

Cecilia E. Rouse
Chair Designate
Council of Economic Advisers
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January 31, 2021

Chairman Mike Crapo
U.S. Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Sent by email to: Cameron Ricker at Cameron_Ricker@banking.senate.gov

Dear Chairman Crapo:

Please accept my answers to the Questions for the Record (QFRs), submitted by members of your committee.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cecilia Rouse', with a long horizontal line extending to the right.

Cecilia Elena Rouse

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Questions for The Honorable Cecilia E. Rouse, of New Jersey, to be Chair, Council of Economic Advisers from, Ranking Member Sherrod Brown:

Question: Last year women lost the most jobs in our economy – in fact in December, women accounted for all 140,000 of the net job losses that month. And that doesn't even account for all the women who've been forced out of the labor market altogether. You were on the CEA during the height of the Great Recession, and you've spent your career studying racial and gender gaps in the labor force. How do we address the job losses disproportionately hurting women and Black and brown workers?

Answer: This pandemic has disproportionately hurt women and Black and brown workers, but it was able to do so because of long-standing inequities in our society. This is a moment of urgency but also of opportunity unlike anything we've faced in modern times: the urgency of ending a devastating crisis, and the opportunity to build a better economy that works for everyone. As we work to build that better economy, the CEA will always take into account the impacts of policies on disadvantaged and underrepresented communities.

Question: Even before this pandemic, workers' economic security was eroding and the middle class was shrinking. For decades, we've been losing many well-paying, middle class, union jobs – like the manufacturing jobs in my home state of Ohio. The cost of everything from child care to housing to education has gone up. Meanwhile, we've seen a rise in the so-called “gig economy,” which we know is just another way to cut costs and exploit workers. Long term, how do we build an economy that honors the dignity of all work?

Answer: We need to start by not thinking that the average outcome is what everyone in America is experiencing. We need to look at unemployment rates for all groups, at wage growth for different wage levels, and economic outcomes in communities across the country. As part of that effort, we will need to carefully examine the ways in which our institutions may need updating to fit the modern labor market. An economy that works for everyone is an economy that will grow faster and provide more economic benefits to all of us.

Question: Where have you excelled in past positions in hiring and promoting people of color in your previous jobs?

Answer: I served three terms as chair of the American Economic Association's Committee on the Status of Minority Groups in the Economics Professions, established to increase the representation of minorities in the economics profession. In addition, as dean of the Princeton School of Public and International Affairs (SPIA), I have made it a priority to diversify our faculty, staff, and student body. This included shoring up programs to ensure that students of color were in the policy-maker pipeline.

Question: In August 2011, President Obama issued an Executive Order establishing a coordinated, government wide initiative to promote diversity, equity and inclusion (DEI) in the

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federal workforce. The executive order reads, in part, that “Attaining a diverse, qualified workforce is one of the cornerstones of the merit-based civil service . . . To realize more fully the goal of using the talents of all segments of society, the Federal Government must continue to challenge itself to enhance its ability to recruit, hire, promote, and retain a more diverse workforce. Further, the Federal Government must create a culture that encourages collaboration, flexibility, and fairness to enable individuals to participate to their full potential.” The order required each agency to establish an agency-specific diversity, equity, and inclusion strategic plan with specific objectives.

Please describe your commitment to diverse hiring at the Council of Economic Advisers (CEA). Will you establish an agency-specific diversity, equity, and inclusion strategic plan with specific objectives?

Answer: I am deeply committed to creating a more diverse CEA than has existed in the past. I am ready to work with my team to make this a reality.

Question: What are some short- and long-term strategies for addressing wealth disparities, income disparities, and employment and unemployment disparities?

Answer: In the short-term, we must address the economic fallout from the pandemic, which has had a disproportionate effect on communities of color. As we build back better, we must look for policies that not only address income and wealth disparities, but must also ensure that programs built to shore up the economy do not leave out Black and brown workers. In order to pay for some of these strategic investments, the President is committed to ensuring that everyone pays their fair share – which suggests that tax policy will be a potential tool for addressing inequality.

