

**NOMINATIONS OF SARAH BLOOM RASKIN
AND RHONDA SCHMIDTLEIN**

HEARING

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

ON THE

NOMINATIONS OF

SARAH BLOOM RASKIN, TO BE DEPUTY SECRETARY, DEPARTMENT OF
THE TREASURY; AND RHONDA SCHMIDTLEIN, TO BE A MEMBER OF
THE UNITED STATES INTERNATIONAL TRADE COMMISSION

NOVEMBER 20, 2013



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

89-659—PDF

WASHINGTON : 2013

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON FINANCE

MAX BAUCUS, Montana, *Chairman*

JOHN D. ROCKEFELLER IV, West Virginia	ORRIN G. HATCH, Utah
RON WYDEN, Oregon	CHUCK GRASSLEY, Iowa
CHARLES E. SCHUMER, New York	MIKE CRAPO, Idaho
DEBBIE STABENOW, Michigan	PAT ROBERTS, Kansas
MARIA CANTWELL, Washington	MICHAEL B. ENZI, Wyoming
BILL NELSON, Florida	JOHN CORNYN, Texas
ROBERT MENENDEZ, New Jersey	JOHN THUNE, South Dakota
THOMAS R. CARPER, Delaware	RICHARD BURR, North Carolina
BENJAMIN L. CARDIN, Maryland	JOHNNY ISAKSON, Georgia
SHERROD BROWN, Ohio	ROB PORTMAN, Ohio
MICHAEL F. BENNET, Colorado	PATRICK J. TOOMEY, Pennsylvania
ROBERT P. CASEY, Jr., Pennsylvania	

AMBER COTTLE, *Staff Director*

CHRIS CAMPBELL, *Republican Staff Director*

CONTENTS

OPENING STATEMENTS

	Page
Baucus, Hon. Max, a U.S. Senator from Montana, chairman, Committee on Finance	1
Hatch, Hon. Orrin G., a U.S. Senator from Utah	3
Cardin, Hon. Benjamin L., a U.S. Senator from Maryland	7

WITNESS

Sarbanes, Hon. Paul, former U.S. Senator from Maryland	5
--------------------------------------------------------------	---

ADMINISTRATION NOMINEES

Raskin, Sarah Bloom, nominated to be Deputy Secretary, Department of the Treasury, Washington, DC	8
Schmidtlein, Rhonda, nominated to be a member of the United States International Trade Commission, Washington, DC	10

ALPHABETICAL LISTING AND APPENDIX MATERIAL

Baucus, Hon. Max:	
Opening statement	1
Prepared statement	27
Cardin, Hon. Benjamin L.:	
Opening statement	7
Hatch, Hon. Orrin G.:	
Opening statement	3
Prepared statement	29
Raskin, Sarah Bloom:	
Testimony	8
Prepared statement	31
Biographical information	34
Responses to questions from committee members	46
Sarbanes, Hon. Paul:	
Testimony	5
Schmidtlein, Rhonda:	
Testimony	10
Prepared statement	80
Biographical information	82
Responses to questions from committee members	89

**NOMINATIONS OF SARAH BLOOM RASKIN, TO
BE DEPUTY SECRETARY, DEPARTMENT OF
THE TREASURY; AND RHONDA SCHMIDTLEIN,
TO BE A MEMBER OF THE UNITED STATES
INTERNATIONAL TRADE COMMISSION**

WEDNESDAY, NOVEMBER 20, 2013

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

The hearing was convened, pursuant to notice, at 10:18 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senators Wyden, Menendez, Cardin, Brown, Hatch, Grassley, Crapo, and Thune.

Also present: Democratic Staff: Mac Campbell, General Counsel; Rory Murphy, International Trade Analyst; Lynn Becker, Deputy Clerk; Carla Martin, Senior Advisor; and Tiffany Smith, Tax Counsel. Republican Staff: Chris Campbell, Staff Director; Nicholas Wyatt, Tax and Nominations Professional Staff Member; Rebecca Eubank, Staff Assistant; and Jeff Wrase, Chief Economist.

**OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR
FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE**

The CHAIRMAN. The hearing will come to order.

Abigail Adams, the wife of President John Adams, once asked, and I quote, "If we do not lay out ourselves in the service of mankind, whom should we serve?"

Joining us today are two people nominated to serve in critical roles in the government: Sarah Bloom Raskin, the President's nominee to be Deputy Secretary of the Treasury; and Rhonda Schmidlein, nominee to be a member of the International Trade Commission.

I reviewed your backgrounds and your economic policy experience. You are both well-qualified and have proven yourselves to be extraordinary public servants.

Ms. Raskin, you served as Maryland's Commissioner of Financial Regulation during the financial crisis, and, for many years, you served as counsel on the Senate Banking Committee. Your current role as Federal Reserve Governor gives you valuable insight into our Nation's economy.

Your nomination also marks a milestone. If confirmed, you would be the highest-ranking woman in the history of the Treasury Department. [Applause.]

It is not often I get applause, especially in the middle of an opening statement. [Laughter.]

Senator HATCH. It was not for you.

The CHAIRMAN. No.

If there is one thing to be sure of about being Deputy Secretary of Treasury, it is that you will have to wear many hats, and I am confident that you can. And you will need to, because the Treasury faces a lot of challenges.

First and foremost, the Treasury must keep working to strengthen our economy. The 7.3-percent unemployment rate is far too high, and the tepid economic growth over the last few years cannot continue. We must do better.

Treasury must also help foster and manage our relationships with important trading partners around the world, including China. We are at the pivotal stage with our trade agenda. There are huge opportunities for us to boost exports and reinforce trade ties, and Treasury must help seize them.

Your responsibilities at Treasury will also include helping to rebuild the trust of the American people in the Internal Revenue Service. At the confirmation hearing for your predecessor, I stressed the importance of transparency at Treasury and fairness at the IRS. Four years later, I stress these same points to you, Ms. Raskin.

The revelations about IRS's inappropriate screenings of 501(c)(4)s shook the public's confidence. You will be part of the team that works to regain it.

You will also be part of the team at Treasury responsible for helping Congress create sound tax reform policy. That team will need to be available and ready to act when the time comes. Tax reform is an important endeavor, and we have to get it right. And I, frankly, tell you I very much appreciated Secretary Lew's comments yesterday in support of tax reform. We need to work together to make our tax system more fair, more simple for American businesses and families.

Ms. Schmidlein, you have an extensive legal background in trade. You have worked as a trade lawyer for the Department of Justice, USTR, and in the private sector.

If confirmed, this committee will ask a lot of you. You will need to fairly consider the cases before the ITC and enforce our trade laws objectively. You will need to ensure that the ITC continues to provide us with high quality, timely advice to advance our trade agenda.

That agenda includes a singular opportunity to boost jobs and growth in our country. Between ongoing talks with nations across the Pacific and in Europe, we are negotiating trade deals covering two-thirds of global GDP. The ITC plays a critical role in providing Congress and our negotiators with the facts they need to ensure that these trade deals work for American families and for American workers and businesses.

As you take on this ambitious agenda, keep in mind the story of former ITC Chairman Will Leonard. In 1975, the ITC faced daunting hurdles. First, Congress had just expanded ITC's role in the Trade Act of 1974. With a small number of employees, the agency was being asked to do a whole lot more.

Second, his office building, a third of which was condemned, was falling apart. In a cramped, unpainted meeting room, Chairman Leonard met with the ITC staff, and here is what he said, and I am quoting him: "If we are excited and interested in our work, our surroundings will take on a glow that could never be transmitted by mere paint and plaster. It is my pledge to you that we can make this place hum."

If you apply Chairman Leonard's lesson, I have no doubt that you will succeed. And do not worry, the offices are no longer in disrepair.

Over the last 20 years, seven of eight nominees for Deputy Secretary of the Treasury have been unanimously confirmed by the Senate, as have all of the last 14 nominees for the ITC. I hope we can carry on that tradition.

Thank you both for your service. You are top-notch candidates. I strongly support your nominations, and I hope we can work very quickly so that you can get to work, not only for yourselves but, much more importantly, for the American people.

Thank you very much.

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

The CHAIRMAN. Senator Hatch?

**OPENING STATEMENT OF HON. ORRIN G. HATCH,
A U.S. SENATOR FROM UTAH**

Senator HATCH. Well, thank you, Mr. Chairman, for holding today's hearing. I also want to thank our two nominees for joining us.

Governor Raskin, if confirmed as Deputy Secretary of the Treasury, you will be making an interesting transition from the monetary to the fiscal sphere, both of which, in my view, need improvements when it comes to transparency. It is my hope that, if you make this transition, you will work with us to improve the lines of communication between the Treasury Department and the Congress.

On the monetary side, the Federal Reserve has, in my assessment, been treading perilously into the sphere of fiscal policy. Treasury and the rest of the administration, not to mention many in Congress, have been content to outsource decisions, such as the maturity structure of our debt, to the Fed and, in the process, have anointed the Fed with power over what are essentially fiscal policy matters.

Relatedly, the Fed made a joint pledge with Treasury back in March of 2009 that the Fed should not "allocate credit to narrowly defined sectors or classes of borrowers." The pledge went on to proclaim that "government decisions to influence the allocation of credit are the province of the fiscal authorities." Then, reneging on the pledge, the Fed decided in September 2012 to buy \$40 billion per month in agency mortgage-backed securities and to allocate credit in order to ease market conditions in the mortgage and housing sectors.

Remarkably, this came after the Treasury ended its foray into mortgage-backed securities investments, citing improved market conditions. It also came directly after a prominent Democrat in

Congress admonished Chairman Bernanke to, quote, "Get to work, Mr. Chairman," on providing more stimulus.

Unfortunately, the joint Fed and Treasury pledge not to channel credit to narrow sectors of the economy ranks right up there on the credibility scale with the promise that, if you like your health insurance policy, you can keep it.

When I ask the Fed and Treasury about the interplay between monetary and fiscal policies and some dangerous overlaps, I hear conflicting stories. On the one hand, officials assure me that the Fed and Treasury are independent and doing their own things. On the other hand, I see the Fed and Treasury acting jointly, as when Fed officials publicly state that they are helping the government lower its financing costs, which is making debt-fueled government spending look artificially cheap.

So, Governor Raskin, my hope is that you would agree to help make the Treasury more transparent and to work with Congress when members ask for information about Treasury policies or the country's debt or cash management decisions.

There is plenty available for you to do at the Treasury, and I hope you will outline your objectives for us. I further hope that these objectives include working to promote clarity about the positions of the administration on issues that are long overdue for action, including comprehensive tax reform, entitlement reform, reforms of Fannie and Freddie, and plans to drive down our Nation's unsustainably high and growing debt.

Now, turning to the trade side of today's hearing, Ms. Rhonda Schmidlein is nominated to be a member of the United States International Trade Commission. If confirmed, you would have a voice in shaping the ITC's future, including its section 337 process.

The ITC's section 337 process is a vital tool for U.S. companies facing unfair competition from foreign imports that infringe their intellectual property, and I have a longstanding interest in making sure this process operates as effectively as possible.

I am also very interested in ensuring that the ITC is able to continue its role as a nonpartisan source of information regarding U.S. trade policies and their effects on our economy.

Ms. Schmidlein, I hope you share my belief in the importance of an effective 337 process and the need for Congress to be able to obtain the highest quality economic analysis from the ITC.

Mr. Chairman, once again, thank you for holding today's hearing and for your ongoing leadership of this committee. We appreciate you.

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

The CHAIRMAN. Thank you, Senator.

Now, I would like to introduce our nominees.

First, Sarah Bloom Raskin is nominated to be Deputy Secretary of Treasury.

Ms. Raskin, this is a good opportunity for you to introduce your family, because you are going to be working really hard. This is teamwork. We are all in this together. And I know you are very happy to have your family accompany you.

Ms. RASKIN. Well, thank you, Chairman Baucus. And I do have quite a number of family members here with me today.

I have my husband here, Jamie, Jamie Raskin, and my three children: Hannah Grace, Tommy, and Tabitha. My parents are here, Herbert Bloom and Arlene Bloom. My brother, Kenneth Bloom, is here. My niece, Maggie Littlewood, is here. And I think there is also my father-in-law, Marcus Raskin, as well as some cousins, Jed Bellman and Sarah Bergen.

The CHAIRMAN. I would like to have you all stand so we can all applaud you, although there are not many left for applause. All stand up. [Applause.]

Very nice. We will have other introductions in just a moment.

Our second witness is Rhonda Schmittlein. And we would love to have you introduce your family too, Rhonda. It is a great opportunity for you.

Ms. SCHMIDTLEIN. Thank you, Chairman Baucus.

I have with me today my husband, John Schmittlein, and my daughter Anna, who is taking a day off of kindergarten today to be here. We have a 2½-year-old whom we did not bring, for what should be obvious reasons.

My parents are here, Roger and Marilyn Schnare, who will celebrate their 48th wedding anniversary next week.

The CHAIRMAN. Wonderful.

Ms. SCHMIDTLEIN [continuing]. And my father-in-law, John Schmittlein.

The CHAIRMAN. Why don't you all stand? We want to congratulate you too. [Applause.]

We are very honored to have with us here Senator Sarbanes, who I think would like to introduce one of our witnesses today. We are very honored to see you again, Senator Sarbanes. You have been a real credit to the Senate and the State of Maryland, and we miss you sorely.

Senator HATCH. Yes. It is great to see you again. We are really happy to have you here.

Senator SARBANES. Well, thank you. Thank you very much, Mr. Chairman and Senator.

Actually, Senator Hatch and I came to the Senate on the same day. I took that advice about "you have to know when to hold them and know when to fold them." Senator Hatch is still hanging in there. [Laughter.]

Senator HATCH. Yes. I think I should have followed your advice sometimes, and I know a lot of others think I should have followed your advice. [Laughter.]

The CHAIRMAN. There was a breakfast the Senator and I had, when I was over in the House, thinking about coming over to the Senate. You advised me, and you said, "Max, I do not know if you want to come over here. It is a lot different." [Laughter.]

Anyway, thank you very much.

STATEMENT OF HON. PAUL SARBANES, FORMER U.S. SENATOR FROM MARYLAND

Senator SARBANES. Senator Wyden, it is nice to see you, as well as my colleagues Senator Cardin and Senator Brown.

I am pleased to be before the committee and to have this opportunity to say just a few words about Sarah Bloom Raskin, who is

an old and dear friend and for whom I have a tremendous, tremendous regard.

Sarah has now served on the Board of Governors of the Federal Reserve for just over 3 years. I got to know her in a work capacity, first, when she was a staff member to the Senate Banking Committee.

I know Senator Crapo was here with us a few minutes ago. But she did an outstanding job. She was with the committee not quite 5 years and was really one of the—we had a very good staff, if I do say so myself, on both sides of the aisle, and she just did an outstanding job as a member of the staff of the committee.

She showed measured judgment, was extremely hardworking, very analytical, very smart, and had a tremendous ability to work with people across the aisle, in the Congress, out of the Congress, and she made a tremendous contribution.

Before she went on to the Federal Reserve Board, she was a Commissioner of Financial Regulation for the State of Maryland. She did an absolutely—and I am sure Senator Cardin will comment about this—an absolutely outstanding job as our Commissioner of Financial Regulation. And she rose very quickly among the State bank supervisors.

She was on their executive committee. She headed up a number of other committees and really became, to some extent, a spokesman for the State banking regulators.

When she went to the Federal Reserve, they were very strong in their support of her and her enthusiasm for that nomination.

The job to which she is going, hopefully, with the approval of this committee, is a tremendously important job and very broad in its responsibilities as Deputy Secretary of the Treasury. She brings to it a tremendous amount of talent, including—and I just want to touch on this—some clear administrative abilities. She has been the Administrative Governor at the Federal Reserve Board. So she has had some responsibilities at the Fed for administering the workings of the Federal Reserve Board.

As Commissioner of Financial Regulation in Maryland, she was extremely good in handling that charge. And that will be part of her job, as I understand it, as Deputy Secretary of the Treasury, and I commend her very strongly in that area.

Mr. Chairman and members of the committee, I just want to make a couple of points. When she was up to go on the Federal Reserve Board, we had a number of the banking associations, including the community bankers, who were in very strong support of Sarah, and others who had worked with her when she was Commissioner of Financial Regulation. At the same time, she was very strongly supported by the Maryland Consumer Rights Coalition, which had given her the Consumer Advocate of the Year Award. So she has, obviously, shown an ability to bring people together and solve difficult problems, have their endorsement and have their support.

I happen to think that is a very valuable asset, and she has manifested it in her previous work, and I am sure she will continue to do so at the Treasury.

So, thank you very much for this opportunity this morning to come and say a few words. I have known Sarah and her husband for a long, long time, and I have the very highest regard for her.

The CHAIRMAN. Thank you, Senator. It is a very strong statement, and we deeply appreciate it.

Senator Cardin, I am sure you have a few words too that you would like to add in support of the nominee.

**OPENING STATEMENT OF HON. BENJAMIN L. CARDIN,
A U.S. SENATOR FROM MARYLAND**

Senator CARDIN. Mr. Chairman, thank you for the courtesy to allow me, also, to introduce to the committee Sarah Bloom Raskin. We are very proud that she is a Marylander, lives in our State, and is a person who has given so much in public service.

Senator Sarbanes mentioned her husband Jamie. Jamie is a member of our State Senate and an incredible person in his own right. This is a family of public servants, and we very much appreciate that.

Senator Sarbanes went over a great deal of the background of Sarah Bloom Raskin. She worked in the private sector, very successfully in the private sector, but then returned to the public sector, because she is really dedicated to public service. She is in public service for all the right reasons.

Her background, her education, her job training, all are well-suited for the position. As you pointed out, she will become the highest-ranking woman in the history of the Department of Treasury. So this is really a moment where I think we all can be very pleased that Sarah is coming forward to serve in this extremely challenging position.

Senator Sarbanes mentioned the fact that she was our State Regulator, and that is where I really got to know her. And I remember, while she was our State Regulator, sort of underscoring Senator Sarbanes's point—the Maryland bankers come in every year to meet with us. I am sure the bankers from your State also come in to meet with your delegations. And they do not normally comment about our State Regulators, but they did, and they were very complimentary of the manner in which Sarah was conducting the regulatory atmosphere in our State.

In that same week, just by happenstance, we had consumer groups that were in talking to us about some of the legislation that was pending in Congress, and they said, "You know, why can't you get people like Sarah at the Federal level, because they really are open to allowing us access to try to work out issues?"

So I really want to underscore that point to the committee. We need people in the administration who know how to bring people together, and Sarah Bloom Raskin is that type of a person. She really knows how to build effective coalitions to get things done.

I had the honor of introducing her to the Banking Committee during her confirmation hearings in 2010, and she was, of course, confirmed to be on the Federal Reserve.

I thank her for her service. And on a personal note, it is really—I am very proud of the reasons why you are in public service and the differences that you have made.

Thanks to your family also.

The CHAIRMAN. Thank you, Senator, very, very much.
 Thank you, Senator Sarbanes. It was good seeing you.
 With that, Ms. Raskin?

**STATEMENT OF SARAH BLOOM RASKIN, NOMINATED TO BE
 DEPUTY SECRETARY, DEPARTMENT OF THE TREASURY,
 WASHINGTON, DC**

Ms. RASKIN. Chairman Baucus, Ranking Member Hatch, and distinguished members of the committee, it is a great privilege to appear before you today as the President's nominee to be Deputy Secretary of the Treasury.

I do want to begin by thanking Senator Paul Sarbanes, who has served as an exemplary role model and leader for Maryland, the Senate, and our Nation throughout his lifetime of public service.

Let me also thank your colleague and my Senator, Ben Cardin, for his kind words and the excellence of his leadership and passionate concern for the people of Maryland.

I also would like to thank all the members of my family, especially my husband, Jamie, my parents, my brother, and my three children for their support, understanding, and good humor.

I want to mention that Jamie was with me at my confirmation hearing when I was nominated for the Federal Reserve Board 3 years ago, even though he was going through radiation and chemotherapy at the time. Jamie is a law professor and a Senator—although not a real Senator, as my daughter, Tabitha, said when she was a little girl—a State Senator, and I am delighted that he is again behind me on this day, robustly healthy and fit, 3 years after his final treatment.

I am grateful to President Obama and Secretary Lew for this opportunity. The trust they have placed in me is a humbling honor.

Finally, I want to thank you, Mr. Chairman, and Ranking Member Hatch for the enormous courtesy you and the members of your staff have shown me throughout this process. If confirmed, I look forward to working closely with you as the Treasury Department continues the essential work of promoting economic growth and accelerating our recovery from the financial crisis of 2008.

It is a special thrill to be back in the Senate. Although I spent half of my career as a lawyer in the private sector, the other half has been devoted to public service, and, for me, this gratifying phase of my career began right here in this chamber.

As a former counsel to the Senate Banking Committee under three different chairmen, I cherish the time that I spent in this remarkable body, where I learned that the character of our leaders and the purposes they bring to public life are far more important than their party labels. This is an institution with a great history and a great future, and all of America is deeply invested in its success.

