune's question during the hearing regarding the danger of interest rates creeping back up if U.S. debt becomes a riskier investment, you noted that developed economies have experienced an environment of low interest rates since before the 2008 financial crisis. Further, you referred to certain "structural shifts" in those economies that will help to ensure the interest burden of our debt will remain steady as a percent of GDP.

Could you please expand on what these structural shifts have been and how they have contributed to the ongoing low interest rates in the developed world?

Considering the magnitude of the problem if interest rates did go up, what factors would you look for that may indicate rates are likely to rise?

Answer. There has been a shift in economic thinking quantifying the costs of rising debt. This shift in the projected link between debt and interest rates is driven by a complex and changing set of circumstances, including widely available capital for lending, enduring faith in the credit of the United States government, monetary decisions by the Federal Reserve, and the relative appeal of non-interest bearing assets. Naturally, these rates could experience a rise for a host of reasons. As Treasury Secretary, it would be incumbent upon me to closely monitor these factors and consult with the President and Vice President on the economic consequences of the trajectory of interest rates.

Question. The Federal Reserve's emergency lending facilities that were created by the CARES Act were allowed to expire at the end of 2020, with only a few seeing short-term extensions. Compared to programs administered by the SBA, these programs saw a slow rollout and reduced impact.

Do you believe the Federal Reserve should play a central role in further support for small and medium-sized businesses?

If so, are there any lending facilities in particular that you would be interested in reviving?

Answer. The country is currently facing an unprecedented pandemic that has exposed economic inequalities rooted in our system for generations. I believe that it is imperative that the government does its part to catalyze an economic recovery that is both equitable and sustainable, and supports policies that pursue these outcomes. Treasury will look to quickly and effectively implement the programs and support passed by Congress at the end of this past year. It will be critical to provide support to small businesses and individuals that are still struggling to make it through the crisis. The Federal Reserve will continue to provide support to the economy through its ongoing programs and the use of its available tools but as mandated by Congress, the 13(3) facilities funded by the CARES Act will not be available.

Right now, taking too little action poses the greatest risk to the health of our economy, the livelihoods of the American people who drive that economy, and future generations. I support, and will help the administration to pursue actions that provide aid to fully distribute the vaccine, reopen schools, deliver badly needed aid to State and local governments, support small business owners—and most importantly get people back to work. If I'm confirmed, I will look forward to working with your office and others in Congress to help to ensure that this additional support particularly gets to the small and mid-sized businesses that have been hardest hit during the crisis.

Question. On June 5, 2020, the United States Trade Representative (USTR) announced an investigation into the Digital Services Tax (DST) being implemented by several countries, expanding on the USTR's existing investigation into France's DST. Earlier this month, the USTR announced a suspension of planned retaliatory tariffs against France, a country that is set to raise almost $500 million from U.S. tech firms.

Absent an international agreement regarding the DST issue, how do you believe the United States should respond to the unilateral implementation of such taxes by other nations?

Answer. If confirmed, I will be strongly supportive of and firmly committed to cooperative multilateral efforts to work to resolve the DST disputes. If such disputes were not resolvable through international negotiations, I would work with the United States Trade Representative to determine our best alternative course of action.

Question. President Biden has made it clear that he would like to roll back many of the tax reforms achieved through the Tax Cut and Jobs Act of 2018 and implement a sweeping list of new tax increases.

While the revenue raised by his plan is estimated to pay for just under half of his proposed spending, analysis from the Tax Foundation and others indicate the long-term economic effect of this plan will reduce GDP by around 1.5 percent and eliminate some 500,000 jobs. In addition, as we discussed during the hearing, President Biden's proposal to increase the corporate tax rate would incentivize corporate inversion, further reducing the tax base. I have grave concerns about President Biden's plans.

What is your agenda for tax policy if confirmed as Treasury Secretary? What will you prioritize in the first year? What are your long-term goals?

Answer. Our Nation is facing unprecedented challenges. As we rebuild, we must pursue policies that promote equitable growth and restore American competitiveness. We must create an economy that works for everyone. I am intent on helping this administration build a sustainable and durable economy that is built on a foundation that prioritizes equity and inclusivity. President Biden and I believe that this economic recovery must be one that focuses on individuals and families and rewards hard work. These values must be reflected in our tax system as well. We recognize that our tax system cannot be tilted toward corporate interests and the wealthy, while those that are sustained predominately by wages bear an unequal burden. Biden will require corporations and the wealthiest Americans to pay their fair share.

In the short term, the emergency legislative package the President proposed last week included additional economic impact payments and expanded refundable credits. During the campaign, President Biden made longer-term proposals that included an increase in the corporate tax rate, reforms to ensure robust taxation of foreign profits, and requiring that families that make more than $1 million pay the same tax rate on their investment income that they do on their wages. I look forward to consulting with and working with Congress in both the short and long term to enact these proposals into law.

Question. How would you prevent corporations from moving their profits overseas in order to avoid the increased taxes proposed by President Biden?

Answer. I appreciate your concern with preventing profit-shifting and inversion transactions. President Biden has proposed reforms to the tax on global intangible low-taxed income (GILTI) that would ensure appropriate taxation of corporations' foreign profits alongside a higher statutory corporate rate. These changes to the tax on GILTI would discourage profit shifting abroad. In addition, a global minimum tax agreed to at the OECD would stop the destructive global race to the bottom on corporate taxation. A multilateral agreement along these lines would thus further discourage profit shifting and base erosion.