Question: Have you previously implemented and required diversity, equity, and inclusion training for all employees and implicit bias training for managers within your purview?

Answer: As dean of the Princeton School of Public and International Affairs (SPIA), I offered DEI training for faculty, staff, and students and strongly encouraged them all to participate. However, I did not require participation, as evidence shows that voluntary participation is more successful than mandatory.

Question: Will you commit to implementing and requiring diversity, equity, and inclusion training for all employees within your purview? What is your plan for implementing these trainings?

Answer: At CEA, as I did at SPIA, I will strongly encourage participation in such programs.

Question: Will you commit to implementing and requiring implicit bias training for managers within your purview? What is your plan for implementing these trainings?

Answer: At CEA, as I did at SPIA, I will strongly encourage participation in such programs.

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Question: Please describe how you view the role of Chair of the CEA in appropriately serving Black, Indigenous, and People of Color (BIPOC)? How do you view the CEA's role in furthering racial equity?

Answer: The most important role I can play as Chair of CEA is to help build an economy that works for everybody.

Question: Please list at least 3 specific priorities for advancing racial equity, diversity, and inclusion at CEA. What specific measures will you use to evaluate success in these areas, and over what period of time?

Answer: Three priorities that will go a long way in advancing DEI are: 1) promoting data collection that includes adequate samples of all parts of our population so that we can get a clear picture of their circumstances; 2) shoring up the safety net; and 3) advocating that strategic investments in Build Back Better include workers of color and other underrepresented populations. The CEA will work with Congress to design appropriate measures to evaluate success.

Question: Please describe how you plan to work with the Administration and engage all sectors of our economy to serve Black, Indigenous, and People of Color (BIPOC) and dismantle systemic racism's impact on the economy? How will you accelerate private sector efforts to achieve more inclusive leadership?

Answer: The CEA will work with the Administration to identify ways that systemic racism has been an obstacle to Black, Indigenous, and People of Color's ability to participate fully in the economy.

Question: Will you establish an office or position committed to advancing DEI?

Answer: We will hire staff committed to examining economic policy that can advance DEI. Importantly DEI should be a lens through which all economic policies are analyzed.

Question: What specific measures will you use to evaluate CEA's success in understanding and addressing the needs of BIPOC? Will you regularly report to Congress on the progress being made on these measures?

Answer: At the heart of understanding and addressing the needs of BIPOC is making sure that the data we use do not leave them out. We have to improve the data we utilize to ensure that we have a clear picture of how the economy affects Black, Indigenous, People of Color, and other underrepresented populations.

Question: An agency's budget reflects its values and goals. How do you plan to allocate and sufficiently resource internal and external efforts to advance DEI as part of CEA's annual budget process? How will you ensure sufficient financial support for the agency-specific diversity,

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equity, and inclusion strategic plan to ensure you are able to meet the objectives established under that plan in a reasonable time period?

Answer: I completely agree that an agency's budget reflects a plan of action. Once at the CEA, it will be a priority of mine to allocate resources in a way that advances our commitment to DEI.

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Questions for The Honorable Cecilia E. Rouse, of New Jersey, to be Chair, Council of Economic Advisers from, Senator Patrick Toomey:

Increasing National Debt

Question: The US Government would have to engage in significant borrowing to cover the cost of the Biden administration’s stimulus spending plan. The nation’s debt already exceeds its annual output at 100.1% of gross domestic product. What are the costs that can be inflicted by rising national debt, and how much debt is too much?

Answer: With Covid-19 raging, we must provide sufficient support to households and businesses so they can survive this pandemic-induced recession. We are still down more jobs than we were at the peak of the Great Recession. The best thing we can do for national debt at the moment is ensure that we have a strong economy on the other side of this crisis. More generally, borrowing – particularly with record low interest rates -- and making strategic investments in our future can help boost growth and ensure it is more inclusive over the long-run.