I have worked extensively in the private sector. These roles in business not only gave me invaluable management experience, but they also taught me what those in the financial marketplace seek most from government—stability, predictability, fairness, a sense of proportion, attention to the unintended consequences of regulation, pragmatism, and bipartisan effort toward economic prosperity and public efficiency.

From 2007 to 2010, I served as the Commissioner of Financial Regulation for the State of Maryland. As Commissioner, I worked hard every day to provide stability to our financial sector and opportunity to our businesses and our people through the darkest days of the Great Recession.

I mobilized a great deal of talent to address the devastating effects of spikes in home foreclosures and unemployment that shocked so many of our families and communities, and I took action to revise and replace ineffective and counterproductive State regulations in order to enhance economic progress, regulatory effectiveness, and access to affordable credit.

In 2010, I was nominated by the President and confirmed by the Senate as a Governor of the Federal Reserve Board. In that capacity, I have worked with my colleagues on the Board and on the Federal Open Market Committee to maximize employment, maintain price stability, and restore the underlying strength and vibrancy of the American economy.

As the executive agency charged with promoting economic prosperity and financial stability, the Department of the Treasury has a sacred trust to advance the fortunes and livelihood of our people, our businesses, our communities, and our Nation. The government does not create wealth and prosperity and innovation in our economy, but it does create the conditions in which our people and businesses can, and, therefore, its role is central and indispensable.

This is an exciting time to join the Treasury Department. With the need for immediate stabilization from the financial crisis behind us, Congress and the administration can increasingly focus their attention on longer-term structural reforms that will improve conditions for sustainable and meaningful economic growth. From housing finance reform and implementing financial regulatory reform to tailored sanction design and implementation, new trade agreements, and tax and entitlement reform, we have the chance to make important long-term and durable progress for the country.

If confirmed, I look forward to working closely alongside members of this committee to identify the best bipartisan policy options to achieve such progress. I also look forward to helping Secretary Lew continue the exemplary and efficient management of the Department and its component bureaus and offices.

At different points over the last decade, I have dealt with the Treasury staff and have been greatly impressed by their skill and commitment. If I am so honored to be confirmed, I look forward to working every day to build effective policies for a sustained economic recovery and growth that reaches every corner of every State in our Nation.

Let me say, finally, that I have learned plenty from intense study of econometric models and academic analyses in my time as a Federal Reserve Governor, but I have learned more than I ever imagined possible from the people I met when I made impromptu visits to job fairs and unemployment centers. Talking to people trying to avoid falling off the economic ledge reminds us of the urgent public purposes that must infuse our work here in Washington if we are to be authentically successful. I make it a continuing commitment to throw everything I have into seeking ways to broaden the opportunities for prosperity for all Americans.

Thank you for allowing me to testify here today and for receiving me in your offices. I would be happy to respond to any and all questions you may have throughout this process and, indeed, throughout my tenure at the Treasury Department, if I am fortunate enough to be confirmed for that position.

Thank you.

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

The CHAIRMAN. Thank you very much.

Ms. Schmidtlein, we are very honored to have you here and would love to hear your statement.

STATEMENT OF RHONDA SCHMIDTLEIN, NOMINATED TO BE A MEMBER OF THE UNITED STATES INTERNATIONAL TRADE COMMISSION, WASHINGTON, DC

Ms. SCHMIDTLEIN. Chairman Baucus, Ranking Member Hatch, and members of the committee, thank you for this opportunity to appear before you today. I am deeply honored and grateful to have been nominated by President Obama for the position of Commissioner of the United States International Trade Commission.

Before I go on, I would like to thank my family members as well, who are here and who have been introduced. My husband and my daughters, Julia and Anna. My parents, Roger and Marilyn, and my father-in-law, John Schmidtlein. I am grateful to each of you for your love and support and understanding over the years. I also want to acknowledge my friends, many of whom are here today, and others who are listening online, and thank them for their steadfast support and encouragement.

I have been privileged to spend my career working in the public interest. Starting at the U.S. Department of Justice and then at the U.S. Office of the Trade Representative, and later at the U.S. Public Company Accounting Oversight Board, I was proud to represent the United States in negotiations and trade-related disputes.

My work as a trade lawyer has given me a keen appreciation for the important work of the ITC. While the ITC may be relatively unknown to the general public, it plays an important role in the U.S. economy through its administration of U.S. trade remedy laws, including title VII and section 337. These laws provide a vital tool for U.S. companies that are faced with unfair trade practices, and the ITC's decisions impact the livelihoods of workers, farmers, and businesses across America.

Another important, but perhaps less recognized aspect of the ITC is the role it plays in maintaining the credibility of U.S. trade remedy laws. As a lawyer who has represented the United States in challenges to the application of U.S. trade remedy laws, both in the U.S. courts and at the WTO, I understand firsthand the importance of maintaining objectivity in the administration of these laws.

If confirmed, I intend to apply the law, as written and in accordance with the intent of Congress, in a fair and objective manner.

The ITC also plays an essential role in supporting policymakers by providing objective and high-quality economic and industry analysis. Over the course of my career as an advocate and a negotiator, I have depended from time to time upon the work of economists. So I understand the importance of policymakers having reliable and robust reports upon which to base their decisions.

If confirmed, I would look forward to working with my fellow commissioners and ITC staff to ensure that the ITC continues to be responsive to Congress and other policymakers and continues to provide objective and high-quality reports.

I believe in the power of a rules-based trading system to expand trade, create jobs, and raise standards of living. But simply having such a system is not enough. The rules must be enforced, and the decision-maker must be independent and objective. Congress has charged the ITC with playing this critical role with regard to U.S. trade remedy laws.

If confirmed, I would be honored to participate in this important process as a commissioner.

I thank you for your consideration, and I would be happy to answer any questions.

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

The CHAIRMAN. Thank you both very much.

Ms. Raskin, what is the biggest lesson you learned as a State Regulator, or add to that your role as a Fed Governor? What is the biggest lesson learned?

Ms. RASKIN. Well, Chairman Baucus, I have to say that the lessons were many. I have served in both of those capacities during the time of really great financial crisis in our country, and the experience of working during the crisis and seeing the effects of the crisis on our communities and on our prospects for economic growth really has been a searing experience, and one that I have wanted to commit myself to never see this country have to go through again.

So the work that I see going forward is a combination of both bringing about a strong recovery from that crisis, a set of reforms that brings us to a place where we do not have to repeat a crisis like that again, and putting our economy on a long-term path for sustainability.

The CHAIRMAN. What can we do to tend to prevent that reoccurrence of the financial crisis?

Ms. RASKIN. Well, I think a lot of very good work is underway, Chairman Baucus, and the work has involved a lot regarding financial reform. And, as you know, Dodd-Frank is a comprehensive statute with many provisions, and a lot of the work that Congress envisioned in that statute is underway and I think is moving towards bringing us to a place of greater financial stability.

I think our economy is doing better than it was certainly in the dark days of the crisis. We are seeing moderate growth, and I would like to see that growth continue. And I think the work of both the committee and Congress, as well as the continued work of the Federal Reserve, are important for those efforts.

The CHAIRMAN. But at Treasury, specifically at Treasury, what tools do you have to help bring back the economy and, also, prevent further collapse down the road, as opposed to the Banking Committee?

Ms. RASKIN. That is right. And Treasury, as you know, plays a very important role in many facets of our recovery and in our long-term growth prospects.

The projects currently facing Treasury involve important work regarding tax reform, which I know this committee has taken a very strong lead in; questions regarding housing finance reform; financial regulatory reform; work moving treaties ahead in an important way; and, at the same time, doing all of this in a way that enhances transparency, happens in an accountable way that people in the public can understand, and puts our economy on a stronger footing.

The CHAIRMAN. I appreciate you mentioning tax reform, because I personally believe that is going to help promote economic growth. And I was very pleased, as I mentioned earlier, at Secretary Lew's statement supporting tax reform.

I urge you, if confirmed, to keep that up, because we have to keep our eye on that ball.

Ms. SCHMIDTLEIN. I am a little bit concerned that ITC Chairman Irving Williamson reportedly informed the USTR last week that it will take ITC at least 150 days from receiving the full text of an agreement—that is, a trade agreement, whether it is TTIP or whether it is the Trans-Pacific Partnership agreement—and that is going to take a long time.

Just your thoughts on how ITC can speed up that process a little bit more quickly.

Ms. SCHMIDTLEIN. Thank you.

The CHAIRMAN. Because in the past, we have required reports to be provided to this committee in about 90 days.

Ms. SCHMIDTLEIN. And you are talking about the section 332 report that they would provide?

The CHAIRMAN. Yes. Right. Right.

Ms. SCHMIDTLEIN. Yes. I would look forward, if confirmed, to working with my fellow commissioners to understand why this is taking so long and to ensure that the appropriate resources have been allocated to those offices so that they can provide the reports in a more timely manner.

The CHAIRMAN. Because I think these trade agreements are enormously important. They are going to dramatically boost economic growth in this country.

Ms. SCHMIDTLEIN. Absolutely, and that is one of the statutory responsibilities of the ITC, to support the policymakers by providing these types of reports.

The CHAIRMAN. I appreciate that. I just encourage you to double down a little bit and see what we can do. Thank you.

Senator Hatch?

Senator HATCH. Thank you.

Governor Raskin, when we approach the statutory debt limit, it becomes important for Congress to know about the state of the country's finances, including its cash, public debt issuance, and how much time can be bought in terms of remaining below the debt limit when Treasury uses its so-called "extraordinary measures." Those measures, by the way, are unfortunately becoming all too ordinary and probably need to be reexamined.

While Congress needs information, it does not always get it in a timely fashion. Will you commit to us here on this committee to respond—and to me personally—to respond to my requests for information about debt issuance, cash balances, and how much room

Treasury has under the debt limit through use of extraordinary measures when we near a debt limit, and will you commit to doing so on a weekly basis with me and the Congressional Budget Office when we get close to the debt limit?

Ms. RASKIN. Well, Senator Hatch, as you know, a government default resulting from the breach of a debt limit is an event considered to be one of catastrophic consequences in terms of financial stability, economic growth, and employment.

It has never occurred in the history of our country. Congress has always found a way to pay its bills, fortunately. And the work that leads up to a government default regarding the balances that come in to Treasury or the information that is received regarding the approaching of that limit, I think, is critically important to understand, being a set of numbers, of figures, that is important to have accurate.

Senator HATCH. Well, I appreciate that. The reason I ask that question is because we have not gotten responses that we have asked for, have not had responses to letters that we have sent, and I am just hoping that you will correct that, because we do have an obligation here to oversee this.

And I do not think either of us and most people on the committee have any special axes to grind. We just want to make sure we know what we are doing.

So I would appreciate if you will do that.

Ms. Schmidlein, as you are no doubt aware, intellectual property is an increasingly important part of the U.S. economy. In my home State of Utah, for instance, IP is the lifeblood of our industries, from information technology to life sciences. And, as I mentioned in my opening, the ITC provides a vital tool for U.S. companies that face unfair competition from foreign imports that infringe their IP.

Can you share with us your thoughts on the section 337 process and what you would do to make it as effective as possible?

Ms. SCHMIDTLEIN. Thank you, Senator Hatch.

Of course, the ITC has recently implemented a few changes to the procedures for section 337, including discovery and then, also, putting in place a pilot program so that potentially dispositive issues might be ruled upon early.

So I would look forward to sitting down with my fellow commissioners, if confirmed, to evaluate the results of those efforts that have just been taking place over the last 6 months.

Senator HATCH. Governor Raskin, if confirmed as Deputy Treasury Secretary, you are likely to be involved in proceedings of the non-transparent Financial Stability Oversight Council, or FSOC, especially given your background in bank regulation.

Now, the FSOC is unlikely to be able to spot threats to financial stability or guard the world against financial instability, especially given that it cannot even define what that means. With the Treasury Secretary at the helm and the Fed at the table, it is highly unlikely ever to warn of any threats to financial stability arising from monetary policy or from exploding government debt. Indeed, as the debt limit was approached recently and the Treasury Secretary warned of calamity, the FSOC chair, who happens to be the Treasury Secretary, remained silent.

So I think everyone should be clear about this relatively new entity. It is not a stability guardian. Rather, it is a roving regulator looking for pockets of the financial system and the economy to ensnare into the regulatory webs of the Fed and other regulators. It is a council consisting of an alphabet soup of financial regulators, and it is capable of turning pretty much any set of companies into regulated public utilities.

Now, given your financial regulation experience and the possibility that you will be working with the FSOC in the future, I have just two questions.

First, if you are confirmed, will you work to improve the transparency and responsiveness of the FSOC to congressional inquiries; and, second, do any firms or sectors of the financial system currently, in your view, meet the test of being systemically important financial institutions in need of being designated by the FSOC and subsequently regulated by the Fed or others?

If you could answer those two questions, I would be appreciative.

Ms. RASKIN. Certainly, Senator Hatch. And let me commend you for your articulation of the very important goal of transparency. It is one that I share and one that I have been committed to further and develop in the public sector positions that I have held.

In terms of the transparency of the FSOC, yes, I certainly can commit to you that I will work to improve its transparency. The FSOC, as you described so well, is, in essence, a group—it stands for the Financial Stability Oversight Council.

It is a group that comes together, consists of the leaders of various financial regulatory agencies, and it has primarily two purposes, as set forth in the statute. One is, it monitors financial market developments, and, two, it looks primarily at the risks to financial stability.

And the transparency mechanisms that it has used in doing this, I think, are there. I hear you and share a concern that they be brought forward in a more comprehensible way. But there is, in essence, a statutory standard regarding designation of an institution that presents a risk to financial stability. You are absolutely correct that if, in fact, an institution is designated by the FSOC, it becomes an entity that becomes regulated and supervised by the Federal Reserve.

The FSOC, as I see it, has been issuing annual reports since its creation. Those annual reports have taken a step toward identifying risks to financial stability, risks that need to be pursued by various regulators, as well as by the FSOC as a whole.

So the work of the FSOC, I think, is quite significant, and designations of institutions that are considered systemically significant have occurred and have been referred to the Federal Reserve for supervision. There have been three so far.

But, yes, I appreciate your comments. I certainly look forward to working with you, if I am confirmed, to improve transparency.

Senator HATCH. Thank you.

The CHAIRMAN. Thank you, Senator, very much.

Senator Grassley?

Senator GRASSLEY. You were born in Washington, IA, it says here.

Ms. SCHMIDTLEIN. I was.

Senator GRASSLEY. When did you leave?

Ms. SCHMIDTLEIN. I think shortly thereafter. [Laughter.]

Senator GRASSLEY. All right.

Ms. SCHMIDTLEIN. I was raised in Missouri.

Senator GRASSLEY. I have just one question for you, and I would like your comments and thoughts on currency manipulation by foreign governments and how big of an issue you think it is for global trade. And I do not know if it would ever reach your commission or not, but, if it did, how would you handle it?

Ms. SCHMIDTLEIN. Well, I suppose if it were the subject matter of a case that was brought before the ITC, then, of course, I would apply the statutory requirements to the facts of the case in a fair and objective manner.

Senator GRASSLEY. Can you give me your views on what you think about currency manipulation and its impact on global trade, if you have a view?

Ms. SCHMIDTLEIN. Well, I have to say, in my role as an ITC Commissioner, I am not sure whether I would be in a position to offer a view on that, and I have not studied that myself.

So I would be happy to get back to you, but, sitting here, I could not offer—

Senator GRASSLEY. If you would give me your views in writing, I would appreciate it.

Ms. SCHMIDTLEIN. All right.

Senator GRASSLEY. And, Ms. Raskin, I am going to tell you about a conversation I had with Attorney General Holder. I do not want you to comment on his conversation. It is just the background for a question I have.

He was before the Judiciary Committee, and we had been hearing and maybe even reading that, before the government might file certain criminal charges or some sort of charges against financial institutions or people within the financial institutions, there were certain so-called “experts” that government would consult about what might be the impact of those lawsuits upon the financial system.

That disturbed me. I asked him if that was true, and he said, “Yes, that is true. We do consult with certain experts.”

I am not sure those experts were identified. I am not sure I expected him to identify them. I do not know whether I submitted a question in writing for him to tell us who those so-called experts are.

But I am talking about this environment now. Do you share the concern that charging large financial institutions or key individuals within those large institutions would have some broad ripple effect in the economy? And then, if those are concerns of our government, does not a refusal to prosecute create a lack of accountability for these institutions and the people who run them, like, for instance, you can do something wrong and maybe get away with it?

Ms. RASKIN. Well, thank you, Senator Grassley. I certainly appreciate your concerns about a focus on accountability. I am not aware of the conversation with Mr. Holder, and I am not aware of the details around it.

I can tell you that I have looked from the outside at some of the contours of these settlements with large financial institutions, and,

from the perspective that I sit in, certainly, at the Federal Reserve, we do look at consequences regarding financial stability, regarding the safety and soundness of the institution, as well as improvements towards transparency and, of course, economic growth.

So I do look at it from those perspectives.

Senator GRASSLEY. Well, let me give you my opinion, not that you would necessarily follow it or that I would expect you to, but I think that when we have an environment in which, if somebody breaks a law or an institution does something wrong, and somehow our government is afraid to charge them and prosecute them or pursue whatever the law allows them to pursue because it might have an impact on the financial institution, that you are allowing people to have an environment where you can get away with murder.

Not officially murder, but get away with bad things that you should not be allowed to get away with, and it gives a certain amount of freedom that brings about more risk. It is a risk-inducing thing if you tolerate that sort of thing.

I yield the floor.

Senator Hatch [presiding]. Senator Cardin?

Senator CARDIN. Thank you, Mr. Chairman.

Let me thank both of our witnesses. Ms. Schmidtlein, thank you, also, for your willingness to step forward, and we thank your family as well.

I appreciate in your statement your reference to the remedy laws and that the laws provide vital tools for U.S. companies that are faced with unfair trade practices and that ITC decisions can impact the livelihoods of workers, farmers, and businesses across America. I could not agree with you more.

We are under attack on our remedy laws. There is unity among our trading partners. They do not like them and do everything they can to undermine them. Multinational companies have invested a lot, also, to weaken enforcement of remedy laws.

The ITC has been one of the strong institutions trying to protect congressional intent on the enforcement of our remedy laws. And I understand, when a specific case is before you, you have to act on the facts and apply the law and do that in a fair manner.

But my question to you is, are you prepared to work with Congress to make sure that we have effective remedy laws, that we look at—particularly when we are in trade negotiations—the experiences that you would have on the Commission, if confirmed, so that we can, in fact, protect against unfair trading practices against America's businesses?

Ms. SCHMIDTLEIN. Yes, of course. I personally would be willing to provide whatever insight I could to any members of the committee or Congress when you are looking at how to make the remedy laws more effective.

Senator CARDIN. Thank you for that, because I have probably testified before the ITC more than any other government commission. There seem to be more problems involving industries in our State.

What has always concerned me is, there are technical defenses that are made through the applications of the remedy laws that try to undermine the congressional intent. And, to the extent that we

need to strengthen our laws here, I think the views coming from someone who has seen the application of these laws in a contested setting could help us make sure that Congress, which is responsible for the laws, passes laws that can be enforced.

So I thank you for that.

Ms. Raskin, I want to talk about savings and retirement savings. During the best of times in America, when our economy was performing as strongly as any in the world, we were dead last among the industrial nations on our savings ratios. At that time, we were told we do not have to worry about it too much because Americans are saving through the equities in their homes. And we saw what happened with the equities in their homes.

I would like to get your view about working with Congress to provide effective tools so that Americans save more. This Congress has passed many bills, including the Savers Credit, to help lower-income families, but it seems to me that Treasury should be playing an active role in looking at the fundamentals of the American economy. And I hope that you would share with me that Americans just do not save enough and we should be looking at ways to increase savings, which not only helps our economy from a macro sense, but also protects the security of individuals and government programs that are stressed with demographic changes.

Your views?

Ms. RASKIN. Thank you, Senator Cardin. And I know you have done a lot of work throughout your career on the issue of savings and pension work, and I think you are correct.

My view is that this is an important component of our long-term sustainability and long-term growth in our economy, both in terms of moving through the recovery, as well as putting our economy on a path towards greater growth and sustainability.

I think the proposals that you have mentioned are important, and, yes, I do look forward to working with you on them, if I am confirmed.

Senator CARDIN. Thank you.

Following on Senator Grassley's point on currency manipulation, I certainly support the thrust of his concern. But I am going to ask Ms. Raskin that question, because Treasury does have a direct role in dealing with currency manipulation.

We have seen some progress from our trading partners, but still any objective review would indicate that American companies have been at a disadvantage because of currency manipulation. What efforts can we expect, if you are confirmed, to bring these matters to the attention of Congress and to the attention of Treasury to get a more level playing field for American companies?

Ms. RASKIN. Well, thank you, Senator Cardin. And I think both you and Senator Grassley have put your finger on a very important issue that requires continued diligence and, from my perspective, a lot of hard work, and that is the question of really bringing other countries into a market-based exchange rate regime.

And I think that some countries are doing it better than others, but I think this is a problem and a set of issues that we need to engage in, because these are very important trading partners to us.

