

Written Statement for the Record  
by Dr. Kevin Allen Hassett  
before the Senate Committee on Banking, Housing, and Urban Affairs

Chairman Crapo, Ranking Member Brown, and distinguished Members of the Committee, I am humbled and honored to be before you today as President Trump's nominee to be the Chairman of the Council of Economic Advisors. I am also deeply grateful to have had a chance to get to know many of you throughout this process. I wish that the people who worry about Washington could have witnessed the many private kindnesses the Members and staff of this Committee have extended to me.

I would like to begin by introducing my college sweetheart and wife of 31 years, Kristie, and my sons, John and James, who are sitting behind me. I would also like to acknowledge my father John, a Korean War veteran who could not be here today, and my mother Sylvia and my sister Julia, who sadly are no longer with us.

Senators, I have almost always been a student of economics, even before I knew it. I was raised by two public school teachers in the beautiful town of Greenfield, Massachusetts. My mother was a kindergarten teacher in neighboring Turners Falls. My father taught English at Greenfield High School, and still lives in Greenfield in the same house I was raised in.

As I was growing up, my town went through a very painful transition. For the longest time, Greenfield was a thriving mill town, with the world's largest tap and die operation that employed thousands of citizens. Neighboring Turners Falls was almost as prosperous, housing a massive paper mill along the banks of the Connecticut River. But as we got older, times were changing. Plants closed. Families started moving away. Graduates stopped coming home after college.

It seemed impossible to look around and not wonder why it was happening. When I started studying economics in college, and again in graduate school, I always came back to the example of how my town changed. Why did plants move away or close? Why did many of the good jobs disappear? And is there something that policymakers can do to restore prosperity?

Economic models suggested a simple answer. Workers can have high wages if they have high productivity, and high productivity is enabled by an ample supply of productive capital. But going from things that work in textbook models to actual policy recommendations is a difficult thing. The real world has many complications that are not included in models, and the data often surprise economists, especially those who have too much confidence in pure theory.

That observation led me, over the years, to focus on things that can be learned from the data. My dissertation focused in part on how wages have moved over the business cycle. What do the periods when workers prosper have in common? My early career was spent studying how firms' investment decisions respond to government policy, and how labor and capital interact.

Since then, my studies have taken me in many different directions, but I think my record makes clear a few things I would like to emphasize about my approach to economics.

First, I believe it is essential to gather evidence, and not just rely on theories. Early in my career, the empirical literature on international taxation contained many holes, often because the country-by-country data that one would need for study were not available. My coauthors and I responded to this by building a large international tax database and making its data available to anyone who wanted it.

Which leads me to my second point: I believe that economic analysis should be transparent and replicable. An example of my commitment to this idea is the Open Source Policy Center, which I cofounded at the American Enterprise Institute. The OSPC has open source computer code that allows anyone to score tax plans, evaluate the distributional consequences of that plan, and see what the assumptions are that other users use when they score their own plans. The OSPC promises to democratize the tax debate.

Finally, while I respect the need for all types of research, even the very theoretical, my own focus has mostly been work that holds the promise of improving the lives of others, and that sheds light on the circumstances of those less fortunate, like those in my hometown who lost their jobs when the factory closed. A recent example of this would be my work with the Economic Innovation Group, where I explore the causes and cures of the striking geographic income inequality that we see today in America. EIG researchers have worked hard to identify and measure distress, and have constructed publicly available datasets that shed light on the communities around the country that most need our help. There is an interactive map at the EIG web site that helps people explore their own communities, with the dark color red indicating extreme economic distress. One of the reddest shapes on the map of Massachusetts is Turners Falls, the town across the river from my father's home.

The Council of Economic Advisors was created to provide the President with professional and objective economic advice, to help policymakers craft solutions for problems like those we face today. Throughout history, the CEA has done so admirably during both Democratic and Republican administrations. In 2009, then-nominee Christina Romer told this committee that she would do her "utmost to protect the integrity of the CEA, and make it a center for unbiased, scientific analysis." Chairman Crapo and Members of the Committee, if confirmed, I pledge to you that I would do the same, and that I would enthusiastically and energetically take the helm of this great American institution. Thank you.