

**NOMINATIONS OF: N. GREGORY MANKIW  
STEVEN B. NESMITH, JOSE F. TERAN  
JAMES BROADDUS, PAUL D. PATE  
LANE CARSON, AND C. MORGAN EDWARDS**

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**HEARING  
BEFORE THE  
COMMITTEE ON  
BANKING, HOUSING, AND URBAN AFFAIRS  
UNITED STATES SENATE  
ONE HUNDRED EIGHTH CONGRESS**

**FIRST SESSION**

**ON**

**NOMINATIONS OF:**

**N. GREGORY MANKIW, OF MASSACHUSETTS, TO BE A MEMBER OF  
THE BOARD OF DIRECTORS OF THE COUNCIL OF ECONOMIC ADVISERS**

**STEVEN B. NESMITH, OF PENNSYLVANIA, TO BE  
ASSISTANT SECRETARY FOR CONGRESSIONAL AND INTERNATIONAL RELATIONS  
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**JOSE F. TERAN, OF FLORIDA, TO BE A MEMBER OF  
THE BOARD OF DIRECTORS, NATIONAL INSTITUTE OF BUILDING SCIENCES**

**JAMES BROADDUS, OF TEXAS, TO BE A MEMBER OF  
THE BOARD OF DIRECTORS, NATIONAL INSTITUTE OF BUILDING SCIENCES**

**PAUL D. PATE, OF IOWA, TO BE A MEMBER OF  
THE BOARD OF DIRECTORS, NATIONAL INSTITUTE OF BUILDING SCIENCES**

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**C. MORGAN EDWARDS, OF NORTH CAROLINA, TO BE A MEMBER OF  
THE BOARD OF DIRECTORS, NATIONAL INSTITUTE OF BUILDING SCIENCES**

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**MAY 13, 2003**

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**TO BE MEMBERS OF THE BOARD OF DIRECTORS**  
**NATIONAL INSTITUTE OF BUILDING SCIENCES**

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**TUESDAY, MAY 13, 2003**

U.S. SENATE,  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,  
*Washington, DC.*

The Committee met at 10:02 a.m., in room SD-538 of the Dirksen Senate Office Building, Senator Richard C. Shelby, (Chairman of the Committee), presiding.

**OPENING STATEMENT OF CHAIRMAN RICHARD C. SHELBY**

Chairman SHELBY. The Committee will come to order.

We have several nominations this morning. I appreciate the willingness of the nominees to appear before the Committee today. We will take them in three panels.

Our first panel will be Mr. Nicholas Gregory Mankiw, nominated to be a Member of the President's Council of Economic Advisers. The Council of Economic Advisers, established by the Employment Act of 1946, provides the President with economic analysis and advice on the development and implementation of domestic and international policy issues.

Mr. Mankiw most recently held the Allie S. Freed Professorship in Economics at Harvard University, where he spent the majority of his professional career. I will note Professor Mankiw's previous experience at the Council of Economic Advisers. He served two dec-

ades ago as a Staff Economist on the Council. Dr. Mankiw is also a research associate with the National Bureau of Economic Research and adviser to the Federal Reserve Bank of Boston and the Congressional Budget Office. He is a graduate of Princeton University and earned his Ph.D. from MIT.

Our second panel is Mr. Steven Nesmith, nominated to be Assistant Secretary for Congressional and Intergovernmental Relations at the U.S. Department of Housing and Urban Development. Mr. Nesmith most recently served in the Office of Congressional and Intergovernmental Affairs at the U.S. Department of Commerce's Economic Development Administration. Perhaps more importantly, he was recognized by the Washington, DC Basketball Hall of Fame during his senior year at American University.

Our third panel will include Mr. Jose Teran, Mr. James Broadus, Mr. Lane Carson, Mr. Morgan Edwards, and Mr. Paul Pate. All are nominees to the Board of Directors of the National Institute of Building Sciences. The National Institute of Building Sciences has the mission of improving the building regulatory environment, facilitating the introduction of new and existing products and technology into the building process, and disseminating nationally recognized technical and regulatory information.

We have with us today, and I know that he has a busy schedule, Senator Arlen Specter. Our colleague is the senior Senator from Pennsylvania, and I want to recognize him first and let him proceed to introduce one of the nominees.

Senator Specter.

#### **STATEMENT OF ARLEN SPECTER A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA**

Senator SPECTER. Thank you very much, Mr. Chairman.

It is a pleasure to be here today to introduce Steve Nesmith, Esquire, who is nominated to be the Assistant Secretary for Congressional and Intergovernmental Relations for the Department of Housing and Urban Development. Mr. Nesmith is a very impressive man, impressive in stature, and his background and resume match that.

As the Chairman has already noted, Mr. Nesmith has achieved celebrity status as a 4-year varsity basketball team member, team captain, and scholarship award-winner at American University.

After that distinguished academic and athletic career, he returned to his native city, Philadelphia, where he was a clerk for the Chief Justice of the Pennsylvania Supreme Court, then was an associate with the distinguished law firm, Wolfe, Block, and then Saul Ewing. He also served in the mayor's Office for Community Services, was Senior Counsel of the Legislative Strategies group, and has had quite an extensive service in governmental matters.

He currently serves as Deputy Assistant Secretary for Congressional and Intergovernmental Relations for the Department of Commerce's Economic Development Administration, and he now comes to this position, which is quite a career advance, calling for Senate confirmation.

It is a great pleasure for me to introduce Mr. Nesmith, and also his wife.

Chairman SHELBY. Thank you. Senator Specter, I know that you have other committees that you have to go to. We appreciate your early appearance here and we will take this nomination up second.

Thank you so much.

Senator SPECTER. Thank you very much, Mr. Chairman.

Chairman SHELBY. Dr. Mankiw, would you come to the table?

First of all, would you stand and be sworn? Hold up your right hand.

Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Dr. MANKIW. I do.

Chairman SHELBY. Do you agree to appear and testify before any duly-constituted committee of the Senate?

Dr. MANKIW. I do.

Chairman SHELBY. Dr. Mankiw, do you want to introduce your family?

Dr. MANKIW. Yes. I am here today with my wife and my daughter, Catherine. I have two young sons who are at home at school today in Massachusetts.

Chairman SHELBY. We welcome you to the Committee. You have been nominated by the President to what I believe is a very, very important job.

I know you have an opening statement. Your written statement will be made part of the record in its entirety.

You may proceed as you wish.

**STATEMENT OF N. GREGORY MANKIW  
OF MASSACHUSETTS, TO BE A MEMBER OF  
THE COUNCIL OF ECONOMIC ADVISERS**

Dr. MANKIW. Thank you, Mr. Chairman, and Members of the Committee.

I am honored to be here today as the President's nominee to chair the Council of Economic Advisers. For more than half a century, the Council has offered Presidents professional analysis concerning the state of the economy and the issues facing economic policymakers. I have great respect for the tradition and, if confirmed, I will make every effort to maintain the Council's high standards.

The United States has long been a land of great economic opportunity, and the story of my own family reflects that fact. My four grandparents emigrated from Ukraine to the United States almost a century ago, looking for a better life. None of them had more than a fourth grade education. But the U.S. economy was more than ready to reward their hard work and determination. When my grandmother opened her small candy store in Trenton, New Jersey, in the 1920's, her goal was to give her children and grandchildren more opportunities than she had. She had ample success.

I am one of the lucky beneficiaries of those efforts. As a student, I attended Princeton and MIT—two of the best universities in the world. For the past 18 years, I have been a Professor of Economics at Harvard. My career has been dedicated to studying the economy and teaching students about the principles of economic policy, both in the classroom and through the two textbooks I have written.

I am also a husband and father of three wonderful children. My wife Deborah and daughter Catherine are here with me today. If there is one hope I have for economic policy, it is for it to create an environment where the children of every family have access to the opportunities that my father has enjoyed since my grandparents arrived in their new homeland.

The U.S. economy remains one of the most vibrant in the world, but we have also faced some significant challenges in recent years. The economy's production of goods and services has grown over the past 18 months, but not fast enough to put people back to work after the recent recession. There are several causes of the economy's troubles. The overhang from the high-tech bubble of the 1990's, a series of corporate-governance scandals, and the increased uncertainties after the September 11 terrorist attacks have all put downward pressure on economic activity.

At the same time, monetary and fiscal policymakers have acted vigorously to stimulate the economy. Interest rate cuts by the Federal Reserve, and tax cuts enacted by Congress and signed by the President, have helped offset these contractionary forces and contributed to the recovery. I believe that passage of the President's Jobs and Growth package would add to this effort. It would help put people back to work in the short-run, as well as encouraging capital accumulation and economic growth in the long-run.

Despite these recent challenges, the future of the U.S. economy is bright. I often point out to my students that Adam Smith, the founding father of economics, published his great book, "The Wealth of Nations," in 1776, just as our Nation was declaring its independence. This is no coincidence. History teaches that economic liberty goes hand in hand with political liberty. That lesson goes a long way toward explaining the success the United States has enjoyed over the past two centuries.

If confirmed, I will be honored to play some role in helping to shape our Nation's economic policies. I know that public service is a great opportunity and a great responsibility. I look forward to working with you and the other Members of Congress in the months and years to come.

Thank you.

Chairman SHELBY. I am going to yield my time to Senator Dole right now. I believe she has to go to another meeting.

Senator Dole.

#### **STATEMENT OF SENATOR ELIZABETH DOLE**

Senator DOLE. Thank you so much, Mr. Chairman. I certainly want to recognize and welcome all the nominees who are before the panel this morning.

I was especially pleased to recognize Paul Pate and Colvin Edwards, who are on the third panel, who are both very special friends of mine.

Both are nominated to the Board of Directors for the National Institute of Building Sciences, which serves as an authoritative voice for the Nation on building and construction issues.

They each bring an enormous amount of experience and knowledge to their positions. Paul currently serves as Mayor of Cedar



Rapids, Iowa, and President and Owner of Pate Asphalt Systems, P.M. Systems Corporation.

He has been named Iowa Businessman of the Year by the U.S. Small Business Administration and a blue chip award-winner for the U.S. Chamber of Commerce. He is also a former State senator, Secretary of State for Iowa, and a cherished friend.

Colvin Edwards, known as Morgan to his friends, brings a similar amount of expertise. He is a retired Navy reservist. He served as a Division Chief within Pennsylvania's Building Code Administration and Economic Development Director for the City of Philadelphia, Pennsylvania.

Colvin is a native of North Carolina and served as an Assistant Secretary at the North Carolina Department of Transportation.

Mr. Chairman, both of these individuals have been an enormous asset to me personally. In the time I have known each of them, they have been very supportive and very generous with their time.

Today, it gives me great pleasure to voice my strong support for their nominations.

I know from experience what a great contribution each of these men will make to the National Institute of Building Sciences. America is lucky indeed to have their service.

I wish I could remain to hear the statements of all of the nominees and to discuss some of the issues with them that are before our Committee, but unfortunately, I do have other obligations that require me to leave.

Let me just wish each of the nominees the very best and express my support for them.

Thank you very much, Mr. Chairman.

Chairman SHELBY. Senator Reed.

#### STATEMENT OF SENATOR JACK REED

Senator REED. Thank you very much, Mr. Chairman, and welcome, Dr. Mankiw.

We are in a period of economic distress which is measured in many ways. One way is the number of unemployed Americans, which the *Economist* reported that the proportion of workers who exhaust their unemployment benefits before they find work is the highest since the records began in the early 1970's.

There are some of us who feel that we should be aggressively supporting the extension of the unemployment benefits. Some of that is the result of some work in economics.

I'll quote your eminent textbook: "When the economy goes into a recession, workers are laid off, more people apply for unemployment insurance benefits. This automatic increase in Government spending stimulates aggregate demand at exactly the time when aggregate demand is insufficient to maintain full employment."

Would you agree that we should extend the unemployment benefits program?

Dr. MANKIW. As you know, the President has worked with the Congress to extent unemployment benefits in the past, and I am sure that he will work with Congress again on this issue.

I think the general question of unemployment insurance raises a whole set of economic issues, both long-run and short-run.

There is no question that by putting money in people's pockets, unemployment insurance maintains aggregate demand at a time when the economy needs more demand for goods and services, and that was the quote that you mentioned.

It also provides insurance, which is the ostensible goal of helping people when times are difficult.

Another thing to keep in mind, though, is that it also has incentive effects. There is a large literature in economics that establishes that people with unemployment insurance search less hard for new jobs and the existence of unemployment insurance probably does raise the normal level of unemployment. It is what economists call the natural rate.

You see this probably in most dramatic form in some European countries, where unemployment insurance, or its equivalent, goes on sometimes indefinitely and it really causes long-run structural problems.

And so, in thinking about unemployment insurance, you have to balance all these considerations and decide what the right mix is.

Senator REED. We are coming to a decision point. The extended unemployment benefits expires May 31. To keep this program going, we are going to have to have a decision. Would you advise the President before May 31 to extend the benefits?

Dr. MANKIW. I am sure that this is something that the President will be working with Congress on. As I said, I would state to him what I just said to you, which is balancing all of these considerations and there are pros and cons.

Senator REED. It seems to me on the other factors, and I will make one final point about extended unemployment benefits, is that the economy is changing. I do not think that anyone quite knows precisely in which direction.

But my observation is that the people who are finding it difficult to find employment are not low-skilled individuals. They are people who are in middle age, who work for companies that have down-scaled significantly. So they used to be a vice president of human resources, but there aren't any more VP human resources positions in the local area.

They used to work for financial institutions, but they have been displaced by computers. So they are looking for a job that basically will be something comparable to what they had, and it is been months and in some cases, years, and they haven't found it. And in that context, not to extend benefits is to me wrong and disreputable. I would hope that you bring that message back to the President to include in the balance.

Let me ask another question, and that is, Henry Aron, who is an eminent economist, suggested in some testimony that he gave several weeks ago, that the most difficult challenge that we face as a Nation, aside from the momentary issues of recession and the business cycle and others, is providing for the expected retirement of a huge number of Americans, the Baby Boom generation.

Do you agree that that is the most significant challenge that we will face in the next decade?

Dr. MANKIW. It is certainly a significant challenge. The entitlement issue, Medicare, and Social Security, are no question issues

that the Administration and Congress will be thinking about and should think about in the years to come.

The President has talked about wanting to modernize these entitlement programs and to make sure that they are there for future generations. He has talked about personal accounts in Social Security. He has talked about moving Medicare in the direction of more private competition.

I think there is no question that the retirement programs are going to need to be modernized for future generations.

Senator REED. What does modernization mean? Does that mean that we cut the benefits of people who already assume that they will receive these benefits? Or we increase the amount of money that current employed individuals have to pay?

Dr. MANKIW. I do not think that anybody is proposing to cut benefits for people who are now receiving them.

There are different approaches to modernizing these programs. The President has talked a lot about personal accounts. For example, in Social Security, where people would have a stake and ownership of assets.

Senator REED. How do you create a personal account and still pay the beneficiaries who have earned their benefits without either increasing taxes to put in these accounts or to decrease the benefits that will be paid? How do you do that mathematically?

Dr. MANKIW. There have been a variety of proposals floating around about how to reform Social Security and Medicare and the President said that he wants to move in the direction of more personal accounts and more competition in Medicare.

I do not have my own personal plan to propose here for you today, Senator.

Senator REED. In the November 2000 *Fortune* article, you wrote, "Admittedly, some of Bush's arguments are off the mark. When he compares the 2 percent real return a worker now gets from Social Security with the 6 percent real return offered by a portfolio of stocks, he neglects to mention that the Social Security fund still owes a huge amount to those now or soon-to-be retired. This liability, the overhang from giving earlier generations more than they put in the system, doesn't disappear with privatization. Whatever system Bush comes up with, it won't give young workers a 6 percent return."

So, if that is his modernization plan, I think you go back to the initial question—how do you pay for it?

Dr. MANKIW. I believe in that same article, actually, I did say that it was actually a good idea to move in the direction of personal accounts, but I was questioning some of the particular arguments used to support that.

