

ELIZABETH WARREN
MASSACHUSETTS

COMMITTEES:
BANKING, HOUSING, AND URBAN AFFAIRS
HEALTH, EDUCATION, LABOR, AND PENSIONS
ARMED SERVICES
SPECIAL COMMITTEE ON AGING

United States Senate

UNITED STATES SENATE
WASHINGTON, DC 20510-2105
P: 202-224-4543

2400 JFK FEDERAL BUILDING
15 NEW SUBBURY STREET
BOSTON, MA 02203
P: 617-565-3170

1550 MAIN STREET
SUITE 406
SPRINGFIELD, MA 01103
P: 413-788-2690

www.warren.senate.gov

April 12, 2019

Stephen Moore
Distinguished Visiting Fellow
The Heritage Foundation
214 Massachusetts Ave. NE
Washington, DC 20002

Dear Mr. Moore:

I write regarding my strong concerns with your nomination to the Board of Governors of the Federal Reserve. President Trump announced on March 22, 2019 that he would nominate you, and he is expected to formally submit your nomination to the Senate once the White House completes its vetting process. As a member of the Senate Committee on Banking, Housing, and Urban Affairs, whose jurisdiction includes your nomination, it is my responsibility to carefully scrutinize your views and record on issues relevant to the job for which you are nominated, and I have attached a list of questions to this letter accordingly. If confirmed as a member of the Board of Governors, you will be responsible for making decisions that affect the health of our economy and the wellbeing of every single American family. Given the gravity of this task, it is critical that the Board of Governors takes actions that are independent of politics, developed using good judgment, and based on sound data. You have a long history of making wildly inaccurate claims about economic policy that appear to serve political ends—suggesting that you are unqualified and unsuited for the job for which you are expected to be nominated.

The seven members of the Board of Governors have ultimate control over the policies of the Federal Reserve, and, once confirmed by the Senate, generally serve for at least a 14-year term.¹ These powerful individuals are tasked with pursuing full employment and stable prices by adjusting the monetary supply and interest rates, supervising banks to protect consumer rights, preserving the stability of the nation's financial system by monitoring systemic risk, and operating the nation's payments system and providing other financial services to the government and to financial institutions.² And while the Federal Reserve should be accountable to the public, Congress designed it to be largely independent of short-term political pressures, by

¹ Board of Governors of the Federal Reserve System, "Board Members," accessed April 2, 2019, <https://www.federalreserve.gov/aboutthefed/bios/board/default.htm>.

² Board of Governors of the Federal Reserve System, "What is the purpose of the Federal Reserve System," accessed April 2, 2019, https://www.federalreserve.gov/faqs/about_12594.htm.

instituting lengthy, staggered terms for its Governors, separating it from the Congressional appropriations process, and prohibiting administration officials from serving on its Board.³

The Federal Reserve's structure and extraordinary responsibilities require that its Governors are willing and able to act based on evidence, with care and attention to the best interests of the American people, and independent of short-term political pressure from the President or any other political figure. Your history indicates that you are unable to serve accordingly.

History of Inaccurate Statements about Economic History and Policy

For one, you have repeatedly made substantive, inaccurate claims about important aspects of the economy, which would be under your purview if confirmed to the Board of Governors. A sample of the inaccurate statements you have made about basic economic data and economic policy include:

- You were reportedly a “principal architect” of enormous tax cuts that the Kansas legislature and Governor Sam Brownback enacted in May 2012. Despite your claim that this supposedly “pro-growth” policy would have an “immediate and lasting boost” to Kansas, it devastated the state’s economy. After it took effect, private-sector employment rose less than half as quickly as it did in the rest of the country, and economic growth in Kansas was half of what it was outside of it.⁴ Instead of admitting that you were wrong about policies that seriously hurt working families in Kansas, you made numerous inaccurate statements in a transparently dishonest attempt to justify it.⁵ For example, you authored an op-ed in the Kansas City Star that contained so much false economic data that the newspaper promised its readers it would not publish your work again.⁶ In arguing that job growth was stronger in states with lower taxes, you claimed, for example, that Texas gained a million jobs, Florida gained hundreds of thousands of jobs, and New York lost jobs during a five-year period preceding the Kansas tax cuts. In fact, Texas had gained only around 500,000 jobs, Florida had lost almost 500,000 jobs, and New York had gained almost 100,000.⁷ Your analysis also failed to control for key factors that influence job growth, such as housing costs and wages.

³ Board of Governors of the Federal Reserve System, “What does it mean that the Federal Reserve System is ‘independent within the government’?” accessed April 2, 2019, https://www.federalreserve.gov/faqs/about_12799.htm.