Question. Bitcoin and other digital and cryptocurrencies are providing financial transactions around the globe. Like many technological developments, this offers potential benefits for the U.S. and our allies.

At the same time, it also presents opportunities for States and non-state actors looking to circumvent the current financial system and undermine American interests. For example, the Central Bank of China just issued its first digital currency.

What do you view as the potential threats and benefits these innovations and technologies will have on U.S. national security? Do you think more needs to be done to ensure we have appropriate safeguards and regulations for digital and cryptocurrencies in place?

Answer. I think it important we consider the benefits of cryptocurrencies and other digital assets, and the potential they have to improve the efficiency of the financial system. At the same time, we know they can be used to finance terrorism, facilitate money laundering, and support malign activities that threaten U.S. national security interests and the integrity of the U.S. and international financial systems. I think we need to look closely at how to encourage their use for legitimate activities while curtailing their use for malign and illegal activities. If confirmed, I intend to work closely with the Federal Reserve Board and the other Federal banking and securities regulators on how to implement an effective regulatory framework for these and other fintech innovations.

Question. Over a dozen countries have now issued sovereign bonds with ultra-long-term maturity rates as long as 100 years. Some analysts have suggested the issuance of longer-term, lower-interest debt instruments here in the U.S. might have a positive effect on our national debt given the low interest rate environment.

While interest rates are low and knowing that our national debt is an ever-growing problem, what are your thoughts on these so-called "century bonds," and is this an issue the Treasury Department might revisit if you are confirmed?

Answer. President Biden is committed to fiscal responsibility and making sure that what we do now leaves future generations better off. The most important thing we can do today to set us on a path to fiscal sustainability is defeat the pandemic, provide relief to the American people, and make long-term investments that will grow the economy and benefit future generations. Today, the demand for existing Treasury instruments remains robust and is sufficient to meet US financing needs. Introducing new, ultra-long-term instruments would add new complexities to this market and deserves further study in light of the many factors that determine U.S. Treasury market policy.

Question. As a part of the Build Back Better agenda, President Biden has called for Federal investment in American research and development in order to counter China's push for technological dominance in the 21st century. Out of similar concerns, last year I introduced the Endless Frontier Act with Senator Schumer, which would increase Federal R&D spending, bring emerging technologies to the marketplace more quickly, and ensure the Federal Government's efforts reflected the importance of technology innovation in the decades to come.

Do you agree that the U.S. is at risk of losing our technological leadership in the world? If so, what role do you believe the Treasury Department can play in contributing to a robust foundation for innovative research in emerging technologies across the United States?

Answer. The U.S. has long been a technological leader on the global stage. Maintaining this leadership position requires continued investment in areas like research, technical assistance, education, and worker training—while also protecting intellectual property developed within our borders. The Biden administration has enthusiastically endorsed all of these strategies, and as Treasury Secretary I would be committed to finding the most effective ways to implement them. Indeed, the Treasury Department is a focal point on many issues relating to global competitiveness, ranging from tax policies that encourage investment in research to implementing policies to ensure free and fair trade with our competitors. If we embrace the strategies outlined by President Biden during the campaign, I believe we will maintain our position as a technological leader.

Question. We were facing a housing affordability crisis well before the pandemic, but COVID–19 has only exacerbated it. My colleague Senator Cantwell and I successfully fought for inclusion in the December 2020 COVID relief package a permanent minimum 4 percent credit rate for the Low-Income Housing Tax Credit (LIHTC). As you may know, LIHTC is a model public-private partnership that is responsible for virtually all of the affordable rental housing in our country built over the past 3 decades. This provision was part of Senator Cantwell's and my Affordable Housing Credit Improvement Act legislation, which would also increase the annual credit allocation, lower the "50-percent test" bond-financing threshold to protect the financial viability of projects that utilize Private Activity Bonds (PABs), and institute basis boosts to enhance projects focused on serving extremely low-income and formerly homeless households and rural and tribal communities.

Will you support further legislative measures to strengthen and improve LIHTC?

Answer. I am grateful for your leadership in expanding housing affordability through the Low-Income Housing Tax Credit and supportive of your work. The measure that Congress enacted through your leadership is a critically important initiative that will help to make the LIHTC more effective and to increase housing affordability across the country. If I am privileged to be confirmed as Treasury Secretary, I would be honored to work with you on additional measures to strengthen and improve the LIHTC.

QUESTIONS SUBMITTED BY HON. BEN SASSE

Question. Could you please expand on your answer to my question about how you would approach a review of our technological interdependence with China and clarify whether or not you believe that some degree of decoupling from China will be required in the next 4 years? Beyond investing more at home in manufacturing, infrastructure, and R&D sectors, what are the most effective coercive economic tools at Treasury's disposal to both encourage decoupling from China and to punitively address China's most egregious trade practices?

Answer. We need a comprehensive strategy and a more systematic approach that actually addresses the full range of these issues, rather than the piecemeal approach of the past few years. We have to play a better defense, which must include holding China accountable for its unfair and illegal practices and making sure that American technologies are not facilitating China's military buildup, human rights abuses, or other malign activities. The Biden administration will be willing to make use of the full array of tools to counter China's abusive practices and hold Beijing accountable. We also have to play a much better offense, by investing in the sources of our technological strength.