I was not raising skepticism of the policy, but some of the ways that the arguments were framed. I think there is no question that these are big challenges. I think everybody agrees that they are big challenges.

If you look at the President's budget, he has a chapter called, The Real Fiscal Danger, which is precisely about the entitlement problem looming on the horizon.

I do not think there is any disagreement over the basic facts and the difficult choices that will have to be made in the future.

Senator REED. I do not think there is any disagreement about the challenge. I think the disagreement comes when we would be much better prepared for that challenge if we weren't undertaking a huge tax cut at the moment that will, by any definition, constrain our ability to make the transition, to make the modernization. And that is the point I would like to leave you with.

Thank you very much.

Chairman SHELBY. Senator Allard.

#### STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. I have a couple of questions, one dealing in relation to the transportation system of the country and the other one dealing with the housing policy of this country.

As you are probably aware, we are moving forward with the reauthorization of the highway transportation bill, and there is discussion among the various Members of the Senate as to how we will pay for that.

Some have suggested that we have a two-cents-per-gallon increase on gas taxes, and others have been calling for an increase of as high as 12 cents per gallon.

The State of Colorado, for example, has the highest, or one of the highest gasoline taxes in the country. Would you talk a little bit about the economics, as you see it, being impacted by an increase in the gas tax?

Do you see the economic development in roads in highways offsetting the negative impacts of a tax increase at various levels; and how might the impact of those States that have a higher gasoline tax, differ from those States with a lower gasoline tax?

And if you can do that within the next two minutes—

[Laughter.]

—we would appreciate it. But if you can give some brief thoughts on that, I would appreciate it.

Dr. MANKIW. That is not an issue that I have studied, so I shouldn't say anything very specific. As with any public project like that, you have to apply a cost/benefit test. You have to figure out what the benefits of the public good you are providing are and compare that to the costs of the taxes you are raising, including any distortionary effects those taxes have. So it is not only the direct effect, but any indirect effects on the economy.

That is how I would approach the subject. But on the specifics of the legislation you are talking about, I am just not that familiar, but I am happy to get back to you with a written answer.

Senator ALLARD. Are you generally of the view that building new roads is an economic development instrument that could be used by the Congress to stimulate the economy?

Dr. MANKIW. I think you really have to do it from a cost/benefit standpoint. Obviously, some roads are a good thing and not all roads are a good thing. I do not think there is a blanket answer to whether building a new road is a good thing or not. It really depends on the specifics and whether it passes the cost/benefit test in that particular case.

Senator ALLARD. Okay. Many homeowners have been blessed in the last few years by a marked increase in the equity in their

home. I think housing is one of the parts of our economy that has been pretty self-sustaining as we move forward.

Not only have we been getting more families into homes—I think we are at record levels as far as that is concerned—but we also are seeing those homes increase in value.

Are you concerned about the increasingly common use of home equity or second mortgages? And should our economy suffer a more serious setback in the future, would there be consequences of these practices for both families and the overall economy?

I wonder if you would talk about that a little bit.

Dr. MANKIW. I think there is no question that we have a financial system that allows people access to credit in ways that is unusual around the world and probably unusual historically. But I think most economists think that that is probably a good thing in the sense that most people who borrow understand what they are doing and are doing things to smooth over tough times.

I have a home equity line that we use sometimes and not use other times. The instances of these financial markets benefits most families. You are right that sometimes people may use them unwisely. But I think, by and large, the economy is better off and people are better off by virtue of having access to credit markets.

Senator ALLARD. Mr. Chairman, I see that my time is expiring. Thank you very much.

Chairman SHELBY. Senator Corzine.

#### STATEMENT OF SENATOR JON S. CORZINE

Senator CORZINE. Thank you, Mr. Chairman. I appreciate the service that we can expect from Dr. Mankiw.

One of the things Senator Reed started, it is always good to look at these words that are written in books brilliant people put together—The Essentials of Economics—because it always allows for raising questions about issues that one might feel strongly about.

Let me refer to one quote from a textbook that Dr. Mankiw talked about: “The most basic lesson about budget deficits follows directly from their effects on the supply and demand for loanable funds. When the Government reduces national savings by running a budget deficit, the interest rate rises and investment falls.”

Is that a premise that you continue to believe in economic analysis, and how does it relate to what appears to be a growing period of budget deficits that are projected by almost all economic analysts, whether in the private sector, the public sector, CBO, and even the President’s own numbers?

Dr. MANKIW. Yes, I have not changed my mind since that edition of the book came out 2 months ago.

[Laughter.]

And I think reducing the budget deficit is one priority of public policy, and I think the President shares that view.

If you look at another chapter in that same book that you are holding, you will also see that tax cuts can stimulate the demand for goods and services, raise production and employment, and be a way of stimulating the economy with excess capacity. I think that lesson also needs to be kept in mind.

Whenever you are thinking about fiscal policy, you are obviously balancing a variety of concerns—effects on demand for goods and

services and supply of goods and services, effects on the short-run, effects on the long-run.

And one of the most important priorities right now is to put people back to work, is to get demand back up so that the economy grows more quickly and more people become employed.

The recession is over in the sense that GDP is growing, and that is the good news. The bad news is that it is not growing fast enough to put people back to work.

The purpose of the President's Jobs and Growth package is to increase aggregate demand. Certainly one of the purposes is to increase aggregate demand and put people back to work in the short-run, as well as encouraging capital accumulation and economic growth in the long-run.

Senator CORZINE. Do the deficits in the long-run work against the possibility of economic expansion because of the kinds of competition for capital that I think is implied in the statements that you have made?

Dr. MANKIW. Other things equal, yes. Other things equal, we would rather not have the budget deficits. And the President has talked about spending restraint as an important part of his program, and under the President's budget, the deficits will be shrinking over time.

But, once again, one has to balance that against other factors. An important part of the President's plan is eliminating the double taxation of dividends, which is a distortion that discourages capital accumulation and economic growth.

Senator CORZINE. Would you argue that the exemption for dividend is of a rank ordering of elements that would stimulate the economy, one of the highest order policy initiatives that would actually generate short-term demand in the economy?

Dr. MANKIW. I think the tax package is put together with an eye on both the short-run and the long-run. I think fiscal policy always has to keep an eye on different horizons.

My own judgment is that accelerating the marginal rate cuts is going to provide a tremendous amount of short-run stimulus, but obviously, it is going to have very little long-run effect because those rates cuts will go into effect anyway in the long-run. So that is going to be explicitly temporary.

Reducing the double taxation of dividends is great tax policy in the long-run. I have not yet talked to an economist who thinks that a good tax code double taxes dividends.

I think it would also have some short-run stimulus effect coming from increased wealth as equity markets respond.

That in part depends on how much equity markets respond, and that is something that is obviously very hard to predict. But as a matter of economic theory, if you tax dividends less, the stock market should rise as it reflects the higher present value of after-tax cashflows and that should make people wealthier and that should induce them to spend more, as well as lowering the cost of capital for businesses and inducing them to invest more.

Senator CORZINE. So you would argue that this is going to have significant short-run stimulative impact, the dividend exclusion?

Dr. MANKIW. Yes. If people believe that this dividend exclusion is credibly going to be permanent, that it is not just come and go,

but it is going to be a permanent feature of tax policy, as I certainly would think it should be, then that should affect the value of the stock market, which in turn should affect households' wealth and businesses' cost of capital.

Senator CORZINE. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Carper.

#### STATEMENT OF SENATOR THOMAS R. CARPER

Senator CARPER. Thanks, Mr. Chairman.

Dr. Mankiw—have I correctly pronounced your name?

Dr. MANKIW. That is correct. It rhymes with “thank you.”

[Laughter.]

Senator CARPER. Thanks for joining us today. Thanks for your willingness to serve our country in this capacity.

Are members of your family here?

Dr. MANKIW. Yes. My wife is right here, as is my daughter, Catherine, who is 11 years old.

Senator CARPER. Catherine, welcome aboard. Thank you for sharing your dad, and Ms. Mankiw, thank you for sharing your husband with us. I missed those introductions. I am sure they were made earlier.

A couple of months ago Chairman Greenspan sat in your seat and he talked a bit about double taxation of dividends, which he thinks is a bad thing, and he called for eliminating them.

He also called for doing it in a way that did not exacerbate our long-term budget deficit. He talked about maybe instead of doing it on the individual income taxpayer's side, to think about doing it, making the change on the corporate side, much as we allow corporations to expense debt, to consider possibly letting them expense their dividend payments.

I have been floating an idea in the last couple of weeks with people who are a lot smarter than me, to ask them to react to this notion. Let me just ask you to do the same as well.

We have seen some who have suggested that what we do is we phase out over 3 years the taxation on dividend income, and then it comes right back again, much as our phasing out of the estate tax is going to proceed along and then come right back again at the end of this decade.

I thought that one of the things that businesses need to be successful and to grow and one of the factors for a strong economy is some certainty. And with respect to estate tax and with respect to a dividend tax proposal like I described earlier, not a whole lot of certainty for anyone.

Let me just run this notion by you and just ask you to respond to it. If you think it is a bad idea, I am not offended. But I would like to have your thoughts.

Currently, we let businesses expense, as I understand it, about 100 percent of what they pay in debt service. We do not let them expense the dividend income of the dividends that they declare.

And someone said, we need some parity there. And there is different ways to get at the parity. One of the ways is to, over a period of time, maybe reduce somewhat the percentage of debt service that can be expensed and to gradually increase the amount of dividends that can be expensed, until we reach some kind of parity. I

do not know if it would be 50 percent or 75 percent. I do not know how many years it would take, but several years at least.

Would you just respond to that notion and tell me if I have lost my mind entirely?

Dr. MANKIW. Yes, there is different ways of eliminating the double taxation of dividends.

In some sense, the similarity of different ways of eliminating them is maybe more important than the differences in the sense that all these different ways of doing that would reduce the cost of capital and encourage capital accumulation, which in turn would encourage productivity growth, and that is one of the motivations behind the President's dividend exclusion.

To do it at the corporate level is slightly different from doing it at the personal level because it would exclude income that is never going to be taxed.

So, for example, Harvard University doesn't pay taxes on its dividends because it is a tax-exempt corporation. Right now, that income is in some senses taxed once. It is taxed at the corporate level, then not taxed at the level of Harvard University.

If you deducted the dividends at the corporate level, which is another way to do corporate integration, the income that is earned that flows to Harvard University would not get taxed once, whereas, under the President's plan, it is only income that is taxed once already that gets excluded.

The President, I believe, was motivated by the idea that we want to eliminate double taxation of dividends, so he wants to reduce the tax on things that have already been taxed once. But if things haven't been taxed once, then he wasn't going to propose reducing that tax.

As I said, I think the most important thing is reducing the cost of capital, and any way of lowering the tax on capital income would have that effect and therefore, would tend to be stimulated toward investment.

Senator CARPER. We have had some focus here today on the budget deficit, and you will hear a lot more on that, I hope, as we go forward. I am one of those people who believes that budget deficits do matter. And the idea of running a deficit in the short-term is okay—wars, recessions and that kind of thing.

The idea of having deficits for as far as the eye can see is troubling to me, and I hope it is still troubling to you and certainly my colleagues here.

I want us to focus on a different kind of deficit for just a moment. That is the trade deficit. The trade deficit has continued to grow. I think the trade deficit for this year is put at some \$400 billion. My wife came back from a business trip to China late last year and she said, I am not sure what we are going to be making in this country 10 to 20 years from now because they are making just about everything.

I met recently with people in Delaware who were involved in training people for technology jobs, jobs in information technology. And they are starting to see a shift of those jobs to places like India, the Philippines, and other countries.

In fact, they are setting up a training center now in the Philippines in order to help meet that demand. So we are seeing not



just an exodus of manufacturing jobs, but software jobs, technology jobs, that I find troubling.

A scenario has been painted for me, and I just want you to react to the scenario, if you will. We face a growing trade deficit. As I understand it, in order to continue to buy ever more from the rest of the world than they buy from us, somebody from around the world has to invest. There has to be a movement of capital for investments in this country.

Do we reach a point where people in other countries may be becoming less inclined to invest in the United States? If so, what are the implications for interest rates and for monetary policy in terms of raising interest rates to make investments here more attractive?

How does that affect our ability to stimulate and to move the economy forward?

Dr. MANKIW. You are absolutely right that the flip side of the trade deficit is a capital accounts surplus, meaning that we are importing more goods than we are exporting precisely because people abroad are eager to buy U.S. assets, eager to buy stocks, bonds, and foreign direct investment in the United States.

In some sense, you can view that as a vote of confidence in the U.S. economy, that foreigners want to be holding U.S. assets. They want to buy our stocks and bonds. I think history teaches that trade deficits come and go and as long as the economy is well-run, they are not a problem in and of themselves.

In the 1980's, we saw big trade deficits and we saw trade deficits disappear and we saw them come up again. I am not tremendously worried about the trade deficits. It is obviously something to keep an eye on. But I do not see any reason why, if our policies are right, if our economy is growing, that foreigners would lose their appetite for U.S. assets. It is certainly the best place in the world to invest.

Indeed, to a large extent, the reason that we have this large trade deficit is precisely because the United States has been growing faster than much of the rest of the world, that even though we are not growing fast enough, we are doing better than either Europe or Japan.

That is encouraging people to invest here rather than abroad, and that is partly what the trade deficit reflects.

If Europe starts growing faster, I think the trade deficit will shrink because people will start buying more of our goods.

Senator CARPER. I wish I were as sanguine as you are on this point. Maybe we will have an opportunity to discuss it at a different day. And I hope that history will show that you are correct.

I am not so sure.

Chairman SHELBY. Senator Sarbanes.

#### **STATEMENT OF SENATOR PAUL S. SARBANES**

Senator SARBANES. Thank you Mr. Chairman, and thank you for scheduling these hearings on these nominees as the Committee continues to move ahead in discharging its responsibilities.

Mr. Mankiw, you have a very distinguished professional record—summa graduate in economics from Princeton, Ph.D. in economics from MIT. And of course, you have been on the Harvard faculty since 1985, first as an assistant professor and then a full professor.

I am very much interested in the Council of Economic Advisers. I actually worked there for a year when Walter Heller was the Chairman.

The Council was established by the Employment Act of 1946: "To provide the President with objective economic analysis and advice on the development and implementation of a wide range of domestic and international economic policy issues."

The Chairman has been regarded as the senior policymaking position of the economics profession within the Federal Government. I think it has ebbed and flowed in meeting its professional standards. I think it actually has varied considerably.

The first question I want to ask you is how do you envision your role in commenting on economic issues? Do you come at it that you have to operate within the parameters that the President is setting by his political statements on economic questions?

Or do you think the Chairman has the responsibility to call the economic issues as he analyzes them on economic terms?

Dr. MANKIW. I do not have any doubt that the history of the CEA has been a very noble one in providing very objective advice to Presidents, both Republican and Democratic.

I certainly view my role as to analyze things as a professional economist would and in a way that my professional colleagues would respect and to tell the President my unvarnished advice.

At the same time, I recognize that the President is the economic policymaker. I am not. But it is certainly our job to provide the back-up support and the analytic apparatus that he needs so that he can make fully informed decisions.

Senator SARBANES. What am I to make of the fact that much of your writing, and I could quote it at some length. I probably choose not to do so here this morning for the sake of time—doesn't jibe with the current economic proposals of the Administration.

Some of it has already been quoted to you. But what are we to make of that?

In fact, it has provoked Stephen Moore, the President of the Club for Growth, to say that you ought not to hold this position.

What are we to make of all of that?

Dr. MANKIW. The particular passage that Mr. Moore referred to is a passage where I had raised skepticism about claims that tax cuts would generate so much economic growth as to be completely self-financing. I remain skeptical of those claims.

That is different from saying that I am opposed to tax cuts, which I am not. It is different from saying that tax cuts will not partly pay for themselves, which they will.

The most extreme advocates of tax cuts I think sometimes paint an excessively rosy picture about what they can get out of them.

I do not think that this Administration has done that. I think the President has called for spending restraint as part of his package of tax cuts. And I feel completely comfortable with a policy of cutting taxes, together with spending restraint, in order to get the budget deficit under control.