I will go out on a limb here and speak specifically of China, which is the world's second-largest economy, and it is incredibly important that we get the relationship with China right.

My understanding is that there are a number of multilateral and bilateral forums that Treasury has been working through in order to bring about certain changes in those relationships, one having to do with moving towards a more market-based set of exchange rates; two, I would say, is leveling the playing field, as you point out, so that our businesses and our workers are not disadvantaged in that relationship; and the third I would point out is seeing in these countries a movement away from being primarily export-based countries to being ones more where they are feeding and growing off of internal consumption and demand.

Senator CARDIN. I would just underscore, I agree with what you said. We want market-based currencies, not manipulated currencies.

I hope that you can, through the forums you mentioned, get us to a level playing field. But do not be shy in asking Congress for stronger tools in order to deal with this. We have legislation pending here—and I am disappointed we have not passed it, because I think we have the support for it—but, if we can work with Treasury, I think it is vitally important that we get to market-based currencies as quickly as possible.

Thank you, Mr. Chairman.

Senator HATCH. Thank you.

Senator BROWN?

Senator BROWN. Thank you, Senator Hatch.

Welcome to both of you, and thank you for your public service, both of you.

Governor Raskin, I appreciate your comments about the local job fair. Your behavior at the Fed is unusual, in a good way, of course, in doing those kinds of things. Abraham Lincoln used to talk about—when his staff said, stay in the White House, win the war, free the slaves, preserve the Union, he would say, “I need to go out and get my public opinion bath.” And I would encourage you to continue doing that. It is unusual behavior at Treasury. It was unusual behavior at the Fed, and something that we admire and appreciate.

Following up on Senator Cardin's and Senator Grassley's question, you imply—maybe you imply, or maybe I have read something you did not exactly say—that there are signs that it is getting better.

I have, in recent reports, though, noted that the Japanese government has undertaken a number of interventions in foreign exchange markets. We have failed to identify Japan as a currency manipulator.

This department you want to go to has a history of resistance to news reports, analyses, and Senate and House admonitions, if you will, on the whole issue of currency. The administration—and whether it was Bush Sr. or whether it was Clinton, whether it was Bush Jr., whether it is this administration—talks a fairly good game on currency, but always falls short in doing this.

Why is it going to be any better with you there advising Secretary Lew, who seems never to want to use the strategic economic

dialogues or any other opportunities to move forward, when we do know that there is a 20-percent or 25-percent tax one way, a subsidy the other way, on currency?

Ms. RASKIN. Well, Senator Brown, thank you, first of all, for your very nice comments. And I will say that I certainly hope that, if I am confirmed to go to Treasury, I do have the opportunity to continue to go out into different neighborhoods and communities and learn from what I see there. So thank you for noting that.

In terms of this administration and other administrations, as you say, showing a resistance towards listening, I hope I will be different. I do want to listen. I do want to certainly understand what the administration's efforts are currently regarding putting pressure on countries that are not moving at the pace that we would like to see.

So I would certainly want to understand what the efforts are that are underway and, yes, I will listen. I will listen to all of you regarding what you are seeing and why you might sense that progress is not moving as quickly as we would like.

Senator BROWN. Thank you.

Ms. Schmidtlein, there seems to be, in the last 30 years—and I think the statistics bear this out—a bias in our government, kind of maybe in our country, but it seems to be coming out of our government, towards financial services at the expense of manufacturing.

I know it is not quite that simple, but, if you look at percentage of the GDP, manufacturing as a percentage of GDP, financial services as a percentage of GDP, the percentage of manufacturing has dropped precipitously. The percentage of financial services has gone up in almost reverse proportions.

We saw, from 2000 to 2010, a loss of 5 million manufacturing jobs in this country, and 60,000 plants closed. In 2010, with the auto rescue, we saw, frankly, an administration—and I say an administration, meaning ITC and Commerce—that was significantly more aggressive in enforcing trade rules, not quite aggressive enough, in my mind, but more aggressive.

I think that is, in part, why we have seen growth beginning in manufacturing, some half-million net job increase since the middle of 2010—again, not good enough, but something that is at least in the right direction. And I want to ask about the ITC's role. We asked them to analyze the effect of a proposal—of proposed or concluded trade agreements—and these analyses tend to focus on the tariff reductions involved and estimated exports that may increase as a result.

It seems they do not discuss the economic impact, though, of what these trade agreements mean for a community and for a region. Give us your thoughts on sort of expanding these reports so they cover a broader set of economic metrics, including the net effects on trade and employment.

I do not put at the feet of trade agreements all of the lost manufacturing jobs, by a long shot, but I also do not think that Washington—and whether that is ITC or USTR or Commerce—really ever absorbs or discusses enough the impact on communities of those lost manufacturing jobs and how the gains are not spread so evenly to cover the losses of these trade agreements.

If you would, talk to me about what your plans might be as an ITC Commissioner in dealing with that.

Ms. SCHMIDTLEIN. Well, as you just talked about and as I mentioned, this is one of the statutory responsibilities for the ITC: to support policymakers by providing these kinds of reports. And I have had the opportunity to work with economists over the course of my career.

So, if I were confirmed, I would be committed to working with the Office of Economics and Industry Analysis at the ITC to ensure that the reports are looking at the full range of how the trade issues under question are impacting people across the country.

How specifically would that work? I would have to see what exactly is being considered in those reports, but I would want to make sure that the reports are transparent about what is being evaluated, what is not being evaluated, what assumptions are being made, and the conclusions that are being drawn.

Senator BROWN. So would you commit, while the ITC's behavior is not—its traditions are not normally that way—to push your fellow commissioners to begin to broaden these analyses?

Ms. SCHMIDTLEIN. I would certainly commit to reviewing this whole area to ensure that the full range of impact is being considered.

Senator BROWN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Brown.

Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman.

Congratulations to both of you on your nominations.

Ms. Raskin, as you may know, the administration's infrastructure investment plan calls for reform of FIRPTA* to increase investment in the U.S. and create jobs. It is common sense, in my mind, given the current economic circumstances, that we should remove barriers to foreign investment in the United States. It is a proposal that has gained broad bipartisan support here in the Senate. I want to thank the chairman for including FIRPTA reform as part of his discussion draft release.

I raised this with Secretary Lew when he was here for his nomination, and he was not quite apprised of it. But I know that your predecessor, Mr. Wolin, has spent a fair amount of time on this. So I am going to ask you what I asked both of them, which is, if we all agree on the merits of reforming FIRPTA—the President put it out there himself—which I believe we do, why do we not administratively begin the action by repealing the relevant parts of the 2007 IRS notice while Congress works on the issue?

To use the President's words exactly, "What are we waiting for?"

Ms. RASKIN. Well, Senator Menendez, I know you have expressed strong interest in FIRPTA. I have to say that, in my current role at the Federal Reserve Board, I have not had the opportunity to become very skilled in the nuances of FIRPTA. I certainly share the goals that you have articulated regarding what its reform and amendment would do, and I look forward to working with you to—

*The Foreign Investment in Real Property Tax Act of 1980.

Senator MENENDEZ. Well, can you commit to us to create some focused attention within the Department? Because the Secretary has a big portfolio, right? I mean, through my other role as the chairman of the Foreign Relations Committee, I know that he has a whole bunch of seats on international financial institutions—I get it. He has macroeconomics in the country, he has a whole host of issues.

But we need someone at the Department to follow through on what the President himself has said, in his infrastructure plan, is a critical element of trying to make sure that we get investment in the United States. And there is an administrative procedure, which I understand is revenue-neutral by invoking the repeal of that section of the IRS.

So can I get from you at least a commitment that you will create some focus in the Department? You are going to be the number-two person.

Ms. RASKIN. Absolutely. And again, if I am confirmed, I look forward to working with you in assuring that there is a focus on it, yes.

Senator MENENDEZ. All right. Now, here is something that you may have much more experience with in your role on the Federal Reserve Board. The Fed has authority to set capital requirements for insurance companies, for example, if they are depository institution holding companies or non-banks, systemically important financial institutions. And I support strong capital requirements and believe they are an important component of both safety and soundness and systemic risk regulation.

But I have heard from a wide range of insurers about the Fed applying bank-specific capital requirements to them, despite the fact that many insurance companies have a very different business model and, therefore, different balance sheets and risk profiles from banks.

So a one-size-fits-all approach seems to me to be a challenge, and, of course, the Financial Stability Oversight Council, which is chaired by the Treasury Secretary, has an important role to play in making sure that financial regulators are utilizing the right tools to regulate industries that might not be as familiar to them as institutions that have been historically regulated.

So, as you move from the Fed to the Treasury, I would like to get your commitment to work with this body to make sure that capital standards applied to insurance companies are properly tailored, that we understand the difference in the business models, and that we do not apply a standard that would be totally appropriate for banks, but in many insurance companies' cases, would be totally inappropriate.

Ms. RASKIN. And, Senator Menendez, that is exactly right. A one-size-fits-all approach is not going to work here. You are exactly dead-on correct that insurance companies have a very different set of asset liability structures than do banks, and to regulate them in terms of a one-size-fits-all approach is not going to be an effective form of supervision or regulation, in my experience.

So I think you are right about that. Fortunately, the Federal Reserve has not gone ahead and pushed toward regulating these des-

ignated insurance companies in such a way that they are treated identically to banks, and I think that that is a good thing.

And I would go, also, so far as to say that the FSOC—which made the designations because particular insurance companies were deemed to present a risk to financial stability—the FSOC itself has insurance expertise on it. I think three members of the FSOC can make good insights on questions of insurance structure. And so I think that is a good thing, and I think that that is going to work.

And when these institutions are designated and become regulated and supervised by the Federal Reserve, the Federal Reserve is going to have to look at them in a way that obviously regulates them for their financial stability concerns, but does not do it in a way that imposes a one-size-fits-all approach.

Senator MENENDEZ. Mr. Chairman, may I have one final, quick question to Ms. Schmittlein on intellectual property rights?

Ms. SCHMIDTLEIN. Yes?

Senator MENENDEZ. New Jersey is the pharmaceutical capital of the Nation and the world, medicine cabinet to the world, a growing biotech sector, increasingly a high-tech sector, with major trade publications by the Wiley Company, just to mention a few.

So, in the context of a national agenda in which intellectual property is, in essence, at the forefront of our competitiveness globally, we increasingly face countries, including countries that are, quote-unquote, “allies,” who, with impunity, violate those intellectual property rights. India is an example of it, and, of course, other countries, China and whatnot.

I would like to hear your views, if confirmed, on how you will pursue this, when there are cases of intellectual property rights violations, at the Commission, what your position will be in terms of responding to it.

Ms. SCHMIDTLEIN. Thank you, Senator Menendez. I agree this is a very important area and one that I intend to pay close attention to, if I am confirmed.

I would commit that I intend to strictly enforce the laws when the evidence shows that one of our companies is facing unfair trade practices in the form of infringement of their intellectual property rights.

The CHAIRMAN. Thank you, Senator.

Senator Wyden?

Senator WYDEN. Thank you, Mr. Chairman.

Both of you have given very thoughtful answers on a number of issues.

Let me start with you, if I could, Ms. Raskin. And I was not going to start with this, but you obviously have earned great bouquets for your efforts to try to bring people together, and that, obviously, is a skill in short supply here in the Nation's capitol, if you look at the events of the last couple of months.

So, for purposes of kind of starting in, do you have any thoughts on how you might, in this position, help to bring people together for pro-growth tax reform and, particularly, pro-growth tax reform that would help encourage investment in people? Because it is very clear to me that one of the premier economic issues of our time is underemployment. We have millions of workers who are under-

employed. We are talking about people who perhaps made \$25 an hour a couple of years ago and now are maybe making half of that, possibly even less.

So I have been very pleased that Senator Sarbanes and Senator Cardin have been talking about how you have a background of bringing people together, and that is surely useful on these big issues like tax reform. Tell me a little bit about how that bringing-people-together set of skills could be used particularly on tax reform and especially how pro-growth tax reform could encourage investments in people.

Ms. RASKIN. Well, thank you, Senator Wyden. And I want to start by saying I enjoyed our conversations earlier exactly on these topics, and you gave me a lot to think about.

This is an incredibly important set of issues. I applaud you for your focus on pro-growth tax reform. I think tax reform does have the potential to be pro-growth. I have not had the chance to delve into the details of tax reform in my role as a Federal Reserve Governor or as Commissioner of Financial Regulation, but my instincts are that a simpler tax code and a tax code that essentially addresses issues regarding competitiveness could do a lot towards increasing growth in this country.

And, in particular, you note the problem of underemployment, and you are exactly correct. I mean, the data show, the anecdotes support that many of the jobs that have been created are not jobs that people actually want to have. They are not full-time jobs a lot of times. People are sometimes cobbling together different part-time jobs. And the data show this.

And the question, I think, for the long-term growth of our economy is whether a pro-growth pattern can be sustained when you have many people who are underemployed, and I think that this is a particular cost and feature of our labor landscape right now in the recovery.

And again, I look forward to working with you to figure out ways in which we can—

Senator WYDEN. I am especially interested in going back to the skills at bringing people together and following up further on your ideas for how that could be done. I mean, what happened in 1986—and all of us here have been looking back at the lessons of 1986, and this is a different time. There are different challenges, but there are some lessons there.

For example, in 1986, Democrats were very interested, rightfully so, in going after some of these ridiculous special interest tax breaks. Republicans said, we are interested in approaches that particularly promote economic efficiency in the private sector.

So there are a variety of ways to bring people together. You have skills in that particular space. They are much in demand. I want to talk to you more about those kinds of approaches.

Let me just turn to you with one quick question, Ms. Schmidt-lein. And, obviously, you have terrific credentials. My colleagues were talking about the trade laws. You have expertise particularly, as I understand it, in the antidumping/countervailing duty statute space, and that is very important for a whole host of issues we are concerned about as they relate to renewable energy and a variety of different areas.

Tell us a little bit about what you see is the value of those statutes and how you can use them, again, to help pry open more opportunities for us to generate good-paying jobs in the private sector.

Ms. SCHMIDTLEIN. Thank you, Senator Wyden.

As you said, I agree that these are incredibly important statutes, and what they do is, they provide an opportunity for U.S. businesses and workers to level the playing field if they are facing unfair trade practices. And that is the purpose of them.

So, if they are and they can get a remedy to level that playing field, then companies can compete to the best of their ability, which can, obviously, have the impact of creating jobs and preserving jobs.

Senator WYDEN. I intend to support both of your nominations. I thank you today.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

I have four obligatory questions I have to ask each of you. I will ask the questions, and I would like you to indicate whether you agree or disagree.

Is there anything 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?

Ms. RASKIN. No.

Ms. SCHMIDTLEIN. No.

The CHAIRMAN. No. Thank you.

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?

Ms. RASKIN. No.

Ms. SCHMIDTLEIN. No.

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

Ms. RASKIN. Yes.

Ms. SCHMIDTLEIN. Yes.

The CHAIRMAN. And this is a fourth that we have added. Do you commit to provide a prompt response in writing to any questions addressed to you by any Senator of this committee?

Ms. RASKIN. Yes.

Ms. SCHMIDTLEIN. Yes.

The CHAIRMAN. Thank you. That last was—they are all, obviously, very important, but we kind of pride ourselves in this committee on working together. So, when a minority member has a question to ask of Treasury or whatever the relevant agency might be, we in the committee support it. So long as it is a reasonable request, and they are generally reasonable, we work together as a team, and I urge you to respond very quickly to those questions.

Second, we developed a pattern, at least I have, over the years, which I think has served us quite well; namely, keeping in close contact with the relevant people in the administration and not getting blind-sided.

For example, I speak weekly with Secretary Lew. We just talk to each other about matters that affect the Treasury that I am in-

terested in, and it is very helpful. I just think that getting the communication, getting to know people better, makes a difference.

In addition, I speak frequently with acting Commissioner Danny Werfel, as he is working to get the IRS back up to speed. He is very good. He always calls me when there is about to be some news. He calls me in advance, and it makes a big, big difference.

So I urge you both, if something is coming up that is relevant, let us know in advance, because we do not like surprises, and you will find this committee very much wants to work with you, with both the ITC and, also, with the Treasury.

We are a team. We may not always agree, but the more we can talk things out, the more likely it is we are going to find a constructive resolution, and, obviously, that helps serve the American people. But it is something I find very helpful and I think is very important.

Senator Hatch?

Senator HATCH. Well, thank you. I intend to support both of you. I think you are excellent choices, and we will do everything we can to speed this process up as much as we can.

With regard to the IRS, though, I have to say that we have to continue the cooperation as we investigate these problems that have arisen, showing preferences in the department, and I think you have to be as interested in that as we are, because you do not want that to happen either way.

If the IRS loses its reputation for decency and honor, it hurts everybody. So we will count on you to help in that regard and to make sure that the investigation that we are conducting is completed, and completed properly.

I think we have handled it rather well. I want to compliment the chairman. We have been working well together. Our chairman has done a terrific job, but we are about halfway through it, and we need to finish it up. So we are going to need your help, Ms. Raskin, and I look forward to working with you at the ITC as well.

Congratulations.

The CHAIRMAN. Thank you. Well, we wish you both all good luck.

I know you will work hard. I know you are committed to public service, and I wish you all the best.

The hearing is adjourned.

[Whereupon, at 11:33 a.m., the hearing was concluded.]

A P P E N D I X

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Hearing Statement of Senator Max Baucus (D-Mont.) Regarding the Nominations of Sarah Bloom Raskin and Rhonda Schmidlein

Abigail Adams, wife of President John Adams, once asked, "If we do not lay out ourselves in the service of mankind, whom should we serve?"

Joining us today are two people nominated to serve in critical roles in the government. Sarah Bloom Raskin, the President's nominee to be deputy secretary of the Treasury, and Rhonda Schmidlein, nominee to be a commissioner at the International Trade Commission, or ITC.

I've reviewed your backgrounds and economic policy experience. You are both well qualified and have proven yourselves to be extraordinary public servants.

Ms. Raskin, you served as Maryland's commissioner of financial regulation during the financial crisis. And for many years, you served as counsel on the Senate Banking Committee. Your current role as a Federal Reserve governor gives you valuable insight into our nation's economy.

Your nomination also marks a milestone. If confirmed, you would be the highest ranking woman in the history of the Treasury Department.

If there is one thing to be sure of about being the deputy secretary of Treasury, it's that you'll have to wear many hats. I'm confident you can. And you will need to, because Treasury faces a lot of challenges.

First and foremost, Treasury must keep working to strengthen our economy. The 7.3 percent unemployment rate is far too high, and the tepid economic growth of the last few years cannot continue. We must do better.

Treasury must also help foster and manage our relationships with important trading partners around the world, including China. We are at a pivotal stage with our trade agenda. There are huge opportunities for us to boost exports and reinforce trade ties, and Treasury must help seize them.

Your responsibilities at Treasury will also include helping to rebuild the trust of the American people in the Internal Revenue Service. At the confirmation hearing for your predecessor, I stressed the importance of transparency at Treasury and fairness at the IRS. Four years later, I stress these same points to you, Ms. Raskin. The revelations about the IRS' inappropriate screenings of 501(c)4s shook the public's confidence. You will be part of the team that works to regain it.

You will also be part of the team at Treasury responsible for helping Congress create sound tax reform policy. That team will need to be available and ready to act when the time comes.

Tax reform is an important endeavor, and we've got to get it right. I appreciated Secretary Lew's comments yesterday in support of tax reform. We need to work together to make our tax system simpler and fairer for American businesses and families.

Ms. Schmidtlein, you have an extensive legal background in trade. You have worked as a trade lawyer for the Department of Justice, USTR and in the private sector.

If confirmed, this committee will ask a lot of you. You will need to fairly consider the cases before the ITC and enforce our trade laws objectively, and you will need to ensure that the ITC continues to provide us with high-quality, timely advice to advance our trade agenda.

That agenda provides a singular opportunity to boost jobs and growth in America. Between ongoing talks with nations across the Pacific and in Europe, we are negotiating trade deals covering two-thirds of global GDP.

The ITC plays a critical role in providing Congress and our negotiators with the facts they need to ensure that these trade deals work for American families, workers and businesses.

As you take on this ambitious agenda, keep in mind the story of former ITC Chairman Will Leonard. In 1975, the ITC faced daunting hurdles. First, Congress had just expanded its role in the Trade Act of 1974. With a small number of employees, the agency was being asked to do a whole lot more.

Second, its office building – a third of which was condemned – was falling part. In a cramped, unpainted meeting room, Leonard met with the ITC staff and said, "If we are excited and interested in our work, our surroundings will take on a glow that could never be transmitted by mere paint and plaster. It is my pledge to you that we can make this place hum."

If you apply Chairman Leonard's lesson, I have no doubt you will succeed. And don't worry – the offices are no longer in disrepair.

Over the last twenty years, seven of eight nominees for Deputy Secretary of the Treasury have been unanimously confirmed by the Senate – as have all of the last 14 nominees for the ITC. I hope that we can carry on that tradition.

I want to thank you both for your service. You are top-notch candidates, and I strongly support both your nominations. I hope we can move quickly so that you can get to work.