⁴ Center on Budget and Policy Priorities, “Kansas’ Tax Cut Experience Refutes Economic Growth Predictions of Trump Tax Advisors,” Michael Mazerov, August 12, 2016, <https://www.cbpp.org/research/federal-tax/kansas-tax-cut-experience-refutes-economic-growth-predictions-of-trump-tax>.

⁵ *Id.*

⁶ Columbia Journalism Review, “Why one editor won’t run any more op-eds by the Heritage Foundation’s top economist,” Deron Lee, July 31, 2014, https://archives.cjr.org/united_states_project/stephen_moore_heritage_foundation_paul_krugman_kansas_city_star.php.

⁷ *Id.*

- In December 2018, you claimed, “what we have right now is a deflation problem.”⁸ And in a March op-ed that you wrote in the Wall Street Journal, you repeatedly claimed that the United States is currently experiencing, or has recently experienced, deflation.⁹ In economics, “deflation” refers to a “sustained fall in the general price level.”¹⁰ In fact, the United States is not, and has not in at least the last two years, experienced a sustained fall in the general price level, and has not had even a single year with a negative inflation rate in a decade.¹¹ Even The White House’s recent *Economic Report of the President* noted that “most measures of wage and price inflation increased during 2018,... roughly compatible with the Federal Reserve’s target of 2 percent inflation...”¹² While you have pointed to falling prices among a limited set of specific commodities,¹³ change in prices of a specific product, or even a specific industry, does not itself constitute overall inflation or deflation.
- In the same Wall Street Journal op-ed, you wrote that former Federal Reserve Chairman Paul Volcker, in order to fight inflation, “linked Fed monetary policy to real-time changes in commodity prices.” In fact, there is no record of such a policy, and Volcker himself reportedly denied establishing such a rule.¹⁴ As economist George Selgin wrote, “despite what Stephen Moore has written, there’s no evidence that either Paul Volcker or any later Fed chair ever deliberately ‘linked Fed monetary policy to real-time changes in commodity prices.’”¹⁵ You also referred to this nonexistent policy as the “Volcker Rule,” which is in fact a widely known restriction on financial institutions’ trading of proprietary products and has nothing to do with commodity prices or even with monetary policy.¹⁶

⁸ RealClear Politics, “Stephen Moore: ‘We Do Not Have An Inflation Problem,’ We Need To Be Putting More Liquidity In The Economy,” Ian Schwartz, December 24, 2018, <https://www.realclearpolitics.com/video/2018/12/24/stephen-moore-we-do-not-have-an-inflation-problem-we-need-to-be-putting-more-liquidity-in-the-economy.html>.

⁹ “The deflation began with quarter-point interest-rate increases in September and December... Markets reacted violently to the Fed’s inexplicable interest-rate increases,...pushed down by deflation.” “When the Fed finally...announced it would forgo its planned rate increases, the deflation stopped...” *from* The Wall Street Journal, “The Fed Is a Threat to Growth,” Stephen Moore and Louis Woodhill, March 13, 2019, <https://www.wsj.com/articles/the-fed-is-a-threat-to-growth-11552518464>.

¹⁰ OECD, “Deflation,” Glossary of Statistical Terms, November 5, 2001, <https://stats.oecd.org/glossary/detail.asp?ID=3019>.

¹¹ Federal Reserve Bank of St. Louis, “Consumer Price Index: Total All Items for the United States,” FRED Economic Data, updated March 13, 2019, <https://fred.stlouisfed.org/series/CPALTT01USM661S>; Federal Reserve Bank of Minneapolis, “Consumer Price Index, 1913-,” <https://www.minneapolisfed.org/community/financial-and-economic-education/cpi-calculator-information/consumer-price-index-and-inflation-rates-1913>.

¹² The White House, “Economic Report of the President, together with The Annual Report of the Council of Economic Advisers,” March 2019, <https://www.whitehouse.gov/wp-content/uploads/2019/03/ERP-2019.pdf>.

¹³ Mediaite, “CNN Panel Erupts Over Trump Economy: ‘Completely Irresponsible’ to Tell ‘Public Things that Are Not Correct’,” Ken Meyer, December 28, 2018, <https://www.mediaite.com/tv/cnn-panel-erupts-over-trump-economy-completely-irresponsible-for-you-to-tell-the-public-things-that-are-not-correct/>.

¹⁴ The Washington Post, “The op-ed that got Stephen Moore his Fed nomination is based on two major falsehoods,” Catherine Rampell, March 26, 2019.

¹⁵ Cato Institute, “Stephen Moore’s Other Volcker Rule,” George Selgin, March 26, 2019, <https://www.cato.org/blog/stephen-moores-other-volcker-rule>.