Senator SARBANES. Does that jibe with your National Bureau of Economic Research paper which you and Larry Summers co-authored, "Are Tax Cuts Really Expansionary?"

And then in your introduction, you say: "Existing empirical work, therefore, provides little evidence upon which to evaluate the standard conclusion that tax cuts are expansionary."

Dr. MANKIW. Yes, that was a paper written about I think 15 or 20 years ago.

Senator SARBANES. Yes, 1984.

Dr. MANKIW. Almost 20 years ago, during a time when the Fed was pursuing a monetary policy of targeting monetary aggregates. And it was particularly asking the question of holding monetary aggregates constant, would a policy of tax cuts expand aggregate demand for goods and services, which is the standard textbook conclusion. That is a very different environment than we face today, where the Fed is not, by anyone's description, targeting monetary aggregates.

Senator SARBANES. Let me just say to you that I really hate to see, and I hope you will keep this in mind, a highly competent professional turn himself inside out, twisting like a pretzel, in order to put forth economic analysis that conforms with what I regard as essentially political proposals.

And I think if you are going to be an effective Chairman of the CEA, you have to be very much on guard about that because the political game is one thing, but professional standards is another. And if you completely undercut the latter, it may serve a short-run political purpose of others, but it is really going to compromise your own professional standing as an economist.

And I just forewarn you because it seems to me that given your writings, you are going to have a lot of tension or conflict.

Mr. Chairman, are we going to do another round to ask a couple more questions?

Chairman SHELBY. Sure. We will.

Senator SARBANES. All right. I have some other questions I want to ask.

Chairman SHELBY. We will take another round in a few minutes. Thank you, Senator Sarbanes.

Doctor, the risk of deflation has been talked about recently. Last week, the Federal Reserve left its target interest rate unchanged and expressed its concern that, "The probability of an unwelcome substantial fall in inflation, though minor, exceeds that of a pick-up in inflation from its already low level."

This adds to the concerns that others have raised regarding deflation. What advice would you give the President regarding this possibility?

I am sure that that would be private.

[Laughter.]

What actions should we be taking basically to minimize the probability of moving into a deflationary environment?

Dr. MANKIW. You are absolutely right that a deflationary environment is something that we want to avoid. It has happened several times in U.S. history. It happened in the late 19th century, leading to William Jennings Bryant's famous Cross of Gold speech, was motivated in part by deflation.

It happened in the 1930's.

Chairman SHELBY. There is a huge down side to that, isn't there?

Dr. MANKIW. Right, a huge down side. And we have seen it in Japan recently and obviously a much milder form than in the 1930's in the United States. But there is a huge down side.

What we need to do is to increase aggregate demand, increase spending, to get rid of the excess capacity and high unemployment that we now have.

That is exactly why I think monetary and fiscal policy has been acting as it has, monetary policy by cutting interest rates, fiscal policy, by cutting taxes, both aimed at increasing aggregate demand and both should reduce the risk of deflation.

Chairman SHELBY. As far as the tax cut, we have been talking about that some here.

Wouldn't the President's tax cut proposal also provide some improvement in corporate governance, something that this Committee is very involved in, and something that is needed in today's financial environment.

Dr. MANKIW. Absolutely. Economists have for many years talked about how we tax capital income creates a variety of distortions.

One of the distortions is encouraging debt over equity finance, including discouraging firms from paying dividends and instead encouraging retained earnings.

To the extent we can undo that and have a neutral tax policy, firms will start paying dividends again, which is going to change the whole structure of how the economy values firms.

Right now, many firms do not pay dividends because it is so tax-disadvantaged. And that means that we have to rely on accounting statements.

Chairman SHELBY. That would be a more traditional evaluation.

Dr. MANKIW. That is right. Relying on accounting statements is basically relying on opinions of professionals, but opinions. Whereas, relying on the dividends to evaluate a firm is relying on cashflows and, in that sense, it is less easy to manipulate.

Chairman SHELBY. What would be the overall effect from your judgment on the tax proposals on investment in job growth?

Dr. MANKIW. The Jobs and Growth package will have positive effects, both in the short-run and the long-run.

In the short-run, it will increase aggregate demand, both by increasing consumption and increasing investment, by lowering the cost of capital.

And the CEA, using a very conventional macroeconomic model, has estimated that it will create 1.4 million jobs by the end of 2004.

It will also increase growth in the long-run by encouraging capital accumulation and also by allowing the existing capital stock to be allocated more efficiently.

Right now, there is a distortion—corporate capital is taxed more heavily than noncorporate capital, and that is an inefficiency.

By eliminating the double taxation of dividends, that is an inefficiency that would be undone. And whatever capital stock we have would be allocated more efficiently and that would raise aggregate productivity, incomes, and wages for everyone.

Chairman SHELBY. Government debt in our future, just generally. One of the topics raised in your textbooks is the size of the Government debt and Government spending.

You cite how the aging of the population will have a profound impact on fiscal policy and it being one of the great challenges facing the next generation of policymakers.

Senator Reed got into that a little bit earlier.

As the population ages, government expenditures rise from 21 percent of GDP in 2000 to 43 percent in 2050. How would you advise the President and the Congress to deal with this great challenge? When does this issue come to a crisis situation?

Dr. MANKIW. The numbers you quoted I believe are from my textbook, which cited the Congressional Budget Office's forecast of that. So the CBO was the ultimate source of those numbers.

As we discussed earlier, there is no question that the real fiscal danger, as the President's budget put it, is in the entitlement programs—looking forward over the next 75 years, which I guess is the horizon that Social Security looks at.

In the next 75 years, there is a large unfunded liability, and that has to be dealt with. There are a variety of proposals on the table the President has endorsed—personal accounts and Social Security. The President has endorsed a move toward greater competition in Medicare. And I think that those are both constructive steps.

But it is clearly a big challenge facing the country and it is something that is going to have to be dealt with in a bipartisan fashion because it will certainly affect all of our children.

Chairman SHELBY. In your role at the CEA, will you be making any recommendations to the President on moving to a more predictable framework, such as explicit inflation targeting, if you saw the need?

Dr. MANKIW. The issue of inflation targeting is an issue for the Federal Reserve. As you know, we have an independent Federal Reserve and I probably shouldn't comment.

Chairman SHELBY. But you do have some observations on it, I am sure, as an advisor to the President.

Dr. MANKIW. I will probably be spending most of my time thinking about fiscal policy.

Chairman SHELBY. Okay. Thank you.

Senator Allard.

Senator ALLARD. Here in the Senate, we evaluate tax policy on predominantly, static economic theory.

Some States, like my home State of Colorado, use more of a dynamic scoring. Would you comment on the shortfalls of static economic analysis as opposed to dynamic economic analysis, and how that fits into your view that tax cuts, although not fully, but at least partially offset on costs may actually lead to a greater tax cut with the dollars that we have available in the budget?

Dr. MANKIW. The standard scoring of tax cuts, as you said, is called static scoring, and it is based on the assumption that the economy, the gross domestic product does not change with the tax code. That assumption is made, I think, only for simplicity. I do not think any economist fundamentally believes it. So the real question is, is it good to have a precise answer to the wrong question or an approximate answer to the right question?

And clearly the right question, when you think about tax policy, is how much is revenue going to change? That is one of the questions you want to know, as well as what economic effect it is going

to have. Dynamic scoring tries to get at the true budgetary cost of any tax policy by looking at the feedback effects from the tax code to real GDP and then in turn, to the tax base.

That is a very difficult task and it is a task that economists are wrestling with. And because of that, it is going to be less precise than the static numbers. There is going to be a range of estimates based on different economic models.

But there is no question that it is an important task for economists to undertake if we are going to give policymakers useful feedback and analysis of the proposals they are endeavoring to do.

There have been a variety of attempts at doing dynamic scoring and I suspect there will be more. And I suspect over time, you will see a convergence of economists toward a standard set of models and tools for doing that.

One of the implications I should note of dynamic scoring is that not all tax cuts are created equal. Tax cuts that are particularly aimed at economic growth, at lower marginal tax rates, that encourage savings and investment, are going to generate more growth, more GDP, and therefore, be more self-financing than tax cuts that do not cut marginal tax rates and generate as much growth. So it not only gives you an accurate view of tax changes in general, but also of comparing one tax change versus another tax change.

Senator ALLARD. So you would agree with the President's policy that tax cuts, particularly when our taxes are as great a share as they are of gross domestic product today, would in effect create some revenue to the Federal Government?

Dr. MANKIW. Absolutely. It does it really through two channels.

It does it in the short-run by putting people back to work, especially in a situation where there is so much excess capacity as we have now and so many unemployed people who are looking for jobs. And it does so in the long-run by changing incentives and increasing the aggregate supply of goods and services. That is, increasing the incentive to work, increasing the incentive to accumulate capital and start businesses and so on.

Senator ALLARD. If you listen to the stock market on "Today," it sounds like they had a pretty good day yesterday, and there is a lot of optimism. The bottom line is creating jobs.

Do you agree that the President is on the right track in creating more jobs today for the rapid growth of our economy?

Dr. MANKIW. Absolutely. It is standard textbook economics to say that when you cut taxes, you increase aggregate demand and increase employment.

That you can find in virtually every economics textbook in the country. That is part of the President's plan, is to do precisely that, is to accelerate the marginal rate cuts, the child care credit, and the marriage penalty and it is going to put money in people's pockets and increase aggregate demand.

Senator ALLARD. So you have no problem in putting forward your economic theories to the President and feel that he would seriously consider what you propose to him?

Dr. MANKIW. That is correct.

Senator ALLARD. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Carper.

Senator CARPER. Mr. Mankiw, I met with Dan Crippen a month or so after he stepped down as CBO Director. We talked about the impact of tax cuts to stimulate the economy. And we talked about how much of a tax cut you need and what particular kind of tax cut is most helpful in getting the economy going.

He looked ahead over the next 10 years and he said, think of the U.S. economy as about \$140 trillion GDP. And he said, think of a tax cut that is \$600 billion or \$500 billion and think of it over the next 10 years as a 50-cent or 60-cent investment on \$140 economy.

And he said, we like to think that when we make a tax cut, it is really going to have a huge impact and it will get things moving in the right direction. But he said, sometimes we fool ourselves and give ourselves too much credit for the kind of effect that we are going to have.

Would you take a minute and respond to that observation?

Dr. MANKIW. I think that it is certainly right that there are many forces affecting the economy and fiscal policy is only one.

So it is probably wrong to give credit or blame to fiscal policy-makers to any economic change you see because lots of forces, domestic and from abroad, that can affect the course of the economy.

On the other hand, fiscal policy is one important piece of the picture. Historically, there have been some important tax changes that have acted to stimulate the economy, the classic case being the Kennedy tax cuts in the early 1960's to stimulate the economy when there is excess capacity.

We are in a situation now where inflation is very low, interest rates are very low. There is clearly excess capacity. Look at past utilization and there is really a lot of excess capacity there.

Unemployment is higher than most estimates of the equilibrium level of unemployment. If there is ever a case for cutting taxes, the situation of excess capacity and low inflation and interest rates, very, very low, at  $1\frac{1}{4}$  percent, it is probably it.

Senator CARPER. There are a number of proposals that are out there on both sides of the aisle to encourage particularly smaller businesses to make capital investments. I think they are able to expense, I believe up to about \$25,000 annually, the investments that they make. And we are seeing a variety of proposals.

Can you just describe for us what approach you think makes the most sense and why?

Dr. MANKIW. There is a variety of ways to cut the cost of capital. In some sense, you can think of a lot of different proposals that are out there as being different mechanisms to achieve the same aim of reducing the cost of capital for businesses.

The President's plan of eliminating the double taxation of dividends is I think one way to do that, and my preferred. But there are other ways of doing it, such as expensing, bonus depreciation, or something. There are also other mechanisms. In some sense, achieving a similar aim, reducing the cost of capital, stimulating investment, increasing demand for goods and services, and increasing employment.

Senator CARPER. I have seen proposals, for example, to increase from \$25,000 per year to \$75,000, the amount that could be expensed this year, maybe next year. There are some proposals to make it permanent.

My question was which of these approaches would you think would make the most sense? Could you describe one?

Dr. MANKIW. Well, I would have to look at the specifics of the proposal and if you want to submit which proposals you are referring to, I would be happy to have—if confirmed, I would be happy to have the CEA staff look at them and provide you an analysis.

Senator CARPER. Thank you. Last, just lay out for us maybe two or three good ideas to get the economy moving.

Set aside the tax package and the discussion on taxes. What are some other things that you think we should do, not just the Congress, but as a Nation. It could be Executive Branch, Legislative Branch. It can be outside of Government as well.

Just two or three good ideas.

Dr. MANKIW. I think there are a variety of things that most economists would agree on. Most economists are very committed to free trade and the President has certainly moved forward on a very, very aggressive free-trade agenda. I think that that is something that economists of all political persuasions would endorse.

I think you can always look at regulations and see, are there regulations that we have in place that are standing in the way?

Certainly monetary policy is playing an important role and it has been very active in trying to stimulate the economy. Fiscal policy through tax changes as well.

Senator CARPER. Any thoughts on productivity and its role?

Dr. MANKIW. Productivity can at times seem like a problem because it can look like people are getting laid off because of, say, computerization or increasing productivity in the work place. But there is no question that, in the long-run, it is a good thing. The reason that we are richer today than we were a generation ago is precisely because of productivity. And the reason that we are richer than most countries around the world is precisely because the United States is a very productive economy.

So we should do absolutely everything we can to try to increase productivity because even though it might at times cause temporary dislocations, there is no question that, in the long-run, it is better for everyone.

Senator CARPER. All right. Thanks very much.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Sarbanes.

Senator SARBANES. Dr. Mankiw, do you think one of the reasons that we have used a static analysis for the impact of tax cuts or spending increases, for that matter, is really a conservative effort to avoid the impact of charlatans and cranks in the making of fiscal policy?

Dr. MANKIW. I think there is no question that static scoring has the benefit of being simple and it requires absolutely no judgment. You are going to assume a zero impact on real GDP and zero is a number that nobody can argue with.

Zero is zero.

The problem with zero is that it is probably not correct. That is, depending on the tax change you are considering, there could be substantial impacts on GDP and therefore, on the tax base.



But, certainly, those people who are worried that dynamic scoring might give overestimates, find zero an attractive number, and I think probably the best——

Senator SARBANES. Well, dynamic scoring would open the door for the charlatans and the cranks, would it not?

Dr. MANKIW. I would hope that we could open the door for accurate analysis, the best guess, without opening the door for charlatans and cranks as well.

Senator SARBANES. I thought you warned us pretty effectively about that in your book, Chapter 2, Thinking Like an Economist. Let me just quote it:

Anyone can adopt the title, economist, and claim discovery of some easy fix to the economy's troubles. These fads often tempt politicians who are eager to find easy and novel solutions to hard and persistent problems.

Some fads come from charlatans who use crazy theories to gain the limelight and promote their own interests. Others come from cranks who believe that their theories really are true.

An example of fad economics occurred in 1980, when a small group of economists advised Presidential candidate Ronald Reagan that an across-the-board cut in income tax rate would raise tax revenue.

This is you now, not me.

They argue that if people could keep a higher fraction of their income, people would work harder to earn more income. Even though tax rates would be lower, income would rise by so much, they claim, that tax revenues would rise.

Almost all professional economists, including most of those who supported Reagan's proposal to cut taxes, viewed this outcome as far too optimistic. Lower tax rates might encourage people to work harder and this extra effort would offset the direct effects of lower tax rates to some extent.

But there was no credible evidence that the work effort would rise by enough to cause tax revenues to rise in the face of lower tax rates.

George Bush, also a Presidential candidate in 1980, agreed with most of the professional economists. He called this idea, voodoo economics.

Nonetheless, the argument was appealing to Reagan. It shaped the 1980 Presidential campaign, the economic policies of the 1980's.

Then you go on to note:

After Reagan's election, Congress passed the cut in tax rates that Reagan advocated, but the tax cut did not cause tax revenue to rise. Instead, tax revenue fell, as most economists predicted it would, and the U.S. Federal Government began a long period of deficit spending, leading to the largest peacetime increase in the Government debt in U.S. history.

