

Thank you very much, Senator Scott, for the very kind introduction. Ranking Member Warren, distinguished Members of the Committee, it is an honor surpassing any I ever expected to be here before you today as President Trump's nominee to lead his Council of Economic Advisers. It has been a privilege getting to know many of you through this process, learning your concerns and the concerns of your constituents, and I pledge that, if I earn your support, I will give my utmost for the American people, just as you do.

I would like to thank President Trump for putting his trust in me to advise him on the economy. And my partner Brett, our son Judah, my parents Jane and Dan, and the rest of our families for their love and support.

I grew up in Rockland County, a suburb of New York City mostly inhabited by working class people who labored tirelessly to make ends meet on behalf of their families. Rockland is filled with trades-men and women—honest people—whose work ethic and political priorities I absorbed in my youth. When I think of the hardworking Americans who make this country the greatest nation on earth, I think of those folks – my neighbors and friends.

In my family, the call to national service is deep and strong. My grandfather served in the African theater in the Second World War and then worked for four decades as a postman. My parents were both civil servants, who met each other as employees in the Social Security Administration. Closer to my age, I have three cousins serving in the Army and Navy. I know that it is a privilege and an honor to work on behalf of the American people.

I began my studies of economics at Boston University and then continued them across the river at Harvard. I completed my doctorate under the supervision of Marty Feldstein, who was himself CEA Chair for President Reagan. Marty was a seminal figure, inventing and modernizing the field of public economics. Every time I went to him with a research idea, he would say, "now pretend I'm a Senator, explain it to me again and tell me why I should care!"

This disciplined me into thinking ideas should only matter to economists if they matter to Senators — which is another way of saying ideas should only matter if they matter to your constituents. It was, frankly, one of the most useful things ever said to me. Although Marty passed a few years ago, I hope I don't disappoint him, or your constituents, now.

After graduate school, I entered the investment profession, in which I have spent my career, other than my time in public service. My first real job was with a team of currency investors in New York. Nothing will disabuse you of 30% of a PhD faster than having your nose bloodied in currency markets, which swing around wildly for reasons a trained economist would laugh at.

Working in markets gave me a sense of reality that too many academics lack. People joke that academia proceeds one funeral at a time, because there is little to discourage academics from holding on to bad ideas. In markets, if you persist in remaining wrong, you can blow up your portfolio, your firm, and your career. That discipline has helped me shed bad ideas more quickly than I otherwise might have.

Working in currencies in 2010, I saw how China's currency manipulation wreaked havoc across our industrial base and stole jobs from your constituents. Appreciating the negative effects on the economy required rejecting a number of the common models of international trade, but academics would take years to accept the "China shock." At that time, former classmates dismissed my concerns as silly. But

from its peak almost a half-century ago, the United States has lost over a third of its manufacturing workforce, and too many communities reliant upon those jobs were ravaged.¹ The human suffering involved in such losses is enormous.

The experience of an economics profession determined to ignore China's predatory behavior shaped my political outlook. Economists too often disregard issues of national security without pausing to consider that our ability to import would become limited should a war, or even something like a pandemic, break out. Reality demands we prepare to defend ourselves should the need arise, and we need manufacturing capacity to do so.

My view is that reindustrializing America is imperative not only for economic reasons, but for national security; economists must accept that we are a nation with an economy, not merely an economy with a nation. To reindustrialize, policy must focus on making the United States the best place on earth to do business. Anyone considering creating jobs, opening a factory, or innovating, should think that America is the obvious place to do it.

How can we accomplish that? My view is there are five critical steps:

First, we need to slash regulations that make it difficult, expensive and slow to build and hire. If it takes many years and great cost to attain the permits to open a factory, firms will look abroad. Further, every regulation is a compliance burden that inflates the cost of doing business. If only big businesses can afford compliance costs, we will be left only with big businesses, which entails less competition and dynamism, and higher prices.

Second, we need to continue reforming and cutting taxes so that workers and proprietors keep more of the money they earn.

Third, we need to strategically use tariffs to rectify distortions in the terms of trade that stem from other countries' tariffs and barriers to trade, as well as from our production of reserve assets. Our national security and economic dynamism depend on being treated fairly by other countries who have access to our markets and ensuring that our supply chains are resilient.

Fourth, we need to invest in skilling up our workforce for modern manufacturing.

Finally, we need to engage in defense-driven industrial policy, directing procurement and R&D budgets to activities useful for modern national security. Such policies gave us many critical technologies of the 20th century—the internet, radar, sonar, GPS—and helped create countless jobs.

The President has promised to usher America into a new golden age, and he has the right policy ideas and a mandate from the American people to do it. If confirmed, it will be my job to help him.

Every policy I propose will have this agenda in mind. To make progress, we'll need advice from all of you, to make sure we are as responsive as we can be to voters' concerns. I welcome your input not just today, but, if confirmed, for as long as I may hold this position.

Thank you, and I look forward to your questions.

¹ <https://fred.stlouisfed.org/series/MANEMP>