S. HRG. 117–582

NOMINATIONS OF LILY LAWRENCE BATCHELDER, JONATHAN DAVIDSON, BENJAMIN HARRIS, AND J. NELLIE LIANG

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

ON THE

NOMINATIONS OF

LILY LAWRENCE BATCHELDER, TO BE ASSISTANT SECRETARY FOR TAX POLICY, DEPARTMENT OF THE TREASURY; JONATHAN DAVIDSON, TO BE ASSISTANT SECRETARY FOR LEGISLATIVE AFFAIRS, DEPARTMENT OF THE TREASURY; BENJAMIN HARRIS, TO BE ASSISTANT SECRETARY FOR ECONOMIC POLICY, DEPARTMENT OF THE TREASURY; AND J. NELLIE LIANG, TO BE UNDER SECRETARY FOR DOMESTIC FINANCE, DEPARTMENT OF THE TREASURY

MAY 25, 2021

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PUBLISHING OFFICE

50–916—PDF WASHINGTON : 2023

COMMITTEE ON FINANCE

RON WYDEN, Oregon, *Chairman*

DEBBIE STABENOW, Michigan	MIKE CRAPO, Idaho
MARIA CANTWELL, Washington	CHUCK GRASSLEY, Iowa
ROBERT MENENDEZ, New Jersey	JOHN CORNYN, Texas
THOMAS R. CARPER, Delaware	JOHN THUNE, South Dakota
BENJAMIN L. CARDIN, Maryland	RICHARD BURR, North Carolina
SHERROD BROWN, Ohio	ROB PORTMAN, Ohio
MICHAEL F. BENNET, Colorado	PATRICK J. TOOMEY, Pennsylvania
ROBERT P. CASEY, JR., Pennsylvania	TIM SCOTT, South Carolina
MARK R. WARNER, Virginia	BILL CASSIDY, Louisiana
SHELDON WHITEHOUSE, Rhode Island	JAMES LANKFORD, Oklahoma
MAGGIE HASSAN, New Hampshire	STEVE DAINES, Montana
CATHERINE CORTEZ MASTO, Nevada	TODD YOUNG, Indiana
ELIZABETH WARREN, Massachusetts	BEN SASSE, Nebraska
	JOHN BARRASSO, Wyoming

JOSHUA SHEINKMAN, *Staff Director*
GREGG RICHARD, *Republican Staff Director*

CONTENTS

OPENING STATEMENTS

	Page
Wyden, Hon. Ron, a U.S. Senator from Oregon, chairman, Committee on Finance	1
Crapo, Hon. Mike, a U.S. Senator from Idaho	3
Bennet, Hon. Michael F., a U.S. Senator from Colorado	4
Warren, Hon. Elizabeth, a U.S. Senator from Massachusetts	6

ADMINISTRATION NOMINEES

Batchelder, Lily Lawrence, nominated to be Assistant Secretary for Tax Policy, Department of the Treasury, Washington, DC	7
Davidson, Jonathan, nominated to be Assistant Secretary for Legislative Affairs, Department of the Treasury, Washington, DC	8
Harris, Benjamin, Ph.D., nominated to be Assistant Secretary for Economic Policy, Department of the Treasury, Washington, DC	10
Liang, J. Nellie, Ph.D., nominated to be Under Secretary for Domestic Finance, Department of the Treasury, Washington, DC	11

ALPHABETICAL LISTING AND APPENDIX MATERIAL

Batchelder, Lily Lawrence:	
Testimony	7
Prepared statement	45
Biographical information	46
Responses to questions from committee members	58
Bennet, Hon. Michael F.:	
Opening statement	4
Crapo, Hon. Mike:	
Opening statement	3
Prepared statement	81
Davidson, Jonathan:	
Testimony	8
Prepared statement	82
Biographical information	83
Responses to questions from committee members	87
Harris, Benjamin, Ph.D.:	
Testimony	10
Prepared statement	90
Biographical information	91
Responses to questions from committee members	103
Liang, J. Nellie, Ph.D.:	
Testimony	11
Prepared statement	114
Biographical information	115
Responses to questions from committee members	124
Warren, Hon. Elizabeth:	
Opening statement	6
Wyden, Hon. Ron:	
Opening statement	1
Prepared statement	147

NOMINATIONS OF LILY LAWRENCE BATCHELDER, TO BE ASSISTANT SECRETARY FOR TAX POLICY, DEPARTMENT OF THE TREASURY; JONATHAN DAVIDSON, TO BE ASSISTANT SECRETARY FOR LEGISLATIVE AFFAIRS, DEPARTMENT OF THE TREASURY; BENJAMIN HARRIS, TO BE ASSISTANT SECRETARY FOR ECONOMIC POLICY, DEPARTMENT OF THE TREASURY; AND J. NELLIE LIANG, TO BE UNDER SECRETARY FOR DOMESTIC FINANCE, DEPARTMENT OF THE TREASURY

TUESDAY, MAY 25, 2021

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

The hearing was convened, pursuant to notice, at 9:30 a.m., via Webex, in Room SD–215, Dirksen Senate Office Building, Hon. Ron Wyden (chairman of the committee) presiding.

Present: Senators Cantwell, Carper, Cardin, Brown, Bennet, Casey, Warner, Whitehouse, Hassan, Warren, Crapo, Grassley, Thune, Portman, Toomey, Cassidy, Lankford, and Daines.

Also present: Democratic staff: Michael Evans, Deputy Staff Director and Chief Counsel; Ian Nicholson, Investigator and Nominations Advisor; Joshua Sheinkman, Staff Director; and Tiffany Smith, Chief Tax Counsel. Republican staff: Gregg Richard, Staff Director; and Jeffrey Wrase, Deputy Staff Director and Chief Economist.

OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM OREGON, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The Finance Committee meets to discuss four nominations that will round out President Biden's team leading the Treasury Department. Lily Batchelder is nominated to serve as Assistant Secretary for Tax Policy. Professor Batchelder is not only a leader when it comes to crafting tax policies that bring working Americans into the economic winner's circle, she is also a friend of the committee.

Along with Senator Bennet, I serve on the Intelligence Committee. I am not going to get into any classified kind of matters, but suffice to say this is a group that has plenty of friends here in the committee, and they were actually kind of duking it out almost to see who would introduce our nominees. And all kidding aside, we are just particularly proud of Professor Batchelder, who is an alum of the committee, and we are glad that she is here.

From 2010 till 2014, she served as Chief Tax Counsel to then-Chairman Max Baucus, and later became Deputy Director of the National Economic Council under President Obama. She has always been an advocate for the proposition that tax policy is not just about revenue. She knows, for example, that tax policy can drive inequality or help solve it and create high-skill, high-wage jobs for the country. So we are always happy to welcome Professor Batchelder to the committee.

While we are on the topic of those whom we know well, I appreciate Jon Davidson, who is nominated to serve as Assistant Secretary for Legislative Affairs. He too is well-known and respected in these corridors. For decades he served as Chief of Staff to Senator Bennet. People who worked with the two of them know that Senator Bennet's team has been the gold standard when it comes to designing and building support for policies that help working families and the middle class in the country get ahead.

Mr. Davidson brings decades of Capitol Hill experience to his nomination. He played a key role in the transition that helped the Biden administration hit the ground running on January 20th.

Ben Harris has been nominated to serve as Assistant Secretary for Economic Policy. If President Biden is known for one thing, it is his lifelong principled commitment to working people in downtrodden communities like Scranton, PA. It takes a lot of hard work and a lot of planning, never more so than during a severe jobs crisis, to build an agenda of fresh, bold economic policies reflecting those core Biden principles.

Dr. Harris has been right at the heart of that process. His work has proven wrong anybody who thought that the Biden administration was going to take half measures rather than big strides to help people get ahead in the wake of the COVID crash.

And finally, Nellie Liang is nominated to serve as Under Secretary for Domestic Finance. So many have followed her work and have been in touch with me to praise her work. I think it is important to note that at the outset, because there has not been a Senate-confirmed official in this job since 2014. So I am pleased that President Biden has put forward such a highly qualified nominee.

Dr. Liang has 3 decades of experience at the Federal Reserve. She was the first-ever Director of the Division of Financial Stability on its creation in 2010, coming out of the Great Recession. Her experience in that job is going to be key to her work at the Treasury Department leading an office on protecting our economy from risks and from downturns.

The bottom line, the group joining the committee today is an all-star team of economic policymakers focused on giving everybody in the country a fair shot and a fair opportunity to get ahead, not just those at the top. The nominees are highly qualified and a strong addition to Secretary Yellen's leadership team at the Treasury Department, along with Deputy Secretary Adeyemo. This committee is going to lean often on their expertise.

Tomorrow the committee is going to have a debate as well, so colleagues know, aimed at bringing our system's energy taxes, 44 separate energy taxes, into the 21st century and creating a wave of new, clean energy jobs for our country.

The committee is working on changes to the international corporate tax system, based on the proposition that, again, everybody ought to pay their fair share, even the big mega-corporations that got a huge tax handout from the 2017 Trump tax law. And the committee is working with Treasury on the new Child Tax Credits, as well as efforts to close the tax gap and rebuild the IRS resources to crack down on cheating by high-flyers.

So there are lots of areas that I know our nominees are going to be asked about this morning. I want to thank them again, and welcome Senator Crapo's opening remarks, and then we have some formalities and we have some introductions.

Senator Crapo?

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

OPENING STATEMENT OF HON. MIKE CRAPO, A U.S. SENATOR FROM IDAHO

Senator CRAPO. Thank you, Chairman Wyden.

Today we welcome four nominees for positions at the Department of Treasury. Congratulations to each of you on your nomination.

Treasury is responsible for implementing laws and congressional intent concerning tax, economic, fiscal, financial, and national security issues. Over time, the Treasury Department's responsibilities have expanded. With increased responsibility comes the need for transparency and accountability.

Each of our nominees, if confirmed, should recognize this committee's oversight responsibilities to the American people regarding Treasury policies and activities, including activities at the IRS.

So far in this Congress the Department has not adequately recognized the need to be transparent and accountable to this committee. Today I am interested in learning more about policy positions and advocacy of our nominees. I expect to learn even more from what need to be robust, complete, and detailed responses to questions for the record that members will ask after today's hearing.

This is particularly important, as I do not support many of the tax and financial policies put forward by the administration—and some of the nominees here today. While we do not have to agree on every policy, we do need to agree on a reasoned debate and dialogue driven by the facts.

Americans are still recovering from the largest negative economic shock in modern records stemming from the pandemic. We continue to hear of businesses having difficulty finding employees willing to work at market wages. Inflation has risen, igniting the prospect of a budget-crushing increase in interest rates. This is no time to enact massive increases in domestic and international taxes, to further impede labor market adjustments, or to punish low- and middle-income workers with higher energy costs and increased gas prices at the pump.

The Tax Cuts and Jobs Act of 2017 spurred economic activity and helped lead to historic lows in unemployment rates, particularly for minority workers, and robust wage growth that especially benefited the low-wage workers.

Reversing those gains with job-killing taxes is not the way to go. It is important to find bipartisan solutions to reignite growth and increase jobs and wages for workers.

Mr. Davidson, in your role as Assistant Secretary for Legislative Affairs, you would advise the Secretary on congressional relations and help coordinate Treasury's interactions with Congress. As I have said before, there is work to be done at Treasury to improve transparency and accountability, and interactions with both sides of the aisle in Congress.

Dr. Harris, the Assistant Secretary for Economic Policy analyzes and reports on current and prospective economic developments both here and abroad, and assists in formulating economic policies. Economic analysis is often speculative, but all views must be heard. Discussions must be based on positive, actual descriptions of what we know or do not know. Normative advocacy has its place, but should not be the only basis for our policy discussions.

Ms. Batchelder, the Assistant Secretary for Tax Policy develops, recommends, and implements Federal tax policy on behalf of the Treasury. I do not agree with some of the normative policies for which you advocate and need assurance that, if confirmed, you and others at Treasury give opposing, reasoned views a fair shake.

Finally, Dr. Liang, the Under Secretary for Domestic Finance oversees and assists in areas of domestic finance, banking, and other economic matters. I have concerns that some in the administration desire to reimagine financial markets to become more driven by political preferences of one side, and I look forward to learning more about your positions.

I again stress the need for each of you, if confirmed, to work across the aisle and to be transparent and responsive. I look forward to your testimony and to detailed responses to your questions.

Thank you.

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

The CHAIRMAN. Thank you, Senator Crapo.

Now we are going to have the introductions. Senator Bennet will introduce Mr. Davidson.

OPENING STATEMENT OF HON. MICHAEL F. BENNET, A U.S. SENATOR FROM COLORADO

Senator BENNET. Thank you, Mr. Chairman, and thank you and Ranking Member Crapo for allowing me to introduce Jonathan Davidson, President Biden's nominee to serve as Assistant Secretary of the Treasury for Legislative Affairs.

President Biden could not have made a better choice. And I can think of few people who understand how government works, and especially Congress, better than Jon. Jon served, as you said, Mr. Chairman, on Capitol Hill for over 2 decades. He worked his way up from a job as a body person to the late Senator Sarbanes, to eventually become his Chief of Staff. Jon spent time in the House of Representatives working for John Sarbanes before returning to this body as Chief Counsel to Senator Warner, and then, despite his better judgment, as my Chief of Staff. [Laughter.]

Jon served in that role for over a decade, which is virtually my entire time in the Senate. I still believe that Jon was the best Chief of Staff in the entire U.S. Senate, particularly when you consider the hand he was dealt. As my colleagues may remember, I came to this body with no experience in elected office. I was appointed to the job at a time when only 3 percent of Coloradans knew who I was. I had no shortage of ideas about what I wanted to do, but I had no idea how to do them. Jon was the perfect partner. And even though we are not that distant in age, he was always more patient, more savvy, more strategic about how to operate the levers of the Senate to make progress for Colorado and the country than I was.

And over the past 10 years, as my Chief of Staff, Jon helped me navigate almost every issue before this committee, from trade and tax policy to fiscal matters, economic competitiveness, and support for working families. Jon combined an expertise about the issues with a deep appreciation for what mattered to people's lives.

Jon is unusual for someone who has had such a distinguished career on the Hill, because there is no trace of ego about him. He has always been about the work, which is making our institutions deliver for everyday people. Jon reveres this body. He appreciates how, at their best, our institutions can transform the vastly different perspectives across the country into an enduring result that makes a difference in people's lives.

He knows that democracy is hard work. There are no shortcuts, and Jon would not take one even if there were one. He has always led with integrity and inexhaustible drive. He is an excellent manager and mentor of people, and he has certainly been an important mentor to me over the past 10 years. I do not know anyone who has worked harder, and I do not know anyone who has taken less credit for what he has achieved.

When Senator Brown, Chairman Wyden, and I helped pass the Child Tax Credit earlier this year—the single biggest investment in families in half a century—it was largely because Jon had helped pave the way with years of hard work behind the scenes far from the bright lights and TV cameras. That is who he is.

Whatever I have achieved in this job over the past 10 years is a credit to Jon's leadership and partnership. And whatever my failings in this job—and there have been plenty—they inevitably go back to times when I did not listen to Jon.

Let me end with this: Jonathan Davidson is a first-rate public servant, a patriot, and a friend. And as much as it pains me to see him leave our team, I take comfort knowing that Treasury will gain a highly effective and respected leader at this pivotal juncture for the country, and that this committee will have a faithful interlocutor at the Department of Treasury. I cannot thank Jon enough for his service to Colorado, and I am so grateful to his wife Erin and his kids Leo, Mia, and Serena for allowing Jon to give so much of himself to our team over the past 10 years. I urge my colleagues from both sides to confirm this exceptional nominee.

The CHAIRMAN. A terrific sendoff, Senator Bennet.

Senator BENNET. Thank you.

The CHAIRMAN. Senator Warren?

OPENING STATEMENT OF HON. ELIZABETH WARREN, A U.S. SENATOR FROM MASSACHUSETTS

Senator WARREN. Thank you, Chairman Wyden, and thank you, Ranking Member Crapo.

I am pleased to have the opportunity to introduce Professor Lily Batchelder of Massachusetts, who has been nominated to be our next Assistant Secretary for Tax Policy. Now Lily already has an impressive track record of fighting for equity and efficiency in our tax system, in government and in academia. And she has the expertise to get the technical details of tax policy right to make sure that it really delivers on creating a fair system that works for everyone.

Lily received her bachelor's degree in political science with honors and distinction from Stanford University, her MPP from the Harvard Kennedy School, and her J.D. from Yale Law School. She is currently the Robert C. Kopple Family Professor of Law at NYU School of Law, where her academic research has covered many critical issues, including making sure that the rich pay their share, all the way to examining how tax policies impact families.

She has written about the benefits of a wealth tax—go, Lily!—and she has detailed how Trump's child care proposals have left out low-income families. She also recently co-founded NYU's Tax Law Center. It serves as a strong public interest voice on tax laws to balance out lobbying by the wealthy and big corporations.

Lily also has extensive public service experience. She was appointed by President Obama to serve as Deputy Director in the White House National Economic Council and Deputy Assistant to the President, where she was responsible for tax and budget issues, including tax reform, retirement policy, and low-income benefits. She also served as majority Chief Tax Counsel on the Senate Finance Committee and thus, as the chairman pointed out, is well-known already to many of us.

This is a critical time for tax policy. We must make big, bold investments in American families. And we must make equally big and bold changes to our tax policies to make sure that the wealthy and the giant corporations are paying their fair share.

Lily Batchelder has the experience, she has the expertise, and she has the principle to work with Congress on the legislation and on the implementation that are required to make much-needed reforms to our tax policy.

Lily is a person of deep values and great integrity. So I want to say "welcome," Professor Batchelder. We are pleased to have you here. We are looking forward to today's discussion. And, like Senator Bennet, I urge all of my colleagues to get to know you. I believe they will want to support you in this hearing, and want to support you in your work at the Department of the Treasury.

Thank you.

The CHAIRMAN. Thank you, Senator Warren.

And now we have our nominees. What we have to do is, we are going to hear their openers, and then we have a standard set of questions, and then the members will start talking about what they are interested in.

Ms. Batchelder, please?

STATEMENT OF LILY LAWRENCE BATCHELDER, NOMINATED TO BE ASSISTANT SECRETARY FOR TAX POLICY, DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Ms. BATCHELDER. Ranking Member Crapo and members of the committee, thank you for the opportunity to appear before you today. And thank you, Senator Warren, for the very kind introduction, and to Chairman Wyden.

It is an honor to appear before this committee, having served as the Chief Tax Counsel under former Chairman Baucus for 4 years. And being a tax person, that was a dream job, and I am humbled today to be considered for another dream job, which is serving as Treasury Assistant Secretary for Tax Policy.

I have great respect for this committee and the critical nature of this work. We face immense challenges as a country in navigating the pandemic and the economic recovery, in tackling long-term fiscal challenges, and in doing so in a way that increases opportunity for all Americans.

If I am fortunate enough to be confirmed, I would strive to be a strong partner to you in this work. I have spent most of my career working on tax policy, and I am passionate about its role in advancing shared prosperity and economic mobility. Tax revenue funds many of our critical social programs. Tax benefits can curtail or exacerbate our disparities by income, wealth, race, ethnicity, gender, and geography.

At the same time, well-constructed and well-implemented tax policy can minimize any associated gaming or distortions to business activity, while poorly constructed policy can do the reverse,

This is one of the things I love about tax. It is simultaneously about high-level values, but also practical technical details that create opportunities to work across the aisle.

There are many aspects to this position which I look forward to, if I am confirmed. I would hope to contribute to and advance President Biden's policy agenda to further our economic recovery, build back better, promote racial and gender equity, and address the climate crisis.

This would include working with you and your staffs to make sure any agreements you reach are drafted in technically sound ways. I would also work to ensure that Treasury issues timely and sound guidance on tax issues consistent with congressional intent and responsive to input from a broad range of stakeholders.

Finally, I would strive to serve as a strong partner to the IRS on tax implementation and administration. This would include new programs they have been tasked with implementing like the fully refundable Child Tax Credit, and also their ongoing duties like taxpayer service.

For many years the IRS has been asked to undertake a very large and expanding set of responsibilities with, until recently, flat or declining funding. I would work to assist them in any way the Office of Tax Policy could, because we all benefit from a well-functioning IRS.

If confirmed, I am committed to engaging with you on a bipartisan basis. Over the course of my career, I have worked in the public, private, academic, and nonprofit sectors. These experiences have taught me to see tax policy from multiple perspectives and how to work effectively and constructively with people who may have different views than my own.

My family could not join me today because of the pandemic, which I see as a good thing, because we have a 15-month-old daughter, Maia, who would probably be tearing apart this hearing room and waving to each of you, but she reminds me every day why public service is important: to make a better world for her, and even more so for all the children growing up without the financial security and other advantages we are lucky to be able to provide her with.

I want to thank my family, especially my partner Peter, my parents, brothers, and in-laws, for their love and support. Without that support, including their care for Maia, I probably would not be in a position to undertake this role with such large responsibilities that I take so seriously.

Thank you for considering my nomination, and I look forward to your questions.

[The prepared statement of Ms. Batchelder appears in the appendix.]

The CHAIRMAN. Thank you, Ms. Batchelder.

Mr. Davidson?

STATEMENT OF JONATHAN DAVIDSON, NOMINATED TO BE ASSISTANT SECRETARY FOR LEGISLATIVE AFFAIRS, DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Mr. DAVIDSON. Thank you, Chairman Wyden. Mr. Chairman, Ranking Member Crapo, members of the Finance Committee, I appreciate the opportunity to appear before you today. I am honored by President Biden's nomination and having a chance to serve under Secretary Yellen.

And, Senator Bennet, I would like to express deep gratitude to you for your way overly kind introduction. And all of the words that you said, I could easily turn around and say about you. I am deeply grateful for the work I have been able to do with the Senator. I have spent almost half my career with him, and I have learned so much about the long game, and decency, and thoughtfulness from Senator Bennet and his team.

I am also so proud of our work that we were able to do together during that time. Most recently, it has been an absolute thrill to see his and Senator Brown's American Families Act, not to be mistaken for the American Families Plan, become law, which will lift nearly 50 percent of this country's children out of poverty in one single year.

I would also like to thank Senator Warner, from whom I have learned so much as well, for his friendship and extraordinary support. And, as Senator Bennet mentioned, I started my career with Paul Sarbanes, who passed away late last year. He was another mentor, as is Senator Bennet, and is dearly missed by me and my family. He was someone who made me understand and appreciate the historical conscience of the Senate. And I want to extend gratitude to John Sarbanes, his son, who has been so successful in the House of Representatives and helped me learn to navigate the ways of that body.

Finally, and most importantly, I would like to thank my family—my kids Leo, Mia, and Serena—who all make us so proud almost all of the time. And I know nominees often throw around hyperboles, but my wife Erin Sheehy is the reason I have been able to make it through anything difficult in my adult life. She has been absolutely critical throughout this process, and I have said more than a few times she has carried me and my family.

And the same goes for my brother, who is the best older brother anyone could ever have, and to my father, who has been an example of the very best in parenthood, and in life generally. He taught me about politics, diplomacy, and public service. And finally, my mom, whom we lost earlier this year, but whose relentless commitment to the underdog continues to inspire me every day. Thank you, and I love you all.

The partnership between Treasury and this committee, and Congress overall, is so important to the Federal Government and to the country. Just like all of you, the Treasury Department is working hard to help us recover from the pandemic and the related economic crisis.

Treasury is implementing significant relief and recovery efforts and working on policies to strengthen our economy, to repair gaps in our Nation's infrastructure, and to remedy uneven access to the American Dream. And it has done all of that work on top of its substantial day-do-day responsibilities like financing the government and implementing foreign economic sanctions.

I fully appreciate how much we need to work closely with this committee in its legislative and oversight functions to succeed in these efforts. If I am confirmed, my goal will be to serve as a reality broker between Treasury and Capitol Hill. Where we can provide information to members of Congress to help them do their jobs and aid their constituents, we should do so fully. Where we cannot, we should provide a clear and cogent explanation as to why not.

I am privileged to have spent the majority of my career working on Capitol Hill. I have learned so much about trust and character up here, and I have also learned to be cognizant of the fact that there is always even more that I do not know. I recognize that almost everyone who comes to work here has good intentions. Most of the members and staff are true patriots who want to help our country.

I also know that most of the good work we can all do together happens beneath the political din and sensationalized conflict, something I learned from Senator Bennet. If confirmed, I will listen to you and work with you to make real progress for every American.

To conclude, I want to thank the chairman, the ranking member, and their staffs. We all recognize how much work, in addition to nominations, everyone has to do on this committee. And I am grateful for the effort it took to prepare for and conduct this hearing.

Thank you, and I look forward to your questions.

[The prepared statement of Mr. Davidson appears in the appendix.]

The CHAIRMAN. Thank you, Mr. Davidson.

Dr. Harris?

STATEMENT OF BENJAMIN HARRIS, Ph.D., NOMINATED TO BE ASSISTANT SECRETARY FOR ECONOMIC POLICY, DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Dr. HARRIS. I would like to begin by thanking Chairman Wyden and Ranking Member Crapo for considering my nomination. I would also like to express heartfelt gratitude to President Biden for his nomination, and to Secretary Yellen for placing her trust in me to serve in this role.

Please allow me to also acknowledge my oldest daughter Lillian, who is behind me. As a father, I have tried to instill in my daughters a deep appreciation for the value of democracy, and it is a true privilege to invite Lily to witness the inner workings of our democratic system firsthand.

Seated here today, I suspect they share the same humility felt by many others before me. It is truly an honor to be considered as a successor to a storied group who have held this role previously, including economists of remarkable talent serving under both the Republican and Democratic administrations.

Prior Assistant Secretaries for Economic Policy include Phill Swagel, Rich Clarida—now respectively CBO Director and Vice Chair of the Fed—who held this role under President George W. Bush. Prior Assistant Secretaries also include Janice Eberly, Karen Dynan, and Alan Kruger, all of whom I have had the privilege to report to at some point in my career, and all of whom I admire deeply.

Should I be confirmed, I will strive to live up to the legacies set by these economists and others who have served in this role. Under the leadership of these prior Secretaries, the Office of Economic Policy at the Treasury Department has earned a reputation for providing unbiased, high-quality empirical analysis to the Treasury Secretary and other policymakers.

As an ardent supporter of evidence-based policy, I regard this approach as a critical step to making sound and effective policy. After roughly 2 decades spent working in the policy arena, one of the most important lessons I have learned is that good policy usually follows good analysis.

Indeed, I believe that a commitment to following the data and evidence should help lead our economic decision-making as we transition between recession and recovery. In times of marked uncertainty such as the current period, it is my view that embracing robust and timely analysis is the only way to get it right.

I cannot tell you with certainty how our economy will emerge from this crisis, but I do know that we will better understand the challenges facing our country if we prioritize data and evidence.

If confirmed, I am eager to work with the members of this committee and your staffs on a collaborative and bipartisan basis. As a former Hill staffer, I am well aware of the importance of cooperation between the executive and legislative branches, and understand that superior policy is a byproduct of robust collaboration and frequent communication.

This preference for collaboration is further driven by my deep respect for this committee, which regularly confronts the most vexing and important economic challenges facing our country. It is not lost on me that I have much to learn from the insight of this committee's members and its staff.

I would like to conclude by thanking my family—my wife Jessica and my daughters Lily, Juliette, and Annie—for their support and patience. Through my three prior stints in public service, they have learned that my desire to serve the American public comes at a cost to them, and I am grateful that they are willing to share my time with the U.S. Treasury Department.

Thank you for your consideration.

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

The CHAIRMAN. Thank you very much.

Next is Dr. Liang. Welcome.

STATEMENT OF J. NELLIE LIANG, Ph.D., NOMINATED TO BE UNDER SECRETARY FOR DOMESTIC FINANCE, DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Dr. LIANG. Thank you, Chairman Wyden, Ranking Member Crapo, and members of this committee. Thank you for the opportunity to appear before you today.

I am truly honored to have been nominated by President Biden to be Under Secretary for Domestic Finance at the Department of the Treasury, and by the trust of Secretary Yellen. I am grateful to the committee for considering my nomination. I am also grateful for the support and love of my husband of 37 years, Ken Howard, who is here with me today, and my children Greg and Kim, who may be watching.

I would also like to recognize my parents, who immigrated to this country many decades ago with very little beyond their life value. But they believed that in this country, if their children went to school, worked hard, and committed to family and community, they would have many opportunities to contribute to this country's potential and share in its prosperity.

I am an economist by training and have spent many years in public service. I have studied extensively and have seen up close how financial institutions and financial markets effect economic and financial stability. I am committed to applying those insights from that experience—as well as some data, research, and broad outreach—to policymaking.

The pandemic revealed fragilities in the economy, especially in some communities that were least able to bear the burden. It also revealed the fragilities in parts of the financial system. If confirmed, I will work to support the President's and the Treasury Secretary's priorities, and work with this committee to promote a financial system that will lead to more sustainable and more equitable economic growth.

In doing so, I will build on the strength of the U.S. financial system, which is the world's strongest, providing trillions of dollars of credit to households, businesses, and governments each year to support their spending and investments. This system has demonstrated time and again its ability to adapt to new changes in demand for services and in technologies, bringing about significant changes in how financial services are delivered.

New technology today, such as in digital assets, will likely lead to more significant changes. If confirmed, I look forward to working with members of this committee and others to ensure that the evolving financial system continues to meet the needs of the American people. I will work to improve credit access to the underserved communities, including through implementation of programs at Treasury that provide both capital and technical assistance to small businesses and underserved communities.

In addition, while our dynamic financial system spurs growth, it can also lead to regulatory gaps over time. I will work to ensure we are adopting policies that recognize these changes, to ensure customers and investors are informed and protected and risks to financial stability are mitigated.

In addition, a critical responsibility for Treasury is to manage the costs of government financing. The Treasury securities market is the deepest, most liquid market in the world. The country benefits from the special attributes of Treasury securities. I believe it is critical that we ensure the Treasury market functions well in periods of stress.

If confirmed, I will work to provide an assessment of recent changes in the market and recommend policies as needed to ensure a robust, resilient Treasury securities market. I recognize these efforts would take significant communication with the members of the staff and of this committee if I were to have the honor of serving in the Treasury Department, and I would very much look forward to working closely with you and your colleagues.

Thank you again for the privilege of appearing before you today, and I look forward to answering your questions.

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

The CHAIRMAN. Thank you very much, Dr. Liang.

Now for all of you, there are some obligatory questions I am required to ask of each of you before we turn to member questions.

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. HARRIS. No.

Ms. BATCHELDER. No.

Dr. LIANG. No.

Mr. DAVIDSON. No.

The CHAIRMAN. Second, 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. HARRIS. No.

Ms. BATCHELDER. No.

Mr. DAVIDSON. No.

Dr. LIANG. No.

The CHAIRMAN. Third, 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. LIANG. Yes.

Ms. BATCHELDER. Yes.

Dr. HARRIS. Yes.

Mr. DAVIDSON. Yes.

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

Dr. LIANG. Absolutely.

Dr. HARRIS. Yes.

Ms. BATCHELDER. Yes.

Mr. DAVIDSON. Yes.

The CHAIRMAN. Very good. I appreciate all of your responses.

We are now going to go to the 5-minute rounds for members. I am going to start with you, Professor Batchelder.

To me, as our tax policy point person, the debate really starts with the fact that there are two tax systems in America. There is one tax system for the nurse in Medford, OR who is treating COVID patients, and that nurse is required to pay taxes with every single paycheck. And then there is another tax system in America, and that is for billionaires who have accountants and lawyers who are deeply skilled, and to a great extent their taxes are optional. They can pay what they want when they want to.

So, given this double standard with respect to taxes in America, it is especially important to make sure that the Internal Revenue Service collects the dollars that the American people are owed. And I am going to be introducing legislation shortly with colleagues to make sure that the IRS has the tools to be actually able to collect from wealthy tax cheats those funds that the American people are owed.

So, my first question to you is, what is your sense of the size of the tax gap? And then, how often should the Internal Revenue Service update the amount? Because, when we looked at it last, it was like practically from yesteryear. And so, tell us, by way of starting, your sense of the size of the tax gap, and how often should the Internal Revenue Service update it, please.

Ms. BATCHELDER. Thank you for the question, Mr. Chairman. And the tax gap, I think, is a critical issue that I would look forward to working on, if confirmed.

In terms of the size of the tax gap, the most recent estimate is based on tax years 2011 to 2013. And overall, Treasury recently put out a report estimating that the tax gap amounts to at least $7 trillion over the next 10 years.

I think that report from tax years 2011 to 2013 is probably an under-estimate, for several reasons. One is, it is just based on old data. The economy has grown, so you would need to update it for the growth of the economy and inflation. The second is that the IRS budget has been cut substantially as a share of GDP since then. And so probably the tax gap has grown as a result of weaker enforcement and weaker taxpayer services.

Third, the tax gap is calculated based on very detailed audits of a small number of taxpayers. And those audits can miss a lot. So, there is a long line of research finding that the tax gap is especially large when there is limited or no information reporting. And you mentioned a nurse working with COVID patients probably has all of her income reported on her W–2. But there are other forms of income that are not wage income that there is no information reporting on. And those are disproportionately types of income that are earned by high-net-worth individuals and large corporations.

And those types of wealthy taxpayers also can severely outgun the IRS. So I remember in private practice I briefly worked on a client matter for a high-net-worth individual who had something like 30 different partnerships that they owned. And all these partnerships owned each other. And I could not make heads or tails of the issue, and they were supposed to be our client. So I can just imagine what it would be like to be an IRS employee trying to figure this out.

The CHAIRMAN. I want to get into one other area, just on the issue of how often you think it would be appropriate for the IRS to update.

Ms. BATCHELDER. Yes. That is something that, if confirmed, I would love to work on, it being much more frequent, ideally annually. I would certainly need to get briefed by Treasury staff and the IRS, but I think we can learn a lot by more frequent reporting.

The CHAIRMAN. Let me get in one more. And that is, tax policy to a great extent is also about how we make this country more competitive, how we get the high-skill, high-wage jobs that we all want for our constituents.

In this regard, Senator Brown and Senator Warner and I have all come together to lay out a proposal to really have a framework for international taxation. And in particular, what triggered my interest were these examples of companies stashing profits in tax havens instead of investing in America. And those are the kinds of changes that the three of us are trying to put in place.

Give us, as part of my final question, your sense of how the committee ought to look at tax policy as it relates to competitiveness and making sure it is a tool to get those high-skill, high-wage jobs for Americans?

Ms. BATCHELDER. Yes. I share your concern about competitiveness. I think that should be one of the things that we always look at when evaluating tax policy proposals. And in the international sphere, we should also look very carefully at incentives to invert.

And I am aware of the proposals that you and your colleagues have put forth and would be very eager to work with you, if confirmed, on the Office of Tax Policy assisting in any way we can. International tax is very technical, so I would be eager to work on that.

The CHAIRMAN. We will look forward to it. Obviously, there are a lot of pieces that go into the mix of ensuring we can out-compete everybody, whether it is in education or infrastructure and the like. We are going to need your counsel on the tax issues.

Senator Crapo?

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

And, Ms. Batchelder, I would like to start out with you as well. You may be aware that yesterday I sent a letter to Secretary Yellen with strong concerns about her strategy at the OECD.

I am very concerned that, from what I understand, the administration's proposal is to proceed with doubling our GILTI tax rate, the only existing international minimum tax that is in place, before there is even an OECD agreement in place with regard to other countries moving.

I am also very concerned about whether the administration will insist that digital service taxes that unfairly discriminate against U.S. companies be eliminated as a condition in these negotiations.

Could you please respond? First, do you agree that the United States should move ahead, changing its own tax policy with regard to the GILTI rate, before the OECD negotiations are even concluded?

Ms. BATCHELDER. So I should say first that I would look forward to getting briefed on these issues, if I was lucky enough to be confirmed. In general, there are both the negotiations, as I understand it, going on with the OECD and then legislative proposals that the President has put forth. And if I was confirmed, I would be very eager to assist in conversations about those proposals. They would of course require the approval of Congress, and I would be eager to work and discuss areas of cooperation on a bipartisan basis.

Senator CRAPO. What about digital services taxes? Do you believe that a ban on digital service taxes, or at least managing them in a way that is fair and equal, should be a part of any agreement at the OECD?

Ms. BATCHELDER. As I understand it, Treasury has put forth a different proposal than the previous discussions under which some other countries had been proposing digital service taxes. In general, I have a bias against taxes that target a specific industry, and certainly against those that are focused just on U.S. companies. And even if it was just an industry as a whole, I think there would need to be a very strong reason why a tax would focus on a specific industry.

Senator CRAPO. Well, I encourage you, if you are confirmed, to use your voice at Treasury to advocate that the United States not enter into an agreement, or not pursue raising our taxes, before there is even an OECD agreement, and that we protect against discriminatory digital taxes.

Mr. Davidson, on the same issue, Treasury surely has performed analysis of how proposals that it is contemplating will affect U.S.-headquartered companies. Will you commit to advising Treasury to provide Congress with quantitative and qualitative analysis that it has performed on its international tax proposals in the OECD framework, if you are confirmed?

Mr. DAVIDSON. Excuse me. I was on mute. Treasury would like very much to work in a collaborative way, and to provide analysis, and hopefully we will meet that standard. If I am privileged to be confirmed, I would very much look forward to working with you and your staff on providing that kind of analysis.

Senator CRAPO. Well, thank you very much.

And, Dr. Liang—actually, I want to hold off and move to Dr. Harris.

Again, the President has, and various administration officials have, identified that under the administration's tax proposals nobody making under $400,000 a year will have their taxes increased. "Nobody" means an individual, as I read it.

However, at various times some administration officials have changed that description to be a family, rather than an individual making less than $400,000, would not pay increases in taxes.

Given that you are currently employed and working at Treasury, is it your understanding that the administration's position on taxation is that no individual making under $400,000 will pay more in taxes, or is it that no household making under $400,000 will pay more in taxes?

Dr. HARRIS. Senator, it is my understanding that in the American Families and American Jobs Plan that was laid out by the Biden administration, the definition of the taxpayer who would be protected from any tax increase of any sort differs slightly for single taxpayers versus married taxpayers. And for single taxpayers, it is around $460,000, and for married taxpayers it is in the low 500,000s. I am sorry I do not have the exact numbers.

Senator CRAPO. All right; thank you.

Dr. Liang, my time has run out. I was going to ask you an FSOC question, but I will send it to you in writing. Thank you.

The CHAIRMAN. And just so we are clear on this question, the discriminatory digital tax—and I see Senator Grassley here, and he and I have teamed up on this for years. This is the equivalent of a digital dagger aimed directly at our high-skill, high-wage companies. And there is going to be bipartisan opposition to it.

Next is Senator Cantwell.

Senator CANTWELL. Thank you, Mr. Chairman. Thank you so much for the nominee's willingness to answer questions.

I will start with Ms. Batchelder. I know that the President wants to do something to make housing more affordable, and my colleagues Senator Young, Senator Wyden, and I, and Senator Portman, have all led the charge of trying to increase the Low-Income Housing Tax Credit. It is a very important tool.

In 1986, the Low-Income Housing Tax Credit was started and built nearly 3.5 million affordable housing units. Our bill would try to rehabilitate over 2 million affordable housing units over the next 10 years. What is the President's plan for extending the Low-Income Housing Tax Credit?

Ms. BATCHELDER. I share your concern about the affordable housing crisis in this country. As I understand it, the President's American Jobs Plan includes a number of proposals, both tax and non-tax, to expand access to affordable housing, including a substantial expansion of the Low-Income Housing Tax Credit. And, if confirmed, I would look forward to working with you on these proposals and any others that would address this important issue.

Senator CANTWELL. So is there something right now that you think needs to change in the tax credit to make it an improved product?

Ms. BATCHELDER. If confirmed, I would certainly want to get briefed on the issue. But as I understand it, the President has proposed a large expansion to it. And we certainly, in Washington State and elsewhere, need a lot more affordable housing. And so I think looking at ways to make it more effective and more available would be important.

Senator CANTWELL. Thank you.

Another issue that I believe needs attention is the unfair competition that has basically impacted local journalism. In the COVID relief bill, we were able to propose a bipartisan support for making sure that newspapers could continue to retain a workforce. They lost—a huge impact—some as many as 70 percent of their workers over the last decade because of what has been a challenging transition to digital formats, and also some unfair competitive practices.

We are looking at continuing the focus of this, of the COVID bill, because that will run out in some period of time, but we do believe that these legal issues about either antitrust, or unfair competitive practices, will continue for some time. We think the legal battle and legal challenges to that will take a while.

So I want to know if you or the administration are supportive of a continued tax incentive for retaining and keeping a local journalism workforce in the United States?

Ms. BATCHELDER. That certainly sounds like a very important issue, Senator. And if I was confirmed, I would look forward to getting briefed on it and discussing it with your staff and working together.

Senator CANTWELL. If you could take that to your colleagues at Treasury, because we are definitely going to be proposing this. We are definitely going to want to continue to have competitive voices. I would love to even see the Treasury Secretary speak out about this. Why? Because we all know that perfect information helps us have functioning markets. And in fact, when we have not had perfect information, we have not had quite a functioning market.

So competitiveness in journalism, the many voices to basically continue to review and get information correct, I think is essential to our economy. And so I will hope that people will take that information and help be supportive of this effort to retain this workforce, instead of continuing to lose, at a very dramatic moment, what is the essence of competitive voices.

Some colleagues have suggested we are just going to have one publication over here, and one publication over there, and they are going to speak with these voices. That is not what our country has been built on. Our country has been built on the diversity of voices. And again, as I said, help us get not just FOIA and information, but really help us oversee it and make sure that our markets and the information that it takes for our economy to function actually have the right and perfect information.

So, I look forward to hearing from both Treasury and the Biden administration on this issue.

Thank you, Chairman Wyden.

The CHAIRMAN. Thank you, Senator Cantwell.

Next will be Senator Grassley, followed by Senator Carper.

Senator GRASSLEY. Ms. Batchelder, there was a big concern in my county meetings that I had over the last Easter break, and May break, about the stepped-up basis. Farmers and small businesses are very concerned about it.

I want to give you a little bit of history that you probably know the details of as much as I do, but Congress experimented with something similar in the President's stepped-up basis proposal in the Tax Reform Act of 1976. This proposal did not subject the gains to an immediate tax, but generally replaced the stepped-up basis with a carry-over basis. This proved very unworkable and led to outcries.

I was just a member of the House at that time. I was not even on the Ways and Means Committee. But this outcry led me to work with then-Senator Harry S. Byrd of Virginia. And through what we did at that particular time, Congress almost immediately postponed the rule and ultimately repealed it in 1980.

Now the President's proposed transfer tax has some of the same problems of trying to determine basis after an owner has passed, particularly if the farm has been in the family for generations. It is almost impossible to, or nearly impossible to determine basis.

So my question to you—but I want to put two questions together. So the first question is, given this proved unworkable in 1976, why do you think this time it is any different? And then, in regard to the second question along the same issue of stepped-up basis, the President's description of the proposal claims that it will have protections for family farmers and businesses, but has no specifics.

So, one, about the unworkable proposal in 1976, why is it any different this time? And can you provide any detail on what protections family farmers and small businesses would have so we do not have a repeat?

Ms. BATCHELDER. Thank you very much for the question, Senator. I am aware of the provision that was passed in the 1970s and how it was repealed before it was enacted or went into effect.

As I understand it, it was not a particularly well-designed provision. Actually, in the Bush tax cuts there was a provision that enacted carryover basis for the year of 2010. It was repealed after 2010. But we did have carryover basis during that year under the Bush tax cuts. And I have not heard of very large issues that happened because of that, but I would certainly want to learn more and would be eager to work with you on this issue.

In terms of the treatment of family farms and businesses, as I understand it reading the proposal, it would delay any tax due for all family farms and businesses until they were no longer owned and operated by the family. And there are some precedents for this kind of provision that I worked on back in my time with former Chairman Baucus, but I would be eager to work with you and your staff, if confirmed, to make sure that that was drafted in a way that was workable and technically sound.

Senator GRASSLEY. Please understand that this is a major concern, particularly in agriculture, but I think also small business. I will direct my last question to you as well.

The President and many of my Democrat colleagues often complain about companies paying zero tax. However, frequently the reason a profitable corporation pays no tax is because it is eligible for tax incentives such as green energy incentives. Recently there has been a proposal from both sides of the aisle to make incentives in the green energy space essentially refundable by providing a direct-pay option. This option is included in the chairman's technology-neutral proposal. Given concerns about companies paying no tax, do you have concerns that a direct-pay option could result in companies having a negative tax liability?

Ms. BATCHELDER. Well, I would certainly want to get briefed in more detail on the proposals. But in general, it strikes me as valuable to look at technology-neutral incentives for clean energy. And I guess the rest of your question was about zero tax liability. I would say in general I have some work looking at taxpayers' payments over time, and I find it helpful to look at what it is individuals or companies are paying over time, rather than a 1-year snapshot.

Senator GRASSLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Grassley.

Senator Carper is next.

Senator CARPER. Ms. Batchelder, welcome home. Great to see you. We want to welcome Benjamin Harris, and Nellie Liang, and Jonathan Davidson as well. Thank you. Congratulations on your nominations, and our thanks to you for your willingness to serve. Our thanks to your families, those who are present and those who are not, for their willingness to serve with you as well.

If I could, Ms. Batchelder, in your testimony you state your desire to be a strong partner to the IRS. Should you be confirmed, how would you work with the IRS to effectively address the tax gap? Our friend, Commissioner Rettig, was sitting right where you are sitting several months ago, and he told us that if we would provide additional dollars for enforcement for the IRS, we would bring in somewhere between $5 and $7 in additional revenue for every $1 that we invested. It sounds like a pretty good return to me.

How would you help make that happen? Thank you.

Ms. BATCHELDER. Thank you, Senator, for the question and the work on this important issue. And I would be very eager, if confirmed, to work with Commissioner Rettig and work with all of you and your staff on proposals to address the tax gap. As I understand it, the administration has put forward a proposal to expand investment in IRS resources and to increase information reporting by asking large financial institutions to provide some more information. And both of those could raise a substantial amount of revenue without changing the law in terms of what taxpayers owe, whatsoever.

And there are a bunch of different ways that this happens. If the IRS receives more resources, they not only are able to look at more returns where there are—you know, a relatively small number of taxpayers do not pay the taxes they owe. The vast majority of Americans do pay all the taxes that they owe.

It would also allow the IRS to invest in its IT systems, which are very antiquated. The foundation of those IT systems is written in a language called Fortran that, I confess, predates me, and I am not particularly young. And it would also allow the IRS to expand taxpayer services. And there is also evidence that when there are more taxpayer services, when taxpayers are able to reach someone on the phone, that increases their compliance.

So, for all of these reasons, I would look forward to working with you on these proposals, and any others.

Senator CARPER. Thank you for that response.

Let me ask one question for all the panelists. What tools—I chair the Senate Committee on Environment and Public Works. We focus usually on climate change and other issues including, this very week, surface transportation legislation. But for each of you, what tools and policy levers under the jurisdiction of your prospective roles in Treasury should we utilize to tackle climate change and build a clean-energy economy? What tools and policy levers under the jurisdiction of your prospective roles in Treasury should we utilize to tackle climate change and build a clean-energy economy?

And Jonathan Davidson, would you go first, please?

Mr. DAVIDSON. Thank you, Senator Carper, for that question.

Senator CARPER. Please be succinct, if you will, so everybody can make a comment. Go ahead, Jonathan.

Mr. DAVIDSON. Just briefly, I know the others will have responses, but I think leadership and collaboration are the tools that we should use. And if I am privileged to be confirmed in my role, I will look forward very much to working with you. I know how much of a leader you are in this area and in the cross-over between the infrastructure provisions that this administration is proposing and the need to address climate change. And so we look forward to your partnership with us, and vice versa.

Senator CARPER. Thank you so much.

Nellie Liang? Dr. Liang?

[Pause.]

Senator CARPER. I cannot hear you.

Dr. LIANG. Thank you, Senator. Investors are seeking information about climate change, and banks need to better assess their risks. At Treasury, we are working to help develop information to investors so they can make better informed investment decisions.

The Secretary, as Chair of the Financial Stability Oversight Council, is also working with regulators to assess those risks. They are not, however, directing banks whom to lend to, or what investments to make, but are working to provide the information. Thank you.

Senator CARPER. Thank you.

Dr. Harris, please.

Dr. HARRIS. Thank you, Senator. I know you are a leader in this area. So I agree with Jonathan's answer around collaboration. I agree with Nellie's answer around transparency. I might also add that now is an important period for robust public investment in the way we produce and consume energy. So this can include, for example, subsidies for more efficient household appliances. It can also include policies like the clean energy standards that were included in the JOBS Act.

Senator CARPER. Lily, just a brief comment, please.

Ms. BATCHELDER. Yes, I understand that the President has put forth a number of proposals in this space that I would be eager to work with the committee on, if confirmed, and I also know that you are marking up an energy tax bill tomorrow. So I think that is another example of something that, if confirmed, I would work on.

The CHAIRMAN. Thank you, Senator Carper.

Senator Portman is next, if he is there.

Senator PORTMAN. Thank you, Mr. Chairman. First of all, I welcome Professor Batchelder back to the committee. And for all the other Treasury nominees, you all have an important role to play here as we try to get this economy back on track post-pandemic.

We are very concerned, as you know, about what we see in terms of inflation. We are concerned about the jobs market. We have 8.1 million jobs open right now, which is the most in the history of our country. And a lot of employers in all of the States we represent are telling us they just cannot get workers.

An interesting *Wall Street Journal* article today is about what all of us would suspect, which is that companies are learning how to automate more and spending more of their resources on technology and automation to avoid having to worry about not having enough workers.

That is not a good sign, in my view, although it may lead to a more efficient economy. It may lead to, also, a lot of these jobs not being available in the future. And that concerns me a lot, and it is one reason we need to get back to work.

The last thing we need to do is to make ourselves less competitive. We have a bill on the floor right now about making America more competitive compared to China and other countries, and yet we are talking about changes on the international tax front that would, once again, make America's workers uncompetitive globally. And I just do not get that.

Professor Batchelder, we worked on this issue together when you were working with Senator Baucus, and we agreed as a general rule that we needed to go to a territorial system, and we needed to be sure that we allowed repatriation to occur without the big tax hurdle. And sure enough, that has happened: $1.6 trillion has come back, repatriated since the 2018 time period when the 2017 bill became effective; higher R&D here in the United States, more capital investment to the tune of hundreds of billions of dollars. So these are all good things, in addition to, of course, wages going up, which everyone expected who believed that by making us more competitive, we were really making our workers more competitive, which is what the CBO thinks.

So, with that background, I would like to ask you briefly, Ms. Batchelder, about the tax increases, including this tax increase in what is called the Global Intangible Low-Taxed Income, also known as GILTI. It is what we have put in place as sort of an alternative to a minimum tax. Other countries do not have it at all. As you know, the vast majority of OECD countries do not. But we have put it in place, thinking this is a good thing to keep income from being shifted to low-tax jurisdictions.

And now there is a proposal to increase the GILTI tax substantially—in fact, to double it. I would note that Deputy Assistant Secretary Clausing recently publicly confirmed Treasury's position is to retain the foreign tax credit haircut at 20 percent on GILTI also, yielding a rate of about 26 percent plus.