Now if you open up the door for the cranks and charlatans, do not you run a very high risk of an inappropriate fiscal policy?

Dr. MANKIW. Yes, in the passages, as I mentioned earlier, I expressed skepticism that tax cuts would generate so much growth, as to be fully self-financing.

I am not sure that means that one has to go to the view that, therefore, we are going to assume going forward that tax cuts generate no growth at all.

It is certainly true that we need to guard against excessive optimism. On the other hand, I also think that we should guard against excessive pessimism.

What we really need is an accurate assessment of the effects of fiscal policies. And what dynamic scoring is trying to do is to try to come up with an accurate estimate.

Senator SARBANES. In *The Washington Post*, last fall, the following story appeared, and I'll just quote the outset of it: "President Bush took a ride on the Laffer Curve yesterday and espoused a tax cut theory that his father once derided as voodoo economics."

After meeting with his Cabinet, the President was asked about the Federal budget deficit.

Well, we have a deficit because tax revenues are down, he said. Make no mistake about it, the tax relief package that we passed, that should be permanent, by the way, has helped the economy, that the deficit would have been bigger without the tax relief package.

That is orthodox supply side theory, the notion that tax cuts, by stimulating the economy, actually increased the Government's tax revenue. Such thinking, popularized by Arthur Laffer and his Laffer Curve, was the ideological fuel for Ronald Reagan's tax cuts.

I have a couple of right-and-now questions I want to ask you.

Chairman SHELBY. Go right ahead.

Senator SARBANES. First of all, on unemployment insurance. I wasn't here for your exchange with Senator Reed. But the extension is about to run out. Many of us think we need to further extend the unemployment insurance benefits.

What is your position on that?

Dr. MANKIW. The President, as you know, has worked with Congress before on the unemployment insurance extension. So my expectation is that he will do so again.

Senator SARBANES. That doesn't tell me what your view is, as the potential President's chief economic adviser.

Dr. MANKIW. Yes, sir. I was just going there.

Unemployment insurance has pros and cons as a policy. The two advantages are that, obviously, it provides insurance for people in a difficult time in their lives. And also, it provides some stimulus to aggregate demand, sometimes called an automatic stabilizer, by maintaining people's incomes and spending.

Senator SARBANES. Now that is in fact what you said in your textbook, "Essentials of Economics," when you said:

When the economy goes into a recession and workers are laid off, more people apply for unemployment insurance benefits. This automatic increase in Government spending stimulates aggregate demand at exactly the time when aggregate demand is insufficient to maintain full employment.

Correct?

Dr. MANKIW. That is correct. All right. And those are the two advantages of the policy.

Senator SARBANES. Yes.

Dr. MANKIW. There is also a large literature that concludes that the existence of unemployment insurance affects the search effort of the unemployed and tends to therefore raise the economy's natural rate of unemployment.

We see this in the most extreme form in many European countries where unemployment insurance or similar systems go on sometimes indefinitely and they have much higher structural unemployment than we have.

So in terms of thinking about unemployment insurance, you have to weigh some positive effects against some negative effects.

Senator SARBANES. And do you think those negative effects are present in the U.S. system?

Dr. MANKIW. There is a large literature that has established that they are, that workers, the rate of job finding jumps precipitously when UI expires.

I think that it is not a literature that I have contributed to, but I certainly have read it.

Senator SARBANES. How is a worker supposed to find a job in a labor market that is contracting?

The unemployment rate last month was at 6 percent. That is the highest it is been in about 10 years. I am a worker who got laid off. I am drawing unemployment insurance. I am looking for a job. I cannot find a job, and I am running out of unemployment insurance benefits to help address the problem of supporting my family.

I guess you are telling us, well, you should get out there and really hustle and find a job. Then I say, well, the labor market in which I am trying to find a job is getting worse, not better. The unemployment rate is going up. Private employment is down even further. This thing is tightening up. How am I expected to find a job in that labor market context? What is your answer to that?

Dr. MANKIW. Well, there are two sides to the labor market. There is the supplier and demand and it is the behaviors of both the suppliers of labor and the demanders of labor that is going to determine the level of employment and the level of unemployment.

And there is no question in my mind that the existence of unemployment insurance does affect the behavior of the people on the supply side of the market. That is, the workers looking for jobs. There is a tremendous amount of evidence from that, on that point.

There is also no question that it has been a labor market that has been a difficult time for workers and that is precisely why the President has proposed his Jobs and Growth package, precisely to stimulate the economy, precisely to increase the demand for labor.

Senator SARBANES. Where are you on the extension of the unemployment insurance? Where do you conclude?

We have lost 500,000 private-sector jobs over the last 3 months. Chairman Greenspan, when he was before this Committee and we had a chance to ask him about his thoughts on extending unemployment insurance benefits, and he testified, "Extending unemployment insurance provides a timely boost to disposable income."

Chairman Greenspan acknowledged that we are currently in a period where jobs are falling and he stated, "I have always argued that in periods like this, that the economic restraints on the unemployment insurance system almost surely should be eased."

Do you disagree with that?

Dr. MANKIW. I think that there are pros and cons. I tried to lay out for you what I think the advantages and disadvantage are.

Senator SARBANES. Why are people paying into the unemployment insurance trust fund, which has built up quite a large balance. Employers make regular payments into the unemployment insurance trust fund for the purpose of paying benefits in an economic downturn.

We now have an economic downturn. We have quite a large balance in the trust fund. Why shouldn't we be drawing on that balance in order to meet both the human needs of the individuals who are unemployed and also contribute toward addressing aggregate demand in providing an economic stimulus?

What do you propose to do with that big trust fund balance?

Dr. MANKIW. I do not have any particular proposal for the trust fund balance. People are drawing, people are applying for unem-

ployment insurance. The issue I believe we are talking about extension of unemployment insurance.

And I am just saying that the unemployment insurance system, while it does have the advantages of providing insurance for down times, does have the advantage of propping up aggregate demands in times of weak aggregate demand, also has adverse incentive effects on job finding efforts and probably raises the average level of unemployment in the long-run.

You see this in many European countries where they have very generous policies toward of the unemployed and the result is much higher structural levels of unemployment.

Senator SARBANES. I understand that argument, but it seems to me that the economic circumstances in which we find ourselves really negates that side of the ledger, as Greenspan himself recognized in his testimony before this Committee.

We have a serious problem of unemployed people. They are about to run out of their benefits. We have a large balance in the trust fund. If these benefits stop being paid out, we are going to have a major jolt to aggregate demand. And you are in here telling me the con side of the argument to extend unemployment insurance benefits at a time when the economic circumstances, it seems to me, scream out for it to be extended.

Dr. MANKIW. Senator, I believe I was telling you both the pro and con side. I was trying to be on the one hand, on the other.

Senator SARBANES. Truman, once confronted with that, said he wanted a one-armed economist.

Dr. MANKIW. Well, I have two.

[Laughter.]

Senator SARBANES. They asked him why? He said, I am tired of getting this, on the one hand, and on the other hand.

What is your recommendation to the President going to be on extending unemployment insurance benefits?

Dr. MANKIW. I would tell the President what I told you, that there is advantages and disadvantages and he has to weigh those advantages and disadvantages, recognizing they are both there and work with Congress on how to weigh those pros and cons.

That is how the process works.

Senator SARBANES. What would you say if the President said, I have to go get myself a one-armed economist if this is the line of advice I am going to get.

[Laughter.]

Dr. MANKIW. Well, it certainly will be my expectation that whenever any policy comes up, I will give him both the pro and con side of every policy.

Senator SARBANES. You have all the factors. You have to weigh them. You are a professional economist. This is what you've spent your career doing. You are supposed to do the analysis. You know what the current circumstances are and what the situation is.

Where do you come down on the question of whether we need to extend unemployment insurance benefits?

Dr. MANKIW. I come down thinking that there are pros and cons and the both—and the first best policy is to create jobs, not to pay people to be unemployed.

And it is the purpose of the President's Jobs and Growth package to stimulate the economy so that those jobs will be there, and not so we can pay people to be unemployed.

Senator SARBANES. I will come back.

Thank you, Mr. Chairman.

Chairman SHELBY. Doctor, I think you are pointing out that in Europe, where they have continually extended unemployment benefits and that this is a basic economy that has created no net new jobs that we know of in a long time.

Is that correct?

Dr. MANKIW. That is exactly right.

Chairman SHELBY. So there is evidence on both sides, although we do want to help people when they are out of work. We all do. We do want to temporarily help them.

But in the long-run, they are best to help themselves.

Isn't this true?

Dr. MANKIW. That is right.

Chairman SHELBY. Now, if we want to be more like Europe, we would just layer on and layer on and layer on these benefits.

But the bottom line is Government doesn't create jobs. At least I do not know that they do, in the long-run. And if we are going to have a free-market economy, the law of supply and demand, and have it work, if the Government intervenes more and more and layer after layer, that doesn't mean that we are not far temporarily helping people that are out of work.

If we continue to do it, won't it have an impact on the economy?

Dr. MANKIW. That is exactly right.

Chairman SHELBY. That is the argument, right?

Dr. MANKIW. That is exactly right. It is a balancing act between helping people who are down on their luck and at the same time propping up aggregate demand, both without creating adverse incentive effects, like the European labor market.

Chairman SHELBY. And as Senator Sarbanes said, that fund is created, has been created for people for unemployment benefits.

Is that correct?

Dr. MANKIW. That is correct.

Chairman SHELBY. Now, you mentioned earlier that your grandmother's candy store got your family surviving in this country.

Dr. MANKIW. Right.

Chairman SHELBY. And I assume this was a small- or medium-sized business.

Dr. MANKIW. Very small.

Chairman SHELBY. Do you see a role for the Council of Economic Advisers in advising the President on ways to reduce regulatory burdens on small businesses, knowing, as you do as an economist, that a great percentage of our job creation in this country has been and will be, the jobs will be created by small and medium-sized businesses?

Dr. MANKIW. Absolutely. There is no question that the U.S. economy is incredibly vibrant. It is vibrant because it is an economy where it is very easy for an individual to start their own business, hire a few workers, and create wealth for their family and for others at the same time.

And what I view the role of Government is to create an environment to facilitate that.

Chairman SHELBY. And an overburdensome regulatory hang on small businesses cripples that, doesn't it?

Dr. MANKIW. That is right. Regulations are like taxes, but taxes where no revenue gets collected. But, obviously, each regulation has to look at the cost-benefit. You go through a cost-benefit calculation and say, does this make sense, taking into account both the benefits of the regulation, as well as the costs in terms of job creation and productivity.

Chairman SHELBY. Senator Schumer.

#### STATEMENT OF SENATOR CHARLES E. SCHUMER

Senator SCHUMER. Thank you, Mr. Chairman. I want to welcome you, Professor Mankiw. I think you are a very accomplished man. My daughter is using your textbook in economics.

She says it is a very good textbook, although it is hard.

She says it is hard.

[Laughter.]

We are glad you are here. I would like to ask you a few questions, a few following up on the lines of Senator Sarbanes.

I intend to be supportive of your candidacy. I think you are a good man. But I am a little concerned. I knew Steve Friedman pretty well and he was a Concord Coalition guy and he joined the Administration.

Your statements are pretty strong about Arthur Laffer and all of that, and now you are joining. Yet, very few people who are serious in this who are not ideologue seem to feel this idea of cutting taxes and raising the deficit into oblivion is the right thing to do.

Now I am for a tax cut—I know Alan Greenspan says we do not need a tax cut to stimulate the economy. I would do on. So I would like to ask you questions along that line.

The first is, could you just tell me again—I know Senator Sarbanes went over this—but do you think that the Laffer theory has validity?

Do you think cutting taxes stimulates growth? And do you think that it is the number-one way to stimulate growth? And do you think on your cost-benefit analysis at this point in time, the down sides really do not outweigh the upsides, as most economists seem to feel?

What do you think of Chairman Greenspan's admonition that if we are going to cut the dividend tax, that we should find other areas to make up for it?

He did not say that a year and a half ago. He's saying it now.

You are a respected man. And obviously, having you in a position of power is a good idea, probably, and I do not expect that we are going to agree on everything. But there is some view here that the Administration's policy is not supported by most people, not supported by most economists, not supported by others.

And you are going to now join and be one of the respected voices as a trumpet for it.

So give me your views, the general views. I am not talking about this tax cut, on the supply side. Just cut taxes and growth goes up and everything is fine.

You know, free lunch.

Dr. MANKIW. As a matter of economic theory, the idea that taxes could be so high as to be on what is called the wrong side Laffer Curve is certainly right.

It is possible theoretically that cutting taxes could raise revenue. Very few economists think that in the range the United States is in today, that that is the case.

Senator SCHUMER. Do you?

Dr. MANKIW. No, I do not.

Senator SCHUMER. Okay.

Dr. MANKIW. That is different, on the other hand, from what I think is believing a substantially weaker statement, which is that taxes, tax cuts would raise growth. And because they would raise growth, they would, to some extent, pay for themselves.

And being on the wrong side of the Laffer Curve says that they would completely pay for themselves.

Senator SCHUMER. Right. But the Administration's theory doesn't seem to be the second theory. It seems to be the first theory, because first, their tax cut is not aimed immediately.

A huge percentage of it, particularly let's talk about the dividend cut, which is the centerpiece, doesn't take effect immediately. It doesn't put money in the hands of average people.

We all know that it is in short demand.

Let me ask you this. If your goal were simply to get the economy going quickly, given that it is soggy, in the words of someone who will be one of your confreres, wouldn't it be better to a 1- or 2-year payroll tax cut, to a certain extent, than do a dividend tax cut?

If you only had a limited amount of dollars, tell me which would be better and why.

Dr. MANKIW. When you talk about tax cuts, you have to keep an eye on both the long-run and the short-run considerations.

Senator SCHUMER. No, but I limited my question. I said, if your only goal were to get this soggy economy going right away, would you prefer, with the same amount of money, a payroll tax cut or a dividend tax cut?

[Pause.]

Dr. MANKIW. I would have to think about the precise numbers and the precise proposals and the timing and so on.

The one thing to say about the dividend tax cut is, even though some of the money is——

Senator SCHUMER. Could the reporter show that there was a long pause before Professor Mankiw answered the question.

Sorry.

Dr. MANKIW. Even though the dividend tax cut is in some sense forward-looking, some of the effects will show up today in the cost of capital, will show up today in the value of the stock market, and therefore, will have effects on demand today.

Part of an answer of what is the short-run effect of the dividend tax proposal is an independent part of how the market perceives it, whether the market perceives that the Congress is going to credibly commit to it in the long-run, or whether this policy will get reversed.

Senator SCHUMER. Most of the Wall Street economists in the big firms say that it is not going to do much and the market has not perceived it as well as the Administration thought it would.

Dr. MANKIW. The CEA has actually done a survey of some of these firms. There is a range of estimates that go from 5 to 15 percent on the value of the stock market.

If you really do get something like that, if you get a 10 percent rise in the stock market from this, that will have a significant effect on wealth, which in turn would affect consumption and also investment through the cost of capital.

Senator SCHUMER. Don't you think a carry-forward of losses if you buy new stocks would cost less money and give you a bigger rise in the stock, immediately in the stock market?

Dr. MANKIW. I would have to look at that proposal.

Senator SCHUMER. Basically, if you have previous losses, right, you can buy new stocks. And if you make money on those stocks, lay their profits tax-wise against the losses that you have already had, everyone that I know says that if your sole goal is to stimulate the stock market, and I think it is a real guessing game whether it can or not, you would be better off doing that kind of proposal, wouldn't you?

Dr. MANKIW. I would have to look at that proposal. But I wanted to take exception to the assumption that the sole goal is to stimulate the stock market.

There is a lot of benefits here beyond stimulating the stock market. The current tax code has a bias against equity finance in favor of debt finance as a bias against dividends in favor of retained earnings.

Those are two inefficiencies that economists have talked about for years having an undesirable feature of the tax code.