School Closures

Question: You have focused much of your economic research on education, and have published several studies on K-12 education in particular. During the COVID-19 pandemic, we have seen an increase in educational inequality, in large part due to widespread persistent closures of public schools to in-person learning despite substantial evidence that schools could safely remain open. Long-term school lockdowns have reduced students’ learning time, and hence, worsened student performance.

- a. Do you believe that reopening schools for in-person learning is urgently necessary for students?

Answer: Every student should have access to a high quality, safe learning environment. Reopening schools safely will require careful work, and I look forward to engaging productively in conversations about how to ensure that all students have access to the learning environments they need so that educational inequality does not increase further.

- b. Should policy makers facilitate opportunities for parents to send their children to schools offering in-person learning while their local schools are closed?

Answer: We need to ensure that children are learning in safe environments. I look forward to working with the Administration on ensuring that students are able to get the education they need while keeping themselves and their families safe.

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Unemployment Insurance

Question: You have expressed concern for those who have fallen through the social safety net, particularly those who have experienced extended unemployment. During your hearing you noted that today's unemployment insurance system doesn't provide the safety net it used to, arguing that it was designed for short-term unemployment, but not the kind of longer-term unemployment that we may be seeing with the government-imposed shutdowns of the economy.

- a. What changes do you think should be made to the UI system that would result in these individuals returning to the labor market?

Answer: We must design a UI system that works for everyone. One of the most immediate changes we should make is to ensure the UI system functions properly so that workers do not wait months to receive checks to which they are entitled. I also strongly support the President's focus on short-time compensation, a program that has worked well in other countries, but that has been underutilized in this country.

- b. What do you believe is an appropriate duration for providing unemployment insurance benefits to an individual?

Answer: Long-term unemployment has been an increasing problem in this country. It is also a particular problem in this pandemic as certain industries have struggled, and will likely continue to struggle, until the public health crisis is resolved. In a typical recession, unemployment insurance is supposed to support workers actively looking for work until they are able to find another job; in this crisis, which is caused by a pandemic, we need to help workers provide for themselves and their families until the health crisis has been addressed and job opportunities return. I look forward to working with Congress on how we can best design the program to meet that need.

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Questions for The Honorable Cecilia E. Rouse, of New Jersey, to be Chair, Council of Economic Advisers, from Senator Chris Van Hollen:

Question: There are now 4 million long-term unemployed workers, and long-term unemployment increased more in October of 2020 than in any other month on record. The longer someone is unemployed, the harder it is for them to ever find a job, and the lower their wages will be if they do find a job. Long-term unemployment is devastating to workers and their families, and it causes permanent scarring on our entire economy if these workers drop out of the workforce permanently.

You have been a leader in recognizing the terrible costs of long-term unemployment for both jobless workers and the overall economy. Austan Goolsbee, who chaired President Obama’s Council of Economic Advisers, said you were, “way ahead of everyone on the issues of the long-term unemployed.”

As you know, long-term unemployment was a chronic problem for our economy even before the pandemic, which is why I introduced the Long-Term Unemployment Elimination Act. The bill would create good-paying, year-long jobs for long-term unemployed workers, and fund training and supportive services to address the barriers keeping people out of the workforce.

When the pandemic made long-term unemployment an even more urgent crisis, I joined forces with other Senators who have also been leading the charge to create jobs for disadvantaged workers – Senators Ron Wyden, Tammy Baldwin, Michael Bennet, and Cory Booker – to introduce the Jobs for Economic Recovery Act. This bill combines our ideas and includes provisions to respond to the specific nature of the pandemic, when health and safety are of paramount importance.

Dr. Rouse, we have already had very productive conversations about the subject of long-term unemployment. As chair of the Council of Economic Advisers, will you continue working with us on a plan to ensure that these 4 million long-term unemployed workers are able to get jobs as part of our effort to not only help the economy recover, but to build back better than we were before?

Answer: I very much look forward to working with you on the issue of long-term unemployment. As you note, I have been concerned for a long time about the long-term unemployed and scarring. Creating good jobs that pay well has to be a priority as has building a system for workers who cannot secure a good job.