Question. In my opinion, Huawei is the textbook example of the supply chain problem the United States and the freedom-loving world faces with continued technological linkages with the CCP. The CCP's tech puppet with known security flaws cornered the international market for critical technology by using stolen IP and massive State subsidies. Can you use 5G and Huawei as a case study to reflect on how you think decoupling is unfolding in the 5G space and how it should, or should not, serve as a model for broader technological decoupling from China policy action?

Answer. President Biden is firmly committed to making sure that Chinese companies cannot misappropriate and misuse American technology—and to ensuring that U.S. technology does not support China's malign activities. I am not in a position to comment on specific regulatory actions, but I can assure that we intend to review these issues carefully and will be committed to protecting U.S. national security and America's technological edge.

Question. Can you please describe the CCP's military-civil fusion policy?

Answer. This is a very important matter. If confirmed, I will closely review the Treasury Department's role in responding to China's civil-military fusion policy

Question. Do you support Chinese companies having access to U.S. capital markets when these companies are neither as transparent as they should be or have known links to the Chinese military?

Answer. We need to address the challenges that China poses to our national security and economy. I agree that transparency and disclosure is critical to our capital markets. This is part of the reason why our capital markets remain the deepest and most liquid in the world. I look forward to working with regulators and my colleagues within the Biden administration to ensure that companies listed in the U.S. follow the law.

Question. Do you support sanctions and prohibitions on American companies and financial instruments investing in Chinese entities with close ties to the Chinese military?

Answer. As with many policy actions taken by the previous administration, the Biden-Harris administration will undertake a rigorous review to determine the appropriate policy response.

Question. Will you support the continued implementation of the November 12, 2020 E.O. prohibiting U.S. individual investors from investing in Chinese military companies and their subsidiaries, as defined by the DOD and placed on a public list authorized by section 237 of the 1999 NDAA (the so-called Pentagon PLA list)?

Answer. As with many policy actions taken by the previous administration, the Biden-Harris administration will undertake a rigorous review to determine the appropriate policy response.

Question. What economic tools are most effective to address the following: the endemic corruption in the Chinese Communist Party, the Party's ongoing genocide of Uyghurs in Xinjiang, and the crackdown on the pro-democracy movement in Hong Kong?

Will you commit to having Treasury lead a campaign of sanctions, investment restrictions, and whatever coercive economic measures are appropriate to hold the Chinese Communist Party accountable for corruption and human rights abuses in China?

What sanctions would you advocate to the President to impose if the PRC took military action against Taiwan?

Answer. I am committed to working in collaboration with my colleagues across the Biden administration to hold China accountable for its violation of international law. The Treasury Department has an array of tools at its disposal that can and should be effectively deployed to address these challenges.

Question. I read with interest some recent comments you made at the Asian Financial forum. I believe you commented in part that the agreement we will sign this week falls short in part because it leaves in place substantial tariffs. As a follow-on, I'd like to ask you the following. If it were the case that both China and the United States were suddenly to eliminate every bilateral tariff applicable to transactions in goods and services and we were to eliminate every non-tariff barrier to trade, would you expect the CCP to abandon:

Its pervasive practices of requiring IP transfers as an explicit or implicit contract term;

Its systematic and strategic harvesting of digital data from parties that consume digital services as a condition of commercial relationships and contracts concluded with Chinese firms;

Its domestic law that eliminates the legal barrier between "state-owned" and "private" firms domiciled in mainland China?

Doesn't it follow that a narrow consideration of relative tariff levels or other barriers to trade that act as taxes on commercial exchanges cannot fully capture the economics of trade between the U.S. and China?

Answer. China is America's most serious economic competitor. Strategic competition with China is a defining feature of the 21st century. China poses challenges to our security, prosperity, and values. China is engaged in conduct that hurts American workers, blunts our technological edge, and threatens our alliances and our influence in international organizations. Winning the economic competition with China requires us to make transformative investments at home in American workers, infrastructure, education, and innovation. We cannot maintain our edge over the long term unless we run faster at home. As President Biden has said, we need to be far more effective in galvanizing allies to join with us to push back on unfair Chinese practices that threaten U.S. values and interests. And we will be willing to make use of the full array of tools to counter China's abusive economic practices and hold Beijing accountable. In all of these areas, we look forward to working with you and with others in Congress to take on the China challenge.

Question. Is the PRC a market economy? Has it fulfilled its commitments under accession protocols to the WTO?

Should the U.S. and other market economies continue to grant the PRC the benefits of being a market economy in the WTO while they have not fulfilled their commitment after two decades?

Do you think China provides illegal subsidies or support to its tech champions?

Answer. The economic dimension of U.S.-China competition is crucial. And we will take on the challenge of China's abusive, unfair, and illegal practices. China is undercutting American companies by dumping products, erecting barriers, and giving illegal subsidies to corporations. It is stealing intellectual property and engaging in other practices to give it an unfair technological advantage, including forced technology transfer.

Question. At present, our Federal debt-to-GDP ratio is higher than at any time in our Nation's history. The ballooning debt is attributable partly to the COVID pandemic but also to years of Washington's ever-increasing spending habits. The cost of servicing that debt is currently low due to investor wariness and the dollar's dominance as the world's reserve currency. However, despite what modern monetary theorists may claim, irresponsible borrowing cannot remain consequence-free forever.

Once the economy and investor confidence rebounds, what would be the effect on our ability to service rising debt if the dollar's dominance as the reserve currency was to weaken and interest rates rose accordingly?