So I guess my question to you would be, explain to me how you feel about this. I mean, how can a U.S. company possibly compete globally, let us say a company in the United States that is competing globally with other global companies, when they are not facing this GILTI tax at all and yet we are saying that the U.S. company would have to pay 21 percent, maybe as high as 26 percent, on top of the corporate tax rate in the foreign country.

How can a U.S. company working abroad, serving customers abroad, possibly compete with that?

Ms. BATCHELDER. Thank you for the question, Senator. And I share your concern about the competitiveness of U.S. companies, and especially U.S. workers, and also about any tax provisions that create incentives to invert.

Personally, I have a slightly different perspective on the likely effects of the President's proposals. While I agree that no other country has a minimum tax exactly like ours, they do have many provisions in place designed to limit the ability to shift profits to low-tax jurisdictions by companies resident in their countries that I think are analogous to GILTI.

So, for example, many deny participation exemptions for certain foreign countries or lines of business, partially tax foreign earnings of their companies across the board. Many also include CFC rules that are akin to our subpart F provision but, unlike our subpart F provision, are not limited to passive income but applied to active income also. And some have interest expense limitations that are stronger than ours.

So for these reasons, I support the President's proposals. But I will also say I am always eager to hear perspectives about how we can make sure that proposals in this space improve the competitiveness of American workers, and make sure that we do not have incentives to invert.

Senator PORTMAN. Okay. Well, we have a fundamental disagreement on that, I am afraid. And I think what you are saying today is a little different than what you used to say with Max Baucus. I do not think it is anything comparable to the 26-percent-plus rate in any of the OECD countries, certainly. And I look forward to further conversations with you about that, because I feel very strongly that this is going to hurt the very workers whom finally we have made competitive, and finally got their wages going up.

So we look forward to that conversation. I hope you will be open to points of view, not so much of me and other members of this committee, but the people who are in the trenches making these decisions every day. I am concerned about some of the academics at Treasury and at the White House who have this theoretical view, but it is not consistent with the reality of people trying to sell stuff overseas using American capital and labor.

The CHAIRMAN. My colleague's time has expired.

Senator Cardin is next.

Senator CARDIN. Thank you, Mr. Chairman. And I also want to extend my thanks to all four of our nominees for their willingness to serve at this critical time in our Nation. But a special shout-out to Jonathan Davidson. I got to know Jonathan when he was on Senator Sarbanes' staff. I know how much Senator Sarbanes valued that relationship. Obviously he moved on to Congressman Sarbanes, then Senator Warner, and Senator Bennet.

So a shout-out. We are very proud of this nomination, and we know that you will serve well in this role of congressional relations.

I want to ask Ms. Batchelder a question concerning pensions. But let me set this up first, if I might. Treasury has a great deal of jurisdiction over the issues of fairness in our society. I have heard President Biden talk about narrowing the systemic discriminations in our system, and we know that we have discriminations in our tax code, and the chairman talked about that in his first question.

We have challenges in entrepreneur opportunities. We have challenges in economic development. And we also have challenges in retirement savings. We have an opportunity in this Congress to move forward on a bipartisan proposal. Senator Portman and I have introduced legislation, bipartisan legislation that was introduced by the chair and ranking member of the Ways and Means Committee on the House side, and it really does advance the fairness in retirement savings.

It provides easier ways for employers to offer plans to their employees. And when money is on the table, lower-wage workers and middle-income workers are more likely to participate. We expand dramatically the Saver's Credit, which has been a very valuable tool for low-income workers. We cover part-time workers. We provide for lifetime income options, which is again much more of a need for the lower-wage workers. And we deal with those who have student debt. And I want to thank Chairman Wyden for his leadership on that particular issue.

So my question to you is that, knowing that we have a bipartisan opportunity, will this be a priority, if you are confirmed, to be able to work with us to move pension legislation, retirement savings legislation, in this Congress?

Ms. BATCHELDER. Absolutely, Senator. I am aware of your longstanding work with Senator Portman on this issue and would be very eager, if confirmed, to work with you on extending access to easy ways for people to save. There is a lot of evidence that making it simple and easy for people to save for retirement increases the amount and likelihood of savings for retirement. And also there is sort of a patchwork of coverage, and particularly low-wage workers, workers of color, workers in rural areas, workers at small businesses, are less likely to have access to an employer-based easy way to save for retirement. And I would be eager to work with you with concerns on these issues.

Senator CARDIN. Thank you.

I want to ask you one question about paid tax preparers, and the chairman has been very engaged in this also. We know about the complexities that have been put into our tax code. We hear about the challenges of taking the Earned Income Tax Credit and how so many of these mistakes have been made by the incompetency of paid tax preparers. And yet the IRS does not have the capacity to regulate.

How high of a priority will it be to seek congressional authorization so the IRS can in fact regulate the paid tax preparers?

Ms. BATCHELDER. I believe this proposal was in the recently issued Report on Tax Compliance by the Treasury Department. And I would be eager to work on any effort to regulate unregulated tax preparers and make sure—I should emphasize, when we talk about the tax gap, we should be thinking about it as people purposely not paying their taxes. There are also people who unwittingly may not pay all the taxes they are owed because unregulated preparers are giving them bad advice. So I will be eager to work on this issue.

Senator CARDIN. And the tax gap is huge, and we really need to deal with it. And it adds to the systemic discrimination in our system. But at the other end, there are taxpayers who are entitled to benefits who are not able to get those benefits because they cannot access them.

So our program to provide assistance to lower-wage workers so they can get their benefits is also an important element in this.

I look forward to working with you all on these issues, and again I thank you for your willingness to serve our Nation.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Cardin.

Senator Bennet?

Senator BENNET. Thank you, Mr. Chairman.

Mr. Davidson, we have had a lot of conversations over the years about what is working well here and what is not working so well here. And I wonder if you could share with the committee your thoughts about how we can achieve important priorities together in this tough political environment? And I would be interested to hear whether, if confirmed, you and the Department can play a role in facilitating greater cooperation, including on the important issues this committee addresses.

Mr. DAVIDSON. Thank you, Senator, for that question. I will start with an example. Just before I left your office and your team, we were able to work with Ranking Member Crapo preliminarily on some legislation. And he and his team were in a very difficult political environment, and stuck with that process all the way through—kept his word all the way through, and took arrows. And I think that a starting point for bipartisanship is that kind of courage. It is evidenced across a lot of the members of this committee, and again it goes back to working beneath the political crossfire.

I also think, Senator, that one of the things that you taught me is that going and standing in the shoes of people who are not going to vote for you, and learning from those communities about how to fashion policy in a way that is designed for everybody in the country, and designed to serve the interests of people who are never going to agree with you, that is something that I have learned deeply through my work with you. And my ability to understand that has, I think, helped me understand the policy process a lot better.

So I think there is a lot of evidence, especially on this committee, that there is plenty that we can do. And I think as long as we take the time to listen, and if we are patient and believe each other, I think there is progress to be made. But I appreciate the question.

Senator BENNET. Mr. Chairman, I also want to call all the nominees' attention to the Social Impact Partnerships to Pay for Results Act, which was a bill that I wrote with Senator Young, bipartisan legislation that offers an innovative way to improve the effectiveness of certain social services.

After a rigorous review, the SIPPRA Commission approved eight applications in November 2019, including projects in my State of Colorado, as well as those of Senators Young, Lankford, and Scott. And today the Treasury Department has only released one of the eight approved grants, 2 years after applications were due. The other seven projects, including the four States represented by Senators on this committee, are still delayed, leaving communities and families in limbo.

I guess, Dr. Harris, if confirmed, can you commit to looking into this to make sure that we can figure it out?

Dr. HARRIS. Senator, in a word, yes. I know you have been a champion for this important approach, and I will just quickly note that I have a background in evidence-based policy, and the SIPPRA approach is a favored strategy for those who truly want to see effective government. So this pay-for-results approach, I think, is critical, and I will 100-percent commit to making this program more effective.

Senator BENNET. Thank you. And I also want to ask you one further question. In the last Congress, a bill that I wrote with Senator Portman and Senator Brown and Senator Young to help curb evictions and help provide a model for the Emergency Rental Assistance Program in the COVID relief packages, the version of the bill we are working to reintroduce in this Congress, will include a substantial permanent program to provide emergency rental assistance for eviction mitigation.

What are your views on the eviction and housing crises? And what role should the Treasury and the Federal Government play in mitigating these crises?

Dr. HARRIS. So I think that when economists have studied the economic disruption from evictions and foreclosures, we have realized that there are longstanding economic costs, and that policymakers should do everything we can to avoid them while having a well-functioning housing market.

The actions taken by Congress to provide emergency assistance during COVID, I think, were critical in forestalling and avoiding that type of economic disruption. We need a more permanent system. So I am supportive of legislation which puts in place a better safety net for America's homeowners and renters.

Senator BENNET. Thank you, Mr. Chairman. And with my final 20 seconds, I want to thank all the nominees for your willingness to serve. We are very grateful to every one of you and to your families, and I hope you will express to the Treasury Secretary how grateful we are for her fulfilling her commitment to make the Child Tax Credit payable on a monthly basis starting in July. We deeply appreciate that.

The CHAIRMAN. And thank you for your terrific work on this. And one of your partners will be next.

Senator Brown?

Senator BROWN. Thank you. Thank you, Mr. Chairman. And thanks for the comments, and always pushing hard on the Child Tax Credit, Senator Bennet, my friend from Colorado.

I want to start by commending each of the nominees for their commitment to public service. You have all had years of Federal experience. I thank you for your willingness to come back and serve your country.

Mr. Davidson, a special shout-out to you. Thank you for your service to the questioner right before me, to Senator Bennet. You were a big part of our efforts over the years to expand the Earned Income Tax Credit and the Child Tax Credit, and I know your commitment will continue at Treasury. So thank you.

And, Ms. Batchelder, I would like to start with you. One of the most important parts of the ARP was that expansion of the Child

Tax Credit. The IRS Commissioner has told us that IRS is ready for the monthly distribution, as Senator Bennet just mentioned, starting in July.

I just want to ask you to work with the IRS to ensure as many eligible families as possible take advantage of this credit. Will you commit to us that you will do that?

Ms. BATCHELDER. Absolutely. This is such an exciting new program, and as you know, the expansion, including making the Child Tax Credit fully refundable, would cut child poverty by an estimated 40 percent. And if confirmed, I would be very committed to working with the Commissioner and the IRS, as well as any outside partners, to make sure as many eligible families as possible are taking advantage of that provision.

Senator BROWN. Thanks for saying that. And I noticed a moment ago Senator Portman was on the screen. And in his State and my State, 92 percent of children will be eligible for the Child Tax Credit—some in a big way refundable, others less so in higher-income groups, but 92 percent.

Another question on take-up of refundable credits. As you know, one in five filers eligible for the EITC does not get it. What are your ideas for increasing take-up of the Earned Income Tax Credit? And would you consider acting on a recommendation to the Treasury Inspector General to send some EITC refunds automatically?

Ms. BATCHELDER. Yes. Again, this is a critical program, together with the Child Tax Credit. The EITC is lifting 5.5 million children out of poverty, even prior to the American Rescue Plan. And as you know, take-up is—well, 20 percent of people on average are not taking it up. And that is especially the case among folks who do not have dependent children living at home.

If confirmed, I would be very eager to work with the IRS and outside partners on increasing take-up. And although I would certainly want to be briefed on the issue, I would very much consider working with the IRS on TIGTA's recommendation that you mentioned. It strikes me as an excellent way to get much-needed tax benefits to low-wage workers, many of whom would otherwise be taxed into poverty.

And I would also be eager to explore ways to increase take-up among workers with dependent children, whether it is through additional outreach, making sure that the letters that do go out are formatted in a way that makes them easy to understand and makes taxpayers more likely to act upon letters notifying them that they are probably eligible for the EITC, and thinking creatively about ways to make it easy for people to file returns so that they can get this much-needed tax benefit.

Senator BROWN. Thank you, Ms. Batchelder. I hope we know the contribution that those dollars going to low-income people make, the contribution they make to neighborhoods and communities as those dollars are spent at the grocery store, and the drug store, and spent in the community to pay rent, and all the things that will matter.

I also serve as chair of the Senate Banking and Housing Committee, which oversees much of the work of the Office of Domestic Finance, including oversight of our housing finance system. We have an affordable housing crisis—everybody knows that—in this country. We need our entire housing system working together to address that crisis, including the GSEs.

The Banking and Housing Committee has heard a lot of consensus on what we need to do to put the GSEs on a path to promote long-term stability and make sure they are focused on expanding access to affordable housing.

So, two just really quick questions, and it can really be "yes" or "no." Dr. Liang, will you commit to working closely with me and my staff on the future of our housing system, and on GSEs?

Dr. LIANG. Senator Brown, I believe that is a very important initiative. Yes.

Senator BROWN. Thank you, Dr. Liang.

Mr. Davidson, will you commit to working closely with me and my staff on issues related to the housing finance system?

Mr. DAVIDSON. Yes, Senator Brown. I know about your leadership on these issues and would look forward to that, if I am privileged to be confirmed.

Senator BROWN. Good. Thank you so much to all of you for your interest in public service.

And, Mr. Chairman, I have 8 seconds, and I am done. Thank you, sir.

The CHAIRMAN. Thank you very much, Senator Brown. That was very helpful.

Senator Lankford is next.

Senator LANKFORD. Mr. Chairman, thank you very much. Thanks to all the witnesses as well for your testimony and the work leading up to this.

Ms. Batchelder, I want to get a chance to talk to you a little bit about China. That has been a frequent conversation for us on the Hill of late. We have quite a bit of conversation ongoing on China right now. And that deals with not only the economic advantages that China has, but also their competitive advantages with our companies as well, and how we can balance that out.

I am concerned that there is dialogue going on right now about forming a tax agreement with the OECD, or proposing a tax proposal that does not require China to be included in that, which could put a significant disadvantage again to American companies.

Help me understand your proposals and your thoughts on whether the United States should go first, or be able to form a tax agreement, or be able to increase our tax burdens on our companies, and have China not included in that agreement, or not know what China is going to do as well?

Ms. BATCHELDER. Thank you for the question, Senator. And I share your concern about competitiveness, including vis-à-vis China. I would certainly need to be briefed on these issues, if I was fortunate enough to be confirmed.

Though the one thing I would note is, as I understand the way that these negotiations are being structured, if there was an agreement on an international minimum tax, it would not be necessary for every country to sign on in order for it to apply with large force throughout the globe.

So I believe there is that provision called a UTPR, which is an enforcement mechanism in Pillar 2, that would effectively—for example, if China was not part of this agreement, and I have no reason to think that they would not be, but hypothetically if they were not, it would apply the minimum tax to Chinese resident companies to a large extent as well.

But again, I would need to be briefed on this issue and would very much look forward to discussing your concerns and perspectives on this.

Senator LANKFORD. Yes; there is some conversation that China would actually get an exception under Pillar 2 in that. Are you aware of any of that conversation? And would you be agreeable to an exception for China?

Ms. BATCHELDER. I am not aware of that discussion and would need to be briefed on the technical details.

Senator LANKFORD. So obviously, Congress needs to be engaged in this. Any sort of agreement that is a treaty agreement, or is an agreement for changing tax policy, would require bipartisan cooperation and engagement on this issue. Congress wants to stay engaged, and the Senate certainly wants to be able to stay engaged. Do you know of any way that a tax agreement could be made with other nations that would have a direct effect on the United States' companies and United States citizens that would not go through Congress?

Ms. BATCHELDER. I should say, first of all, that I would be, if confirmed, very eager to make sure that Congress and this committee are continually briefed on the negotiations, and make sure that my staff, if confirmed, was doing so as well.

And as I understand it, any treaties require the advice and consent of the Senate. And so I would expect that to be the case. I, again, would need to be briefed on the issue. I could imagine scenarios where something that the U.S. is already in compliance with, then maybe there would not be the need for congressional action, but I would really need to be briefed on the issue.

Senator LANKFORD. But you do not know of an issue, or a way that taxes could be increased on American companies, or American taxpayers, through an executive agreement that the administration would make without going through Congress?

Ms. BATCHELDER. I am not aware of what you are discussing, no, or how that would work.

Senator LANKFORD. Okay; that is helpful. There has been some conversation that the administration is examining ways to be able to change tax policies without going through Congress, and so we will follow up on that in the days ahead.

Dr. Harris, I do want to ask you just about the economic effects of the unemployment assistance that is currently ongoing, and your thoughts on continued growth of unemployment assistance. We have seen a tremendous increase in the number of job openings in America.

In my State, we have the largest number of job openings in the history of my State since we have kept records, and we are struggling under the additional unemployment benefits that have been given out, where people literally make more not working than they do working. And it has been very difficult to be able to incentivize people to return to work, even though there is a tremendous number of job openings. Do you see that as good economic policy in the days ahead, to be able to continue something like that?

Dr. HARRIS. Senator, thank you for raising this point. I should note that, in my opening statement, I noted the importance of communication with Congress. I also believe in communication with the business sector. So in my discussions with various business leaders and companies, I have heard this concern, that they are having a hard time in certain instances hiring workers.

I will say that I also committed to being evidence-based, and looking at studies that have come out of the San Francisco Fed and various other educational institutions, universities, I have not seen the evidence showing that the $300 plus-up has yet been a substantial detriment to hiring. And so I will continue to monitor that, and I think it is a valid point.

Senator LANKFORD. I look forward to that dialogue. I would invite you to meet with any employers you would like to in Oklahoma, if you would like to come to Oklahoma. I could drive you around and let you get a chance to meet a lot of folks who would certainly disagree with the San Francisco Fed on that. With that, I will yield back.

The CHAIRMAN. I thank my colleague. And we want to go on. I just want to be clear. On this unemployment issue, there are a lot of pieces to this puzzle. And on this committee, we have proposed a number of reform efforts. And the reality is, as a result of these Republican Governors and their actions over the last few weeks, several million persons, many of whom are going to be women and especially vulnerable, are going to end up with an income of zero. They will have lost not just the $300, but the extra week. If they are gig workers, they will lose that, and they may have exhausted their benefits.

And I do not believe any member of Congress wants to see people destitute that way. So we are going to continue this debate. There have been a number of reform proposals in this committee. There are 53 different systems, if you look at the way they are set up administratively. We have proposed a uniform baseline.

We are going to continue that discussion.

And Senator Casey is next.

Senator CASEY. Mr. Chairman, thanks very much. I want to thank the nominees who are in front of us. I will direct my questions to Dr. Harris and Ms. Batchelder.

I will start with children, and one challenge we all face. We know that both child care and early childhood education, often referred to as early care and education, both are central to the Nation's economic infrastructure and, frankly, our recovery. And it is particularly important to women's labor force participation. There is just no question about that.

The COVID–19 pandemic has laid bare the importance of the caregiving economy—namely, those workers who care for and support children, seniors, and people with disabilities. We are seeing more clearly now than ever that quality and affordable care is central, both to the economy as well as the recovery itself.

I was glad to see a measure that I had been leading for the last number of years to expand one of the three tax credits we have focused on in the Rescue Plan: the child and dependent care tax credit, shorthanded, the child care credit. That was included in the

Rescue Plan which was enacted, but it also included—the expansion of it is included in President Biden's American Families Plan.

So, Dr. Harris, I will focus for a moment on you. Both child care and the care economy are economic imperatives. Can you discuss how you intend to elevate this issue and speak to its importance in terms of our short-term and long-term competitiveness?

Dr. HARRIS. Thank you, Senator. I will say that in economics, there are few consensus views. But one is that investments in child care yield long-term returns. And so I think that from the perspective of those who care about our economy over not just months and years but decades, investment in child care is critical.

It is also a workforce issue. Caregivers right now only receive a typical wage rate of around $12.25. That is not enough, and I think it is inconsistent with their value to children and economic productivity.

We also have a child care supply problem. And I know that there are efforts by members of the committee and others to expand the supply of child care. And lastly, of course, you just mentioned, Senator, there is a massive affordability problem. And that results in less labor force participation and puts our economy at a disadvantage relative to some of our competitors.

So for all these different areas I have just laid out, I commit to continuing to study this issue, to elevate it, and to serve as a faithful advisor to the Treasury Secretary on this issue.

Senator CASEY. Well, I appreciate that, because we know now from all the data for 50 years, the connection between learning and earning. If they learn more now, they are going to earn more later. That is clear. So we cannot talk much about economic growth, or out-competing China or growing GDP, without early care and learning.

Ms. Batchelder, I know that making this child-care credit permanent is a priority for the President, and I hope to work with you on this as well. It is a long-overdue expansion of the ABLE program, which is, for those who do not know, it is really a 529 plan for people with disabilities. And I look forward to that and working with you.

I do not know if you have any comments on either issue.

Ms. BATCHELDER. I would look forward to working with you on these issues, if confirmed, Senator. And I share your concern about child care. As a new mom, it has become particularly visceral to me how important access to quality child care is. And on the child and dependent care tax credit, I would also be particularly interested in looking at ways to partner with and support the IRS in making sure that people are claiming benefits to which they are entitled.

Senator CASEY. Thanks very much.

And my last question pertains to a bill that I have been advocating for a number of years, an automatic stabilizers bill for regional and national recessions.

We know that after 2008 we had folks who—huge numbers of Americans, I guess it was something on the order of 8 million, unemployed, but many for several years. And we did not have a strategy for those workers.

We know that communities will continue to suffer from the persistent challenges flowing from the pandemic, whether it is a localized recession or a large, massive job loss in a particular community.

Dr. Harris, I know that my staff has talked to you about this issue, but I just wanted to hear your views on legislation like that, or policy like that with respect to the economic recovery ahead, and how we have to focus on stabilizers for localized recession.

Dr. HARRIS. Thank you, Senator. My view on automatic stabilizers is that they can be a critical part of a macroeconomic response to a downturn. But of course, our economy is not just a national economy, but the sum of local and State economies.

So you know, while I commit to studying your bill and your approach in further detail, as described to me by your staff, it feels like a very worthwhile approach towards supporting local economies which may experience downturns in times when our national economy does not.

Senator CASEY. Well, thanks very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Casey.

Senator Warner is next.

Senator WARNER. Thank you, Mr. Chairman. And let me just follow up quickly on what my friend Bob Casey just talked about. I am all for automatic stabilizers. I know, Mr. Chairman, you have been in favor of that as well. But we have to have the IT systems to be able to allow that movement in benefits. I applaud the efforts you did, Mr. Chairman, at the beginning of CARES. I think many people wondered how we ended up with that $600-a-week plus-up in the midst of the crisis and, as you well know, I think we all were willing to have that move as the economic circumstances changed. But our IT systems are so old that they could not adjust. As a matter of fact, my understanding is the previous administration's Labor Secretary said it would take 6 months before the Department of Labor could even get their IT systems to adjust in a new fashion.

So I agree with Senator Casey, but we have to make sure we make the investment in our IT, both at the State and the Federal level, to have that ability to change unemployment plus-ups as necessary.

Ms. Batchelder, I wanted to talk to you about—as you know, Chairman Wyden and Senator Brown and I put forward some ideas on international tax, an extraordinarily complicated arena. And while I would argue some of the things—while I was generally not supportive or involved in the 2017 efforts—they did involve the issues around deferral, and they did grapple somewhat with the repatriation issue. But on the other hand, what they did was, I felt, gave away the store. They moved America from being near the top on international tax rate to literally the bottom. And we are now, depending on the cut, either 33rd out of all 35 OECD nations, or 35 out of 35. But being the world's largest economy and at the bottom in terms of collecting revenue from our businesses, I think it is unfair to the American people.

And I guess I do not want us to go back up to the top, but I also think we do need to be somewhere in the middle, and some of the efforts around FDII and BEAT and the 10-percent implied guarantee for companies that go out and build factories in the high-tax jurisdictions like Germany, who does not treat us fairly, how do we get at this? How can we make sure that we keep American business competitive, Ms. Batchelder, but at the same time make sure that the American people actually get a fair share—and a responsible share—of revenues coming from our business partners?

Ms. BATCHELDER. Thank you for the question, Senator. And, if confirmed, I would be eager to work with you and members of the committee on international tax provisions, and corporate tax provisions more broadly.

I share your concern about competitiveness and would note that, in terms of the U.S. corporate rate, even under the President's proposal the rate would be lower than at any point since World War II, other than since the TCJA.

So I would be very eager to work on the President's agenda, both in terms of the corporate tax and in terms of the international provisions specifically. And I recognize this is a highly technical area, so, if confirmed, I would look forward to, together with the Treasury staff, assisting you in any agreements that are reached in this area to make sure that they are technically sound and drafted so that they operate in the way that is intended.

Senator WARNER. Well, one of the things that could help move us forward and stop some of the forum-shopping that goes on by companies—and I hope Secretary Yellen will be successful—is having our partners in the OECD set some level of minimum corporate tax rate so that you cannot escape to the Ireland-type tax havens and, in a sense, avoid obligation.

I was going to—I see my friend, Senator Cortez Masto, there. I was going to go ahead and make my commercial again to this panel about one of the things we can deal with in terms of the wealth gap—and I have talked with these nominees about this—which is to look at a new product, Chairman Wyden, that would in a sense have a first-generation home buyer pay the same mortgage payment that they would pay on a traditional 30-year mortgage but, with an interest rate subsidy, actually create a 20-year mortgage product. And that would actually double the wealth accumulation for first-generation home buyers. And I look forward to working with the administration on that proposal.

Let me just close with a personal note, that we have great nominees here. I want to single out, though, Jonathan Davidson, who helped me for the first number of years before my friend Michael Bennet stole him, where he became Chief of Staff. And I would respectfully ask all of my colleagues, even my Republican colleagues, to cut Jonathan a break and make sure he gets a resounding positive vote. He will do a good job on the legislative side for our Treasury team.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Warner. And I want you to know two things. One, we are working on a first-time home buyer approach as well. So I think it is particularly constructive, what you are talking about, and also apropos of this whole question with respect to stabilizers and the like, and Senator Bennet and I have had a proposal on that. You have to update the technology.

When we put together the $600 extra per week during the dire times in the Spring of 2020, I remember conversations with business leaders, and they were talking to me about COBOL programming. And some of them thought it was 20 years old. And I said, respectfully, we are talking about 60 years old.

So we are going to make those investments in that legislation that this committee has been very much committed to.

Senator Cortez Masto is next.

Senator CORTEZ MASTO. Thank you, Mr. Chairman. And congratulations to all the nominees.

Ms. Batchelder, let me start with you. I have introduced a bill, the Hospitality and Commerce Job Recovery Act, to provide critical relief and help rebuild the hospitality industry that is so critical to my State in Nevada, as well as other States across the country. For the hospitality industry, which still has a ways to go in recovering from the pandemic, can you please discuss how you would use your role to ensure a full recovery for the travel and tourism sectors?

Ms. BATCHELDER. Thank you for the question, Senator, and I would be eager to work with you on your proposals in this area, if I am lucky enough to be confirmed.

I certainly can see why the pandemic could be devastating for the hospitality industry, and I think that is an important sector. We must make sure tax policies and other policies are helping it to recover adequately.

Senator CORTEZ MASTO. I appreciate that. And for my colleagues, please know that in Nevada, particularly southern Nevada, the unemployment rate is still higher than the national average. It has decreased. We are looking much better and getting people back to work, but there are still many businesses, including some of our hotels and casinos, that are closed right now.

So it is going to take us time to come out of this, and that is why I am looking for a long runway to help our travel and tourism, including international travel, which has not started yet. And that is going to have a major impact on our travel and tourism industry across the country as well. So I just want to make sure everybody understands the impact to so many still, because of this pandemic.

Ms. Batchelder, let me continue with you. I was proud to lead the effort in extending the solar investment tax credit to support creating clean, renewable energy jobs, but these activities, like so many others, were impacted and delayed by the COVID pandemic.

Last year, Congress extended the legislative qualifying deadline, or the Continuity Safe Harbor project, that it must meet to be eligible for the investment tax credit, but unfortunately the previous administration made no such change to the current 4-year administrative Continuity Safe Harbor. Financiers, other decision-makers, are already bumping up against this discrepancy, and it is beginning to affect their decisions now for future activities.

If confirmed, will you work with the administration to extend the safe harbor provision to ensure that projects that were delayed due to unforeseen circumstances during the COVID–19 pandemic can still qualify for the full credit?

Ms. BATCHELDER. Thank you, Senator. If I am confirmed, I would certainly want to be briefed on this issue, but it sounds very important, and I would be eager to learn from you and your staff and people in the industry, to understand the challenges that they are facing.

Senator CORTEZ MASTO. Thank you. And we look forward to working with you as well on this important issue.

Dr. Liang, thank you for the opportunity to meet with you just recently. If confirmed, what initiatives would you and the Biden administration support to close the wealth gap and combat income stagnation?

Dr. LIANG. Thank you for that question. So I think the wealth gap is an important issue in this country, and the pandemic revealed this in the extreme. I believe there are opportunities that can be created to build wealth, and some of the initiatives in the Office of Domestic Finance would improve access to credit for small businesses, and credit to disadvantaged communities.

Treasury is currently implementing those programs and will be making them long-term, continuing the relief program, so there will still be a longstanding commitment to those efforts. I think that can go a long way to providing and helping to close the wealth gap.

Senator CORTEZ MASTO. Thank you.

Dr. LIANG. And I look forward to working with you on this issue.

Senator CORTEZ MASTO. I do as well. And as you can hear, myself and many of my colleagues, we all feel the same way. So I appreciate your comments there.

Mr. Davidson, thank you also, and congratulations on your nomination. As you know, the administration and individual States across the country have set ambitious goals for combating climate change, including my home State of Nevada, which is aiming to reach 50 percent renewable generation by 2030, and 100 percent by 2050.

In pursuit of these goals, I was proud to lead the effort in extending the solar tax credit and joining my colleagues Senators Carper, Burr, and Stabenow in introducing the Securing America's Clean Fuels Infrastructure Act, to provide incentives to support building necessary infrastructure as the country moves towards electric vehicles.

If confirmed, how would you work with Congress to advance legislation like this that helps us build the clean energy economy and address the climate crisis?

Mr. DAVIDSON. Senator Cortez Masto, thank you for that. And I think one of the great privileges, if I am confirmed, would be to work with the expertise at Treasury and to make, hopefully, that expertise available as much as possible to the Congress, and to Senators who are leading on initiatives like the ones you described.

If I am privileged enough to be confirmed for the position, I would love to engage with you and your staff to see how much progress we can make in the areas that you are leading on, especially in the climate areas.

Senator CORTEZ MASTO. Thank you. I thank you all.

The CHAIRMAN. I thank my colleague for her leadership.

We are going to be on a sprint now to see if we can get this done before the end of this vote.

And Senator Daines is next.

Senator DAINES. Thank you, Mr. Chairman. By the way, that conversation on first-time home buyers is so important. I agree with you, and I think——

The CHAIRMAN. We would like to make it bipartisan.

Senator DAINES. Yes. One of the concerns, though, I have is with the inflationary pressures now on the economy. The worst thing we could do is to see the inflation continue on. Of course, if interest rates go up, it would probably be the biggest impediment. So it is something we ought to keep an eye on. So, thank you.

I would like to start off with a question for Professor Batchelder to help clarify some details in the tax proposals put forward by the administration. President Biden's current individual tax proposals result in two successful upper-middle-income married workers facing a significant tax increase. However, an unmarried couple that lives together and earns potentially hundreds of thousands of dollars more, both collectively and individually, than the married workers would face no tax increase whatsoever.

Professor Batchelder, would you advise the administration to revise its proposal to avoid marriage penalties?

Ms. BATCHELDER. Thank you for the question, Senator. And marriage penalties, and marriage bonuses, are a tough issue. The U.S. is actually unusual in that we allow couples to file jointly. Most countries have married couples filing singly. And when one does that, you do not have the problem of marriage penalties or marriage bonuses.

Senator DAINES. Unusual compared to what countries?

Ms. BATCHELDER. I do not have the exact number, but I would guess 95 percent.

Senator DAINES. I would hope America, who stands in support of marriage——

Ms. BATCHELDER. Yes. Oh, this is not about pro- or anti-marriage, but——

Senator DAINES. Well, but the policies are very anti-marriage where, if you are not married, you have a much greater, significant tax advantage.

Ms. BATCHELDER. Well, currently the way the code is structured, there are both marriage penalties and marriage bonuses. It depends on how the two members of the couple, how their earnings are relative to each other.

So in some cases, when you get married, you collectively pay a lot less in tax. And in other cases, you pay more in tax. And that is a function of the fact that we do not do single filings.

Senator DAINES. So do you think the marriage penalty is good policy?

Ms. BATCHELDER. I think it is a tough balance between marriage penalties and marriage bonuses, and I would be willing to discuss with you whether that balance has been struck in the best possible way.

Senator DAINES. Thank you.

Dr. Liang, if the Federal Reserve in the future adopts yield curve control measures, how, if confirmed, would you advise the Treasury Secretary regarding potential coordination with respect to implications for any target by Treasury of the weighted average maturity of our outstanding debt?

Dr. LIANG. First, the position that I would be in would be at Treasury, which is independent of the Federal Reserve. And having spent many, many years at the Federal Reserve, I understand how fiercely they defend their independence. And I think it is important for macro-stability.

In terms of interest rate policy, the Treasury Department issues Treasury debt to minimize the cost of financing the government debt. And it issues across the maturity spectrum, from short 4-week bills up to 30-year securities at this point.

Generally the maturity is fairly stable, around 7 years, and fluctuates just with whether the government needs to finance short-term especially. If there is an issue of what the appropriate weighted average maturity is, we would be very interested in working with you on this issue. But the objective is to finance the government at low cost.

Senator DAINES. Thank you. You have a very distinguished background working on both sides certainly—the Fed and Treasury.

Dr. Harris, where do you see inflation going in the next 1 to 3 years, and——

Dr. HARRIS. That is an important question right now, as we transition between—I'm sorry.

Senator DAINES. Yes, and do you worry at all about additional potential inflationary effects, if some of President Biden's proposals are enacted into law?

Dr. HARRIS. Thank you, Senator. So when—this is such an important question right now as we are transitioning between a recession and the recovery. You see an increase in prices as Americans go out in the economy more, largely thanks to the actions taken by Congress to pass legislation to get our economy back on track.

I share the same vision as, say, Goldman Sachs for example, which yesterday put out a report that saw inflation as largely transitory, most likely. Of course, there is uncertainty, so I do think it is critical that we economists continue to monitor inflation. But my view is, right now it is largely the result of a transitory shift to recovery and some certain supply chain disruptions.

Senator DAINES. Thanks, Dr. Harris.

Thanks, Mr. Chairman.

The CHAIRMAN. I thank my colleague.

Senator Hassan?

Senator HASSAN. Well, thank you, Chair Wyden. And I want to thank you and the ranking member for this hearing. I also just want to thank this extraordinarily distinguished group of witnesses. I thank you all for the service you have already provided. Thank you for being willing to serve again. And please thank your families for us, because this is a family affair, as you all know.

I want to start with a question to both Professor Batchelder and Dr. Harris. I would like to ask you about the importance of promoting workforce development. Today I introduced a bipartisan bill with Senators Young, Cortez Masto, and Scott that would modernize and expand tax-free education and training assistance that employers can provide to employees to meet their businesses' needs.

Professor Batchelder, how can we leverage the tax code to give employers tools to hire and retain workers?

Ms. BATCHELDER. Thank you, Senator. I am aware of your bill and have not been previously aware that the provision at issue had not been indexed for inflation in so long. So I would, if confirmed, be very eager to work with you on your ideas in this space and provide assistance in any way that we could from the Treasury.

Senator HASSAN. Thank you.

Dr. Harris, how can promoting workforce development help businesses and workers during the recovery from COVID–19?

Dr. HARRIS. So workforce development in economic models features front and center in economic growth. It is very difficult to imagine an economy which is experiencing healthy and robust and sustained growth without a healthy investment in workforce development.

So I would describe it as critical. But particularly now, when we are seeing such a widespread shakeup in our economy and our workforce, in our labor market, in our general approach to doing business, it is just a critical aspect as we transition between recession and recovery. I do not see it being near reaching its potential without a substantial investment in the workforce.

Senator HASSAN. Well, thank you. And I would look forward to working with both of you on the bill that we just introduced.

To Professor Batchelder, the American Rescue Plan included my bipartisan bill with Senator Braun to provide a tailored version of the Employee Retention Tax Credit to new businesses that actually started during the pandemic. You know, these people had the guts to start a business in the middle of a pandemic, and they could not take advantage of some of the things that we folded into the early rescue packages.

So, at Treasury, will you ensure that new businesses receive clear and timely guidance ahead of assistance being available in July?

Ms. BATCHELDER. Thank you, Senator. If confirmed, one of my priorities would be to ensure that Treasury is issuing, in conjunction with the IRS, sound guidance and prompt guidance in all areas, including this. And I would be very happy to look into this, if confirmed.

Senator HASSAN. Well, thank you. This really is important to businesses as they figure out how many people they can keep on payroll, and how the cash flow is going to go. So I look forward to that.

Last question. Dr. Harris, the President's American Jobs Plan proposes investments in domestic research and development. I am working on a bipartisan basis to promote domestic R&D, including a bill with Senator Young and four other committee colleagues that would strengthen R&D tax incentives for startups, and for strategically critical industries.

How can supporting domestic R&D help increase U.S. competitiveness, create jobs, and support critical U.S. industries?

Dr. HARRIS. Senator, I should say I am incredibly eager to work with you and your bipartisan colleagues on this issue. I see investment in research as being a critical step towards ensuring America's long-run competitiveness. If you look at trends internationally, particularly China and other competitors, they are catching up in terms of the dollars they are spending. And in essence, if we want to see America continue to dominate on the world stage from an economic perspective, investment in research is critical.

Senator HASSAN. Thank you, very much. Again, thank you all for your willingness to serve. Take care, be safe, and thank you, Mr. Chair.

The CHAIRMAN. Thank you, Senator Hassan.

And Senator Warren, I believe, is on the web.

Senator WARREN. I am here. Thank you, Mr. Chairman.

The CHAIRMAN. Great.

Senator WARREN. Thank you. So, congratulations to all of our nominees.

I want to talk about how this economic crisis has affected women and families. This year, women's workforce participation hit its lowest levels since 1988. And 26 percent of women who became unemployed this year said it was due to a lack of child care.

Dr. Harris, when you look at the data, do you agree that lack of child care is one factor that is now holding our economy back?

Dr. HARRIS. I agree that—yes. I mean, I agree that lack of child care was a massive concern prior to the pandemic. It is a continued concern after the pandemic. And women's labor force participation, as you mentioned, Senator, is a critical aspect of long-term growth.

And without a solution, particularly on the supply side for child care, on the affordability of child care, I do not think we will see the levels of participation that we need in order to see the levels of growth that we want.

Senator WARREN. Thank you, Dr. Harris. In fact, you were right when you referred to how it was already a problem before the pandemic. You know, this year the pandemic showed us what working families have always known: child care is critical infrastructure. And yet, for generations now we have under-invested in our babies, and we have left parents to just try to work it out on their own.

Even before the pandemic, half of all Americans lived in child-care deserts, which are areas where there are not enough licensed child-care slots for every child who needs one. And COVID only made this worse. I have thousands of child-care providers who have been forced to shut their doors

At the same time, child-care workers, mostly women, and disproportionately women of color, are being paid poverty-level wages.

So, Dr. Harris, let me ask you this: do you support a robust Federal investment in child care to support families, and to ensure that the caregiving jobs are good, middle-class, dependable jobs?

Dr. HARRIS. Senator, I do support a robust investment in child care for a few reasons, including some of the ones I just mentioned. But also, it is not just about getting families and female workers back in the labor market, it is also just about making life easier for working families. It does not have to be so hard.

You mentioned the workforce issues. I believe the typical wage—I mentioned this earlier in my testimony—the typical wage for a child-care worker is $12.25. That is inconsistent with their value towards children, and it is inconsistent with what we know about investment in child care and long-run productivity. So I am absolutely supportive of that.

Senator WARREN. Good. Well, thank you, Dr. Harris. I appreciate it.

You know, I am glad that President Biden has put this issue front and center, but we need enough Federal funding to actually solve the problem, not just nibble around the edges on this. And that means a $700-billion investment to raise the wages of every child-care worker and guarantee affordable care for every family.

We also need to provide enough high-quality spots for every child, and that is why I am introducing the Building Child Care for a Better Future Act this week with Chairman Wyden. This bill increases the child-care entitlement to States to $10 billion a year. And it also creates a new $5-billion-a-year supply building program to help child-care providers open, get licensed, get trained, hire skilled staff, and provide high-quality care.

So let me ask you, Professor Batchelder. Could we fund transformative investments in child care—the kind we are talking about here—simply by giving the IRS the resources to make sure that the wealthy and the giant corporations are paying the taxes that they actually already owe?

Ms. BATCHELDER. Yes, Senator, we could raise a large amount of revenue by reducing the tax gap and focusing that reduction on high-net-worth individuals and large corporations. The President has put forth a proposal that Treasury estimated would raise $700 billion in the first decade and $1.6 trillion in the following decade.

And there are reasons to believe this might be an underestimate. It does not include the effects of upgrading IT systems or improving taxpayer services. And it also does not include the indirect effects of additional enforcement on voluntary compliance.

There is a lot of evidence that people comply more when enforcement is improved, even if they are not personally audited. There was one statistic that amazed me in that report—and I had to write this down because there were so many zeros—that only 0.00004 percent of partnerships are audited. So just to talk about one industry that I know, there are some large law firms with thousands of attorneys. Partners earn over a million dollars a year, and I find it hard to believe, if one knows that your audit rate is 0.00004 percent, that that would not affect voluntary compliance.

Senator WARREN. Well, thank you, Professor Batchelder. This is why yesterday I introduced the Restoring the IRS Act. This bill provides mandatory funding for the IRS to ensure that it has the resources it needs to go after wealthy tax cheats, including the partnerships that you mentioned.

Together with my wealth tax and Real Corporate Profits Tax, we could raise trillions of dollars without increasing the taxes on 99.9 percent of Americans by a single penny. These three proposals together generate more than enough revenue to pay every cent of the Building Child Care for a Better Future Act, plus every cent of the investments in child care in President Biden's American Jobs Plan and American Families Plan, and every cent of all the other critical investments in families and workers in those two plans combined.

So, let us not waste this historic opportunity to invest in America's families. Thank you, Mr. Chairman.

The CHAIRMAN. I thank my colleague.

Senator Whitehouse is next.

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

Ms. Batchelder, you all are going to be working on trying to clean up the offshore tax swamp with an international minimum tax so that it is not a race to the bottom in corporate tax avoidance. And

I appreciate your work on that and stand ready to help wherever we can.

As you know, several of my ideas are operative in that space. The point that I would like you to address here is what happens in America when an American company with a big offshore presence is able to garner for itself a lower overall tax rate than often the usually smaller American corporations that do not have the scale to get involved in offshore tax gimmickry or offshore international operations, and now have to compete with a company that gets the advantage of a lower tax rate from having offshore operations?

It seems that that is an incentive to drive jobs offshore, and it seems that it is an unfair competitive advantage for the bigger company. Your thoughts?

Ms. BATCHELDER. Thank you, Senator. Yes, these are very important issues that you raise. As you know, the President has put forth proposals to strengthen the GILTI tax to increase the rate and apply it on a country-by-country basis, which would, to a large extent, address the issue that you are raising in terms of larger companies which are more likely to have international operations being able to obtain lower tax rates on their foreign operations than they pay on operations within the U.S.

And then also the OECD negotiations are an opportunity, for really the first time in a century, to overhaul the international tax architecture and prevent or mitigate a race to the bottom in corporate tax rates.

So, if confirmed, I would look forward to working with you and with all the members of the committee and the Senate on these issues and understanding your perspectives on this.

Senator WHITEHOUSE. Great. Just one thing to flag for all the witnesses. Chairman Wyden has announced that he is going to be trying to put together a proper price on carbon emissions, something that a great many people support. There are probably four or five bills in the Senate right now pointing in that direction. And obviously a bill like that can create very significant revenue, and I just wanted to flag that prospect for you as you are thinking about what taxes and revenues look like, that the carbon pricing battle looms ahead. But I think we have a very good chance of getting a carbon fee on emissions so that pollution is no longer subsidized by these oil and gas companies.

The second thing I want to flag is that we have asked Secretary Yellen to look at the saga of the 501(c)3s and the 501(c)4s. My nutshell version of the story is that, as soon as *Citizens United* opened up unlimited money into politics, the next thing the big donors wanted was to hide who they were. And they went straight to the 501(c)4s, and then associated 501(c)3s, to hide behind the IRS, I think very contrary to congressional intent. But with impeachment threats against the IRS Commissioner, with referrals to DOJ for prosecution of IRS personnel, they did their level best to try to batter the IRS into submission, not to enforce or not to amend the regulations for 501(c)3s and 501(c)4s—the result being a massive influx of anonymous money, dark money, into elections.

I think it is important that we look back on that period and get a true narrative, one consistent with the Treasury IG report that showed that the original narrative cooked up by the dark money groups was false, and that we clear out the appropriations riders that were erected to defend the dark money operations so that Treasury can regulate again in this space, and that we clean up the swamp of dark money and the misuse of the 501(c)3s and 501(c)4s that are now so profoundly a part of our political system—and newly. We did not have this a decade ago, and now it is everywhere. And your world intersects with my world here, because I have to live with the pollution of our political dialogue caused by these groups.

So we will follow up on those two things—carbon pricing and 501(c)3 abuse—but I wanted to flag them today.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Whitehouse; important issues.

Senator Thune?

Senator THUNE. Thank you, Mr. Chairman.

The CHAIRMAN. I believe you are out there.

Senator THUNE. Yes, I am out there.

The CHAIRMAN. Good. You are on.

Senator THUNE. Thanks, Mr. Chairman. And thanks to all our panelists for their willingness to serve.

Let me ask a question about the 2017 law. The Tax Cuts and Jobs Act introduced section 199A, which provides a 20-percent deduction for pass-through businesses such as sole proprietorships, partnerships, and S corps, with respect to qualifying business income.

TCJA introduced the provision in part to shrink the bias between corporate and noncorporate income, and most small businesses in the country operate in pass-through form, many of which have been hit hard by the pandemic. In fact, I think 98, 99 percent of the businesses in my State are pass-throughs.

Professor Batchelder, as the administration aims to increase taxes on corporations, what are your views on raising taxes on small businesses through the repeal of section 199A?

Ms. BATCHELDER. Thank you for the question, Senator. As I understand it, the President has not proposed any changes to section 199A, and has also committed to not raising taxes on anyone earning less than $400,000.

And I share your concern about small businesses and would be eager to discuss ways to strengthen small businesses, if confirmed.

Senator THUNE. So your understanding is that there is not going to be a proposal by the administration that would go after the 199A 20-percent deduction currently available to pass-through businesses with qualifying business income?

Ms. BATCHELDER. Senator, I am not currently in the administration, so I could not speak to any future plans. But I have been reading everything that they have put out and have not seen any proposals to change 199A.

Senator THUNE. To follow up on that, President Biden has said that nobody earning $400,000 or less would be hit by new taxes, but it seems to me that some middle-class Americans would be hit by the administration's new death tax, eliminating so-called step-up in basis.

Under its proposal, the untaxed gains on investment held at death would be taxed at the top rate of 39.6 percent, above an exemption of $1 million per individual. And there is a good chance that some parents might die with an estate that has gained a million-plus in value over the course of their lives, but their heir might be earning $40,000 to $50,000 a year, and that is especially true in the case of family farms and businesses where land values appreciate over decades, even though the farmer may be at times struggling just to break even.

I understand the President has suggested an exemption for family farms and businesses, but it remains to be seen what that looks like. We have not seen any follow-up on that—other than a general statement about how it would work—and whether it in fact really protects anyone.

Can you state, Professor Batchelder, with certainty that no taxpayer earning less than $400,000 would be hit by the Biden administration's step-up in basis tax proposal?

Ms. BATCHELDER. So, as I read the proposal, it has proposed that no tax would apply to family farms or any small businesses, or for that matter any family-owned and -operated business, until it was no longer family-owned and -operated. So I read that as protecting those businesses, and would certainly, if confirmed, be eager to work with you and your staff on that provision.

And as I understand it, that proposal also would exempt the first $1 million in gains, or $2 million per couple. And there is an additional exemption for residences. So I think it would apply to a very, very, very small percentage of the population.

Senator THUNE. So you do not think that under that proposal, if an heir is not liquid, that potentially a taxpayer could have to sell off some of their inherited assets to cover the tax liability?

Ms. BATCHELDER. Again, as I read it, if the heir was inheriting a family-owned and -operated business, they would not need to pay the tax until they were no longer owning it and operating it.

Senator THUNE. All right.

Dr. Harris—and I do not have a lot of time left—but under what circumstances would you second-guess the administration's own estimates of revenue gained through increased IRS funding measures?

Dr. HARRIS. Thank you, Senator. So it is my understanding that the Office of Tax Analysis, which operates in an impressively independent way, has scored this as raising $700 billion. There have been several suggestions that this is an understatement because they do not take into account certain behavioral effects. So I view the $700 billion as an understatement, if anything.

Senator THUNE. Okay. And do you—if the IRS receives additional funding or enforcement resources to narrow that tax gap, would you agree that any increase ought to come with commensurate accountability and transparency to taxpayers?

Dr. HARRIS. Broadly speaking, I am in violent agreement that transparency is an important aspect of all areas of policy, and in particular when it comes to the IRS, which has, obviously, important implications for household finances.

So when it comes to transparency, I think it is an important part of the IRS's job, and any policies or regulations the IRS puts forward, I agree that that should be a part of the deal.

Senator THUNE. Thank you, Mr. Chairman.

The CHAIRMAN. I thank my colleague. And we have a vote on now, and I think we have heard from virtually all of our Senators. It seems to me all of you have demonstrated beyond any doubt that you are going to take these positions, and you are going to need no on-the-job training. And that is a judgment that I think every Senator who has been following these issues is going to reach.

And clearly you are going to have your hands full, because a lot of the challenges for the days ahead are going to be very different. Tomorrow in this room we are going to start talking about changing the 44 provisions in the Federal tax code which are now a crazy quilt that does not provide the predictability and certainty we need for an economy driven by clean energy. And what we are going to be spelling out is basically that anybody in America, anybody—whether they are in renewable energy, or they are in fossil fuels—who can reduce carbon emissions can be part of an incentive system.

It is new. It is what the times require. So I am very appreciative of all four of you, with a long track record of public service. And I think what you have shown today is that you are going to support policies that give everybody in America the chance to get ahead.

And I will just close by saying I think that is what Build Back Better was supposed to be all about. And it also gives us a chance to build forward together, and that too is what our country is all about.

With that, I remind my colleagues that questions for the record are due within a week. And with that, the Finance Committee is adjourned, and I thank our guests.

[Whereupon, at 11:59 a.m., the hearing was concluded.]

APPENDIX

Additional Material Submitted for the Record

Prepared Statement of Lily Lawrence Batchelder, Nominated to be Assistant Secretary for Tax Policy, Department of the Treasury

Mr. Chairman, Ranking Member Crapo, and members of the committee, thank you for the opportunity to appear before you today. And thank you, Senator, for the very kind introduction.

It is an honor to appear before this committee, having served as the Chief Tax Counsel under former Chairman Baucus for 4 years. Being a tax person, that was a dream job, and I am humbled to be considered for another dream job today, serving as the Treasury's Assistant Secretary for Tax Policy.