###

**STATEMENT OF HON. ORRIN G. HATCH, RANKING MEMBER
U.S. SENATE COMMITTEE ON FINANCE HEARING OF NOVEMBER 20, 2013
NOMINATIONS OF SARAH BLOOM RASKIN AND RHONDA SCHMIDTLEIN**

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following remarks during a Senate Finance Committee hearing considering the nominations of Sarah Bloom Raskin to serve as Deputy Secretary of the Treasury and Rhonda Schnare Schmidlein to be a member of the U.S. International Trade Commission:

Mr. Chairman, thank you for holding today's hearing. I also want to thank our two nominees for joining us.

Governor Raskin, if confirmed as Deputy Secretary of the Treasury, you will be making an interesting transition from the monetary to the fiscal sphere, both of which, in my view, need improvements when it comes to transparency.

It is my hope that, if you make this transition, you will work with us to improve the lines of communication between the Treasury Department and Congress.

On the monetary side, the Federal Reserve has, in my assessment, been treading perilously into the sphere of fiscal policy.

Treasury and the rest of the administration, not to mention many in Congress, have been content to outsource decisions such as the maturity structure of our debt to the Fed and, in the process, have anointed the Fed with power over what are essentially fiscal policy matters.

Relatedly, the Fed made a joint pledge with Treasury back in March of 2009 that the Fed should not "allocate credit to narrowly-defined sectors or classes of borrowers." The pledge went on to proclaim that "government decisions to influence the allocation of credit are the province of the fiscal authorities."

Then, reneging on the pledge, the Fed decided in September 2012 to buy \$40 billion per month in agency mortgage-backed securities and to allocate credit in order to ease market conditions in the mortgage and housing sectors. Remarkably, this came after Treasury ended its foray into mortgage-backed securities investments, citing improved market conditions. It also came directly after a prominent Democrat in Congress admonished Chairman Bernanke to "get to work, Mr. Chairman" on providing more stimulus.

Unfortunately, the joint Fed and Treasury pledge not to channel credit to narrow sectors of the economy ranks right up there on the credibility scale with the promise that if you like your health insurance policy, you can keep it.

When I ask the Fed and Treasury about the interplay between monetary and fiscal policies, and some dangerous overlaps, I hear conflicting stories.

On the one hand, officials assure me that the Fed and Treasury are independent, doing their own things.

On the other hand, I see the Fed and Treasury acting jointly, as when Fed officials publicly state that they are helping the government lower its financing costs, which is making debt-fueled government spending look artificially cheap.

So, Governor Raskin, my hope is that you would agree to help make Treasury more transparent and to work with Congress when Members ask for information about Treasury policies or the country's debt or cash management decisions.

There is plenty available for you to do at Treasury, and I hope that you will outline your objectives for us.

I further hope that those objectives include working to promote clarity about the positions of the administration on issues that are long overdue for action, including comprehensive tax reform, entitlement reform, reforms of Fannie and Freddie, and plans to drive down our Nation's unsustainably high and growing debt.

Turning to the trade side of today's hearing, Ms. Rhonda Schmidlein is nominated to be a member of the United States International Trade Commission.

If confirmed, you would have a voice in shaping the ITC's future, including its Section 337 process. The ITC's Section 337 process is a vital tool for U.S. companies facing unfair competition from foreign imports that infringe their intellectual property, and I have a longstanding interest in making sure this process operates as effectively as possible.

I am also very interested in ensuring that the ITC is able to continue its role as a non-partisan source of information regarding U.S. trade policies and their effects on our economy.

Ms. Schmidlein, I hope you share my belief in the importance of an effective 337 process and the need for Congress to be able to obtain the highest-quality economic analysis from the ITC.

Mr. Chairman, once again, thank you for holding today's hearing and for your ongoing leadership of this committee.

###

**Statement by Sarah Bloom Raskin
Nominee to be Deputy Secretary of the Department of the Treasury
Before the Senate Finance Committee
United States Senate
November 20, 2013**

Chairman Baucus, Ranking Member Hatch, and Distinguished Members of the Committee:

It is a great privilege to appear before you today as the President's nominee to be Deputy Secretary of the Treasury.

Let me begin by thanking Senator Paul Sarbanes, who has served as an exemplary role model throughout his lifetime of public service. Let me also thank your colleague and my Senator, Ben Cardin, for his kind words and the excellence of his leadership and passionate concern for the people of Maryland.

I also would like to thank all the members of my family, especially my husband, Jamie, and three children for their support, understanding, and good humor. I want to mention that my husband Jamie was with me at my confirmation hearing when I was nominated for the Federal Reserve Board three years ago even though he was going through radiation and chemotherapy at the time. Jamie is a law professor and a Senator--although not a *real* Senator as my daughter Tabitha said when she was a little girl--a State Senator, and I am delighted that he is by my side again on this day, robustly healthy and fit three years after his final treatment.

I am grateful to President Obama and Secretary Lew for this opportunity. The trust they have placed in me is a humbling honor.

Finally, I want to thank you, Mr. Chairman, and Ranking Member Hatch, for the enormous courtesy you and the members of your staff have shown me throughout this process. If confirmed, I look forward to working closely with you as the Treasury Department continues the essential work of promoting economic growth and accelerating our recovery from the financial crisis of 2008.

It is a special thrill to be back in the Senate. Although I spent half of my career as a lawyer in the private sector, the other half has been devoted to public service, and for me this gratifying phase of my career began right here in this Chamber. As a former Counsel to the Senate Banking Committee under three different Chairmen, I cherish the time that I spent in this remarkable body where I learned that the character of our leaders and the purposes they bring to public life are far more important than their party labels. This is an institution with a great history and a great future, and all of America is deeply invested in its success.

I have worked extensively in the private sector. These roles in business not only gave me invaluable management experience, but they also taught me what those in the financial marketplace seek most from government: stability, predictability, fairness, a sense of proportion, attention to the unintended consequences of regulation, pragmatism, and bipartisan effort towards economic prosperity and public efficiency.

From 2007-2010, I had the honor of serving as the Commissioner of Financial Regulation for the State of Maryland. As Commissioner, I worked hard every day to provide stability to our financial sector and opportunity to our businesses and our people through the darkest days of the Great Recession. I mobilized a great deal of talent to address the devastating effects of spikes in home foreclosures and unemployment that shocked so many of our families and communities. And I took action to revise and replace ineffective and counterproductive state regulations in order to enhance economic progress, regulatory effectiveness, and access to affordable credit.

In 2010, I was nominated by the President and confirmed by the Senate as a Governor of the Federal Reserve Board. In that capacity, I have worked with my colleagues on the Board and on the Federal Open Market Committee to maximize employment, maintain price stability, and restore the underlying strength and vibrancy of the American economy.

As the executive agency charged with promoting economic prosperity and financial stability, the Department of the Treasury has a sacred trust to advance the fortunes and livelihood of our people, our businesses, our communities, and our nation. The government does not create wealth and prosperity and innovation in our economy, but it does create the conditions in which our people and businesses can, and therefore its role is central and indispensable.

This is an exciting time to join the Treasury Department. With the need for immediate stabilization from the financial crisis behind us, Congress and the Administration can increasingly focus their attention on longer-term structural reforms that will improve conditions for sustainable and meaningful economic growth. From housing finance reform and implementing financial regulatory reform to tailored sanction design and implementation, new trade agreements and tax and entitlement reform, we have the chance to make important long-term and durable progress for the country. If confirmed, I look forward to working closely alongside members of this Committee to identify the best bipartisan policy options to achieve such progress.

I also look forward to helping Secretary Lew continue exemplary and efficient management of the Department and its component bureaus and offices. At different points over the last decade, I have dealt with the Treasury staff and have been greatly impressed by their skill and commitment. If I am so honored, I look forward to working every day to build effective policies for a sustained economic recovery and growth that reaches every corner of every state in our nation.

Let me say, finally, that I have learned plenty from intense study of econometric models and academic analyses in my time as a Federal Reserve Governor, but I have learned more than I ever imagined possible from the people I met when I made impromptu visits to job fairs and unemployment centers. Talking to people trying to avoid falling off the economic ledge reminds us of the urgent public purposes that must infuse our work here if we are to be authentically successful. I make it a continuing commitment to throw everything I have into seeking ways to broaden the opportunities for prosperity for all Americans.

Thank you for allowing me to testify here today and for receiving me in your offices. I would be happy to respond to any and all questions you may have throughout this process and indeed throughout my tenure at the Treasury Department if I am fortunate enough to be confirmed for this position.

1. Name: (Include any former names used.)
Sarah Bloom Raskin
nee Sarah Sharon Bloom
2. Position to which nominated:
Deputy Secretary of the Treasury
3. Date of nomination:
July 31, 2013
4. Address: (List current residence, office, and mailing addresses.)
5. Date and place of birth:
April 15, 1961 (Medford, MA)
6. Marital status: (Include maiden name of wife or husband's name.)
7. Names and ages of children:

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

<u>Institution</u>	<u>Dates Attended</u>	<u>Degrees Received</u>	<u>Dates of Degrees</u>
Harvard Law School	1983-1986	J.D.	1986
Amherst College	1979-1983	B.A.	1983
Homewood-Flossmoor HS	1975-1979	Diploma	1979

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.)

Board of Governors of the Federal Reserve System

Governor
Washington, DC
October 2010 – present

Commissioner of Financial Regulation for the State of Maryland

Baltimore, Maryland
August 2007 – October 2010

Promontory Financial Group

Managing Director
Washington, DC
September 2003 – May 2007

American University Washington College of Law

Adjunct Professor of Law
Washington, DC (Summer courses taught in London, England and Paris, France)
June 2003 – August 2003; June 2004 – August 2004

Worldwide Retail Exchange, LLC

General Counsel
Alexandria, VA
February 2001 – May 2003

Columbia Energy Services Corporation

General Counsel
Herndon, VA
May 1998 – December 2000

U.S. Senate Committee on Banking, Housing and Urban Affairs
Banking Counsel
Washington, DC
October 1993 – May 1998

Arnold & Porter
Associate
Washington, DC
September 1990 – September 1993

Arnold & Porter
Associate
New York, NY
1989 – 1990

Mayer, Brown & Platt
Associate
New York, NY
1986 – 1989

Federal Reserve Bank of New York
Legal Intern
New York, NY
Summer 1985

Harvard University Economics Department
Teaching fellow
Cambridge, MA
1984 – 1986

Hopkins & Sutter
Summer Associate
Chicago, IL
Summer 1984

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

Federal Financial Institutions Examination Council
Member, State Liaison Committee, 2009 – 2010

Consumer Advisory Council for the Attorney General of Maryland
Member, 2002 – 2003

U.S. Joint Economic Committee of Congress
Intern, January 1982, June – August 1982

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

Neighborworks America, Inc.,
Member, January 2011 – present
Chairman, Board of Directors, November 2012 – present

Conference of State Bank Supervisors,
Member, Board of Directors, 2007 – 2010
Chair, Federal Legislative Committee
Chair, Regulatory Restructuring Task Force
Chair, Consumer Financial Products Agency Task Force

PBLB, LLC,
Manager, 2012 – present

My parents have a home in Westport, Connecticut. Our family has established three LLCs, each holding a partial interest in the home. I am the manager of PBLB LLC, which holds a one-third interest in the home for the benefit of my nieces. PBLB, LLC does not hold any assets or conduct other activities outside of holding the interest in this real estate.

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

Amherst College
Member, Board of Trustees, 2009 – 2010

Federal Financial Institutions Examination Council
Member, State Liaison Committee, 2009 – 2010

Maryland Coalition on Financial Literacy
Member, Advisory Board, 2007 – 2010

Federal Bar Association Banking Law Committee
Member, 2004 – 2007

Consumer Advisory Council to the Attorney General for the State of Maryland
Member, 2002 – 2003

13. Political affiliations and activities:

- a. List all public offices for which you have been a candidate.

None.

- b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

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.

Contributions by Sarah Bloom Raskin:

Friends of Martin O'Malley	\$250	6/29/2006
----------------------------	-------	-----------

Contributions by Jamin (or Jamie) Raskin (spouse):

Friends for Brian Frosh	\$250	12/27/2012
Friends of Jamie Raskin	\$600	12/02/2012
Friends of Marc Elrich	\$60	11/17/2012
Marylanders for Marriage Equality	\$125	10/19/2012
Marylanders for Marriage Equality	\$125	8/30/2012
Marylanders for Marriage Equality	\$100	8/24/2012
Democratic State Cen. Comm. of MD	\$200	7/17/2012
Elizabeth for MA, Inc.	\$500	4/30/2012
Friends of Rebecca Smondrowski	\$400	2/07/2012
Friends of Roger Manno	\$100	1/08/2012
Committee to Elect Catherine E. Pugh	\$500	8/24/2011
Friends of Guy Guzzone	\$100	5/28/2011
Citizens for Craig Rice	\$100	8/30/2010
Friends of Ben Barnes	\$150	8/30/2010
Citizens for Sharon Dooley	\$150	8/17/2010
Friends of Jeff Waldstreicher	\$125	8/14/2010
Friends of Eric Luedtke	\$75	7/21/2010
Friends of Craig Zucker	\$50	1/09/2010
Bill Owens for Congress	\$250	10/28/2009
Equality Maryland PAC	\$500	6/8/2009
Bennet for Colorado	\$500	5/6/2009
Obama for America	\$250	10/23/2008
Montgomery County Democratic Central Committee	\$300	3/8/2007
Montgomery County Democratic Central Committee	\$200	5/15/2007
Friends of Nancy Navarro-Laurent	\$75	7/16/2006

NARAL Pro-Choice Maryland PAC	\$100	4/21/2006
Friends for Jane Lawton	\$50	1/09/2006
New Generation Montgomery PAC	\$50	12/20/2005
Van Hollen for Congress	\$250	12/13/2005
Progressive Vote AKA Progressive Democrats of America	\$250	11/14/2005
Friends of Doug Gansler	\$500	9/15/2005
Friends of John Sarbanes	\$500	9/13/2005
Friends of Tom Perez	\$50	7/26/2005
Montgomery County Democratic Central Committee	\$225	5/3/2005
Lois Murphy for Congress	\$250	10/18/2004
Friends of George L. Leventhal	\$75	6/4/2004
John Kerry for President, Inc.	\$625	4/19/2004
Committee to Elect Jim Brochin	\$250	4/15/2010
Democratic Party Committee Abroad	\$444	3/11/2004
Lois Murphy for Congress	\$250	1/21/2004

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.)

Maryland Consumer Rights Coalition Consumer Advocate of the Year Award, 2009
Magna Cum Laude in Economics, Amherst College, 1983
Phi Beta Kappa, Amherst College, 1983
James R. Nelson Prize in Economics, Amherst College, 1983
John Woodruff Simpson Fellow in Law, Harvard Law School, 1983

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

I have done my best to identify all books, articles, reports or other published materials, including a thorough review of personal files and searches of publicly available electronic databases. Despite my searches, there may be other materials I have been unable to identify, find, or remember. I have located the following:

"Tools to Enhance our State Bank Charter," *Maryland Banker Magazine*
October/December 2009.

"Proposed CFPA Must Partner with States to be Successful," *Lombard Street*
September 14, 2009.

"Too Small to Succeed," *Maryland Banker Magazine*, April/June 2009.

"Relearning Old Lessons," *Maryland Banker Magazine*, July/September 2008.

“Challenges in Designing Effective Compliance and Risk Management Structures for Financial Services Joint Ventures:” (co-author Eugene A. Ludwig), *chapter in Partnerships, Joint Ventures, and Strategic Alliances* (Law Journal Press ed., 2006).

“Lung Cancer in Women, Lahey Clinic Experience, 1957-1980,” (co-authors. Joseph L. Andrews, Jr., Karoly Balogh, and John F. Beamis, Jr.). *Cancer*, June 15, 1985.

“Intermediate Targeting as a Strategy of Monetary Policy,” (Undergraduate Thesis) May 2, 1983.

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with **two** copies of each formal speech.)

I have done my best to identify all formal speeches relevant to the position, including a thorough review of personal files and searches of publicly available electronic databases. Despite my searches, there may be others I have been unable to identify, find, or remember. I have located the following:

The Exchequer Club Luncheon	July 2013	Washington, DC
<i>“Beyond Capital: The Case for a Harmonized Response to Asset Bubbles”</i>		
Ohio Banker’s Day Conference	June 2013	Columbus, OH
<i>“Let’s Move Forward: The Case for Timely Implementation of Revised Capital Rules”</i>		
Society of Government Economists	May 2013	Washington, DC
<i>“Prospects for a Stronger Recovery”</i>		
Hyman P. Minsky Conference – Levy Institute	Apr 2013	New York, NY
<i>“Aspects of Inequality in the Recent Business Cycle”</i>		
Nat’l Comm. Reinvestment Coalition Conf.	Mar 2013	Washington, DC
<i>“Focusing on Low- and Moderate-Income Working Americans”</i>		
Neighborworks 35th Anniversary (Opening Remarks)	Mar 2013	Washington, DC
Banking Outlook Conference 2013	Feb 2013	Atlanta Federal Reserve
<i>“Reflections on Reputation and Its Consequences”</i>		
Graduate School of Banking at Colorado	Jul 2012	Boulder, CO
<i>“How Well is Our Financial System Serving Us? Working Together to Find the High Road”</i>		

Los Angeles Business and Community Leaders Reserve <i>"Downturns and Recoveries: What the Economies in Los Angeles and the U.S. Tell Us"</i>	Apr 2012	San Francisco Federal Reserve
Y's Men and Y's Women of Westport <i>"Accommodative Monetary Policy and Its Effects on Savers"</i>	Mar 2012	Westport, CT
Association of American Law Schools <i>"Creating and Implementing an Enforcement Response to the Foreclosure Crisis"</i>	Jan 2012	Washington, DC
Maryland Banker's Association First Friday Outlook Forum <i>"Community Bank Examination and Supervision Amid Economic Recovery"</i>	Jan 2012	Baltimore, MD
Community Banker's Symposium <i>"Bank Supervision: Should One Size Fit All?"</i>	Nov 2011	Chicago Federal Reserve
Maryland State Bar Association Advanced Real Property Institute <i>"Legal Opportunities and Challenges in Crafting a Foreclosure Response"</i>	Oct 2011	Columbia, MD
University of Maryland Robert H. Smith School of Business Distinguished Speaker Series <i>"Monetary Policy and Job Creation"</i>	Sept 2011	Washington, DC
New America Foundation <i>"Economic and Financial Inclusion in 2011: What it Means for Americans and our Economic Recovery"</i>	Jun 2011	Washington, DC
Community Banker's Conference <i>"Community Bankers and Supervisors: Seeking Balance"</i>	Apr 2011	New York Federal Reserve
Midwinter Housing Finance Conference <i>"Putting the Low Road Behind Us"</i>	Feb 2011	Park City, UT
National Consumer Law Center Consumer Rights Litigation Conference <i>"Problems in the Mortgage Servicing Industry"</i>	Nov 2010	Boston, MA

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

I currently serve as a Governor on the Board of Governors of the Federal Reserve System, a position that I have held since October 2010. Prior to my appointment to the Board, I served as the Commissioner of Financial Regulation for the State of Maryland from August 2007 through October 2010. Before serving as Commissioner, I was Managing Director at the Promontory Financial Group from September 2003 through May 2007. I was General Counsel of the Worldwide Retail Exchange from 2001 to 2003 and Columbia Energy Services from 1998 through 2000. I also served as Banking Counsel for the U.S. Senate Committee on Banking, Housing, and Urban Affairs from October 1993 through May 1998. I began my career as an associate at the law firms Arnold & Porter and Mayer, Brown & Platt, where I engaged in corporate finance and regulatory work. Early in my career, I worked at the Federal Reserve Bank of New York and the Joint Economic Committee of Congress.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections 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 investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of the Treasury's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, 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.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of the Treasury's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any activity during the past 10 years 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.

Outside of activities conducted in my official capacity as Commissioner of Financial Regulation for the State of Maryland, I have engaged in no such activity.

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

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of the Treasury's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

5. **Two** copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.
6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

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, professional association, disciplinary committee, or other professional group? If so, provide details.

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? 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.

I am not aware of ever having been involved as a party in interest in any administrative agency proceeding or civil litigation in my personal capacity. I am aware of having been named in one lawsuit in my official capacity as Commissioner of Financial Regulation for the State of Maryland, *H&R Block Eastern Enterprises, Inc. v. Turnbaugh*, no. 07-cv-01822 (D. Md.). That case was dismissed in December 2010. It is possible that I have been named in other lawsuits in connection with that position, or as Governor on the Board of Governors of the Federal Reserve System. I have not conducted a thorough search to identify all such lawsuits.

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 to my knowledge.

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 for the Record from the Senate Committee on Finance
Sarah Bloom Raskin, Nominee, Deputy Secretary of the Treasury
Hearing Held November 20, 2013*

Chairman Max Baucus (D-MT):

Question 1:

I've heard from Montanans that complying with the tax system is too costly for business. The tax code has not kept up with changes in the world. As you may have heard, my staff released staff drafts on three topics for tax reform.