Answer. There are several reasons that the U.S. dollar is the world's dominant reserve currency. The United States has the largest economy, and the deepest and most liquid capital markets. We are committed to maintaining a sound economy and confidence in our financial system. The Biden-Harris administration will make investments in the American people that will accelerate the U.S. economic recovery and lay the foundation for a strong and equitable U.S. economy in the years ahead. The world can be certain that the United States will not seek a weaker currency to gain competitive advantage.

Question. Over the last 20 years the dollar's share of foreign bank reserves decreased by 10 percent. Hostile nations including Russia and China are seeking to exacerbate this trend by divesting their dollar reserves where possible and by developing new forms of international payment systems to circumvent reliance on the dollar; a proposition increasingly attractive to countries displeased with the United States' sanctions regime. These concerns are shared by some of our biggest financial stakeholders. Goldman Sachs issued a warning last year that "the dollar is in danger of losing its status as the world's reserve currency" while JPMorgan noted that investors are starting to have "more confidence in the euro as an alternative."

What is your response to these concerns expressed by our financial institutions? What can, and should, the United States be doing to ensure the dominance of the dollar as the global reserve currency, not merely for the next 10 years, but for the next 50 years?

The dollar currently accounts for about 60 percent of global currency reserves, down from 70 percent 20 years ago. Is this measurement of the dollar's percentage share of total global reserves the best indicator of the dollar's continued dominance as "the world's currency"?

If the percentage of global reserves is not the best indicator of the dollar's financial dominance, what is a better indicator?

If the percentage of global reserves is the best indicator, then how would our continued ability to support our insatiable spending with cheaply borrowed money be affected if the dollar's global reserves were to decline further to 50 percent by 2030? How far can the dollar's share of global reserves fall before our borrowing ability is severely impacted?

Answer. There are several reasons that the U.S. dollar is the world's dominant reserve currency. The United States has the largest economy, and the deepest and most liquid capital markets. We are committed to maintaining a sound economy and confidence in our financial system.

Question. The Department of Treasury released the final regulations on section 199(a) for cooperatives and their patrons. This has been an issue over which the cooperative industry stakeholders have been actively engaged with Congress and the Treasury Department for some time. Nebraska has over 30 locally owned farmer cooperatives that serve approximately 60,000 farmers.

I request that your team review the congressional action taken in the Consolidated Appropriations Act of 2018, review the comments submitted through the public record and review the final rule published. I would further ask you to conduct an economic analysis on the impact of the final rule on farmers and share this analysis with this committee.

Answer. I appreciate the importance of this issue, and I look forward to working with Treasury staff to ensure that section 199A has been implemented fairly.

Question. Do you feel the United States' trade deficit is a useful metric to evaluate trade with countries? What measurements of bilateral trade flows will be used in the Biden administration to negotiate, conclude and present bilateral or multilateral trade agreements to the Congress for consideration?

Answer. The overall U.S. trade deficit, especially in manufactured goods, represents a challenge and an opportunity. If confirmed, I will work with President Biden to restore American manufacturing and the export strength that comes with it. Bilateral deficits can also be indicators of unfair trade practices, which I will vigorously oppose if confirmed. At the same time, bilateral trade deficits must be understood in the overall context of our trade relationship with each country, not as a single catch-all metric. If confirmed, I look forward to working with Congress to pursue a rules-based trading system that protects Americans from manipulative, anti-competitive practices, puts workers first, and assures that trade rules reward countries that meet rather than shirk their climate commitments.

Question. What is your view on the Trump administration's decision to impose tariffs on China and the Phase One agreement between China and the United States?

Answer. President Biden has said that he is not going to make any immediate moves on the current China tariffs but rather engage in a comprehensive review of all aspects of the Trump administration's trade policies toward China, including how completely Beijing has lived up to the terms of the Phase One agreement. As part of his review, he is going to consult with allies to galvanize collective pressure. We need an approach that actually brings meaningful pressure on China.

Question. What advice will you provide to President Biden and the United States Trade Representative on currency manipulation in China, Vietnam, or other countries?

Answer. The President has committed to opposing efforts by countries to artificially manipulate their currencies to gain an unfair trade advantage. I am supportive of that commitment and, if confirmed, will work in coordination with the administration to oppose any such efforts.

Question. Taiwan is the United States 11th largest trading partner, with $76 billion in total goods exchanged during 2018. Taiwan has expressed a willingness to be a strong economic partner and has taken steps to removed barriers to agriculture goods. Do you agree that a trade agreement between the United States and Taiwan should be a priority and will you work with the United States Trade Representative to support a trading framework that is beneficial to promoting security and economic growth between the United States and Taiwan?

Answer. President Biden has been clear that he will not sign any new free trade agreements before the U.S. makes major investments in American workers and our infrastructure. Our economic recovery at home must be our top priority. This does not mean that President Biden will not pursue a robust trade agenda. If confirmed, I will work with President Biden to reach out to our allies, rebuild bridges, and pursue trade agreements that support American prosperity and put workers first.

Question. The decision to keep schools closed in many areas of the country has had more to do with politics than local coronavirus spread and too often science has been ignored in deciding how to best serve kids. I believe that by keeping schools closed we are kneecapping the next generation and hindering the ability of our economy to rebound. What is the economic cost of school closures, and how will this impact our ability to compete with Europe, Asia and the vast majority of the world that managed to keep schools open over the last year?