I have great respect for this committee and the critical nature of its work. We face immense challenges as a country in navigating the pandemic and economic recovery, tackling long-term fiscal challenges, and doing so in a way that increases opportunity for all Americans. If I am fortunate enough to be confirmed, I would strive to be a strong partner to you in that work. I have spent most of my professional career working on tax policy, and am passionate about its role in advancing shared prosperity and economic mobility. Tax revenues fund many of our critical social programs. Tax benefits can curtail or exacerbate our vast disparities by income, wealth, race, ethnicity, gender, and geography. At the same time, well-constructed and well-implemented tax policy can minimize gaming and distortions to business activity, while poorly constructed tax policy can do the reverse.

This is one of the things I love about tax policy: it is simultaneously about high-level values and about practical, highly technical details that create opportunities for working across the aisle. There are many aspects of this position I look forward to if confirmed. I would hope to contribute to and advance President Biden's policy agenda to further our economic recovery, build back better, promote racial and gender equity, and address the climate crisis. This would include working with you and your staffs to help make sure any agreements you reach are drafted in technically sound ways. I would also work to ensure that Treasury issues timely and sound guidance on tax issues that is consistent with congressional intent and responsive to input from a broad range of stakeholders. Finally, I would strive to serve as a strong partner to the IRS on tax implementation and administration. This would include the exciting new programs they been tasked with implementing, like the fully refundable child credit, and also their ongoing duties, like taxpayer service. For many years, the IRS has been asked to undertake an immense and expanding set of responsibilities with, until recently, flat or declining funding. I would work to assist them in any ways Treasury's Office of Tax Policy can, because we all benefit from a well-functioning IRS.

If confirmed, I am committed to engaging with you on a bipartisan basis. Over the course of my career, I have worked in the public, private, academic, and nonprofit sectors. These experiences have helped me to see tax policy from multiple perspectives, and have taught me how to work effectively and constructively with people who may hold different views than my own.

My family could not join me today because of the pandemic, which might be a good thing, because our 15-month-old daughter Maia would probably be destroying the hearing room while waving to each of you if she were here. But she reminds me every day why public service is important—to make a better world for her, and even more so for all the children growing up without the financial security and other advantages that we are lucky to be able to provide her with.

I also want to thank my family, especially my partner Peter, my parents, brothers, and in-laws, for their love and support. Without that support, including their care for our daughter Maia, I wouldn't be in a position to undertake the responsibilities associated with this role, which I take so seriously.

Thank you for considering my nomination, 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): Lily Lawrence Batchelder.
2. Position to which nominated: Assistant Secretary for Tax Policy, U.S. Department of the Treasury.
3. Date of nomination: April 15, 2021.
4. Address (list current residence, office, and mailing addresses):
5. Date and place of birth: March 19, 1972; Boston, MA.
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):

Institution	Dates Attended*	Degree Received	Date of Degree*
Yale Law School	9/99–6/02	JD	6/02
Harvard Kennedy School	9/97–6/99	MPP	6/99
Stanford University	9/90–6/94	AB	6/94
Milton Academy	9/86-6/90	High School	6/90

* All months are estimates based on my best recollection.

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):

Employer	Title/Description	Location	Dates of Employment*
NYU School of Law	Robert C. Kopple Family Professor of Taxation	New York, NY	9/19–present
NYU School of Law	Frederick I. and Grace Stokes Professor of Law	New York, NY	9/17–9/19
NYU School of Law	Professor of Law and Public Policy	New York, NY	5/15–9/17
National Economic Council, The White House	Deputy Director and Deputy Assistant to the President	Washington, DC	3/14–5/15
U.S. Senate Committee on Finance	Majority Chief Tax Counsel	Washington, DC	5/10–2/14

Employer	Title/Description	Location	Dates of Employment*
NYU School of Law	Professor of Law and Public Policy	New York, NY	12/08–5/10
Harvard Law School	Roscoe Pound Visiting Associate Professor of Law	Cambridge, MA	1/09–1/09
NYU School of Law	Associate Professor of Law and Public Policy	New York, NY	9/07–12/08
NYU School of Law	Assistant Professor of Law and Public Policy	New York, NY	1/05–9/07
Skadden, Arps, Meagher, and Flom	Associate (Tax)	Washington, DC and New York, NY	8/02–1/05
U.S. Senate Committee on Finance	Summer Law Clerk (Tax)	Washington, DC	7/01–8/01
Cleary, Gottlieb, Steen, and Hamilton	Summer Associate	New York, NY	5/01–7/01
Office of the Deputy Attorney General, U.S. Department of Justice	Summer Law Clerk	Washington, DC	6/00–8/00
Harvard Center for International Development	Project Manager, Africa Competitiveness Report	Cambridge, MA and Nairobi, Kenya	6/99–8/99
Boston Consulting Group	Summer Consultant	Bethesda, MD	6/98–8/98
NY State Senator Marty Markowtiz	Director, Community Affairs	Brooklyn, NY	12/95–7/97
Neighbors Together/ Jesuit Volunteer Corps	Client Advocate	Brooklyn, NY	9/94–8/95
Bell Street Gym, Sports, and Youth Center	Recreation Leader	East Palo Alto, CA	6/94–8/94

*All months are estimates based on my best recollection.

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):

    None.

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):

Organization/Business	Title/Description	Location	Dates*
Peter G. Peterson Foundation	Consultant	New York, NY	2020–present
Tax Law Center at NYU Law*	Faculty Director	New York, NY	2020–present
NYU School of Law Foundation	Receive research grants	New York, NY	2015–present 2005–2010
Tax Analysts*	Board Member	Falls Church, VA	2018–present

Organization/Business	Title/Description	Location	Dates*
Tax Law Review*	Associate Editor	New York, NY	2018–present
National Academy of Social Insurance*	Member, Study Panel on Economic Security	Washington, DC	2019–2021
	Member, Study Panel on Paying Benefits from Individual Accounts in Federal Retirement Policy		2003–2005
National Tax Association*	Board Member	Washington, DC	2017–2020
	Co-Chair, Program Committee for Spring Symposium		2017
	Member, Program Committee for Fall Conference		2009
New York Times	Op-ed writing	New York, NY	2015–2019
Aspen Institute	Received honorarium for book chapter	Washington, DC	2019 (paid in 2021)
Economic Policy Institute	Received speaking honorarium	Washington, DC	2019
Cleary, Gottlieb, Steen, and Hamilton	Provided training and coaching	New York, NY	2019
Georgetown University Law Center*	Visiting Professor of Law	Washington, DC	2018
	Dean's Visiting Scholar		2017
Urban-Brookings Tax Policy Center	Visiting Fellow*	Washington, DC	2018, 2016
	Election Campaign Review Panel*		2015–2016
	Affiliated Scholar*		2009–2010
	Contributions to online publication		2008
Center on Budget and Policy Priorities	Consultant	Washington, DC	2016–2018
Bipartisan Policy Center*	Member, Debt Limit Working Group	Washington, DC	2017–2018
Stanford University	Received tenure letter honorarium	Stanford, CA	2018
University of Florida	Received speaking honorarium	Gainesville, FL	2018
Hopewell Fund	Consultant		2018
Bloomberg	Op-ed writing	New York, NY	2017
Democracy: A Journal of Ideas	Honorarium for article	Washington, DC	2017
Washington Center for Equitable Growth	Honorarium for article	Washington, DC	2016

Organization/Business	Title/Description	Location	Dates *
Center for American Progress	Honorarium for article	Washington, DC	2010
	Advisory Board, Doing What Works Project *		2009–2010
Rockefeller Institute of Government *	Member, Search Committee	Albany, NY	2008–2010
American College of Tax Counsel*	Advisory Board Member, Tannenwald Foundation for Excellence in Tax Scholarship	Washington, DC	2007–2010
Center for Economic Progress *	Advisory Board Member	Chicago, IL	2007–2009
Neighbors Together	Board Chair	Brooklyn, NY	2007–2008
	Chair of Nominations Committee		2005–2008
	Vice Chair		2006–2007
	Secretary		1996–1999
	Board Member		2002–2008 1996–1999
Harvard Kennedy School, Wiener Center on Social Policy *	Wiener Fellow	Cambridge, MA	2001
New America Foundation *	Research Associate	Washington, DC	1998–1999

* Denotes unpaid.

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):

    AAA (member).

    National Academy of Social Insurance (member).

    National Tax Association (member).

    Various museums and botanical gardens (currently Marie Selby Gardens in Sarasota, FL; recently Hillwood Gardens in Washington, DC).

    New York bar (lapsed).

    Washington, DC bar (lapsed).

    Massachusetts bar (lapsed).

    Tax Coalition (lapsed).

    Junior League of Brooklyn (lapsed).

13. Political affiliations and activities:

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

       N/A

    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.

       I have not held an office or position in a political campaign or election committee during the past 10 years. I have periodically responded to requests for advice or questions about my research from campaigns on an informal basis. To the best of my recollection, these include the Biden, Buttigieg, Castro, Gillibrand, Harris, O'Rourke, and Warren 2020 presidential campaigns, the Clinton 2016 presidential campaign, and the Perriello 2017 gubernatorial campaign.

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.

Fetterman for PA	$50	1/28/21
Biden for President	$500	9/29/20
Biden Victory Fund	$500	9/29/20
Biden for President	$1,000	9/15/20
DSCC	$500	9/15/20
Biden for President	$250	4/28/20
John Turner for Texas	$100	8/28/18
Stacy Abrams for Georgia	$200	2018
Phil Weiser for Colorado	$50	9/5/17
Tom Perriello for Virginia	$200	6/5/17
Tom Perriello for Virginia	$200	3/1/17
Tom Perriello for Virginia	$200	1/6/17
Hillary for America	$50	10/10/16
Hillary for America	$300	10/10/16
Hillary for America	$250	7/26/16
Hillary Victory Fund	$250	7/26/16

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):

Academic Writing Resident Fellow, Rockefeller Foundation Bellagio Center (Summer 2017).

Clifford L. Porter Prize for Best Paper on Taxation, Yale Law School (2002).

Clifford L. Porter Prize for Best Paper on Taxation, Yale Law School (2001).

Kennedy Fellow, Harvard Kennedy School (1997–1999).

Firestone Medal for Excellence in Undergraduate Research, Stanford University (1994).

David Starr Jordan Fellow, Stanford University (1990–1994).

South African Issues Fellow, Stanford University (1991).

Note: List excludes fellow positions listed in question (11) above.

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):

Articles and Working Papers

Accounting for Behavioral Biases in Business Tax Reform: The Case of Expensing, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2904885* (conditional acceptance at *Journal of Law, Finance and Accounting*).

Optimal Tax Theory as a Theory of Distributive Justice, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3724691.*

Taxing the Rich: Issues and Options, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3452274* (with David Kamin).

The Shaky Case for a Business Cash-Flow Tax, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3724003,* 70 *National Tax Journal* 900 (2017).

Assessing President Trump's Child Care Proposals, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3062318,* 70 *National Tax Journal* 759 (2017) (with Elaine Maag, Chye-Ching Huang, and Emily Horton).

Earlier version published as: Who Benefits from President Trump's Child Care Proposals, *https://www.taxpolicycenter.org/publications/who-benefits-president-trumps-child-care-proposals/full,* Tax Policy Center Research Report (February 28, 2017) (with Elaine Maag, Chye-Ching Huang, and Emily Horton).

Families Facing Tax Increases under Trump's Tax Plan, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2842802,* Tax Policy Center Research Report (October 28, 2016).

Reprinted: *Tax Notes* (November 7, 2016).

What Should Society Expect from Heirs? The Case for a Comprehensive Inheritance Tax, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1274466,* 63 *Tax Law Review* 1 (2009) (symposium issue on article).

Government Spending Undercover: Spending Programs Administered by the IRS, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1589242,* Center for American Progress (April, 2010) (with Eric Toder).

Estate Tax Reform: Issues and Options, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1320304, Tax Notes* (February 2, 2009).

Taxing Privilege More Effectively: Replacing the Estate Tax with an Inheritance Tax, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=993314,* Brookings Institution Hamilton Project Discussion Paper 2007–07 (June 2007).

Efficiency and Tax Incentives: The Case for Refundable Tax Credits, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=941582,* 59 *Stanford Law Review* 23 (2006) (with Fred T. Goldberg, Jr. and Peter R. Orszag).

Taxing the Poor: Income Averaging Reconsidered, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1624711,* 40 *Harvard Journal on Legislation* 395 (2003).

Case Note, The Costs of Uniformity: Federal Foreign Policymaking, State Sovereignty, and the Massachusetts Burma Law, *https://openyls.law.yale.edu/handle/20.500.13051/16895,* 18 *Yale Law and Policy Review* 485 (2000).

Book Chapters

Leveling the Playing Field between Inherited Income and Income from Work through an Inheritance Tax, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3526520,* in Tackling the Tax Code: Efficient and Equitable Ways to Raise Revenue (eds. Jay Shambaugh and Ryan Nunn, Brookings Institution, 2020).

Policy Options for Taxing the Rich, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3634117,* in Maintaining the Strength of American Capitalism (eds. Melissa Kearney and Amy Ganz, The Aspen Institute, 2019) (with David Kamin).

The "Silver Spoon" Tax: How to Strengthen Wealth Transfer Taxation, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2862144,* in Delivering Equitable Growth: Strategies for the Next Administration (Washington Center for Equitable Growth, 2016).

Fiscal Considerations in Curbing Climate Change, in Climate Finance: Regulatory and Funding Strategies for Climate Change and Global Development, *https://www.jstor.org/stable/j.ctt9qg9zb?turn_away=true* (eds. Richard Stewart, Benedict Kingsbury, and Bryce Rudyk) (NYU Press, 2009).

Taxing Privilege More Effectively: Replacing the Estate Tax with an Inheritance Tax, in The Path to Prosperity: Hamilton Project Ideas on Income Security, Education and Taxes, *https://www.jstor.org/stable/10.7864/j.ctt1262d6* (Jason Furman and Jason Bordoff, eds.) (Brookings Institution Press, 2008).

Working Papers

The Mommy Track Divides: The Impact of Childbearing on Wages of Women of Differing Skill Levels, *https://www.jstor.org/stable/10.7864/j.ctt1262d6,* NBER Working Paper W16582 (December 2010) (with David Ellwood and Ty Wilde).

Dead or Alive: An Investigation of the Incidence of Estate Taxes and Inheritance Taxes, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1134113,* 3rd Annual Conference on Empirical Legal Studies Papers (October 2008) (with Surachai Khitatrakun).

Congressional Testimony

Opportunities and Risks in Individual Tax Reform, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3037228,* Testimony before the United States Senate Committee on Finance (September 13, 2017).

Addressing Budgetary Challenges Through a Neglected Type of Automatic Spending: Tax Expenditures, *https://republicans-budget.house.gov/uploadedfiles/batchelder_testimony.pdf.* Testimony before the United States House Committee on the Budget (June 9, 2016).

Reform Options for the Estate Tax System: Targeting Unearned Income, Testimony before the United States Senate Committee on Finance, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1601652* (March 12, 2008).

Household Income Volatility and Tax Policy: Helping More and Hurting Less, Testimony before the Joint Economic Committee, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1601619* (February 28, 2007).

Op-eds and Short Pieces

Tax the Rich and Their Heirs, *https://www.nytimes.com/2020/06/24/opinion/sunday/inheritance-tax-inequality.html, New York Times* (June 24, 2020).

Trump Is a Bad Businessman. Is He a Tax Cheat, Too?, *https://www.nytimes.com/2019/05/09/opinion/trump-tax-returns.html, New York Times* (May 9, 2019).

How to Make Trump-Style Wealth Pay Its Fair Share, *https://www.nytimes.com/2018/10/04/opinion/trump-wealth-tax-evasion.html, New York Times* (Octobter 4, 2018).

The GOP Tax Plan Creates One of the Largest New Loopholes in Decades, *https://www.latimes.com/opinion/op-ed/la-oe-batchelder-kamin-tax-deduction-pass-through-income-20171231-story.html, Los Angeles Times* (December 31, 2017) (with David Kamin).

Trump's Giant Loophole, *https://www.nytimes.com/2017/05/30/opinion/trump-tax-plan-pass-through-business.html, New York Times* (May 30, 2017).

Trump's Child Care Plan for the Rich, *https://www.bloomberg.com/opinion/articles/2017-02-28/trump-s-child-care-plan-for-the-rich, Bloomberg View* (February 28, 2017) (with Chye-Ching Huang).

A Business Cash-Flow Tax Could Reduce Investment, Contrary to What Some Economists Think, *https://www.taxpolicycenter.org/taxvox/business-cash-flow-tax-could-reduce-investment-contrary-what-some-economists-think, Tax Vox* (January 24, 2017).

Fixing the Estate Tax, *https://democracyjournal.org/magazine/43/fixing-the-estate-tax/,* 43 *Democracy* (Winter, 2017).

If You're Not Saving for Retirement or a Rainy Day, Then myRA Should Be yourRA, *https://www.huffpost.com/entry/if-youre-not-saving-for-r_b_8478238, Huffington Post* (November 5, 2015) (with Jared Bernstein).

We Must Not Allow Scare Tactics to Derail the Conflict-of-Interest Rule, *https://www.huffpost.com/entry/we-must-not-allow-scare-t_b_8337342, Huffington Post* (October 20, 2015) (with Jared Bernstein).

Is Your Financial Adviser Making Money Off Your Bad Investments?, *https://www.nytimes.com/2015/09/30/opinion/is-your-financial-adviser-making-money-off-your-bad-investments.html. New York Times* (September 29, 2015) (with Jared Bernstein).

Important Tools to Lift Wages and Reduce Poverty, Particularly for Women, *https://obamawhitehouse.archives.gov/blog/2014/03/26/minimum-wage-and-tipped-minimum-wage-important-tools-lift-wages-and-reduce-poverty-p,* White House Blog (March 26, 2014) (with Betsey Stevenson).

Tax Expenditures: What Are They and How Are They Structured?, in The Tax Policy Briefing Book (Tax Policy Center, eds.) (July, 2008).

> *Note: I believe the version I wrote is no longer available on the web because it has been replaced with an updated version.*

What Are the Options for Reforming the Taxation of Carried Interest?, in The Tax Policy Briefing Book (Tax Policy Center, eds.) (June, 2008).

Note: I believe the version I wrote is no longer available on the web because it has been replaced with an updated version.

What is Carried Interest and How Should It Be Taxed?, in The Tax Policy Briefing Book (Tax Policy Center, eds.) (June, 2008).

Note: I believe the version I wrote is no longer available on the web because it has been replaced with an updated version.

Reforming Tax Incentives into Uniform Refundable Credits, *https://www.degruyter.com/document/doi/10.2202/1932-0183.1091/html,* 2:2 Basic Income Studies (December 2007) (with Fred T. Goldberg, Jr.).

What is an Inheritance Tax?, in The Tax Policy Briefing Book (Tax Policy Center, eds.) (October 2007).

Note: I believe the version I wrote is no longer available on the web because it has been replaced with an updated version.

Taxing Privilege More Effectively: Replacing the Estate Tax with an Inheritance Tax, *https://www.hamiltonproject.org/assets/legacy/files/downloads_and_links/Taxing_Privilege_More_Effectively-_Replacing_the_Estate_Tax_with_an_Inheritance_Tax_Brief.pdf,* Brookings Institution Hamilton Project Policy Brief No. 2007–07 (June, 2007).

Reprinted: *Tax Notes* (June, 18, 2007).

Reforming Tax Incentives into Uniform Refundable Credits, *https://www.brookings.edu/wp-content/uploads/2016/06/pb156.pdf,* Brookings Institution Policy Brief #156 (April 2006) (with Fred T. Goldberg, Jr. and Peter R. Orszag).

Amicus Briefs and Group Analysis of Policy Proposals

The Games They Will Play: Tax Games, Roadblocks, and Glitches under the 2017 Tax Legislation, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3089423,* 103 *Minnesota Law Review* 1439 (2019) (with 12 law professors and practitioners). Earlier version posted as: The Games They Will Play: Tax Games, Roadblocks, and Glitches under the House and Senate Tax Bills, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3084187* (December 13, 2017) (with 12 law professors and practitioners).

Brief of Amici Curiae Tax Law Professors and Economists in Support of Petitioner in *South Dakota v. Wayfair, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3064293,* No. 17–494 (Supreme Court of the United States, filed November 2, 2017) (note that I am a signatory but not the author of the brief).

Brief Amicus Curiae on behalf of 19 Tax Law and Administrative Law Professors, *Altera v. Commissioner, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2805432,* Nos. 16–70496, 16–70497 (9th Circuit, filed July 5, 2016). (Note: I am a signatory but not the author of the brief).

16. Speeches (list all formal speeches and presentations (*e.g.,* PowerPoint) you have delivered during the past 5 years which are on topics relevant to the position for which you have been nominated, including dates):

"Issues Specific to Inheritance Taxes," NYU—UC Berkeley—UCLA conference on Taxing Capital (September 25, 2020).

"Optimal Tax Theory as a Theory of Distributive Justice"

Harvard Law School Faculty Workshop (October 10, 2019).
NYU Tax Policy and Public Finance Colloquium (September 3, 2019).
University of San Diego Richard C. Pugh Lecture (February 28, 2019).
Indiana University Maurer School of Law Tax Policy Colloquium (January 31, 2019).
Stanford Law School Tax Policy Workshop (January 15, 2019).
Georgetown University Law Center Faculty Workshop (November 29, 2018).
National Tax Association 111th Annual Conference on Taxation (November 17, 2018).
University of Richmond School of Law Faculty Workshop (September 21, 2018).

"Taxing the Rich: Issues and Options"

National Tax Association 112th Annual Conference on Taxation (November 22, 2019).

NYU Robert C. Kopple Family Professor of Taxation Chair Lecture (September 4, 2019).

"The Triumph of Injustice," *https://stonecenter.gc.cuny.edu/panel-the-triumph-of-injustice/,* panelist, CUNY Stone Center on Socio-Economic Inequality (October 23, 2019).

"Toward Tax Fairness: A Proposal to Fix the Unfair U.S. Tax Code," *https://www.americanprogressaction.org/events/toward-tax-fairness/,* panelist, Center for American Progress (September 12, 2019).

"Ways We Can Tax the Very Rich," panelist, Economic Policy Institute conference on Taxing the (Very) Rich (June 25, 2019).

"Effects of the New Tax Law on Corporate and Business Tax Planning Decisions," *https://www.youtube.com/watch?v=otESVdyMrrc,* panelist, Urban-Brookings Tax Policy Center and UNC Tax Center conference on Effects of Corporate and Business Provisions of the Tax Cuts and Jobs Act (June 6, 2019).

"Section 199A and the Regulations Thereunder," moderator, University of Virginia Law School Tax Study Group (April 12, 2018).

Note: Since I was only the moderator, I did not have prepared remarks.

"The 2017 Tax Bill and the Future of Tax Reform," discussant, National Tax Association 111th Annual Conference on Taxation (November 16, 2018).

Note: Since I was only discussing other people's presentations, I did not have prepared remarks.

"Reform Options: Taxation of Individuals," Washington Center for Equitable Growth convening on Approaches to Progressive Tax Reform After the Tax Cuts and Jobs Act (November 1, 2018).

"Tax Policy After the Tax Cuts and Jobs Act of 2017," panelist, American Accounting Association Annual Meeting (August 6, 2018).

"Improving Retirement Savings Choices through Smart Defaults"

Boston College Tax Policy Workshop (November 28, 2017).
Virginia Autumn Invitational Tax Conference (November 17, 2017).
National Tax Association 110th Annual Conference on Taxation (November 9, 2017).
New School Economics Department Political Economy of Aging Workshop (March 10, 2017).
NYU School of Law Faculty Workshop (February 27, 2017).

"Accounting for Behavioral Biases in Business Tax Reform: The Case of Expensing"

International Tax Policy Forum (June 2, 2017).
American Law and Economics Association annual meeting (May 13, 2017).
Duke Law School Tax Policy Workshop (March 30, 2017).
Tulane Law School Tax Roundtable (March 24, 2017).
NYU Tax Policy and Public Finance Colloquium (January 23, 2017).
Tax Economists Forum, Washington, DC (December 20, 2016).
Journal of Law, Finance, and Accounting Annual Conference (November 12, 2016).
National Tax Association Annual Conference on Taxation (November 11, 2016).
University of North Carolina School of Law Faculty Workshop (October 27, 2016).
Oxford University Centre for Business Taxation Annual Symposium (June 29, 2016).

"The Tax Cuts and Jobs Act: A Tax System for the 21st Century?", panelist, National Tax Association 48th Annual Spring Symposium (May 17, 2018).

"The Tax Cuts and Jobs Act: Tax Administration Challenges," *https://www.youtube.com/watch?v=R5yD-WMbviw,* panelist, 3rd Annual Donald C. Lubick Symposium, Urban-Brookings Tax Policy Center (April 9, 2018).

"The Tax Bill: Bad Process, Bad Policy," *https://www.americanprogress.org/events/tax-bill-bad-process-bad-policy/,* panelist, Center for American Progress (March 1, 2018).

"U.S. Tax Reform: Where Are We Now?", *https://www.youtube.com/watch?v=-Jsdscrig1Y,* panelist, City University of New York Graduate Center (February 28, 2018).

"The New Tax Bill: Key Provisions, (Questionable) Assumptions, and Likely (Unintended) Consequences," panelist, Latham and Watkins Forum, NYU School of Law (February 7, 2018).

"Dream Hoarders by Richard Reeves," discussant, Ellen Bellet Gelberg Tax Policy Lecture, University of Florida Levin College of Law (February 2, 2018).

Note: Because this was an informal panel discussion of another person's book, I did not have prepared remarks.

"Tax Legislation in the 116th Congress," panelist, Association of American Law Schools 112th Annual Meeting (January 5, 2018).

"U.S. Tax Reform," panelist, Council on Foreign Relations (December 4, 2017).

Note: Because this was an informal panel discussion, I did not have prepared remarks.

"Tax Reform in Theory and in Practice," panelist, National Tax Association 110th Annual Conference on Taxation (November 9, 2017).

"Tax Cuts and Jobs Act," United States House of Representatives Democratic Caucus Dinner (November 6, 2017).

"Destination-Based Taxes under an Income Base," panel moderator, NYU/UCLA Tax Policy Conference on New Approaches to Calculation and Allocation of the International Tax Base (October 27, 2017).

Note: Because I was only the moderator, I did not have prepared remarks.

"Tax Reform," panelist, New York University Journal of Law and Business and The Classical Liberal Institute conference on America's Place in the World: Tax Reform and Protectionism (October 12, 2017).

Note: Because this was an informal panel discussion, I did not have prepared remarks.

"Opportunities and Risks in Individual Tax Reform," Testimony before the United States Senate Committee on Finance (September 13, 2017).

"The Shaky Case for a Business Cash-Flow Tax"

National Tax Association spring symposium (May 19, 2017).

"Does Health Care Reform Provide a Roadmap for Retirement Savings Reform?"

NYU School of Law Summer Workshop (August 11, 2016).

Southeastern Association of Law Schools Annual Conference (August 7, 2016).

Note: Both of these were informal workshops to discuss early stage research ideas so I did not have prepared remarks.

"Addressing Budgetary Challenges Through a Neglected Type of Automatic Spending: Tax Expenditures," *https://budget.house.gov/legislation/hearings/congressional-budgeting-need-control-automatic-spending-and-unauthorized,* Testimony before the United States House Committee on the Budget (June 9, 2016).

"U.S. Tax Legislative Process and Political Landscape," panelist, 17th Annual NYU/KPMG Tax Symposium on U.S. Tax Reform—A Perfect Storm (March 10, 2017).

Note: Because this was an informal panel discussion, I did not have prepared remarks.

"Trump's Economic Agenda: The Path from Rhetoric to Reality," panelist, NYU School of Law Forum (March 1, 2017).

Note: Because this was an informal panel discussion, I did not have prepared remarks.

"The Presidential Candidates' Tax Plans," moderator, NYU School of Law (October 25, 2016).

Note: Because I was only the moderator, I did not have prepared remarks.

"Presidential Politics and The Economy," *https://www.c-span.org/video/?416859-1/bloomberg-politics-hosts-forum-presidential-candidates-economic-plans,* panelist, Bloomberg Politics at the Table (October 13, 2016).

"Tax Reform Barriers and Opportunities in the Current Political Environment," luncheon speaker at Urban-Brookings Tax Policy Center Leadership Council (September 16, 2016).

Note: Because this was an informal panel discussion, I did not have prepared remarks.

"Tax Reform: What Do the Candidates Say," panel presentation at 2016 Tax Coalition Issues Forum (May 5, 2016).

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

I bring deep experience in tax policy and management, having held senior positions in the executive and legislative branches, including Chief Tax Counsel for the Senate Committee on Finance and Deputy Director of the National Economic Council at the White House, where I covered tax and budget issues. I have also taught, researched, and written on tax policy at NYU School of Law for more than a decade, most recently as the Robert C. Kopple Family Professor of Taxation. Prior to NYU, I was a tax associate at Skadden, Arps, Meagher, and Flom. Earlier in my career, I worked in direct service in low-income communities. I believe these experiences in the public, private, academic, and nonprofit sectors have helped me to see tax policy from multiple perspectives and work effectively with people who may hold different views than my own.

My work on tax policy is broad and has covered personal income taxes, business tax reform, international tax reform, wealth transfer taxes, excise taxes, retirement savings policy, and tax expenditures.

I would be honored to apply this experience to the Treasury's critical work as we navigate the current pandemic and economic recovery and as we tackle long-term challenges.

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.

I will go on an unpaid leave of absence from my tenured faculty position at NYU School of Law (2 years, subject to extension) once confirmed. NYU will not provide any housing benefits or make any contributions to any retirement plans on my behalf while I am on leave. Pursuant to NYU's standard policy, NYU will continue to pay premiums for my term life insurance coverage for 12 months.

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.

I have tenure at NYU School of Law.

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.

NYU grants a 2-year leave of absence for public service. My expectation is to serve for 2 years.

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, or publicly expressed support and/or concerns, about the following bills, regulations, and tax administration issues: the Coronavirus Aid, Relief, and Economic Security Act of 2020 (H.R. 748) and its implementation; wealth transfer tax reforms; reforms to the taxation of capital income and wealth; EITC and Child Tax Credit reforms; IRS funding, the FreeFile Alliance, and related initiatives; the Department of Labor fiduciary rule; the Tax Cuts and Jobs Act of 2017 (H.R. 1) and the regulations thereunder; and State auto-IRA proposals. On my own behalf, I have also testified before Congress on the topics of individual tax reform and tax expenditures.

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 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.

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.

   No.

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.

   N/A.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

   N/A.

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.

   N/A.

5. Please advise the committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

   My previous work for the Senate Finance Committee has sensitized me to the importance of being responsive to Congress and working in a bipartisan manner.

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 LILY LAWRENCE BATCHELDER

QUESTION SUBMITTED BY HON. BENJAMIN L. CARDIN

Question. On May 8, 2021, the Internal Revenue Service (IRS) issued Notice 2021–31, providing guidance on temporary premium assistance for COBRA continuation coverage enacted as part of the American Rescue Plan Act of 2021.

Notice 2021–31 included guidance in the form of 86 Questions and Answers. My question for the record relates to Question 62, reprinted below. The issue raised in Question 62 is of significant concern to me. While I appreciate the Treasury Department and IRS indicate they need additional time to address the issue, the COBRA subsidy is available for a time-limited period and guidance for this instance is required to ensure the benefit of subsidized COBRA is realized consistent with congressional intent.

There is some urgency to resolving this issue, so I would like to know more than that the Department and IRS are continuing to consider the issue. I want to make sure people in the situation captured by Question 62 receive the benefit of the COBRA subsidy. Therefore, please tell me the date by which we can expect resolution of the issue in Question 62 and the publication of additional guidance to allow for full implementation of the COBRA subsidy.

Q–62. In the case of an insured plan subject solely to State law requiring the insurer to provide continuation coverage, is the employer eligible to take the premium assistance credit directly if the employer pays the full premium to the insurer?

A–62. No. Under § 6432(b)(3), in the case of an insured plan subject solely to State law with respect to the requirement to provide continuation coverage, the premium payee is the insurer providing the coverage under the group health plan. The Treasury Department and the IRS are aware that this requirement may create administrative issues for certain Small Business Health Options Program (SHOP) exchanges that aggregate premiums paid by participating employers or where State rules require full payment of premiums by the employer; the Treasury Department and the IRS are continuing to consider this issue.

Answer. Currently, I am not privy to any discussions about guidance or potential timelines. If confirmed, I am committed to raising the issue promptly with the Office of Tax Policy (OTP) and IRS staff and responding as soon as practicable.

QUESTIONS SUBMITTED BY HON. ELIZABETH WARREN

Question. Strengthening U.S. tax policies and setting high international standards on taxation are important pieces of getting giant corporations to pay their fair share. President Biden has put forward a number of important tax proposals, including raising the corporate tax rate to 28 percent and the global intangible low-tax income (GILTI) minimum tax to 21 percent. The Treasury Department has also committed to negotiating a global minimum tax at the OECD; however, recently it put forward a proposal for a rate of "at least 15 percent," which is much lower than proposed corporate tax and GILTI rates. Treasury described 15 percent as "a floor" and stated that "discussion should continue to be ambitious and push that rate higher."[1]

Will you, if confirmed, push for a global minimum tax rate that is higher than 15 percent? Please explain why or why not.

Answer. Yes, if confirmed, I would push for a higher rate. I believe it is important to stop the race to the bottom on corporate tax rates.

Question. If you will push for a global minimum tax rate that is higher than 15 percent, how will you accomplish that, given Treasury's expressed openness to a 15-percent rate and other obstacles?

Answer. It is my understanding that the administration's proposal was an opening bid to secure momentum toward a global minimum tax, and that the administration's SHIELD proposal would work as an incentive to push the rate higher.

Question. In 2018, the Trump administration expanded a requirement for a nonsensical cost-benefit analysis of tax regulations by the Office of Information and Regulatory Affairs (OIRA). OIRA's regulatory cost-benefit analysis framework does not take into account revenue impacts as a cost or benefit, and discounts changes in the distribution of the tax burden, which should be two primary considerations in evaluation of tax regulations.[2]

Do you agree that OIRA's framework runs contrary to the Biden administration's goals of raising revenue to pay for crucial infrastructure investments and doing so in an equitable way? Please explain why or why not.

If you do agree that OIRA's framework conflicts with Biden administration goals, how will you, if confirmed, prevent OIRA review from undermining implementation of the administration's tax reforms?

Answer. President Biden has repeatedly emphasized his strong commitment to infrastructure investment and to funding that investment in fair and equitable ways as described in the American Jobs Plan. The post-enactment interpretation of legislation via tax regulations can be a critical factor in achieving the intended goals of legislation and whether or not projected revenues are raised. I do not believe anyone in the administration, including at Treasury or OMB, would be interested in imposing requirements or processes that did not advance the President's agenda or add value to the rule-making process. If confirmed I would be supportive of revisiting the 2018 MOA between Treasury and OIRA and considering whether there is a more appropriate framework for evaluating tax regulations, while still preserving OIRA's important role and input in the overall rule-making process. I would be committed to gathering input from a wide variety of stakeholders as part of any such process.

Question. The tax system raises many concerns with respect to racial equity and yet does not provide data based on race and ethnicity, making it more difficult for us to understand and address the ways in which our tax code and enforcement are exacerbating inequities. We have yet to see any results from Treasury based on the ongoing racial equity assessment or new Equitable Data Working Group, on which you will serve, if confirmed.

Will you commit to a vigorous racial equity review of all tax policies and practices, including a review of disproportionate IRS auditing of low-income, black taxpayers and use of predatory private debt collectors, again with a disproportionate impact on low-income, black Americans? Please explain why or why not.

Answer. My understanding is that the Treasury Department, under the leadership and guidance of Deputy Secretary Wally Adeyemo, is undertaking an examination at Treasury and Treasury agencies akin to what you have outlined. If confirmed, I look forward to working with Deputy Secretary Adeyemo on ensuring a thorough review of policies and Treasury practices is conducting through a racial equity lens.

Question. The Earned Income Tax Credit (EITC) is one of the government's most effective tools to fight poverty, increase financial stability, and promote work among

---

[1] Department of the Treasury, "READOUT: U.S. Department of the Treasury's Office of Tax Policy Meetings", May 20, 2021, *https://home.treasury.gov/news/press-releases/jy0189*.

[2] Greg Leiserson, "Cost-Benefit Analysis of U.S. Tax Regulations Has Failed. What Should Come Next?" Washington Center for Equitable Growth, September 20, 2020, *https://equitablegrowth.org/research-paper/cost-benefit-analysis-of-u-s-tax-regulations-has-failed-what-should-come-next/*.

low-income workers and their families.[3] Despite the EITC's importance for supporting working families and their economic mobility, tax refunds received by EITC recipients who have defaulted on their Federal student loans are subject to offset. Borrower advocates have documented the harm that EITC offsets cause financially distressed student loan borrowers, including impairing their ability to get and keep jobs and pay for basic necessities, and exacerbating housing instability.[4] The Treasury Department, however, does not provide public data on the amount and value of EITC refunds that are seized from borrowers each year.

Do you believe the EITC should be exempt from seizure through the Treasury Offset Program? Please explain why or why not.

Will you commit to analyzing and releasing data on the composition of tax refund offsets to identify how many borrowers have had their EITC seized through the Treasury Offset Program in recent years?

Answer. My understanding is that this analysis would largely need to be handled by the IRS. If confirmed, I am committed to requesting a briefing by the relevant offices to better understand the issue and working with them to respond.

Question. The American Rescue Plan that President Biden signed into law in March 2021 includes a provision that excludes from income any student loan debt that is modified or discharged beginning December 31, 2020 until January 1, 2026, including private and institutional loans.[5] The average student borrower who earns $50,000 in income would save approximately $2,200 in taxes for every $10,000 of forgiven student loans.[6]

While Congress has provided this crucial relief for student loan borrowers through 2026, Treasury can extend it indefinitely by issuing a Revenue Procedure to ensure that borrowers will not be taxed for canceled debt. This Rev. Proc. could rely on the general welfare exclusion, which grants the IRS the clear authority to conclude "that payments to individuals by governmental units under legislatively provided social benefit programs for the promotion of the general welfare are not includible in a recipient's gross income."[7] There is recent precedent for the IRS to issue Rev. Procs. to shield Federal student loan borrowers from tax liabilities. In 2015, the Obama-Biden IRS issued Rev. Proc. 2015–57, which was the first in a series of Rev. Procs. that ensured that student loans canceled by the Department of Education under borrower defense to repayment would not result in a tax liability for borrowers.[8] A similar rationale could be incorporated into a proposed Rev. Proc. regarding IDR forgiveness or administrative debt cancellation.

What steps will you take to ensure that the implementation of the American Rescue Plan provision protects all student borrowers, including those with private loans, whose debt is fully or partially forgiven from being saddled with thousands of dollars in surprise taxes?

Will you commit to issuing a Rev. Proc. to indefinitely extend this relief for student borrowers beyond 2026?

Answer. I share your concern regarding the heavy student loan debt burdens that many Americans face. While a long-term, comprehensive legislative solution to the problems associated with both borrowing and discharge in the student loan context would be optimal, if confirmed I would be open to using all of the tools at the disposal of Treasury and the IRS to ensure that borrowers do not face unexpected tax bills.

---

[3] Center on Budget and Policy Priorities, "Policy Basics: The Earned Income Tax Credit," December 10, 2019, *https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit.*

[4] Persis Yu, "Voices of Despair: How Seizing the EITC Is Leaving Student Loan Borrowers Homeless and Hopeless During a Pandemic," National Consumer Law Center, July 2020, *https://www.nclc.org/images/pdf/student_loans/voices-of-despair-seizing-eitc-in-pandemic.pdf.*

[5] Office of Senator Elizabeth Warren, "Warren, Menendez Bill to Make Student Loan Relief Tax-Free Passes as Part of COVID Relief Package, Clearing a Hurdle for Broad Loan Forgiveness," March 6, 2021, *https://www.warren.senate.gov/newsroom/press-releases/warren-menendez-bill-to-make-student-loan-relief-tax-free-passes-as-part-of-covid-relief-package-clearing-a-hurdle-for-broad-loan-forgiveness.*

[6] *Id.*

[7] For example, Rev. Rul. 2003–12, *https://www.irs.gov/pub/irs-drop/rr-03-12.pdf.*

[8] Rev. Proc. 2015–57, *https://www.irs.gov/pub/irs-drop/rp-15-57.pdf.*

QUESTIONS SUBMITTED BY HON. MIKE CRAPO

Question. There have been repeated references made by the administration to individual taxpayers and corporations paying "their fair share." For example, an April Treasury document describing the Made in America Tax Plan often refers to fair share. From Treasury's document, however, it appears that the plan envisions enactment of proposals that would merely move the country "Toward a Fairer Tax System."

As a prospective adviser to the administration on tax policy, please define what constitutes a "fair share" and the appropriate measure to use to determine whether or not an individual is paying their fair share.

Given your definition and measure, for tax year 2021, what is the fair share for a single filer on taxable income: up to $9.950; $9,951 to $40,525, $40,526 to $86,375, $86,376 to $164,925, $164,926 to $523,600, over $523,600?

Please define what constitutes a "fair share" and the appropriate measure to use to determine whether or not a corporation is paying its fair share.

Why do you believe that the Made in America Tax Plan proposes only to move "toward" a "fairer" tax system, thereby foregoing movement to a fully fair system and leaving fairness gains unfulfilled to remain on the table for future tax policy modifications?

Answer. The United States exhibits relatively high levels of income and wealth inequality and low levels of intergenerational economic mobility compared to other high-income countries. This makes a progressive tax system especially important.

A progressive tax system is one where tax rates rise with income, so that higher-income people pay a higher share of their income in tax than lower-income households. I support a more progressive tax system and one that taxes income from wealth more like income from work, as President Biden has proposed. It is worth noting that President Biden has committed to not raising taxes on anyone with income under $400,000.

Question. The Made in America Tax Plan, outlined by Treasury in an April 2021 document, identifies a proposal of "replacing fossil fuel subsidies with incentives for clean energy production." The plan proposes to "remove subsidies for fossil fuel companies."

Please identify your understanding of what subsidies the plan would remove, and how they differ from like "subsidies" in place for other companies performing similar activities but not involving "fossil fuels."

If enacted, do you believe that the plan would lead to higher gas prices at the pump in the near term, defined as the period 2022–2024?

If so, would you have any concern that such an effect would have disproportionate adverse effects on low- to middle-income workers whose expenditures on "fossil fuel" related consumables such as gasoline and heating fuel tend to be higher shares of their incomes than for upper earners?

Answer. I have not been privy to discussions within Treasury. Thus, my understanding of Treasury's Green Book proposals is identical to what was published in the Green Book. It describes these proposals under the heading "eliminate fossil fuel subsidies." I am not aware of studies finding a substantial effect on gas prices as a result of such changes.

Question. You have been employed by New York University, which holds billions of dollars in endowment funds. Some of those funds have come from donations from people's wealth and estates. Your employer does not use all of its endowment funds to help students or researchers. Rather, it carries some of those funds forward, presumably to help ensure that resources can be made available for future students and researchers. That is, your employer builds dynastic wealth.

Families in the United States wish to do the same, yet you seem to believe that bequest motives mainly show up as undue benefit to the "rich" or "ultra-rich." People wish to accumulate wealth over time, and they choose not to consume all the accumulation in their lifetimes so that future members of their family can benefit. While that seems like altruism to me, it apparently seems like some sort of undeserved dynasty building to you.

Since New York University is building and accumulating dynastic wealth, from which you derive benefits, should Congress increase taxation of university endowments and use the proceeds to spend on what you and others may view as more worthy social investments?

Answer. The taxation of large university endowments is a complex issue. As you suggest, not all of the benefits of large endowments flow to students from disadvantaged backgrounds. At the same time, universities may produce positive externalities, whether through basic research or increasing the next generation's human capital. As I understand it, President Biden has not proposed any changes to the taxation of endowments. If confirmed, I would look forward to working with Congress to address the issues that endowments raise, including through any legislative proposals in this space.

Question. Your writing on inheritances, estates, bequests, and the like is largely premised on your norms and beliefs that inequality has risen substantially, to the point of overall social concern, and that intergenerational mobility has shrunk. Are you aware of any research suggesting that your beliefs about inequality are overstated and, if so, please identify the relevant research and discuss why you do or do not find such research compelling?

Answer. As best as I recall, my recent work on inheritance, estates, and bequests has generally focused on disparities within the U.S. in income, wealth, inheritances, and intergenerational mobility, and on how the U.S. compares along these dimensions to other high-income countries, not on time trends. That said, I am always interested in seeing new data.

Question. Among other things, you wrote, in a *New York Times* opinion article titled "Tax the Rich and Their Heirs," about a hypothetical heir's inheritance, and corresponding effective tax rate. You identify that: "Some will argue that this example ignores any income and payroll tax the wealthy parents paid when they originally earned the $50 million. But if the couple paid their personal chef's wages out of after-tax income, we wouldn't think their personal chef should get credit for the taxes they paid." Given this rather confusing comparison, could you provide your understanding of the concept and measures of wealth, the concept and measures of income, and what are the distinguishing features that differentiate the two concepts?

Answer. In this example, I was comparing an adult who inherits $50 million from his parents (let's call them Jack and Jane) to someone who works as a personal chef for Jack and Jane. Under current law, the heir does not owe income or payroll tax on the $50 million that he inherits, while the personal chef owes both income and payroll tax on his salary from Jack and Jane. Let's say that Jack and Jane earned all of their money from working and paid income and payroll taxes on all of their earnings. Some argue that their heir should not have to pay income or payroll tax on his inheritance because Jack and Jane effectively paid those taxes on his behalf. In other words, the heir should get credit for the income and payroll taxes his parents paid. I was noting that, under this theory, their personal chef should also get credit for the income and payroll taxes Jack and Jane paid and, therefore, all the chef's salary should be tax-exempt. But current law does not provide such an exemption for the personal chef.

Question. During development of the Tax Cuts and Jobs Act, you appeared highly critical of the effort, including procedural aspects of legislating an outcome, up to and including criteria to allow provisions to be passed in a reconciliation setting. You participated in producing highly speculative quantitative analyses of tax proposals from Republicans, sometimes before they were even produced in detailed enough form to perform quantitative analysis. What was your objective in providing premature, speculative quantitative analyses of proposals that did not yet even exist, but could be portrayed in partisan fashion?

Answer. In my quantitative work I try to clearly state my assumptions and, where there is a partisan valence, adopt assumptions that are the least favorable to whatever point I am making, even if such assumptions may be less accurate. It seems like you may be referring to my work estimating the effects of President Trump's childcare proposals. In that work, we detailed our assumptions throughout, noting how the assumptions underlying our estimates probably understated the regressivity of his proposals.

More generally, I think it can helpfully inform the complicated legislative process for outside groups to estimate the revenue or distributional effects of legislative proposals before every detail has been specified. For example, my recollection is that there typically is no legislative language for tax legislation until after it has been voted out of the Finance Committee because the committee engages in conceptual mark-ups. It would seem to be somewhat late for the public only to have access to preliminary estimates of tax legislation after it has been voted out of committee. That said, I believe strongly that any estimates by outside groups should be done with care, integrity, and transparency.

Question. Federal Reserve notes represent lawful money, and are liabilities of the U.S. Federal Government. Liabilities of the U.S. Federal Government are overseen and managed by Treasury. The Senate Finance Committee is the authorizing committee for Treasury and its operations, and has oversight responsibility over Treasury operations and activities.

The Federal Reserve is experimenting with formulating a central bank digital currency, which has the potential of enabling, along a blockchain, fiscal policy actions and would involve issuance of liabilities backed by the U.S. Federal Government. Given that, if confirmed, you would be working at the Treasury, with responsibilities over Federal liabilities that are authorized by Congress, and would likely be working on issues of financial "stability:"

Do you believe that a central bank digital currency can pose a threat to financial stability, in that such Federal liabilities, if held in accounts at the Federal Reserve or Treasury, would be viewed as safe havens in flights to safety, and away from riskier liabilities of firms provided in financial markets, during periods of market stress?

Do you believe that a central bank digital currency, designed by the Federal Reserve, should be constructed in a way that could easily and rapidly allow for deployment of accounts that could have balances modulated in accord with business cycle developments, thereby providing automatic stabilizers or welfare transfers? Do you support such a design and construction, which will engineer a significant transfer of fiscal authority, upon one mere act of Congress, from Congress to the Federal Reserve?

Answer. I am not familiar with these issues and their tax aspects. If I am fortunate enough to be confirmed, I would seek a briefing by the relevant Treasury staff.

Question. As a tax expert, what definition can you provide that determines whether a country is a "tax haven." Have you ever publicly characterized Switzerland or Puerto Rico as tax havens, and do you believe that they are according to your working definition?

Answer. Some researchers define tax havens as jurisdictions with effective tax rates less than 10 percent; other researchers use metrics based on secrecy. I do not recall using this term myself with respect to those jurisdictions.

Question. Are there any proposals or issues on which you intend to engage with members of this committee to achieve bipartisan results? If so, please describe what those issues are.

Answer. If confirmed, I would be eager to engage with members of the committee to seek bipartisan agreement wherever possible.

Question. Please describe any bipartisan accomplishments you participated in substantively during your service on President Obama's National Economic Council.

Answer. During my previous government service, I served as former Chairman Baucus's Chief Tax Counsel in his work on negotiating tax aspects of the American Taxpayer Relief Act of 2012; Moving Ahead for Progress in the 21st Century Act of 2012; Middle Class Tax Relief and Job Creation Act of 2012; FAA Modernization and Reform Act of 2012; Temporary Payroll Tax Cut Continuation Act of 2011; VOW to Hire Heroes Bill of 2011; U.S.-Korea Free Trade Agreement of 2011; Airport and Airway Trust Fund Reauthorization Act of 2011; Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010; and Small Business Jobs Act of 2010. I believe all of these bills were passed on a bipartisan basis. I served in the Obama administration for a much shorter period of time during which little or no tax legislation was passed. However, I did facilitate policy processes that arguably helped lay the groundwork for the Protecting Americans from Tax Hikes Act of 2015, which was passed on a bipartisan basis after I returned to teaching.

Question. Some believe that, independent of revenue raised or lost because of implementation of a wealth or inheritance or estate tax, it is important to institute such taxes so "billionaires" and high-wealth individuals do not hoard such wealth, or because inequality harms democracy in speculative unmeasured and conjectural ways. You have devoted a substantial amount of your professional activities in advocacy of significant increases or implementations of wealth, inheritance, gift taxes and the like.

Do you support implementation of such taxes with the primary or sole intention of ensuring that there are fewer people with high wealth levels?

If so, what social problem do you intend to solve by implementing significantly high taxes on intergenerational transfers, what evidence suggests that your solutions would accomplish your objective, and is there overwhelming support for your normative objectives?

If I, as a parent, wish to forgo consumption over my life cycle, accumulate wealth, and bequeath resources to children and grandchildren that I love, is there a social problem that I am generating by doing so? If so, please tell me what that is, or whether you believe that what I choose to do can be accepted by you, but only up to some limits that you deem appropriate?