What are your thoughts on what tax reform should accomplish? What are your thoughts on how to move forward to get tax reform done?

Our country's current tax system is most certainly complex, and I, like you, hear that complying with it is particularly costly for businesses. With respect to business tax reform, the President has identified five key elements: (1) eliminate loopholes and subsidies, broaden the base, and cut the corporate tax rate; (2) strengthen manufacturing and innovation; (3) strengthen the international tax system, including establishing a new minimum tax on foreign earnings; (4) simplify and cut taxes for small businesses; and (5) restore fiscal responsibility and not add to the Federal budget deficit.

With respect to individual tax reform, the President also has called for fundamental reform that meets five key principles: (1) simplify the tax code and reduce tax rates; (2) reform inefficient and unfair tax breaks; (3) decrease the deficit while improving progressivity; (4) increase job growth and creation in the U.S.; and (5) observe the Buffett rule so that those making more than \$1 million do not pay a lower tax rate than middle-class taxpayers.

Moving forward to get tax reform done requires hard work by the Congress and the Administration. Your draft proposals are a good step in this direction. If confirmed, I look forward to working with you, the Committee, and the Congress to develop a meaningful tax reform plan.

Question 2:

Ms. Raskin, I am concerned about sequestration's effect on the Affordable Care Act's assistance to middle class Americans. What will the sequestration cut to the ACA's cost-sharing reductions mean for the typical individual and families that qualify? Are there any steps Congress can take to mitigate the effects of these reductions?

It is my understanding that the Department of Health and Human Services (HHS) will have the lead role in administering the cost-sharing program and has issued a final rule on this subject. Moreover, I understand that the Office of Management and Budget has primary responsibility for answering questions about the applicability of sequestration to particular programs and activities.

Question 3:

Although China has allowed its currency to appreciate recently, Treasury's latest currency report says that the government continues to intervene in currency markets and the renminbi remains undervalued. It is essential that we continue to press China on this issue, which continues to cost U.S. jobs.

Treasury works hard, including at the IMF and the G-20, to get countries to abide by their international obligations with respect to currency practices. What more can and should we do? What are your thoughts on China's currency in general? Will you commit to work with Congress to develop the best possible strategy to combat unfair currency manipulation?

I believe that it is critical for China to move toward a market-determined exchange rate to support stronger, more sustainable, and more balanced global growth. I also believe that Chinese exchange rate reform is a critical part of China's need to rebalance its economy toward domestic consumption-led growth.

As you noted, there has been some progress. Since June 2010, the renminbi has appreciated by 17 percent against the U.S. dollar on a real, inflation-adjusted basis. China's current account surplus has fallen from a peak of over 10 percent of GDP to under 3 percent of GDP this year. I believe Treasury should continue its efforts in the International Monetary Fund, G-20, and bilaterally, including through the U.S.-China Strategic and Economic Dialogue, to achieve further progress.

However, more progress is needed. If confirmed, I would work closely with Congress on Treasury's efforts to press China to move more rapidly towards a market-determined exchange rate and to help level the playing field for U.S. workers and firms.

Question 4:

This year we learned about serious mismanagement at the IRS in its handling of tax exempt applications. A large number of conservative groups had their applications set aside for extra scrutiny, sometimes based on their name alone, and applicants experienced substantial delays in processing that stretched for years in some cases. While this Committee's bipartisan investigation is still in progress, it's clear that this unacceptable outcome was partly due to a combination of confusing laws governing the appropriate amount of political activity tax-exempt groups are allowed to undertake, and managers that were inefficient or incompetent.

If confirmed, what actions will you undertake to ensure that the IRS is able to fairly and efficiently process tax-exempt applications while ensuring that only qualified organizations receive tax-exempt status?

It is important that the tax code be administered efficiently and fairly. In its May 2013 report, the Treasury Inspector General for Tax Administration recommended that guidance on how to measure the “primary activity” of social welfare organizations be included for consideration in Treasury’s Priority Guidance Plan. Treasury and the IRS agreed with this recommendation. Additionally, I understand that Treasury and the IRS recently issued proposed guidance on certain aspects (and sought comments on other aspects) of the qualification requirements for tax-exemption as a social welfare organization under section 501 (c)(4) of the Internal Revenue Code. If confirmed, I would work with the IRS leadership on these important issues.

Senator Debbie Stabenow (D-MI):Question 1:

In September, I joined a letter, along with 59 of my Senate colleagues, to Treasury Secretary Lew and Ambassador Froman in support of the inclusion of strong and enforceable currency provisions in all future trade agreements. Do you agree that foreign currency manipulation can give our trading partners an unfair advantage? What role can the Treasury Department play in addressing foreign currency manipulation with our trading partners to ensure that other countries are not achieving such an unfair competitive advantage at the expense of U.S. companies and workers?

The President has been clear that no country should grow its exports based on an undervalued exchange rate. I understand that Treasury has put currency issues at the center of its international agenda, and has actively and intensively engaged – through multilateral discussions, including in the G-20, G-7, and International Monetary Fund (IMF), as well as bilateral discussions – to address fundamental currency misalignments.

Treasury seems to have made progress. The United States has secured commitments from the G-20 member countries to move rapidly to more market-determined exchange rates, avoid persistent exchange rate misalignments, refrain from competitive exchange rate devaluations, and not target exchange rates for competitive purposes. The G-7 member countries also have committed that fiscal and monetary policies would be oriented toward domestic objectives using domestic instruments.

With respect to the IMF, I understand that in response to Treasury's efforts, the IMF has increased its surveillance of exchange rates in recent years. For two years now, the IMF has published an exchange rate assessment for 29 economies through its External Sector Report, and is improving its exchange rate analysis in its Article IV reports on individual member countries.

With respect to China, since June 2010, the renminbi has appreciated by 17 percent against the U.S. dollar on a real, inflation-adjusted basis. China's current account surplus has fallen from a peak of over 10 percent of GDP to under 3 percent of GDP this year. I understand that Treasury also continues to press China to undertake reforms to rebalance its economy toward domestic consumption-led growth, including exchange rate reform, which will help level the playing field for U.S. workers and firms.

However, more progress is needed. If confirmed, I would contribute to the intensity of Treasury's continuing efforts to move our trading partners towards market-determined exchange rates.

Senator Bill Nelson (D-FL):Question 1:

Identity theft-related tax fraud is a major problem for the IRS, and it is expected to get worse over the long term. I've created a bill to combat the problem and improve taxpayer services. Not only would my bill crack down on these criminals, but it would also go a long way to stopping the revenue loss that goes out the door in the form of fraudulent tax refunds. Do you think this legislation could help address the fiscal challenges our Treasury is facing? Will you commit to work with me to get my bill passed into law?

I appreciate your work on this important issue and look forward, if confirmed, to working on it with you. Identity theft-related tax fraud is a growing problem for effective tax administration. Reducing identity theft-related tax fraud is important for many reasons, including the associated revenue loss. I understand that the Administration has several proposals in the FY 2014 Budget to address identity theft.

Question 2:

It's apparent that something needs to be done to stop the funneling of millions of dollars to shadowy tax-exempt groups, purporting to be social welfare groups but engaging in electioneering without any accountability. About 50 years ago, Treasury made a ruling that changed the plain language of section 501(c)(4) of the tax code by redefining exclusive to mean primarily. The ruling said that *"[a]n organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community"*^[1]. It's clear that the IRS has had problems trying to enforce this loose standard. How much attention will you give this problem, and do you believe it can be fixed administratively by reversing the misinterpretation of the law?

It is important that the tax code be administered efficiently and fairly. In its May 2013 report, the Treasury Inspector General for Tax Administration recommended that guidance on how to measure the "primary activity" of social welfare organizations be included for consideration in Treasury's Priority Guidance Plan. Treasury and the IRS agreed with this recommendation. Additionally, I understand that Treasury and the IRS recently issued proposed guidance on certain aspects (and sought comments on other aspects) of the qualification requirements for tax-exemption as a social welfare organization under section 501 (c)(4) of the Internal Revenue Code. If confirmed, I would work with the IRS leadership on these important issues.

^[1] Treas. Reg. § 1.501(c)(4)-1(a)(2)(i)

Senator Robert Menendez (D-NJ):*Job Training/BEST for America's Workforce:*Question 1:

In my view, expanding opportunities for workers to advance their skills and their value is a critical one when we're thinking about how to help shore up the economic fortunes of the middle class. I have a proposal that would encourage businesses to train the unemployed and under-employed for jobs they are trying to fill. It would provide a tax credit for businesses that pay for long-term unemployed workers to obtain certificates or credentials and would create a competitive pool of tax credits for business clusters who come together to set up training programs at local colleges.

It's an innovative way for Congress to begin to tackle the so-called "skills gap." Estimates show the economy is going to be short 5 million trained workers by 2018. Every state in the country is confronted with this shortage and we shouldn't shy away from any opportunity to address the issue.

- Can you commit to me that you will take a look at this proposal and work with me to address the challenge of the skills gap?

The country has made significant progress in speeding up growth and creating more jobs. Private employers have created 7.8 million jobs over the past 44 months, and the economy has been adding jobs at a pace of more than 2 million per year. But I agree with you that more needs to be done to promote growth and enhance job creation. I believe that the government must remain committed to doing all it can to determine how to move the long-term unemployed and the underemployed into meaningful career paths. If confirmed, I look forward to working with you and other members of the Committee on this important issue.

*Ensuring Business Tax Reform Works for Small High Tech Businesses:*Question 2:

I'm very interested in how any business tax reform proposals affect small businesses. As you know, the vast majority of small, research-intensive companies are not yet profitable. Their long development timelines and high-risk research mean that it could take more than a decade to sell a product or realize a profit. But the value they create for the economy is unmistakable, and much of our future growth potential as a country lies with their success or failure. It's why I worked with Senator Toomey to introduce bipartisan legislation to make the tax code work better for small businesses.

- Can you commit that you will work with me and this committee to ensure that any business tax reform will take into account the needs of these companies to ensure

that America remains the best country in the world in producing successful cutting-edge small businesses?

I share your concern about small business taxation and agree that business tax reform should take into account the needs of small business and the importance of research and development. I understand that the Administration has several proposals in the FY 2014 budget specifically aimed at providing tax relief for small businesses. If confirmed, I look forward to working with you and the Congress on this particular aspect of tax reform.

Addressing Currency Manipulation in Trade Agreements

Question 3:

All of us in Congress want the Administration to ensure a level playing field for American companies, workers, and consumers in international trade negotiations, and the most vexing issue for many of us is our apparent inability to stop or at least limit the actions of many countries to intervene in foreign exchange markets to devalue their currencies and boost their exports. A number of studies estimate the damage to the United States has been enormous, resulting in millions of jobs lost and large current account deficits. Efforts to address this through the IMF, the G8, G20, and other multilateral mechanisms have not succeeded. In September, I joined a bipartisan majority of 60 Senators in sending Secretary Lew and Secretary Kerry a letter calling upon the Administration to negotiate strong and enforceable rules preventing currency manipulation as part of the TPP and other trade negotiations. We have not yet received a response.

- I would appreciate your candid comments on the actions the Treasury and the Administration intend to take to address currency manipulation, both through the traditional routes of the IMF, G8, G20, and directly via TPP, TTIP, and other ongoing and anticipated trade negotiations.

The President has been clear that no country should grow its exports based on an undervalued exchange rate. It is my understanding that Treasury has put currency issues at the center of its international agenda, and has actively and intensively engaged – through multilateral discussions, including in the G-20, G-7, and International Monetary Fund (IMF), as well as bilateral discussions, such as the U.S.-China Strategic and Economic Dialogue – to address fundamental currency misalignments.

In these venues, I understand that Treasury has underscored the importance of market-determined exchange rates in promoting more balanced global trade and avoiding persistent exchange rate misalignments. I also understand that Treasury has pushed for strong surveillance by the IMF of its members' obligations to avoid manipulating exchange rates in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members.

My current sense is that Treasury has made progress in these venues. The United States has secured commitments from the G-20 member countries to move more rapidly to more market-determined exchange rates, avoid persistent exchange rate misalignments, refrain from competitive exchange rate devaluations, and not target exchange rates for competitive purposes. The G-7 member countries also have committed that fiscal and monetary policies would be oriented toward domestic objectives using domestic instruments. For the last two years, the IMF has published an exchange rate assessment for 29 economies through its External Sector Report. The IMF is also improving its exchange rate analysis in its Article IV reports on individual member countries.

There has also been progress in China's exchange rate adjustment. Since June 2010, the Chinese renminbi has appreciated by 17 percent against the U.S. dollar on a real, inflation-adjusted basis and China's current account surplus has fallen from a peak of over 10 percent of GDP to under 3 percent of GDP this year. More progress is needed, however.

If confirmed, I would contribute to Treasury's continuing, intensive efforts to move our trading partners towards market-determined exchange rates. I would also give careful consideration, as Secretary Lew has said, to the potential benefits and risks of seeking new negotiating objectives for ongoing and future trade negotiations, drawing on our experiences in the WTO, the IMF, and the G-20, and recognizing that the negotiating goals that have been set for the Trans-Pacific Partnership are ambitious and appropriately so in order to achieve a high standard 21st century trade agreement.

Russian and European Banks Working with Syria

Question 4:

Treasury has been shining a spotlight on large Russian banks doing business with Syria. This, combined with the fear that these banks could become subject to further sanctions has forced these large banks to hand this business off to smaller Russian banks with little or no exposure to US capital markets and which are therefore beyond the reach of US sanctions.

- Are there any Russian banks left doing business with Syria that still have some exposure to potential US sanctions? What can Treasury do to further prevent Russian banks from working with the Syrian regime?

It is my understanding that Treasury will continue to articulate concerns to Russian counterparts regarding financial support to the Syrian regime. If confirmed, I would work so that Treasury continued to take action within the scope of its authorities to target for designation those individuals and entities that support the Syrian regime and otherwise contribute to the unrest in Syria.

Question 5:

There are also gaping loopholes in EU sanctions that allow European financial institutions with access to U.S. capital markets to continue doing business with Syria on pre-existing contracts including existing lines of credit.

- What can Treasury do to close these loopholes, either in cooperation with our European allies or by directly exposing the institutions continuing to service pre-existing contracts with Syria?

U.S. and EU cooperation has been essential in building a robust international sanctions regime against Syria in the absence of a United Nations Security Council mandate. EU sanctions have dealt a severe economic blow to the Assad regime's financial base, because the EU was the regime's most significant trading partner prior to the start of the conflict in Syria. However, unlike U.S. sanctions, EU sanctions typically allow for pre-existing contracts to conclude. My understanding is that Treasury disagrees with the EU position on this. If confirmed, I would support Treasury's continued work with its EU counterparts to prevent abuse of international sanctions.

Private Gulf Financing for Syrian Jihadis:**Question 6:**

While the governments of the Gulf Cooperation Council have been supporting some opposition groups, some of their citizens have been openly supporting more extremist groups operating in Syria, including groups affiliated with al-Qaeda. This support is often collected by private charitable groups via bank transfers in Gulf countries and then hand-carried into Syria and transferred to violent extremist groups like the al-Nusra fronts.

- What will you do within the Treasury department and in cooperation with our Gulf allies to track these donations and stop them?

My understanding is that Treasury has worked to expose the growing presence of extremists operating in Syria, designating two senior al-Nusra Front leaders for acting on behalf of al-Qa'ida in Iraq last year. If confirmed, I would work so that Treasury continued to use all available authorities, as appropriate, to target terrorist financiers. I would also work so that Treasury continued its close cooperation with partners in the Gulf to curtail extremist fundraising and the flow of funds to extremist groups in Syria.

Senator Sherrod Brown (D-OH):**State-Owned Enterprises**Question 1:

Increasingly, Ohio companies and workers are competing with foreign state-owned enterprises in the United States and third-country markets. These state-owned enterprises receive various forms of preferential treatment from their home governments and these preferences give them a global competitive advantage. I understand Treasury asked China to make some commitments in last year's Strategic and Economic Dialogue relating to limiting the preferences state-owned enterprises receive. What additional actions on this issue will you suggest? Do you think disciplines, beyond those currently included in the U.S. Model Bilateral Investment Treaty, should be included in the Bilateral Investment Treaty with China?

I understand that Treasury has actively pressed China, including in the U.S.-China Strategic and Economic Dialogue (S&ED), to provide a level playing field for U.S. workers and firms. At the July 2013 S&ED, Treasury secured China's commitment to ensure that enterprises of all forms of ownership will have equal access to factors of production, such as energy, land, and water, and will compete on a level playing field. In addition, China committed to speed up the reform of its state-owned enterprises (SOEs), increase the dividend payout ratios of central government-owned enterprises, and increase the amount of dividend payments spent on social welfare. This commitment, when implemented, will help level the playing field and increase the resources available to support social welfare programs for Chinese households, while reducing the resources available to support SOEs.

During its recently concluded Third Plenum, where China laid out its economic reform agenda for the Xi Administration, China announced several reforms related to its SOEs that build on the commitments made during the S&ED. China committed to allow the prices of important factors of production to be mainly determined by market forces, by moving forward with price reform in areas such as water, petroleum, natural gas, electricity, communications, and telecommunications, and to deregulate prices in competitive sectors. China also committed to increase the dividend payout ratio of SOEs to 30 percent, almost triple the current rate, and use the funds to support social services.

It is my understanding that a high standard U.S.-China bilateral investment treaty (BIT) would play a significant role in addressing key concerns of U.S. investors, including the need to level the playing field and ensure that Chinese companies, including SOEs, do not benefit from unfair advantages. The 2012 U.S. Model BIT provides a number of tools to address this issue, including the comprehensive approach that it takes to the national treatment non-discrimination obligation and the application of all BIT obligations to SOEs exercising delegated government authority. Negotiations are at an early stage, and my understanding is that Treasury will continue to address this important issue as negotiations move forward.

If confirmed, I will press China to accelerate implementation of these reforms and level the playing field for U.S. workers and firms.

Senator Robert Casey (D-PA):Question 1:

The Trans-Pacific Partnership (TPP) is intended to be a comprehensive 21st century trade agreement that addresses the major trade distorting practices being used today. Yet many of the countries participating in TPP talks manipulate their currencies. Many companies in my home state are directly harmed by these unfair practices, and I recently joined colleagues from both chambers and both parties in urging the Administration to include strong disciplines against currency manipulation in TPP.

How do you intend to address currency manipulation in the TPP?

It is my understanding that Treasury has put currency issues at the center of its international agenda, and has actively and intensively engaged – through multilateral discussions, including in the G-20, G-7, and International Monetary Fund (IMF), as well as bilateral discussions, such as the U.S.-China Strategic and Economic Dialogue – to address fundamental currency misalignments.

In these venues, I understand that Treasury has underscored the importance of market-determined exchange rates in promoting more balanced global trade and avoiding persistent exchange rate misalignments. I also understand that Treasury has pushed for strong surveillance by the IMF of its members' obligations to avoid manipulating exchange rates in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members.

My current sense is that Treasury has made progress in these venues. The United States has secured commitments from the G-20 member countries to move rapidly to more market-determined exchange rates, avoid persistent exchange rate misalignments, refrain from competitive exchange rate devaluations, and not target exchange rates for competitive purposes. The G-7 member countries have also committed that fiscal and monetary policies would be oriented toward domestic objectives using domestic instruments. For the past two years, the IMF has published an exchange rate assessment for 29 economies through its External Sector Report. The IMF is also improving its exchange rate analysis in its Article IV reports on individual member countries.

There has also been progress with China. Since June 2010, the Chinese renminbi (RMB) has appreciated by 17 percent against the U.S. dollar on a real, inflation-adjusted basis and China's current account surplus has fallen from a peak of over 10 percent of GDP to under 3 percent of GDP this year. More progress is needed, however.

If confirmed, I would contribute to Treasury's continuing, intensive efforts to move our trading partners towards market-determined exchange rates. I would also give careful consideration, as Secretary Lew has said, to the potential benefits and risks of seeking new negotiating objectives for ongoing and future trade negotiations, drawing on our experiences in the WTO, the IMF, and

the G-20, and recognizing that the negotiating goals that have been set for the Trans-Pacific Partnership are ambitious and appropriately so in order to achieve a high standard 21st century trade agreement.

Question 2:

In September, the Office of Financial Research published a report intended to help determine whether asset management firms pose systemic risks to the financial system. I have heard many concerns from consumer advocacy groups and asset managers that the report contains numerous analytical flaws. A GAO report published in 2012 also found that the OFR's performance was difficult to evaluate due to a lack of public information about its activities.

Given the OFR's key role in detecting systemic risks and shaping key regulatory decisions, what can the Treasury Department do to ensure that its work is rigorous, independent, and transparent?

I believe that the Office of Financial Research (OFR) has an important mission to improve the quality of financial data and research available to policymakers. My current sense is that through its annual report, working paper series, and other research, the OFR is providing high-quality information in a transparent way that is helping to fill in the gaps about potential risks to our financial system. The OFR also publishes data and research on its website and has created a Financial Research Advisory Committee that has conducted public meetings to advise the OFR on how to fulfill its mission. The OFR's independent research function is critical for fulfilling its role. I understand that the Treasury Department has confidence in the OFR's rigorous, independent, and transparent work.