Answer. I believe that the best way to get people back to work and open schools is to get the virus under control and to provide schools with the resources necessary to be able to safely open. President Biden has made a commitment to get the virus sufficiently under control and to safely reopen schools. No parent wants to choose between their child's safety and education or between their children's safety and their ability to work. Over 2.5 million children have tested positive for COVID and the number of cases among children is continuing to rise. Women with children have left the labor force in record numbers. Helping women return to work and children return to school is an essential part of the economic recovery. If confirmed, I look forward to working with President Biden to achieve his goal of safely reopening schools and providing the support necessary to help our Nation's children make up for their lost learning and recover from the emotional toll of the pandemic.

Question. Do we have a sense of the percentage of individual earners making less than $75,000 per year who have had their financial status change due to the pandemic? Wouldn't the data show that the vast majority of those whose status has changed would be eligible for unemployment insurance, which also supports earners who are not unemployed but have had their hours or incomes reduced?

If yes, what in your view is the benefit of an additional across-the-board stimulus and how would this help the economy more than targeted forms of aid?

Isn't it true that the safe opening of businesses would provide more of a boost to the economy than any stimulus check?

In your hearing, several of my colleagues brought up unemployment insurance and needed reforms to the system. In your view, does an individual earning more on unemployment insurance than they earned through their former employment create a disincentive to work and/or impact the ability of the economy to rebound?

Answer. President Biden supports increasing the stimulus amount to mitigate the losses that families have experienced and to help the economy quickly recover from the damage done by the pandemic. In addition, I believe that it is critically important that we provide sufficient aid to unemployed workers, many of whom have experienced a devastating loss of income with no current opportunity to safely work. President Biden is committed to tackling the spread of the virus and quickly vaccinating the population so that businesses can safely open and Americans can get back to work. Economic data and analysis should guide our reforms to the unemployment insurance system.

Question. Many believe that the rush to automation and technological advancement has been accelerated by the pandemic. Do you agree with this view, and if yes, how do you see this trend affecting the economic outlook over the next 5 and 10 years? How is this likely to affect productivity and wages?

Answer. It is too early to know how the pandemic has impacted these trends, but we must ensure that the recovery is an inclusive one. The pandemic has accelerated the disparity between the wealthiest Americans and the most vulnerable, as some have continued to accumulate financial gains while millions have lost their jobs or their lives. Rising inequality is a drag on our economic growth: when extreme inequality leaves so many unable to afford even basic necessities, let alone reach their full potential, it holds back our entire economy. If confirmed, I will work with President Biden and with Congress to implement his recovery plan and to begin investing in American innovation and production to reinvigorate growth, enhance productivity and shared prosperity, and raise wages.

Question. Farmers and ranchers in my State that applied and received a round 1 paycheck protection plan (PPP) loan that has been subsequently forgiven believe they would be eligible to amend their application, apply again, and receive an increase under the new PPP terms. Those farmers that received a round 1 loan but that has not been forgiven are not eligible for an amended or increased amount. Those farmers ineligible for an amended application would need to apply separately for a loan from the round 2 PPP program then would have to have experienced a 25-percent reduction in revenue from any quarter in 2019 to the corresponding quarter in 2020. This is a challenging set of criteria to meet.

Please review the applicable guidelines and their implementation through the Small Business Administration and consider issuing an informational guidance document to stakeholders and the SBA that offers more flexibility to complex agriculture businesses. I further request the Treasury Department share this information with members of this committee.

Answer. I will look into this issue and will follow up with you and members of this committee.

Question. In your testimony, you discussed the need to implement domestic policies—including increased investment in manufacturing, infrastructure, and research and development—that will allow us to remain competitive against international players, such as China. However, in contrast to this, President Biden has called for an increase in the corporate tax rate, which would push us back to one of the highest corporate income tax rates in the developed world and thus hamper our competitiveness on the global stage. Could you please elaborate on what specific investments you feel will increase our competitiveness and how those policies balance against an increase in the corporate income tax rate?

Answer. During the presidential campaign, President Biden proposed raising the corporate tax rate to 28 percent—which is the midpoint of the pre-2017 level and the rate imposed after the tax act. At 28 percent, the corporate tax rate would be substantially below the level that had been in place for decades.

The Biden agenda would couple this tax change with massive investment that would benefit American businesses of all stripes and improve our international competitiveness. This includes a sweeping plan to bolster America's infrastructure, ranging from surface transportation to broadband to airports and waterways. The plan would add billions of dollars to worker training and college education, in addition to apprenticeship programs—all of which would raise the productivity of American workers. The Biden plan allocates hundreds of billions in research funds for renewable energy and other economic priorities, which ultimately make us more competitive on the world stage. And perhaps most importantly, President Biden has advanced a plan to quickly distribute vaccines to households while also providing a lifeline for the American economy. These critical actions will help businesses across the country, including those that are subject to the higher 28-percent corporate tax rate.

Question. Beginning in 2022, taxpayers will be required to amortize their research and development expenses over 5 years (instead of being allowed to immediately expense them). This change will raise the cost of conducting research here in the U.S. and leave us less competitive internationally. In your testimony you highlighted the importance of investment in domestic R&D, and I feel that this change could run counter to that goal. Could you please elaborate on the administration's plans to increase R&D activities in the U.S. and your views on this upcoming change in treatment of R&D expenses? Additionally, could you commit to working with Congress to ensure we have competitive tax policies that support domestic research and development?