And one of the purposes of the President's plan is to undo—

Senator SCHUMER. If you had \$300 billion and you could do tax cuts, \$350, and you had your choice of tax cuts, would the dividend tax cut be number one on your list, given the present state of the economy?

Dr. MANKIW. It would certainly be very high.

Senator SCHUMER. Would it have been 6 months ago?

[Laughter.]

Dr. MANKIW. I have long thought that double taxation of dividends is an undesirable feature of the tax code.

Senator SCHUMER. Let me ask you another. What about, a number of us are trying to get local aid into this stimulus plan, based on the theory that if the Federal Government gives John Q. Citizen a \$200 tax break or \$300 tax break, but local governments or State governments raise taxes by that amount, there is no money in there, and a 1-year shot into the arm of local governments, like revenue-sharing, would help create a greater stimulative effect.

The Administration proposed something like that initially in their budget and took it out at the last minute.

What is your view of that kind of proposal which is now being talked about? It was talked about yesterday in Nebraska.

Dr. MANKIW. Yes. As you said, if the President did not include the State aid as part of his proposal. But my understanding is that he's willing to work with Congress on that issue.



Senator SCHUMER. But what is your normative view as an economist who is not yet part of the team? Is it a good idea?

Dr. MANKIW. I think probably providing the tax relief directly to the taxpayers is probably the best idea. And you are right, that some of that may be undone by the States. But that is something that the States should be deciding.

Senator SCHUMER. Pardon? I did not hear the last part.

Dr. MANKIW. Pardon me?

Senator SCHUMER. I did not hear the last part.

Dr. MANKIW. I am saying, I think the best tax relief is directly to the taxpayers. It is possible that some of that will be undone by State tax increases. I hope that that wouldn't happen.

But that might occur in some States' cases. And that would undo part of the effect of the tax cut.

Senator SCHUMER. So wouldn't, at least from a stimulative effect, say \$40 billion to the States and localities this year, do more to stimulate the economy than an additional \$40 billion for, say, a dividend tax cut that would take effect in 2006?

Dr. MANKIW. I am not sure I would say that.

Senator SCHUMER. Okay. What about Mr. Laffer's theory again?

Again, I know that Senator Sarbanes read this. But you were so strong when you said, when politicians rely on the advice of charlatans and cranks, they rarely get the desired results they anticipate. Maybe we should say, when economists rely on the advice on politicians on how to run the economy, they rarely get the desirable effects they anticipate.

But do you think that the Laffer view, of just cutting taxes and growth takes off, has been pretty much discredited, in your mind?

Dr. MANKIW. The view of Arthur Laffer is not that tax cuts generate growth. I think that that is a view associated with many economists.

The particular view that is associated with Arthur Laffer is the idea that it would generate so much growth, as to raise revenue.

Senator SCHUMER. Revenue, right.

Dr. MANKIW. And while certainly it is conceivable as a matter of economic theory, it is probably not true of the level of taxation in the United States.

Indeed, that is why when they President talks about cutting taxes, he talks about restraint on the spending side at the same time. Because if one really believed that cutting taxes raised revenue, then we wouldn't need spending restraints.

Every time you had a new spending program, we would cut taxes some more. That is obviously not the Administration's view.

Senator SCHUMER. Thank you, Mr. Chairman. And I thank you, Professor Mankiw. I glad you are—even though you are not stating your views as fulsomely as I would like, I am glad you are joining the Administration.

I am proud to support your nomination.

Dr. MANKIW. Thank you, Senator.

Chairman SHELBY. Senator Allard.

Senator ALLARD. Mr. Chairman, I would like to discuss the Laffer Curve with you.

It takes things to two extremes and says that there is an ultimate area in between where you will maximize revenue, depending on your level of taxation.

It says that if you tax everything 100 percent, your revenues are going to be low. If you do not tax anything at all, they are going to be low. And there is a bell curve that somewhere in between there, a balance to be reached between the level of taxation and your economy that will maximize revenues to the Federal Government. If you step over that line, then revenues begin to decrease. If you are on the other side, you can in some cases actually increase taxes and increase revenues, depending on where that balance is, and that balance is not a set figure.

Would you agree with that?

Dr. MANKIW. That is correct.

Senator ALLARD. And so, in making your recommendations to the President, what you are going to be recommending is good, sound economic policy as to what you think would be most apt to create jobs and that is the sole goal. And what the President is trying to do right now, is not necessarily increase revenue or benefits to individuals, but increase jobs.

Dr. MANKIW. That is exactly right. The President did not propose a Jobs and Growth package in order to raise revenue for the Government. He did it in order to create jobs and economic growth.

Senator ALLARD. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Sarbanes.

Senator SARBANES. I have one other area that I want to explore with Mr. Mankiw.

I do want to observe, though, I guess your textbook is going to have to be extensively revised as I listen to your testimony and as I anticipate your performance in this office. I am very concerned.

This is your quote: "When the Government reduces national saving by running a budget deficit, the interest rate rises and investment falls. Because investment is important for long-run economic growth, government budget deficits reduce the economy's growth rate. Of course, you are heading us right down the deficit path."

Let me ask you about foreign indebtedness. You said earlier in response to a trade deficit question, well, trade deficits come and trade deficits go, as I recall your answer. I think that is essentially what you said. If I am not putting it correctly, I invite you to correct that.

Dr. MANKIW. That is correct. We have had substantial fluctuations in the trade deficit over time and the macroeconomic impacts have not been huge.

Senator SARBANES. In the last several years, the U.S. current account deficit, and therefore, net foreign borrowing, has reached 5 percent of GDP. Five percent.

We now have a net international liability position of about 25 percent of GDP. We had a positive international asset position of 10 percent of GDP just 20 years ago.

So we have gone from having a positive international asset position of 10 percent of GDP. In 20 years' time, we now have a net liability position of 25 percent of GDP. And our trade and current account deficits are sinking us further into debt by roughly an additional 4 to 5 percent of GDP each year.

Do you think this position can be sustained?

Dr. MANKIW. I do not think there is any imminent crisis on the horizon forcing it to change in the short-term. It will very likely change over time as it did in the 1980's where we had large current account deficits and then they shrunk back to zero.

Partly, this is a reflection that the United States is a great place to invest. The United States is growing fast—despite our slow growth and growth that is not fast enough—we are growing faster than Europe and Japan. And if you are looking, where do you want to invest your assets, the United States is probably the best place in the world. And that is what the current account deficits are reflecting, that people want to invest their assets here.

As we talked about earlier, the current account deficit is a reflection of a capital account surplus. I expect it will probably disappear once Europe and Japan start growing again, and we certainly hope that is soon.

But it is hard to imagine what kind of action we would take to address the current account deficit now that would be desirable for the economy.

Senator SARBANES. You know the Tennessee Williams play, "Streetcar Named Desire"?

Dr. MANKIW. I read it many years ago in high school, yes.

Senator SARBANES. Blanche Dubois in that play has a line about being dependent on the kindness of strangers. Dependent on the kindness of strangers. Isn't that where the United States is now, given this international position? Aren't we dependent on the kindness of strangers?

Dr. MANKIW. I wouldn't put it that way. A lot of people work for firms where some of the capital comes from abroad. If BMW wants to open up a plant to make cars in the United States and employ American workers, I do not see why we should, as a Nation, be adverse to that. That creates jobs in the United States just as if General Motors opened up a plant.

Senator SARBANES. Where is the inflow coming now?

Dr. MANKIW. I do not have those numbers off the top of my head. I know it fluctuates in composition over time.

Senator SARBANES. It is coming from foreign governments now, isn't it, overwhelmingly? It's no longer coming from private lenders or investors. It is now coming overwhelmingly from foreign governments, is it not?

Dr. MANKIW. As I said, I do not have those numbers in front of me, but I believe that share has increased.

Senator SARBANES. Now would you perceive that as a concerted effort on their part to prop up the dollar, to keep the currencies from appreciating and to gain a trade advantage? Why are the foreign governments doing that?

Dr. MANKIW. That is not an issue I have looked at. I think the U.S. dollar-denominated assets are considered a very safe assets for lots of institutions around the world. The dollar is very much a standard of security.

Senator SARBANES. Do you think that there are countries that are seeking to manipulate the currency to gain trade advantage?

Dr. MANKIW. I have not seen any evidence of that, sir.

Senator SARBANES. China.

Dr. MANKIW. I have not seen any evidence of that.

Senator SARBANES. Mr. Chairman, I have gone over.

Chairman SHELBY. Thank you, Senator Sarbanes.

Senator SARBANES. Thank you.

Chairman SHELBY. Doctor, thank you very much for your appearance here today. We will try to move your nomination forward.

Senator SCHUMER. Mr. Chairman?

Chairman SHELBY. Do you have another question?

Senator SCHUMER. Yes, I do.

Chairman SHELBY. Senator Schumer.

Senator SCHUMER. If you do not mind, Mr. Chairman. I know you have a lot of people to go through. I just wanted to follow up one thing on Senator Sarbanes' question.

Is there a worry that the Euro could replace the dollar, at least in some eyes, as the currency of choice? I mean, this relates to the question that Senator Sarbanes—it is not a political question. I am just interested in your view. I have heard that from some people who are pretty smart about this stuff.

Dr. MANKIW. It is conceivable, but I would not bet on it. I think the U.S. economy is still in some sense the best run in the world and it is still the most productive.

I think we have a variety of long-run institutional advantages over any other country of the world. And I would expect as long as the U.S. economy ran strong, the dollar would remain the standard bearer for world financial markets.

Senator SCHUMER. We haven't had a competitor I guess since Bretton Woods, right?

Dr. MANKIW. Right.

Senator SCHUMER. And finally, the Euro is edging back.

I do not know. I read a statistic somewhere that now, in terms of bond trading or something, 40 percent was done in Euros, as opposed to dollars, which is brand new.

And so, we do have the strongest economy. I worry if the President's whole, full-fledged tax bill goes through, that it wouldn't be seen as that strong any more.

Well, let me ask you that.

Do you think the fact that we are now heading on a path of increasing our deficit after some years of fiscal surplus, encourages people to drop the dollar and go to the Euro?

Dr. MANKIW. I think the most important thing is to get growth going in this economy again.

Senator SCHUMER. No, I understand. But do you think that is true, that more deficit financing, and particularly a view among Europeans and some others, that we now lost our restraint which we gained back throughout the 1990's, might encourage people to drop the dollar and go to the Euro.

Dr. MANKIW. Under the President's budget, the deficits will be shrinking over time. And according to the Congressional Budget Office, the estimate of the Government's budget, the debt-to-GDP ratio will not be very different 10 years from now as it is today.

So, I do not see in those numbers any reason for concern.

Senator SCHUMER. They are not worried about the 5-year where it goes up?

Dr. MANKIW. No, because it is standard textbook economics that recession and wars are the two canonical times you should run a budget deficit. And we have had a recent recession and we just had a war.

Senator SCHUMER. Yes. But you keep jumping on both sides of the lines, in all due respect.

If we are using war and recession, then we should be priming the pump. And much of the President's tax plan again is not aimed at priming the pump. Everyone agrees to that. But, rather, a change in the overall structure.

We can debate it—reducing the taxes on unearned income, which might make the stock market go up. That is the only growth portion of it. There are other parts of the tax cut that do not do that, do not get me wrong.

And so, if that is the case, given all of this and given—why wouldn't it be better to put more dollars in the front end, in the 2003 and 2004, and get it into the hands of people, average people, who would spend it?

You really haven't answered that question adequately for me. It is not a question of whether it is good to have tax cuts or good to get rid of the double taxation of dividends.

But if your goal was to strengthen growth, to increase growth to deal with the dual problems of war and recession, or creating a deficit of money that we had to spend, but recession saying prime the pump, why wouldn't it be better to do something that puts more money directly in people's hands than a dividend tax cut?

It is a comparison because we do not have unlimited dollars.

Dr. MANKIW. I think the President is motivated by both short-run and long-run considerations. He's thinking not only to put people back to work today. He also wants to create a tax code that is going to generate capital accumulation and long growth a decade from now.

Senator SCHUMER. But doesn't that desire, which I am not debating with you now, cut against priming the pump and getting growth going quickly again?

In other words, if your sole goal were quick, get the economy out of this sogginess, wouldn't you put far more dollars into people's hands immediately, rather than the dividend tax cut, which everyone admits only has its effect over a long-term in terms of the money it gets in people's hands?

Dr. MANKIW. I do not think it only has an effect on the long-term. I think it is the part of the plan that is going to have an effect on the long-term. But I think it also has effects on the short-term through lowering the cost of capital and by increasing wealth.

Senator SCHUMER. One other question. Do you think \$750 billion of tax cut is too high?

Dr. MANKIW. Actually, I think the President's package was well designed.

Senator SCHUMER. Okay. Is a billion too high?

Trillion. Sorry.

A billion is not too high, even in my book.

[Laughter.]

Is a trillion dollars too high? I mean, when do we get into a feeding frenzy? Is a trillion too high?

Dr. MANKIW. I think it depends on the entire budget.

Senator SCHUMER. Now. Right now. We have to vote on the bill in the next month. And there is a billion dollars, increasing the deficit over the next 10 years by a trillion dollars.

Is that too high?

Dr. MANKIW. That is in an economy that over that period of time will have a GDP of \$140 trillion.

Senator SCHUMER. Whatever the CBO projects or the President projects.

Dr. MANKIW. Compared to the size of the economy and the following 10 years, no, I do not think so.

Senator SCHUMER. How about \$1.5 trillion? When do we get to a point where it is crazy already? Everyone knows it is, except the small band of people around the President. And now you are becoming one.

I would hope that you would inject some sense into this, even if privately. And when you get up here and you tell me, that even double the President's plan is not too high, in terms of our deficit, in terms of the worries about the dollar, in terms of the worries about interest rates, in terms of the worries about all of this—you do not strike me as an ideologue.

I think the President's policy is ideologically driven more than anything else. It gets its greatest support not from business people I speak to or hear about, but from ideologue who just hate the Federal Government, hate taxes, certain editorial pages.

I will conclude with this because I do not want you to say anything because I am supporting your appointment. I do not want you to say anything to jeopardize it.

[Laughter.]

But I hope you will be a moderating voice there. I really do. The country demands it right now.

Thank you, Mr. Chairman.

Chairman SHELBY. Any other questions?

Senator SANTORUM. Mr. Chairman.

Chairman SHELBY. Senator Santorum.

#### STATEMENT OF SENATOR RICK SANTORUM

Senator SANTORUM. Just one comment.

With support like that, huh?

[Laughter.]

Let me just say that I think you were correct in your answers and I appreciate your answers. I think what the Doctor was trying to say is, the amount of tax cut is always driven by the policy and it is the short-term and long-term policy that is the most important thing to get accomplished.

And if you can do it with 350, you do it with 350. And if you can do it with 7, you do it with 7. If you can do it with 1.5—whatever the best policy is to accomplish your goals is what is needed.

And I think it is very arbitrary to pick a number out, as the President did not do, because you heard conversations earlier this year talking about \$300 billion or \$500 billion was his package. But he changed the number driven by the policy of what he wanted to accomplish for the economy for the short-term and the long-term.

We are fixated far too much in this Congress with numbers. We have to look at what the policy is underlying those numbers. Numbers are important. I am not saying they are unimportant. They are important, but not the only thing that we need to consider here.

And when you consider some of the other numbers that we are looking at, which is record low inflation—in fact, one of the reasons we are always concerned about deficits is because of the inflationary pressure.

We do not have that inflationary pressure now. What we have is slow growth and we need to look at ways to increase growth.

So, I appreciate your comments. I do not think that they are ideologically driven. I think they are driven and were appropriately driven by what is best for this country as far as the economy is concerned.

Senator SARBANES. But the numbers are themselves a very important policy—

Senator SCHUMER. Exactly.

Senator SARBANES. —since they bear on the deficit and the debt and the prospects for future growth.

You cannot simply say, well, let's do a tax policy on all the tax policy considerations, and say, that is policy, without recognizing that the sum total of those changes that you may want to make in terms of the aggregate number itself becomes a very important policy in terms of the fiscal direction of the country and its prospects for our economy.