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Questions for The Honorable Cecilia E. Rouse, of New Jersey, to be Chair, Council of Economic Advisers, from Senator Elizabeth Warren:

Question: Multiple experts have described the economic trajectory resulting from the COVID-19 recession as “K-shaped,” meaning that the recovery has occurred at an uneven pace for different income levels.

- a. Describe the long-term consequences of this K-shaped recovery, particularly as it relates to the risk that millions of Americans are becoming detached from the labor force. What impact will this have on the productive capacity of our economy in the future?

Answer: The K-shaped recovery reflects that millions of Americans are currently suffering. Around 24 million adults say their household sometimes or often didn’t have enough to eat in the last seven days, which impacts between 9 and 12 million children. One in five adult renters are behind on rent. Women are dropping out of the labor force partly because of increased domestic burdens. We know that economic insecurity, hunger, rent insecurity, and labor force detachment all have long-term impacts not just for workers and their families, but our economy overall. It is too soon to know the long-term economic implications of the pandemic, but if we do not find a way to include all productive workers in our recovery, we will not be fully utilizing all of the talent we have in this country to get us back on a path of robust economic growth.

- b. How will you measure the success of our recovery going forward?

Answer: Too often we measure the success of our economy in average outcomes or headline numbers. We need to look at how outcomes vary for different types of workers, households, and geographic areas (among others) as well.

- c. What structural changes do you believe should be made to our economic system to ensure equitable recoveries in future recessions?

Answer: Our frayed safety net means that millions of people were suffering economically even before the pandemic-induced recession. One change we should consider is making more of our safety net “automatic” in the sense that programs (such as extended/enhanced UI) dial on during times of recession and dial off as the economy recovers. In addition, we need to make sure our economy works for everyone by increasing the availability of fulfilling jobs and ensuring that no one falls through the cracks.

Question: Do you believe the current structure of our financial system has contributed to economic inequality?

Answer: As a member of President Obama’s Council of Economic Advisers, I saw what can happen when our financial system fails. Good financial regulations level the playing field while supporting a forward-looking economy. A well-functioning and well-regulated financial system

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is an integral part of a market economy. We need financial regulations that ensure that problems on Wall street do not become problems for Main Street.

- a. If so, what are some ways that financial regulation can be used to address these inequalities?

Answer: I want to be mindful of the independence of our financial regulators. But I share the goals of addressing economic inequality and ensuring that our economic system is working for everyone, not just those at the top of the income ladder. If confirmed, I would look forward to working with you on these issues, which are priorities for this Administration.

- b. Millions of Americans lack access to traditional financial service products. What options should policymakers explore to foster a more inclusive banking system?

Answer: This year we have seen how lack of access to traditional financial service products can hurt families, and also how it can make it harder for the Federal government to get aid to them in times of need. I look forward to engaging on the barriers to accessing traditional financial service products if confirmed as Chair.

Question: What do you believe are the greatest risks to financial stability?

Answer: Increased inequality and an uneven playing field create an environment in which economic risks can emerge that threaten our entire economy. One way to ensure that we leave the pandemic behind with a stable financial system is to support the Federal Reserve in its efforts to protect the vital sources of credit that allow small businesses and local governments to pay their day-to-day bills.

Question: How do you view the problem of “Too Big to Fail” and the risks posed by consolidation in the banking industry?

Answer: As a member of President Obama’s Council of Economic Advisers during the financial crisis, I saw the U.S. economy come close to ruin following the failures and near-failures of large, interconnected bank holding companies and nonbank financial companies. It is important that we do not allow such risks to emerge in our financial system again.

Question: More than half of hourly workers get their schedules with less than a week’s notice, making it hard for workers to figure out child care, go back to school, or have some financial security. Would addressing unstable, unpredictable, and rigid scheduling practices – especially for low-wage workers – benefit workers and families?

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Answer: We have seen increasing evidence in recent years of the difficulties that unpredictable schedules cause for workers and families. In particular, when companies impose erratic schedules, it can make it hard for workers to get ahead while also taking care of themselves and their families. If confirmed, I look forward to working with you on this important issue.