Senator Orrin Hatch (R-UT):

Question 1:

Governor Raskin, the Deputy Secretary of the Treasury can choose to focus on any of a wide variety of issues. As I mentioned in my earlier remarks, there are many issues that are long overdue for action that fall in the domain of Treasury, including comprehensive tax reform, reforms of Fannie and Freddie, plans to drive down our Nation's unsustainably high and growing debt, international currency policies that impact trade, and a host of others.

There are also a number of issues that the Treasury is currently involved in, which need additional attention. For example, Treasury has an alphabet soup of housing support programs and bureaucracies that it created over the past four-plus years as a partial response to the financial crisis. Yet, despite having obligated \$38.5 billion to its efforts, it has spent \$9.5 billion, or 25%, as of September of this year. Meanwhile, year-after-year, the Inspector General overseeing those funds has remarked that Treasury lacks goals in the programs and basically has not been trying real hard. Nonetheless, administration officials continue to point fingers elsewhere and say not enough is being done to help homeowners.

Given issues that are overdue for attention and lie within the domain of Treasury, which ones, if confirmed, do you wish to focus in on the most?

The issues you mention are worthy of attention. If confirmed, I would look forward to helping Secretary Lew achieve longer-term structural reforms that will improve conditions for sustainable and meaningful economic growth. From housing finance reform and financial regulatory reform to tailored sanctions design and implementation, new trade agreements, and tax and entitlement reform, we have the chance to make important long-term and durable progress for the country. I look forward to working with you and the Committee to identify the best bipartisan policy options to achieve such progress.

Question 2:

When we approach the statutory debt limit, it becomes important for Congress to know about the state of the country's finances, including its cash, public debt issuance, and how much time can be bought in terms of remaining below the debt limit when Treasury uses its so-called "extraordinary measures." Yet, while Congress needs information, it does not always get it in a timely fashion.

I have two yes-or-no questions. Please answer, in each case, with a yes or a no. (I will take any other answer to indicate that you choose not to respond to these questions.)

First, will you commit to me to respond in detail to my requests for information about debt issuance, cash balances, and how much room Treasury has under the debt limit through use of extraordinary measures when we near a debt limit?

☒ Yes

☐ No

Second, will you commit to providing such responses on a weekly basis to me and the Congressional Budget Office when we get close to a debt limit?

☒ Yes

☐ No

I am firmly committed to transparency, and I support strong Congressional oversight. If confirmed, I will work with the Congress to help obtain the information it needs to conduct its important oversight work, in addition to the daily information Treasury makes public regarding cash balances.

Question 3:

Do any firms or sectors of the financial system currently, in your view, meet the test of being systemically important financial institutions, in need of being designated by the Financial Stability Oversight Council and subsequently regulated by the Federal Reserve or others? If so, please identify the firms or sectors.

Under Section 113 of the Dodd-Frank Act, the Financial Stability Oversight Council may designate a nonbank financial company for Federal Reserve supervision and enhanced prudential standards if the Council determines that material financial distress at the company, or its nature, scope, size, scale, concentration, interconnectedness, or mix of activities, could pose a threat to U.S. financial stability. The Council issued a rule and interpretive guidance in April 2012 describing the manner in which it intends to apply the statutory standards. The Council completed its first designations earlier this year, designating American International Group, Inc. and General Electric Capital Corporation on July 8, 2013, and Prudential Financial, Inc. on September 19, 2013. Earlier, in July 2012, the Council designated a set of financial market utilities as systemically important. If confirmed, I look forward to participating in the Council's work related to these issues, and will approach that work with an open mind and in light of relevant considerations.

Question 4:

The Office of Financial Research (OFR), following a request from the Financial Stability Oversight Council, published a paper in September of this year titled "Asset Management

and Financial Stability,” partly to assess whether asset managers should be labeled as systemically important and subjected to increased regulations. Some argue that the paper does not accurately portray roles of asset managers or avenues through which asset managers and relevant investment products influence market stresses.

Do you concur with the findings of the OFR paper? Do you believe that asset managers pose threats to systemic stability of a nature that will require them to be labeled as systemically important financial institutions?

The report issued by the Office of Financial Research (OFR) analyzes certain risks that could be posed by asset management firms and activities. I understand that Financial Stability Oversight Council (Council) is in the early stages of analyzing this sector to better understand whether there are risks that could threaten the financial system and whether any actions should be taken by the Council to mitigate these risks. As that analysis moves forward, I expect that the Council will continue to be informed by the work of the OFR and will welcome engagement with asset managers and other stakeholders. The OFR’s independent research function is critical for fulfilling its role. I understand that the Treasury Department has confidence in the OFR’s rigorous, independent, and transparent work.

Question 5:

A Treasury official has indicated to me that Treasury would recommend retiring the President’s Working Group (PWG) on Financial Markets once PWG has submitted a statutorily required report to Congress in 2013 regarding terrorism insurance. The PWG, initially established by President Reagan, was set up to evaluate the stock market crash of October 19, 1987. More recently, the so-called Dodd-Frank Act established the Financial Stability Oversight Council (FSOC), composed partly of the Treasury Secretary and the Chairs of the Federal Reserve, the SEC, and the CFTC. Given that the FSOC has been charged with assessing emerging threats to financial stability, the PWG has become redundant. Moreover, the PWG, to my knowledge, absorbs taxpayer resources, can meet whenever it wants, and never produces meeting minutes that can be reviewed by the public.

Will you, if confirmed, recommend that the PWG be dissolved?

I understand your concern about the President’s Working Group on Financial Markets. It is important that the mechanisms we have in place to identify and address risks to financial stability are non-redundant, efficient, and effective. If confirmed, I look forward to working further on this matter.

Question 6:

In recent debates surrounding S. 744 (the Border Security, Economic Opportunity, and Immigration Modernization Act), the Congressional Budget Office (CBO) provided an analysis of economic impacts, which included the following passage:

“Cost estimates produced by CBO and JCT typically reflect the convention that macroeconomic variables such as gross domestic product (GDP) and employment remain fixed at the values they are projected to reach under current law. That is a long-standing convention—one that has been followed in the Congressional budget process since it was established in 1974. However, because S. 744 would significantly increase the size of the U.S. labor force, assuming that total employment was unchanged would imply that any employment of the additional immigrants would be offset one-for-one by lower employment elsewhere in the population. Because that outcome would be highly implausible, CBO and JCT relaxed the assumption of fixed GDP and employment and incorporated into the cost estimate their projections of the legislation’s direct effects on the U.S. population, employment, and taxable compensation.”

Many Members of the Senate, across party lines, were receptive to the potential positive effects of the legislation on the economy, as provided in the “dynamic scoring” by the CBO and Joint Committee on Taxation (JCT) (by dynamic scoring, I mean allowing for effects of the proposed measures on macroeconomic aggregates such as GDP and employment).

As with an analysis of proposed changes to immigration law, which would likely lead to significant changes in the labor force, any analysis of fundamental tax reform would likely lead to significant changes in key macroeconomic aggregates such as consumption, investment, GDP, employment, and the like. Therefore, in symmetry to the immigration analysis performed by CBO and JCT, any large scale proposed alteration of tax policy should include allowance for effects of the proposed measures on macroeconomic aggregates such as GDP and employment.

Do you agree or disagree?

While I have not looked closely at this issue, it seems that allowing major economic aggregates to change as part of comprehensive analyses of major law changes (including tax law changes) can help inform decision-makers by supplementing the information contained in traditional revenue estimates. I understand that there are substantial uncertainties involved in such analyses, however, because economists disagree on not only the size, but sometimes even the direction, of important effects. Moreover, the effects often depend critically on the response of monetary authorities to the policy change. As a result, I see such analyses as helpful supplements, rather than as a substitute for traditional revenue estimates.

Question 7:

In an October 11, 2013 entry in the Tax Policy Center’s “blog” called TaxVox, Dr. Donald Marron, of the Urban Institute, wrote the following concerning Treasury’s use of so-called “extraordinary measures” when nearing the statutory debt limit:

“When money gets tight, Treasury uses several accounting gimmicks and cash flow sleights of hand—the extraordinary measures—for extra financing. The easiest to explain involves the G-Fund, which is offered to federal employees through their equivalent of a 401(k) plan. As its name implies, that fund invests in government bonds. But the Treasury Secretary has a special power: he can replace those bonds with IOUs. I kid you not. One day the G-Fund has Treasury bonds, and the next it has IOUs. Those IOUs don’t count against the debt limit, but they will eventually be repaid with interest once the debt limit gets increased. Employees don’t lose anything, and Treasury gets some extra financing room.

Such budget gimmickry used to inspire outrage. In 1995, pundits accused Treasury Secretary Robert Rubin of violating his fiduciary duty and robbing federal employees when he did this. Today, the same action generates nary a peep; stuffing the G-fund with IOUs is standard operating protocol.”

Many of the so-called “extraordinary measures” that Treasury has used over the years amount to issuing shadow debt which does not count against the statutory limit, but must be repaid in any case. Effectively, Treasury in many of its extraordinary measures suspends issuance of Treasury securities to various funds that would count against the statutory limit and, instead, issues a shadow IOU with a promise to repay once the limit is increased—i.e., Treasury swaps debt that would count against the limit with shadow debt that does not.

Use of extraordinary measures merely postpones the date at which the country runs a risk of breaching the statutory debt limit, but does not change the fundamental need to address the limit. Eliminating the extraordinary measures would do nothing to change the fundamentals, and would eliminate time and resources that Treasury itself has clearly identified need to be devoted to using the extraordinary measures.

Do you believe that Treasury’s authority to use extraordinary measures to issue shadow debt serves any purpose other than to delay the date at which the statutory debt limit is potentially breached? If so, what is (are) the purpose(s), and do the benefits provided by use of extraordinary measures, in your analysis, outweigh the costs that Treasury has clearly identified? Do you believe that authority to use extraordinary measures should be maintained? If so, what is the social benefit, in your assessment, of maintaining them?

Borrowing allows the government to finance existing legal obligations that Congresses and Presidents of both parties have made in the past. The debt limit places a limitation on the total amount of money that the United States government is authorized to borrow. My understanding is that Secretaries of the Treasury in both Republican and Democratic administrations have taken extraordinary measures authorized by law in order to prevent the United States from defaulting on its obligations as Congress deliberated on increasing the debt limit. I believe it is paramount that we safeguard the full faith and credit of the United States.

Question 8:

The August 9, 2011 minutes of the Federal Open Market Committee (FOMC) of the Federal Reserve include information concerning a Videoconference of the Committee held on August 1, 2011. In turn, that information identifies that “The staff provided an update on the debt limit status, conditions in financial markets, *plans that the Federal Reserve and Treasury had developed* regarding the processing of federal payments, potential implications for bank supervision and regulatory policies, and possible actions that the Federal Reserve could take if disruptions to market functioning posed a threat to the Federal Reserve’s economic objectives.” (Emphasis added)

I have been requesting information about what those plans were for years...indeed, I asked about them prior to the August 1 Fed Videoconference. To date, however, no one at the Treasury or the Federal Reserve has responded to my repeated requests.

When Treasury nears a breach of the statutory debt limit, officials at Treasury, the Fed, and many others (though not the Financial Stability Oversight Council) warn of impending financial and economic catastrophe, and impending threats to financial stability. If, indeed, there are such threats, then officials at Treasury and at the Fed and at the myriad of financial regulators should, if they are competent risk managers, have contingency plans in place or, at least, in mind. If not, then they are not competent risk managers and should be replaced.

Minutes of the August 1, 2011 Videoconference identified above state quite clearly that the Fed and Treasury had developed such plans. Yet, to date, neither Treasury nor the Fed will provide them to me.

Given that you approved the minutes of the FOMC meeting discussed above, and were aware of the contents of what was discussed in the August 1, 2011 Videoconference, including the “plans that the Federal Reserve and Treasury had developed...,” will you share those plans with me?

I do not recall the specifics of the discussion at the August 2011 FOMC meeting. The Federal Reserve banks act as fiscal agents of the Treasury Department. My understating is that, in response to an inquiry from you, the Council of Inspectors General on Financial Oversight wrote a letter that described Treasury’s consideration of a range of options in 2011 with respect to how Treasury would operate if the U.S. had exhausted its borrowing authority. This letter is publicly available. If confirmed, I will work with the Congress to help obtain the information it needs to conduct its important oversight work.

Question 9:

Do you support the most recent variant of the so-called “Volker Rule” under formulation by various financial regulators? If so, why? If not, why not?

The Volcker Rule limits the ability of banks and their affiliates to engage in proprietary trading and invest in speculative funds with their own capital. The implementation of the Volcker Rule continues to progress. The five rulewriting agencies have devoted considerable efforts to considering the over 18,000 public comments that were submitted on the proposed rule. I am encouraged by the progress of the five rulewriting agencies and share the Treasury Secretary's desire to see a final rule that effectively implements the statute by the end of the year.

Question 10:

Do you believe that Treasury officials should act to intervene in policies formulated by the Federal Housing Finance Agency and, if so, do you advocate any changes?

The Housing and Economic Recovery Act of 2008 states that FHFA, when acting as conservator of Fannie Mae and Freddie Mac, shall not be subject to the direction or supervision of any other government agency.

Question 11:

What research guides your views about income, wealth, and consumption inequality on both a static basis and a dynamic basis, or have you not studied the issue carefully yet?

My understanding from a variety of sources is that income inequality in the U.S. has been increasing for several decades. Rising inequality is particularly worrisome when it means that poverty rates are high, or economic mobility is low, such that opportunities are limited for hard working Americans to rise up the economic ladder. I believe that the government must remain committed to fostering robust economic growth that offers all Americans the opportunity for upward mobility and a decent living.

Question 12:

Do you believe that further redistributive alterations to the tax system are necessary? If so, what alterations do you advocate? If so, also, please describe what you view would be the purpose of those alterations and the avenues through which you believe the alterations would serve that purpose.

My understanding is that the President has proposed several provisions that could address the structural income and wealth inequality in the U.S. by increasing the progressivity of our tax system. If confirmed, I look forward to working with you, the Committee, and the Congress on tax reform.

Senator Charles Grassley (R-IA):Question 1:

Several studies, including one by the International Monetary Fund, indicate that there is an implicit subsidy for large banks perceived as being “too big to fail.”

- a. Do you agree that an implicit subsidy exists for our nation’s largest banks? Why or why not?
- b. If an implicit subsidy does exist, what recommendations would you make to address it and the excessive risk taking it fosters?

In my view, the available research on the question of an implicit subsidy is mixed and in need of updating. The Dodd-Frank Act prohibits the use of taxpayer dollars to bail out any financial firm. Policymakers must reduce the risks posed by large financial companies and must complete measures to wind down such companies with minimal impact on the rest of the economy, if the need arises. The best way to accomplish this goal is to finish implementing the Dodd-Frank Act and provide market participants the chance to adjust to the changes in the regulatory regime required by the Dodd-Frank Act.

Question 2:

A number of Senators, including myself, are on record indicating our concerns about insurers being subjected to a bank-centric capital framework. As a result of Dodd-Frank, financial institutions are subject to stricter capital standards. Basel capital framework has been developed over decades for banks, and some say that is not an appropriate measuring stick for risk in an insurance business model. Despite views from Members of Congress, including the author of the provision, the Fed has said they need a statutory fix –they don’t have the flexibility to tailor capital standards to adapt to nonbank business models such as the insurance business. The Department of Treasury’s position is that no statutory changes should be made to Dodd-Frank until implementation is complete.

- a. Do you believe that a statutory fix is needed, or do regulators have the ability to tailor capital standard requirements for the insurance industry?
- b. If confirmed, what steps will you take to find a solution and work with other regulators so that the insurance industry is not harmed by the Dodd-Frank capital requirements that were meant for large banking institutions?

As indicated in my testimony, I believe that banks and insurance companies should be regulated based on their unique business models. As you suggest, a one-size-fits-all approach could have an unintended impact on families, savers, and retirees who depend on the guarantees made to them by their insurers. Importantly, this issue is getting the right attention. The Federal Reserve has already indicated its intention to carefully study the appropriate application of capital

standards to companies with significant insurance operations when it released the final rules implementing Basel III standards this summer.

The Federal Reserve is also responsible for promulgating the enhanced prudential standards that will be applicable to nonbank financial companies subject to supervision by the Federal Reserve. Section 165 of the Dodd-Frank Act authorizes the Federal Reserve to differentiate among companies, taking into consideration their financial activities and other factors, in prescribing these prudential standards. I expect that the Federal Reserve will consider this discretionary authority when developing prudential standards that will be applicable to insurers and other nonbank financial companies.

In regards to interagency engagement, the Federal Reserve has consulted with the Financial Stability Oversight Council during the development of its enhanced prudential standards, and I would expect the interagency dialogue to continue during this process. I would advocate for a robust interagency and inter-regulatory set of discussions.

Question 3:

The Internal Revenue Service has been faced with many challenges these past years due to current fiscal realities and its role in implementing and enforcing the Affordable Care Act. The Affordable Care Act will continue to consume large amounts of IRS time and resources in coming years.

- a. Besides requesting more funds, what recommendations would you make to ensure IRS' core duties of tax collection are not undermined by its new role as chief Obamacare enforcer?
- b. Would you be open to the IRS reinstituting the Private Debt Collection program the IRS abandoned in 2009 based on a cost effectiveness study that has been criticized by both GAO and TITGA? Prior to responding to this question please read the letter I sent to IRS Commissioner Nominee John Koskinen on September 26, 2013 detailing my concerns about IRS 2009 decision.

If confirmed, I will work with the IRS leadership so that the IRS's resources are used effectively and efficiently and so that the IRS carries out the responsibilities that Congress has assigned to it. I am not yet familiar enough with the Private Debt Collection program to express an opinion about it. If confirmed, I will be happy to work with you and your staff on these issues.

Question 4:

This week, several news reports have indicated that the Administration may seek to ease some of the pressure on healthcare.gov by allowing large insurers to directly sign-up individuals for health coverage. Reportedly part of this discussion includes extending premium tax credit eligibility to those enrolling directly through insurers. As I read the

law, individuals are only eligible for the new premium tax credit if they enroll in health coverage *through* an exchange. Specifically the law says they are required to enroll *through* a “state based exchange.” However, Treasury and the IRS used creative rulemaking to extend eligibility to individuals enrolling in federal exchanges as well.

- a. In your view, what, if any, authority exists for the Administration to further extend eligibility for the premium tax credit to individuals that enroll through an insurer rather than an exchange?
- b. Will you commit to recommending that the Administration come to Congress prior to seeking to expand eligibility for the premium tax credit or enact other potential “fixes” that arguably are beyond the authority granted Treasury and the IRS under the Affordable Care Act?

I have not studied this issue closely, but my understanding is that the arrangement you describe would merely permits individuals enrolling through a Marketplace to start the application process on an issuer’s website. Individuals who choose this option would then be transferred to the appropriate Marketplace to complete the enrollment process. Since these individuals would enroll through a Marketplace, they would be eligible to receive a premium tax credit on the same terms as others.

Question 5:

In 2006, I authored updates to the Internal Revenue Service (IRS) whistleblower program to increase the tools available to track down and expose tax cheats. It has proven to be the most successful program the administration has to go after the big time tax cheats. Yet, I am concerned that some within Treasury and the IRS view whistleblowers and the whistleblower program with hostility. I have highlighted my specific concerns in several letters to Treasury and IRS. Please review my letters and inform me of what actions you plan to take to ensure the effectiveness and efficiency of the IRS whistleblower program. In doing so, please be sure to address concerns about a lack of communication with whistleblowers and the length of time it takes to process claims.

I believe that whistleblowers are critical participants in facilitating oversight and transparency in government. My understanding is that you have raised important issues in your letters to Treasury. Please be assured that, if confirmed, I would want to work with you and the Congress on enhancing the effectiveness of the whistleblower program.

Question 6:

The research and development (R&D) tax credit requires businesses to perform complicated calculations to determine their eligibility. This has been a major roadblock to medium and small sized businesses claiming the credit. In 2006, Congress added the alternative simplified credit (ASC) to make it easier for businesses, especially smaller sized

businesses, to determine their eligibility for the credit. However, the Treasury and IRS through regulation in 2008 greatly limited the benefits of the ASC by not allowing it to be taken on amended returns. Recently, Treasury placed this issue on their schedule to review, but have given no firm deadline for changing this job-killing regulation. Will you commit to making it a priority to review these regulations?

My understanding is that the Administration strongly supports the continuation of the Research and Experimentation (R&E) credit and has proposed to make the R&E credit permanent. I also understand that Treasury's Office of Tax Policy is reviewing this issue as part of its 2013-2014 Priority Guidance Plan. If confirmed, I will work with the Office of Tax Policy so that this project has the resources it needs and would welcome the opportunity to discuss with you and the Committee progress that is being made.