Senator SANTORUM. I would agree with that. I think I made that balance.

Senator SCHUMER. If my colleague would yield, you could have a policy that says, no taxing unearned income. But it might cost \$5 trillion and you wouldn't do it.

I could have a policy—national health care for everybody. That would cost \$5 trillion and I could not do it.

The numbers in the policy have to interact.

Senator SANTORUM. If I could reclaim my time. I do not think I said that we should ignore numbers. In fact, I was very clear. But to just focus solely on numbers I thought was inappropriate and that is all the comment I would make.

Mr. Chairman, I will yield back my time.

Chairman SHELBY. Thank you.

Senator SCHUMER. Mr. Chairman.

Chairman SHELBY. Doctor, as you would say, numbers do have consequences. But I believe you were alluding earlier to the size of the tax cut compared to the size of our economy, in a sense.

Is that correct?

Dr. MANKIW. That is right. \$726 billion may seem like a large tax cut, but not compared to the economy over a 10-year period.

Chairman SHELBY. Sure. Thank you for your appearance.

Dr. MANKIW. Thank you very much.

Chairman SHELBY. We will have our second panel: Mr. Steven Nesmith. Come on up, sir.

He has been nominated to be the Assistant Secretary for Congressional and Intergovernmental Relations, U.S. Department of Housing and Urban Development.

We have with us the other Senator from Pennsylvania who will be recognized to say anything that he wants to about the nominee. Senator SANTORUM. Thank you, Mr. Chairman.

It is an honor for me to be here for Steve. I want to welcome him and his wife Christelle, and I think his son Steven Jr. is here, at least I thought I saw him.

There he is. I cannot see him behind the chair there.

Welcome all of you to the hearing today. It is a real personal privilege for me to introduce Steve to the Committee. He's been someone that I have worked with in Pennsylvania for a number of years since I have been in the U.S. Senate. I have worked with him both at the Department of Housing and Urban Development and his previous—well, current position, I guess, as well as with the Economic Development Administration.

He has been a very strong, active voice in economic development in our State, working with EDA, and has a distinguished resume of Government service and service outside of Government.

He has a great resume of education. He was a clerk for our Supreme Court Justice in Pennsylvania. The laundry list is long. And I would like to put my full statement in the record.

Chairman SHELBY. Without objection, it is so ordered.

Senator SANTORUM. And just say that it is a pleasure to be here. The Secretary is going to be very-well served as having Steve be the Assistant Secretary for Congressional and Intergovernmental Affairs.

It is a pleasure to be here.

Chairman SHELBY. Mr. Nesmith, would you stand and hold up your right hand?

Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. NESMITH. I do.

Chairman SHELBY. Do you agree to appear and testify before any duly-constituted committee of the Senate?

Mr. NESMITH. I do.

Chairman SHELBY. Thank you. Your written testimony will be made part of the record in its entirety. You proceed as you wish.

**STATEMENT OF STEVEN B. NESMITH, OF PENNSYLVANIA  
TO BE ASSISTANT SECRETARY FOR CONGRESSIONAL  
AND INTERGOVERNMENTAL RELATIONS  
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Mr. NESMITH. Chairman Shelby, Ranking Member Sarbanes, and other Members of the Committee, I thank you for your willingness to consider my nomination during such a busy time in Congress.

My wife, Christelle, and son, Stevie, Jr., were already introduced. I want to take the time, and I am happy that they are here with me today. I also have a beautiful daughter by the name of Alexandra. She is only 3 months old, so we thought it was best that she not come today and disturb the proceedings. Finally, even though my mother, Ruby Nesmith, has passed on and she is not physically with me today, I know she is here with me in spirit.

I would like to thank Senators Santorum and Specter for the very generous introductions today. It has been an honor for me,



and a privilege, to work with both Senators in this Administration on economic development issues for Pennsylvania and, therefore, the country during my tenure at the U.S. Commerce Department. I also want to thank the many people who have supported me leading up to this process and helped me prepare for this hearing. And, of course, I want to thank the senior staff here at the Senate Banking Committee. I am most grateful for their help.

Most importantly, I am deeply grateful to President Bush and Secretary Martinez for according me the honor of this nomination. If confirmed, it is with great humility that I will discharge the duties of the position.

As someone who grew up in public housing and as a so-called "at-risk child" in the ghetto of Philadelphia, Pennsylvania, I am sure that many people could never imagine that I might sit here today before such a prestigious group of U.S. Senators as the President's nominee for the Assistant Secretary position at the U.S. Department of Housing and Urban Development.

I hope that my experiences, growing up in public housing and working on economic development issues in Philadelphia's Empowerment Zone, in addition to those as a Government Relations Lawyer, and as Deputy Assistant Secretary of the U.S. Department of Commerce Economic Development Administration, will assist me in thinking through the housing issues from the perspective of both community and economic development and the U.S. economy.

In closing, I recognize that there will be challenges ahead for us, whether they are a specific program at HUD or issues facing the broader housing community. Nevertheless, I believe that we must address these issues in a bipartisan manner in order to find long-term solutions.

And I thank you.

Chairman SHELBY. Mr. Nesmith, as Assistant Secretary for Congressional and Intergovernmental Affairs, you would serve as the information conduit between HUD and Capitol Hill.

What are your thoughts on improving the flow of information between the Department and the Congress?

Mr. NESMITH. Well, I think that one of the first things that is important and that I talked with Secretary Martinez about is that the various program areas sometimes operate in business silos, if you will, like individual businesses at HUD. Instead, the program areas must come together more regularly and the Office of Congressional and Intergovernmental Affairs must be the leader in bringing those program areas together on issues relating to legislation, on specific program issues.

I have talked to Secretary Martinez about this approach and, if I am confirmed, I will take the lead in implementing this concept.

For example, when someone says, you know, I haven't heard that much from this other assistant secretary. I haven't heard much from this program area. I think that the Office of Congressional Affairs must take the leadership in making sure that we pull everyone together and take the responsibility in getting not only timely responses to members of your senior staff and to the Members of this Committee directly, but also substantive responses.

Chairman SHELBY. You will also be the point of contact between HUD and interested external parties, external to the Department. That is a very important communication medium, too.

How are you going to handle that?

Mr. NESMITH. As a former athlete, I would like to use athletic analogies. One of the things I have in my playbook, so to speak, is that we convene interest groups who have the most interest in the housing, community and economic development and ask them to come to HUD on a regular basis.

We do not always have to go to them. Instead, bring them into the HUD's departmental conference room, and do a better job at briefing them about policy issues and have more of an intimate relationship with these groups.

Chairman SHELBY. Or any issues that affect them, right?

Mr. NESMITH. Yes, sir. And so, I believe that what we need to do is bring those interest groups that have issues before HUD, bring them in and make them part of HUD's family when we are making decisions about the Department.

So that we can sit down together, rather than HUD staying where it is physically located and the interest groups being located out where they are.

Chairman SHELBY. Senator Sarbanes.

Senator SARBANES. Mr. Chairman, I do not have any questions of Mr. Nesmith. I look forward to supporting his nomination and I want to commend you for scheduling his hearing in such an expeditious manner.

We had the opportunity to meet in advance of this hearing and explore a number of issues. There is just one I want to put on the public record.

A number of us on the Committee, and in fact, other Members of Congress, both Democrats and Republicans, have had some problems with the responsiveness of HUD to inquiries from the Hill, requests for information, efforts to consult on the evolution of policy and so forth.

This is not intended to be a criticism of the Congressional Relations staff at HUD. Our perception is that they work quite hard at staying in touch with Committee Members and Committee staff.

But they apparently were encountering difficulties in getting their counterparts in the program areas of the Department to respond to concerns raised by the Committee.

I won't enumerate them, but there are a number of examples where it took really months to get responsive answers out of the Department. And my understanding is that the Congressional Liaison Office was doing its very best to get their counterparts in the policy substantive areas of the Department to respond.

Now, obviously, there will be times when we agree or disagree about specific policy prescriptions or legislative proposals. But, in any event, it is our responsibility as the Committee of jurisdiction to review policy and oversee operations of the Department.

I, previously as Chairman, and now Chairman Shelby, have stressed the oversight responsibilities of this Committee. To meet that responsibility, we need more cooperation from HUD.

You seemed to understand that concern when we met and discussed the problem. I do not know whether you want to add any-

thing to that at this point. But I think it is an extremely important issue, and as you are about to undertake or embark on these important responsibilities, I, frankly, perceive it at the moment as a major challenge which you will confront.

Mr. NESMITH. I appreciate that comment. As you both, both Ranking and Chairman, know, as you both were athletes, and I know that Senator Shelby, but for some events in life, maybe he would have been a Hall of Famer football player from Alabama, but for an accident that occurred, physical, that is——

Senator SARBANES. You are going to great lengths to compare it to——

Chairman SHELBY. We are going to confirm this man fast.

Senator SARBANES. Yes.

[Laughter.]

Mr. NESMITH. And I know that Senator Sarbanes, it is my understanding, was a good athlete in basketball, in fact, at Oxford University. You both were athletes, you understand the concept of leadership.

Senator SARBANES. A shooter there at Princeton.

Mr. NESMITH. But I really see this as an issue of leadership, Senator Sarbanes. And I think that is my responsibility.

I think that the issue you laid out is a very important one. So, therefore, I pledge to you to take the leadership role in making sure that what you described never happens with the team that I have around me.

And therefore, if you do not see a substantive improvement on this issue, I think leadership should be called to task and therefore, I will be willing to join you in your office.

Chairman SHELBY. Thank you. And as I just told you, we are going to move your nomination fast, Senator Sarbanes and I.

Mr. NESMITH. Thank you.

[Laughter.]

Chairman SHELBY. Thank you for your appearance. Thank you for your statement.

We looking forward to supporting you.

Mr. NESMITH. Thank you very much.

Chairman SHELBY. Our third panel are nominees for Members of the Board of Directors for the National Institute of Building Sciences: Mr. Jose Teran, Mr. James Broaddus, Mr. Lane Carson, Mr. Morgan Edwards, and Mr. Paul Pate.

I have also been asked on behalf of Senator Grassley that he has a statement in support of Mr. Paul Pate of Cedar Rapids, Iowa, and I want to make his statement as part of the record, without objection.

I would ask that all of you stand and let me administer the oath to you, if you would raise your right hand.

Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. PATE. I do.

Mr. BROADDUS. I do.

Mr. EDWARDS. I do.

Mr. CARSON. I do.

Mr. TERAN. I do.

Chairman SHELBY. Do you agree to appear and testify before any duly-constituted committee of the Senate?

Mr. TERAN. I do.

Mr. CARSON. I do.

Mr. PATE. I do.

Mr. EDWARDS. I do.

Mr. BROADBENT. I do.

Chairman SHELBY. Thank you, gentlemen. Your written testimony will be made part of the record in its entirety.

You know that we have had a long meeting here today. You had to endure it.

If you will sum up as quickly as you can, in a very abbreviated manner, we would be deeply appreciative.

We will start with Mr. Teran.

**STATEMENT OF JOSE F. TERAN, OF FLORIDA  
TO BE A MEMBER OF THE BOARD OF DIRECTORS  
NATIONAL INSTITUTE OF BUILDING SCIENCES**

Mr. TERAN. Mr. Chairman and Members of the Committee, I am Jose Francisco Teran, born in Nicaragua and a citizen of the United States of America since 1989.

I want to acknowledge the presence of my wife of 41 years, Maria Lourdes, and two of my youngest daughters, Maria Lourdes and Gabriela. And I am especially proud to have here also Mr. Carlos Ulvert, who is the Ambassador of Nicaragua to the United States, and his wife, Carmen Lucia.

Chairman SHELBY. We welcome them here.

Mr. TERAN. Who happens to be my wife's niece.

Chairman SHELBY. Thank you. And we congratulate you, with your family and what you have done.

Mr. TERAN. Thank you. It is a great honor to have been nominated by President George W. Bush to be a Director of the National Institute of Building Sciences.

Today, I come before you to make a brief statement of what I believe to be my qualifications for this position, and to thank the Members of the Committee for your review of my nomination and allowing me to appear before you this morning.

My story, as it relates to this nomination, starts with a quality primary and secondary education at the Christian Brothers and Jesuits schools in Nicaragua. It was at this time that I laid the four pillars for my intellectual life: Mathematics, Science, Philosophy, and Art. For this reason, I decided to become an architect.

I had my university training as a freshman at Wilson Teachers College, Catholic University of America, and George Washington University. I spent 5 more years to get my Bachelor and Master of Architecture Degrees at the University of Michigan in Ann Arbor. I have taken the Harvard-sponsored course in advanced management at INCAE.

Upon graduation, I was invited to join the design team of Minoru Yamasaki in Birmingham, Michigan. I worked intensely under the guidance of Gunnar Birkerts. At that time I was in the teams that designed the Oberlin College Conservatory of Music, the Wayne State University College of Education, the first international air-

port in Dahrhan, Saudi Arabia, and the Michigan Consolidated Gas Company Building in Detroit.

I then went back to Nicaragua and between 1960 and 1979, formed the largest architectural, engineering, construction, industrial, and financial group of companies. Buildings such as the Ruben Dario National Theatre, the INCAE-Harvard campus, the Central Bank Building, the National Light and Power Company building, and many other office, hotel, and hospital projects were successfully planned and constructed in the country. Over 14,000 single-family, low-cost houses were produced in model communities with the assistance of the Agency for International Development.

I came with my family to Houston in 1980 to work for a small developer. Several office and commercial projects were developed. In 1984, I founded my own company, Natex Corporation, that has operated continuously to this day. Two separate activities were the key targets of Natex: Real Estate Development and Management and Architecture. One of the most important projects was the coordination and technical direction of the Managua Metropolitan Cathedral donated by Thomas S. Monghan, the owner of Domino's Pizza, in 1993. The project designed by Ricardo Legorreta of Mexico won the 1994 Award from the American Institute of Architects.

I have been a team member all my life. I highly value the benefits of working together with others. I have been in the private sector all my life, but I have had interesting interactions with all sectors of Government, both in the United States and abroad.

I value highly the purpose of the institution I have been nominated to serve. The National Institute of Building Sciences' mission to join the private and governmental sectors to improve the regulatory environment and allow the faster and more efficient incorporation of technology into our building process is of utmost importance to the welfare of our people. It is of particular importance today as the problems of homeland security soar with the terrorist threats.

I am perserverant and like to see results. I strive for the highest level of quality, to the best of my ability in what I do.

Again, many thanks for your consideration. I look forward to answering any questions that you may have.

Chairman SHELBY. Thank you, Mr. Teran.

Mr. Broaddus.

**STATEMENT OF JAMES BROADDUS, OF TEXAS  
TO BE A MEMBER OF THE BOARD OF DIRECTORS  
NATIONAL INSTITUTE OF BUILDING SCIENCES**

Mr. BROADDUS. Chairman Shelby, Ranking Member Sarbanes, and distinguished Members of the Committee, I am honored to appear here today as a nominee to become a Member of the Board of Directors of the National Institute of Building Sciences. In attendance with me today is my wife of 33 years, Kay, whose love and support has enabled my presence here today. I would also like to recognize the attendance of two very special people, both of whom work diligently in Washington on a daily basis: Sharon Gressle, with the Congressional Research Service of the Library of Congress, and Jim Kuhn, my close friend and business colleague here in Washington, who as an Assistant to the President served

as the Personal Executive Assistant to Ronald Reagan during his second term. Three very special family members could not attend are my son Scott Broaddus and daughter-in-law Courtney, who remain in Texas because of their jobs. Our youngest son also could not make it due to job-related duties. First Lieutenant Jeffrey Broaddus is an infantry platoon leader with the 1st Battalion 5th Marines. After a 1,200-mile tour of southern Iraq and downtown Baghdad, he remains in-country there, awaiting transportation back home.

I was honored and most grateful to President Bush for his trust and confidence in me to nominate me to serve on the Board of NIBS. I also appreciate the Senate Committee on Banking, Housing, and Urban Affairs for considering confirmation of my appointment for which I am awed and humbled to be considered. For many years, I have been aware of the good work of NIBS and its contribution to the building sciences on a national scale. However, I never contemplated that I would be entrusted to help set its strategy and oversee its direction. Hopefully, the Committee will consider my background well-suited for this appointment.