¹⁶ Board of Governors of the Federal Reserve System, “Volcker Rule,” accessed April 2, 2019, <https://www.federalreserve.gov/supervisionreg/volcker-rule.htm>.

Even if they disagree with you politically, Americans should be able to trust that policymakers—particularly those who have extraordinary influence over the economy, whose mere words can move markets—have some command over basic mathematical and economic concepts and allegiance to facts. I am concerned that some of your public statements demonstrate a carelessness with economic facts that could negatively affect the economy if you were confirmed.

- In a 2015 Wall Street Journal op-ed, you argued that tax cuts and unemployment insurance “reform” in North Carolina caused North Carolina’s unemployment rate to “decline rapidly,” using no evidence other than the fact that North Carolina’s unemployment rate fell after the policies you favored were enacted.¹⁷ But during the relevant time period, the unemployment rate fell just as quickly in the United States as a whole, and the reduction that did take place was caused largely by a drop in North Carolina’s labor force participation.¹⁸
- In a 2005 Wall Street Journal op-ed, you claimed that the reduction of the top marginal personal income tax rate from 70% to 28% in the 1980s “caused federal tax receipts to almost precisely double: from \$517 billion to \$1,032 billion” by the time President Reagan left office.¹⁹ This analysis was deliberately misleading, completely ignoring three factors that economists commonly identify as causing increases in the nominal value of tax receipts on their own: (a) inflation, (b) population growth, and, (c) subsequent *increases* in tax rates, also enacted during the Reagan administration.²⁰ Including these factors in your analysis would have suggested that tax revenue growth was unusually *low* during the Reagan administration²¹—not the finding that your politics demanded.
- In a 2012 Wall Street Journal op-ed, you claimed that, based on a Congressional Budget Office study indicating that federal workers’ wages were 2% higher than in the private sector and their fringe benefits were 48% more valuable than those in the private sector, their total compensation was “nearly 50% higher than in the private sector.”²² Because workers’ benefits do not account for the same proportion of their total compensation as their wages, simply adding these percentages together produces a wildly inaccurate figure. And while your op-ed does not include a citation, a CBO report on this topic from January 2012 reads, “Overall, total compensation for federal employees was about 16 percent higher, on average than total compensation for measurably similar workers in the

¹⁷ The Wall Street Journal, “The Tax-Cut Payoff in Carolina,” Stephen Moore, June 3, 2015, <https://www.wsj.com/articles/the-tax-cut-payoff-in-carolina-1433373095>.

¹⁸ The New York Times, “The North Carolina Story,” Paul Krugman, February 7, 2014, <https://krugman.blogs.nytimes.com/2014/02/07/the-north-carolina-story/>.

¹⁹ The Wall Street Journal, “Real Tax Cuts Have Curves,” Stephen Moore, June 13, 2005, <https://www.wsj.com/articles/SB111862100030657555>.

²⁰ Washington Monthly, “Supply Side Buffoonery,” Kevin Drum, June 13, 2005, <https://washingtonmonthly.com/2005/06/13/supply-side-buffoonery/>.

²¹ *Id.*

²² The Wall Street Journal, “Still Club Fed,” Stephen Moore, February 5, 2012, <https://www.wsj.com/articles/SB10001424052970203889904577201100548361044>.

private sector.”²³ Neither 12% nor 16% is close to 50%, but an accurate figure would not have served your political goals.

History of Forming Views on Economic Policy Based on Political Loyalties

Americans should also know that a Governor of the Federal Reserve will form opinions and recommend policies based on evidence and the country’s best interests, rather than shifting political winds. But politics seems to be the primary basis of many of your confident, if inaccurate, pronouncements about the economy and economic policy.

- In 2015, when President Obama was still in office, inflation was 0.1%,²⁴ and the unemployment rate was 5.3%,²⁵ you said that low interest rates had resulted in the “lousiest recovery in 75 years,” and that “zero interest rates haven’t helped the economy” and were “potentially creating another bubble.”²⁶ In December 2018, two years into President Trump’s first term, when inflation was 1.9%²⁷ and the unemployment rate was 3.9%,²⁸ you said that the Federal Reserve’s monetary policy “has come unhinged” and demanded that Chairman Jerome Powell *resign*, even though the Federal Open Market Committee had *unanimously* voted to raise interest rates by 0.25%, in a blog post called “Fire the Fed.”²⁹ Around the same time, you called Powell “totally incompetent.”³⁰
- In 2004, in an apparent attempt to ingratiate yourself with the Bush Administration, you wrote a book called *Bullish on Bush: How George W. Bush’s Ownership Society Will Make America Stronger*. The book discussed the “stunning success of President Bush’s tax cut policies” and stated, “Bush’s tax relief policies have helped the economy grow,

²³ Congressional Budget Office, “Comparing Benefits and Total Compensation in the Federal Government and the Private Sector,” Justin Falk, January 2012, <https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/workingpaper/2012-04fedbenefitswp0.pdf>.