Answer. My work on wealth transfer taxes is focused on furthering the goal of everyone having a chance to succeed in the United States, and ensuring that we do not miss out on individuals' talents because of barriers to upward mobility. My understanding is that President Biden did not propose any changes to the estate or gift taxes in his budget.

Question. You identified during the hearing on your nomination that you would like to participate in work, if confirmed, at Treasury aimed at increasing enforcement and tax collections at the IRS. Given your background in research, and what appear to be increased efforts at IRS to engage in normative research, you may also be interested in working with IRS researchers. In the May 2021 U.S. Department of the Treasury publication titled, "The American Families Tax Compliance Agenda," research that includes income attribution methodology utilized by researchers Emmanuel Saez and Gabriel Zucman is referred to, as well as, research in what appears to be the Critical Tax theory branch of research performed principally by tax law professors.

Are you aware of any critiques of income and wealth valuation methods utilized by researchers Saez and Zucman and, if so, do you believe the critiques have merit?

Economist Larry Summers has characterized some of the work by Saez and Zucman as being "substantially inaccurate and substantially misleading." Many economists have criticized some of their methodology and data manipulation as problematic, and some of their wealth valuation methods are enormously sensitive to perturbations in discount and interest rates. Do you believe that caution should be exercised in using income and wealth inequality measures put forward by those researchers in guiding fiscal policies?

Could you describe your understanding of Critical Tax theory?

The May 2021 Treasury publication cites the article titled "Should the IRS Know Your Race? The Challenge of Colorblind Tax Data." Do you believe that the IRS should require that racial identification should be part of filed tax returns? Please explain why or why not.

Do you support consideration at the IRS of urging legislation to provide increased disclosure of taxpayers' private information for research purposes?

Do you believe that research at the IRS should allow for partisan policy positions to play a role?

Answer. I am aware of a spirited debate among economists about the best way to measure wealth and accrued gains on wealth. It is a complicated issue and unfortunately, we do not have good data on wealth in the U.S. This means that all estimates of the wealth distribution are necessarily imperfect, and thoughtful, nonpartisan research can produce different estimates. In my view, each of the various methodological approaches have pros and cons. I have not written about critical tax theory and would need to research the various definitions to determine which I thought was the most accurate.

I support understanding more about the effects of tax provisions and proposals along many dimensions. If confirmed, I am committed to working with Treasury, and with the administration as a whole, to better understand these impacts, including on disadvantaged groups. The use of identifying information on tax returns is a complicated issue. If confirmed, I would look forward to being briefed on these issues, including on the use of IRS data for research. I believe it is vitally important to make sure that such research protects taxpayer privacy. The IRS is a nonpartisan organization and its research is not conducted by political appointees. I believe it is important for its research to remain nonpartisan.

Question. During your hearing it was suggested that the TCJA changes to international taxation amounted to "[giving] away the store," the implication being that the TCJA changes in this area were a tax cut that amounted to an unfair "giveaway" to the international operations of taxpaying businesses. It seemed in your response that you agreed with the characterization. Can you clarify: were the TCJA changes to international taxation a "giveaway" tax cut and, if so, how? I ask because according to the revenue estimates prepared by the JCT, the TCJA's international tax changes were not a tax cut at all, but a $324-billion tax increase.

Answer. I do not recall referring to the TCJA changes to international taxation as a giveaway. That said, my understanding is that JCT estimated that the TCJA international provisions resulted in a slight revenue loss if one excludes the repatriation provision. While the repatriation provision raised revenue within the budget window, it presumably lost revenue on net over a longer period of time. This is because it was a tax cut relative to prior law, which would have taxed foreign earnings at the full U.S. rate (then 35 percent) less foreign tax credits when repatriated, rather than at the TCJA repatriation rate of 8 percent or 15.5 percent.

Question. Do you consider it to be an unfair "loophole" for a taxpayer to pay a lower rate on their capital gains than on their ordinary income? If so, would it not be more appropriate to require all capital gains to be paid at the taxpayer's ordinary rates, rather than the President's current proposal, which would continue to allow a taxpayer earning $900,000 to benefit from what you consider to be an unfair loophole?

Answer. The current tax code contains many provisions that favor income from wealth over income from work. The Biden administration's tax proposals aim to shift some of the current priorities and incentives in the tax code so that we recognize and reward the value of work as much as we do income from wealth. If confirmed, I look forward to working with Congress to implement a system that provides appropriate incentives for investment but does not do so at the cost of disfavoring workers and small businesses.

Question. In your testimony on the President's proposal to increase the minimum tax rate on active foreign-source income earned by U.S. companies operating abroad to an "all-in" 26-percent rate you allude to various non-minimum tax regimes of foreign countries that somehow make them "comparable" to both the current U.S. GILTI regime and the President's proposal. Can you provide specific detail as to how the current law of the U.S.'s major trading partners is comparable to the U.S.'s with respect to minimum taxes on active foreign-source income?

Answer. Our major trading partners with territorial tax systems generally have robust anti-base erosion measures in their domestic law to mitigate the incentive to shift profits offshore that can be created by such systems. My understanding is that these anti-base erosion measures generally take the form of "controlled foreign corporation" (CFC) rules and limitations on interest deductions (earnings stripping rules). Certain jurisdictions also limit or deny application of their territorial system (*i.e.,* their participation exemption) to certain business entities or business lines. Most European Union (EU) countries apply their CFC rules within the EU to address shifting of profits to low-tax EU countries by targeting certain arrangements deemed to be artificial (*i.e.,* lacking real economic activities) based on specified criteria.

The criteria for determining whether CFC rules apply to a foreign subsidiary generally vary, with some countries applying objective standards (generally based on ownership), others applying more subjective standards (*e.g.,* effective management, level of taxation, place of incorporation, etc.), and others applying a combination of such standards. There is also disparity in the types of income that is subject to various CFC rules. According to an April 2019 report by the Tax Foundation, among the OECD countries with CFC rules, approximately half tax solely passive income and the other half tax both passive and active income.[9]

Given how complex and multi-faceted anti-base-erosion regimes are, it is difficult to make judgements about which countries' regimes are more or less onerous, even without considering the impact of taxpayer planning. Additional background on the similarities between our provisions for taxing foreign earnings of our resident com-

[9] Bunn et al., "Anti-Base Erosion Provisions and Territorial Tax Systems in OECD Countries," Tax Foundation (April 2019).

panies and the provisions of our major trading partner can be found at Altshuler et al., "Lessons the United States Can Learn From Other Countries' Territorial Systems for Taxing Income of Multinational Corporations," Tax Policy Center (2014) and Joint Committee on Taxation, "Background and Selected Issues Related to the U.S. International Tax System and Systems That Exempt Foreign Business Income," JCX–33–11 (2011).

Question. In your testimony you indicated that an appropriate "balance" must be struck between the tax code's "marriage bonus" and "marriage penalty." Can you elaborate specifically on how the President's proposal to increase taxes on a married couple with a combined income of $509,300 but not an unmarried couple with a combined income of $905,398 strikes this balance "in the best possible way"?

Answer. Under what is sometimes called the marriage taxation "trilemma," an income tax cannot simultaneously have progressive marginal tax rates, tax all married couples with identical combined incomes the same, and tax couples the same regardless of whether they are married or unmarried. Current law creates a complicated pattern of marriage penalties and bonuses. My understanding is that President Biden's proposals tend to preserve this pattern. In my view, the best balance between marriage penalties and marriage bonuses is a complicated issue on which reasonable people can disagree. If I am fortunate enough to be confirmed, I would look forward to working with Congress to identify the best balance for the situation you described.

Question. As you know, the Child Tax Credit (CTC)—which was a Republican-led proposal and which I voted for all those years ago—was intended to operate as a family support provision in order to somewhat ameliorate a working family's inability to pay taxes as their family size increased. Further, save for the changes enacted in the American Rescue Plan, all successful efforts to expand the CTC since then have continued to ground the provision in supporting working families. In your testimony, you applaud the recent expansions of the CTC as being a powerful new anti-poverty tool. This is confusing to me, particularly given your subsequent acknowledgment of the various recent expansions of the earned income tax credit (EITC) and their powerful anti-poverty role (which was, as you know, the intent of the provision). Is the CTC, which was never intended to operate as an anti-poverty provision, and which clearly lacks the targeting of the EITC, the most appropriate mechanism to address child poverty—particularly when we still have (and have continued to expand) the EITC?

Answer. I believe that child poverty is a serious national challenge that we should continually strive to address. Both the EITC and CTC have long served to lessen child poverty, in part because both are fully or partially refundable. Prior to the American Rescue Plan, the two provisions lifted an estimated 5.5 million children above the poverty line.[10] Researchers have estimated that the American Rescue Plan would cut child poverty by more than 50 percent.[11] I fully support President Biden's commitment to ending child poverty.

Question. The Tax Cuts and Jobs Act 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. As I understand it, President Biden's budget does not propose any changes to section 199A.

QUESTIONS SUBMITTED BY HON. JOHN THUNE

Question. As a follow-up to the question asked at the hearing, can you state with certainty that no taxpayer earning less than $400,000 will be hit by the Biden administration's step-up in basis tax proposal?

[10] Marr et al., "Congress Should Adopt American Families Plan's Permanent Expansions of Child Tax Credit and EITC, Make Additional Provisions Permanent," Center on Budget and Policy Priorities (May 24, 2021).

[11] Parolin et al., "The Potential Poverty Reduction Effect of the American Rescue Plan," Center on Poverty and Social Policy at Columbia University (March 11, 2021).

Answer. As I understand the proposal, the only taxpayers who could be affected are those with more than $1 million in capital gains income because the proposal allows an exclusion of up to $1 million of gains per person (indexed for inflation). The exclusion is portable between spouses, effectively meaning that couples would not be affected unless they had more than $2 million of capital gains income. Moreover, the $1 million per-person exclusion applies in addition to the existing exclusion for gains on homes, which allows taxpayers to exclude up to $250,000 of gain on principal residences ($500,000 for couples), as well as the existing exclusion for qualified small business stock.

Question. Under the Biden administration's step-up in basis proposal, the untaxed gains on investments held at death would be taxed at a top rate of 39.6 percent, above an exemption of $1 million per individual. There is a good chance that some parents might die with an estate that has gained $1 million-plus in value over the course of their lives, but their heir might be earning $40,000 or $50,000 a year.

Under such a scenario, is it plausible that an heir earning less than $400,000 would be impacted by the administration's step-up in basis tax proposal?

Answer. Please see my answer to the question above. Thank you.

Question. Under the Biden administration's step-up in basis tax proposal, and depending on the heir's liquidity, could taxpayers potentially have to sell off some of their inherited assets to cover the new tax liability?

Answer. In the Treasury Green Book description of this proposal, there are several measures to address this concern. For example, it proposes that payment of tax on the appreciation of certain family-owned and operated businesses would not be due until the business is sold or ceases to be family-owned and operated. It also proposes a 15-year fixed-rate payment plan for illiquid appreciated assets.

QUESTIONS SUBMITTED BY HON. ROB PORTMAN

Question. At the hearing, we discussed the status of the Global Intangible Low-Taxed Income ("GILTI") as a unique American tax policy compared to our major trading partners. Under GILTI, U.S.-based businesses are taxed on their outbound active business income. You differed in that characterization of GILTI, stating: (1) "While I agree that no other country has a minimum tax exactly like ours, they do have many provisions in place designed to limit the ability to shift profits to low-tax jurisdictions by companies resident in their countries that I think are analogous to GILTI"; (2) "Many deny participation exceptions for certain foreign countries or lines of business"; and (3) "Partially tax foreign earnings of their companies across the board."

Since GILTI only applies to U.S.-based businesses, policymakers should have a common understanding of what the rest of the playing field is among America's trading partners. That's why I asked the question and that's why I'm following up on it. I'd like you to provide more detail on your responses.

Please list those countries, which are major trading partners of the U.S., with provisions analogous to GILTI that apply to active business income, rather than passive income (which has long been subject to tax under the U.S. subpart F rules). Please explain how those provisions are similar to GILTI in their application to active business income, such as foreign manufacturing income. Where applicable, please explain whether any such rules do not apply among EU members because the EU fundamental freedoms prevent one EU country from applying its controlled foreign corporation ("CFC") rules (or analogous regimes) to foreign branches or subsidiaries located in another EU country—whether active income or passive income—unless the income is earned in an artificial arrangement. Please explain the practical effect of these and other limitations (such as treaty exceptions) to any foreign country's CFC rules in evaluating whether they are truly analogous to the breadth and scope of GILTI. And please provide a specific list of countries with CFC regimes that you consider more onerous than GILTI, and a general description of how those regimes operate.

Answer. Our major trading partners with territorial tax systems generally have robust anti-base erosion measures in their domestic law to mitigate the incentive to shift profits offshore that can be created by such systems. My understanding is that these anti-base erosion measures generally take the form of "controlled foreign corporation" (CFC) rules and limitations on interest deductions (earnings stripping rules). Certain jurisdictions also limit or deny application of their territorial system (*i.e.,* their participation exemption) to certain business entities or business lines. Most European Union (EU) countries apply their CFC rules within the EU to address shifting of profits to low-tax EU countries by targeting certain arrangement deemed to be artificial (*i.e.,* lacking real economic activities) based on specified criteria.

The criteria for determining whether CFC rules apply to a foreign subsidiary generally varies, with some countries applying objective standards (generally based on ownership), others applying more subjective standards (*e.g.,* effective management, level of taxation, place of incorporation, etc.), and others apply a combination of such standards. There is also disparity in the types of income that is subject to various CFC rules. According to an April 2019 report by the Tax Foundation, among the OECD countries with CFC rules, approximately half tax solely passive income and the other half tax both passive and active income.[12]

Given how complex and multi-faceted anti-base-erosion regimes are, it is difficult to make judgements about which countries' regimes are more or less onerous, even without considering the impact of taxpayer planning. Additional background on the similarities between our provisions for taxing foreign earnings of our resident companies and the provisions of our major trading partners can be found at Altshuler et al., *Lessons the United States Can Learn From Other Countries' Territorial Systems for Taxing Income of Multinational Corporations,* Tax Policy Center (2014) and Joint Committee on Taxation, *Background and Selected Issues Related to the U.S. International Tax System and Systems That Exempt Foreign Business Income,* JCX–33–11 (2011).

My understanding is that the President's proposal to replace the section 59A Base Erosion and Anti-Abuse Tax (BEAT) with the Stop Harmful Inversions and Low-Tax Developments (SHIELD) would provide a strong incentive for our major trading partners to change their CFC rules to more closely align with our reformed GILTI regime.

Question. As we negotiate with the Organisation for Economic Co-operation and Development ("OECD"), the administration has taken the position that we should encourage our OECD counterparts to increase their corporate tax rates. However, we've been less than successful at having our counterparts live up to their word. For instance, as part of an effort to resolve a trade dispute, the U.S. negotiated changes to the Domestic International Sales Corporation (DISC) provision of the Code, which provided a tax exemption for certain export related trade income. In return, the Europeans agreed to change their border adjustment regimes to eliminate the export subsidies they conferred. Despite their "agreement," and after Congress had legislated the agreed to changes in the form of the Foreign Sales Corporation (FSC), our EU partners reneged on their commitment and mounted a World Trade Organization challenge to the FSC.

In fact, the EU has complained bitterly about the "extraterritorial" reach of our States' use of formulary apportionment in the early 1980s. The U.S. went through tremendous effort to resolve the dispute—weighing heavily on the various States to give up the practice. Fast forward to the past few years, we now have the French adopting an approach to digital taxation that mirrors unitary taxation.

Why should we trust that the EU and other OECD partners will increase corporate tax rates simply because we ask them to?

Answer. It is my understanding that leading economies in the EU have already committed to supporting a global minimum tax, in part because of their own domestic needs and in part because of their commitment to a multilateral solution to a race to the bottom in effective corporate tax rates. It is also my understanding that Pillar 2 contains a mechanism such that, once a sufficient number of leading economies join, will incentivize other jurisdictions to adopt minimum taxes as well and penalize those that defect. My understanding is that the SHIELD proposal, which Congress could enact without a multilateral agreement or any action by other countries, works similarly.

Question. How do you plan to protect U.S. companies from unfair taxation—such as DSTs?

Answer. If confirmed, I look forward to being briefed by my staff on this and other issues. But my understanding is that Pillar 1 would replace discriminatory meas-

[12] Bunn et al., *Anti-Base Erosion Provisions and Territorial Tax Systems in OECD Countries,* Tax Foundation (April 2019).

ures, such as DSTs, with a nondiscriminatory approach to market-based taxation. It is also my understanding that, as part of the Pillar 1 negotiations, Treasury has asked for the standstill and rollback of DSTs.

Question. In a bipartisan way, Senators have been monitoring the progress of the OECD process and have 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?

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 am committed to updating members of the committee on the negotiations and sharing available and relevant economic analyses.

Question. If confirmed as Assistant Secretary for Tax Policy, one of the most important roles of the office you will lead, in my estimation, will be working out the details of the President's tax proposals and turning them into legislative proposals with accompanying projected revenue estimates. There have been some recent Treasury Department statements, including to this committee, regarding tax revenue that appear to be misleading. That's concerning because we rely on the Treasury Department as a source of unbiased information.

I'll give you an example of one. It relates to the revenue raised by the Base Erosion and Anti- abuse Tax ("BEAT"). The statement has been made that BEAT has been ineffective based on the BEAT revenue table, but, of course, BEAT taxes paid are only a small part of the revenue raised by the BEAT, which was intended to change behavior, so the revenue raised by BEAT would be reflected significantly in corporate tax revenues, not necessarily in BEAT revenues.

For this committee to make sound policy, we must have thorough and complete analysis. Can you commit that, if confirmed, you will ensure that the analysis the Treasury Department presents is thorough and complete and not misleading?

Do you further commit to revise any prior statements of the Office of Tax Policy that may not have been based on complete data or were otherwise misleading?

Answer. The Office of Tax Policy provides professional, high-quality analyses and estimates that are done by its highly qualified career staff. If confirmed, I am committed to ensuring that their work continues to be done in a complete, high-quality, and professional manner.

Question. The treatment of conservation easements transactions is an important issue to my State of Ohio, particularly in relation to easements for historic preservation. These easements protect iconic buildings in places like downtown Cleveland and Columbus from simply being bulldozed. This program has saved numerous historically significant buildings and facilitated the revitalization of entire neighborhoods in my State. And, it goes without saying, the issue is crucial to land conservation which I know is a priority of the President as articulated in his *thirty by thirty* goal. Due to the lack of guidance from the IRS in this area, taxpayer certainty on conservation easements is elusive. As the bipartisan Senate Finance Committee report indicated last year, it is important that Treasury and the IRS make clear what the rules of the road are to allow taxpayers to appropriately utilize this preservation tool and to protect the integrity of the conservation easement tax deduction, as Congress intended. I have asked similar questions on this topic to both Secretary Yellen and Deputy Secretary Adeyemo, but I know that this would fall more directly under your purview as Assistant Secretary of Tax Policy.

If confirmed, will you commit to work with my office and stakeholders, to facilitate a notice and comment period, and to expedite clear guidance from the Office of Tax Policy and the Internal Revenue Service to further congressional intent?

Answer. Should I be confirmed, I look forward to working with my Office of Tax Policy (OTP) colleagues to understand the status and priorities in the current guidance plan, and potentially resetting some of those priorities. I can commit to working with your office to understand how this issue should fit into the Treasury and OTP agenda.

Question. The administration's proposed book minimum tax is dependent on the Financial Accounting Standard Board's ("FASB") accounting standards for income and loss recognition. Additionally, under the Alternative Minimum Tax regime (pre-Tax Cuts and Jobs Act), a credit was available for the book minimum tax in excess of regular tax to mitigate the issue of timing differences between book and tax that would result in paying tax twice.

Is there concern in relinquishing taxing incentives and control to the FASB?

How would the proposal address taxpayers that use accounting methods other than GAAP?

In thinking about constructing a book minimum tax, how would you address timing differences between book and tax that would result in paying tax twice?

Answer. I have not been privy to discussions within Treasury, including about proposals in the Green Book. If confirmed, I would look forward to being briefed by the Office of Tax Policy staff on the details of this proposal and its likely effects. Regarding your third question, the Green Book States that under the proposal "taxpayers would be allowed to claim a book tax credit (generated by a positive book tax liability) against regular tax in future years but this credit could not reduce tax liability below book tentative minimum tax in that year."

Question. The proposed Stopping Harmful Inversions and Ending Low-Tax Developments ("SHIELD") rule would look to the effective tax rate of the foreign payee (determined on a jurisdiction by jurisdiction basis), and if the rate were below a specified level, then the deduction would be denied for a U.S. corporation or U.S. branch for Federal income tax purposes. Payments made directly to a low-taxed jurisdiction would be subject to the SHIELD as follows: payments giving rise to deductions would be denied in their entirety, while payments for costs of goods sold ("COGS") and third party payments would be "disallowed up to the amount of the payment."

Treasury recently released its General Explanations of the administration's Revenue Proposals (referred to as "the Green Book"). With respect to the SHIELD, the score for repealing section 59A and implementing the SHIELD would raise $309 billion. What factors account for the large revenue raised by the provision? Does it reflect the likelihood that the Inclusive Framework will not reach agreement?

With respect to the SHIELD, please explain the interplay of the Sixteenth Amendment and the ability deny cost of goods sold in whole or in part.

The SHIELD appears to treat some countries and companies worse than others are treated. Does the SHIELD override any of our current treaty obligations? How would the structure of the SHIELD ensure that is does not constitute a violation of Article 24 of our model tax treaty? Alternatively, would the U.S. need to amend its tax treaties to take into account the SHIELD?

Answer. I have not been privy to discussions within Treasury, including about proposals in the Green Book. If confirmed, I would look forward to being briefed by the Office of Tax Policy (OTP) staff on the questions you raise.

Question. The Green Book proposes a GILTI rate of 21 percent. However, I understand Secretary Yellen offered a 15-percent rate for Pillar 2 of the ongoing OECD negotiations.

What would you propose to ensure that U.S. companies are not unfairly disadvantaged with this higher rate? Or would you propose a 15-percent rate for GILTI should the OECD consensus result in a 15-percent rate?

Answer. It is my understanding that the administration's GILTI reform proposal in the President's Budget, paired with the administration's multilateral Pillar 2 proposal, is meant to improve American competitiveness by reducing the differential between the GILTI minimum tax rate, which applies to the foreign earnings of U.S.-resident multinationals, and the rate applicable to the foreign earnings of multinationals resident in other countries with weak anti-base-erosion regimes. Right now, that differential is quite large. The GILTI rate is at least 10.5 percent to 13.125 percent, while the rate on multinationals resident in countries with very weak anti-base-erosion measures is effectively zero. The President's GILTI and multilateral proposals would narrow this differential substantially. Moreover, other proposals in the President's budget would further strengthen U.S. competitiveness, including his anti-inversion proposals and the SHIELD proposal, which would incentivize other jurisdictions to adopt strong minimum taxes and could be enacted by Congress without any multilateral agreement. Even so, many believe there are many non-tax reasons why a company would want to be resident in the U.S. and that there is thus room for some divergence between our tax system and that of other countries.

Question. Why should the U.S. move first on changes to GILTI when it will likely take several years for the Inclusive Framework countries to reach consensus and implement legislation and treaty changes?

Answer. As alluded to in my answer to the question above, strengthening GILTI would improve U.S. competitiveness by eliminating current law incentives to book profits in foreign jurisdictions (whether higher- or lower-taxed) instead of in the U.S. Additionally, these changes can raise substantial revenue which can be used to make infrastructure and other investments to further improve U.S. competitiveness. The President's anti-inversion proposals would backstop these changes and the SHEILD proposals would create strong incentives for other countries to adopt robust minimum taxes, thus ensuring our tax system is competitive. All of these proposals can be enacted by Congress without a multilateral agreement being reached or implemented.

Question. Do the proposed changes in the Inclusive Framework require legislative changes? Do the proposed changes also require modifying U.S. treaties or the adoption of a multilateral instrument?

Answer. It is my understanding that Pillar 1 would require a multilateral treaty, but I look forward to being briefed further on this if confirmed.

QUESTIONS SUBMITTED BY HON. JAMES LANKFORD

OECD

Question. The U.S. was the first to enact a global minimum tax when Congress enacted the GILTI as part of the Tax Cuts and Jobs Act. No other country currently has a global minimum tax. In fact the GILTI is harsher in many aspects than the Pillar 2 minimum tax under consideration at the OECD. Yet, the Biden administration is proposing raising the GILTI rate even higher—to 21 percent—while our international counterparts have yet to enact any minimum tax.

Do you believe that the U.S. should increase rates on its own companies, by doubling the GILTI rate and moving a second time, before our international counterparts and competitors have yet to enact their own minimum taxes?

Answer. Strengthening GILTI would improve U.S. competitiveness by eliminating current law incentives to book profits in foreign jurisdictions (whether higher- or lower-taxed) instead of in the U.S. Additionally, these changes can raise substantial revenue which can be used to make infrastructure and other investments to further improve U.S. competitiveness. The President's anti-inversion proposals would backstop these changes and the SHEILD proposals would create strong incentives for other countries to adopt robust minimum taxes, thus ensuring our tax system is competitive. All of these proposals can be enacted by Congress without a multilateral agreement being reached or implemented.

Question. There's been bipartisan support on the Hill for the OECD negotiations—a primary driver of that support stems from bipartisan opposition to digital services taxes (DSTs), many of which discriminate against US companies. However, we know—and even heard again a few weeks ago—that the EU will move forward with plans to enact a digital levy this summer even with an agreement at the OECD.

Can you commit to ensuring that any OECD agreement will require elimination of other countries' DSTs and similar discriminatory unilateral measures?

Answer. It is my understanding that Pillar 1 would replace discriminatory measures, such as DSTs, with a nondiscriminatory approach to market-based taxation. It is also my understanding that, as part of Pillar 1, Treasury has asked for the standstill and rollback of DSTs and other similar unilateral measures. But I look forward to being briefed on these issues, including the status of the EU digital levy.

Question. A final agreement reached at the OECD will require Congress to ratify a multilateral treaty and enact implementing legislation. Given the aggressive timeline being suggested for an OECD agreement, it will be increasingly important for Congress to be closely engaged with the OECD process, as approval of a treaty will require bipartisan support.

As negotiations continue, will you not only commit to keeping the tax-writing committees apprised of negotiations and developments, but also commit to providing meaningful opportunities for our input to shape these negotiations—to ensure that promises are not made at the OECD that might not have bipartisan support?

Answer. If confirmed, I am committed to keeping Congress closely apprised of the OECD process and its developments, and to listening to congressional input on the negotiations.

Question. I am concerned about recent comments from Pascal Saint-Amans that indicate that the OECD may consider carve-outs on Pillar 2 to address China's concerns. Even if there is an agreement on a global rate, if foreign competitors are not subject to the same tax base for Pillar 2, U.S. companies will be at a significant competitive disadvantage.

Do you agree that no agreement should be reached on Pillar 2 where the U.S.'s biggest competitors, like China, are not subject to the same terms as the United States?

Answer. It is my understanding that part of the goal of Pillar 2 is to create a level playing field for the U.S. relative to our economic competitors. With that goal in mind, I look forward to being briefed on this issue.

EFFECTIVE CORPORATE TAX RATES

Question. We've repeatedly heard from Secretary Yellen that the proposed changes to the U.S.'s corporate and international tax laws are intended to stop a global "race to the bottom" on corporate tax rates. However, comparing statutory (Federal and State) corporate income tax rates of the U.S. and the OECD average excluding the U.S. shows that the OECD rate has been relatively steady since 2008, hovering between roughly 23 percent and 25 percent. However, it is clear that the U.S. rate at that time, 38.9 percent until 2017, was clearly out of sync with the rest of the developed world, including some of our top competitors. Given this data, the modification to the corporate rate in 2017 doesn't appear to be a "race to the bottom" by the U.S. at all—instead, it was bringing the U.S. closer in line with other OECD countries so that our companies could compete, while also broadening the tax base and encouraging companies to bring their income back to the U.S. Further, since that time, we haven't seen plunging rates at the OECD, as Secretary Yellen's commentary suggests.

Do you believe that we're experiencing a "race to the bottom" on global tax rates? If so, what evidence are you relying on to make this claim?

Answer. My understanding of OECD data is that it finds that in 1985, the average statutory tax rate among OECD countries was 43 percent; by 2000, it was 30 percent, and in 2020, 22 percent.

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?

As you may know, earlier this year, Senator Coons and I, as well as several other colleagues, a few of which also sit on the Finance Committee, introduced the Universal Giving Pandemic Response and Recovery Act, which would expand and extend the charitable deduction for non-itemizers that is currently in the code.

Will you commit to working with my colleagues and I to expand the charitable deduction for individuals that do not itemize on their taxes?

Answer. I share your concern about promoting charitable giving, and agree that tax incentives can affect behavior, including charitable giving. If confirmed, I would look forward to working with Congress to find the most cost-effective ways to encourage charitable giving.

ENERGY

Question. President Biden and congressional Democratic leadership have made it clear that they intend to phase out domestic conventional energy production. With that will go high-paying jobs back in Oklahoma. In addition, this position threatens our overall diversity of fuels and energy independence, making us vulnerable to instabilities, technology failures, significant weather events, and things of the like.

If these jobs are already at risk of being eliminated, and effective tax rates on companies are further increased, how do you expect these employers will make up the job loss?

How will the proposed changes to our domestic corporate and international tax laws impact our domestic energy producers' ability to compete with foreign-owned energy businesses?

Answer. The Biden administration is strongly committed to American job creation, and the American Jobs Plan put that goal first and foremost. Investments in clean energy, housing, infrastructure, and research would provide a strong incentive for high-quality American jobs. The domestic corporate and international tax proposals would further this goal by funding such investments, and by reducing incentives to move profits and jobs offshore.

Question. Our energy security has changed vastly in the last few decades. Fifty years ago, energy supply disruptions in other parts of the world had the power to lead to the contraction of our economy and disrupt the everyday lives of Americans. Due to aggressive action to discover and develop resources at home, global supply shocks no longer pose the crisis-level risk they once did. We cannot take this for granted, but need to put policies in place that allow domestic production to continue to serve as a stabilizing force for our economy.

Do you believe maintaining energy independence should be a central goal of the Treasury Department?

Answer. I believe all Americans should have access to safe, secure, and affordable energy, now and into the future. If confirmed, I am committed to working towards that goal.

QUESTIONS SUBMITTED BY HON. TODD YOUNG

Question. Despite the Biden administration's commitment not to raise taxes on the middle class, the Democrats' so-called COVID relief package—passed this March with zero Republican votes— prohibits States from lowering tax rates over the next 4 years if such State accepted COVID relief funding. The Treasury Department has since announced that States will have to justify any tax cut by demonstrating such cut was offset by other revenues.

The State of California, which is set to receive more than $27 billion in this latest COVID relief package, recently announced a budget surplus of up to $76 billion, and expects to be providing certain families with rebates of up to $600.

Do you believe there is a meaningful significance between a tax decrease and a tax rebate?

If confirmed, do you commit to examining whether California's rebate proposal, if enacted, violates the Democrats' "no tax cut" rule?

Answer. I understand there are interactions between the Federal programs enacted under the American Rescue Plan and State policies being put in place because of COVID–19. If confirmed, I would look forward to being briefed on the implementation of these programs and their interactions with the tax system.

Question. President Biden has repeatedly and consistently affirmed that he will not raise taxes on the middle class, particularly those making under $400,000 per year. However, I am concerned about many of President Biden's proposals that will indirectly harm the middle class, including his proposal to return America's corporate tax rates to one of the highest among OECD member nations. Countless studies have shown that workers bear the brunt of corporate tax hikes. Nonpartisan research from the Congressional Budget Office has indicated that up to 70 percent of the burden from corporate tax hikes are borne by labor in the form of reduced wage growth or by the consumer from higher prices, while the middle class is further hit by the remaining burden on capital through a weakened 401(k).

While there is some disagreement on the exact proportion, even the most liberal models suggest that labor shares no less than a quarter of the burden, with most empirical research suggesting that the split is at least 50–50. In either case, economists agree that labor bears a substantial share of the corporate tax incidence and should be taken into account when analyzing the economic impact of a tax hike.

What portion of the corporate tax rate do you believe is borne by workers? Do you agree that there is a contradiction between the President's pledge to protect middle-class taxpayers from an increased tax bill while at the same time supporting burdensome and inflationary policies that reduce opportunities and raise the cost of living?

Answer. The incidence of the corporate tax is a heavily debated topic within economics, but the nonpartisan, career economists at JCT and Treasury assign the vast majority of the burden to the owners of capital.[13] I would tend to defer to their judgement.

These models also assume that the deficits created by corporate tax cuts will be offset sometime in the future, but do not account for the potential costs of those offsets for typical workers. It is worth noting that other tax options (such as labor income taxes and payroll taxes) are estimated to fall almost entirely on labor.

Question. Since 1954, companies of all sizes, all along the supply chain and in major sectors from aerospace to electronics, from automobiles to pharmaceuticals and from manufacturing to information technology, have been able to deduct research and development (R&D) expenses in the year in which they are incurred. Starting in 2022, however, companies will be required to amortize or deduct these expenses over a number of years under I.R.C. section 174. Doing so would reduce the after-tax cash flow for R&D activities and drive down the rate of return on R&D investment. I am concerned that private sector R&D will become more expensive resulting in harmful outcomes if section 174 is allowed to go into effect in 2022.

President Biden's Fiscal Year 2022 budget recognizes the importance of R&D to America. The budget states: the United States is falling behind its biggest competitors in R&D (p. 9); R&D innovation creates thousands of good-paying jobs (p. 10); R&D is key to developing clean energy technology (p. 22); the administration supports historic increases in R&D spending across numerous Federal agencies (p. 16); the technology of the future will be created in America by American businesses using American workers (p. 29); and the administration vows to reestablish the United States as a global leader in R&D (p. 17).

Yet nowhere in the President's Fiscal Year 2022 budget is repeal of section 174 listed as an administration priority. Similarly, the General Explanations of the administration's Fiscal Year 2022 revenue proposals (the "Green Book") contains no mention of section 174. I believe that a key variable in securing America's leadership in emerging technologies is reinstatement of the immediate deductibility of R&D expenses, as has been the case for the last 67 years. Senator Hassan and I have introduced S. 749, the American Innovation and Jobs Act, to repeal section 174. A similar bipartisan bill was introduced in the House by Congressmen Larson and Estes, H.R. 1304, the American Innovation and R&D Competitiveness Act of 2021.

I would appreciate your views on whether you agree that repeal of section 174 should occur before it goes into effect in 2022 and whether the Department of the Treasury actively supports 174 repeal.

Answer. The President's budget proposes repealing the Foreign-Derived Intangible Income deduction (FDII) and dedicating the revenue raised from FDII repeal to increase incentives for R&D. If confirmed, I would look forward to learning more about the most cost-effective ways to encourage R&D, including from you and your staff, and working with Congress on designing this proposal.

[13] Joint Committee on Taxation, *Modeling the Distribution of Taxes on Business Income, JCX–14–13* (2013); Cronin et al., 2012). Cronin et al, *Distributing the Corporate Income Tax: Revised U.S. Treasury Methodology,* OTA Technical Paper No. 5 (U.S. Department of the Treasury, Office of Tax Analysis, 2012).

FOLLOW-UP QUESTIONS SUBMITTED FOR THE RECORD
TO LILY LAWRENCE BATCHELDER

FOLLOW-UP QUESTIONS SUBMITTED BY HON. MIKE CRAPO

Question. There have been repeated references made by the administration to individual taxpayers and corporations paying "their fair share." For example, an April Treasury document describing the Made in America Tax Plan often refers to fair share. From Treasury's document, however, it appears that the plan envisions enactment of proposals that would merely move the country "Toward a Fairer Tax System."

As a prospective adviser to the administration on tax policy, please define what constitutes a "fair share" and the appropriate measure to use to determine whether or not an individual is paying their fair share.

Follow-up: Your response did not provide your definition of what constitutes a fair share or what you take to be an appropriate measure.

Answer. There are a number of different measures that I think can be helpful in assessing tax fairness. One measure is the concept of horizontal equity, which compares tax burdens borne by taxpayers in similar circumstances. Another is the concept of vertical equity, which considers whether taxpayers who are better off owe an appropriate level of tax compared to those who are less well off. Better or worse off can be assessed along multiple dimensions, including income, number of dependents, health status, etc. The concept of fair share can also depend on macroeconomic circumstances, because the appropriate measure of a tax code's fairness may depend on key economic indicators such as the labor and capital share, and the share of corporate profits that represent supranormal returns. In addition, the concept of "fair share" can relate to the gap between taxes owed and actually paid, with individuals who evade taxes defined as individuals who do not pay their fair share. In important ways, we currently have a tax system where some individuals do not pay their fair share.

Follow-up: You did not directly respond to the questions below.

Answer. See answers below.

Question. Given your definition and measure, for tax year 2021, what is the fair share for a single filer on taxable income: up to $9.950; $9,951 to $40,525, $40,526 to $86,375, $86,376 to $164,925, $164,926 to $523,600, over $523,600?

Answer. This would depend on the context of the tax or taxes that apply to such individuals and the specific circumstances of single filers within these income ranges.

Question. Please define what constitutes a "fair share" and the appropriate measure to use to determine whether or not a corporation is paying its fair share.

Answer. This would depend on the context of the tax or taxes that apply to the corporation and the corporation's specific circumstances.

Question. Why do you believe that the Made in America Tax Plan proposes only to move "toward" a "fairer" tax system, thereby foregoing movement to a fully fair system and leaving fairness gains unfulfilled to remain on the table for future tax policy modifications?

Answer. I can only speculate because I am not currently in the administration but there are many possibilities. For example, there are so many differences between individual taxpayers that it is probably not possible to adjust for every single dimension of difference, even if doing so might be ideal from a fairness perspective. More generally, there are often trade-offs between fairness, efficiency, and simplicity.

Question. The Made in America Tax Plan, outlined by Treasury in an April 2021 document, identifies a proposal of "replacing fossil fuel subsidies with incentives for clean energy production." The plan proposes to "remove subsidies for fossil fuel companies."

Please identify your understanding of what subsidies the plan would remove, and how they differ from like "subsidies" in place for other companies performing similar activities but not involving "fossil fuels."

If enacted, do you believe that the plan would lead to higher gas prices at the pump in the near term, defined as the period 2022–2024?

If so, would you have any concern that such an effect would have disproportionate adverse effects on low- to middle-income workers whose expenditures on "fossil fuel" related consumables such as gasoline and heating fuel tend to be higher shares of their incomes than for upper earners?

Follow-up: Your response identified that you "have not been privy to discussions within Treasury. Thus, my understanding of Treasury's Green Book proposals is identical to what was published in the Green Book." Some of your responses to questions asked by other Finance Committee members concerning proposals in the Green Book seem, incongruently, to provide your interpretation or understanding of what was published in the Green Book, including your impression of the goal of certain provisions and whether they would be successful at accomplishing those goals. Nonetheless, and independent of whether you have been privy to discussions within Treasury, you did not respond to the first question.

Answer. While I have not been privy to discussions within Treasury about the Green Book proposals, I have followed media stories about them and am familiar in some cases with proposals by members of Congress, prior administrations, or outside experts that appear to be similar. To the extent I did provide my interpretation or understanding of other Green Book proposals, I was doing so on this basis. In this case, I am not aware of media stories or press statements providing additional details.

According to the Treasury Green Book, "The proposal would repeal: (1) the enhanced oil recovery credit for eligible costs attributable to a qualified enhanced oil recovery project; (2) the credit for oil and gas produced from marginal wells; (3) the expensing of intangible drilling costs; (4) the deduction for costs paid or incurred for any tertiary injectant used as part of a tertiary recovery method; (5) the exception to passive loss limitations provided to working interests in oil and natural gas properties; (6) the use of percentage depletion with respect to oil and gas wells; (7) 2-year amortization of independent producers' geological and geophysical expenditures, instead allowing amortization over the 7-year period used by integrated oil and gas producers; (8) expensing of exploration and development costs; (9) percentage depletion for hard mineral fossil fuels; (10) capital gains treatment for royalties; (11) the exemption from the corporate income tax for publicly traded partnerships with qualifying income and gains from activities relating to fossil fuels; (12) the Oil Spill Liability Trust Fund excise tax exemption for crude oil derived from bitumen and kerogen-rich rock; and (13) accelerated amortization for air pollution control facilities. Unless otherwise specified, the proposal provisions would be effective for taxable years beginning after December 31, 2021. In the case of royalties, the proposal provision would be effective for amounts realized in taxable years beginning after December 31, 2021. The repeal of the exemption from the corporate income tax for publicly traded partnerships with qualifying income and gains from activities relating to fossil fuels would be effective for taxable years beginning after December 31, 2026."

The ways in which these subsidies differ from like subsidies in place for other companies performing similar activities not involving fossil fuels vary, and depend on what one considers to be similar activities. Other companies may not be eligible for a like subsidy. Alternatively, other companies may be eligible for a like subsidy, but one with a shorter or longer duration, a different structure (*e.g.,* credit, permanent deduction, or deferral), a different magnitude, or a different eligible activity (*e.g.,* production versus investment). Additionally, some tax benefits might be beneficial for activities that are more prominent in the fossil fuel industry (*e.g.,* the costs of exploration) than in other energy industries.

Question. You have been employed by New York University, which holds billions of dollars in endowment funds. Some of those funds have come from donations from people's wealth and estates. Your employer does not use all of its endowment funds to help students or researchers. Rather, it carries some of those funds forward, presumably to help ensure that resources can be made available for future students and researchers. That is, your employer builds dynastic wealth.

Families in the United States wish to do the same, yet you seem to believe that bequest motives mainly show up as undue benefit to the "rich" or "ultra-rich." People wish to accumulate wealth over time, and they choose not to consume all the accumulation in their lifetimes so that future members of their family can benefit. While that seems like altruism to me, it apparently seems like some sort of undeserved dynasty building to you.

Since New York University is building and accumulating dynastic wealth, from which you derive benefits, should Congress increase taxation of university endowments and use the proceeds to spend on what you and others may view as more worthy social investments?

Follow-up: Your response boiled down to stating that your understanding is that President Biden has not proposed any changes to the taxation of endowments. The question above asks for your position.

Answer. My focus regarding dynastic wealth has been on inheritances that are so extraordinarily large that the heir and their spouse—and potentially multiple generations of the same family—can live off the inheritance for the rest of their lives without ever working and still be far better off than most American families. I have proposed taxing income in the form of such extraordinarily large inheritances at rates that are more on par with income from working. I do not recall characterizing modest or even large (but not extraordinarily large) inheritances as dynastic wealth and have proposed exempting them from wealth transfer taxes.

University endowments raise different issues from such extraordinarily large inheritances. Among other factors, universities tend to serve large numbers of people from different socioeconomic backgrounds, not a single family line, and (if they are nonprofits) are governed by an independent board with a duty to ensure that the university uses its resources in pursuit of its charitable mission. On the other hand, policies like admissions preferences for descendents of major donors and legacies may contribute to hereditary economic power. I do not have a fixed view on the appropriate tax treatment of university endowments. These are important issues, and I am keen to engage with multiple perspectives and experts on this topic.

Question. Your writing on inheritances, estates, bequests, and the like is largely premised on your norms and beliefs that inequality has risen substantially, to the point of overall social concern, and that intergenerational mobility has shrunk. Are you aware of any research suggesting that your beliefs about inequality are overstated and, if so, please identify the relevant research and discuss why you do or do not find such research compelling?

Follow-up: Your response appears to say that your work has focused on disparities within the U.S. in, among other things, income and wealth, and not on time trends. An important part of the question above is in reference to inequality, as in a within-period distribution of income or wealth—both static, and not time trend-related. Your answer is confusing and it would be concerning if you are unaware of differing estimates of the extent of income and wealth within-period inequality. Indeed, you refer to "income and wealth inequality" in your research (*e.g.,* "Taxing the Rich: Issues and Options"). To assist in attempting to learn of your knowledge, are you aware of large disparities across researchers in findings on measures of income and of wealth inequality, measured discretely and not as a time series? If so, what do those disparities suggest about our knowledge of income and wealth inequality in the U.S.?

Answer. I am aware of disparities across researchers in measures of income and wealth inequality on a static basis. For example, in a tax colloquium that I co-teach, we have invited Gerald Auten, Gabriel Zucman, and Eric Zwick to present their work on these subjects, and they (together with their respective co-authors) arrive at different estimates of both the static level of income and wealth inequality, and how it has changed over time. Estimates of wealth inequality are particularly complicated because we do not have good data on the total magnitude of wealth in the United States, so that variable has to be imputed or derived from survey data. Additionally, there are complex methodological choices that have different impacts on researchers' the total amount of income or wealth, as well as its distribution. These are choices on which reasonable people may disagree, and the literature and our understanding of inequality is substantially enhanced by robust debate on these topics. In my view, each of the various methodological approaches have pros and cons. On pages 19–20 of "Taxing the Rich: Issues and Options," my co-author and I discuss some of these pros and cons as they relate to the aggregate amount and distribution of wealth. Overall, my view is that these disparities suggest uncertainty about the precise levels of income and wealth inequality in the U.S. But they do not fundamentally challenge the conclusion that, among high-income countries, the U.S. has among the highest levels of income and wealth inequality after taxes and transfers, and one of the lowest levels of intergenerational economic mobility.

Question. Among other things, you wrote, in a *New York Times* opinion article titled "Tax the Rich and Their Heirs," about a hypothetical heir's inheritance, and corresponding effective tax rate. You identify that: "Some will argue that this example ignores any income and payroll tax the wealthy parents paid when they originally earned the $50 million. But if the couple paid their personal chef's wages out of after-tax income, we wouldn't think their personal chef should get credit for the taxes they paid." Given this rather confusing comparison, could you provide your understanding of the concept and measures of wealth, the concept and measures of income, and what are the distinguishing features that differentiate the two concepts?

Follow-up: It is not clear in your response what you describe as a "theory" is such an object, and do you believe that your response adequately appreciates fundamental distinctions between stock and flow variables?

Answer. There are many definitions of income, and the tax code includes numerous deductions and exclusions that narrow its definition of income in practice. Conceptually, tax experts often define income as personal consumption plus changes in net worth (Haig-Simons income). Personal consumption does not include spending for the purposes of earning income (*e.g.,* buying inventory if one owns a store), but does include other ways an individual or household chooses to spend their money. Income is a flow. Under the Haig-Simons definition, if an heir inherits $50 million, they have $50 million of income, just as they would if they earn $50 million in salary or win $50 million from the lottery. The tax code currently provides a statutory exclusion for income in the form of gifts or bequests received (section 102) so that they are subtracted from gross income when arriving at adjusted gross income and taxable income.

Question. Are there any proposals or issues on which you intend to engage with members of this committee to achieve bipartisan results? If so, please describe what those issues are.

Follow-up: You did not respond directly to what was asked. Are there any proposals or issues on which you intend to engage to achieve bipartisan results and, if so, what are they?

Answer. I hope to achieve bipartisan results to create a fairer, more efficient tax code and raise revenue to make urgent investments in American families and workers. Some examples of issues on which I would be eager to engage with members of the committee include strengthening our Nation's infrastructure, improving our international tax system including in partnership with other countries, reducing the tax gap, decreasing the disparities between our taxation of capital and labor, promoting clean energy in a technology-neutral way, improving our retirement savings system, and simplifying tax compliance.

Question. You identified during the hearing on your nomination that you would like to participate in work, if confirmed, at Treasury aimed at increasing enforcement and tax collections at the IRS. Given your background in research, and what appear to be increased efforts at IRS to engage in normative research, you may also be interested in working with IRS researchers. In the May 2021 U.S. Department of the Treasury publication titled, "The American Families Tax Compliance Agenda," research that includes income attribution methodology utilized by researchers Emmanuel Saez and Gabriel Zucman is referred to, as well as, research in what appears to be the Critical Tax theory branch of research performed principally by tax law professors.

Are you aware of any critiques of income and wealth valuation methods utilized by researchers Saez and Zucman and, if so, do you believe the critiques have merit?

Economist Larry Summers has characterized some of the work by Saez and Zucman as being "substantially inaccurate and substantially misleading." Many economists have criticized some of their methodology and data manipulation as problematic, and some of their wealth valuation methods are enormously sensitive to perturbations in discount and interest rates. Do you believe that caution should be exercised in using income and wealth inequality measures put forward by those researchers in guiding fiscal policies?

Follow-up: You did not directly respond to the second question posed above.

Answer. As mentioned in my previous response, estimates of wealth inequality are particularly complicated because we do not have good data on the total magnitude of wealth in the U.S. so that variable has to be imputed or derived from survey data. But there are also complicated methodological choices involved in estimating how this total amount of income or wealth is distributed across individuals and households, choices on which reasonable and thoughtful researchers may disagree. In my view, each of the various methodological approaches, including those taken by Sarin and Summers and by Saez and Zucman, have pros and cons, and the academic debate and our understanding of these complicated questions has been helpfully shaped by their work, and many others as well. Overall, my view is that these differences in estimates suggest uncertainty about the precise levels of income and wealth inequality in the U.S. But they do not fundamentally challenge the conclusion that, among high-income countries, the U.S. has among the highest levels of income and wealth inequality after taxes and transfers, and one of the lowest levels of intergenerational economic mobility.

Question. During your hearing it was suggested that the TCJA changes to international taxation amounted to "[giving] away the store," the implication being that the TCJA changes in this area were a tax cut that amounted to an unfair "giveaway" to the international operations of taxpaying businesses. It seemed in your response that you agreed with the characterization. Can you clarify: were the TCJA changes to international taxation a "giveaway" tax cut and, if so, how? I ask because according to the revenue estimates prepared by the JCT the TCJA's international tax changes were not a tax cut at all, but a $324-billion tax increase.

Follow-up: (i) For the record, my question did not state that you referred to the TCJA tax. Your response suggests that section 965 was a tax cut relative to prior law, which would have taxed foreign earnings at the full U.S. rate. As your response suggests, however, the revenue estimate for section 965 projected a revenue increase of $338.8 billion in the 10-year budget window, and that estimate would have taken into account any loss associated with profits that otherwise would have been subject to tax at 35 percent. Your conclusion appears to be taking the section 965 provision out of the context of the rest of the TJCA provisions. Is your presumption about revenue loss based on any particular analysis or based on a specific time period?

Answer. My presumption that the repatriation provision lost revenue on net over time was assuming a longer time period. JCT estimated that the repatriation provision starts to lose revenue in 2027. In addition, they estimated that the international provisions as whole start losing revenue in 2027.[14]

Follow-up: (ii) Further, does this mean you supported maintaining the prior international tax system of deferral with the 35-percent rate applicable upon repatriation? My understanding is many companies permanently deferred foreign earnings to avoid taxation at the full U.S. rate, so it is very unclear that companies would have paid tax at 35 percent, if ever, on foreign earnings.

Answer. Overall, I believe President Biden's proposals would result in an international tax system that is a vast improvement over the pre-TCJA international tax system as well as the current system.

Question. In your testimony on the President's proposal to increase the minimum tax rate on active foreign-source income earned by U.S. companies operating abroad to an "all-in" 26-percent rate you allude to various non-minimum tax regimes of foreign countries that somehow make them "comparable" to both the current U.S. GILTI regime and the President's proposal. Can you provide specific detail as to how the current law of the U.S.'s major trading partners is comparable to the U.S.'s with respect to minimum taxes on active foreign-source income?