Answer. The tax change you describe was part of the 2017 Tax Cuts and Jobs Act. The Biden agenda would complement this tax change with massive investment that would benefit American businesses of all stripes and improve our international competitiveness. This includes a sweeping plan to bolster America's infrastructure, ranging from surface transportation to broadband to airports and waterways. The plan would add billions of dollars to worker training and college education, in addition to apprenticeship programs—all of which would raise the productivity of American workers. The Biden plan allocates hundreds of billions in research funds for renewable energy and other economic priorities, which ultimately make us more competitive on the world stage. And perhaps most importantly, President Biden has advanced a plan to quickly distribute vaccines to households while also providing a lifeline for the American economy.

Question. Beginning in 2022, an important provision of the code that allows for full expensing of short-lived assets will begin to phase out. This provision has lowered the cost of capital for new investments and encouraged owners to invest back into their own businesses here in the U.S. I believe it would be unwise to increase the cost of capital and disincentive investments here in the U.S., especially as the economy is coming out of a global pandemic. As we look at proposals for immediate economic recovery as well as long-term economic health, I believe that allowing full expensing could be one of the best pro-growth tools at our disposal. Could you please elaborate on any views you have on immediate expensing as well as any other pro-growth proposals you have to lower the cost of investing here in the U.S.?

Answer. You raise an important issue about the need for pro-growth tools as the economy remains in a concerning position. If confirmed, I am committed to working with Congress to strengthen American competitiveness and increase domestic investment. As discussed above, this includes research funds, a sweeping plan to bolster America's infrastructure, and investments in raising the productivity of American workers, who are the engine of research and development. Together these proposals, along with those to eliminate incentives to offshore jobs, will make us more competitive on the world stage. These and other proposals will be further developed as part of the budget process, and, if confirmed, I look forward to continued conversations with you about the President's legislative agenda.

Question. Even prior to this current pandemic, our economy was rapidly changing. I share your goal of ensuring that Americans are prepared and have the skills necessary to compete. Could you please elaborate on what role you believe tax policy will play in ensuring Americans are prepared to compete in the workforce of the future? Further, are there any particular provisions currently in the code that you believe are working well or could be modified to address these needs?

Answer. To ensure Americans are able to compete in the 21st century, we must make higher education and training more affordable and ensure greater gender and racial equity in the workforce. Tax policy can be one of several tools to help achieve those goals—for example, by expanding access to education and affordable child care. Without adequate child care and paid leave policies, many parents are unable to complete the training they seek or are unable to take jobs that are most likely to help advance their careers. Alongside investments in education and care-giving and measures that provide family, medical and sick leave, incentives in the tax code can help make our workforce more competitive. President Biden is also committed to a tax code which rewards work, not just wealth, and such reforms are essential for ensuring an economy in which all Americans can share in the returns to American competitiveness. If confirmed, I would look forward to working with the committee to identify ways tax policy could support workers seeking pathways for new skills and upward mobility.

QUESTIONS SUBMITTED BY HON. RON WYDEN

PUBLIC TRUSTEES

The two public trustees for Medicare and Social Security first signed a trustees report in 1985. In the 35 reports since 1985, the public trustees have been vacant for nine reports, or roughly 25 percent.

Will you commit to consult with the Committee on Finance and other stakeholders before nominating individuals as public trustees?

Answer. Consultation with the Senate's committees of jurisdiction and other stakeholders is a crucial step in ensuring the right individuals serve in these important, Senate-confirmed roles. It is vital that the public have a seat at the table when it comes to oversight of the Social Security and Medicare Trust Funds and the crucial benefits they provide to America's middle class.

INTERNATIONAL COOPERATION

Question. The United States has long played a crucial role in the global economy by confronting systemic challenges and working with like-minded partners to address the tough problems. We know that the big stuff requires collective action.

At the summits like the G7 and G20, consensus-based statements reflect the collective views of the United States and our allies on major issues such as monetary policy, security, and multilateral rules-based trading. Rather than working with allies to find areas of agreement and make progress toward addressing our collective challenges, the Trump administration had a record of unnecessarily isolating the United States on everything from climate change to trade.

Do you agree with me that it is critical for the United States to refocus our efforts with our allies in the G7, G20, Asia-Pacific Economic Cooperation (APEC), and other international fora to find solutions to the major issues facing the United States and the world?

Answer. The global economy is estimated to have shrunk by more than 4 percent in 2020, the worst contraction since WWII. An estimated 90 million people have fallen into extreme poverty as a result of the pandemic and its economic impact. Challenges of this magnitude need collective solutions in an interdependent global economy. I strongly agree that fora such as the G7, G20, and APEC offer the United States critical opportunities for leadership and for promoting cooperative actions so that the responsibility for crisis response and for addressing longer term structural global problems can be shared with our allies. In addition, our actions at home to promote an equitable and inclusive recovery will be more effective and yield greater gains for our workers and businesses if complemented and amplified by similar policies and actions by our partners. We must lead and shape decisions in these fora to promote global adherence to the policies, rules-based system, and financial burden-sharing that will deliver shared prosperity, equal opportunity, and economic justice.

CFIUS

Question. In its dealings with Huawei, ZTE, and others, the Trump administration has demonstrated a troubling willingness to put national security issues on the table when seeking economic or trade deals from our trading partners. If confirmed, as chairman of the Committee on Foreign Investment in the United States (CFIUS), you will be responsible for evaluating the national security implications of specific foreign investments and recommending whether to modify or reject them. In this capacity, CFIUS is intended to focus solely on genuine national security concerns raised by a covered transaction, and not on other national interests.