After completing my civil engineering degree at the University of Texas, I began my working career as Navy Civil Engineering Corps Officer and Navy Seabee where I served 20 years. From 1970 to 1990, I served in 11 different assignments all over the world, which included project management responsibilities from the field construction site to the Washington level. Following my construction-oriented Navy career, I finished my Ph.D. degree at UT Austin, and remained there working for the Construction Industry Institute, a national research center for the design and building industry. My imbedded Seabee penchant for project work brought me back to the real world of projects and in 1994, I became Director of Facilities Planning and Construction for the 15-campus University of Texas system. During my 4½ years there, we completed \$1.5 billion statewide in a wide variety of projects using new and improved project management methods and contracting strategies. In 1998, I returned to Washington, DC to lead the Design-Build Institute of America in developing integrated and streamlined approaches to design and construction. In late 2000, fulfilling a dream I held on to since my early college years of having my own professional practice. I started Broaddus & Associates as a project management firm to help mostly public owners manage major complex projects from the earliest planning through design, construction, and initial operation. Today, at Broaddus & Associates, we are managing \$300 million in projects in the State of Texas and provide management consulting to facility owners and throughout the United States.

As a professional, my career has focused on improving the project process. While our industry is always in need of better technology and materials, I know from research and practical experience that significant inefficiencies exist in the management of projects that ultimately cost taxpayers and consumers alike. I look forward to working with NIBS to carry on their highly effective efforts and to promote new high payback programs that can materially improve one of the largest industry sectors in our economy. NIBS was chartered to be the public/private interface for the building industry.

The private sector has much to offer in making our public projects more cost-effective, both in initial capital outlay and life-cycle costs. I see the opportunity to bring private sector ideas to the Government projects every day in the projects we manage at Broaddus & Associates. I look forward to bringing that perspective to the Board of NIBS.

Your approval of this nomination will be one of my highest honors and I can also assure that I will be an active and contributing Board Member, keeping NIBS mindful of its intended public purpose. There is much to be done in our industry, and I feel NIBS can play an ever-expanding role in improving construction.

I would be pleased to answer any questions you may have.

Chairman SHELBY. Thank you.

Mr. Pate.

**STATEMENT OF PAUL D. PATE, OF IOWA  
TO BE A MEMBER OF THE BOARD OF DIRECTORS  
NATIONAL INSTITUTE OF BUILDING SCIENCES**

Mr. PATE. Thank you, Mr. Chairman. Greetings, honorable Senators and staff.

It is an honor to introduce myself to the U.S. Senate Banking, Housing and Urban Affairs Committee. My name is Paul D. Pate and I am the Mayor of Cedar Rapids, Iowa. I am a nominee for the Board of Directors of the National Institute of Building Sciences.

This personal milestone is made possible by a family effort. Although they could not join me today in person, I am who I am because of the absolute support and love of my wife Jane, my children Jennifer, Amber, and Paul III, my grandson Brandon, my parents Paul, Sr. and Velma, and my entire family, which God has blessed me with.

My parents provided me the strong values of working hard to achieve dreams and giving back for the good of the community. Serving the public through elected office and pursuing other opportunities to reach out through business ownership are two ways I have acted on the foundation they gave me. These two kinds of professional experiences are the leading qualifications I bring as a nominee to the National Institute of Building Sciences.

I have the honor of being Mayor of Iowa's greatest and strongest city—Cedar Rapids. Prior to serving as Mayor, I served as Iowa's Secretary of State and a State senator, totaling more than 11 years of executive and legislative experience at the State and local government levels.

I am a third-generation builder with 27 years' experience in the professional development trade. I currently own Pate Asphalt. Thanks to the foundation of the values instilled in me by my father and grandfather, I worked my way from the ground up, and still work to complete the highest quality work. This family tradition means I offer a firsthand understanding of the perspective of builders to the National Institute of Building Sciences.

I'm qualified to serve in this position not only because of my private business and Government service experience, but also because I view the position as an opportunity to do my best, keep moving forward and help create common benefit through effective partner-

ships. I listen attentively to all perspectives offered, which allows me to be a proactive team member on this Board of Directors.

If confirmed, I will actively engage myself in all aspects of the Institute's public mission to improve the building regulatory environment, facilitate technology introduction, and disseminate information. I have already started this process in my community.

For example, I founded the Mayor's Development and Building Task Force in Cedar Rapids last year. The group is a successful case study that may be replicated in other areas of the country. The group meets to streamline the processes local businesses must face when they are expanding their physical footprint. This has a great impact on keeping economic development moving forward.

In closing, I would like to thank President George W. Bush for this nomination and appreciate the Senate's consideration of my confirmation for this position. I look forward to applying my passion for service if confirmed for this position.

As a leader and former President I admire, Teddy Roosevelt once said, "The first requisite of a good citizen in this republic of ours is that he shall be able and willing to pull his weight."

If confirmed, I will carry the honor and personal responsibility this statement implies forward, applying the best of myself as a Member of the Board of Directors of the National Institute of Building Sciences.

I would appreciate your support of my nomination and stand ready to answer any questions and listen to any guidance.

Thank you.

Chairman SHELBY. Thank you.

Mr. Carson.

**STATEMENT OF LANE CARSON, OF LOUISIANA  
TO BE A MEMBER OF THE BOARD OF DIRECTORS  
NATIONAL INSTITUTE OF BUILDING SCIENCES**

Mr. CARSON. Chairman Shelby, Senator Sarbanes, first, my wife Laura could not be with us today because she's getting report cards out back in Mandeville Junior High in Louisiana, final report cards, of course. And my son Chris is about to be a senior at the United States Naval Academy and is in the process of getting ready for commissioning week.

But it is an honor to be here and it is an honor to be appointed by the President, and it certainly would be an honor to be confirmed by you.

As a youngster, I grew up in a working community in Louisiana. My dad is a member of Local 60, Steamfitters and Plumbers, and my brother is also. So I had a chance to work personally with these men and really get to know what working people are all about.

After going to school at LSU and serving my country in Vietnam, I went on to Tulane Law School in the vocational rehabilitation program. And after that, I had an opportunity to serve the handicapped community by working on the Architectural Transportation Barriers Compliance Board in the Reagan Administration.

Briefly working at the health department in the State, I had an opportunity to work with the construction decisions regarding hospitals. And after all that, finally got a contractor's license and a



broker's license and have maintained and operated apartments and office complexes.

I guess my biggest attribute to the Board would be as an attorney, for 18 years being in the trenches of local county government, trying to make it work, all the issues of zoning, land use, building codes, all the things that are important to the people back home.

And that would be my key offering, Mr. Chairman. So with that, I offer my candidacy and would appreciate your confirmation.

Chairman SHELBY. Thank you.

Mr. Edwards.

**STATEMENT OF C. MORGAN EDWARDS, OF NORTH CAROLINA  
TO BE A MEMBER OF THE BOARD OF DIRECTORS  
NATIONAL INSTITUTE OF BUILDING SCIENCES**

Mr. EDWARDS. Good afternoon, Mr. Chairman, Ranking Member Sarbanes, ladies, and gentlemen. I first would like to thank you for this opportunity to be here today and I especially would like to thank Senator Dole for that kind introduction.

I would like to express my gratitude to President George W. Bush for his confidence in nominating me as a Member of the Board of Directors of the National Institute of Building Sciences. If confirmed, I look forward to serving in this important position.

A few years ago, I had a unique opportunity when I was asked to oversee two major building laws that were enacted by the Commonwealth of Pennsylvania. It was my job to design, develop, and manage the regulatory programs for statewide inspection program of mobile home and modular housing.

For 3 years, I worked to develop these programs and then carried out the actual management for an additional 4 years. During this time, I served on many National standard-writing committees, including the National Fire Protection Association, the American Society for Testing Materials, and the National Conference of States and Building Code Standards. I was also a Member of the original HUD Mobile Home Standards Advisory Group.

Prior to my State code experience, I was in the U.S. Naval Reserve, on active duty for 4 years. Following this, I served several years in corporate America middle management, including Campbell's Soup and Philco Ford, which is now called Ford Aerospace.

I spent time as a Management Consultant. After returning to North Carolina, I was appointed Assistant Secretary in the North Carolina Department of Transportation by then-Governor James Martin, who was also a Member of Congress.

I recently retired and I spend most of my time, or much of my time, practicing real estate on a part-time basis.

I would like to thank you, Mr. Chairman, and Ranking Member of the Committee for this opportunity and I am grateful for your time and look forward to addressing any questions you may have.

Chairman SHELBY. I want to thank all of you.

An important concern of mine is seeing that the opportunity to own a home is available to all Americans, and I am sure that you bring a lot of collective experience there.

What role do you see for the National Institute of Building Sciences in helping to reduce some of the regulatory burden placed on home construction.

We will start with you, Mr. Teran, and anybody who wants to comment. How do we reduce the regulatory burden placed on home construction?

Mr. TERAN. I think the basic problem is one of approach mentality. Housing is a social and economic problem more than an architectural and construction problem. We sometimes put the architectural and construction importance that really hampers the affordability of the home.

I believe that there is a lot that has to be done to really go into the nitty-gritty of the regulations on housing, particularly local housing, in our inner-cities and our decayed neighborhoods. But also, beyond that, in our rural areas, and make sure that those regulations are such that they will allow a great deal of latitude to the homeowners to build their own houses, to their communities to help in building houses, and to make community programs where people can help each other build their own houses.

Chairman SHELBY. Mr. Broaddus, do you have any comments?

Mr. BROADDUS. The only thing I can say on that, and that would carry that message back to our board, if confirmed. But one of the issues in any effectively delivering construction, whether it be homes or in the commercial sector, is the length of the process, and the length of the process ultimately costs all of us money.

And so, there is a lot of conflicting regulation. There is a lot of overlap. And I know one of the purposes of NIBS is to try to standardize that and unify some of those codes. I think that could also be a major contribution to the affordability of housing and also the availability of it.

Chairman SHELBY. Mr. Pate.

Mr. PATE. I would just encourage continuing to expand on the role of the public-private dialogue to understand what the impact is, to do the cost analysis of some of the actions we are taking, both on the Federal level, as well as the local level, because when it gets down to the local level, obviously they are trying to interpret the Federal guidelines that are being set.

I think that is where NIBS plays a good role in bringing these industrial groups together to have that early dialogue. But I also, Senator, hope that the rest of the local levels keep their part going.

Chairman SHELBY. That is very important.

Mr. Carson.

Mr. CARSON. At least in Louisiana, Mr. Chairman, the permitting process sometimes adds a lot to the cost of construction, whether it is zoning, land use—

Chairman SHELBY. Regulatory burden, isn't it?

Mr. CARSON. Regulatory burden sometimes, and lots of times wetlands issues. Areas that are dry as you could think, by looking, walking, and observing, are ready to be built upon. But because of a technical definition within the wetlands law, prevents that from being used, or it is a lengthy process to have to swab it out to put it into a nonwet area. That takes up our time and money.

Chairman SHELBY. Mr. Edwards.

Mr. EDWARDS. While on the Mobile Home Advisory Commission, I guess it is called manufactured housing, I fought very hard to maintain low cost, as I had been able to do in Pennsylvania. In spite of that, the standard tripled the price of a mobile homes.

I look forward to an opportunity to reintroduce that concept and keep the price of homes down.

Chairman SHELBY. I am going to ask all of you a question for the record because time is moving here today.

What are some of the things—and I wish you would think about it—which could be done to provide greater building safety in tornado-prone areas? I guess a lot of the country is tornado-prone, even in the last few days.

But that is a real tough issue. But think about this. I would like for you to see what we can do to help you or help people survive the tornados.

We will do that for the record.

I thank all of you for coming here. I look forward to helping move your nominations. We appreciate your participation.

Thank you.

Mr. EDWARDS. Thank you.

Mr. CARSON. Thank you.

Mr. PATE. Thank you, Mr. Chairman.

Mr. BROADDUS. Thank you.

Mr. TERAN. Thank you, Mr. Chairman.

Chairman SHELBY. The hearing is adjourned.

[Whereupon, at 12:28 p.m., the hearing was adjourned.]

[Prepared statements, biographical sketches of the nominees, and responses to written questions supplied for the record follow:]

### PREPARED STATEMENT OF SENATOR RICK SANTORUM

Mr. Chairman, it is my great honor to introduce Steven Nesmith, the President's nominee to be Assistant Secretary for Congressional and Intergovernmental Affairs at the U.S. Department of Housing and Urban Development (HUD). I also want to welcome Steve's family—his wife Christelle, and his son Steve, Jr.

If Steve is confirmed, he will serve as the principal adviser to the Secretary, Deputy Secretary, and senior staff with respect to legislative affairs, Congressional relations, and policy matters affecting Federal, State and local governments, and public and private interest groups. This is an especially significant position to those of us on the Committee as we interact with HUD. HUD has a set of challenges all of its own to face, and I am confident that Steve is prepared for this task. I am appreciative of the work he has already done in his consultant role to HUD.

In my interactions with Steve as I have worked to bring much needed economic development funds into Pennsylvania, I have found him to be evenhanded, professional, and a true compassionate conservative. Steve is from Philadelphia and spent some time in public housing while growing up. I think this experience will give him a unique perspective on his work at HUD. His position at the Economic Development Administration (EDA) at the Department of Commerce as Deputy Assistant Secretary with responsibilities over Congressional and Intergovernmental Affairs, Public Affairs, National Technical Research Auditing Divisions, and Executive Secretariat functions has also prepared him well for the position for which he has been nominated.

That experience has included work on some high profile issues such as the Trade Promotion Authority bill. He has also served as a member of the Agency's Senior Executive Management Team and was the Agency's principle representative with the White House, OMB, Congress, and other Federal agencies on NYC's Post September 11 Economic Recovery Task Force; the White House Homeland Security Economic Consequence Task Force; and as "lead negotiator" for the Agency's reorganization with the Federal employee's union.

A graduate of American University with a BA in Criminal Justice, Steve also captained the basketball team. He continued his education at Georgetown University Law Center. He went on to clerk for Chief Justice of the Pennsylvania Supreme Court Robert N.C. Nix, Jr. as an opinion writer and subsequently worked for two of Philadelphia's law firms. Steve went on to work as Director of Operations in the Mayor's Office of Community Services with the Philadelphia Empowerment Zone.

In 1999, he moved to Washington, DC and served as Senior Counsel at The Legislative Strategies Group. In this work, he focused on assisting State and local governments acquire Federal economic development funding. This experience will also give him a good perspective of the needs of States and localities as they look to HUD for assistance.

I am very pleased that President Bush has nominated Steve Nesmith for this position, and I am hopeful that the Committee will act quickly to send his nomination on to the full Senate for a vote. Steve has done great work, and I am certain that he will continue to do so at HUD.

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### PREPARED STATEMENT OF CHUCK GRASSLEY

A U.S. SENATOR FROM THE STATE OF IOWA

Mr. Chairman and distinguished Members of the Senate Banking Committee, thank you for allowing me the opportunity to say a few words about my friend and colleague, Mayor Paul Pate of Cedar Rapids. I have worked closely with Mayor Pate for many years, and know that he is a gentleman of integrity and dedication.

Today, Paul is being nominated to the National Institute of Building Sciences. In 1974, Congress recognized the need for a community development organization that could serve as a link between government and the private sector. For 19 years, the Institute has been a working group of professionals, industries, consumers, and elected officials that are committed to our country's housing and development issues. I have no doubt that Mayor Pate will be a fine addition to the Board of Directors for the National Institute of Building Sciences. He has always worked with the community at large to solve problems, many times before they arise.

In 2001, Paul was elected as the 55th Mayor of Cedar Rapids. Before his mayorship, Paul Pate was a small business man, a distinguished member of the Iowa Senate, and served as Iowa Secretary of State under Governor Branstad.