Follow-up: Your response does not detail how certain countries' regimes are "comparable" to the U.S. GILTI regime and the President's proposal. Please explain whether any foreign countries impose a minimum tax on CFC foreign earnings.

(i) Your response also highlights CFC regimes generally as being comparable to the GILTI regime, as well as earnings stripping rules. However, this would include the U.S. subpart F rules, which have been in place since the 1960s, and section 163(j). Do you believe the subpart F rules are "comparable" to the GILTI regime?

(ii) Notwithstanding the GILTI regime, if the U.S. has anti-base erosion and anti-earnings stripping measures like the subpart F rules and section 163(j) interest limitation, does this mean the U.S. rules would be "comparable" to foreign countries' rules if the U.S. did not have a GILTI minimum tax regime at all?

(iii) Your response also references CFC regimes that tax active earnings. As an example, France's CFC rules can cover both passive and active income. However, their CFC rules do not apply to subsidiaries within the EU, and they also do not apply to non-EU CFCs if it can be shown the CFC is set up for genuine business

[14] Joint Committee on Taxation, "Estimated Budget Effects of the Conference Agreement for H.R. 1, the Tax Cuts and Jobs Act," JCX–67–17 (December 18, 2017).

reasons. Accordingly, that CFC regime cannot be described as imposing a GILTI-like minimum tax as it provides significant exceptions that fully exempt most CFCs. Please explain how these CFC rules are analogous to the GILTI regime.

Answer. I believe I referred to other countries as having anti-base erosion regimes analogous to the U.S. anti-base erosion regime. I think of analogous as meaning similar in structural effects, and comparable as meaning similar in magnitude as well. I am not aware of studies identifying the myriad dimensions of anti-base erosion regimes in place in the U.S. and our major trading partners and quantifying their effects, all while controlling for differences that may exist across the companies resident in each jurisdiction. As a result, I could not say to what extent the anti-base erosion regimes of our major trading partners are stronger, weaker, or comparable to ours.

As I mentioned in my testimony, I agree that no other country has a minimum tax on the foreign earnings of its resident multinationals exactly like ours, but I do think many have provisions designed to limit the ability of their resident companies to shift passive income and certain active income to low-tax jurisdictions, including within the EU. The U.S. subpart F (CFC) rules apply to limited categories of passive income, and are subject to numerous exceptions. A major innovation of GILTI was to immediately apply a discounted tax rate to most of the active foreign income of U.S. resident multinationals. According to the Tax Foundation, about half of OECD countries apply their CFC rules to both active and passive income, so in that sense their CFC rules are more stringent than our subpart F rules, and more analogous to our GILTI regime. Although, as you mentioned, the CFC regimes in other countries may apply only to certain active foreign income, when applicable, such regimes apply their full corporate statutory rate to that CFC income. In contrast, GILTI applies a discounted statutory rate and provides an additional exemption for a 10-percent return on foreign tangible assets.

Question. A book advertised on *Amazon.com* by Edward Kleinbard titled "What's Luck Got to Do with It?: How Smarter Government Can Rescue the American Dream (example of advertisement is at *https://www.amazon.com/dp/0190943572?ie=UTF8&n=133140011*), provides editorial review by you and, among others, Emmanuel Saez and Gabriel Zucman, and Senator Wyden. Your review identifies you as "NYU School of Law, U.S. Treasury Department Assistant Secretary for Tax Policy." Please explain why your editorial review identifies you, prior to Senate confirmation, as Treasury's Assistant Secretary for Tax Policy, and how long such identification has been in place on Amazon.

Answer. I was not aware that Amazon had identified me in this way until reading this question and am dismayed that they did so. As you can see from the book jacket, I am not identified in this way on the book itself, which is the only mention of my title that I personally approved. I have reached out to the publisher who originally requested the blurb to ask them to immediately correct the webpage. They have apologized, are investigating how the error was introduced, and said they are correcting the web pages with urgency.

Question. Following the hearing on your nomination, a publication (The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the Wealthiest Avoid Income Tax—ProPublica) by ProPublica disturbingly alleges that ProPublica has gained access to a "trove" of more than 15 years of confidential, legally protected private taxpayer information originating from the IRS. The ProPublica publication used the data target particular taxpayers and use distorted and highly misleading characterizations of their "true" tax rates. You have written at least one article on "taxing the rich" and appear to be an advocate of massive increases in IRS funding directed, partly, at focusing on high-income individuals and gathering troves of data on financial flows of financial accounts of private individuals and business for use at the IRS.

Do you believe that ProPublica's calculation of "true" tax rates is methodologically reasonable and sound, and would you base any policy prescriptions while at Treasury, if confirmed, on such a construct?

Does the ProPublica article concern you and, if so, why?

Do you commit, if confirmed, to refrain from discussing or targeting individual taxpaying individuals or businesses on the basis of allegations from the popular press or social media about taxes that they have allegedly paid?

Answer. I am uncertain what portion of my article on "Taxing the Rich" you are referring to. The main reference to IRS funding and information reporting proposals is in an analytic section discussing the challenges associated with wealth tax proposals (p. 25). I am in strong support of President Biden's proposals to reduce the tax gap.

There are multiple ways to calculate tax rates, and I find that it is useful to consider different tax rates depending on the context. For example, marginal tax rates (the additional taxes due when $1 of additional income is earned) can be helpful for understanding the incentives created by the tax system. Implicit marginal tax rates (the additional taxes due or direct spending benefits lost when $1 of additional income is earned) can be helpful for understanding the incentives created by the fiscal system as a whole. Average tax rates (taxes due divided by total income) can be helpful for understanding the overall burden on taxpayers and how it is distributed. Effective marginal tax rates on corporations (the marginal tax rate on "normal" returns and not rents) and book tax rates (book tax liability dividend by book income) can be helpful for understanding incentives for businesses. Each of these different tax rates can be calculated in different ways. For example, the denominator used to calculate the average tax rate can be adjusted gross income as defined by the Internal Revenue Code, it can be something closer to gross income as defined in the Internal Revenue Code, or it can be something closer to Haig-Simons income. Outside groups use still other definitions. As I read the ProPublica article, it appears to be defining the "true tax rate" as the average tax rate using a denominator of something akin to Haig-Simons income. As with all of these tax rates discussed, I think that can provide helpful information in certain contexts.

I am deeply concerned about the release of confidential taxpayer information. Absent an explicit statutory exception, doing so is a felony under sections 6103 and 7213 of the Internal Revenue Code. Based on press reports, it appears to be unclear who obtained and released the information in the ProPublica article and whether they were associated with the IRS in any way. I fully support the investigations of this matter that have been called for by the Treasury Secretary.

If confirmed, my understanding is that I would not have access to confidential taxpayer information for individuals and businesses. In addition, my default position would be not to discuss specific taxpaying individuals or businesses. However, I would need to know the specific context to decide whether doing so was ever appropriate. For example, publicly traded businesses report tax information on their public, audited financial statements and individuals sometimes voluntarily release their tax returns, especially when running for high office. My initial instinct would be to not discuss individual or business taxpayers even in these cases, but I would need to know more about the specific context. For example, former Assistant Secretary for Tax Policy Mark Mazur was asked to testify at a congressional hearing on Apple's taxes. It would be difficult not to use a taxpayer's name in such a context.

Prepared Statement of Hon. Mike Crapo, a U.S. Senator From Idaho

Thank you, Chairman Wyden. Today we welcome four nominees for positions at the Department of the Treasury. Congratulations on your nominations.

Treasury is responsible for implementing laws and congressional intent concerning tax, economic, fiscal, financial, and national security issues. Over time, the Treasury Department's responsibilities have expanded. With increased responsibility comes the need for transparency and accountability.

Each of our nominees, if confirmed, should recognize this committee's oversight responsibilities to the American people regarding Treasury policies and activities, including activities at the IRS. So far this Congress, the Department has not adequately recognized the need to be transparent and accountable to this committee. Today, I am interested in learning more about policy positions and advocacy of our nominees.

I expect to learn even more from what need to be robust, complete and detailed responses to questions for the record that members will ask after today's hearing. This is particularly important, as I do not support many of the tax and financial policies put forward by the administration and some of the nominees here today. While we do not have to agree on every policy, we do need reasoned debate and dialogue driven by facts.

Americans are still recovering from the largest negative economic shock in modern records stemming from the pandemic. We continue to hear of businesses having difficulty finding employees willing to work at market wages. Inflation has risen, igniting the prospect of budget-crushing increases in interest rates. This is no time to enact massive increases in domestic and international taxes, further impede labor market adjustments, or punish low- and middle-income workers with higher energy costs and increased gas prices at the pump.

The Tax Cuts and Jobs Act of 2017 spurred economic activity and helped lead to historic lows in unemployment rates, particularly for minority workers, and robust wage growth that especially benefited low-wage workers. Reversing those gains with job-killing taxes is not the way to go. It is important to find bipartisan solutions to reignite growth and increase jobs and wages for workers.

Mr. Davidson, in your role as Assistant Secretary for Legislative Affairs, you would advise the Secretary on congressional relations and help coordinate Treasury's interactions with Congress. As I said before, there is work to be done at Treasury to improve transparency, accountability, and interactions with both sides of the aisle in Congress.

Mr. Harris, the Assistant Secretary for Economic Policy analyzes and reports on current and prospective economic developments both here and abroad, and assists in formulating economic policies. Economic analysis is often speculative, but all views must be heard. Discussions must be based on positive, factual descriptions of what we know or do not know. Normative advocacy has its place, but should not be the only basis for policy discussions.

Ms. Batchelder, the Assistant Secretary for Tax Policy develops, recommends, and implements Federal tax policy on behalf of Treasury. I do not agree with some of the normative policies for which you advocate, and need assurance that—if confirmed—you and others at Treasury give opposing, reasoned views a fair shake.

Finally, Dr. Liang, the Under Secretary for Domestic Finance oversees and assists in areas of domestic finance, banking, and other economic matters. I have concerns that some in the administration desire to reimagine financial markets to become more driven by political preferences of one side, and look forward to learning more about your positions.

I again stress the need for each of you, if confirmed, to work across the aisle, and be transparent and responsive.

I look forward to your testimony and detailed responses to our questions.

Prepared Statement of Jonathan Davidson, Nominated to be Assistant Secretary for Legislative Affairs, Department of the Treasury

Chairman Wyden, Ranking Member Crapo, and members of the Finance Committee, I appreciate the opportunity to appear before you today.

I'd like to start by expressing my gratitude to Senator Bennet and his remarkable team, with whom I spent almost half of my Senate career and from whom I've learned so much about decency and thoughtfulness. I'm so proud of the work that I was fortunate to do with Senator Bennet during that time. Most recently, it has been an absolute thrill to see his and Senator Brown's American Family Act—not to be mistaken for the American Families Plan—become law, which will lift nearly 50 percent of children out of poverty in one single year.

I'd also like to thank Senator Warner, from whom I've learned so much as well, for his friendship and extraordinary support.

And I want to mention the Sarbanes family. Paul Sarbanes, who passed away late last year, was my mentor. He is dearly missed by me and my family. He is someone who made me understand and appreciate the historical conscience of the Senate. And I want to extend gratitude to John Sarbanes, his son, who has been so successful in the House of Representatives and helped me learn to navigate the ways of that body.

Finally, and most importantly, I'd like to thank my family: my kids Leo, Mia, and Serena, who all make us proud—almost all the time. And I know nominees often throw around hyperbole, but my wife Erin Sheehy is the reason I've been able to make it through anything difficult in my adult life—and she has been absolutely critical throughout this process. I've said this more than a few times: she has carried me and our family. And the same to my brother, who is the best older brother anyone could ever have, and to my father, who has been an example of the very best in parenthood and life generally, and who taught me about politics, diplomacy, and public service. And finally, to my mom, whom we lost earlier this year, but whose relentless commitment to the underdog continues to inspire me every day. Thank you, and I love you all.

The partnership between Treasury and this committee, its members, and Congress overall is so important to the Federal Government and to the country. Just like all of you, the Treasury Department is working hard to help us recover from the pandemic and the related economic crisis. Treasury is implementing significant relief and recovery efforts and working on policies to strengthen our economy, to repair gaps in our Nation's infrastructure, and to remedy uneven access to the American dream. And it's doing all that work on top of its substantial day-to-day responsibilities, like financing the government and implementing foreign economic sanctions. I fully appreciate how much we need to partner with this committee, in its legislative and oversight functions, to succeed in these efforts.

If I'm confirmed, my goal will be to serve as a reality broker between Treasury and Capitol Hill. Where we can provide information to members of Congress to help them do their jobs and aid their constituents, we should do so fully. Where we cannot, we should provide a clear and cogent explanation as to why not.

I am privileged to have spent the majority of my career working on Capitol Hill. I have learned so much about trust and character up here, and I have learned also to be cognizant of the fact that there is always even more that I don't know. I've come to recognize that almost everyone who comes to work here has good intentions. Most of the members and staff are patriots who want to help our country. I have also come to learn that most of the good work we can all do together happens beneath the political din and sensationalized conflict. If confirmed, I hope to listen to you and work with you, to make real progress for every American.

In conclusion, I want to thank the chairman, the ranking member, and their staffs. We all recognize how much work in addition to nominations everyone has to do, and we are grateful for the effort it took to conduct this hearing. 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): Jonathan Clements Davidson (Jon).
2. Position to which nominated: Assistant Secretary of Treasury for Legislative Affairs.
3. Date of nomination: April 15, 2021.
4. Address (list current residence, office, and mailing addresses):
5. Date and place of birth: July 26, 1971; Brooklyn, New York.
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):

   Gilman School, High School Degree—1989 (attended 1985–1989)

   University of North Carolina at Chapel Hill, BA, Political Science and International Studies—1994 (attended 1989–1994)

   Georgetown University Law Center, JD—2002 (attended 1999–2001)

   Columbia Law School (attended as visiting student 2001–2002)

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):

   1992–1993: USAID (Bolivia)—Research Assistant. Compiled a database of all USAID activities throughout Bolivia. Completed a 6-month contract and returned to finish college.

   1994–2001: Office of Senator Paul Sarbanes (DC)—Deputy Press Secretary (wrote press releases and congratulatory statements and letters), Projects/ Legislative Assistant/Senior Legislative (worked on Appropriations matters and covered a range of policy areas including Defense, Agriculture, Telecom, Commerce, and other areas).

   1997: Organization for Security and Cooperation in Europe (Bosnia}—Election Supervisor. Took a 1-month sabbatical to monitor first municipal elections in Bosnia after the Dayton Accords.

   2002: Kronish Lieb (NYC)—Summer Associate. Worked as a law firm summer associate on a range of issues including a class action suit related to Enron's collapse.

   2002–2003: U.S. District Court for the District of Vermont (VT)— Law Clerk. Worked on a range of issues including a Federal death penalty case; wrote draft opinions and performed other duties for the U.S. Federal District Court Judge. Completed a 1-year clerkship.

   2003: Office of Federal Defenders (VT)—Volunteer. Volunteered briefly for Federal Defenders.

   2003–2005: Office of Senator Paul Sarbanes (DC)—Legislative Director and then Chief of Staff for Senator Paul Sarbanes—left to be his son's COS upon his retirement from the Senate. Served as senior political and policy advisor to chairman of the Senate Banking, Housing, and Urban Affairs Committee who also sat on Foreign Relations and Budget committees. Managed more than 50 staff across Washington, DC and Maryland.

   2005, 2006, 2007, 2014: American University School of Public Policy (DC)—Adjunct Professor.

   2006–2008: Office of Congressman John Sarbanes (DC)—Chief of Staff for Congressman John Sarbanes. Served as senior advisor to freshman member of Congress. Hired staff and set up Capitol Hill office and two district offices in Maryland. Crafted communications, outreach, political, and legislative strategies for Congressman.

   2009–2011: Office of Senator Mark Warner (DC)—Chief Counsel for Senator Mark Warner. Served as co-chief of staff to Senator who sat on Senate committees on Banking, Housing, and Urban Affairs; Budget; and Commerce, Science, and Transportation. Devised and executed legislative strategy on financial services reform legislation, which led to Senator's authorship of "too big to fail" titles of Dodd-Frank banking reform bill.

   2011–present: Office of Senator Michael Bennet (DC)—Chief of Staff for Senator Michael Bennet. Serve as most senior advisor to second term Senator who sits on Senate Committees on Finance; Intelligence; and Agriculture, Nutrition, and Forestry. Managed team of more than 50 staff in Washington, DC and across Colorado. Oversaw multi-million-dollar Senate office budget.

   2020–2021: Biden/Harris Transition—(DC) Economic Nominees Confirmations Team Leader (volunteer).

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):

    None.

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):

    Membership interest in Baltimore Racing Development LLC (2011).

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):

    Member of the Steering Committee for the Pew Charitable Trusts Bipartisan Senate Chiefs of Staff Initiative (2012–present).

    Member of the Congressional Advisory Board of the Faith and Politics Institute (2018–present).

    Capitol Hill Little League member and coach (2009–2015, 2018).

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.

       Senior advisor to Bennet for Colorado and Colorado Common Sense (2011–present).

       Senior advisor to Bennet for America (2019–2020).

    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.

       None.

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):

    Athletic scholarship for baseball at UNC—Chapel Hill.

    Law Fellow at Georgetown University Law Center.

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):

    None.

16. Speeches (list all formal speeches and presentations (*e.g.,* PowerPoint) you have delivered during the past 5 years which are on topics relevant to the position for which you have been nominated, including dates):

    No formal speeches given with prepared remarks.

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

    I have 25 years of congressional experience in various roles for members with very different backgrounds. I have worked in a diverse array of policy areas, including many which fall under the purview of the Department of the Treasury. I believe that this experience will help me foster working relationships on a bipartisan basis with the members of this committee and others across the Congress to make progress for :he American people.

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.

   N/A.

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.

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.

   No.

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.

   Yes; please see below for a description of a misdemeanor conviction 26 years ago, described in response to question D4. In addition, as part of my security clearance's Continuous Evaluation process, I was informed I was arrested 30 years ago when I was 19 for attempting to make a false driver's license and that the charge was dismissed. I do not recall being arrested but am disclosing it in the interest of transparency.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

   Yes. I was sued by the individual involved in the altercation described below in D4. We settled out of court, and I paid for medical costs associated with injuries sustained in the altercation.

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.

   Yes. Twenty-six years ago (when I was 23), I was involved in a physical altercation with someone who shouted a racial slur in Washington, DC. I believed that I acted in self-defense but was ultimately convicted of a misdemeanor (simple assault). I received and completed a period of 6 months of probation.

5. Please advise the committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

   Because I have worked in Congress for over 2 decades, I recognize the importance of working with members on both sides of the aisle and being responsive to requests and inquiries from Capitol Hill.

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 JONATHAN DAVIDSON

QUESTIONS SUBMITTED BY HON. MIKE CRAPO

Question. The Finance Committee is the authorizing committee for the Department of the Treasury. As established, Treasury, among other things, is "to make report, and give information to either branch of the legislature . . . respecting all matters referred . . . by the Senate or House of Representatives." Congressional oversight of Treasury activities has been a long bipartisan tradition of the Finance Committee, and an important responsibility committee members have to the public. The Department of the Treasury's description of the office to which you have been nominated identifies that the office, among other things, acts to "ensure accurate and prompt response" to congressional inquiries. Thus far, Treasury's responsiveness to inquiries has been wanting. Do you commit, if confirmed, to ensure accurate, detailed, complete, and timely responses to inquiries of Treasury from members of the Finance Committee?

Answer. I deeply respect the oversight function of this committee. If I am privileged to be confirmed, I would like very much to work in a collaborative way with members of the committee to provide timely, complete, detailed and accurate information in line with the traditional partnership that Treasury and the committee have had in the past.

Question. Finance Committee staff recently obtained a briefing on activities of the newly formed Office of Recovery Programs and Treasury's activities regarding funding provided in the American Rescue Plan Act of 2021 to governments of states, localities, territories, the District of Columbia, and tribes. When asked about how the committee, as a "stakeholder" with oversight responsibilities can obtain documents submitted by those governments, it was suggested that the information can be obtained by perusing public websites and other information provided publicly. Do you believe that is a satisfactory resolution of a need by the authorizing committee in its oversight role to have abilities to access documents involving utilization of taxpayer resources with implications for the Federal fisc?

Answer. I am committed to maintaining a strong working relationship with the Finance Committee on both sides. In my current role as Counselor to the Secretary, I am not aware of the request you cited. If confirmed, I would work with the ranking member and his staff to ensure that they receive documentation in a way that is accessible and user-friendly to enable the committee to do its work in overseeing Treasury's role in implementing the recovery programs.

Question. When, if ever, do you believe it is appropriate for the Department of the Treasury to withhold documents or data from the Finance Committee, and why in such instances, if any, do you believe that the committee and the American public should not be allowed such documents?

Answer. If confirmed, my goal would be to encourage Treasury to provide requested information to the committee whenever possible, based on applicable laws, procedures, and protocols.

Question. During the Obama administration, Treasury officials refused to provide information to Congress or the American people, as a debt limit breach was impending, about how much operating cash was available at Treasury to continue timely payment on due obligations. Treasury officials also refused to provide information about what their near-term projections were for operating cash balances, or confidence intervals surrounding their projections. Do you commit to, if confirmed, strongly urge the Treasury Secretary to provide the American people and Congress with timely information, when asked, about operating cash balances and projections of cash balances, or any other information that our constituents deserve to know about the State of Federal debt and operations at the Treasury Department?

Answer. It is important that the debt ceiling be suspended or raised on a timely basis. If confirmed, I would urge Treasury to work in a transparent manner to ensure that Congress can fulfill its responsibility to preserve the full faith and credit of the United States.

Question. During the Obama administration, Treasury officials at times refused to provide information about the Nation's fisc to members of the Finance Committee on the grounds that some of the information was "market-sensitive." The unsatisfactory implication of the view that Treasury need not reveal whatever it wishes to conceal on the grounds of the information being market-sensitive (a term with no legal definition) is that unelected Treasury officials are entitled to know more about the Nation's finances than elected members of Congress and their constituents. If confirmed, do you commit to immediately providing members of this committee with a clear delineation of what information Treasury has that it deems, for whatever reason, to be sensitive in some regard, and a method that Treasury will agree to that enables sharing of the information with members of the Finance Committee who are all entitled to access to the information?

Answer. Yes, I will commit to working with this committee to enable and facilitate the sharing of information to assist the committee in its oversight function. I would need to be fully briefed by Treasury staff to better understand the restrictions mentioned as part of this question. If confirmed, I would very much welcome this conversation so that we can provide satisfactory information to the committee.

Question. As we near a lapse in the suspension of the statutory debt limit, and need to either increase the dollar-value of the limit or once again suspend the limit until some future date, there becomes a rising probability that Treasury will engage in so-called "extraordinary measures" to ensure that Treasury can make timely payments on obligations to remain below whatever the statutory limit becomes upon the lapse in the suspension period. It is known that Treasury makes projections about how long extraordinary measures may last before Treasury is at risk of breaching the debt limit and exhausting operating cash balances. Treasury Secretary Yellen has identified that she "would certainly want to work closely with Congress to address in advance the issue of the debt limit to avoid its harmful effects." I agree, and look forward to any such bipartisan work. The administration and Congress should do all they can to responsibly and agreeably avoid such a risk, but risks cannot simply be ignored. As we await bipartisan work to stave off the risk of a limit breach and exhaustion of operating cash, it is imperative that Treasury regularly provide Congress with updates on its projections of how long extraordinary measures would last under adverse contingencies. Will you commit to advising Treasury to provide Congress with regular updates of its projections, and provide me with what you believe to be a prudent update schedule between now and the earliest of whenever a limit resolution is attained or August 1, 2021?

Answer. I share your concern with protecting the full faith and credit of the United States. This is a bipartisan responsibility, and if confirmed, I would want to work collaboratively with you and other members of Congress to ensure that the debt limit is timely raised or suspended. I respect the committee's need for information and data and look forward to working with the committee on this issue.

Question. Treasury officials have been engaged in international negotiations on global taxation, including so-called Pillar 1 and Pillar 2 components of negotiations within an OECD framework. Treasury has surely performed analyses of how proposals it is contemplating or has made will affect U.S. headquartered companies. Will you commit to advising Treasury to provide Congress with quantitative and qualitative analyses it has performed on its international tax proposals in the OECD framework, if confirmed and immediately upon confirmation?

Answer. As I mentioned during the hearing, I would welcome a collaborative approach such that the ranking member and his staff have sufficient visibility to enable bipartisan work in support of a strong U.S. position with respect to these negotiations. If confirmed, I look forward to working with the committee to provide data and analyses regarding this issue.

Question. Will you commit to, if confirmed, working to provide the Finance Committee with regular (*e.g.,* quarterly) updated listings of all fiscal agency agreements that the Treasury has with the Federal Reserve and all financial agency agreements that Treasury has with private firms?

Answer. If confirmed, I commit to working with Treasury staff to understand this issue and to ensure that Treasury provides the Finance Committee with appropriate information regarding these arrangements.

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 made of the Federal Reserve Board and Treasury did not receive adequate or substantive responses. It took subpoenas from Congress to identify that, in fact, Treasury and the Fed do have contingency plans, as we would hope is the case, for confronting emergencies.

If you are confirmed, and if requested, do you commit to advising the Treasury Secretary to provide 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 (*e.g.,* superstorm, cyberattack, etc.), the Federal Government is temporarily unable to make timely payments on debt obligations?

Answer. I cannot speak to the Obama administration's considerations regarding the flow of information to the committee, but if confirmed, my goal would be to ensure that Treasury is transparent regarding its plans for continuity of operations under exigent circumstances.

Questions Submitted by Hon. Rob Portman

Question. I am very concerned by the recent inflation indicators we are seeing. As you know, a Congressional Budget Office report earlier this year predicted that we would hit full recovery by the middle of 2021 without additional spending. Yet, we are seeing even more spending that would continue into next year.

Are you concerned about rising inflation, and how does that change your assessment of additional Federal spending?

Answer. I believe that the current inflation rates we are seeing are indicative of a robust recovery and likely transitory due to the combined effects of reopening the economy and supply chain disruptions that are impacting prices in some categories of durable goods, like motor vehicles. We expect monthly inflation rates to moderate in the coming months as the effects of stimulus payments wane, supply chain disruptions ease, and price normalization in pandemic-impacted sectors runs its course.

I believe that the administration's American Jobs Plan and American Families Plan will increase the productive capacity of the economy by improving physical infrastructure, reallocating workers to higher-paying/higher-productivity industries like manufacturing, and raising labor force participation by addressing the childcare and eldercare issues that make it harder for Americans to work. By increasing the economy's capacity, the risks of an undesirable future increase in inflation will be lower, as it means the economy can grow faster and for longer before resource utilization tightens. Additionally, both plans are paid for over time, limiting the near-term increase in deficits and lowering deficits in the medium term.

Question. I was interested to learn in your writings of your interest in retirement security—particularly as it relates to lifetime income. You may know that Senator Cardin and I have a sweeping bipartisan retirement bill. Amongst other changes, our bill reforms Qualified Longevity Annuity Contracts ("QLACs") and makes it easier for retirees to purchase annuity products. This seems to dovetail well with the work you did at Brookings.

Can you discuss why lifetime income—particularly later in life—is so crucial and the ways the private sector can play a role here?

Can you commit to working with me on this if confirmed to your role?

Answer. Throughout my career I have been an ardent supporter of more robust markets for lifetime income products as one strategy for strengthening retirement security. My focus on this topic was driven, in part, by the belief that one of the greatest risks in retirement is uncertain lifespans, and this uncertainty can be addressed through guaranteed lifetime income. Naturally, Social Security plays a critical role in the provision of this income, but many workers may seek additional opportunities to increase their level of guaranteed income beyond their Social Security benefits—and for these workers increased access to lifetime income products, especially those that are specifically tailored to address longevity risk, can be welfare-enhancing. This view is in line with the perspective of many other economists who study aging and retirement policy. If confirmed, I look forward to working with you on this critical issue.

QUESTION SUBMITTED BY HON. TODD YOUNG

Question. The Assistant Secretary for Legislative Affairs holds an important role in assisting Congress in fulfilling its responsibility of oversight of the Treasury Department. As the committee of jurisdiction, the Senate Finance Committee will be working particularly closely with Treasury and needs full access to Treasury personnel in order to do its job.

If confirmed, do you commit to working in a timely and transparent manner with myself and members of this committee, treating members and staff from the majority as well as the minority on equal footing?

Answer. I deeply respect both the majority and minority members of this committee. If confirmed, I would like very much to work in a collaborative way with you and other members of this committee to provide timely and accurate information in line with the traditional partnership that Treasury and this committee have had in the past.

PREPARED STATEMENT OF BENJAMIN HARRIS, PH.D., NOMINATED TO BE ASSISTANT SECRETARY FOR ECONOMIC POLICY, DEPARTMENT OF THE TREASURY

I would like to begin by thanking Chairman Wyden, Ranking Member Crapo, and all the members of the committee for considering my nomination. I would also like to express heartfelt gratitude to President Biden for his nomination and to Secretary Yellen for placing her trust in me to serve in this role.

Please allow me to also acknowledge my oldest daughter Lillian, seated behind me. As a father, I have tried to instill in my daughters a deep appreciation for the value of democracy, and it is a true privilege to invite Lily to witness the inner workings of our democratic system firsthand.

Seated here today, I suspect I share the same humility felt by many others before me. It is truly an honor to be considered as the successor to a storied group who have held this role previously, including economists of remarkable talent serving under both Republican and Democratic administrations. Prior Assistant Secretaries for Economic Policy include Phill Swagel and Richard Clarida, now respectively CBO director and Vice Chair of the Fed, who held this role under President George W. Bush. Prior Assistant Secretaries also include Janice Eberly, Karen Dynan, and Alan Kruger—all of whom I have had the privilege to report to at some point in my career and all of whom I admire deeply. Should I be confirmed, I will strive to live up to the legacy set by these economists and others who have served in this role.

The Office of Economic Policy at the Treasury Department has earned a reputation for providing unbiased, high-quality empirical analysis to the Treasury Secretary and other policymakers. As an ardent supporter of evidence-based policy, I regard this approach as a critical step to making sound and effective policy. After roughly 2 decades spent working in the policy arena, one of the most important lessons I have learned is that good policy usually follows good analysis. Indeed, I believe that a commitment to following the data and evidence should help lead our economic decision-making as we transition from the recession to recovery. In times of marked uncertainty, such as the current period, it is my view that embracing robust and timely analysis is the only way to get it right. I cannot tell you with certainty how our economy will emerge from this crisis, but I do know that we will better understand the challenges facing our country if we prioritize evidence and data.

If confirmed, I am eager to work with the members of this committee and your staffs on a collaborative and bipartisan basis. As a former Hill staffer, I am well aware of the importance of cooperation between the executive and legislative branches, and understand that superior policy is a byproduct of robust collaboration and frequent communication. This preference for collaboration is further driven by my deep respect for this committee, which regularly confronts some of the most vexing and important economic challenges facing our country. It is not lost on me that I have much to learn from the insight of this committee's members and staff. I would like to conclude by thanking my family—my wife Jessica and my daughters Lily, Juliette, and Annie—for their support and patience. Through my three prior stints in public service, they have learned that my desire to serve the American public comes at a cost to them, and I am grateful that they are willing to share my time with the U.S. Treasury Department.

Thank you for your consideration.

SENATE FINANCE COMMITTEE

STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. Name (include any former names used): Benjamin Howard Harris.
2. Position to which nominated: Assistant Treasury Secretary for Economic Policy.
3. Date of nomination: April 22, 2021.
4. Address (list current residence, office, and mailing addresses):
5. Date and place of birth: July 17, 1977; Bainbridge Island, WA.
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):

Bainbridge High School, 1991–1995, High School Diploma, June 1995.

Tufts University, 1995–1999, Bachelor of Arts, May 1999.

Columbia University, 2002–2003, Master of Arts, May 2003.

Cornell University, 2003–2005, Master of Arts, January 2006.

George Washington University, 2007–2011, Master of Philosophy, May 2010; Doctor of Philosophy, May 2011.

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):

   Research Assistant, Brookings Institution, Washington, DC, 1999–2000.

   Fulbright Scholar, Fulbright U.S. Scholar Program, Windhoek, Namibia, 2000–2001.

   Senior Research Assistant, Brookings Institution, Washington, DC, 2001–2002.

   Research Assistant, Columbia University, New York, NY 2002–2003.

   Research Assistant, Cornell University, Ithaca, NY, 2003–2005.

   Economist/Senior Economist, U.S. House of Representatives Budget Committee, Washington, DC, 2005–2007.

   Senior Research Associate/Research Economist, Brookings Institution, Washington, DC, 2007–2011.

   Senior Economist, Council of Economic Advisers, Washington, DC, 2011–2013.

   Senior Research Associate, Urban Institute, Washington, DC 2013.

   Hamilton Project Policy Director, Economic Studies Fellow, and Deputy Director of the Retirement Security Project, Brookings Institution, 2013–2014.

   Chief Economist and Economic Adviser to the Vice President, Executive Office of the President, Washington DC, 2014–2017.

   Visiting Associate Professor/Associate Research Professor and Executive Director of the Kellogg Public-Private Interface, Kellogg School of Management, Evanston, IL 2017–2021.

   Founder and President, Cherrydale Strategies, Arlington VA, 2017–2021.

   Counselor to the Treasury Secretary, United States Treasury Department, 2021.

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):

    Committee Co-Chair, Chicago Recovery Task Force, 2020.

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):

    Founder and President, Cherrydale Strategies: I founded this firm in 2017 to supply a wide range of economic consulting services. The nature of these services varied substantially across clients, but included providing economic policy guidance to for-profit firms, editing and managing the Biden Forum (a series of online essays published by the Biden Foundation), and generating economic policy analysis and related support for non-profit organizations. Specific roles served included:

    - Chief Economist, Results for America.
    - Senior Economic Policy Adviser, Rokos Capital Management.
    - Biden Forum Chief Editor, Biden Foundation.
    - Consultant, REX Homes.
    - Consultant, Everytown for Gun Safety.
    - Consultant, Partnership for a New American Economy.
    - Research Fellow, Alliance for Lifetime Income.

Other business relationships unrelated to Cherrydale Strategies include:

- Limited Partner, Peter H. Harris Family Limited Partnership.
- Limited Partner, Harris Family LLC.

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):

    National Tax Association.

    American Economic Association.

    American Risk and Insurance Association.

13. Political affiliations and activities:

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

       I have not been a candidate for a public office.

    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.

       I have not held any such positions.

    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.

       I have not made any such political contributions.

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):

    As noted above, I was a Fulbright Scholar to Namibia from 2000–2001.

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):

Books

Inequality and the Labor Market: The Case for Greater Competition, 2021, *https://www.brookings.edu/book/inequality-and-the-labor-market/,* Washington, DC: Brookings Institution Press. (Edited with Sharon Block.)

Retiring Well: How Private Markets and Public Programs Can Give Americans a Secure Retirement. (With Martin N. Baily.) Draft completed December 2020.

Book Chapters and Journal Articles

"Changing Wealth Accumulation Patterns: Evidence and Determinants." Forthcoming. In: Measuring and Understanding the Distribution and Intra/Inter-Generational Mobility of Income and Wealth, edited by Raj Chetty, John N. Friedman, Janet C. Gornick, Barry Johnson, and Arthur Kennickell. Chicago, IL: University of Chicago Press. (With Jason Fitchner, Hilary Gelfond, and William G. Gale.)

"Labor Market Competition: Framing the Issues." Forthcoming. In: Inequality and the Labor Market: The Case for Greater Competition, *https://www.brookings.edu/book/inequality-and-the-labor-market/,* edited by Sharon Block and Benjamin H. Harris. Washington, DC: Brookings Institution Press. (With Jared Bernstein.)

"Fostering More-Competitive Labor Markets through Transparent Wages," *https://www.brookings.edu/wp-content/uploads/2020/08/9780815738800_ch1.pdf.* Forthcoming. In: Inequality and the Labor Market: The Case for Greater Competition, edited by Sharon Block and Benjamin H. Harris. Washington, DC: Brookings Institution Press.

"Better Financial Security in Retirement? Realizing the Promise of Longevity Annuities," 2014, *https://www.brookings.edu/research/better-financial-security-in-retirement-realizing-the-promise-of-longevity-annuities/. The Journal of Retirement* 3(4): 12–27. (With Katharine G. Abraham.)

"Entitlement Reform and the Future of Pensions," 2016, *https://repository.upenn.edu/prc_papers/91/*. In Reimagining Pensions: The Next 40 Years, edited by Olivia S. Mitchell and Richard C. Shea. New York, NY: Oxford University Press. (With C. Eugene Steuerle and Pamela J. Perun.)

"Developing and Disseminating Financial Guidelines for American Households," 2013, *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2316920. Journal of Retirement* 1(2): 113–124. (With William G. Gale.)

"Reforming Taxes and Raising Revenues: Part of the Fiscal Solution," 2011, *https://www.jstor.org/stable/23607101?seq=1#metadata_info_tab_contents. Oxford Review of Economic Policy* 27(4): 563–588. (With William G. Gale.)

"A VAT for the United States: Part of the Solution," 2011, *https://www.brookings.edu/research/a-value-added-tax-for-the-united-states-part-of-the-solution/*. In The VAT Reader: What a Federal Consumption Tax Would Mean for America. Falls Church, VA: Tax Analysts. (With William G. Gale.)

"Distributional Effects of Tax Expenditures in the United States," 2011, *https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/411922-Distributional-Effects-of-Tax-Expenditures.PDF*. In Tax Expenditures: State of the Art, edited by Lisa Philipps, Neil Brooks and Jinyan Li. Toronto: Canadian Tax Foundation. (With Eric J. Toder and Katherine Lim.)

"Activist Fiscal Policy," 2010, *https://www.aeaweb.org/articles?id=10.1257/jep.24.4.141. Journal of Economic Perspectives* 24(4): 1–24. (With Alan Auerbach and William G. Gale.)

"Capital Income Taxation and Progressivity in a Global Economy," 2010, *https://www.taxpolicycenter.org/publications/capital-income-taxation-and-progressivity-global-economy-0/full. Virginia Tax Review* 30(1): 355–388. (With Rosanne Altshuler and Eric J. Toder.)

"Introduction." 2009. In Automatic: Changing the Way America Saves, *https://www.jstor.org/stable/10.7864/j.ctt6wpgxf,* edited by William G. Gale, J. Mark Iwry, David John, and Lina Walker. Washington, DC: Brookings Institution Press. (With William G Gale and J. Mark Iwry.)

"The Automatic 401(k): Revenue and Distributional Estimates," 2009. In Automatic: Changing the Way America Saves, *https://www.jstor.org/stable/10.7864/j.ctt6wpgxf,* edited by William G. Gale, J. Mark Iwry, David John, and Lina Walker. Washington, DC: Brookings Institution Press. (With Christopher Geissler.)

"Tax Credits for Electric Cars: Stimulating Demand through the Tax Code," 2009. In Plug-In Vehicles: What Role for Washington?, *https://www.jstor.org/stable/10.7864/j.ctt1262t0?turn_away=true,* edited by David Sandalow. Washington DC: Brookings Institution Press.

"Health and Functional Status," 2009. In Counting Working-Age People with Disabilities, *https://research.upjohn.org/up_press/146/,* edited by Andrew J. Houtenville, David C. Stapleton, Robert R. Weathers II, and Richard V. Burkhauser. Kalamazoo, Michigan: W.E. Upjohn Institute for Employment Research. (With Gerry E. Hendershot and David C. Stapleton.)

"Distributional Effects of the 2001 and 2003 Tax Cuts: How Do Financing and Behavioral Responses Matter?", 2008, *https://www.brookings.edu/wp-content/uploads/2016/06/06_taxcuts_gale.pdf. National Tax Journal* 61(3): 365–80. (With Douglas W. Elmendorf, Jason Furman, and William G. Gale.)

"Our Uncertain Demographic Future," 2004. In Coping with Methuselah: the Impact of Molecular Biology on Medicine, *https://muse.jhu.edu/chapter/1978439/pdf,* edited by Henry J. Aaron and William B. Schwartz. Washington, DC: Brookings Institution Press. (With Henry J. Aaron.)

"Uncertainty and Pension Policy," 2002. In The Report of Collaboration Projects on Studying Economic and Social Systems in the 21st Century, edited by Toshiaki Tachibanaki. Japan: Economic and Social Research Institute. (With Henry J. Aaron.)

"The Individual AMT: Problems and Potential Solutions," 2002, *https://www.taxpolicycenter.org/publications/individual-amt-problems-and-potential-solutions/full. National Tax Journal* 55(3): 555–596. (With Leonard E. Burman, William G. Gale, and Jeffrey Rohaly.)

Other Publications

"Anticompetition in Buying and Selling Homes." Forthcoming. Regulation. (With Roger P. Alford.)

"COVID–19 and Retirement: Impact and Policy Responses." 2020, *https://www.brookings.edu/wp-content/uploads/2020/07/ES-7.30.20-Baily-Harris-Doshi.pdf*. Brookings Institution. (With Martin N. Baily.)

"Evidence-Based Retirement Policy: Necessity and Opportunity." 2020, *https://www.brookings.edu/wp-content/uploads/2020/01/ES_20200123_GaleHarris Haldeman_final.pdf*. Brookings Institution. (With William G. Gale.)

"The Unfulfilled Promise of Reverse Mortgages: Can a Better Market Improve Retirement Security?" 2020, *https://www.brookings.edu/wp-content/uploads/2019/10/ES_20191024_BailyHarrisWang-1.pdf*. Brookings Institution. (With Martin N. Baily.)

"Can Annuities Become a Bigger Contributor to Retirement Security?" 2019, *https://www.brookings.edu/wp-content/uploads/2019/06/ES_20190624_Baily Harris_Annuities.pdf*. Brookings Institution. (With Martin N. Baily.)

"Working Longer Policies: Framing the Issues." 2019, *https://www.brookings.edu/wp-content/uploads/2019/01/ES_20180124_Harris-Baily-Retirement-Proposals1.pdf*. Brookings Institution. (With Martin N. Baily.)

"'RESA' 2019 Legislative Proposals to Improve Retirement Security and Saving." 2019, *https://www.brookings.edu/wp-content/uploads/2019/03/RESA-paper-1.pdf*. Brookings Institution. (With Martin N. Baily and J. Mark Iwry.)

"The Retirement Revolution: Regulatory Reform to Enable Behavioral Change." 2018, *https://www.brookings.edu/wp-content/uploads/2018/06/The-Retirement-Revolution.pdf*. Brookings Institution. (With Martin N. Baily.)

"Information Is Power: Fostering Labor Market Competition through Transparent Wages." 2018, *https://www.hamiltonproject.org/assets/files/information_is_power_harris_pp.pdf*. Hamilton Project, Brookings Institution.

"The Tax Cuts and Jobs Act: A Missed Opportunity to Establish a Sustainable Tax Code." 2018, *https://www.brookings.edu/wp-content/uploads/2018/05/es_20180524_harris-looney_taxreform.pdf*. Urban-Brookings Tax Policy Center. (With Adam Looney.)

"Evaluating Tax Expenditures: Introducing Oversight into Spending through the Tax Code." 2018, *https://www.urban.org/sites/default/files/publication/98742/evaluating_tax_expenditures_introducing_oversight_into_spending_through_the_tax_code_0.pdf*. Urban-Brookings Tax Policy Center. (With Eugene Steuerle and Caleb Quakenbush.)

"The Benefits of Mortgage Interest and Property Tax Deductions." 2013, *https://www.urban.org/sites/default/files/publication/23166/1001693-The-Benefits-of-the-Mortgage-Interest-and-Property-Tax-Deductions.PDF. Tax Notes* 140(9): 947. (With Amanda Eng.)

"State Economic Monitor: Quarterly Appraisal of State Economic Conditions." 2013, *https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/412856-State-Economic-Monitor.PDF*. Urban-Brookings Tax Policy Center. (With Yuri Shadunsky.)

"Tax Reform, Transaction Costs, and Metropolitan Housing in the United States." 2013, *https://www.urban.org/sites/default/files/publication/23686/412835-Tax-Reform-Transaction-Costs-and-Metropolitan-Housing-in-the-United-States.PDF*. Urban-Brookings Tax Policy Center.

"Analysis of Specific Tax Provisions in President Obama's FY2014 Budget." 2013, *https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/412817-Analysis-of-Specific-Tax-Provisions-in-President-Obama-s-FY--Budget.PDF*. Urban-Brookings Tax Policy Center. (With Jim Nunns, Kim Rueben, Eric Toder, and Roberton Williams.)

"State and Local Governments in Economic Recoveries: This Recovery Is Different." 2013, *https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/412807-State-and-Local-Governments-in-Economic-Recoveries-This-Recovery-is-Different.PDF*. Urban-Brookings Tax Policy Center. (With Yuri Shadunsky.)

“Creating an American Value-Added Tax.” 2013, *https://www.urban.org/sites/default/files/publication/23106/1001662-Creating-an-American-Value-Added-Tax.PDF*. Hamilton Project, Brookings Institution. (With William G. Gale.)

“Estate Taxes After ATRA.” 2013, *https://www.urban.org/sites/default/files/publication/23101/1001660-Estate-Taxes-After-ATRA.PDF. Tax Notes* 138(8): 1005.

“Today’s Unsustainable Budget Policy: A Recount.” 2013, *https://www.urban.org/sites/default/files/publication/23276/412740-Today-s-Unsustainable-Budget-Policy-A-Recount.PDF*. Urban-Brookings Tax Policy Center. (With C. Eugene Steuerle and Caleb Quackenbush.)

“The Population of Workers Covered by the Auto IRA: Trends and Characteristics.” 2012, *https://www.aarp.org/content/dam/aarp/research/public_policy_institute/econ_sec/2012/Population-of-Workers-Auto-IRA-Trends-and-Characteristics-Research-Report-AARP-ppi-econ-sec.pdf*. AARP Public Policy Institute. (With Ilana Fischer.)

“Economic Effects of Automatic Enrollment in Individual Retirement Accounts: An Update.” 2012, *https://www.aarp.org/content/dam/aarp/research/public_policy_institute/econ_sec/2012/Economic-Effects-of-Auto-IRA-Research-Report-AARP-ppi-econ-sec.pdf*. AARP Public Policy Institute. (With Rachel M. Johnson.)

“Who Itemizes Deductions?” 2011, *http://www.urban.org/sites/default/files/publication/26856/1001486-Who-Itemizes-Deductions-.PDF. Tax Notes* 130(3): 345. (With Daniel Baneman.)

“Tax Proposals in the 2012 Budget.” 2011, *https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/1001524-Tax-Proposals-in-the-Budget.PDF*. Urban-Brookings Tax Policy Center. (With Elaine Maag, Donald Marron, Jim Nunns, Joseph Rosenberg, Kim Rueben, Eric Toder, and Roberton Williams.)

“Tax Proposals in the 2011 Budget.” 2010, *https://www.urban.org/sites/default/files/publication/28376/412029-Tax-Proposals-in-the-Budget.PDF*. Urban-Brookings Tax Policy Center. (With Rosanne Altshuler, Daniel Halperin, Joseph Rosenberg, Eric Toder, and Roberton Williams.)

“The Effect of Proposed Tax Reforms on Metropolitan Housing Prices.” 2010, *https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/1001364-The-Effect-of-Proposed-Tax-Reforms-on-Metropolitan-Housing-Prices.PDF*. Urban-Brookings Tax Policy Center Working Paper.

“Alternative to the Alternative: The Economic Effects of AMT Reform.” 2010, *https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/412264-Alternative-to-the-Alternative-The-Economic-Effects-of-AMT-Reform.PDF. Tax Notes* 129(9): 1001–1010. (With Daniel Baneman.)

“Tax Stimulus Report Card Conference Bill.” 2009. *https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/411839-Tax-Stimulus-Report-Card-Conference-Bill.PDF*. Urban-Brookings Tax Policy Center. (With Rosanne Althsuler, Leonard Burman, Howard Gleckman, Dan Halperin, Elaine Maag, Kim Rueben, Eric Toder, and Roberton Williams.)

“Corporate Tax Incidence and Its Implications for Progressivity.” 2009, *https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/1001349-Corporate-Tax-Incidence-and-Its-Implications-for-Progressivity.PDF*. Urban-Brookings Tax Policy Center Working Paper. November.

“Automatic Enrollment in Individual Retirement Accounts: Revenue and Distributional Estimates.” 2009, *https://www.urban.org/sites/default/files/publication/29896/1001312-Automatic-Enrollment-in-IRAs-Costs-and-Benefits.PDF. Tax Notes* 124(9): 903–914. (With Rachel M. Johnson.)

“Beyond the Storm: Reforms for 401(k) Plans.” 2009, *https://www.urban.org/sites/default/files/publication/29821/1001279-Beyond-the-Storm-New-Reforms-for--k-Plans.PDF. Tax Notes* 123(9): 1131–1136. (With Lina Walker.)

“Taxes Under Obama and McCain.” 2008, *https://www.urban.org/sites/default/files/publication/31311/1001223-taxes-under-obama-and-mccain.pdf. The Economists’ Voice* 5(7). (With William G. Gale.)

"Taxpayer Eligibility for IRAs." 2008, *https://www.urban.org/sites/default/files/publication/31121/1001147-Taxpayer-Eligibility-for-IRAs.PDF*. *Tax Notes* 118(8): 739. (With Christopher Geissler.)

"Tax Rates on Capital Gains and Dividends under the AMT." 2008, *https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/1001148-Tax-Rates-on-Capital-Gains-and-Dividends-Under-the-AMT.PDF*. *Tax Notes* 118(10): 1031. (With Christopher Geissler.)

"When Statutory and Marginal Rates Differ." 2008, *https://www.urban.org/sites/default/files/publication/31321/1001230-when-marginal-and-statutory-tax-rates-differ.pdf*. *Tax Notes* 121(7): 863. (With Ruth Levine.)

"A Guide to Disability Statistics from the National Health Interview Survey." 2005. Rehabilitation Research and Training Center on Disability Demographics and Statistics, Cornell University: Ithaca, NY. (With Gerry Hendershot, and David C. Stapleton.)

"The AMT: Out of Control." 2002, *https://www.urban.org/sites/default/files/publication/60226/310565-The-AMT-Out-of-Control.PDF*. Urban-Brookings Tax Policy Center Policy Brief #5. September. (With Leonard E. Burman, William G. Gale, and Jeffrey Rohaly.)

Op-eds and Blog Posts

CNN Business, The Great Recession was especially bad for older workers. The pandemic could be even worse, *https://www.cnn.com/2020/06/18/perspectives/pandemic-older-workers/index.html,* June 18, 2020.

Barron's, Social Security Isn't the Only Retirement Crisis. Look at Medicare and Medicaid, April 26, 2019.

CNN Business, America's retirement system is a mess. This new legislation can help, *https://www.cnn.com/2019/04/16/perspectives/american-retirement-system/index.html,* April 16, 2019.

The Wall Street Journal, The Problem With Bonds in a Portfolio, September 10, 2019.

The Hill, To fix retirement, we need to understand it, *https://thehill.com/opinion/finance/455755-to-fix-retirement-we-need-to-understand-it,* August 2, 2019.