²⁴ Federal Reserve Bank of Minneapolis, “Consumer Price Index, 1913-,” <https://www.minneapolisfed.org/community/financial-and-economic-education/cpi-calculator-information/consumer-price-index-and-inflation-rates-1913>

²⁵ Bureau of Labor Statistics, “Labor Force Statistics from the Current Population Survey,” April 2, 2019, https://data.bls.gov/timeseries/LNU04000000?periods=Annual+Data&periods_option=specific_periods&years_option=all_years.

²⁶ The Washington Post, “Why Republicans are getting on the of the most obvious things wrong,” Matt O’Brien, November 10 2015, <https://www.washingtonpost.com/news/wonk/wp/2015/11/10/why-republicans-are-getting-one-of-the-most-obvious-things-wrong/>.

²⁷ Bureau of Labor Statistics, “Consumer Price Index rose 1.9 percent over the year ending December 2018, as energy prices fell,” January 15, 2019, <https://www.bls.gov/opub/ted/2019/consumer-price-index-rose-1-9-percent-over-the-year-ending-december-2018-as-energy-prices-fell.htm>.

²⁸ Bureau of Labor Statistics, “Official unemployment rate was 3.9 percent in December 2018; U-6 was 7.6 percent,” January 9, 2019, <https://www.bls.gov/opub/ted/2019/official-unemployment-rate-was-3-point-9-percent-in-december-2018-u-6-was-7-point-6-percent.htm>.

²⁹ The Heritage Foundation, “Fire the Fed,” Stephen Moore, December 27, 2018, <https://www.heritage.org/markets-and-finance/commentary/fire-the-fed>.

³⁰ The Wall Street Journal, “Trump Offers Fed Board Position to Economic Commentator Stephen Moore,” Nick Timiraos, March 22, 2019, <https://www.wsj.com/articles/trump-offers-fed-board-position-to-economic-commentator-stephen-moore-11553265752>.

reversed the collapse in the stock market, and put America back to work.”³¹ In the second year of the Trump Administration, you co-wrote a book called *Trumponomics: Inside the America First Plan to Revive Our Economy* about how “Trumponomics will usher in a new era of prosperity for all Americans.”³² You wrote, “Trumpism as a political phenomenon wasn’t a big mystery to us. We had lived through two terms of a mostly failed Republican president in George W. Bush.”³³

- According to the Wall Street Journal’s editorial page editor Paul Gigot, you left the Wall Street Journal editorial board in 2014 after Gigot confronted you about “partisan activity” and he told you that you “had to make a choice between politics and journalism.”³⁴ In 2018, a few months before President Trump announced your nomination, you wrote a *Washington Times* op-ed comparing President Trump to Mohammad Ali and repeating your suggestion “in all seriousness that Donald Trump deserves the 2018 Nobel Prize in Economics.”³⁵
- Your economic analysis is often explicitly politically charged. You described the 2017 Tax Cuts and Jobs Act, the law that cut taxes for corporations that you strongly supported, as “death to Democrats,” because it was designed to “weaken public employee unions” and “eventually dismantle Obamacare” by accelerating a “death spiral” in health insurance markets.³⁶

These and many other statements strongly suggest that you lack the capacity to exercise the seriousness, care, consistency, and political independence expected of members of the Board of Governors by policymakers and the American public across the political spectrum.

In order to better understand your long history of false, contradictory, and apparently politically motivated statements, as well other statements that call into question your economic expertise and judgment, I ask that you respond to the following questions no later than April 26, 2019:

³¹ Barnes & Noble, “Bullish on Bush: How George W. Bush's Ownership Society Will Make America Stronger,” accessed April 2, 2019, <https://www.barnesandnoble.com/w/bullish-on-bush-stephen-moore/1103346443>.

³² Macmillan Publishers, “Trumponomics,” accessed April 2, 2019, <https://us.macmillan.com/books/9781250193711>.

³³ The Washington Post, “Stephen Moore, who once ran a political group fined \$350,000, wants to take the Fed in a direction Trump supports,” Heather Long and Damian Paletta, March 28, 2019, https://www.washingtonpost.com/business/economy/stephen-moore-who-once-ran-a-political-group-fined-350000-wants-to-take-the-fed-in-a-direction-trump-supports/2019/03/28/889396f2-509c-11e9-a3f7-78b7525a8d5f_story.html.