Do you agree that genuine national security concerns should be the key factor when determining whether to reject or modify a proposed investment? What steps will you take to mitigate the risk of other factors, including geopolitical concerns, trade policy, or other conflicts, influencing the Secretary's decisions on CFIUS matters?

Answer. I think the CFIUS process plays a critical role in protecting U.S. national security interests. The CFIUS statute sets forth the rigorous criteria that the administration is required to use in assessing certain foreign investments in the United States, and I pledge that the Treasury Department will follow the statutory criteria in guiding its decision making in CFIUS reviews.

FINCEN

Question. The last 4 years have seen an unacceptable level of politicization at FinCEN. Treasury officials worked hand-in-glove with Republicans to produce information intended only to smear President Biden and his family, while at the same time slow-walking or ignoring valid congressional requests from Democrats. Under Secretary Mnuchin's leadership, I believe FinCEN was used as an opposition research wing of the Trump campaign, undermining trust and confidence in the institution. I consider these abuses serious and unprecedented and plan to conduct serious oversight of the matter.

Will you commit to cooperating with oversight of this matter, and working to restore trust and accountability at FinCEN?

Answer. I have the utmost regard for the oversight responsibilities of Congress. To that end, I commit to cooperating with Congress in its oversight of FinCEN, and to working with you and your colleagues to build trust and confidence in FinCEN's important work and mission.

DIGITAL SERVICES TAXES

Question. What will be the Biden administration's approach to prevent countries from adopting, and prevent collection where a country has already adopted, digital services taxes that target American companies? Similarly, what will be the Biden administration's approach to the ongoing OECD negotiations regarding taxation and digitalization?

Answer. I am aware of the concerns U.S. companies have raised about digital services taxes. I am committed to a cooperative multilateral effort to address base erosion and profit shifting through the OECD/G20 process, and to work to resolve the digital taxation dispute in that context.

QUESTIONS SUBMITTED BY HON. MARIA CANTWELL

Question. I share the concerns you expressed during your nomination hearing that climate change poses an "existential threat" and support your plans to make the Treasury Department a leader in addressing the risks it poses to our economy.

I understand that you have given several speeches, interviews, and signed onto plans with other economists, business leaders, and advocacy groups in support of carbon pricing. Do you continue to believe that an economy wide price on carbon, applied upstream where fossil fuels enter the economy, is the most efficient mechanism to decrease carbon emissions at the necessary scale and speed?

Answer. We cannot solve the climate crisis without effective carbon pricing. The President supports an enforcement mechanism that requires polluters to bear the full cost of the carbon pollution they are emitting. I am deeply engaged on this issue and, if confirmed, will continually discuss my views and thinking with the President and our entire team. President Biden has amassed a phenomenal team including some of the most informed thinkers on this issue. We are all committed to doing everything we can to solve this crisis.

Question. Do you believe that a predictable, market-based carbon price will incentivize the markets to reduce carbon emissions faster and more efficiently than could be achieved through direct regulation of emissions within specific industry sectors?

Answer. Senator, please see my answer above. Thank you.

Question. Do you believe that concerns over carbon pricing disproportionally harming lower-income households would be addressed if the majority of revenue raised was distributed back to consumers through equal per capita monthly dividends?

Answer. Like you, Senator, it is very important to me that, as we work to solve the climate crisis and move toward a low-carbon future, we ensure that American families— especially the most vulnerable—share in the economic gains that can come from a clean energy economy.

The President's agenda includes investments in clean energy and energy efficiency technologies that create good-paying jobs, and clean electricity standards that will achieve carbon-pollution free electricity by 2035. If confirmed, I will provide advice to the President regarding the best way to achieve his agenda, including his plan to achieve net-zero emissions no later than 2050, based on the principle that that polluters must bear the full cost of the carbon pollution they are emitting.

Question. Do you believe the experience gained by the Treasury Department issuing stimulus checks during the COVID crisis prove that the Treasury Department would be capable of efficiently and cost-effectively issuing monthly dividend payments to every American?

Answer. Thanks to hardworking career staff across the IRS, BFS, Treasury Departmental Offices, and other government agencies, approximately 160 million American households received their Economic Impact Payments in an efficient and cost-effective manner. This program was put in place quickly and was able to meaningfully ease the economic pain of the recession for millions of families. We have also learned from this experience. Some Americans have not been able to claim the benefits to which they are entitled. These individuals are often the most in need of assistance, and often reside in underbanked and underserved communities. If confirmed, I would be committed to improving tax administration in a variety of ways, including the distribution of stimulus checks, and I would investigate the extent to which investments in IRS IT systems could improve the taxpayers experience and improve outreach to vulnerable taxpayers. I look forward to working with you on these issues.

QUESTIONS SUBMITTED BY HON. ROBERT P. CASEY, JR.

Question. The 2017 tax bill eliminated the deduction for unreimbursed expenses workers incur as part of their job—this means that police and firefighters were no longer able to deduct unreimbursed cost of their uniforms or equipment. Truck drivers could no longer deduct travel expenses and workers in unions could no longer deduct the cost of their dues.

I have a bill, the Tax Fairness for Workers Act, to reinstate these deductions and make the deduction for union dues above the line. It is a measure I hope will be included in the President's budget.