The Wall Street Journal, Why Leveraged ETFs Are Too Risky for Retirement Accounts, *https://www.wsj.com/articles/why-leveraged-etfs-are-too-risky-for-retirement-accounts-01553015612#:%7E:text=Leveraged%20ETFs%20are%20especially%20risky,the%20event%20of%20a%20downturn,* March 19, 2019.

The Wall Street Journal, New Opportunity Zones Could Jumpstart Depressed Economies. If Only We Knew, *https://www.wsj.com/articles/new-opportunity-zones-could-jumpstart-depressed-economies-if-only-we-knew-01550755370,* February 21, 2019.

The Wall Street Journal, Why Older Couples Must Look Beyond Life Expectancy When Planning for Retirement, *https://www.wsj.com/articles/why-older-couples-must-look-beyond-life-expectancy-when-planning-for-retirement-01549380699,* February 5, 2019.

The Wall Street Journal, Six Questions to Ask a Financial Adviser About Fees, *https://www.wsj.com/articles/six-questions-to-ask-a-financial-adviser-about-fees-1522030140,* February 13, 2019.

The Wall Street Journal, Top Five Columns on Saving for Retirement from the Experts in 2018, *https://www.wsj.com/articles/top-five-columns-on-saving-for-retirement-from-the-experts-in-2018-11546020930,* December 28, 2018.

The Wall Street Journal, Five Top Ideas About Aging from the Experts in 2018, *https://www.wsj.com/articles/five-top-ideas-about-aging-from-the-experts-in-2018-11546617920,* January 4, 2018.

The Wall Street Journal, For Older Americans, Working a Little Longer Is Less Costly Than It Used to Be, *https://www.wsj.com/articles/for-older-americans-working-a-little-longer-is-less-costly-than-it-used-to-be-01545236587,* December 19, 2018.

Fortune, Why Businesses Should be Optimistic About the Midterm Results, *https://fortune.com/2018/11/15/midterm-elections-2018-results-business/,* November 15, 2018.

The Wall Street Journal, The Case for Revamping 401(k)s, *https://www.wsj.com/articles/the-case-for-revamping-401-k-s-1537754400,* September 23, 2018.

The Wall Street Journal, How to Reduce Home-Ownership Risk, *https://www.wsj.com/articles/how-to-reduce-home-ownership-risk-1536026421,* September 3, 2018.

The Wall Street Journal, Why Annuities May Be Safer Than You Think, *https://www.wsj.com/articles/why-annuities-may-be-safer-than-you-think-1531102216,* July 8, 2018.

The Hill, Entrepreneurial spirit no longer just for the young, *https://thehill.com/opinion/finance/393896-entrepreneurial-spirit-no-longer-just-for-the-young,* June 25, 2018.

The Wall Street Journal, Why the Cost of Buying and Selling a Home Remains High—and What We Can Do About It, *https://www.wsj.com/articles/why-the-cost-of-buying-and-selling-a-home-remains-highand-what-we-can-do-about-it-1528732490,* June 11, 2018.

The Wall Street Journal, Americans Should be More Financially Literate. But What Does That Mean?, *https://www.wsj.com/articles/americans-should-be-more-financially-literate-but-what-does-that-mean-1525659015,* May 6, 2018.

CNBC.com, The looming debt crisis will hurt these Americans the most, *https://www.cnbc.com/2018/04/11/the-looming-debt-crisis-will-hurt-these-americans-the-most.html,* April 11, 2018.

The Wall Street Journal, Retirement Insurance Products Are Disappearing. And That's Dangerous, *https://www.wsj.com/articles/retirement-insurance-products-are-disappearing-and-thats-dangerous-1523635517,* April 13, 2018.

The Wall Street Journal, Six Questions to Ask a Financial Adviser About Fees, *https://www.wsj.com/articles/six-questions-to-ask-a-financial-adviser-about-fees-1522030140,* March 25, 2018.

The Wall Street Journal, How do your Financial Adviser's Fees Compares? Good Luck Figuring it Out, *https://www.wsj.com/articles/how-do-your-financial-advisers-fees-compare-good-luck-figuring-it-out-1518005413,* February 7, 2018.

The Wall Street Journal, How Retirement Savers Can Protect Against the Risk of a Changing Tax Code, *https://www.wsj.com/articles/how-retirement-savers-can-protect-against-the-risk-of-a-changing-tax-code-1515585643,* January 10, 2018.

The Hill, Don't confuse soaring stocks with real economic growth, *https://thehill.com/opinion/finance/366761-dont-confuse-soaring-stocks-with-real-economic-growth,* December 29, 2017.

The Wall Street Journal, Why Adjustable-Rate Mortgages Aren't as Risky as You Think, *https://www.wsj.com/articles/why-adjustable-rate-mortgages-arent-as-risky-as-you-think-1507515024,* October 8, 2017.

Fortune, Why your economic argument against immigration is probably wrong, *https://fortune.com/2017/09/11/daca-immigration-economy-donald-trump/,* September 11, 2017.

CNBC, Here's the biggest missing piece in the GOP tax plan, *https://www.cnbc.com/2017/09/28/trump-and-gop-tax-cut-plans-biggest-omission-commentary.html,* September 28, 2017.

The Hill, Unlike the national debt, your 401(k) is safe, *https://thehill.com/opinion/finance/357401-unlike-the-national-debt-your-401k-is-safe#:%7E:text=Earlier%20this%20week%2C%20Republicans%20in,for%20the%20GOP%20tax%20plan.&text=The%20tax%20benefit%20comes%20in,on%20their%20savings%20upon%20withdrawal,* October 27, 2017.

The Hamilton Project. Major Decisions: Graduates' Earnings Growth and Debt Repayment, *https://www.hamiltonproject.org/assets/files/major_decisions_graduates_earnings_growth_debt_repayment.pdf,* November 20, 2014.

The Hamilton Project. Tidal Wave or Drop in the Bucket? Differences in Water Use Across the United States, *https://www.brookings.edu/blog/planetpolicy/2014/11/07/tidal-wave-or-drop-in-the-bucket-differences-in-water-use-across-the-united-states/,* November 7, 2014.

The Hamilton Project. In Times of Drought: Nine Economic Facts about Water in the United States, *https://www.brookings.edu/wp-content/uploads/2016/06/nineeconomicfactsaboutuswaterkearneyharris.pdf,* October 14, 2014.

The Hamilton Project. Economic Contributions of the U.S. Fishing Industry, *https://www.brookings.edu/blog/up-front/2014/09/03/economic-contributions-of-the-u-s-fishing-industry/,* September 3, 2014.

The Hamilton Project. What's the Catch? Challenges and Opportunities of the U.S. Fishing Industry, *https://www.brookings.edu/wp-content/uploads/2016/06/Challenges—opportunities—fishing—industry—policybrief.pdf,* September 3, 2014.

The Hamilton Project. An Update to The Hamilton Project's Jobs Gap Analysis, *https://www.hamiltonproject.org/assets/files/an_update_to_the_hamilton_projects_jobs_gap_analysis.pdf,* August 1, 2014.

The Hamilton Project. Fighting Poverty Needs to be a National Policy Priority, *https://www.brookings.edu/blog/up-front/2014/06/13/fighting-poverty-needs-to-be-a-national-policy-priority/,* June 13, 2014.

The Hamilton Project. Ten Economic Facts about Crime and Incarceration in the United States, *https://www.brookings.edu/wp-content/uploads/2016/06/v8—thp—10crimefacts.pdf,* May 1, 2014.

Brookings Institution. 3 Things We Can Learn about Property Taxes from a Map, *https://www.brookings.edu/blog/up-front/2014/04/07/3-things-we-can-learn-about-property-taxes-from-a-map/,* April 7, 2014.

Brookings Institution. 3 Things We Can Learn about Income Tax Burdens from a Map, *https://www.brookings.edu/blog/up-front/2014/04/07/3-things-we-can-learn-about-income-tax-burdens-from-a-map/,* April 7, 2014.

Brookings Institution. 3 Things We Can Learn about Itemized Deductions from a Map, *https://www.brookings.edu/blog/up-front/2014/04/07/3-things-we-can-learn-about-itemized-deductions-from-a-map/,* April 7, 2014.

Brookings Institution. 3 Things We Can Learn about the Earned Income Tax Credit from a Map, *https://www.brookings.edu/blog/up-front/2014/04/07/3-things-we-can-learn-about-the-earned-income-tax-credit-from-a-map/,* April 7, 2014.

Brookings Institution. State of the Union Speech Promotes New Retirement Savings Vehicles, *https://www.brookings.edu/blog/up-front/2014/01/30/state-of-the-union-speech-promotes-new-retirement-savings-vehicles/,* January 30th, 2014.

Brookings Institution. How to Guard Against Outliving Your Money, *https://www.brookings.edu/opinions/how-to-guard-against-outliving-your-money/#:%7E:text=Longevity%20annuities%20might%20be%20an,the%20policy%20holder%20is%20alive,* November 12, 2014.

TaxVox. Making Saving Incentives More Equitable, *https://www.brookings.edu/opinions/making-saving-incentives-more-equitable/,* July 8, 2014.

TaxVox. Tax Expenditures for Asset-Building: Costly, Regressive, and Ineffective, *https://www.brookings.edu/opinions/tax-expenditures-for-asset-building-costly-regressive-and-ineffective/,* April 9, 2014.

TaxVox. Stark Variation in Taxpayer Use of Itemized Deductions, County by County, *https://www.brookings.edu/blog/up-front/2014/03/06/stark-variation-in-taxpayer-use-of-itemized-deductions-county-by-county/,* March 7, 2014.

TaxVox. Variation in EITC Take-up, County by County, *https://www.brookings.edu/blog/up-front/2014/01/30/variation-in-eitc-take-up-county-by-county/#:%7E:text=There%20is%20notable%20variation%20across,of%2027.1%20percent%20or%20higher,* January 31, 2014.

TaxVox. Rethinking Homeownership Subsidies, *https://www.taxpolicycenter.org/taxvox/rethinking-homeownership-subsidies#:%7E:text=Instead%20of%20encouraging%20people%20to,interest%20deduction%20at%2015%20percent,* January 6, 2014.

TaxVox. The US Income Tax Burden, County by County, *https://www.taxpolicycenter.org/taxvox/us-income-tax-burden-county-county,* December 16, 2013.

TaxVox. Why the Next Debt Limit Debacle Might be Worse, *https://www.taxpolicycenter.org/taxvox/why-next-debt-limit-debacle-might-be-worse,* December 3, 2013.

TaxVox. Sorting Through The Property Tax Burden, *https://www.taxpolicycenter.org/taxvox/sorting-through-property-tax-burden,* November 18, 2013.

TaxVox. What Changes in the Mortgage Deduction Would Mean for Home Prices, *https://www.taxpolicycenter.org/taxvox/what-changes-mortgage-deduction-would-mean-home-prices,* June 5, 2013.

TaxVox. Why State and Local Governments Are Hurting the Recovery, *https://www.taxpolicycenter.org/taxvox/why-state-and-local-governments-are-hurting-recovery,* April 23, 2013.

TaxVox. The President's Plan to Cap Retirement Saving Benefits, *https://www.taxpolicycenter.org/taxvox/presidents-plan-cap-retirement-saving-benefits-0,* April 12, 2013.

TaxVox. Hiking Dividend Taxes to Pay for a Corporate Rate Cut, *https://www.taxpolicycenter.org/taxvox/hiking-dividend-taxes-pay-corporate-rate-cut,* April 1, 2013.

TaxVox. Automatic Retirement Saving Inches Forward, *https://www.taxpolicycenter.org/taxvox/automatic-retirement-saving-inches-forward,* March 22, 2013.

TaxVox. Five Reasons Why the Sequester's Automatic Spending Cuts Are Bad Policy, *https://www.taxpolicycenter.org/taxvox/five-reasons-why-sequesters-automatic-spending-cuts-are-bad-policy,* February 15, 2013.

TaxVox. Deficits After ATRA, *https://www.taxpolicycenter.org/taxvox/deficits-after-atra,* January 31, 2013.

TaxVox. The government and short-run economic growth, *https://www.taxpolicycenter.org/taxvox/government-and-short-run-economic-growth,* January 31, 2013.

TaxVox. Japan (Re)Tries Fiscal Stimulus, *https://www.taxpolicycenter.org/taxvox/japan-retries-fiscal-stimulus,* January 15, 2013.

TaxVox. Should Louisiana Dump its Income Tax for a Bigger Sales Tax? *https://www.taxpolicycenter.org/taxvox/should-louisiana-dump-its-income-tax-bigger-sales-tax,* January 14, 2013.

TaxVox. Why the Google Test Fails, *https://www.taxpolicycenter.org/taxvox/why-google-test-fails,* June 8, 2011.

TaxVox. Taxes and Housing Prices, *https://www.taxpolicycenter.org/taxvox/taxes-and-housing-prices,* April 21, 2010.

TaxVox. Is the Corporate Tax Progressive?, *https://www.taxpolicycenter.org/taxvox/corporate-tax-progressive,* February 22, 2010.

TaxVox. Is China Turning Bearish on the U.S. Treasury? *https://www.csmonitor.com/Business/Tax-VOX/2010/0219/Is-China-Turning-Bearish-on-the-U.S.-Treasury,* February 19, 2010.

TaxVox. The Estate Tax and the Economy, *https://www.taxpolicycenter.org/taxvox/estate-tax-and-economy,* June 18, 2009.

TaxVox. How Would Small Businesses Fare Under Obama's Tax Plan?, *https://www.taxpolicycenter.org/taxvox/how-would-small-businesses-fare-under-obamas-tax-plan,* April 29, 2009.

TaxVox. In Summary: A Comparison of the Candidates' Tax Plans. November 3, 2008.

TaxVox. Something to Agree On, *https://www.taxpolicycenter.org/taxvox/something-agree,* October 30, 2008.

TaxVox. How McCain's Health Reforms Would Raise Marginal Tax Rates, *https://www.taxpolicycenter.org/taxvox/how-mccains-health-reforms-would-raise-marginal-tax-rates,* October 9, 2008.

TaxVox. Tax Credits for Electric Cars, *https://www.taxpolicycenter.org/taxvox/tax-credits-electric-cars,* September 26, 2008.

TaxVox. Getting Saving Incentives Right, *https://www.taxpolicycenter.org/taxvox/getting-saving-incentives-right,* February 11, 2008.

TaxVox. A Simple Tax Reform, *https://www.taxpolicycenter.org/taxvox/simple-tax-reform,* January 17, 2008.

16. Speeches (list all formal speeches and presentations (*e.g.,* PowerPoint) you have delivered during the past 5 years which are on topics relevant to the position for which you have been nominated, including dates):

    S&P Global Good Governance Forum, Good Governance: Driving Improved Financial Results, July 29, 2019.

    RegTech Data Summit, Keynote Address, April 10, 2019.

    Mastercard Middle East and Africa Advisory Board Meeting, Fiscal Chaos or Business as Usual?, October 9, 2017.

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

    I have spent the vast bulk of the past 2 decades engaged in economic policy, largely at the intersection of policymaking and academia. I have served in several positions in well-respected think tanks, including the Brookings Institution and the Urban Institute. This experience at think tanks has been complemented by four stints in senior policymaking roles in the Federal Government, including serving as the senior economist with the House Budget Committee, a senior economist with the Council of Economic Advisers, the chief economist and economic adviser to the Vice President of the United States, and currently as a counselor to the Treasury Secretary. More recently, I have served in academia through my association with Northwestern University's Kellogg School of Management, where I am on leave as an associate research professor and executive director of the Kellogg Public-Private Interface. In addition, from 2017 through early 2021 I served as the chief economist for the non-partisan evidence-based policy organization Results for America. All told, these experiences have prepared me with the knowledge and judgment to effectively serve as the Assistant Treasury Secretary.

    I also hold an undergraduate degree in economics from Tufts University, a master's degree in Quantitative Methods from Columbia University, a second master's degree in economics from Cornell University, and a Ph.D. in economics from George Washington University. I also was awarded a Fulbright Scholarship to Namibia earlier in my career.

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.

   N/A.

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.

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.

   No.

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.

   No.

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.

   I do not have additional information to provide the committee.

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 BENJAMIN HARRIS

QUESTIONS SUBMITTED BY HON. MIKE CRAPO

Question. Former Treasury Secretary Lawrence Summers, discussing the nearly $2-trillion American Rescue Plan Act (ARPA) of 2021, is quoted as saying that: "I think this is the least responsible macroeconomic policy we've had in the last 40 years." He also is reported to have said that: "Now there's the real risk that macroeconomic policy will be very much destabilizing things." Economist Olivier Blanchard, former economic counselor and director of the Research Department at the International Monetary Fund and Professor of Economics emeritus at MIT, also expressed concerns. He has written, for example, about having misgivings about the size of ARPA, warning that: "Much too much is both possible and harmful. I think this package is too much." Concerns remain over massive fiscal stimulus de-anchoring inflation expectations, increasing interest rates, and eventually stalling the recovery from the largest negative shock to the economy on record.

Do you disagree with prominent progressive economists who have warned of the economic risks and irresponsibility of ARPA?

Answer. I believe that the American Rescue Plan Act of 2021 (ARP) will return the U.S. economy to conditions of full employment in late 2021 or early 2022 and view the risk of overheating or any other destabilizing outcome as low. The ARP was designed to bring an end to the pandemic by distributing vaccines, provide relief to the millions of American families whose lives continued to be disrupted by the pandemic, and deliver much-needed aid to hard-hit industries and State and local governments. These measures will ensure a rapid recovery back to pre-pandemic conditions. Indeed, growth this year is expected to be the strongest in decades.

It is worth emphasizing that at the start of the administration, the risk of doing too little outweighed the risk of doing too much. Nearly 10 million jobs had been lost since April 2020, the course of the pandemic remained highly uncertain, and global growth prospects seemed sub-par and unlikely to provide a tailwind for the U.S. recovery. In my view, these risks justified the magnitude of the fiscal response, especially given that in the last two decades before the pandemic, inflation has run below the Federal Reserve's 2-percent target.

A robust recovery—which I believe we are now seeing—will involve some degree of transitory inflation. In part, this reflects that fact that prices in some pandemic-impacted sectors like hotels, airlines, and restaurants actually fell in 2020 but are now moving back up to their pre-pandemic levels. In addition, elevated demand for goods like motor vehicles has interacted with global supply chain disruptions to cause some price increases. we expect the combined effects or reopening and higher demand to moderate in coming months, bringing inflation down closer to its underlying trend. The Federal Reserve has the tools to address inflation risks over the medium- and long-term. Inflation expectations have risen in recent months, but only after to falling to levels that were judged to be too low. We will continue to monitor inflation developments, but we see recent inflation readings as transitory and indicative of a robust recovery.

Question. In a 2010 article on "Taxes and Housing Prices," you wrote that ". . . raising taxes on those in the top brackets could increase urban housing prices by as much as 10 percent, and even more in east and west coast cities where homes are most expensive. The drivers of this windfall: higher top rates on ordinary income and hikes in capital gains taxes. Obama's proposal to limit the benefit of itemized deductions to 28 percent could more than reverse this housing windfall. . . ."

Your argument was that capital gains tax increases lead to increased value of the capital gains exclusion in housing. Similarly, increases in ordinary income tax rates, as you wrote, ". . . would increase the value of owning a home, since as tax rates rise, so does the value of the mortgage interest deduction." So higher ordinary income tax rates, by your argument, will increase housing prices.

There seem to be two conclusions from your analysis: one is that higher tax rates on upper earners and higher capital gains taxes, by enhancing the value of the mortgage interest deduction and the capital gains exclusion in housing, could lead to increases in housing prices. The second is that such "windfalls" could be offset through use, simultaneous with higher income and capital-gains taxes, of limits on benefits of itemized deduction, as President Obama had proposed, to ". . . reverse this housing windfall."

The current administration is proposing higher capital gains taxes and higher income taxes for "anyone" earning $400,000 or more. Do you believe that, if implemented, the tax hikes would lead to higher housing prices, perhaps mostly at the high-end of housing valuations and, in turn, increase values of itemized deductions for upper earners that should then lead to consideration of limits on itemization in order to offset ensuing "windfalls?"

Answer. The study referred to in the question was written in 2010 and used the most recent data available at the time, which was generally from around 2007. Evolutions in the housing market and other relevant data since that time make the specific conclusions of that modeling exercise slightly dated, as do moderate changes in the tax code (including, for example, the partial and temporary rollback of the mortgage interest deduction). However, the fundamental direction of the analysis holds: because housing is a tax-preferred asset, all else equal, raising taxes can increase its relative value while cutting taxes can lower it.

Question. The Department of the Treasury recently issued an Interim Final Rule (31 CFR Part 35; RIN 1505–AC77) to implement the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act (ARPA). Part of the Rule involves Treasury's attempt to implement the invasive restriction ARPA places on States abilities to determine their own fiscal policies by not allowing Federal funds to be used to ". . . either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase."

Through administrative fiat and interpretation, the Rule allows for some leeway and carve-outs for funds to be used for certain tax relief that the Treasury Department evidently finds acceptable, but bans others.

In order to pass muster with Treasury, the rule says that a State or territory must "identify and value" tax revenue reductions in a given year "based on estimated values produced by a budget model, incorporating reasonable assumptions." However, "estimation procedures should not use dynamic methodologies," according to the rule, since Treasury believes its valuation scheme already adequately measures for macroeconomic growth. Moreover, according to the rule: "Relative to these dynamic scoring methodologies, scoring methodologies that do not incorporate projected effects of macroeconomic growth rely on fewer assumptions and thus provide greater consistency among States and territories."

While working at Treasury, were you involved in formulating the interim final rule related to ARPA's State and local recovery funds? If so, please describe what parts of the rule you worked on.

Please describe in detail what you believe constitutes "dynamic scoring methodologies."

Do you agree that Keynesian multiplier numbers are "dynamic scoring methodologies," in that they measure cumulative (over time and, hence, dynamic) projected changes in economic measures resulting from an alteration in a policy parameter?

Do you agree with the rule that "scoring methodologies that do not incorporate projected effects of macroeconomic growth rely on fewer assumptions?" If so, please explain in detail why and whether minimization of assumptions ought to be an objective for obtaining the best "scores" and econometric identification.

The rule in more than one place refers to "reasonable assumptions" to be used in valuation estimation. Please describe what you believe to be "reasonable assumptions," and what you believe to be unreasonable, with respect to identification of either direct or indirect effects on a State's net tax revenue resulting from a change in law, regulation, or administrative interpretation that reduces or delays any tax or tax increase?

In the rule, Treasury identifies that tax revenue reductions stemming from a change in law, regulation, or administrative interpretation "may also be reported based on actual values using a statistical methodology to isolate the change in year-over-year revenue attributable to" tax changes that reduce tax revenue. As an economist, what would you advise to be acceptable statistical methodologies that a State could use to satisfy Treasury's requirements and objective of identification (in an econometric sense) and achieve econometric identification and consistent estimation?

Answer. I was not deeply involved in formulating the interim final rule related to ARPA's State and local recovery funds. In addition, as to specific scoring methodologies referenced in the interim final rule, Treasury is in the midst of a notice and comment period for the rule, so I am not able to speak to those issues at this time. I look forward to being briefed on these issues should I have the honor of being confirmed.

Question. The President and various administration officials have identified that, under the administration's tax proposals, "nobody making under $400,000 a year" will have their taxes increased. Nobody means that an individual is being discussed. Moreover, in the President's Social Security proposal with a cutoff for added taxes, that cutoff is at $400,000 for an individual.

However, at various times, some administration officials have changed their description of the administration's stance to be that no "family," rather than individual, making less than $400,000 would face higher taxes. On Friday, March 26th, *The Washington Post*'s fact checker wrote about the confusion caused by varying statements of policy intent by the administration, and how a switch to "family" or "household" or the like would seem to renege on a promise made by the President during his campaign for election. The fact checker concluded by writing that "Despite the confusion spawned by various administration references to 'families,' the promise [that nobody, meaning individual, earning less than $400,000 would face a tax increase] appears to remain intact." I have questions to help clarify some unnecessary confusion.

Given that you are currently employed and working at Treasury, is your understanding that the current stance of the administration with respect to taxation is that no individual making under $400,000 will face higher taxes if the administration's tax hike proposals are enacted? Or, is it household, rather than individual? Or, is it tax filing unit, rather than individual?

Answer. The administration's tax proposals are focused on creating equity in the tax system by ensuring that corporations and wealthy individuals pay their fair share, to support necessary investments in American workers and families. The President has consistently committed to making sure that no taxpayer with income under $400,000 experiences tax increases as a result of the administration's proposals.

Question. There have been repeated references made by the administration to individual taxpayers and corporations paying "their fair share." (For example, see page 1 of the April 2021 U.S. Department of the Treasury "The Made in America Tax Plan." It appears, though, that the plan envisions enactment of proposals that would merely move the country "Toward a Fairer Tax System" (p.5)).

As a prospective adviser to the administration on economics, please define what constitutes a "fair share" and the appropriate measure to use to determine whether or not an individual is paying their fair share.

Given your definition and measure, for tax year 2021, what is the fair share for a single filer on taxable income: up to $9.950; $9,951 to $40,525, $40,526 to $86,375, $86,376 to $164,925, $164,926 to $523,600, over $523,600?

Please define what constitutes a "fair share" and the appropriate measure to use to determine whether or not a corporation is paying its fair share.

Why do you believe that the Made in America Tax Plan proposes only to move "toward" a "fairer" tax system, thereby foregoing movement to a fully fair system and leaving fairness gains unfulfilled to remain on the table for future tax policy modifications?

Answer. The concept of "fair share" depends on the context of the specific tax and an individual's or corporation's specific circumstances. One particular measure relates to the concept of horizontal equity, which compares tax burdens borne by taxpayers of like circumstances. The concept of "fair share" can also depend on macroeconomic circumstances, as the appropriate measure of a tax code's fairness can depend on key economic trends such as the labor and capital share, or wage trends at various points in the wage distribution. The concept of "fair share" can also relate to the gap between owed and paid tax liability, with individuals who evade taxes explicitly defined as individuals who do not pay their fair share. The unfairness of evaded taxes was one of the motivations behind the tax compliance proposal advanced in the Biden administration tax agenda.

Question. The Made in America Tax Plan, outlined by Treasury in an April 2021 document, identifies a proposal of "replacing fossil fuel subsidies with incentives for clean energy production." The plan proposes to "remove subsidies for fossil fuel companies."

Please identify your understanding of what subsidies the plan would remove, and how they differ from like "subsidies" in place for other companies performing similar activities but not involving "fossil fuels."

Answer. As detailed in the "General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals" (the Green Book) released at the end of May, the administration is proposing to remove 13 specific subsidies for fossil fuel production. The proposal would repeal: (1) the enhanced oil recovery credit for eligible costs attributable to a qualified enhanced oil recovery project; (2) the credit for oil and gas produced from marginal wells; (3) the expensing of intangible drilling costs; (4) the deduction for costs paid or incurred for any tertiary injectant used as part of a tertiary recovery method; (5) the exception to passive loss limitations provided to working interests in oil and natural gas properties; (6) the use of percentage depletion with respect to oil and gas wells; (7) 2-year amortization of independent producers' geological and geophysical expenditures, instead allowing amortization over the 7-year period used by integrated oil and gas producers; (8) expensing of exploration and development costs; (9) percentage depletion for hard mineral fossil fuels; (10) capital gains treatment for royalties; (11) the exemption from the corporate income tax for publicly traded partnerships with qualifying income and gains from activities relating to fossil fuels; (12) the Oil Spill Liability Trust Fund excise tax exemption for crude oil derived from bitumen and kerogen-rich rock; and (13) accelerated amortization for air pollution control facilities.

These provisions of the tax code are specific to the oil, gas, and coal industries. The objective of the plan is to bring the tax treatment of oil, gas, and coal producers back in line with other firms. These tax advantages are referred to variously as subsidies, tax expenditures, loopholes, or tax advantages.

Question. If enacted, do you believe that the plan would lead to higher gas prices at the pump in the near term, defined as the period 2022–2024?

Answer. No, not noticeably.

Question. If so, would you have any concern that such an effect would have disproportionate adverse effects on low- to middle-income workers whose expenditures on "fossil fuel" related consumables such as gasoline and heating fuel tend to be higher shares of their incomes than for upper earners?

Answer. Please see my response to the question above.

Question. The Tax Cuts and Jobs Act imposed a cap of $10,000 on the State and local (SALT) deduction, reducing tax benefits and what some call a "tax expenditure" which accrues disproportionately in favor of upper earners. Do you support proposals to lift or eliminate the $10,000 cap on the State and local tax (SALT) deduction?

Answer. I believe in an equitable tax system where wealthy taxpayers and corporations pay their fair share. With respect to SALT, as Secretary Yellen has said, it will be important to develop a full understanding of the impact of the cap on State and local governments and those who rely on their services. As you know, repealing the SALT cap would come with potentially significant costs, and understanding these and their distribution is important. This is an issue I am eager to work on with you and your colleagues.

Question. Given that an asset's tax basis is not updated for inflation, will the administration's proposals to tax capital gains at the same rate as ordinary income, generally eliminate the step-up in tax basis at death, and require immediate income recognition with respect to inherited assets result in taxpayer's paying tax on phantom gain—that is, simple inflation?

Why does the administration consider it "fair" for taxpayers to pay tax on inflation with respect to their assets?

Answer. The administration's proposed capital gains reforms, including those mentioned above, would retain substantial preferences for capital income—including, for example, the ability to time realization during life, zero or preferred capital gains tax rates for the vast majority of American families, no taxation on the first $2 million in gains at death for every married taxpayer in the country (increased to a maximum of $2.5 million when including the exclusion for gains to owner-occupied housing), and other preferences and considerations for family-owned businesses and illiquid assets. In sum, the bulk of Americans would continue to pay low or no taxes on their capital gains.

Question. The American Economic Association, of which you have been a member and Secretary Yellen has served as 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.

If confirmed, you may be assigned to work on the annual trustees' reports on the financial conditions and outlook for Social Security and Medicare trust funds; you may have already been working on the reports.

The 2019 Technical Panel on Assumptions and Methods, formed by the Social Security advisory board, wrote that "The Panel recommends providing and supporting greater external access to the projection models used to produce the trustees report."

Do you agree that policy, such as the one adopted by the American Economic Association, of open sourcing and external accessibility of data and code used in published analyses is also good public policy that 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. On page 32 of the 2019 Technical Panel on Assumptions and Methods, the panel made the following recommendation under Section 3.2, "Increase transparency of the projections," Presentation Recommendation 8: "The Panel recommends providing and supporting greater external access to the projection models used to produce the Trustees Report." The panel writes the following:

> OCACT regularly fields questions about its modeling techniques and assumptions. Social scientists have recently increased their focus on transparency of methods, while the open source movement has gained momentum. Researchers would benefit from the ability to assess OCACT's code directly. OCACT could post its models' full code, along with adequate documentation, on SSA's public website. SSA could allow researchers to apply for access to the underlying data, similar to the Internal Revenue Service call for proposals to use the IRS administrative data. Social Security could also fund research projects on OCACT's model. In the long run, we believe public trust in these projection methods would increase if the methods were subject to scrutiny and rigorous debate informed by public access. Greater scrutiny from researchers also could help improve the models in the long run.

The full text of the 2019 Technical Panel Presentation Recommendation Number 8 is directed at Social Security's Office of the Chief Actuary and the Social Security Administration rather than the Social Security and Medicare trustees.

However, I generally support efforts to explore possibilities for improvements in transparency and public access.

For your convenience, already existing documentation on some of the Social Security's Office of the Chief Actuary's projection models is provided on their website, available here for the long-range OASDI projection model: *https://www.ssa.gov/oact/TR/2020/2020_LR_Model_Documentation.pdf.*

Here for the short-range OASDI projection model: *https://www.ssa.gov/oact/NOTES/pdf_studies/study121.pdf.*

Here for the demographic assumptions: *https://www.ssa.gov/oact/TR/2020/2020_Long-Range_Demographic_Assumptions.pdf.*

Here for the ultimate economic assumptions: *https://www.ssa.gov/oact/TR/2020/2020_Long-Range_Economic_Assumptions.pdf.*

And here for the disability assumptions: *https://www.ssa.gov/oact/TR/2020/2020_Long-Range_Disability_Assumptions.pdf.*

Question. Have you worked on the trustees' reports for the Social Security and Medicare trust funds at any time this year?

Answer. I have had only very limited involvement with the Social Security and Medicare trustees reports this year.

Question. The Social Security Act requires that trustees' reports for the Social Security and Medicare trust funds be issued annually, and no later than April 1st of each calendar year. According to a July 2019 report by the U.S. Government Accountability Office (GAO), 2008 was the last year in which the statutory deadline had been satisfied. The 2020 report was 21 days overdue, missing the deadline by fewer days than the past decade's average, yet still late.

The 2019 GAO report recommended that the Secretary of the Treasury, as chairperson of the boards of trustees of the Social Security and Medicare trust funds: work to improve management of the report development schedule to provide trustees reports to Congress by the statutory deadline; and "establish a policy to inform congressional committees of jurisdiction when the trustees determine that the reports are expected to miss the issuance deadline." While committees have received an email from Treasury officials identifying that this year's reports will be delayed for some indefinite period, we are unaware that any policy has been developed or followed.

Will you commit to working to ensure that the Treasury Secretary follows GAO's recommendation to establish a policy to inform congressional committees of jurisdiction when trustees determine that the reports are expected to miss the issuance deadline?

Answer. A policy has already been established to inform congressional committees of jurisdiction by electronic communication when it is determined that the reports are expected to miss the issuance deadline pursuant to the recommendation of the Government Accountability Office. For the 2021 reports, Treasury informed the committees of expected delays in the issuance of the reports on March 19, 2021.

Question. Will you commit to working to ensure that as part of that policy, the Treasury Secretary, on a regularly scheduled basis (*e.g.,* every 15 days following determination that the issuance deadline will not be met), provide updated projections of when the reports will be issued?

Answer. A policy has been established to inform congressional committees of jurisdiction by electronic communication when it is determined that the reports are expected to miss the issuance deadline pursuant to the recommendation of the Government Accountability Office. If confirmed, I would be happy to promote Treasury's communication with Congress regarding the status of the reports.

Question. Will you commit to working to ensure that the Treasury Secretary and all trustees improve scheduling of trustee meetings in order to produce reports on or before the statutory issuance deadline?

Answer. As Treasury indicated in its response (dated June 27, 2019) to the GAO report, Treasury takes seriously the April 1st reporting deadline. During the course of preparation of both the 2020 and 2021 trustees' reports, Treasury made every attempt possible to move work on the reports along without sacrificing the quality of the reports.

However, Treasury does not have the authority to impose particular outcomes or to require that decisions be made within specified timeframes. In particular, the preparation of the 2021 trustees' reports has inevitably been affected by the crisis response to the pandemic, by the presidential transition (including the turnover of trustees and staff), and by work to fully understand the effects of the pandemic on the trust funds, particularly in the near term.

Question. Will you commit to providing the committee with source code used to make projections of the future financial conditions of the Social Security and Medicare trust funds, in order to improve transparency over methods and assumptions used to make projections of the financial conditions of trust funds into which American workers have paid into over their lifetimes and have entrusted to the Federal Government?

Answer. Please see my written response to the question above. Any source code would reside with the Office of the Chief Actuary, which is an office within the Social Security Administration, and with the Office of the Actuary, which is an office within the Centers for Medicare and Medicaid Services.

Question. If confirmed, you would likely work on the annual trustees' reports on the Social Security trust funds. Please read the Statement of Actuarial Opinion in both the 2014 and 2015 Annual Reports of the Board of Trustees of the Federal Old-

Age and Survivors Insurance and Federal Disability Insurance Trust Funds (available at the webpage of the Social Security Administration's Office of the Chief Actuary) and identify:

Whether you believe that the Actuarial Opinion of the 2014 report points to assumptions made in the trustees' report of that year that in any sense played up the potential future insolvency of Social Security, and if so, what those identified assumptions were and how they accentuated insolvency in the Actuary's opinion.

Answer. The statement of actuarial opinion in the 2014 report under the Federal Budget Accounting heading includes the following:

> This report focuses on the actuarial status of the OASI and DI Trust Funds and includes important information on (1) the years in which trust fund asset reserves are projected to be depleted and (2) the degree to which benefits scheduled in the law would no longer be fully payable on a timely basis after reserve depletion. However, the footnote on page 60 of this report directs the reader to an appendix in the Medicare Trustees Report, which States, "The trust fund perspective does not encompass the relationship between the Medicare and Social Security trust funds and the overall Federal budget." The reader of this report should consider this "overall" Federal unified budget perspective with care because the assumptions underlying unified budget accounting are inconsistent with the assumptions of trust fund accounting.

The text on page 60 of the 2014 report is as follows:

> The trust fund ratio serves an additional important purpose in assessing the actuarial status of the program. If the projected trust fund ratio is positive throughout the period and is either level or increasing at the end of the period, then projected adequacy for the long-range period is likely to continue for subsequent reports. Under these conditions, the program has achieved sustainable solvency. [Footnote 1]

Footnote 1 reads:

> As noted in greater detail in the 2014 Medicare Trustees Report, "The trust fund perspective does not encompass the interrelationship between the Medicare and Social Security trust funds and the overall Federal budget." For an explanation of that relationship, see appendix F of the 2014 Medicare Trustees Report.

My view is that the statement of actuarial opinion in the 2014 OASDI Trustees Report to which this question is referring is the discussion of Footnote 1 on page 60 of the that report, as excerpted above. Footnote 1 is appended to a paragraph in the 2014 OASDI report discussing the trust fund ratio. I believe this statement of actuarial opinion refers to this part of the actuarial statement, "(1) the techniques and methodology used herein to evaluate the financial and actuarial status of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds are based upon sound principles of actuarial practice and are generally accepted within the actuarial profession" rather than this piece of the actuarial statement, "(2) the assumptions used and the resulting actuarial estimates are, individually and in the aggregate, reasonable for the purpose of evaluating the financial and actuarial status of the trust funds, taking into consideration the past experience and future expectations for the population, the economy, and the program."

With regard to part (1) of the actuarial statement referenced above, I regard this statement of actuarial opinion to be a clarifying statement by the Chief Actuary of Social Security discussing his views regarding the trust fund accounting concept that the trust fund ratio embodies as calculated and presented in the 2014 OASDI Trustees Report and the unified budget perspective as discussed in appendix F of the 2014 Medicare Trustees Report.

Question. And whether you believe that the actuarial opinion of the 2015 report identifies questionable elements within the trustees' 2015 report, and whether you believe that the actuary's opinion represents a public rebuke of the report.

Answer. Please see my answer to the question above. Additionally, please note that the statement of actuarial opinion section of the OASDI trustees' report is outside the purview of the OASDI program trustees.

Question. President Biden has proposed to subject earnings on taxpayers with more than $400,000 (unindexed) in wages to Social Security and Medicare payroll taxes, with a "donut hole" between the current "tax max" on earnings subject to payroll taxes and $400,000 that would close over time as the wage-indexed tax max grows into and eventually above the unindexed $400,000 threshold. So, eventually, all wage earnings become subject to payroll taxes. However, presumably to avoid paying upper earners more in Social Security and other benefits, for every dollar of payroll taxes paid on earnings above the $400,000 threshold, there is no commensurate Social Security benefit. This, of course, breaks the longstanding, traditional tie between paying in to the Social Security System and obtaining a benefit in return—the "earned benefit" principle.

Indeed, an old Franklin Roosevelt quote from 1941 is often invoked to reinforce the earned benefit principle 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 many Social Security advocates, 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."

Do you support upholding the earned benefit principle and not allowing a decoupling of payment into the Social Security system and commensurate benefit receipt?

Alternatively, do you support violating the earned benefit principle by breaking the link for any FICA taxpayer between paying into the system and receipt of a commensurate benefit?

Answer. While I am aware of certain members of Congress proposing Social Security reforms that match the one described in the question, I am not aware of President Biden proposing either an effective closure of exempted wages or specifically designating whether higher payroll taxes would or would not be matched with a change in benefits (*i.e.,* preservation of the "earned benefit principle"). In general, I am concerned about the long-term solvency of the Social Security program, and support reform which puts the program on a long-term path to fiscal solvency. Reforms should be judged on the extent to which they preserve the system, enhance efficiency, and protect American workers who have paid into the system for decades.

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 Federal budget and the consolidated Federal budget?

Answer. Future deficits are driven by a wide range of factors. In the case of Social Security, the extent to which the program impacts future deficits on-budget and unified deficits depends both on the funding status of the program and estimates of the economic implications of instituting changes to the program. For example, eliminating Social Security—a step that I do not support—would steeply raise poverty rates among Americans of all ages and could result in substantially higher expenditures for other social programs. However, I have not undertaken a robust modeling exercise regarding the impact of Social Security on Federal deficits.

Question. Researchers Valerie Ramey and Sarah Subairy wrote, in a 2015 VOXEU, CEPR article on government spending "multipliers" and noted evidence from U.S. historical data, that:

- Overall, we find no evidence that the multiplier on government purchases is higher during high unemployment States. Most estimates of the multiplier are between 0.6 and 1.
- In addition, we do not find convincing evidence of significantly higher multipliers during periods at the zero lower bound or constant interest rates.

They write: "Our findings suggest that there is no evidence that fiscal multipliers differ by the amount of slack in the economy or the degree of monetary accommodation. These results imply that, contrary to recent conjecture, government spending multipliers were not necessarily higher than average during the Great Recession. Do you agree with the analysis and conclusions; and, if not, please describe why you believe the analysis is incorrect.

Answer. On this question, I do not regard the Ramey and Zubairy analysis as definitive.

An extensive literature in empirical macroeconomics has sought to measure the government spending multiplier. This literature uses a variety of empirical methods, some of which come to different conclusions about the size of the government multiplier. For example, Nakamura and Steinsson (2014), using U.S. State-level data on military procurement, find a government spending multiplier of 1.5, well above the Ramey and Zubairy estimate. Miyamoto, Nguyen, and Sergeyev (2018) find a government spending multiplier of 1.5 when interest rates are at the zero lower bound in the case of Japan. Chodorow-Reich (2019) provides a comprehensive review of government spending multipliers, with cross-sectional evidence supportive of higher multipliers and larger responses in periods of greater slack.

It is also worth noting that the Ramey and Zubairy analysis looks at government spending multipliers during World War II. Extensive rationing of consumer goods during the war may lower their estimate of the government spending multiplier despite a high degree of monetary accommodation.

Lastly, this literature is largely silent on the macroeconomic effect of transfers. Much of the fiscal response to the pandemic has come in the form of transfers rather than changes in direct government consumption. Overall, there continues to be active discussion about the size of the government spending multiplier and, more generally, the effects of fiscal policy, and how these effects may differ in periods of slack versus full employment.

QUESTIONS SUBMITTED BY HON. JOHN THUNE

Question. At the hearing, you stated that you believe the Treasury Department's plan to raise $700 billion over the next decade was too low of estimate. As you know, the administration proposed raising $700 billion over the next decade largely through new tax compliance measures and $80 billion of new IRS funding.

If the Treasury Department's projection was incorrect, as you assert, what is the correct number in your estimation and how do you arrive at that figure?

Answer. Career economists in Treasury's Office of Tax Analysis estimated that the administration's compliance proposals will generate $700 billion over the course of the next decade. However, as the recent Treasury report makes clear, these estimates are thought to be conservative for several reasons. For example, the revenue potential of additional resources is based on IRS return on investment (ROI) estimates that only exist for adjustments detected through current enforcement-related activities. Benefits of other foundational changes in tax administration, like IT and taxpayer service improvements, are not accounted for. Additionally, although revenue estimates for increased information reporting includes the effects of this regime on voluntary compliance, estimates for increased enforcement actions do not account for deterrent effects, which are known to be quite significant.

Question. The nonpartisan Congressional Budget Office estimated that increasing IRS funds by $40 billion over 10 years would increase revenues by $103 billion, resulting in a net $63 billion decrease in the deficit. It is not to say that better utilized or enhanced resources could not help find real money, but the projected return on investment is vastly different than the Treasury Department's projections—and deserves clarification as the administration portrays the figures as offsets for new spending proposals.

Do you disagree with CBO's estimate? Why or why not?

Answer. It is difficult to compare the administration's compliance initiatives to previous estimates because of differences in scale and scope of the comprehensive proposal the President put forth in the American Families Plan. Estimates from career economists at the Office of Tax Analysis suggest that providing the IRS the resources it needs to address sophisticated tax evasion and introducing a comprehensive financial reporting regime would raise $700 billion in additional revenue over the course of a decade: $240 billion in net tax revenue from $80 billion in additional IRS resources; and $460 billion from a new financial reporting regime.

Question. Congressional Budget Office rules prohibit scoring hoped-for but entirely certain revenue from enforcement proposals. Does the Treasury Department account for CBO's scorekeeping rules with its $700 billion projection? Does your higher estimate account for CBO's scorekeeping rules? If not, how would the scorekeeping rules alter each projection and by what amount?

Answer. Many in the academic and policymaking community have written about the budgetary scorekeeping rules and how they relate to tax compliance efforts. The nature of these rules is a matter on which those in the official scorekeeping community—the OMB, House and Budget Subcommittees, and CBO—will be best positioned to address. Should I have the privilege of being confirmed, in my role I look forward to working with these groups and you and your colleagues on this important question.

QUESTIONS SUBMITTED BY HON. ROB PORTMAN

Question. I am very concerned by the recent inflation indicators we are seeing. As you know, a Congressional Budget Office report earlier this year predicted that we would hit full recovery by the middle of 2021 without additional spending. Yet, we are seeing even more spending that would continue into next year.

Are you concerned about rising inflation, and how does that change your assessment of additional Federal spending?

Answer. I believe that the current inflation rates we are seeing are indicative of a robust recovery and likely transitory due to the combined effects of reopening the economy and supply chain disruptions that are impacting prices in some categories of durable goods, like motor vehicles. We expect monthly inflation rates to moderate in the coming months as the effects of stimulus payments wane, supply chain disruptions ease, and price normalization in pandemic-impacted sectors runs its course.

I believe that the administration's American Jobs Plan and American Families Plan will increase the productive capacity of the economy by improving physical infrastructure, reallocating workers to higher-paying/higher-productivity industries like manufacturing, and raising labor force participation by addressing the childcare and eldercare issues that make it harder for Americans to work. By increasing the economy's capacity, the risks of an undesirable future increase in inflation will be lower, as it means the economy can grow faster and for longer before resource utilization tightens. Additionally, both plans are paid for over time, limiting the near-term increase in deficits and lowering deficits in the medium term.

Question. I was interested to learn in your writings of your interest in retirement security—particularly as it relates to lifetime income. You may know that Senator Cardin and I have a sweeping bipartisan retirement bill. Amongst other changes, our bill reforms Qualified Longevity Annuity Contracts ("QLACs") and makes it easier for retirees to purchase annuity products. This seems to dovetail well with the work you did at Brookings.

Can you discuss why lifetime income—particularly later in life—is so crucial and the ways the private sector can play a role here?

Can you commit to working with me on this if confirmed to you role?

Answer. Throughout my career I have been an ardent supporter of more robust markets for lifetime income products as one strategy for strengthening retirement security. My focus on this topic was driven, in part, by the belief that one of the greatest risks in retirement is uncertain lifespans, and this uncertainty can be addressed through guaranteed lifetime income. Naturally, Social Security plays a critical role in the provision of this income, but many workers may seek additional opportunities to increase their level of guaranteed income beyond their Social Security benefits—and for these workers increased access to lifetime income products, especially those that are specifically tailored to address longevity risk, can be welfare enhancing. This view is in line with the perspective of many other economists who study aging and retirement policy. If confirmed, I look forward to working with you on this critical issue.

QUESTIONS SUBMITTED BY HON. JAMES LANKFORD

Question. We've seen comments from several prominent progressive economists warning of the massive size of the Democrats' American Rescue Plan—with Larry Summers even warning that this legislation was the "least responsible macroeconomic policy we've had in the last 40 years," and that "now, the primary risk to the U.S. economy is overheating—and inflation."

I'm concerned that the level of stimulus—especially as discussion of spending trillions more on infrastructure and in the President's Budget continues—could lead to inflation and rising interest costs, and ultimately stall economic recovery.

Just weeks ago, we saw that the Consumer Price Index (CPI) for April 2021 was up 4.2 percent from that time last year. This is the sharpest year-to-year increase since September of 2008. I understand that in April of 2020 we were in the midst of the COVID–19 pandemic, and that we need to be mindful of that when drawing comparisons. However, I also know that Americans, and my Oklahoma constituents, are feeling these rising prices directly, as food and household energy costs continue to rise, and I worry that some of these effects may not be temporary.

Do you agree with Summers and others who warn of these economic risks and the irresponsibility of such high spending?

Are you concerned by this level of inflation? If not, how long do you expect these high rates to continue?

Do you think corresponding action will be necessary?

How can we contain overheating risks and promote sustainable recovery and growth?

Answer. A robust recovery—which I believe we are now seeing—will involve some degree of transitory inflation, as pandemic-impacted sectors that saw price decreases in 2020 return prices to their pre-pandemic levels. Moreover, elevated demand for goods along with supply chain disruption due to the pandemic have led to some price increases for goods like motor vehicles. I expect the combined effects or reopening and higher demand due to stimulus payments to moderate in coming months, bringing inflation rates down. In particular, I expect monthly inflation rates to return to levels consistent with the Fed's 2-percent PCE average inflation target later this year. To be clear, I recognize that even transitory inflation, especially for essential goods, can be difficult for American families.

Inflation expectations remain within historical ranges, and the Fed retains the tools to address any inflation risks that materialize in the medium term.

Overall, I believe the American Rescue Plan was fiscally responsible legislation that sought to quickly end the pandemic and restore the economy to full employment. At the start of the year, nearly 10 million jobs had been lost since April 2020, and the course of the pandemic remained highly uncertain. Under these conditions, the risk of doing too little outweighed the risk of doing too much. The American Jobs Plan and American Families Plan pose limited inflationary risk, since these proposals are fully paid for, phase in over the course of multiple years, and meaningfully increase economic potential. Together, these plans will boost productivity and reduce the odds of undesirable future inflation by investing in infrastructure, reallocating labor to higher-paying/higher- productivity industries, and increasing labor force participation by addressing longstanding childcare and eldercare challenges that serve as a barrier to work.

In assessing the risks, it also important to keep in mind that prior to the pandemic, inflation had run below the Federal Reserve's 2-percent target for a prolonged period and inflation expectations were widely regarded as too low. In my view, the temporary price increases we are seeing today as the economy rapidly reopens will not leave a lasting imprint on long-run inflation dynamics.

QUESTION SUBMITTED BY HON. TODD YOUNG

Question. The Social Impact Partnership to Pay for Results Act (SIPPRA), bipartisan legislation that I led with Senator Bennet and was enacted in early 2018, created a new Federal outcomes fund at the Department of Treasury, which you would oversee as the Assistant Secretary for Economic Policy. State and local jurisdictions across the country applied for SIPPRA funds. Applications were due on May 22, 2019. That date is significant because, as of this hearing, it was more than 2 years ago.

After thoroughly reviewing these applications, a bipartisan commission recommended eight finalists for outcomes-based funding awards. Yet despite a statutory deadline of late November 2019 for the Treasury Department to announce its first round of awards, 2 years later, only one award has been announced.

The Federal Government has now taken eight times longer to review applications than applicants took to create projects and craft proposals. The Federal interagency review process, after the Commission finished its review process, now stretches into its nineteenth month. At least one finalist, a project from my home State of Indiana, exited the process due to this delay.