Senator Pat Roberts (R-KS):

Question 1:

As you may know, the Federal Reserve Board is considering the application of bank-centric Basel 3 capital standards to insurance companies, even though Basel 3 standards were designed by bank regulators for banks. These bank standards were never intended to be applied to insurance companies, which have very different products and very different business models than banks. The Federal Reserve Board has the authority to develop insurance-based capital standards for insurance companies, which would seem to make the most sense and would further the interests of strong, prudential supervision of insurance companies.

Are you concerned about this situation and the impact on families, savers, and retirees who depend on the guarantees made to them by their insurer? What will you do to work with the Federal Reserve Board and the Congress to avoid the destabilizing impact of applying a misaligned capital framework to insurance companies?

As indicated in my testimony, I believe that banks and insurance companies should be regulated based on their unique business models. As you suggest, a one-size-fits-all approach could have an unintended impact on families, savers, and retirees who depend on the guarantees made to them by their insurers. Importantly, this issue is getting the right attention. The Federal Reserve has already indicated its intention to carefully study the appropriate application of capital standards to companies with significant insurance operations when it released the final rules implementing Basel III standards this summer.

The Federal Reserve is also responsible for promulgating the enhanced prudential standards that will be applicable to nonbank financial companies subject to supervision by the Federal Reserve. Section 165 of the Dodd-Frank Act authorizes the Federal Reserve to differentiate among companies, taking into consideration their financial activities and other factors, in prescribing these prudential standards. I expect that the Federal Reserve will consider this discretionary authority when developing prudential standards that will be applicable to insurers and other nonbank financial companies.

In regards to interagency engagement, the Federal Reserve has consulted with the Financial Stability Oversight Council during the development of its enhanced prudential standards, and I would expect the interagency dialogue to continue during this process. I would advocate for a robust interagency and inter-regulatory set of discussions.

Question 2:

Do you think the Financial Stability Oversight Council, of which the Secretary of the Treasury is the Chairman, should consider utilizing authorities provided in the Dodd-Frank Act (section 112) to make a recommendation to the Federal Reserve Board that

insurance-based capital standards make the most sense for the supervision and oversight of insurance companies?

I understand that the Financial Stability Oversight Council would make a decision about the use of its statutory authority in the context of its extensive ongoing consultation with the Federal Reserve regarding the Federal Reserve's development of enhanced prudential standards.

Senator John Thune (R-SD):

Question 1:

I understand that the Treasury Department has instructed U.S. representatives at the World Bank and Inter-American Development Bank (IADB) to vote against loans to Argentina, with limited exceptions, and that this policy is a result of Argentina's unwillingness to engage with its creditors to resolve disputes. I also understand that since the Administration's took this position in 2011, Argentina has settled only 5 of 50 ICSID cases against it, has been censured by the IMF, and has not complied with over 100 U.S. court judgments against it.

As such, do you believe it is appropriate for the Treasury Department and other government departments and agencies to continue the policy of opposing loans to Argentina at the World Bank and IADB? Do you believe that the U.S. should continue to engage with other countries that share our concerns to send a strong message that nations need to live up to their international obligations?

I understand that, since 2011, the United States has had a policy of opposing virtually all lending to Argentina by the multilateral development banks, due to Argentina's failure to honor its international obligations. It is a welcome development that Argentina reached agreement with U.S. companies to settle claims arising from final arbitral awards under the auspices of the International Centre for Settlement of Investment Disputes. However, if confirmed, I would work so that Treasury presses Argentina to honor other important international obligations, including providing accurate economic data to the International Monetary Fund and engaging in a serious, good-faith dialogue with the Paris Club to resolve its bilateral arrears with the United States and other Paris Club creditors.

Senator Richard Burr (R-NC):**Currency Manipulation****Question 1:**

In September, I joined with 56 other members of the Senate in sending Treasury Secretary Jack Lew and USTR Ambassador Michael Froman a letter on the importance of including foreign currency manipulation disciplines in the Trans-Pacific Partnership Negotiation. A majority of the U.S. House of Representatives also sent a similar letter on this matter. What will you do to make sure that such disciplines are included in the TPP?

The President has been clear that no country should grow its exports based on an undervalued exchange rate. It is my understanding that Treasury has put currency issues at the center of its international agenda, and has actively and intensively engaged – through multilateral discussions, including in the G-20, G-7, and the International Monetary Fund (IMF), as well as bilateral discussions, such as the U.S.-China Strategic and Economic Dialogue – to address fundamental currency misalignments.

In these venues, I understand that Treasury has underscored the importance of market-determined exchange rates in promoting more balanced global trade and avoiding persistent exchange rate misalignments. I also understand that Treasury has pushed for strong surveillance by the IMF of its members' obligations to avoid manipulating exchange rates in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members.

Treasury has made progress in these venues. The United States has secured commitments from the G-20 member countries to move rapidly to more market-determined exchange rates, avoid persistent exchange rate misalignments, refrain from competitive exchange rate devaluations, and not target exchange rates for competitive purposes. The G-7 member countries also have committed that fiscal and monetary policies would be oriented toward domestic objectives using domestic instruments. For the past two years, the IMF has published an exchange rate assessment for 29 economies through its External Sector Report. The IMF is also improving its exchange rate analysis in its Article IV reports on individual member countries.

There has also been progress in exchange rate adjustment. Since June 2010, the Chinese renminbi (RMB) has appreciated by 17 percent against the U.S. dollar on a real, inflation-adjusted basis and China's current account surplus has fallen from a peak of over 10 percent of GDP to under 3 percent of GDP this year. More progress is needed, however.

If confirmed, I would contribute to Treasury's continuing, intensive efforts to move our trading partners towards market-determined exchange rates. I would also give careful consideration, as Secretary Lew has said, to the potential benefits and risks of seeking new negotiating objectives for ongoing and future trade negotiations, drawing on our experiences in the WTO, the IMF, and the G-20, and recognizing that the negotiating goals that have been set for the Trans-Pacific

Partnership are ambitious and appropriately so in order to achieve a high standard 21st century trade agreement.

Priority of Payments

Question 2:

Will you commit that, if confirmed, you will comply with requests to produce documents concerning the Department's preparations for prioritized payment of federal liabilities, including in the potential case that the statutory limit on the national debt has not been lifted and the Treasury has exhausted its extraordinary measures?

I am firmly committed to transparency, and I support strong Congressional oversight. If confirmed, I will work with the Congress to help obtain the information it needs to conduct its important oversight work.

Debt Management

Question 3:

What is your view concerning current Treasury policy concerning the average maturity of outstanding government debt?

It is my understanding that the Treasury Department has increased the portfolio's weighted average maturity from 48 months to over 66 months since 2008. This increase has been the largest and fastest extension of the weighted average maturity in more than 20 years. This extension of the weighted average maturity is prudent as it locks in long term rates for the taxpayer and reduces the frequency with which Treasury must issue new debt.

Question 4:

What steps are Treasury taking to take advantage of the current low interest rates and maximize long term savings?

It is my understanding that the Treasury Department has increased the portfolio's weighted average maturity from 48 months to over 66 months since 2008. This increase has been the largest and fastest extension of the weighted average maturity in more than 20 years. Treasury has also complemented its ability to extend the weighted average maturity of the debt by creating a floating rate note (FRN), term debt with interest rates that adjust with Treasury bill rates. It is my understanding that Treasury will issue the first FRN in January 2014.

While pursuing Treasury's goal to extend the average maturity of our debt outstanding, Treasury should not try to "time" their issuance with the overall level of interest rates. This could undermine efforts to support the Treasury market as the deepest and most liquid in the world.

My understanding is that by conducting regular and predictable auctions, Treasury is able to fund the government at the lowest possible cost over time.

Federal Housing Administration (FHA)

In September the Federal Housing Administration (FHA) drew on the Department of Treasury for the first time in its nearly 80 year history.

Question 5:

Is there any obligation of FHA to repay those and any potential future funds?

It is my understanding that the draw of funds from Treasury to the FHA that occurred on September 30, 2013, was triggered by the annual "re-estimate" process that is required by the Federal Credit Reform Act (FCRA). The Office of Management and Budget would be able to provide you with more detailed information about the re-estimate process under the FCRA. As I understand it, the FCRA also provides a permanent and indefinite appropriation for the difference between the re-estimated cost of groups of loans and loan guarantees and the previously estimated cost. Accordingly, the FCRA does not require or provide for the repayment of funds transferred under the permanent and indefinite appropriation provided for re-estimates.

Question 6:

Will you commit to sharing with Congress the future communications you have with FHA regarding the repayment of these funds and any future withdrawals?

It is my understanding that the transfer of funds from Treasury to FHA was a mandatory appropriation, not a Treasury loan. I am firmly committed to transparency, and I support strong Congressional oversight. If confirmed, I will work with the Congress to help obtain the information it needs to conduct its important oversight work.

Question 7:

At present, what are the protocols for FHA alerting the Treasury they intend to access taxpayer funding to shore up their finances?

I understand that estimates of the potential for any mandatory appropriation are first published in the current year column of the President's Budget Appendix and are communicated to Treasury's Office of Fiscal Projections in the quarterly outlay plan required by OMB Circular A-11. If at the conclusion of the fiscal year a mandatory appropriation is needed, under the Federal Credit Reform Act, agencies are required to request from OMB an apportionment for the upward subsidy re-estimates. After OMB approves the apportionment, an agency then has the authority needed to request a warrant from Treasury for the amount needed to satisfy the re-estimate.

National Directory for New Hires (NDNH)**Question 8:**

What is the Administration's position on using the National Directory for New Hires (NDNH) for more than its current application (student loan defaults, alimony payments, etc.)?

My understanding is that the President's FY 2014 Budget contains a provision to authorize Treasury to access the NDNH for purposes of preventing, identifying, and recovering improper payments for those agencies that are already authorized to use NDNH data.

Question 9:

What security vulnerabilities for personal data might exist in the potential expansion of the NDNH's use, particularly an expansion across agencies to include Treasury?

My understanding is that the Federal Information Security Management Act (FISMA) requires effective controls for the confidentiality, integrity, and availability of such information. The adequacy of these controls is the subject of an internal audit, performed annually. Such audits may indicate security vulnerabilities and would then make recommendations for their corrections. While I have reviewed FISMA audits in the past for the Federal Reserve Board, I have not been in a position to review FISMA audits conducted on behalf of Treasury.

Senator Rob Portman (R-OH):

Question 1:

A number of Senators have raised concerns with federal regulators about insurers being subjected to a bank-centric capital framework. Some insurance companies are subject to Federal Reserve consolidated regulation either because they own a depository institution or because they have been or will be designated by the Financial Stability Oversight Council (FSOC) as non-bank SIFI insurers. The FSOC is chaired by the Treasury Secretary, and many of its support-staff are Treasury officials. Unfortunately, my understanding is that insurers still face the potential of having bank-centric capital standards applied to them. This is an issue that the Treasury Department needs to engage in directly in order to ensure that our regulators are utilizing the right tools to regulate an industry that is not as familiar to them. I hope to get your commitment that insurers are not treated as banks for regulatory capital purposes. I understand that Governor Yellen offered some encouraging thoughts on the Federal Reserve's review of this issue recently, but those words need to translate into the Federal Reserve moving away from bank-centric standards and to appropriately tailored standards for the business of insurance. Will you make that commitment to help resolve this issue?

As indicated in my testimony, I believe that banks and insurance companies should be regulated based on their unique business models. As you suggest, a one-size-fits-all approach could have an unintended impact on families, savers, and retirees who depend on the guarantees made to them by their insurers. Importantly, this issue is getting the right attention. The Federal Reserve has already indicated its intention to carefully study the appropriate application of capital standards to companies with significant insurance operations when it released the final rules implementing Basel III standards this summer.

The Federal Reserve is also responsible for promulgating the enhanced prudential standards that will be applicable to nonbank financial companies subject to supervision by the Federal Reserve. Section 165 of the Dodd-Frank Act authorizes the Federal Reserve to differentiate among companies, taking into consideration their financial activities and other factors, in prescribing these prudential standards. I expect that the Federal Reserve will consider this discretionary authority when developing prudential standards that will be applicable to insurers and other nonbank financial companies.

In regards to interagency engagement, the Federal Reserve has consulted with the Financial Stability Oversight Council during the development of its enhanced prudential standards, and I would expect the interagency dialogue to continue during this process. I would advocate for a robust interagency and inter-regulatory set of discussions.

Question 2:

I have been working with a number of colleagues including Rep. Mike Turner to push for transparency related to the termination of pensions of the Delphi Salaried Retirees and how decisions were made that led to certain workers' pensions and benefits being restored, while thousands of other salaried workers were left financially ruined. In August, our efforts led to the issuance of a subpoena by the House Committee on Oversight and Government Reform. The Treasury Dept. indicated that they would produce documents on a 'rolling basis', but the production has been lackluster thus far. I am extremely troubled by the slow pace at which Treasury is proceeding with producing relevant documents. If confirmed, on what date would the Treasury Dept. complete its production for the House committee?

My understanding is that Treasury has produced thousands of pages of relevant documents to the Committee. In addition, I understand that Treasury is in the process of preparing additional documents for the Committee, and that Treasury is committed to working with the Committee on this important issue. I also understand that Treasury officials and former officials have testified on this matter a number of times before Congress. I am firmly committed to transparency, and I support strong Congressional oversight. If confirmed, I will work with the Congress to help obtain the information it needs to conduct its important oversight work.

Senator Pat Toomey (R-PA):Question 1:

On October 17, 2012, a number of my colleagues [and I] (24 Senators in total) sent a letter to Chairman Bernanke, Chairman Gruenberg and Comptroller Curry indicating our concerns about insurers being subjected to a bank-centric capital framework. Some insurance companies, as you know from your service on the Board, are subject to Federal Reserve consolidated regulation either because they own a depository institution or because they have been or will be designated by the Financial Stability Oversight Council (FSOC) as non-bank SIFI insurers. The FSOC is Chaired by Treasury Secretary Jack Lew and many of its support staff are Treasury officials. Unfortunately, my understanding is that insurers still face the potential of having bank-centric capital standards applied to them, even though an insurance capital framework exists at the state level that the Board could rely on and build upon where they see deficiencies. I believe this is an issue that the Treasury Department needs to engage in directly in order to ensure that our regulators are utilizing the right tools to regulate an industry that is not as familiar to them. I'd like to get your commitment to work with me and my colleagues who signed this letter to ensure that insurers are not treated as banks for regulatory capital purposes. I understand that Governor Yellen offered some encouraging thoughts on the close study this issue is receiving by the Fed Reserve during her confirmation hearing, but those words need to translate into the Fed moving away from bank-centric standards and to appropriately tailored standards for the business of insurance. Will you make that commitment to help resolve this issue?

As indicated in my testimony, I believe that banks and insurance companies should be regulated based on their unique business models. As you suggest, a one-size-fits-all approach could have an unintended impact on families, savers, and retirees who depend on the guarantees made to them by their insurers. Importantly, this issue is getting the right attention. The Federal Reserve has already indicated its intention to carefully study the appropriate application of capital standards to companies with significant insurance operations when it released the final rules implementing Basel III standards this summer.

The Federal Reserve is also responsible for promulgating the enhanced prudential standards that will be applicable to nonbank financial companies subject to supervision by the Federal Reserve. Section 165 of the Dodd-Frank Act authorizes the Federal Reserve to differentiate among companies, taking into consideration their financial activities and other factors, in prescribing these prudential standards. I expect that the Federal Reserve will consider this discretionary authority when developing prudential standards that will be applicable to insurers and other nonbank financial companies.

In regards to interagency engagement, the Federal Reserve has consulted with the Financial Stability Oversight Council during the development of its enhanced prudential standards, and I would expect the interagency dialogue to continue during this process. I would advocate for a robust interagency and inter-regulatory set of discussions.

Question 2:

The Federal Reserve has previously expressed the view that Section 171 of the Dodd-Frank Act, the Collins Amendment provision, constraints their ability to tailor proposed capital standards to adapt to nonbank business models such as the insurance business. The Federal Reserve has suggested that a statutory solution is necessary, but Treasury's position is that no statutory changes should be made to Dodd-Frank until implementation is complete. These conflicting points of view have put insurance companies, those that own depository institutions or are designated as nonbank SIFIs, in quite a conundrum with the possibility of being subject to inappropriate and harmful regulation. With your background, you are uniquely qualified to help find a solution. The bottom line is that the Basel capital framework has been developed over decades for banks, not insurers, and it is not an appropriate measuring stick for risk in an insurance business model. Based upon Governor Yellen's testimony last week at her confirmation hearing and the recognition she expressed about the difference between the businesses of banking and insurance, I am hopeful that you might be able to partner with her to resolve this matter. Are you willing to work to help solve this problem in your new role at Treasury?

As noted in my response to the prior question, if confirmed I will be fully engaged on this important issue as I agree that banks and insurance companies should be regulated based on their unique business models. As you suggest, a one-size-fits-all approach could have an unintended impact on families, savers, and retirees who depend on the guarantees made to them by their insurers. Importantly, this issue is getting the right attention. The Federal Reserve has already indicated its intention to carefully study the appropriate application of capital standards to companies with significant insurance operations when it released the final rules implementing Basel III standards this summer.

The Federal Reserve is also responsible for promulgating the enhanced prudential standards that will be applicable to nonbank financial companies subject to supervision by the Federal Reserve. Section 165 of the Dodd-Frank Act authorizes the Federal Reserve to differentiate among companies, taking into consideration their financial activities and other factors, in prescribing these prudential standards. I expect that the Federal Reserve will consider this discretionary authority when developing prudential standards that will be applicable to insurers and other nonbank financial companies.

In regards to interagency engagement, the Federal Reserve has consulted with the Financial Stability Oversight Council during the development of its enhanced prudential standards, and I would expect the interagency dialogue to continue during this process. I would advocate for a robust interagency and inter-regulatory set of discussions.

Opening Statement by Rhonda K. Schmidlein
Nominee to be Member of United States International Trade Commission
Before Senate Committee on Finance Confirmation Hearing
November 20, 2013

Chairman Baucus, Ranking Member Hatch and Members of the Committee, thank you for this opportunity to appear before you today. I am deeply honored and grateful to have been nominated by President Obama for the position of Commissioner of the United States International Trade Commission.

I would like to introduce and thank my family members who are here with me today: my husband John and our daughters Anna and Julia, my parents Roger and Marilyn Schnare, who will celebrate their 48th wedding anniversary next week, and my father-in-law, John Schmidlein, who practiced law here in Alexandria for over 40 years until retiring in 2006. I am grateful to each of you for your love and support over the years. I also want to acknowledge my friends who are here today and thank them for coming and for their steadfast support and encouragement.

I have been privileged to spend my career in public service. Starting at the U.S. Department of Justice and then at the Office of the U.S. Trade Representative and later at the U.S. Public Company Accounting Oversight Board, I was proud to represent the United States in negotiations and trade-related disputes.

My work as a trade lawyer has given me a keen appreciation for the important work of the ITC. While the ITC may be relatively unknown to the general public, it plays an important role in the U.S. economy through its administration of U.S. trade remedy laws including Title VII and Section 337. These laws provide a vital tool for U.S. companies that are faced with unfair trade practices, and the ITC's decisions can impact the livelihoods of workers, farmers and businesses across America.

Another important - but perhaps less recognized – aspect of the ITC is the role it plays in maintaining the credibility of US trade remedy laws. As a lawyer who has represented the United States in challenges to the application of US trade remedy laws both in the US courts and at the WTO, I understand first hand the importance of maintaining objectivity in the administration of these laws.

If confirmed, I intend to apply the law, as written and in accordance with the intent of Congress, in a fair and objective manner.

The ITC also plays an essential role in supporting policymakers by providing objective and high-quality economic and industry analysis. Over the course of my career as an advocate and a negotiator, I have depended from time-to-time upon the work of economists so I understand the importance of policymakers

having reliable and robust reports upon which to base their decisions. If confirmed, I would look forward to working with my fellow Commissioners and ITC staff to ensure that the ITC continues to be responsive to Congress and other policymakers, and continues to provide objective and high-quality reports.

I believe in the power of a rules-based trading system to expand trade, create jobs and raise standards of living. But simply having such a system is not enough – the rules must be enforced and the decision-maker must be independent and objective. Congress has charged the ITC with playing this critical role with regard to U.S. trade remedy laws. If confirmed, I would be honored to participate in this important process as a Commissioner.

I thank you for considering my nomination and would be happy to answer any questions.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)
Rhonda Kay Schmidtlein, formerly Rhonda Kay Schnare
2. Position to which nominated:
Member, United States International Trade Commission
3. Date of nomination:
July 15, 2013
4. Address: (List current residence, office, and mailing addresses.)
5. Date and place of birth:
June 24, 1966; Washington, Iowa
6. Marital status: (Include maiden name of wife or husband's name.)
7. Names and ages of children:
8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)
University of Missouri-Columbia, August 1984-May 1988, Bachelor of Science in

Accountancy, Magna Cum Laude, granted May 1988; University of North Carolina School of Law, Chapel Hill, NC, August 1988 to May 1991, J.D. with Honors granted May 1991.

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.)