³⁴ The Wall Street Journal, “Stephen Moore’s Unusual Route to the Fed as a Political Warrior,” Nick Timiraos, March 29, 2019, <https://www.wsj.com/articles/stephen-moores-unusual-route-to-the-fed-as-a-political-warrior-11553828730>.

³⁵ The Washington Times, “Celebrating a booming economy,” Stephen Moore, September 9, 2018, <https://www.washingtontimes.com/news/2018/sep/9/why-trump-deserves-a-nobel-prize-in-economics/>.

³⁶ Bloomberg, “‘Death to Democrats’: How the GOP Tax Bill Whacks Liberal Tenets,” Sahil Kupar, December 5, 2017, <https://www.bloomberg.com/news/articles/2017-12-05/-death-to-democrats-how-the-gop-tax-bill-whacks-liberal-tenets>.

1. On November 28, 2018, you stated that Federal Reserve “should not have the mandate of getting to full employment.”³⁷
 - a. Do you maintain this view today?
 - b. If so, how will it affect your actions and statements if you are confirmed as a member of the Board of Governors?
 - c. Which economists share this view?
2. In August 2016, you stated, “I am not an expert on monetary policy.”³⁸
 - a. Do you hold the same view today?
 - b. If not, how do you account for this shift in your views?
 - c. Do you believe that the country is best served by having someone who is an expert on monetary policy, or someone who is not an expert on monetary policy, on the Board of Governors?
3. In September 2015—less than five years ago—you stated, “we have got to get rid of the Federal Reserve and move towards a gold standard in this country.”³⁹
 - a. Do you still hold this view?
 - b. If not, why did you change your mind?
 - c. If so, which economists share this view?
4. You have recently expressed strong support for the Federal Reserve to lower interest rates. At any point during the Obama administration, which started just months into one of the worst financial crises in American history, did you advocate for lower interest rates or expansionary monetary policy in any other form?
 - a. If not, why not?
5. Do you believe that the United States economy is experiencing deflation, or has within the last two years?
 - a. If so, what data supports this view?
 - b. Which economists share this view?
6. Do you believe that the 2012 Kansas tax cuts provided an “immediate and lasting boost” to the Kansas economy?
 - a. If not, how have you revised your prior assumptions about the effects of similar policies?
 - b. What was the basis for the statement you made in May 2013, less than six months after the tax cuts were implemented, that they had resulted in economic growth?⁴⁰

³⁷ Youtube, “Steve Moore: Strong Economic Growth Does Not Always Lead to Inflation,” The Heritage Foundation, November 28, 2018, <https://www.youtube.com/watch?v=Ekvmhp22qAU&t=1m41s>.

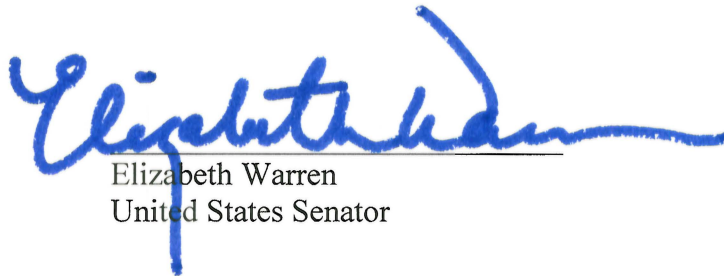
³⁸ C-Span, “Clip of: U.S. Economy and the 2016 Election,” August 26, 2016, <https://www.c-span.org/video/?c4787419/moore-august-2016&start=37>.

³⁹ Youtube, “FreedomWorks 9.12 Grassroots Summit Stephen Moore Speech,” FreedomWorks, 25:25, September 18, 2015, <https://www.youtube.com/watch?v=ozMF1XhuA&t=25m10s>.

⁴⁰ Center on Budget and Policy Priorities, “Kansas’ Tax Cut Experience Refutes Economic Growth Predictions of Trump Tax Advisors,” Michael Mazerov, August 12, 2016, <https://www.cbpp.org/research/federal-tax/kansas-tax-cut-experience-refutes-economic-growth-predictions-of-trump-tax>

7. Do you believe that the Federal Reserve should link monetary policy to commodity prices? Why or why not?
8. Do you believe that the Federal Reserve should pursue full employment? Why or why not?
9. Do you believe that the President of the United States should fire a Federal Reserve Chairman due to disagreements over policy?

Sincerely,

A handwritten signature in blue ink, appearing to read "Elizabeth Warren", is written over a horizontal line. The signature is fluid and cursive.

Elizabeth Warren
United States Senator