Will you commit to working with my office on this proposal which supports workers and union jobs?

Answer. One of the guiding principles of President Biden's tax plan is that the tax code should reward work, not wealth. If confirmed, I look forward to learning more about this proposal and working with your office on this issue. I would also look forward to working with you and other members of Congress to advance proposals to strengthen worker organizing, collective bargaining, and unions.

Question. Since Congress passed the Achieving a Better Life Experience Act in December 2014, over 65,000 people with disabilities have opened ABLE accounts worth more than half a billion dollars. ABLE accounts allow people with disabilities save for their future while continuing to be eligible for Federal benefits; savings that can lead to economic independence. Despite strong participation, ABLE accounts are only available to individuals with an onset of disability before age 26, leaving out millions of people. I have bipartisan legislation to expand the program's eligibility to people with disabilities acquired prior to 46 years of age.

Two questions: will you, in your role as Treasury Secretary, work to increase the awareness and use of ABLE Accounts?

Will you commit to working with my office to enact the ABLE Age Adjustment Act, which will expand the number of people with disabilities eligible to open an ABLE account?

Answer. The Biden-Harris administration is committed to expanding opportunities and supporting financial security for people with disabilities. During the campaign, President Biden committed to working to pass the ABLE Age Adjustment Act, and, if confirmed, I look forward to working with you to increase the awareness and use of ABLE Accounts.

QUESTIONS SUBMITTED BY HON. SHELDON WHITEHOUSE

Question. The IMF estimates that annual fossil fuel subsidies in this country alone total more than $600 billion annually. Would you agree that until we eliminate or at least greatly reduce this massive negative externality, it is going to be difficult to transition to a low-carbon economy?

Answer. Both the President and I believe we can turn the threat of climate change into an opportunity to boost our economy and reinvigorate old and new industries to create high-paying middle-class jobs across America.

President Biden has a comprehensive plan to invest in the United States, create a clean energy economy, and address the crisis of climate change. I am focused on the President's agenda, including investments in the clean energy economy, to address climate change and create good paying jobs and energy efficiency technologies, as well as clean electricity standards that will achieve carbon-pollution-free electricity by 2035.

I will provide advice to the President regarding the best way to achieve this agenda, including advice regarding his plan to achieve net-zero emissions no later than 2050, based on the principle that polluters must bear the full cost of the carbon pollution they are emitting.

As we do this, we must ensure that American families—especially the more vulnerable—aren't unduly burdened by increased energy prices as we move toward a low-carbon future.

Question. Do you believe putting a price on carbon is one of, if not the most effective policies we can pursue in order to reduce emissions consistent with scientific targets?

Answer. I am fully supportive of effective carbon pricing, and I know that the President is as well. We cannot solve the climate crisis without effective carbon pricing. The President does support an enforcement mechanism that requires polluters to bear the full cost of the carbon pollution they are emitting. I am engaged on this issue and will continue to discuss my views and thinking with the President and our entire team. President Biden's team includes some of the most informed thinkers on this issue. We are all committed to doing everything we can to solve this crisis.

Question. If confirmed, you will serve as chair of the Financial Stability Oversight Council (FSOC). Would it be prudent for FSOC to conduct a system-wide assessment of climate-related financial risks, including those related to coastal property values and fossil fuel assets? Would it be helpful to create a climate-related financial risk subcommittee within FSOC to focus on these issues?

Answer. As you know, the Financial Stability Oversight Council (FSOC) was created by Congress under the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) following the Financial Crisis that brought the U.S. economy and financial system to the brink of collapse.

It is the responsibility of the Treasury Secretary to strengthen the U.S. economy, foster widespread economic prosperity, and promote an economic agenda that leads to long-run economic growth. Meeting that challenge undoubtedly requires focus on the current economy, but also requires a commitment to the building blocks of enduring prosperity.

The Treasury Department has a wide range of responsibilities to meet these commitments, on its own and through the FSOC, including monitoring and overseeing various financial markets, administering our Nation's fiscal policies, engaging in international economic negotiations, and ensuring the stability of a wide range of factors related to the health of the U.S. economy, including threats from climate change. If confirmed, I look forward to working with you on this important issue.

Question. There have been numerous studies and reports documenting climate-related economic risk. Much of the research and thought leadership in this space is taking place in Europe. Will you commit to developing and promoting research into climate-related financial and economic risks at the Treasury's Office of Financial Research?

Answer. Congress created the Office of Financial Research (OFR) in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to support the Financial Stability Oversight Council in its mission, among others, to monitor the financial system for risks that could threaten financial stability. Assessing and monitoring climate-related financial and economic risk are important issues. If confirmed, I look forward to working with you with regard to OFR's research into climate-related financial and economic risk.

QUESTION SUBMITTED BY HON. MAGGIE HASSAN

Question. Members of this committee from both parties support protecting the U.S. tax base during the OECD Base Erosion and Profit Shifting discussions. Could you please share your plans to analyze the economic effects of OECD proposals on different U.S. industries and your plans to keep the Finance Committee updated throughout the OECD process?

Answer. If confirmed, I will certainly keep the Senate Finance Committee appropriately updated on the OECD/G20 negotiations. Any treaty arrangements would of course require the advice and consent of the Senate. An analysis of the economic effects of the OECD proposals is absolutely appropriate and I will look forward to future conversations with the members of the Senate Finance Committee during which we can share our consideration of these different effects.

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