Consultant, The World Bank, Washington DC, April 2012 to present

Director, Office of International Affairs, Public Company Accounting Oversight Board (PCAOB), Washington DC, February 2005 – December 2011

Special Counsel, International Affairs, PCAOB, Washington DC, September 2003 – January 2005

Associate General Counsel, U.S. Trade Representative, Washington DC, May 1999 – September 2003

Assistant General Counsel, U.S. Trade Representative, Washington DC, April 1998 – April 1999.

Honors Program Trial Attorney, U.S. Department of Justice, Civil Division, Commercial Litigation Branch, Washington DC, October 1993 – April 1998

Adjunct Professor for Legal Research and Writing, George Washington University, The National Law Center, Washington DC, September 1995 – May 1997

Judicial Law Clerk, U.S. District Court, Western District of Missouri, Chief Judge Howard F. Sachs, Kansas City, MO, September 1991 – September 1993

Summer Associate, Fulbright & Jaworski, Washington DC, summer 1990

Summer Associate, Gallop, Johnson & Neuman, St. Louis, MO, summer 1990

Summer Associate, Hunton & Williams, Raleigh, NC, summer 1989

Research Assistant (part-time) to Professor Thomas Hazen, UNC School of Law, Chapel Hill, NC, September 1989-May 1990

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

None

11. Business relationships: (List all positions held as an officer, director, trustee,

partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

World Bank consultant – April 2012 – present
Director of Office of International Affairs, Public Company Accounting Oversight Board, 2005 - 2011

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

Member, St. Columba's Episcopal Church, Washington DC
Member, Palisades Swimming Pool Association, Cabin John, MD
Member, Missouri Bar Association (active)
Member, Illinois Bar Association (inactive)

13. Political affiliations and activities:

- a. List all public offices for which you have been a candidate.

None

- b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

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.

Obama for America, \$2300, May 2007
Ike Skelton for Congress Committee, \$250, March 2004

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.)

The Attorney General's Honors Program, 1993
U.S. Attorney General's Special Commendation Award, 1998
U.S. Attorney General's Special Achievement Award, 1995, 1996, 1997
Kenan Law Foundation Scholarship, UNC Law School, Chapel Hill, NC

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

Note, *Alcan Aluminum Limited v. Franchise Tax Board*, State Unitary Apportionment of Foreign Parent Income Taxation Will Have to Go To State Court, 16 N.C.J. Int'l L. and Com. Reg. 163 (1991).

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with **two** copies of each formal speech.)

None

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

I believed I am qualified to be a Member of the U.S. International Trade Commission based on the experience I have gained from my education and the combination of the positions I have held over the past 20 years. I am a lawyer who has been lead counsel on behalf of the United States in numerous trade-related cases, including anti-dumping and countervailing duty cases, at the U.S. Court of International Trade, the U.S. Court of Appeals for the Federal Circuit and the World Trade Organization. Further, my experience from having been in the senior management of the Public Company Accounting Oversight Board (PCAOB) will serve me well as an ITC commissioner. In addition to personally supervising a staff of eight to ten professionals, as a PCAOB senior official, I was involved in agency-wide decisions regarding administration, strategic planning, budgeting and resource allocation and therefore have had management experience with an organization that is governed by a multi-member board or commission.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections 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 you

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 investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the International Trade Commission's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Commission's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, 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.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the International Trade Commission's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Commission's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any activity during the past 10 years 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.

I have engaged in no such activity.

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

In connection with the nomination process, I have consulted with the Office of Government Ethics and the International Trade Commission's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Commission's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

5. **Two** copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

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, professional association, disciplinary committee, or other professional group? If so, provide details.

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? 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 to my knowledge.

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

Responses of Ms. Rhonda Schmidlein to
FINANCE COMMITTEE QUESTIONS FOR THE RECORD
United States Senate
Committee on Finance
Hearing on
Confirmation of Ms. Rhonda Schmidlein to be a
Member of the United States International Trade Commission
November 20, 2013

Question 1 from Chairman Baucus

You are an experienced litigator, having spent many years at DOJ and USTR. If you are confirmed, you will be tasked with making decisions on critical matters of law, including trade remedy law. Our trade remedy laws are essential to safeguarding American jobs from unfair imports. How will your litigation experience help you ensure that our trade remedies laws are fully enforced and decisions of the ITC withstand review by U.S. courts and the World Trade Organization?

Answer:

As a lawyer at the Department of Justice and the Office of the United States Trade Representative, I represented the United States in antidumping and countervailing duty-related cases so I have had direct experience with those provisions of the law in both the U.S. courts and the World Trade Organization (WTO). If confirmed, this experience would help me as I apply these laws as a Commissioner. I also believe my experience as a litigator in general would serve me well as a Commissioner since in my prior positions as the lead counsel for the United States I have been personally responsible for investigating the facts and evaluating evidence which of course is what the ITC does in trade remedy investigations. Finally, as a lawyer for the Department of Justice I had significant experience preparing appellate briefs and arguing before the Court of Appeals for the Federal Circuit, which would be useful as I am called upon to draft or contribute to the drafting of opinions that may be eventually appealed to that particular court. Similarly, I have had substantial experience before WTO dispute settlement panels and the WTO Appellate Body which would be helpful in explaining determinations that would withstand review by those bodies.

Question 2 from Chairman Baucus

Congress has given the ITC a very important role to play in enforcing U.S. intellectual property laws, and it constitutes a significant part of the work you will do as an ITC Commissioner.

How do you plan to approach this aspect of the job?

Answer:

Under Section 337 of the Tariff Act of 1930, the ITC plays a very important role in enforcing U.S. intellectual property laws. If confirmed, I will fairly and impartially enforce the provisions of the Tariff Act that relate to the protection of intellectual property at the ITC based on the record of each investigation. As you know, the Tariff Act also provides for Presidential review and disapproval of ITC decisions on policy grounds, and provides for judicial review of Commission decisions by the Court of Appeals for the Federal Circuit (CAFC). I am committed to ensuring clarity of the ITC's rationale for its written decisions, given Presidential policy review and potential for judicial review.

Question 3 from Chairman Baucus

As I alluded to at your confirmation hearing, we are looking at an enormous trade agenda. The ITC plays a big role in providing Congress and our negotiators with the information they need to reach agreements that work for U.S. workers, companies, ranchers, and farmers. With so many agreements now being negotiated, how should the ITC leverage its resources so that it can continue to provide timely advice?

Answer:

If confirmed as a Commissioner, I would work with my colleagues to ensure that the ITC continues to provide timely and high-quality information and analysis to Congress and the Administration. I would work with my fellow Commissioners to target the ITC's analytical capabilities on the highest priority issues and to evaluate whether the development of faster and more focused information gathering techniques is possible and appropriate. Further, I would endeavor to make certain that limited ITC resources are concentrated on the appropriate areas of interest to trade policy makers and that this analytical support is available to Congress and the Administration when it is needed.

Question 1 from Senator Hatch

Could you share with us some of your thoughts on how the ITC can assist Congress and the Administration to develop and implement effective trade policy to best benefit American manufacturers, farmers, and service providers?

Answer:

One of the ITC's primary responsibilities is to provide to Congress and the Administration accurate and relevant information, and thoughtful and objective economic analysis on a broad range of international trade matters. In the past, the ITC has prepared reports and analysis for Congress and the Administration relevant to a wide array of trade policy topics including, for example, small and medium enterprise (SME) participation in

U.S. exports; agricultural trade with China, Brazil, and India; and trends in services trade; to name a few.

If confirmed as a Commissioner, I would work with my colleagues to ensure that the Commission continues to provide the analytical support that trade policy makers require to address new and increasingly complex issues. I would work with my fellow Commissioners and ITC staff to determine whether information gathering techniques can be improved and whether analytical capabilities might be enhanced to ensure that the ITC is well-prepared to respond to all requests from Congress and the Administration for informational and analytical support in their policy development activities. I would work to make certain that the ITC's limited resources are focused on the appropriate areas of interest to trade policy makers and that this analytical support is available to Congress and the Administration when it is needed.

Question 2 from Senator Hatch

Could you please share with us your goals, if confirmed, for serving as an ITC Commissioner?

Answer:

If confirmed, my goals as a Commissioner would include working to ensure that the ITC continues in the tradition of conducting thorough investigations, producing reliable and robust economic and industry reports and functioning as an independent and objective decision-maker. In addition, I would work to ensure that the administration of the agency is effective and its limited resources are being allocated as efficiently as possible. Importantly, I would work to ensure the ITC continues to be responsive to Congress and other policy makers.

Question 3 from Senator Hatch

Could you please share with us how your professional experience will assist you in fulfilling the important role of ITC Commissioner?

Answer:

As a lawyer at the Department of Justice and the Office of the United States Trade Representative, I represented the United States in antidumping and countervailing duty-related cases so I have had direct experience with those provisions of the law in both the U.S. courts and the World Trade Organization (WTO) which would help me as I apply these laws as a Commissioner. I also believe my experience as a litigator in general would serve me well as a Commissioner since in my prior positions as the lead counsel for the United States I have been personally responsible for investigating the facts and evaluating evidence which of course is what the ITC does in trade remedy investigations. Additionally, as a lawyer for the Department of Justice I had significant experience preparing appellate briefs and arguing before the Court of Appeals for the Federal

Circuit, which would be useful as I would be called upon to draft or contribute to the drafting of opinions that may be eventually appealed to that particular court. Similarly, I have had substantial experience as lead counsel for the United States before WTO dispute settlement panels and the WTO Appellate Body which would be helpful in explaining determinations that will withstand review by those bodies.

Finally, my experience from having been in the senior management of the U.S. Public Company Accounting Oversight Board (PCAOB) as the founding Director of the Office of International Affairs has helped to prepare me for the administrative and managerial responsibilities that I would assume as a Commissioner, if confirmed. In addition to personally supervising a staff of eight to ten professionals, as a PCAOB senior official, I was involved in agency-wide decisions regarding administration, strategic planning, budgeting and resource allocation.

Question 1 from Senator Nelson

Some of our constituents are worried about the net impact of free trade. One of the reasons they are so worried is that they don't believe foreign companies are held to the same standards as U.S. companies. Some foreign companies openly engage in anticompetitive behavior, selling goods far below cost, with unfair subsidies and substandard labor conditions; or steal U.S. technology to sell back to us, without paying any royalties to the scientists and engineers that put in the hard work to create the products we all enjoy. As a member of the International Trade Commission, what do you plan to do to help ease these concerns?

Answer:

The U.S. antidumping and countervailing duty laws, the U.S. global safeguard law, and Section 337 of the Tariff Act were enacted to address the sort of behavior that is of concern to your constituents. As a Commissioner, I would be committed to strictly and fully enforcing the laws when the evidence demonstrates that a remedy is appropriate under the law.

Question 2 from Senator Nelson

On many occasions, foreign countries have threatened retaliatory action against our exporters when we take action against anticompetitive imports. One instance that comes to mind is China's retaliation against U.S. poultry producers in response to our duties on Chinese tires. When investigating trade abuses, how much attention should the Commission give these threats of foreign retaliation?

Answer:

The statutes concerning trade remedy investigations set forth numerous factors for the Commission to consider in making injury determinations in antidumping and countervailing duty investigations, and in safeguards investigations. If confirmed, I intend to apply the applicable statutory criteria to the facts of record for each

investigation. The relevant statutes do not include threat of foreign retaliation as a pertinent factor for the Commission to examine in making its determination.

Question 1 from Senator Menendez

Ensuring our trading partners play by the rules and comply with their international commitments has been one of my top trade priorities, one I have emphasized repeatedly in past Finance Committee hearings. I am deeply concerned that American companies and workers are not competing on a level playing field internationally. So, I appreciate your assurances that you will work tirelessly to enforce the rules in an independent and objective manner.

Based on your knowledge of U.S. trade remedy laws, are specific USITC trade remedy cases successful in forcing macro changes to our trading partners' trade policies? Or has the result largely been that other countries have adopted similar mechanisms and use them to retaliate against American companies? Are our trade remedy laws adequate and is the application of trade remedies by USITC impacting overall compliance? Are there policy changes the Administration and/or Congress could pursue to increase the efficacy of USITC's enforcement efforts?

Answer:

The ITC is charged with the responsibility of conducting trade remedy investigations and making determinations based on the facts in the record of the investigation and the law as enacted by Congress. In making determinations under these laws, I can assure you that I will make my determinations independently and objectively based on the facts in the record and the applicable law.

I am not aware of any study concluding that ITC trade remedy cases - either individually or as a whole - have brought about macro changes to foreign trade policies.

The WTO Agreements on Anti-Dumping, Subsidies and Countervailing Measures, and Safeguards – to which our trading partners that are WTO members must comply – do not authorize use of trade remedy actions to retaliate against measures imposed pursuant to laws and procedures conforming to those Agreements. When trade remedy actions are taken that are not in conformity with those Agreements, the United States may, and has, challenged such actions through WTO dispute settlement mechanisms. The ITC provides technical assistance to the Office of the United States Trade Representative in U.S. challenges to trade remedy measures taken by our trading partners that are not in compliance with those Agreements.

Question 2 from Senator Menendez

Intellectual Property Rights Investigations

The USITC adjudicates allegations of unfair methods of competition and unfair acts involving imported articles under Section 337 of the Tariff Act of 1930, and I understand

many of these Section 337 investigations involve allegations of infringement of patents or other intellectual property rights. The number of such investigations has reportedly increased dramatically over the last few years.

I would appreciate your views on the reasons for this increase, whether the increase in USITC investigations is indicative of an increase in IPR violations or increased vigilance by the USITC, whether the investigations are having the intended impact on enhancing protection for intellectual property rights, and whether the USITC is adequately resourced to handle the increased workload?

Answer:

It is my understanding that, by historical standards, intellectual property owners have brought an increasing number of complaints to the ITC in recent years. Since FY 2000, new Section 337 complaints and ancillary proceedings have increased more than four-fold, from 12 in FY 2000 to 52 in FY 2013. New Section 337 complaints and ancillary proceedings peaked in FY 2011 at 78, and have remained at elevated levels during FY 2012 and FY 2013. Although new complaint filings have decreased, the number of active Section 337 matters at the Commission continues to be historically high with 124 active investigations and 72 investigations completed in FY 2013.

The reasons for the number of complaints filed each year are undoubtedly complex and worthy of study. I am unaware of any studies correlating the number of IPR violations and the number of ITC investigations. In fiscal 2013, I am aware that the ITC had a near record number of active Section 337 matters pending. Notwithstanding, the ITC's budget for 2013 actually decreased from its 2012 allocation. A review of the ITC's approved appropriations over recent years shows that, in general, budget allocations for the ITC have not maintained parity with the ITC's increased workloads in those years. If confirmed, I will work with my colleagues to allocate available agency resources to support its Section 337 caseload.

Question 1 from Senator Brown

In trade remedy cases, it seems recently that it is becoming more difficult for U.S. industry to prove injury and receive the remedy from unfair trade practices allowed by U.S. law. However, Congress defined the injury standard in such a way as to not be an impossible threshold to meet and the statute instructs the Commission to consider many economic factors in its analysis, including wages and employment impacts. I am concerned the Commission is focusing too closely on certain factors, such as the industry's operating margin, and not fully considering other economic factors, including whether the industry's output is decreasing and employment and wages have been impacted.

Will you consider all of the statutory factors that could reflect injury by reason of unfairly-traded imports, including those that focus on workers? Do you recognize that a domestic industry can be "materially injured," even if it remains somewhat profitable?

Answer:

Yes. The applicable statute, Section 771(7)(B) of the Tariff Act of 1930, as amended, directs the Commission to consider the volume, price, and impact of dumped or subsidized imports on the affected domestic industry in determining whether a domestic industry is materially injured by reason of dumped or subsidized imports. Section 771(7)(C) provides extensive instruction on how to evaluate these relevant statutory factors, and in particular specifies seventeen separate factors for the Commission to examine in ascertaining the impact of dumped or subsidized imports, of which profit is one. Section 771(7)(E) further indicates that the presence or absence of any single factor shall not necessarily give decisive guidance to a material injury determination. If confirmed, I would consider all the relevant statutory factors when making determinations in antidumping and countervailing duty investigations.

Question 1 from Senator Casey

The International Trade Commission plays a key role in standing up for the rights of our workers and industries by enforcing antidumping and countervailing duty laws. As I understand it, in AD and CVD investigations, the ITC considers whether goods that the DOC has already found to have been unfairly traded are causing or threatening material injury to domestic producers. The law is clear that "material injury" means "harm which is not inconsequential, immaterial, or unimportant" but I have heard from many constituents who are finding it increasingly hard to demonstrate material injury.

Could you please explain your understanding of the material injury standard, and how you intend to apply it as a member of the ITC?

Answer:

As the question indicates, the applicable statutory provision, section 771(7)(A) of the Tariff Act of 1930, defines material injury as "harm which is not inconsequential, immaterial, or unimportant." The succeeding portions of section 771(7) provide specific factors for the Commission to consider in evaluating the volume, price effects, and impact of unfairly traded imports. In making determinations in antidumping and countervailing duty investigations, I would consider each of the statutory factors, and apply them to the facts of record, to ascertain whether a domestic industry is materially injured or threatened with material injury by reason of dumped or subsidized imports. I also understand that the pertinent legislative history indicates that the unfairly traded imports need not be the principal cause of injury and does not contemplate that the injury from unfairly traded imports be weighed against injury from other factors.

Question 1 from Senator Isakson

Very few of today's consumer products are made entirely by one producer or country. The supply chain is complicated, and yet it works because we have a trade system that carefully

considers which types of industries and companies should have certain protections. Section 337 is designed to protect domestic industries that engage in job creating activities like manufacturing and investing in R&D. Section 337 also allows companies to qualify for protection under section 337 by engaging in licensing activities, which should be done to promote the actual sale of a good or product to American consumers. Yet, some companies that do not produce any goods or engage in licensing activities that lead to the production of goods are increasingly bringing cases to the ITC. These companies, known as patent assertion entities or PAEs, are targeting products already on the market and claiming protection under the licensing provision in order to demand large settlements. Do you think this type of activity -- specifically revenue-based licensing activity -- should be protected by a US trade court? Furthermore, do you support reforms that would limit the consideration of cases brought to the ITC by PAEs?

Answer:

If confirmed to be a Commissioner at the ITC, my duty would be to enforce trade laws enacted by Congress. Any changes to such laws are the province of Congress. I would faithfully execute the trade laws passed by Congress.

The circumstances under which the current Tariff Act enacted by Congress allows a remedy at the ITC for so-called patent assertion entities is currently a matter of significant debate among parties litigating before the ITC. Because, if confirmed, I may be called upon to address this issue, I would not want to prejudice any party by commenting on the issue at this time without the benefit of hearing full legal and factual arguments from all sides.

Question 1 from Senator Portman

In your role as an International Trade Commissioner, you will be required to develop expertise in the industries seeking relief under the unfair trade laws. I understand that many Commissioners have found visits to U.S. manufacturing facilities useful in developing such expertise.

Would you make it a practice of yours to visit U.S. production facilities as part of your investigation process?

Answer:

I understand that visits to U.S. manufacturing facilities are a regular element of the ITC's unfair trade investigations and, if confirmed, I intend to participate in such visits as often as possible.

Question 2 from Senator Portman

With dumped and subsidized imports continuing to be a problem in the U.S. market, are you committed to strictly enforcing the Title VII trade remedies? How do you view the role of the ITC in the trade law enforcement process?

Answer:

I will ensure fulfilment of the ITC's responsibilities in administering antidumping and countervailing duty laws. Before the Department of Commerce can issue an antidumping or countervailing duty order, the ITC must determine that a domestic industry is materially injured or threatened with material injury by reason of dumped or subsidized imports. If confirmed, I intend that the Commission and its staff would continue to conduct thorough and fair investigations to discharge this responsibility and I am committed to full, strict, and effective enforcement of our trade laws.

Question from Senator Grassley during the Confirmation Hearing

SEN. GRASSLEY: Yeah. I have just one question for you. and I'd like your comments and thoughts on the currency manipulation by foreign governments and how big of an issue do you think it is for global trade and if -- I don't know whether it will ever reach your commission or not but if it did, how would you handle that?

MS. SCHMIDTLEIN: Well, I suppose if it were the subject matter of a case that were brought before the ITC, then of course I would apply the statutory requirements to the laws -- to the facts of the case in a fair and objective manner.

SEN. GRASSLEY: Yeah. Can you give me your views on what you think about currency manipulation and if it -- and its impact on global trade, if you have a view?

MS. SCHMIDTLEIN: Well, I have to say in my role as an ITC commissioner, I'm not sure that they would be in a position to offer a view on that. And I have not myself studied that.

SEN. GRASSLEY: OK.

MS. SCHMIDTLEIN: So I'd be happy to get back to you but sitting here I couldn't offer a --

SEN. GRASSLEY: Yeah. If you'd give me your views in writing, I'd appreciate it.

MS. SCHMIDTLEIN: OK.

Answer:

To my knowledge, the question of the impact of currency manipulation on global trade has not come before the ITC. Were the Commission to receive such a request, if confirmed as a Commissioner, I would work with my fellow Commissioners and ITC staff to ensure that the Commission provides a thoughtful and robust report that is timely and responsive.