If confirmed, what steps will you take to avoid further unnecessary delays, and ensure that this outcomes fund lives up to the full potential envisioned in the original bipartisan legislation?

Answer. Prior to serving at the Treasury Department as a counselor to Secretary Yellen, I served for several years as the chief economist to a non-partisan evidence-based policy group that advocated for programs, like SIPPRA, that more closely tie programmatic outcomes to funding. I remain a supporter of these approaches and hope to have the opportunity to work to ensure effective implementation of the promising program.

PREPARED STATEMENT OF J. NELLIE LIANG, PH.D., NOMINATED TO BE UNDER SECRETARY FOR DOMESTIC FINANCE, DEPARTMENT OF THE TREASURY

Chairman Wyden, Ranking Member Crapo, and members of the committee, thank you for the opportunity to appear before you today. I am honored to have been nominated by President Biden to be Under Secretary for Domestic Finance at the Department of the Treasury, and by the trust of Secretary Yellen.

I am grateful to the committee for considering my nomination. I am also grateful for the support of my husband of 37 years, Ken Howard, who is here with me today, and my children, Greg and Kim. I would also like to recognize my parents, who immigrated to this country many decades ago, with very little beyond their values. But they believed that in this country, if their children went to school, worked hard, and committed to family and community, they would have many opportunities to contribute to this country's potential and share in its prosperity.

I am an economist by training and have spent many years in public service. I have studied and have seen up close how financial institutions and financial markets affect economic and financial stability. I am committed to applying the insights from this experience, as well as from data, research, and broad outreach, to policymaking.

The pandemic revealed fragilities in the economy, especially in some communities that were least able to bear the burden. It also revealed fragilities in parts of our financial system. If confirmed, I will work to support the President's and the Treasury Secretary's priorities to promote a financial system that will lead to more sustainable and equitable economic growth.

In doing so, I will build on the strengths of the U.S. financial system, which is the world's strongest, providing trillions of dollars of credit to households, businesses, and governments each year to support their spending and investments. The system has demonstrated time and again its ability to adapt to changes in the demand for services and in technology, bringing about significant changes in how financial services are delivered. Recent developments in digital assets have the potential to be even more transformative for financial services.

If confirmed, I look forward to working with members of this committee and others to ensure that the evolving financial system continues to meet the needs of the American people. I will work to improve credit access to underserved communities, including through the implementation of various programs at Treasury that provide both capital and technical assistance to small businesses and low-income communities. In addition, while our dynamic financial system spurs growth, it can also lead to significant regulatory gaps over time. I will work to ensure that we are adopting policies that recognize these changes, to ensure consumers and investors are informed and protected, and that risks to financial stability are mitigated.

In addition, a critical responsibility for Treasury is to manage the costs of government financing. The Treasury securities market is the deepest, most liquid market in the world. The country benefits from the special attributes of Treasury securities, and I believe it is critical that we ensure that the Treasury market operates well in periods of stress. If confirmed, I will endeavor to provide an assessment of changes in this market that have arisen from technological advances and shifts in market participants' behavior, and recommend policies, as needed, to ensure a resilient Treasury securities market.

In short, if I were to have the honor of serving in this role, it will be my priority to promote an efficient and stable financial system that can meet the needs of a dynamic economy. I recognize that this effort will take constant communication with the members and staff of this committee. I very much look forward to working closely with all of you and your colleagues to accomplish these goals.

Thank you again for the privilege of appearing before you today, and I look forward to answering your questions.

SENATE FINANCE COMMITTEE

STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. Name (include any former names used): Jean Nellie Liang.
2. Position to which nominated: Under Secretary for Domestic Finance, Department of Treasury.
3. Date of nomination: April 22, 2021.
4. Address (list current residence, office, and mailing addresses):
5. Date and place of birth: October 23, 1957; Chicago, Illinois.
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):

   Rich Central High School, 1971–1975, Diploma received June 1975.

   University of Notre Dame, B.A., 1975–1979, Degree received May 1979.

   University of Maryland, Ph.D., Economics, 1981–1986, Degree received May 1986.
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):

   Counselor, U.S. Department of Treasury, January 25th to present.

   Senior Fellow, Brookings Institution, Washington, DC, 2017 to present.

   Lecturer, Yale University, School of Management, New Haven, CT, 2018 to present.

   Visiting Scholar, International Monetary Fund, Washington, DC, 2017 to January 2021.

   Academic Advisor, Financial Stability Board, TBTF project, Basel, Switzerland, June 2019 to January 2021.

   Consultant, Capula Investment Management, Greenwich, CT, September 2020 to January 2021.

   Economist, Federal Reserve Board of Governors, Washington, DC 1986–2017.
   - Economist, Division of Research and Statistics, 1986–1996.
   - Chief, Capital Markets, Division of Research and Statistics, 1996–2000.
   - Assistant Director, Division of Research and Statistics, 2000–2006.
   - Associate Director, Division of Research and Statistics, 2006–2010.
   - Director, Division of Financial Stability, 2010–2017.

   Analyst, Wharton Econometrics Forecasting Association, Washington, DC 1979–1980.

   Analyst, Data Resources Inc., Washington, DC, 1980–1981.

   Research Associate, Federal Trade Commission, Washington, DC 1985–1986.

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):

    Counselor, U.S. Treasury, January 2021 to present.

    Economist, Federal Reserve Board of Governors, Washington, DC 1986–2017.
    - Economist, Division of Research and Statistics, 1986–1996.
    - Chief, Capital Markets, Division of Research and Statistics, 1996–2000.
    - Assistant Director, Division of Research and Statistics, 2000–2006.
    - Associate Director, Division of Research and Statistics, 2006–2010.
    - Director, Division of Financial Stability, 2010–2017.

    Member of Congressional Budget Office Economic Advisory Panel, 2016 to 2020.

    Federal Trade Commission, Research Associate, 1985–1986.

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):

    Consultant to Financial Stability Board on Too-Big-to-Fail project, June 2019 to January 2021.

    Consultant to Capula Investment Management, September 2020 to January 2021.

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):

    American Economic Association, member, intermittent 1986 to present.

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.

       None.

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):

    None.

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):

    I have done my best to identify titles, publishers, and dates of books, articles, reports, and other published materials, including a thorough review of personal files and searches of publicly available electronic databases. If additional materials are identified, they will be provided promptly to the committee.

    Adrian, Tobias, Federico Grinberg, Nellie Liang, Sheheryar Malik, Jie Yu (2021), "The Term Structure of Growth-at-Risk," *American Economic Journal: Macroeconomics* (forthcoming).

    Liang, Nellie and Pat Parkinson (2020). "Enhancing Liquidity of the U.S. Treasury Market under Stress," Working Paper, Brookings Hutchins Center #72, Dec. *https://www.brookings.edu/research/enhancing-liquidity-of-the-u-s-treasury-market-under-stress/.*

Liang, Nellie (2020). "Corporate Bond Market Dysfunction during COVID–19 and Lessons from the Fed's Responses," Working Paper, Brookings Hutchins Center #69, Oct. *https://www.brookings.edu/research/corporate-bond-market-dysfunction-during-covid-19-and-lessons-from-the-feds-response/.*

English, William and Nellie Liang (2020). "Designing the Main Street Lending Program: Challenges and Options," *Journal of Financial Crises* 2(3), 1–40. *https://elischolar.library.yale.edu/journal-of-financial-crises/vol2/iss3/1.*

Adams, Patrick, Tobias Adrian, Nina Boyarchenko, Domenico Giannone, Nellie Liang, and Eric Qian (2020), "What do financial conditions tell us about risks-to-GDP growth?" Liberty Street Economics, May 21st. *https://libertystreeteconomics.newyorkfed.org/2020/05/what-do-financial-conditions-tell-us-about-risks-to-gdp-growth.html.*

Adrian, Tobias, Fernando Duarte, Nellie Liang, Pawel Zabcyzk (2020). "NKV: A New Keynesian Model with Vulnerability," AEA *Papers and Proceedings,* 110, May, 470–76.

Liang, Nellie (2020). "Banks should suspend share repurchases for longer," April 8th. *https://www.brookings.edu/blog/up-front/2020/04/08/banks-should-suspend-share-repurchases-for-longer/.*

Liang, Nellie (2020). "What macroprudential policies are countries using to help their economies through the COVID–19 crisis," April 6th. *https://www.brookings.edu/blog/up-front/2020/04/06/what-macroprudential-policies-are-countries-using-to-help-their-economies-through-the-covid-19-crisis/.*

Liang, Nellie (2020). "The Federal Reserve, which already has moved aggressively, can do more for small businesses," March 30th. *https://www.brookings.edu/blog/up-front/2020/03/30/the-federal-reserve-which-already-has-moved-aggressively-can-do-more-for-small-businesses/.*

Liang, Nellie (2020). "Three important questions to answer about U.S. financial stabilization policies amid the coronavirus recession," convening by Emmanuel Saez and Gabriel Zucman on the financial crisis, March 24, 2020. Washington Equitable Center for Growth. *https://equitablegrowth.org/three-important-questions-to-answer-about-u-s-financial-stabilization-policies-amid-the-coronavirus-recession/.*

Liang, Nellie (2020). "The Fed should clarify how banks can deploy capital and liquidity," March 20th. *https://www.brookings.edu/blog/up-front/2020/03/20/the-fed-should-clarify-how-banks-can-deploy-capital-and-liquidity/.*

Villa, Kadija and Nellie Liang (2020), "What are macroprudential tools?", February 11th. *https://www.brookings.edu/blog/up-front/2020/02/11/what-are-macroprudential-tools/.*

Edge, Rochelle and Nellie Liang (2020), "Financial Stability Committees and Basel III Macroprudential Capital Buffers," Working Paper, Brookings Hutchins Center #59, Jan. *https://www.brookings.edu/research/stronger-financial-stability-governance-leads-to-greater-use-of-the-countercyclical-capital-buffer/.*

First Responders: Inside the U.S. Strategy for Fighting the 2007–2009 Global Financial Crisis, (2020), editors Ben Bernanke, Timothy Geithner, and Henry Paulson, with Nellie Liang, Yale University Press.

Liang, Nellie, Meg McConnell, and Phillip Swagel (2020), "Evidence on the Outcomes from the Financial Crisis Response," in First Responders: Inside the U.S. Strategy for Fighting the 2007–2009 Global Financial Crisis, (2020), editors Ben Bernanke, Timothy Geithner, and Henry Paulson, with Nellie Liang, Yale University Press.

Alvarez, Scott, William Dudley, and Nellie Liang (2020), "Nonbank Financial Institutions: New Vulnerabilities and Old Tools." in First Responders: Inside the U.S. Strategy for Fighting the 2007–2009 Global Financial Crisis (2020), editors Ben Bernanke, Timothy Geithner, and Henry Paulson, with Nellie Liang, Yale University Press.

Aikman, David, Andreas Lehnert, Nellie Liang, and Michele Modugno (2020). "Credit, Financial Conditions, and Monetary Policy Transmission," *International Journal of Central Banking,* June.

Liang, Nellie (2019), "A risky mix: Looser financial regulations when monetary policy is easing," October 15th. *https://www.brookings.edu/blog/up-front/*

2019/10/15/a-risky-mix-looser-financial-regulations-when-monetary-policy-is-easing/.

Adrian, Tobias, Dong He, Nellie Liang, and Fabio Natalucci (2019). "A Monitoring Framework for Global Financial Stability," Staff Discussion Note No. 19/06, International Monetary Fund, Aug. *https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2019/08/23/A-Monitoring-Framework-for-Global-Financial-Stability-46645.*

Kohn, Donald and Nellie Liang (2019), "Understanding the Effects of the U.S. Stress Tests," prepared for the Federal Reserve System Conference Stress Testing: A Discussion and Review, July. *https://www.brookings.edu/research/understanding-the-effects-of-the-u-s-stress-tests/*.

Liang, Nellie (2019). "Financial Stability and Monetary Policy," *Business Economics,* Vol 54(3), July. *https://doi.org/10.1057/s11369-019-00123-w.*

Adrian, Tobias and Nellie Liang (2019), "How growth-at-risk can help central bankers gauge financial stability risks," April 11th. *https://www.brookings.edu/blog/up-front/2019/04/11/how-growth-at-risk-can-help-central-bankers-gauge-financial-stability-risks/*.

Adrian, Tobias and Nellie Liang (2018), "Monetary Policy, Financial Conditions, and Financial Stability," *International Journal of Central Banking,* Vol 14(1), pp. 73–131, Jan.

Edge, Rochelle and Nellie Liang (2019), "New Financial Stability Governance Structures and Central Banks," Working Paper, Brookings Hutchins Center #50, Feb. (revised), and in Monetary Policy and Financial Stability in a World of Low Interest Rates, Reserve Bank of Australia 2017 Conference volume, Jonathan Hambur and John Simon (eds.).

Adrian, Tobias, Federico Grinberg, Nellie Liang, and Sheheryar Malik (2018), "The Term Structure of Growth-at-Risk," International Monetary Fund WP 18/180, August 2018; and Brookings Hutchins Center Working Paper #42, Aug. *https://www.brookings.edu/wp-content/uploads/2018/08/WP42-NL-updated.pdf.*

Liang, Nellie (2017). "What Treasury's financial regulation report gets right and where it goes too far." June 13th. *https://www.brookings.edu/blog/up-front/2017/06/13/what-treasurys-financial-regulation-report-gets-right-and-where-it-goes-too-far/*.

Liang, Nellie (2017). "Higher capital is not a substitute for stress tests," April 24th. *https://www.brookings.edu/research/higher-capital-is-not-a-substitute-for-stress-tests/*.

Falato, Antonio, and J. Nellie Liang (2016). "Do Creditor Rights Increase Employment Risk? Evidence from Loan Covenants," *Journal of Finance,* vol 71, no. 6, pp. 2545–2590.

Adrian, Tobias, Daniel M. Covitz, and J. Nellie Liang (2015). "Financial Stability Monitoring," *Annual Review of Financial Economics,* vol. 7, pp. 357–395.

Covitz, Daniel, Nellie Liang, and Gustavo A. Suarez (2013). "The Evolution of a Financial Crisis: Collapse of the Asset-Backed Commercial Paper Market," *Journal of Finance,* vol. 68, no. 3, pp. 815–848.

Liang, Nellie (2014). "Financial Stability: Lessons Learned from the Recent Crisis and Implications for the Federal Reserve," in Evanoff, Douglas D., Cornelia Holthausen, George G. Kaufman, Manfred Kremer, eds., The Role of Central Banks in Financial Stability: How Has It Changed?, World Scientific Studies in International Economics, vol. 30. Hackensack, NJ and Singapore: World Scientific, pp. 69–81.

Liang, Nellie (2013). "Systemic Risk Monitoring and Financial Stability," *Journal of Money Credit and Banking,* vol. 45, pp. 129–135.

Cordell, Larry, Karen Dynan, Andreas Lehnert, Nellie Liang, and Eileen Mauskopf (2010). "The Incentives of Mortgage Servicers: Myths and Realities," in Kolb, Robert W. ed., Lessons from the Financial Crisis. Hoboken, NJ: John Wiley and Sons, pp. 231–237.

Brown, Jeffrey R., Nellie Liang, and Scott Weisbenner (2007). "Executive Financial Incentives and Payout Policy: Firm Responses to the 2003 Dividend Tax Cut," *Journal of Finance,* vol. 62, no. 4, pp. 1935–1965.

Brown, Jeffrey R., Nellie Liang, and Scott Weisbenner (2007). "Individual Account Investment Options and Portfolio Choice: Behavioral Lessons from 401(k) Plans," *Journal of Public Economics,* vol. 91, no. 10, pp. 1992–2013.

Brown, Jeffrey R., Nellie Liang, and Scott Weisbenner (2006). "401(k) Matching Contributions in Company Stock: Costs and Benefits for Firms and Workers," *Journal of Public Economics,* vol. 90, no. 6–7, pp. 1315–1346.

Coronado, Julia, and Nellie Liang (2006). "The Influence of PBGC Insurance on Pension Fund Finances," in Blitzstein, David, Olivia Mitchell S. and Stephen Utkus P., eds., Restructuring Retirement Risks. Oxford and New York: Oxford University Press, pp. 88–108.

Amromin, Gene, Paul Harrison, Nellie Liang, and Steve Sharpe (2005). "How Did the 2003 Dividend Tax Cut Affect Stock Prices and Corporate Payout Policy?", Finance and Economics Discussion Series 2005–57. Board of Governors of the Federal Reserve System.

Liang, Nellie (2005). "Are Empowerment and Education Enough? Underdiversification in 401(k) Plans: Comment," *Brookings Papers on Economic Activity,* vol. 2005, no. 2, pp. 202–208.

Helwege, Jean, and Nellie Liang (2004). "Initial Public Offerings in Hot and Cold Markets," *Journal of Financial and Quantitative Analysis,* vol. 39, no. 3, pp. 541–569.

Amromin, Gene, and Nellie Liang (2003). "Hedging Employee Stock Options, Corporate Taxes, and Debt," *National Tax Journal,* vol. 56, no. 3, pp. 513–533.

Fenn, George W., and Nellie Liang (2001). "Corporate Payout Policy and Managerial Stock Incentives," *Journal of Financial Economics,* vol. 60, no. 1, pp. 45–72.

Liang, Nellie, and Scott Weisbenner (2001). "Who Benefits from a Bull Market? An Analysis of Employee Stock Option Grants and Stock Prices," Finance and Economics Discussion Series 2001–57. Board of Governors of the Federal Reserve System.

Liang, J. Nellie, and Steven A. Sharpe (1999). "Share Repurchases and Employee Stock Options and Their Implications for S&P 500 Share Retirements and Expected Returns," Finance and Economics Discussion Series 1999–59. Board of Governors of the Federal Reserve System.

Fenn, George W., and Nellie Liang (1998). "New Resources and New Ideas: Private Equity for Small Businesses," *Journal of Banking and Finance,* vol. 22, no. 6–8, pp. 1077–1084.

Amel, Dean F., and J. Nellie Liang (1997). "Determinants of Entry and Profits in Local Banking Markets," *Review of Industrial Organization,* vol. 12, no. 1, pp. 59–78.

Fenn, George W., Nellie Liang, and Stephen Prowse (1997). "The Private Equity Market: An Overview," *Financial Markets, Institutions and Instruments,* vol. 6, no. 4, pp. 1–105.

Helwege, Jean, and Nellie Liang (1996). "Is There a Pecking Order? Evidence from a Panel of IPO Firms," *Journal of Financial Economics,* vol. 40, no. 3, pp. 429–458.

Fenn, George W., Nellie Liang, and Stephen Prowse (1995). "The Economics of the Private Equity Market," Staff Studies 168. Board of Governors of the Federal Reserve System.

Hannan, Timothy H., and J. Nellie Liang (1995). "The Influence of Thrift Competition on Bank Business Loan Rates," *Journal of Financial Services Research,* vol. 9, no. 2, pp. 107–122.

Berkovec, James A., and J. Nellie Liang (1993). "Selection in Failed Bank Auction Prices: An Econometric Model of FDIC Resolutions," Finance and Economics Discussion Series 93–40. Board of Governors of the Federal Reserve System.

Hannan, Timothy H., and J. Nellie Liang (1993). "Inferring Market Power from Time-Series Data: The Case of the Banking Firm," *International Journal of Industrial Organization,* vol. 11, no. 2, pp. 205–218.

16. Speeches (list all formal speeches and presentations (*e.g.,* PowerPoint) you have delivered during the past 5 years which are on topics relevant to the position for which you have been nominated, including dates):

I have done my best to identify speeches and presentations, including a thorough review of personal files and searches of publicly available electronic databases. If additional materials are identified, they will be provided promptly to the committee.

Economic Policy Issues in the 2020 Presidential Campaign, Princeton University Griswold Center, October 10, 2020 (no text or link available).

The 2020 Treasury Market Conference, hosted by the U.S. Treasury, Federal Reserve Board, Federal Reserve Bank of New York, Securities and Exchange Commission, and the Commodities Futures Trading Commission, "Enhancing the Resilience of the U.S. Treasury Market," September 29th. *https://www.newyorkfed.org/newsevents/events/markets/2020/0929-2020.*

Brookings Papers on Economic Activity conference, Discussant of "Business Credit Programs in the Pandemic Era," September 25, 2020, *https://www.brookings.edu/events/bpea-fall-2020-covid-19-and-the-economy/.*

National Bureau of Economic Research, Panel Discussion of COVID–19 and Macroeconomic Policy, July 8, 2020 (no text or link available).

COVID–19 and the financial system—How resilient are the banks? How are they supporting the economy?, Brookings Webinar, June 4, 2020. *https://www.brookings.edu/events/webinar-covid-19-and-the-financial-system-how-resilient-are-the-banks-how-are-they-supporting-the-economy/.*

COVID–19 and the financial system—How and why were financial markets disrupted?, Brookings Webinar, May 27, 2020. *https://www.brookings.edu/events/webinar-covid-19-and-the-financial-system-how-and-why-were-financial-markets-disrupted/.*

Government lending to small businesses during COVID–19—Why? How? And will it work?, Brookings Webinar, April 14, 2020. *https://www.brookings.edu/events/government-lending-to-small-businesses-during-covid-19-why-how-and-will-it-work/.*

Financial regulations and financial stability, Barclays Financial Regulatory Field Trip, June 18, 2020 (no text or link available).

Bank stress tests, Expert webinar, Evercore ISI, June 30, 2020 (no text or link available).

Financial stability, Expert webinar, Evercore ISI, May 18, 2020 (no text or link available).

Macroprudential policies and COVID–19 response. Washington University Executive education, May 26, 2020 (no text or link available).

Brookings Papers on Economic Activity conference, Discussant of "When is Growth at Risk?", March 2020. *https://www.brookings.edu/product/brookings-papers-on-economic-activity-spring-2020-edition/.*

Evaluating U.S. financial stabilization measures for COVID–19, Princeton University Benheim Center, March 26, 2020. *https://bcf.princeton.edu/events/nellie-liang-on-evaluating-u-s-financial-stabilization-measures-for-covid-19/.*

"The Repo Market Disruption: What happened, why, and should something be done about it?", December 5, 2019. Brookings webinar. *https://www.brookings.edu/events/the-repo-market-disruption-what-happened-why-and-should-something-be-done-about-it/.*

"Financial Stability and Central Banks," 25th Anniversary of central bank independence, Banco de Mexico, November 1, 2019 (no text or link available).

Risks to financial stability, Bank Credit Analyst, September 2019 (no text or link available).

Keynote conversation with Randal Quarles, Bipartisan Policy Center, July 11, 2019. *https://bipartisanpolicy.org/event/keynote-conversation-with-randal-quarles-federal-reserve-vice-chair-monetary-policy-financial-regulation-the-fed/.*

Federal Reserve System Conference, "Stress Testing: A Discussion and Review," Federal Reserve Bank of Boston, July 9, 2019. *https://www.bostonfed.org/news-and-events/events/2019/stress-testing.aspx.*

Financial regulations and financial stability, Cornerstone Research, 2018 (no text or link available).

Macroprudential Stress tests, Moody's Analytics, 2018 (no text or link available).

Deutsche Bundesbank, Sveriges Riksbank, and De Nederlandsche Bank, Fifth Annual Macroprudential Conference, "Financial Stability Committees and the Basel III Countercyclical Capital Buffer," May 2019 (no text or link available).

Brookings Institution, September 2018, "The 2007–2009 Financial Crisis: An Economic Perspective," (with Andrew Metrick), at Responding to the Global Financial Crisis: What We Did and Why We Did it." *https://www.brookings.edu/wp-content/uploads/2018/08/Overview-Presentation-9-11-18-FINAL.pdf.*

Bank of International Settlements, June 2018, "Progress on Dynamic Macroprudential Policies," at 17th Annual Research Conference (no text or link available).

Bank of International Settlements, March 2018, "Term Structure of Growth-at-Risk," Research Conference (no link available).

Peterson Institute, October 2017, "Rethinking Financial Stability," at Rethinking Macroeconomic Policy Conference. *https://www.brookings.edu/blog/up-front/2017/12/04/rethinking-financial-stability-and-macroprudential-policy/.*

International Finance and Banking Society, July 2017, Keynote address "Financial Regulations and Macroeconomic Stability," Oxford, UK. *https://www.brookings.edu/wp-content/uploads/2017/07/liang_financialregulationsand macroeconomicstability.pdf.*

ECB Macroprudential Policy and Research Conference, May 2017, paper discussant (no text or link available).

Reserve Bank of Australia, March 2017, "New Financial Stability Governance and Central Banks," at Monetary Policy and Financial Stability in a World of Low Interest Rates.

Bank of England, Workshop on Macroprudential Policy for Housing, November 2016, "U.S. Implementation of Macroprudential Policies," panel presentation (no text or link available).

MIT Golub Center for Finance and Policy, September 2016, "Causes of and Policy Responses to the U.S. Financial Crisis: What Do We Know Now that the Dust has Settled?", Systemic Risk, moderator (no text or link available).

Bank of Canada, CIGI, IMF, Peterson Institute Joint Workshop, May 2016, "Macroprudential and Monetary Policy in the U.S.," Reinventing the Role of Central Banks in Financial Stability (no text or link available).

European Central Bank, April 2016, "Financial Vulnerabilities, Macroeconomic Dynamics, and Monetary Policy," paper presentation (no text or link available).

Federal Reserve Bank of San Francisco, March 2016, Discussant of Lars Svensson, "Cost-Benefit Analysis of Leaning against the Wind: Are Costs Larger also with Less Effective Macroprudential Policy?", Macroeconomics and Monetary Policy Conference (no text or link available).

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

    I am a professional economist with significant expertise in researching policies to promote a robust and resilient financial system to support economic growth and financial stability. I was a member of the staff of the Board of Governors of the Federal Reserve System for more than 30 years. While at the Fed, I held a number of positions, each with increasing responsibility. In 2010, I was appointed by the Board to be the first director of what became the Division of Financial Stability, created after the financial crisis to coordinate the Board's work in this important area. Through my service, I acquired substantial experience with financial markets and financial institutions, and an understanding of the major policy issues facing the U.S. to promote a financial system that is efficient and fair. Since leaving the Fed in 2017, I have continued to research issues on the financial system and its linkages to economic stability, while a senior fellow at the Brookings Institution, a visiting scholar at the International Monetary Fund, and a part-time lecturer at Yale University School of Management.

While at the Fed, I advised the Chairperson of the Federal Reserve on risks to financial stability. I also prepared materials for monetary policy decisions by the Federal Open Market Committee (FOMC). I regularly briefed the FOMC on financial market developments and financial stability risks and directed the briefings of many other staff members. I led a new office, created under Chairman Ben Bernanke and expanded under Chair Janet Yellen, to focus specifically on the Fed's responsibilities for promoting financial stability. I established a systematic program to monitor potential risks to financial stability and to develop policy options to address the risks, and that program continues to be used today. I represented the Board in inter-agency staff groups, including those sponsored by the U.S. Financial Stability Oversight Council and the Financial Stability Board, an international body that monitors and makes recommendations about the global financial system.

I also helped to implement some of the Fed's emergency responses to the financial crisis from 2007 to 2009, which were designed to reduce the negative impact of stresses in financial institutions and financial markets on the economy. I worked directly to design and implement the supervisory stress tests of the largest banking firms and the Fed's liquidity programs to help prevent the collapse of the commercial paper market. I recently co-edited a book, "First Responders," with Ben Bernanke, Timothy Geithner, and Henry Paulson, to produce lessons learned from the many government programs taken to respond to the financial crisis. I believe that this type of book can help future policymakers to avoid repeating past mistakes that can lead to prolonged hardships on many households and businesses.

I have maintained an active research agenda throughout my career. I have published original research on a wide range of topics. In recent years, my research has focused on linkages between the financial system and macroeconomic growth and stability. Since the onset of the COVID–19 pandemic, I have studied the functioning of the Treasury securities market, liquidity of corporate bond markets, and the design of loan programs to support small businesses.

This broad range of experiences will inform my work as Under Secretary of Domestic Finance if I were to be confirmed. I have substantial knowledge and experience in financial institutions and markets, in periods of calm and in periods of intense stress. This experience will help me to promote policies to ensure that the financial system functions efficiently and fairly, providing critical financial services needed to support economic growth, while protecting consumers and investors. In addition, I have demonstrated the ability to build and manage a sizable, diverse, and highly productive organization when I created a new division of financial stability at the Fed.

I graduated from the University of Notre Dame in 1979 with a B.A. in economics, *summa cum laude,* and from the University of Maryland in 1986 with a Ph.D. in economics.

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.

   Contract with Yale University ends in May 2021.

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.

   None.

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.

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.

   No.

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.

   No.

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 J. NELLIE LIANG, PH.D.

QUESTIONS SUBMITTED BY HON. ELIZABETH WARREN

Question. The Treasury Offset Program (TOP) collects past-due Federal nontax debt and State tax and nontax debt by offsetting Federal payments to individuals. Under current law, $750 in monthly Social Security benefits is exempted from administrative offset, above which 15 percent of benefits may be garnished.[1] The intent of the exemption is to ensure that offsets do not leave beneficiaries without a sufficient level of benefits to ensure a basic standard of living. Social Security benefits represent about 33 percent of the income of elderly Americans, and 45 percent of single elderly beneficiaries rely on Social Security for more than 90 percent of their income.[2]

In 1998, the year Treasury regulations implemented the $750 threshold, the threshold constituted 112 percent of the Federal poverty line for a single adult.[3] However, because this threshold was not adjusted for cost of living, an increasing number of seniors experiencing garnishment are left with monthly benefits well below the poverty line. According to a 2016 GAO report, the $750 threshold represented just 76 percent of the 2016 poverty guideline.[4] Among older Americans whose Social Security benefits were offset after defaulting on their Federal student loans, 64 percent had benefits below the poverty line in fiscal year 2015.[5] Moreover, as GAO notes, "a growing number of these older borrowers already received Social Security benefits below the poverty guideline before offsets further reduced their incomes."[6]

Do you believe that $750 a month is a sufficient amount for Social Security beneficiaries who are already struggling to pay their debts to live on? Please explain why or why not.

As Under Secretary for Domestic Finance, will you commit to revising Treasury regulations to raise the offset threshold for Social Security and other Federal benefit payments to at least 150 percent of the Federal poverty line and adjust the threshold for cost of living, before the end of the year?

Will you commit to preserving the 15-percent withholding percentage for Social Security benefits and other Federal payments above the offset threshold amount?

Do you believe Social Security benefits should be entirely exempted from administrative offset? Please explain why or why not.

Answer. I understand that Treasury has recently begun a review of its offset program to determine whether additional regulatory or statutory changes could make the system more equitable and to determine what additional protections might as-

---

[1] 31 CFR § 285.4.

[2] Social Security Administration, "Fact Sheet: Social Security," 2021, *https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf*.

[3] GAO, "Social Security Offsets: Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief," GAO–17–45, December 2016, *https://www.gao.gov/assets/gao-17-45.pdf*.

[4] *Id.*

[5] *Id.*

[6] *Id.*

sist low-income debtors. If I am confirmed, I look forward to working with others at Treasury and Congress on this issue.

Question. Student loan debt is crippling millions of families across the country—especially those borrowers who have defaulted on their loans. Borrowers who have not made a loan payment for more than 270 days are considered to be in default and can be subject to offset through the Treasury Offset Program and Administrative Wage Garnishment program.[7] As research has shown, these programs may seize hundreds or thousands of dollars more from student loan borrowers than they would have been required to pay under an income driven repayment (IDR) plan, which requires borrowers pay a percent of their adjusted gross income above 150 percent of the Federal poverty line.[8]

Will you commit to revising the offset formulas under these programs to ensure that student loan borrowers pay no more than would have been required under an IDR plan?

Answer. If confirmed, I look forward to engaging with you and your office on issues related to the offset program. Treasury collects student loan debts through the Treasury Offset Program (TOP) as directed by the Department of Education and as required by statute but does not collect these debts through administrative wage garnishment or use other tools to collect student loan debt. TOP is a collection tool and referring creditor agencies (not Treasury) determine when and to what extent they are required to use TOP. If the Department of Education determines that a debtor is not eligible for offset due to financial hardship (or for some other reason) or if Education determines that the debtor qualifies for a reduced offset, Treasury will implement Education's direction.

Question. The Earned Income Tax Credit (EITC) is one of the government's most effective tools to fight poverty, increase financial stability, and promote work among low-income workers and their families.[9] Despite the EITC's importance for supporting working families and their economic mobility, tax refunds received by EITC recipients who have defaulted on their Federal student loans are subject to offset. Borrower advocates have documented the harm that EITC offsets cause financially distressed student loan borrowers, including impairing their ability to get and keep jobs and pay for basic necessities, and exacerbating housing instability.[10] The Treasury Department, however, does not provide public data on the amount and value of EITC refunds that are seized from borrowers each year.

Do you believe the EITC should be exempt from seizure through the Treasury Offset Program? Please explain why or why not.

Will you commit to analyzing and releasing data on the composition of tax refund offsets to identify how many borrowers have had their EITC seized through the Treasury Offset Program in recent years?

Answer. My understanding is that this analysis would largely need to be handled by the IRS. If confirmed, I am committed to requesting a briefing by the relevant offices to better understand the issue.

Question. I have long been concerned about the practice of sending defrauded borrowers who are eligible for a student loan discharge under Borrower Defense to Treasury for debt collections and administrative offset. 31 U.S.C. 6402(d) authorizes the offset of any payments due to an individual against a "past due, legally enforceable debt."[11] In regulations and in a memorandum of understanding between Treasury and Education, the Secretary of Education may only certify debts that it has affirmatively determined are "legally enforceable." The Department of Education has previously argued that even when it is aware that a delinquent student loan

[7] Federal Student Aid, "Student Loan Delinquency and Default," *https://studentaid.gov/manage-loans/default.*

[8] Persis Yu, "Pushed into Poverty: How Student Loan Collections Threaten the Financial Security of Older Americans," National Consumer Law Center, May 2017, *https://www.nclc.org/images/pdf/student_loans/student-loan-collections-threaten-fin-sec.pdf.*

[9] Center on Budget and Policy Priorities, "Policy Basics: The Earned Income Tax Credit," December 10, 2019, *https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit.*

[10] Persis Yu, "Voices of Despair: How Seizing the EITC Is Leaving Student Loan Borrowers Homeless and Hopeless During a Pandemic," National Consumer Law Center, July 2020, *https://www.nclc.org/images/pdf/student_loans/voices-of-despair-seizing-eitc-in-pandemic.pdf.*

[11] 31 CFR § 6402.

may be eligible for discharge, and even when a borrower has filed a borrower defense application, it may still refer the debt to Treasury for collection by offset.[12]

Treasury may define the term "legally enforceable" to clarify that Education cannot affirmatively determine a debt is legally enforceable where it is aware of actual or potential grounds for cancellation, whether they have been asserted by the borrower or not. Will you commit to do so?

Answer. Treasury services many types of debts for many Federal and State agencies. The referring creditor agency is responsible for making decisions regarding the validity or enforceability of the debt. Different rules apply to the many programs on whose behalf Treasury collects debt, and Treasury does not have the programmatic expertise or the factual information needed to make appropriate decisions on behalf of the referring agencies. Federal agencies generally can determine whether a debt is legally enforceable or can determine whether it can suspend debt collection efforts, such as when a debtor has requested a waiver or review of the debt.

Question. Last Congress, I introduced S. 2155, the Stop Wall Street Looting Act, to reform the private equity industry and end abusive leveraged buyouts, and I have continued my oversight of this industry, particularly throughout the pandemic.[13] The private equity industry, which "is behind many of the understaffed and underprepared nursing homes through which COVID–19 tore, the surprise medical bills that will greet those lucky enough to make it home, and the evictions sending people out onto the streets amidst a global pandemic," operates through aggressive financial engineering and extracting wealth from target companies, "exploiting tax loopholes and pushing tax planning to the breaking point."[14]

Will you direct the Office of Capital Markets to review and report on the broader economic impact of private equity investments and their impacts on target companies, workers, and communities, as well as the tax and fee structures used by private equity funds?

Section 120 of the Dodd Frank Act allows the Financial Stability Oversight Council (FSOC) to issue recommendations to primary financial regulators "to apply new or heightened standards and safeguards" of financial activities that could create or increase the risk of significant liquidity, credit, or other problems speaking among bank holding companies and nonbank financial companies, financial markets of the United States, or low-income, minority, or underserved communities." Do you believe that the private equity industry has created "significant liquidity, credit, or other problems" among low-income, minority, or underserved communities?

Answer. The economic and tax issues associated with the private equity industry are important ones that warrant study. I share your concern that private equity buyouts can create high leverage for businesses and harm communities. If confirmed, I will look forward to working with you to evaluate these issues.

Question. In May 2020, the Federal Reserve, FDIC, and OCC issued a joint interim final rule (IFR) that allowed depository institutions to exclude U.S. Treasury securities and central bank reserves from the denominator of the Supplementary Le-

[12] Order on Motions for Judgment, *Darnelle E. Williams and Yessenia M. Taveras v. Elisabeth Devos,* October 24, 2018, *https://predatorystudentlending.org/wp-content/uploads/2018/10/Ruling_Williams-v.-DeVos_10.24.18.pdf.*

[13] Office of Senator Warren, "Warren, Baldwin, Brown, Pocan, Jayapal, Colleagues Unveil Bold Legislation to Fundamentally Reform the Private Equity Industry," July 18, 2019, *https://www.warren.senate.gov/newsroom/press-releases/warren-baldwin-brown-pocan-jayapal-colleagues-unveil-bold-legislation-to-fundamentally-reform-the-private-equity-industry;* Office of Senator Warren, "Warren to Private Equity Industry Lobbyists: Don't Exploit the COVID–19 Pandemic to Line the Pockets of the Wealthy at the Expense of Struggling Workers and Communities," press release, June 25, 2020, *https://www.warren.senate.gov/oversight/letters/warren-to-private-equity-industry-lobbyists-dont-exploit-the-COVID-19-pandemic-to-line-the-pockets-of-the-wealthy-at-the-expense-of-struggling-workers-and-communities.*

[14] American Prospect, "A Day One Agenda for Private Equity," Eleanor Eagan and Eileen Appelbaum, August 7, 2020, *https://prospect.org/day-one-agenda/a-day-one-agenda-for-private-equity/;* Private Equity Stakeholder Project, "Dividend Recapitalizations in Health Care: How Private Equity Raids Critical Health Care Infrastructure for Short Term Profit," October 20, 2020, *https://pestakeholder.org/report/dividend-recapitalizations-in-health-care-how-private-equity-raids-critical-health-care-infrastructure-for-short-term-profit/.*

verage Ratio (SLR).[15] A month earlier, the Fed granted similar relief at the holding company level through a separate IFR.[16]

Do you believe that either of the IFRs were appropriate?

Answer. The Federal Reserve, FDIC and OCC adopted the IFRs in response to the rush for liquidity and safety in the early stages of the COVID–19 pandemic. The carveout was temporary and intended to increase the ability of banking organizations to provide liquidity, by offsetting the pressures on the SLR from Fed asset purchases and resulting increases in bank reserves.

Question. Do you support the inclusion of central bank reserves in the SLR denominator?

Answer. I understand that the Federal Reserve is studying and inviting public comment on possible modifications to the SLR. As the Fed has acknowledged, it is important that any changes to the SLR do not erode bank capital levels.

Question. Do you support the inclusion of U.S. Treasuries in the SLR denominator?

Answer. I believe bank capital levels should not be eroded and that the SLR's function as a backstop to risk-weighted capital requirements should be maintained.

Question. Do you believe that modifying the SLR is an appropriate response to address strains in the Treasury market?

Answer. As noted above, the Federal Reserve, FDIC and OCC adopted the IFRs in response to the rush for liquidity and safety in the early stages of the COVID–19 pandemic. The carveout was temporary and intended to increase the ability of banking organizations to provide liquidity, by offsetting the pressures on the SLR from Fed asset purchases and resulting increases in bank reserves.

Question. Will you commit to not making any recommendations to the regulatory agencies that could result in a reduction in capital requirements?

Answer. Increases since the financial crisis in the quantity and quality of capital have significantly improved the safety and soundness of banking institutions and the stability of the U.S. financial system. I believe it is important not to erode bank capital levels.

Question. The Dodd-Frank Wall Street Reform and Consumer Protection Act established FSOC to identify risks to the financial system and eliminate expectations that the government will shield creditors or counterparties from potential losses.[17] FSOC has the ability to designate nonbank financial firms as Systemically Important Financial Institutions (SIFIs) that would be subject to enhanced prudential supervision by the Federal Reserve.[18]

Do you believe there are companies that exist today whose failure would pose a threat to the financial stability of the United States?

Do you believe that firms above a certain size threshold should be subject to automatic designation as SIFIs?

Please describe the advantages and disadvantages of using activities-based regulation to address financial stability risks in lieu of company-wide designations. Are there risks that can only be addressed by the former? Are there risks that can only be addressed by the latter?

Answer. Congress established FSOC to bring together the financial regulatory community to identify and respond to emerging threats to financial stability and to promote market discipline. FSOC should have the tools to protect our financial system from instability, whether arising from a single firm or the risky products or activities of an array of firms. The designation of individual nonbank financial compa-

[15] Board of Governors of the Federal Reserve System, "Regulators temporarily change the supplementary leverage ratio to increase banking organizations' ability to support credit to households and businesses in light of the coronavirus response," May 15, 2020, *https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200515a.htm.*

[16] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces temporary change to its supplementary leverage ratio rule to ease strains in the Treasury market resulting from the coronavirus and increase banking organizations' ability to provide credit to households and businesses," April 1, 2020, *https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200401a.htm.*

[17] 12 U.S. Code § 5322.

[18] 12 U.S. Code § 5323.

nies for Federal Reserve supervision and enhanced prudential standards is one of the tools Congress provided to FSOC. The Dodd-Frank Wall Street Reform and Consumer Protection Act lists the criteria FSOC must consider in making any designation. If FSOC were to use this tool, it should do so in a manner that is transparent and accountable. Other tools may be more appropriate to address risks that stem not from one firm but from the products or activities of an array of firms. If confirmed, I will work closely with FSOC to identify, assess, and to respond to potential risks using whichever tools would be most efficient and effective given the nature of the risks.

Question. Last year, Ceres issued a report with recommendations for agencies to "protect[] the stability and competitiveness of the U.S. economy" due to the "need to recognize and act on climate change as a systemic risk."[19] The report argued that the "wide-ranging physical impacts" of climate change, "combined with expected transitions to a net-zero carbon economy and other socio- economic ripples, are likely to manifest in both cumulative and unexpected ways and present clear systemic risks to U.S. financial markets—and the broader economy."[20] The Commodity Futures Trading Commission (CFTC) also issued a report that stated that agencies and regulators "must recognize that climate change poses serious emerging risks to the U.S. financial system, and they should move urgently and decisively to measure, understand, and address these risks."[21]

Treasury has acknowledged that climate change poses financial risks to banks and the financial system alike.[22] Failing to account for this in bank capital requirements would fail to price in the cost of climate risk.

Do you support integrating climate risks into bank capital requirements? Please explain why or why not.

Will you commit to working with the Federal Reserve and FSOC to integrate climate risk into bank capital requirements?

Answer. Climate change has already impacted the economy and the financial sector, with more frequent and severe natural disasters damaging homes, businesses, and entire communities. These impacts are expected to increase. In addition, the economic and financial transitions needed to place the economy on a sustainable path may involve additional financial risks. As a result, it is important that financial institutions measure, disclose, and manage the risks that climate change poses to their businesses. Financial regulators must also adjust their regulatory and supervisory approaches in response to new identified risks, to support safety and soundness and financial stability, consistent with their existing mandates.

Financial regulators have begun work in this area, and Secretary Yellen has identified climate-related financial risks as a priority for the work of the Financial Stability Oversight Council. Treasury is also actively engaged in implementing the executive order on climate-related financial risk, issued May 20, 2021, which calls for a number of steps to address climate-related risks, including the issuance of a report by FSOC on this topic. I support the assessment of climate-related financial risks by financial regulators, including work coordinated by FSOC, and steps to address identified vulnerabilities based on these assessments. It is critical that these assessments proceed in an expeditious and analytically sound manner.

---

[19] Ceres, "Addressing Climate as a Systemic Risk: A call to action for U.S. financial regulators," June 1, 2020, *https://www.ceres.org/resources/reports/addressing-climate-systemic-risk.*

[20] *Id.*

[21] Commodity Futures Trading Commission, "Managing Climate Risk in the U.S. Financial System: Report of the Climate-Related Market Risk Subcommittee, Market Risk Advisory Committee of the U.S. Commodity Futures Trading Commission," report, September 2020, *https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf;* Office of Senator Warren, "Senator Warren Releases Statement on CFTC Report Concluding that 'Climate Change Poses a Major Risk to the Stability of the Financial System,'" press release, September 10, 2020, *https://www.warren.senate.gov/newsroom/press-releases/senator-warren-releases-statement-on-cftc-report-concluding-that-climate-change-poses-a-major-risk-to-the-stability-of-the-financial-system.*

[22] "Treasury Announces Coordinated Climate Policy Strategy with New Treasury Climate Hub and Climate Counselor," April 19, 2021, *https://home.treasury.gov/news/press-releases/jy0134.*

QUESTIONS SUBMITTED BY HON. MIKE CRAPO

Question. The Financial Stability Oversight Council (FOSC), which you would participate in if confirmed, has vast authority and unclear objectives. It has the potential of being an unaccountable roving regulator with enormous authority and power.

Among FSOC authorities are: abilities to break up firms that pose a "grave threat: to financial stability; ability to designate 'systemic activities' and utilities and subject those designated to heightened oversight and standards; ability to designate any company for consolidated supervision; among other things." Many things in the FSOCs objectives involve undefined, nebulous, concepts such as "financial stability," and "systemic risk." It has been nearly impossible to obtain workable definitions and measures of those concepts from regulators and authors of Dodd-Frank. Sometimes, requests for definitions of nebulous concepts such as financial stability are answered with similarly nebulous concepts, as with saying that: we have financial stability if we have financial resilience. That, unfortunately, simply moves from one rung of the ladder of opacity to another.

Similarly, as we have seen with the Volcker Rule, which urged action against "proprietary trading," it took many years and hundreds of pages of regulation to attempt to define what that even means. As yet, Congress has not received a working definition, in the opinion of some. Dr. Liang, given that, if confirmed, you could be involved in use of enormous power and authority over large sectors of financial markets and the economy, please respond to the following questions:

How do you define financial stability, and how do you measure whether the financial system is stable and whether there is a threat to stability?

How do you define systemic risk and what measure do you use to monitor it?

How do you define "excessive risk" and what is the measure used to identify it?

Answer. A stable financial system can be defined as one that is resilient to adverse events and can continue to provide necessary financial services to households and businesses and not cause serious harm to economic growth. Systemic risks can arise from financial vulnerabilities, such as high leverage, that amplify adverse shocks to other parts of the financial system and economy. Financial vulnerabilities are measured in a number of ways. The annual reports of FSOC and the Office of Financial Research provide various measures and assessments of vulnerabilities and potential systemic risks.

Question. Do you believe that a breach of the U.S. statutory debt limit represents a grave threat to financial stability? If so, is an approaching lapse in the suspension of the debt limit something that the FSOC should be identifying as an impending risk to financial stability and responding to?

Answer. I believe Congress should suspend or raise the debt limit in a timely manner. It is important that the Federal Government honor all of its obligations, to protect the full faith and credit of the United States. Failure to do so would raise debt-servicing costs for the U.S. government and cause significant disruptions to the U.S. and global financial systems. FSOC has addressed these risks in the past, including in its 2012 and 2014 annual reports.

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 cyberattacks, 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 made of the Federal Reserve Board and Treasury did not receive adequate or substantive responses. It took subpoenas from Congress to identify that, in fact, Treasury and the

Fed do have contingency plans, as we would hope is the case, for confronting emergencies.

If you are confirmed, and if requested, do 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 (*e.g.,* superstorm, cyberattack, etc.), the Federal Government is temporarily unable to make timely payments on debt obligations?

Answer. If confirmed, I am committed to being responsive to all inquiries from the Senate Finance Committee.

Question. Do you believe that money market funds remain runnable and do you think they represent threats to financial stability?

Answer. Research indicates that some money market funds faced investor runs in March 2020. I support regulatory reforms to reduce the risk of investor runs that lead to severe stresses in short-term funding markets.

Question. Do you believe that tri-party repo trades are, in effect, runnable, do you think they represent threats to financial stability, and do you think they are stable, independent of Federal intervention into repo markets?

Answer. Reform efforts in the tri-party repo market following the financial crisis in 2008 substantially reduced the market's reliance on intraday credit, thus eliminating a key risk to financial market stability stemming from the tri-party repo market. In addition, these reforms improved market participants' risk-management practices. However, the market may remain vulnerable to collateral fire sales if a large tri-party repo borrower were to default.

Question. Do you believe that underfunded pensions and other post-employment benefit (OPEB) promises of State, local, and territorial governments are threats to financial stability or potential risks to stability of the financial system?

Answer. Underfunded public pension funds are a significant source of fiscal pressure on several U.S. States, territories, and municipalities. The risks presented by these fiscal pressures upon the financial system warrant ongoing attention. If confirmed, I would look forward to working with you on this issue.

Question. Do you believe that climate change is a threat to financial stability and, if so, what are measures of climate change and the associated connection to financial stability that Congress should use to monitor developments?

Answer. Climate change has already impacted the economy and financial sector, with more frequent and severe natural disasters damaging homes, businesses, and entire communities. These impacts are expected to increase. In addition, the economic and financial transitions needed to place the economy on a sustainable path may involve additional financial risks. As a result, it is important that financial institutions measure, disclose, and manage the risks that climate change poses to their businesses. Financial regulators also should adjust their regulatory and supervisory approaches in response to new identified risks, to support safety and soundness and financial stability, consistent with their existing mandates.

The data, methodologies, and metrics needed to quantify climate-related financial risks remain under development. U.S. and international financial regulators are engaged in the development of consistent data and metrics. Secretary Yellen has identified climate-related financial risks as a priority for the Financial Stability Oversight Council, which is engaging with regulators to help develop the information that financial institutions and investors need to make better investment decisions and mitigate risks to financial stability.

Question. Do you believe that so-called "stakeholder capitalism" and mandated allowance for environmental, social, and governance (ESG) factors in investments by fiduciaries (including investments covered under ERISA) could pose threats to financial stability when populist sentiment shifts investor resources rapidly and violently across firms or entire sectors of the economy?

Answer. Fiduciaries ordinarily have a duty to beneficiaries not to be influenced by the interest of any third person or by motives other than pursuing financial benefits for those beneficiaries. Some forms of ESG investment can be consistent with these requirements when the fiduciary's motive is to benefit the beneficiary by pursuing improved risk-adjusted investment returns. Improved disclosure of companies' ESG factors provides fiduciaries and other investors with better information to pursue such investment strategies. A financial system that provides investors with the tools to pursue a variety of investment strategies enables investors to manage their risks.

Question. Secretary Yellen has identified that she plans to listen to and incorporate input from "many stakeholders in developing the administration's climate policy." Since that policy may involve activities you would be involved in, if confirmed, will you commit to including Republicans in Congress as stakeholders from which you will be willing to receive input in developing policy, and will you identify how you intend to gather the input?

Answer. It is important that policies be based on input from a variety of stakeholders, including members of Congress. If confirmed, I commit to working with members of Congress, including Republican members, on a wide range of issues.

Question. Do you believe that climate change poses a systemic risk to the American economy, or a potential systemic risk? If you believe there is a risk or potential risk, please explicitly define exactly what that is, including what sectors of the economy are at risk and shares of GDP represented by those sectors.

Answer. The possible risks and impacts may reach across the economy through the direct impact of climate change on certain regions or economic sectors and through the spillovers of such impacts through the financial system and broader economy. Climate change has already impacted the economy and the financial sector, with more frequent and severe natural disasters damaging homes, businesses, and entire communities. These impacts are expected to increase and may have spillovers to the broader economy. In addition, the economic and financial transitions needed to place the economy on a sustainable path may involve additional financial and economic risks. In light of these complex channels, climate change may impact all sectors of the economy through both new risk channels and new investment opportunities. As a result, it is important that financial institutions measure, disclose, and manage the risks that climate change poses to their businesses. Financial regulators must also adjust their regulatory and supervisory approaches in response to new identified risks, to support safety and soundness and financial stability, consistent with their existing mandates.

Financial regulators have begun work in this area, and Secretary Yellen has identified climate-related financial risks as a priority for the work of the Financial Stability Oversight Council. Treasury is also actively engaged in implementing the executive order on climate-related financial risk, issued May 20, 2021, which calls for a number of steps to address climate-related risks, including the issuance of a report by FSOC on this topic. I support the assessment of climate-related financial risks by financial regulators, including work coordinated by FSOC, and steps to address identified vulnerabilities based on these assessments. It is critical that these assessments proceed in an expeditious and analytically sound manner.

Question. If the Federal Reserve in the future adopts yield curve control measures, how, if confirmed, would you advise the Treasury Secretary regarding coordination (or not) with the Federal Reserve with respect to implications for any target by Treasury of the weighted-average maturity of outstanding debt?

Answer. The Federal Reserve is responsible for implementing monetary policy, while Treasury seeks to fund the government at the lowest cost over time. The two agencies exercise their respective authorities independently from each other. Treasury does not coordinate with the Federal Reserve with regard to the Federal Reserve's implementation of monetary policy.

Question. The Charles Koch Foundation provided substantial funding to the Brookings Institution when you worked there, as did many "wealthy corporations" and billionaires. Given the sensitivity of some to institutional funding, especially when funding is provided to institutions that include conservative scholars, do you believe there should be concern that you, in your position, if confirmed, at Treasury would, as alleged against a conservative scholar in the past "serve the wishes of wealthy corporations and their billionaire owners?" Do you believe that concerns about think-tank funders should be limited to organizations that allow scholars to pursue conservative thoughts?

Answer. I am proud of the work I performed during my long career in public service and at the Brookings Institution. If I have the honor to be confirmed at Treasury, I will serve the President and the American people.

Question. Do you believe that underfunded pensions and other post-employment benefit promises of State, local, and territorial government should be subjected to stress tests?

Answer. Underfunded public pension funds are a significant source of fiscal pressure on several U.S. States, territories, and municipalities. The risks presented by these fiscal pressures on the financial system warrant ongoing attention. If confirmed, I plan to study this issue closely.

Question. If confirmed, you would likely provide advice to the Treasury Secretary on FSOC work. Would you advise that the Treasury Secretary take or urge any actions 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. I have not previously worked on issues related to your question, but if confirmed, I would be happy to work with you on this issue.

Question. If confirmed, your work will touch on payment system issues. Recently, the Federal Reserve has been engaged with "stakeholders" and other central banks to work on developing a Central Bank Digital Currency (CBDC). As part of that work, some political advocates would like the Fed to consider construction of a distributed ledger scheme to enable accounts for all Americans (or, perhaps all residents of America) which, once an initial signoff from Congress is somehow obtained, allow the Fed to engage in fiscal policy. Those policies could involve automatic stabilization, such as injections of funds into accounts in downturns or absorption of funds from accounts in expansions, universal basic income, perhaps with smart contracting allowing the Fed to be able to determine what fund-holders could or could not purchase in transactions. Do you commit to informing members of this committee, if confirmed, about any work within the Federal Government, or joint work of Treasury and the Federal Reserve, on development of a government-provided digital currency or payment system ledger, and inform members of the committee at the immediate onset of any such work?

Answer. The Federal Reserve is currently exploring numerous issues associated with the design of a digital dollar, and Chairman Powell has committed that the Federal Reserve would not proceed with a digital dollar without support from Congress. Treasury plays a critical role in the operation and maintenance of key systems of the Nation's financial infrastructure and has a strong interest in the Nation's currency. The research and exploration being undertaken by the Federal Reserve and others should help us better understand the need for and objectives of any potential CBDC as well as key design choices and their implications for consumer protection and financial stability. If confirmed, I will promote Treasury's engagement with Congress and the Federal Reserve on this important issue.

Question. Climate change, we are told by some, involves risks that the Federal Reserve says we do not yet understand. The Fed also says they are examining implications of climate change for the economy, financial institutions, and financial stability. A Fed official identifies that "financial markets face challenges in analyzing and pricing climate risks." The President, on May 20th, issued an executive order on climate-related financial risk, calling, among other things, for the Treasury Secretary, as Chair of the FSOC, to essentially go find those as-yet unknown and not understood risks.

Do you agree with the Fed that financial markets are challenged in analyzing and pricing climate risks?

If so, can you identify what those mispriced risks are, and why you know what they are while others who participate in markets do not?

If you do not know what those risks are, and, if confirmed, wish to assist Treasury in finding them, please describe the process you will use to discover as-yet undiscovered risks. Please, also, describe steps you would take to ensure that Treasury relays the findings immediately upon discovery, and make the discoveries immediately available to the public, if confirmed?

If confirmed, do you commit to identifying to members of this Committee actions that Treasury may recommend or rules Treasury may propose to alter relevant laws (*e.g.,* Pub. L. 93–406, "ERISA"; Pub. L 99–335, "FERS," and the like) and rules (*e.g.,* 85 Fed. Reg. 72846; 85 Fed. Reg. 81658) governing the life savings and pensions of U.S. workers and families as well as things like fiduciary duties prior to taking such actions or promulgating such rules?

Answer. Climate change has already impacted the economy and the financial sector, with more frequent and severe natural disasters damaging homes, businesses, and entire communities. These impacts are expected to increase. In addition, the economic and financial transitions needed to place the economy on a sustainable path may involve additional financial risks. As a result, it is important that financial institutions measure, disclose, and manage the risks that climate change poses to their businesses. Financial regulators must also adjust their regulatory and supervisory approaches in response to new identified risks, to support safety and soundness and financial stability, consistent with their existing mandates.

Financial regulators have begun work in this area, and Secretary Yellen has identified climate-related financial risks as a priority for the work of the Financial Stability Oversight Council. Treasury is also actively engaged in implementing the executive order on climate-related financial risk, issued May 20, 2021, which calls for a number of steps to address climate-related risks, including the issuance of a report by FSOC on this topic. I support the assessment of climate-related financial risks by financial regulators, including work coordinated by FSOC, and steps to address identified vulnerabilities based on these assessments. It is critical that these assessments proceed in an expeditious and analytically sound manner.

I believe it is important that Treasury work with members of Congress on these issues.

Question. While the position to which you have been nominated does not engage much with Federal tax policy, there are interplays between activities you would be engaged in, if confirmed, and taxation, and it is presumed that you understand the administration's general policies toward taxation. Given that, how would you define the concept of a taxpaying individual business or company paying its "fair share," and how would you advise Treasury?

Answer. As you point out, the position for which I have been nominated is not responsible for decisions related to Federal tax policy, so I would defer to my colleagues on this issue.

Question. Do you believe that tax credit bonds are efficient means of subsidizing State and local borrowing, and can you explain whether there are disadvantages to such bonds and, if so, what are the disadvantages?

Answer. I would want to study the issue further. If I am confirmed, I would be happy to work with your office on this issue or to direct you to the relevant officials within Treasury.

Question. Tax analysts sometimes use, often in ad hoc ways, a concept of a "normal return" and sometimes things like "supernormal" returns. As an economist, what to you is meant by a "normal return" to an economic activity (*e.g.,* to teaching, or a tech entrepreneur, or an industry sector)? How would you advise, if confirmed, Treasury to measure normal returns in a particular sector of the economy? As a researcher while you worked at the Brookings Institution, were you earning normal returns to your human capital, or supernormal returns?

Answer. The measurement of normal and supernormal returns is an important analytical concept in the economics of the taxation of capital. Loosely speaking, normal (nominal) returns represent compensation for the time value of money (such as interest costs) and for the effect of generalized inflation on the value of an asset. Supernormal returns refer to returns beyond the normal return. My personal expertise in this area is very limited, as I have focused on financial economics and policy, and I would defer to tax experts within Treasury and elsewhere on the proper methodologies in this technical area, including how to apply the concepts to wage income.

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, whether under exigent and unusual circumstances or otherwise?

Answer. I believe that the Federal Reserve's emergency facilities implemented last year were successful in promoting the stability of U.S. financial markets. I have not had an opportunity to study the HEROES Act but would be happy to work with you on this issue if I am confirmed.

Question. If confirmed, you will participate in oversight of multi-trillion-dollar markets for Treasury issuances, with obvious implications for exchange rates of actions taken in managing and regulating activities surrounding Treasury markets. Do you support a "weak dollar" or "strong dollar" position for Treasury and, whichever, please explain what a weak or strong dollar policy means to you.

Answer. The role for which I have been nominated is not responsible for making determinations regarding the strength of the U.S. dollar, but if confirmed I would be happy to follow up with you on this issue.

Question. The GSEs—Fannie Mae and Freddie Mac—have been in government conservatorship for close to 13 years. While some important administrative reforms have been undertaken in this period, such as the creation of the Uniform MBS and the credit risk transfer programs, can you discuss the additional reforms you believe are necessary for the GSEs to operate in a safe and sound manner? How should Treasury balance protecting the taxpayers' interest in the GSEs with the need to advance their housing mission—how do you see this balance playing out?

Answer. I appreciate the considerable effort that you and other members of Congress have devoted to evaluating the U.S. housing finance system and developing proposed reforms. The Biden administration is committed to housing finance policy that expands fair and equitable access to homeownership and affordable rental opportunities, protects taxpayers, and promotes financial stability. If confirmed, I look forward to working across the administration and with Congress on housing finance policy, including regarding the GSEs' conservatorships.

Question. The Federal Financing Bank is an agency under the purview of the Department of the Treasury. We have seen it be used in some relatively interesting ways during its tenure, especially during the financial crisis, as liquidity dried up in the marketplace, including purchasing certificates or securities evidencing undivided beneficial ownership interests in agency-insured loans. As we work to wind down some of the extraordinary measures put into place to see us through the pandemic, can we get your assurance that you will work with Congress prior to enacting any new, extraordinary measures, such as expansion of the FFB?

Answer. The FFB is authorized to purchase obligations issued, sold, or guaranteed by a Federal agency. As such, it does not have independent authority to extend Federal credit or assume risk for the taxpayer, but can only provide financing where Congress has first authorized a program agency to borrow money, guarantee or insure a loan or bond, or sell assets off its balance sheet. If confirmed, I will work with Congress to ensure use of the FFB is consistent with law and the Federal Government's policies.

QUESTIONS SUBMITTED BY HON. JOHN THUNE

Question. If confirmed, you would participate in the Financial Stability Oversight Council, which is in charge of identifying risks to the financial stability of the country. In terms of risk calculus, it's becoming popular among some to say that the debt-to-GDP is no longer meaningful. This year, the Federal Government's publicly held debt is projected to reach 102 percent of GDP—the highest debt-to-GDP ratio since 1946 according to the Congressional Budget Office. And the deficit is expected to reach 10.3 percent of GDP.

In your judgment, what are the top three risks to the stability of the U.S. financial system (ex. inflation, cryptocurrency bubble, excessively loose monetary policy) and how concerning do you find the trajectory of the U.S. deficit?

Answer. Risks to financial stability can arise from clear threats, such as cyberattacks. The increased frequency of cyberattacks is a significant risk to financial stability. Risks can also arise because the financial system is not sufficiently resilient to events that cannot be reliably predicted. FSOC has announced that it will be evaluating the resilience of nonbank financial intermediation in light of significant stresses in financial markets at the onset of the pandemic in March 2020. In addition, FSOC has announced that it is working with financial regulators to assess risks to financial institutions and markets from climate change, arising from more frequent climate events and transition risks as the economy and financial system take steps to mitigate the impact of climate change.

With respect to the trajectory of the deficit, I believe the American Rescue Plan Act of 2021 is helping to preserve the economy's potential by preventing the loss of human capital and business enterprise value, which helps the economy's long-term fiscal situation. Looking ahead, the President has proposed investments in infrastructure and workers to make the economy more productive, and has proposed ways to pay for those investments, mitigating concerns about growth in the Federal debt.

Question. If you are confirmed, and if requested, do you commit to providing Finance Committee members, who have oversight responsibility over the Federal debt, with timely responses about the statutory debt limit and timelines that Treasury will engage in so-called "extraordinary measures" to ensure that Treasury can make all necessary payments and obligations? Would you commit to working with me to find bipartisan solutions to reduce undue risks associated with the debt limit?

Answer. It is important that the Federal Government honor all of its obligations, to protect the full faith and credit of the United States. Failure to do so would cause significant disruptions to the U.S. and global financial systems and raise debt-servicing costs for the U.S. Government and all other credit instruments that are benchmarked to Treasury interest rates, including mortgages and corporate debt.

I commit to providing timely responses to inquiries from Finance Committee members related to the debt limit, and I would be happy to work with you and other members of Congress to find bipartisan solutions to reduce undue risks associated with the debt limit.

QUESTION SUBMITTED BY HON. ROB PORTMAN

Question. Independent monetary policy is a cornerstone of our economic growth and the dollar's position as a reserve currency.

Can you pledge that you will not only respect the independence of our central bank, but that you will ensure you never give the appearance of interference in its decision-making?

Answer. I believe that an independent central bank leads to better macroeconomic performance. If I am honored to be confirmed, I pledge that I will respect the independence of the Federal Reserve in its monetary policy decisions and will not interfere in its decision-making.

QUESTIONS SUBMITTED BY HON. PATRICK J. TOOMEY

MONEY MARKET FUNDS AND OPEN-END MUTUAL FUNDS

Question. If confirmed, will you respect the SEC's jurisdiction to regulate money market funds?

Answer. Yes, I will respect the SEC's jurisdiction.

Question. At a recent Financial Stability Oversight Council (FSOC) meeting, Secretary Yellen expressed potential systemic concerns resulting from "liquidity risks" associated with open-end mutual funds and money market funds. I'm concerned this will be used to justify an overreaching regulatory regime for both products.

Do you believe that money market funds should be eliminated as an investment vehicle?

Answer. Money market funds are a useful investment vehicle and are a source of demand for short-term debt issuers. However, as events in 2008 and in 2020 have shown, certain types of money market funds are prone to investor runs during episodes of broader market stress. Reforms introduced over the past decade have been inadequate to eliminate investor runs, and I support additional reforms to make the funds more robust to future market stress.

Question. Do you support retaining the viability of open-end mutual funds as an investment vehicle?

Answer. Yes, open-end mutual funds are a useful vehicle for investors and a source of demand for securities issuers. In 2020, about 47 percent of U.S. households owned U.S.-registered mutual funds. The Securities and Exchange Commission has taken steps in recent years to improve the liquidity risk management of open-end mutual funds and to improve investor awareness of risks. If confirmed, I would be happy to work with you and your office on the regulation of open-end mutual funds.

Question. Do you believe that the in-kind redemption mechanism for exchange-traded funds (ETFs) presents different liquidity concerns than cash redemptions from traditional mutual funds? If you believe there is a difference, please explain how that affects your views on how to regulate ETFs.

Answer. I believe that any liquidity concerns for ETFs differ from those of traditional mutual funds, as illustrated in the financial market stress at the onset of the pandemic in March 2020. The Securities and Exchange Commission has been reviewing its ETF regulations in recent years, and if confirmed, I would look forward to engaging with them on this issue.

Question. You have previously argued that the SEC's 2014 rules governing money market funds are "working well." However, the March 2020 market volatility demonstrated that the new gates established by these rules actually led to less stability and greater volatility by creating a "first mover advantage."

In light of this experience, have your views on the structure of money market fund regulation evolved? Please explain why or why not.

Answer. Research on the events of March 2020 showed that the option for certain types of money market funds to impose redemption fees or gates during times of stress appear to have had the effect of exacerbating the problems faced by these funds. I support revising the regulations applicable to these funds to reduce the risk of investor runs and to make money market funds more robust to future stress events.

Question. On December 22, 2020, President Trump's Working Group on Financial Markets issued a report on the March 2020 pressures in the short-term funding markets and the resulting adverse effects on money market funds. The report identified 10 potential money market fund reforms without recommending any particular reform.

Which, if any, of these reforms do you support?

Answer. The SEC issued a public request for comment on the President's Working Group report and currently is evaluating the comments in considering potential reforms. I have not studied the report sufficiently to identify which of its reform options would most efficiently and effectively reduce money market funds' risk of investor runs, but if confirmed, I would look forward to addressing this issue.

Question. In October 2017, the Treasury Department released a report and recommendations on asset management and insurance.

Which recommendations in the report, if any, do you agree with?

Answer. The U.S. asset management and insurance industries facilitate the deepest and most liquid capital markets in the world and provide diverse investment opportunities for investors while offering critical services to consumers. I have not studied all the recommendations in the 2017 report, but I support the general principles that we should protect U.S. interests in international standard-setting and we should avoid duplicative and conflicting standards. If confirmed, I look forward to working with you to see how Treasury can strengthen our asset management and insurance industries while ensuring strong investor protections and promoting sustainable economic growth.

Question. On July 12, 2016, former Federal Reserve Governor Daniel Tarullo described the term "shadow banking" as evoking a "sense of something hidden, furtive even" in a speech.

Do you believe this term should apply to open-end mutual funds registered with the SEC?

Answer. Financial services in this country are provided by a variety of types of financial institutions and arrangements. That diversity is a strength of our financial system. I believe that a useful categorization of the financial sector is between bank and nonbank financial intermediation. I would place open-end mutual funds registered with the SEC in the nonbank financial intermediation category.

Question. In 2018, the House of Representatives voted 406–4 in favor of the JOBS and Investor Confidence Act. Section 1501 of that legislation would have replaced the Dodd-Frank Act's stress test requirement applicable to SEC- and CFTC-regulated entities with an authorization to adopt rules requiring periodic analyses of financial condition, including available liquidity, of such entities under adverse economic conditions.

Do you support this modification that the JOBS and Investor Confidence Act would have made?

Answer. I believe that risks from SEC- and CFTC-regulated entities that are subject to the Dodd-Frank Act's stress tests are different from the risks posed by the largest, most complex banking organizations, and that regulations should reflect the differences in their risks.

SYSTEMIC RISK

Question. I am concerned about the FSOC's 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.

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.

Will you commit that, if confirmed, you will support ensuring that FSOC: continues to treat SIFI designation as a last resort; maintains a transparent process for SIFI designation; conducts robust cost-benefit analysis for all designations; and provides institutions with the opportunity to avoid designation and, if designated, a path to reverse such designation?

Answer. Congress established FSOC to bring together the financial regulatory community to identify and respond to emerging threats to financial stability and to promote market discipline. FSOC should have the tools to protect our financial system from instability, whether arising from a single firm or the risky products or activities of an array of firms. The designation of individual nonbank financial companies for Federal Reserve supervision and enhanced prudential standards is one of the tools Congress provided to FSOC. The Dodd-Frank Act lists the criteria FSOC must consider in making any designation. If FSOC were to use this tool, it should do so in a manner that is transparent and accountable—and FSOC should maintain clear procedures regarding how a designated firm may seek to have its designation rescinded. Other tools may be more appropriate to address risks that stem not from one firm but from the products or activities of an array of firms. If confirmed, I will work closely with FSOC to identify, assess, and to respond to potential risks using whichever tools would be most efficient and effective given the nature of the risks. Similarly, opportunities to avoid designation or to reverse a designation should be transparent and accountable.

Question. Under what conditions, if any, would you advise Secretary Yellen to support the FSOC or the Financial Stability Board (FSB) designating mutual funds, ETFs, and money market funds as non-bank SIFIs?

Answer. I believe that FSOC should use the tools provided by the Dodd-Frank Act to protect our economy from systemic risks. The Secretary has said that while designation may be an appropriate tool to address certain risks arising from an individual firm, other tools may be more appropriate to address risks that arise from the products or activities of an array of firms.

Question. Asset managers provide investment advice to clients. They do not bear the risk of investments made by their clients. Asset managers do not own the assets that they manage.

Should asset managers be designated by the FSOC or the FSB as non-bank SIFIs? If so, under what conditions?

Answer. While designation can be an important tool to address potential risks associated with a nonbank financial company, other tools may be more appropriate for addressing vulnerabilities arising from products or activities of an array of firms, such as asset managers.

CAPITAL MARKETS

Question. Despite the efforts of the 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.

Do you agree that part of the IPO decline can be addressed by lowering the costs of going and staying public?

Answer. Many factors, including the costs of going and staying public, have influenced the number of new IPOs and the current number of listed public companies in the U.S. If I am confirmed, I will work to promote access to capital for U.S. companies and expand investment opportunities for U.S. investors.

Question. In October 2017, the Treasury Department released a report and recommendations on improving the capital markets.

Which recommendations in the report, if any, do you agree with?

Answer. The U.S. capital markets provide critical capital for businesses, diverse investment opportunities for investors, and important services for consumers. If confirmed, I would work to promote the strength of U.S. capital markets and a financial system that will lead to sustainable economic growth. If confirmed, I would be happy to work with you on achieving this mission.

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. Yes, both public and private capital markets are important to U.S. economic growth, as each entails features that help meet the capital needs of companies of various sizes and in various stages of development.

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. Small businesses are a vital part of the U.S. economy. The Treasury Department has long supported programs, such as the Jumpstart Our Business Startups (JOBS) Act and the State Small Business Credit Initiative (SSBCI), aimed at increasing access to capital for small businesses. Unfortunately, some businesses continue to face challenges in raising the capital they need to flourish. The Biden administration has led on this issue, improving access to funding for small businesses through the American Recovery Plan. If I am confirmed, I look forward to working with you to improve access to credit and capital for small businesses.

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. Access to capital is a significant barrier to minority and female entrepreneurs who seek to create jobs and grow wealth in their communities. I strongly support the Biden administration's critical investments, including those being implemented now by Treasury, that expand access to entrepreneurial capital. More opportunities to raise capital would benefit entrepreneurs and communities and is important for U.S. economic growth.

Question. Retail investors could benefit from increased diversification of their investment portfolios and potentially higher investment returns if they had greater 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 support policies that can help employees and other retail investors build wealth in order to save for a secure retirement. There are many important differences between investing in public and private markets, and between the structures and goals of defined benefit and defined contribution plans. If I am confirmed, I look forward to working with you on this issue.

CLIMATE

Question. In May 2021, President Biden issued an executive order on climate-related financial risks, which directs the Treasury Department to issue a report on how such risks could be incorporated into financial regulation and supervision. I am very troubled by the potential misuse of financial regulation to further environmental policy objectives.

Do you believe it is appropriate for financial regulators to engage in environmental policy and, if so, under what authority?

Answer. Climate change has already impacted the economy and the financial sector, with more frequent and severe natural disasters damaging homes, businesses, and entire communities. These impacts are expected to increase. In addition, the economic and financial transitions needed to place the economy on a sustainable path may involve additional financial risks. As a result, it is important that financial institutions measure, disclose, and manage the risks that climate change poses to their businesses. Financial regulators must also adjust their regulatory and supervisory approaches in response to new identified risks, to support safety and soundness and financial stability, consistent with their existing mandates.

Financial regulators have begun work in this area, and Secretary Yellen has identified climate-related financial risks as a priority for the work of the Financial Stability Oversight Council. Treasury is also actively engaged in implementing the executive order on climate-related financial risk, issued May 20, 2021, which calls for a number of steps to address climate-related risks, including the issuance of a report by FSOC on this topic. I support the assessment of climate-related financial risks by financial regulators, including work coordinated by FSOC, and steps to address identified vulnerabilities based on these assessments. It is critical that these assessments proceed in an expeditious and analytically sound manner.

BANK CAPITAL

Question. You have previously acknowledged that leverage capital ratios should serve as a simple and transparent backstop to risk-based capital ratios. Yet, as the Federal Reserve continues to rapidly expand its balance sheet with at least $120 billion in assets purchases per month, bank balance sheets continue to grow, putting further pressure on the leverage ratios.

If confirmed, what steps would you take to ensure that leverage ratios continue to serve as a backstop rather than a binding constraint?

Answer. Leverage ratios are an important backstop to the risk-based capital requirements of banking organizations. I support the banking regulators' efforts to consider the appropriate setting of leverage ratios in light of changes in reserves. I also support regulators' efforts to ensure that changes do not erode bank capital levels.

TREASURY MARKET

Question. Over the past few years, there have been several disruptions in the U.S. Treasury market (both cash and futures), which is generally considered to be the deepest and most liquid market in the world. In response to these disruptions, you have endorsed four specific regulatory reforms: a new standing repo facility, mandatory central clearing, amendments to bank capital rules, and additional data collection.

If confirmed, how would you prioritize this effort? What steps would you take to ensure that any reforms do not further disrupt the Treasury market?

Answer. I am deeply committed to promoting the strength and resilience of the U.S. Treasury market. Treasury is engaged in an interagency process to study recent disruptions to the Treasury market and will consider a range of potential policy proposals. If confirmed, I would be happy to discuss this important issue with you and your staff.

Question. While FINRA-registered broker-dealers are required to report their trading activities of Treasury securities to TRACE, other Treasury market participants are not required to do so.

What do you believe would be the most important benefits with obtaining more complete market transaction data?

Answer. Addressing TRACE data gaps will help to make available the necessary information to adequately monitor liquidity conditions in the Treasury market, which will help enable us to identify any vulnerabilities over time in this vital market.

Question. Some observers of the Treasury market have expressed concerns about regulatory fragmentation, with responsibilities divided between five or more agencies.

Do you believe that the current regulatory framework for oversight of the Treasury market is adequate? If not, what changes do you believe should be made?

Answer. I agree with the observation that the current regulatory framework suffers from some degree of fragmentation and there are likely opportunities to be found that could reduce fragmentation and create greater efficiencies.

That said, the current regulatory system is working; the regulatory agencies have good working relationships and have been able to work jointly to address financial market regulatory issues that have arisen.

HOUSING FINANCE REFORM

Question. Over the last several Republican and Democratic administrations, the Treasury Department has played an active role in advocating reform of the housing finance system.

Do you believe Treasury should continue to play a leadership role in housing finance reform?

Answer. I appreciate the considerable effort that you and other members of Congress have devoted to evaluating the U.S. housing finance system and developing proposed reforms. The Biden administration is committed to housing finance policy that expands fair and equitable access to homeownership and affordable rental opportunities, protects taxpayers, and promotes financial stability. If confirmed, I look forward to working across the administration and with Congress on housing finance policy, including regarding the GSEs' conservatorships.

Question. In January 2021, the Treasury Department and FHFA amended the Preferred Stock Purchase Agreement with each GSE to provide that Treasury will deliver to Congress a housing finance reform proposal by the end of September 2021.

If confirmed, will you work to ensure that Treasury delivers that proposal by September, if not sooner?

Answer. Treasury is assessing the GSEs' current status, including the recent amendments to the PSPAs, in addition to implementing programs authorized in the American Rescue Plan to help homeowners and renters. If confirmed, I will work to ensure that Treasury engages with Congress on housing finance reform in a timely manner.

QUESTIONS SUBMITTED BY HON. TODD YOUNG

Question. Since the onset of the coronavirus pandemic, the United States government has pumped trillions of dollars into the economy and swelled the money supply. Since the start of his term in office, President Biden has laid out plans for over $7 trillion in Federal spending. We have heard from Secretary Yellen that Republicans' inflation concerns arising from this staggering government spending were outweighed by the need for additional stimulus, despite the fact that a trillion dollars of COVID relief had yet to be spent *prior to* the passage of the $1.9-trillion American Rescue Plan Act.

What macroeconomic effects from this Federal spending spree should we expect over the next several years?

Given the April CPI revealed the largest increase in inflation since 2008, do you agree with Secretary Yellen's recent comments at the Wall Street Journal's CEO Council Summit that there is no real inflation problem brewing?

Are you concerned about any effects that further spending—as proposed by the President, despite the trillions in deficit spending already passed into law—will have on our economy over the next few years?

Answer. The American Rescue Plan Act of 2021 provided critical assistance to household, businesses, and communities so that they could weather the severe adverse effects of the COVID pandemic. This assistance will strengthen the economic recovery and help to preserve the economy's potential. I support the President's proposed additional investments in infrastructure, families, and workers, which will increase productivity and boost U.S. economic growth in coming years. In addition, the President has proposed increased revenues to pay for these investments and to mitigate debt growth. It is important to monitor risks and to respond appropriately if risks materialize.

Question. The $2-trillion "COVID relief" bill that was passed by Congress this March without bipartisan support included hundreds of billions of dollars in unrelated or unnecessary spending. For example, $350 billion was directed towards State and local aid funds despite recent analysis showing State revenues making a stronger comeback than expected: Bureau of Economic Analysis data reveals that State and local revenue last quarter was roughly 7 percent above pre- pandemic levels before accounting for Federal funding, and California Governor Gavin Newsom announced an enormous $75 billion budget surplus for the State despite it receiving the largest share of the State funding in the American Rescue Plan.

Do you believe this deficit spending is a responsible use of Federal dollars?

If the coronavirus pandemic subsides with trillions of relief dollars in reserve, should such funds be returned to the Treasury—in other words, returned to taxpayers? If no, why not?

Answer. If confirmed for this position, one of my responsibilities would be to oversee the financing of the Federal Government's obligations, but determinations regarding the appropriate level of spending and whether to redirect previously appropriated funding are made by Congress.

If confirmed, I would support following all applicable requirements regarding the disposition of any unused relief funds.

FOLLOW-UP QUESTIONS SUBMITTED FOR THE RECORD
TO J. NELLIE LIANG, PH.D.

FOLLOW-UP QUESTIONS SUBMITTED BY HON. MIKE CRAPO

Question. The Financial Stability Oversight Council (FSOC), which you would participate in if confirmed, has vast authority and unclear objectives. It has the potential of being an unaccountable roving regulator with enormous authority and power.

Among FSOC authorities are: abilities to break up firms that pose a "grave threat to financial stability; ability to designate 'systemic activities' and utilities and subject those designated to heightened oversight and standards; ability to designate any company for consolidated supervision; among other things." Many things in the FSOCs objectives involve undefined, nebulous concepts such as "financial stability," and "systemic risk." It has been nearly impossible to obtain workable definitions and measures of those concepts from regulators and authors of Dodd-Frank. Sometimes, requests for definitions of nebulous concepts such as financial stability are answered with similarly nebulous concepts, as with saying that: we have financial stability if we have financial resilience. That, unfortunately, simply moves from one rung of the ladder of opacity to another.

Similarly, as we have seen with the Volcker Rule, which urged action against "proprietary trading," it took many years and hundreds of pages of regulation to attempt to define what that even means. As yet, Congress has not received a working definition, in the opinion of some. Given that, if confirmed, you could be involved in use of enormous power and authority over large sectors of financial markets and the economy, please respond to the following questions.

How do you define financial stability, and how do you measure whether the financial system is stable and whether there is a threat to stability?

Follow-up: The question I posed identifies that "sometimes, request for definitions of nebulous concepts such as financial stability are answered with similarly nebulous concepts, as with saying that: we have financial stability if we have financial resilience." Your response begins with: "A stable financial system can be defined as one that is resilient. . . ." Defining nebulous things with reference to other nebulous things is not instructive. Your response then ends by saying that there are a number of ways to measure financial vulnerabilities. My question is: how do *you,* with your experience, define and measure financial stability?

Answer. I agree financial stability is difficult to measure precisely, in the same way it is difficult to measure economic stability. I believe a working framework for assessing financial stability is in terms of risks, which reflects the interaction of possible external shocks to the financial system and the resilience of the financial system, which measures the ability of the financial system to either absorb or significantly amplify negative shocks and damage real economic activity.

Large negative shocks increase risks to financial stability, but such shocks, by definition, are difficult to predict. The resilience of a financial system can be assessed by its vulnerabilities. Substantial research on historical financial crises spanning decades and across many countries point to some common financial vulnerabilities. Key financial vulnerabilities include high leverage of financial intermediaries; significant mismatches between the funding of their assets and the maturity, liquidity, or currency of their liabilities; and complex interlinkages across financial intermediaries. Financial systems with such vulnerabilities are more likely to become dysfunctional when large negative shocks occur, severely disrupting the provision of credit and other financial services, which increases the risk of severe recession and failures of financial intermediaries that could require taxpayer support. Such instability is more likely when vulnerabilities are at large, complex financial institutions, as strains at such institutions have been shown to be accompanied by spillovers across the financial system through direct connections and contagion.

The additional information of the concept of resilience can be illustrated by an example. Financial institutions can suffer losses because of significant negative shocks to the value of their assets. Such losses would not indicate heightened risks to financial stability if the financial institutions had sufficient capital and stable funding and were able to bear the losses on their own, without transmission to other firms or the financial system. But if the initial losses were to raise significant concerns about solvency or liquidity risks at other firms owing to interlinkages, the losses would be transmitted and could be amplified further if the other firms were also highly levered and had significant funding mismatches. These potential follow-on effects—and risks to financial stability—are greater when these vulnerabilities are higher and resilience is lower.

While assessing vulnerabilities is not simple, financial stability monitoring frameworks have made progress in measuring financial vulnerabilities, including frameworks to which I have contributed in research papers. These frameworks emphasize that there are numerous ways to measure financial vulnerabilities and that such assessments must look beyond simple single indicators. As an example, there are many ways to measure leverage in the financial system, each of which informs assessments of financial vulnerabilities at the many different types of financial intermediaries in the United States. For banks, various financial stability reports for the United States, including from FSOC, OFR, and the Federal Reserve, cite several regulatory risk-weighted capital ratios and supplementary leverage ratios, as well as market-based measures of the probability of default of the largest banking firms and capital buffers under the Federal Reserve's CCAR assessments. For leverage in other parts of the financial sector, these reports may include equity-to-asset ratios for broker-dealers, insurers, and private funds; margins at CCPs; and surveys of terms and standards of credit provided to financial firms.

All of these reports recognize that any individual measure is not sufficient to measure leverage for all types of financial firms and over time. In addition, measurement itself may change behavior, and it is important for monitoring frameworks to update measures to reflect any changes.

If confirmed, I would be happy to discuss with you and your staff these issues related to measuring resilience and risks to financial stability.

Question. How do you define systemic risk and what measure do you use to monitor it?

Follow-up: Your response seems to say that: systemic risks can arise from financial vulnerabilities, and vulnerabilities can be measured in many ways. Given that you, if confirmed, may impose guidance, rules, or regulations governing significant amount of resources under the guise of protecting the financial system from risks and vulnerabilities, it is instructive to know how *you* would propose risks or vulnerabilities be measured. Multiple measures provide insights, but also degrees of freedom to impose arbitrary and capricious rules and regulations. So, can you provide a definition and measure(s) of systemic risk or vulnerabilities that are limiting?

Answer. Systemic risk is the likelihood that liquidity pressures, losses, or failures of individual financial intermediaries spill over to the broader financial system and economy, increasing the risk of a severe recession and need for taxpayer support to prevent the disorderly failure of a financial institution.

There is ongoing research to develop measures of systemic risk. This research demonstrates the value of considering a wide range of metrics. Some examples include measures of financial contagion based on market prices, which indicate when an individual firm failure would be more likely to spread to other financial institutions. Other approaches look at financial vulnerabilities and gauge the degree of systemic risk by quantifying the degree to which such measures are useful predictors of severe economic recessions and financial crises. For example, some research points to excess growth in nonfinancial credit-to-GDP ratios as a reliable predictor of financial crises, where excess is defined as growth rates higher than rates in the previous business cycle expansion. Other work, including by me, has explored whether indicators of higher financial sector leverage or looser-than-average financial conditions are able to predict the probability that a recession will be more severe. This type of research provides some guidance, but not rules, for how authorities could assess if systemic risk was elevated relative to historical experience.

Given the limited experience with specific measures of systemic risk, I would not support focusing on a narrow set of measures. At the same time, I believe it is important to monitor vulnerabilities and consider how they could propagate and amplify possible negative shocks to the broader financial system and economy when such vulnerabilities are meaningfully higher than historical averages or in ranges that have increased the probability of severe recessions or financial crises in the past.

If confirmed, I would be happy to discuss with you and your staff issues related to measuring systemic risk and risks to financial stability.

Question. Do you believe that a breach of the U.S. statutory debt limit represents a grave threat to financial stability? If so, is an approaching lapse in the suspension of the debt limit something that the FSOC should be identifying as an impending risk to financial stability and responding to?

Follow-up: (i) Your response puts forward your belief that Congress should suspend or raise the limit. Do you agree that suspending or raising the limit cannot be done by Congress alone?

Answer. It is my understanding that suspending or raising the debt limit must be accomplished in legislation passed by Congress and signed into law by the President.

Follow-up: (ii) Do you believe that a breach of the limit represents a grave threat to financial stability?

Answer. I believe that not paying the obligations of the U.S. government would undermine the confidence in U.S. Treasury securities. That would be a grave threat to financial stability if investors were to reassess the value of Treasury securities, given that Treasury securities are viewed widely as a risk-free, highly liquid asset and are used as a benchmark to price nearly all other global financial assets.

Follow-up: (iii) Your response identifies that the FSOC has addressed risks associated with debt limits. They have, though typically inside broad reports that are not contemporaneous with buildup of the relevant risks. If such a risk is impending, do you believe the FSOC should be contemporaneously identifying the risk and responding to the risk?

Answer. FSOC could identify impending risks associated with the debt limit, but in past impasses, Treasury has made public statements regarding the need to suspend or raise the debt limit. When Treasury makes a public statement, I do not believe that FSOC needs to contemporaneously identify the risk.

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 made of the Federal Reserve Board and Treasury did not receive adequate or substantive responses. It took subpoenas from Congress to identify that, in fact, Treasury and the Fed do have contingency plans, as we would hope is the case, for confronting emergencies.

If you are confirmed, and if requested, do 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 (*e.g.,* superstorm, cyberattack, etc.), the Federal Government is temporarily unable to make timely payments on debt obligations?

Do you believe that money market funds remain runnable and do you think they represent threats to financial stability?

Do you believe that tri-party repo trades are, in effect, runnable, do you think they represent threats to financial stability, and do you think they are stable, independent of Federal intervention into repo markets?

Do you believe that underfunded pensions and other post-employment benefit (OPEB) promises of State, local, and territorial governments are threats to financial stability or potential risks to stability of the financial system?

Follow-up: Your response indicates that underfunded public pensions are fiscal pressures on States, territories, and municipalities that warrant attention. Do you believe those pressures represent threats or potential threats to stability of the financial system?

Answer. These fiscal pressures represent substantial economic risks and financial risks, though they may not pose threats to financial stability. Threats to financial stability would be more likely if the realization of fiscal pressures led to municipal bond defaults and losses were transmitted and amplified through financial vulnerabilities to the broader financial system. These risks could be of concern to policymakers if the amplifications to the financial system and economy were substantial, leading to economic recessions or losses in the financial system that would require taxpayer support.

Question. Do you believe that climate change is a threat to financial stability and, if so, what are measures of climate change and the associated connection to financial stability that Congress should use to monitor developments?

Follow-up: Your answer suggests that more frequent natural disasters, presumably caused by climate change, and the associated damage: could be a threat to financial stability; unidentified "new identified risks" must be monitored, measured, and reported; and some in the Federal Government are at work figuring out what new risks may be present, how to measure them, and how to tell investors about those things that are not yet fully know, measured, or reported. Is that a correct representation of your response?

Answer. I believe climate change is creating risks that are larger for investors and institutions when evaluating new credit extensions and business operations than in the past owing to the increasing impact of climate change on the global economy. Many in the private sector and researchers, among others, view larger potential risks, as well as potential opportunities, as requiring new approaches and data. As a result, I see a role for the government, working with the private sector, to improve disclosures about the effects of climate change on companies by facilitating efforts to improve comparability and consistency across companies so that investors can make better-informed decisions. The government can further provide a useful forum for discussions among investors, companies, and regulators on developing consistent disclosures and data to help to assess potential risks. I do not believe that the Federal Government is telling investors what the new risks are and how to measure them.

If I were to be confirmed, I would be happy to work with you and your staff on this important issue.

Question. Do you believe that so-called "stakeholder capitalism" and mandated allowance for environmental, social, and governance (ESG) factors in investments by fiduciaries (including investments covered under ERISA) could pose threats to financial stability when populist sentiment shifts investor resources rapidly and violently across firms or entire sectors of the economy?

Follow-up: Do you believe that Federal financial regulators should mandate incorporation of ESG factors in required financial disclosures of private companies, and are there any possible systemic risks as suggested in my question?

Answer. The question of whether ESG factors should be mandatory in financial disclosures of private firms would be an issue for the SEC. I have not studied this issue, but would be happy to work with you on it if I were to be confirmed.

In terms of whether rapid and unexpected shifts in sentiment could pose systemic risks, it would depend on whether substantial vulnerabilities were present to amplify such changes in sentiment, as I described in my response to the question above. A high degree of common asset holdings and common business models could be a vulnerability because all investors or firms could react in the same way to a negative event, but unless holdings are substantial and accompanied by high leverage, a shift may not create a significant risk to financial stability. Absent vulnerabilities, a shift in sentiment would mainly represent a change in investors' valuations of a type of asset.

Question. Secretary Yellen has identified that she plans to listen to and incorporate input from "many stakeholders in developing the administration's climate policy." Since that policy may involve activities you would be involved in, if confirmed, will you commit to including Republicans in Congress as stakeholders from which you will be willing to receive input in developing policy, and will you identify how you intend to gather the input?

Do you believe that climate change poses a systemic risk to the American economy, or a potential systemic risk? If you believe there is a risk or potential risk, please explicitly define exactly what that is, including what sectors of the economy are at risk and shares of GDP represented by those sectors.

If the Federal Reserve in the future adopts yield curve control measures, how, if confirmed, would you advise the Treasury Secretary regarding coordination (or not) with the Federal Reserve with respect to implications for any target by Treasury of the weighted-average maturity of outstanding debt?

Follow-up: Your response indicates that monetary policy implementation and debt management are distinct and should not be coordinated by Treasury and the Federal Reserve (Fed). Give that, and given that the Treasury Burrowing Advisory

Council regularly briefs Treasury officials about the interplay between Treasury security purchases by the Fed and Treasury's debt management policies, do you believe that Fed balance-sheet activities involving Treasury security purchases should be taken as a given by Treasury, to which Treasury's debt-management policies should adapt; or, should the Fed take Treasury's policies and adapt its balance-sheet activities in response?

Answer. I believe the mandates for Federal Reserve monetary policy and Treasury's debt management are distinct. Treasury's objective is to fund the Federal Government at the lowest cost over time. Relevant factors include the demand for Treasury securities across different maturities, which are purchased by a wide range of investors with various preferences, and many types of investors are discussed by the Treasury Borrowing Advisory Council. If I were to be confirmed, I would expect to learn more about Treasury's issuance practices and how it meets its objective of lowest cost over time.

Question. The Charles Koch Foundation provided substantial funding to the Brookings Institution when you worked there, as did many "wealthy corporations" and billionaires. Given the sensitivity of some to institutional funding, especially when funding is provided to institutions that include conservative scholars, do you believe there should be concern that you, in your position, if confirmed, at Treasury would, as alleged against a conservative scholar in the past "serve the wishes of wealthy corporations and their billionaire owners?" Do you believe that concerns about think-tank funders should be limited to organizations that allow scholars to pursue conservative thoughts?

Do you believe that underfunded pensions and other post-employment benefit promises of State, local, and territorial government should be subjected to stress tests?

Follow-up: Your response indicates that underfunded State, local, and territorial benefit promises are a significant source of fiscal pressure on those jurisdiction, but you will study the issue further before being able to answer whether you believe those underfunded promises should be subject to stress tests. Is that an accurate assessment?

Answer. Before determining whether underfunded pensions and similar obligations should be subject to stress tests, I would want to study this issue further. The question of whether stress tests would be beneficial in this context would depend on whether stress tests would be helpful to reduce underfunding.

Question. If confirmed, you would likely provide advice to the Treasury Secretary on FSOC work, if confirmed. Would you advise that the Treasury Secretary take or urge any actions 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?"

If confirmed, your work will touch on payment system issues. Recently, the Federal Reserve has been engaged with "stakeholders" and other central banks to work on developing a Central Bank Digital Currency (CBDC). As part of that work, some political advocates would like the Fed to consider construction of a distributed ledger scheme to enable accounts for all Americans (or, perhaps all residents of America) which, once an initial signoff from Congress is somehow obtained, allow the Fed to engage in fiscal policy. Those policies could involve automatic stabilization, such as injections of funds into accounts in downturns or absorption of funds from accounts in expansions, universal basic income, perhaps with smart contracting allowing the Fed to be able to determine what fund-holders could or could not purchase in transactions. Do you commit to informing members of this committee, if confirmed, about any work within the Federal Government, or joint work of Treasury and the Federal Reserve, on development of a government-provided digital currency or payment system ledger, and inform members of the committee at the immediate onset of any such work?

Follow-up: (i) Do you believe that there are important privacy and legal-authority issues associated with the Federal Reserve designing a CBDC, in addition to the consumer protection and financial stability issues that you identify?

Answer. Yes, I believe there are important privacy issues associated with a possible CBDC and that such issues would depend on its structure. I would defer to legal counsel on the legal-authority issues.

Follow-up: (ii) Your response identifies that Federal Reserve and others' research and explorations with respect to CBDC should help us "understand the need for" any potential CBDC. Do you believe there is a need for a CBDC and, if so, what is the need?

Answer. I do not presume a need for a CBDC. My earlier response was meant to convey that research on how changes in consumer demand for financial services because of new technologies and the provision of those services by the private sector could be helpful to assess whether there is any need for a CBDC.

Question. Climate change, we are told by some, involves risks that the Federal Reserve says we do not yet understand. The Fed also says they are examining implications of climate change for the economy, financial institutions, and financial stability. A Fed official identifies that "financial markets face challenges in analyzing and pricing climate risks." The President, on May 20th, issued an executive order on climate-related financial risk, calling, among other things, for the Treasury Secretary, as Chair of the FSOC, to essentially go find those as-yet unknown and not understood risks.

Do you agree with the Fed that financial markets are challenged in analyzing and pricing climate risks?

If so, can you identify what those mispriced risks are, and why you know what they are while others who participate in markets do not?

Follow-up: Your response did not address the second question.

Answer. I do not presume to know all the potential financial risks from climate change. Members of the private sector have emphasized how risks from climate change may be difficult to gauge in light of limited data and experience. I believe that working with the private sector to produce consistent and comparable information will be helpful to better understand these issues.

Question. If you do not know what those risks are and, if confirmed, wish to assist Treasury in finding them, please describe the process you will use to discover as-yet undiscovered risks. Please, also, describe steps you would take to ensure that Treasury relays the findings immediately upon discovery, and make the discoveries immediately available to the public, if confirmed?

Follow-up: Your response did not address the question.

Answer. If confirmed, I would work to develop information that is helpful to the private sector and regulators to identify potential financial risks and rewards from climate change. Any process would start with developing better data to enable risk identification and assessment. Treasury can play an important role to convene businesses, investors, and regulators to identify the information that would be useful.

If confirmed, I will ensure that Treasury relays information on any actions taken and findings from work on assessing climate-related financial risks. The executive order on climate-related financial risk requires the Secretary of the Treasury to engage with members of the FSOC to identify actions the regulatory agencies are taking to assess climate risks and to issue a report within 180 days.

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

The Finance Committee meets this morning to discuss four nominations that will round out President Biden's team leading the Treasury Department.

Lily Batchelder is nominated to serve as Assistant Secretary for Tax Policy. Professor Batchelder is not only a leader when it comes to crafting tax policies that bring working Americans into the economic winner's circle, she's also a friend of the committee.

From 2010 until 2014 she served as Chief Tax Counsel to then-Chairman Max Baucus, and later became the Deputy Director of the National Economic Council under President Obama. She has always been an advocate of the proposition that tax policy isn't just about raising revenue. She knows, for example, that tax policy can drive inequality—or help to solve it—and help create high-wage, high-skill jobs in America. We are always happy to welcome Professor Batchelder back to the committee.

While we're on the topic of friends of the Finance Committee, Jon Davidson is nominated to serve as Assistant Secretary for Legislative Affairs. Mr. Davidson is well-known and highly respected in these corridors. For a decade he's served as Chief of Staff to Senator Bennet. Folks who spend their days working on economic policy know that Senator Bennet's team is the gold standard when it comes to designing and building support for policies that help working families and the middle class get ahead. Mr. Davidson brings decades of Capitol Hill experience to his nomination, and he played a key role in the transition that helped the Biden administration hit the ground running on January 20th.

Ben Harris is nominated to serve as Assistant Secretary for Economic Policy. If President Biden is known for any one thing, it's his lifelong, principled commitment to working people in downtrodden communities like Scranton, PA. It takes a lot of hard work and planning—never more so than during a severe jobs crisis—to build an agenda of fresh, bold economic policies reflecting those core Biden principles. Dr. Harris has been right at the heart of that process. His work has proven wrong anybody who thought the Biden administration was going to take half-steps rather than huge strides to help people get ahead in the wake of the COVID crash.

Nellie Liang is nominated to serve as Under Secretary for Domestic Finance. There hasn't been a Senate-confirmed official in this position since 2014, so I'm pleased that President Biden has put forward such a highly qualified nominee. Dr. Liang has 3 decades of experience at the Federal Reserve. She was the first-ever Director of the Division of Financial Stability upon its creation in 2010, coming out of the Great Recession. Her experience in that position is going to be key to her work at the Treasury, leading an office focused on protecting our economy from risks and downturns.

Bottom line, the group joining the committee today is an all-star team of economic policymakers focused on policies that give everybody in America a chance to get ahead, not just those at the top. These nominees are as highly qualified as they come. They're going to be strong additions to Secretary Yellen's leadership team at the Treasury, along with Deputy Secretary Adeyemo. And this committee is going to lean often on their expertise in the months ahead, as it continues work on several major economic challenges.

Tomorrow the committee will have a debate on proposals aimed at bringing our energy tax system into the 21st century and creating a wave of clean energy jobs in America. The committee is working on changes to the international corporate tax system based on the proposition that everybody ought to pay a fair share—even the big mega-corporations that got a huge tax handout from the 2017 Trump tax law. The committee is working with the Treasury on the new child tax credits, as well as efforts to close the tax gap and rebuild IRS resources to crack down on cheating by high-flyers. And there are many other areas of the President's economic agenda that will involve a lot of hard work in this committee.

So the Finance Committee will be keeping these nominees busy in the months ahead. I want to thank them for joining the committee today, and I look forward to their testimony.