Mayor Pate has become known for his openness and seeking the counsel of all segments of the community, to transform the landscape of Cedar Rapids. I am

pleased to work with him to meet the city's goals. Part of the city improvements he has been working on is revitalizing underutilized sections of the community, including rehabilitating old industrial buildings into multi-use structures or preparing them for high-tech industry. For these reasons and many others, the City of Cedar Rapids was recently ranked number 10 in smaller metro areas in the United States by *Forbes* magazine in their "Best Places for Business and Careers Survey."

I support Mayor Pate and appreciate your allowing me a few minutes today on his behalf.

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**PREPARED STATEMENT OF PAUL D. PATE**

MEMBER-DESIGNATE, BOARD OF DIRECTORS

NATIONAL INSTITUTE OF BUILDING SCIENCES

MAY 13, 2003

It is an honor to introduce myself to the U.S. Senate Banking, Housing and Urban Affairs Committee. My name is Paul D. Pate and I am the Mayor of Cedar Rapids, Iowa. I am a nominee for the Board of Directors of the National Institute of Building Sciences.

This personal milestone is made possible by a family effort. Although they could not join me today in person, I am who I am because of the absolute support and love of my wife Jane, my children Jennifer, Amber and Paul III, my grandson Brandon, my parents Paul Sr. and Velma and my entire family, which God has blessed me with.

My parents provided me the strong values of working hard to achieve dreams and giving back for the good of the community. Serving the public through elected office and pursuing other opportunities to reach out through business ownership are two ways I have acted on the foundation they gave me. These two kinds of professional experiences are the leading qualifications I bring as a nominee to the National Institute of Building Sciences.

I have the honor of being Mayor of Iowa's greatest and strongest city—Cedar Rapids. Prior to serving as Mayor, I served as Iowa's Secretary of State and a State senator, totaling more than 11 years of executive and legislative experience at the State and local government levels.

I am a third generation builder with 27 years' experience in the professional development trade. I currently own Pate Asphalt/PM Systems Corporation. Thanks to the foundation of the values instilled in me by my father and grandfather, I worked my way from the ground up and still work to complete the highest quality work. This family tradition means I offer a firsthand understanding of the perspective of builders to the National Institute of Building Sciences.

I am qualified to serve in this position not only just because of my private business and government service experience, but also because I view the position as an opportunity to do my best, keep moving forward and help create common benefit through effective partnerships. I listen attentively to all perspectives offered, which allows me to be a proactive team member on this Board of Directors.

If confirmed, I will actively engage myself in all aspects of the Institute's public mission to improve the building regulatory environment, facilitate technology introduction, and disseminate information. In fact, I have already started this process in my community.

For example, I founded the Mayor's Development and Building Task Force in Cedar Rapids last year. The group is a successful case study that may be replicated in other areas of the country. The group meets to streamline the processes local businesses must face when they are expanding their physical footprint. I know this has a great impact on keeping economic development moving forward.

In closing, I would like to thank President George W. Bush for this nomination, and appreciate the Senate's consideration of my confirmation for this position. I look forward to applying my passion for service if confirmed for this position. As a leader and former President I admire, Teddy Roosevelt once said, "The first requisite of a good citizen in this republic of ours is that he shall be able and willing to pull his weight."

If confirmed, I will carry the honor and personal responsibility this statement implies forward, applying the best of myself as a Board of Director with the National Institute of Building Sciences.

I would appreciate your support of my nomination and stand ready to answer any questions and listen to any guidance.

Thank you.

<b>STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES</b>
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<b>Name:</b>	<b>Mankiw</b>	<b>Nicholas</b>	<b>Gregory</b>
	(Last)	(First)	(Other)

**Position to which nominated:** Chairman, Council of Economic Advisers

**Date of nomination:** April 28, 2003

<b>Date of birth:</b>	<b>3</b>	<b>February</b>	<b>1958</b>	<b>Place of birth:</b>	<b>Trenton, NJ</b>
	(Day)	(Month)	(Year)		

**Marital Status:** Married **Full name of spouse:** Deborah Roloff Mankiw

**Name and ages of children:**

Catherine – 11

Nicholas – 8

Peter – 4

<b>Education:</b>	<b>Institution</b>	<b>Dates attended</b>	<b>Degrees received</b>	<b>Dates of degrees</b>
	Princeton University	1976-80	AB	June 1980
	MIT	1980-84	PhD	June 1984

**Honors and awards:** List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

Wolf Balleisen Memorial Prize for best thesis in economics, Princeton University, 1980; Phi Beta Kappa, 1980.  
 National Science Foundation Graduate Fellowship, 1980-1984.  
 Social Science Research Council Grant, 1984-1985.  
 National Science Foundation Research Grant, 1986-1987.  
 Olin Fellowship, National Bureau of Economic Research, 1987-1988.  
 National Science Foundation Presidential Young Investigators Grant, 1987-1992.  
 Galbraith Teaching Prize (for graduate teaching), 1991.  
 Frank Paish Lecture, Royal Economic Society, 1993.  
 National Science Foundation Research Grant: Accomplishment-Based Renewal, 1993-1995.  
 Harry Johnson Lecture, Royal Economic Society, 2000.  
 Marvin Bower Award, National Council on Economics Education, 2000.

**Memberships:** List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Faculty Research Fellow, National Bureau of Economic Research		1985-1987.
Research Associate, National Bureau of Economic Research		1987-present.
Associate Director, Monetary Economics Program, National Bureau of Economic Research		1991-1993.
Director, Monetary Economics Program, National Bureau of Economic Research		1993-2000.
Member, National Science Foundation Economics Panel		1988-1990.
Associate Editor, <i>Journal of Economic Perspectives</i>		1988-1998.
Associate Editor, <i>Review of Economics and Statistics</i>		1989-2002.
Panel Adviser, Brookings Panel on Economic Activity		1993-present.
Panel of Academic Advisers, Congressional Budget Office		1995-present.
Panel of Academic Advisers, Federal Reserve Bank of Boston		1998-present.
Chief Economist, National Council on Economic Education		2001-present.
Member, Committee on Economic Education, American Economic Association		2001-present.
Member, Economics Advanced Placement Exam Committee, Educational Testing Service		2001-2003.
Member, Joint Tax Committee Blue Ribbon Commission on Dynamic Scoring		2002-2003.
Advisory Editor, McGraw-Hill Advanced Textbook Series		1992-1998.

**Employment record:** List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

Council of Economic Advisers. Staff Economist.	September 1982 to July 1983.
Massachusetts Institute of Technology. Instructor.	September 1984 to June 1985.
Harvard University. Assistant Professor of Economics.	July 1985 to June 1987.
Harvard University. Professor of Economics.	July 1987 to present.
Columnist, <i>Fortune</i> magazine.	1997-2000.

**Government**

**experience:** List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

Council of Economic Advisers. Staff Economist. September 1982 to July 1983.

Member, National Science Foundation Economics Panel, 1988-1990.

Panel of Academic Advisers, Congressional Budget Office, 1995-present.

Panel of Academic Advisers, Federal Reserve Bank of Boston, 1998-present.

Member, Joint Tax Committee Blue Ribbon Commission on Dynamic Scoring, 2002-2003.

**Published**

**Writings:** List the titles, publishers and dates of books, articles, reports or other published materials you have written.

**BOOKS:**

New Keynesian Economics, Volume 1: Imperfect Competition and Sticky Prices, editor, with David Romer, (Cambridge, MA: MIT Press, 1991).

New Keynesian Economics, Volume 2: Coordination Failures and Real Rigidities, editor, with David Romer, (Cambridge, MA: MIT Press, 1991).

Macroeconomics, New York: Worth Publishers, 1992; 2nd ed., 1994, 3rd ed., 1997; 4th ed., 2000; 5th ed., 2003. Translated into Armenian, Chinese, French, German, Greek, Hungarian, Indonesian, Italian, Japanese, Korean, Mandarin, Portuguese, Romanian, Russian, Spanish, and Ukrainian. Canadian edition with William Scarth, 1995; 2nd ed., 2001.

Monetary Policy, editor, University of Chicago Press, 1994.

Principles of Economics, Fort Worth: The Dryden Press (Harcourt College Publishers), 1998; 2nd ed., 2001; 3rd ed., 2004 (released February 2003). Translated into Chinese (both standard and simplified), Czech, French, Georgian, German, Greek, Indonesian, Italian, Japanese, Korean, Portuguese, Romanian, Russian, and Spanish. Available in Australian and Canadian editions. Also available in abbreviated form as Principles of Microeconomics, Principles of Macroeconomics, Brief Principles of Macroeconomics, and Essentials of Economics.



## ARTICLES:

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1982

Hall's Consumption Hypothesis and Durable Goods, Journal of Monetary Economics 10, November 1982, 417-426.

1983

An Empirical Note on Money, Government Debt, and Inflation, with Robert Barsky, Economics Letters 12, 1983, 153-156.

1984

Aggregation and Stabilization Policy in a Multi-Contract Economy, with Alan Blinder, Journal of Monetary Economics 13, January 1984, 67-86.

Do Long-Term Interest Rates Overreact to Short-Term Interest Rates? with Lawrence Summers, Brookings Papers on Economic Activity, 1984:1, 223-247.

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Intertemporal Substitution in Macroeconomics, with Julio Rotemberg and Lawrence Summers, Quarterly Journal of Economics 100, February 1985, 225-251.

How Should Fringe Benefits Be Taxed? with Avery Katz, National Tax Journal 38, March 1985, 37-46.

Small Menu Costs and Large Business Cycles: A Macroeconomic Model of Monopoly, Quarterly Journal of Economics 100, May 1985, 529-537; reprinted in New Keynesian Economics, Volume 1: Imperfect Competition and Sticky Prices, N.G. Mankiw and D. Romer, eds., (Cambridge, MA: MIT Press, 1991).

An Unbiased Reexamination of Stock Market Volatility, with David Romer and Matthew Shapiro, Journal of Finance 40, July 1985, 677-687.

Consumer Durables and the Real Interest Rate, Review of Economics and Statistics 67, August 1985, 353-362.

Trends, Random Walks, and Tests of the Permanent Income Hypothesis, with Matthew Shapiro, Journal of Monetary Economics 16, September 1985, 165-174.

#### 1986

The Changing Behavior of the Term Structure of Interest Rates, with Jeffrey Miron, Quarterly Journal of Economics 101, May 1986, 211-228.

Do We Reject Too Often? Small Sample Properties of Tests of Rational Expectations Models, with Matthew Shapiro, Economics Letters 20, 1986, 139-145.

Free Entry and Social Inefficiency, with Michael Whinston, Rand Journal of Economics 17, Spring 1986, 48-58.

News or Noise: An Analysis of GNP Revisions, with Matthew Shapiro, Survey of Current Business 66, May 1986, 20-25.

The Term Structure of Interest Rates Revisited, Brookings Papers on Economic Activity, 1986:1, 61-96.

The Allocation of Credit and Financial Collapse, Quarterly Journal of Economics 101, August 1986, 455-470; reprinted in New Keynesian Economics. Volume 2: Coordination Failures and Real Rigidities, N.G. Mankiw and D. Romer, eds., (Cambridge, MA: MIT Press, 1991).

Risk and Return: Consumption Beta versus Market Beta, with Matthew Shapiro, Review of Economics and Statistics 68, August 1986, 452-459.

Ricardian Consumers with Keynesian Propensities, with Robert Barsky and Stephen Zeldes, American Economic Review 76, September 1986, 676-691.

Issues in Keynesian Macroeconomics: A Review Essay, Journal of Monetary Economics 18, September 1986, 217-223.

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The Equity Premium and the Concentration of Aggregate Shocks, Journal of Financial Economics 17, 1986, 211-219.

An Econometric Investigation of Easterlin's Synthesis Framework: The Philippines and the United States, with Bryan Boulier, Population Studies 40, November 1986, 473-486.

Money Demand and the Effects of Fiscal Policies, with Lawrence Summers, Journal of Money, Credit, and Banking 18, November 1986, 415-429; reprinted in Recent Developments in Macroeconomics, volume III, edited by Edmund S. Phelps, (Hants, England: Edward Elgar Publishing, 1991).

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Government Purchases and Real Interest Rates, Journal of Political Economy 95, April 1987, 407-419.

Comment on "The New Keynesian Microfoundations" by Julio Rotemberg, NBER Macroeconomics Annual 2, 1987.

Permanent and Transitory Components in Macroeconomic Fluctuations, with John Campbell, American Economic Review 77, May 1987, 111-117.

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#### 1989

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International Evidence on the Persistence of Economic Fluctuations, with John Campbell, Journal of Monetary Economics 23, March 1989, 319-333.

Real Business Cycles: A New Keynesian Perspective, Journal of Economic Perspectives 3, Summer 1989, 79-90; reprinted in Essential Readings in Economics, edited by Saul Estrin and Alan Marin, London: Macmillan Press, 1995, 328-341; and in A Macroeconomics Reader, edited by Brian Snowdon and Howard R. Vane, Routledge: New York, 1997.

Precautionary Saving and the Timing of Taxes, with Miles Kimball, Journal of Political Economy 97, August 1989, 863-879.

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#### 1990

Optimal Advice for Monetary Policy, with Susanto Basu, Miles Kimball, and David Weil, Journal of Money, Credit, and Banking, February 1990, 19-36.

Permanent Income, Current Income, and Consumption, with John Campbell, Journal of Business and Economic Statistics 8, July 1990, 265-280.

The Adjustment of Expectations to a Change in Regime: Reply, with Jeffrey Miron and David Weil, American Economic Review 80, September 1990, 977-979.

The Decline in Prices of Houses Isn't All Bad, with David Weil, The Boston Globe, December 23, 1990, A26; also in several other newspapers.

A Quick Refresher Course in Macroeconomics, Journal of Economic Literature 28, December 1990, 1645-1660; reprinted in French in Problemes Economique, October 2, 1991, 1-10.

#### 1991

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The Response of Consumption to Income: A Cross-Country Investigation, with John Campbell, European Economic Review 35 (1991): 723-767.

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Keep Growth Rate From Sliding Down, with David Weil, Champaign-Urbana News-Gazette, August 25, 1991, B3; also in several other newspapers.

Wrong Time for Tax Cuts, with David Weil, Wall Street Journal, October 31, 1991, A23.

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Comment on "Looting: The Economic Underworld of Bankruptcy for Profit," by George A. Akerlof and Paul M. Romer, Brookings Papers on Economic Activity, 1993:2, 64-67.

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Asymmetric Price Adjustment and Economic Fluctuations, with Laurence Ball, Economic Journal 104, no. 423, March 1994, 247-261.

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Howard R. Vane, Routledge: New York, 1997, 456-470; reprinted in Brian Snowdon and Howard R. Vane, Conversations with Leading Economists, Edward Elgar Publishing, 1999.

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#### 1995

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#### 1996

My Rules of Thumb, The American Economist 40, no. 1, Spring 1996, 14-19; reprinted in Passion and Craft: Economists at Work, edited by Michael Szenberg, University of Michigan Press, 1998.

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Stock-Market Yields and the Pricing of Municipal Bonds, with James Poterba, NBER Working Paper No 5607, June 1996.

#### 1997

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#### 1998

The Deficit Gamble, with Laurence Ball and Douglas Elmendorf, Journal of Money, Credit, and Banking 30, November 1998, 699-720.

Comment, in Inflation, Unemployment, and Monetary Policy, by Robert M. Solow and John B. Taylor, MIT Press, 1998, pp. 72-78.

Review of "Rethinking Economic Principles: Critical Essays on Introductory Textbooks," edited by N. Aslanbeigui and M.I. Naples, Eastern Economic Journal, Winter 1998.

The Microsoft Quick Quiz, The Financial Times, Tuesday, May 26, 1998, p. 14.

Why Pay More for Ketchup? Fortune, January 12, 1998.

Bob Dole vs Microsoft (Go, Microsoft!), Fortune, February 16, 1998.

Ax Taxes for Xers! Fortune, March 16, 1998.

A Great Pyramid Scheme, Fortune, April 13, 1998.

Self-Help for Spenders, Fortune, May 11, 1998.

Where Economists Put Their Money, Fortune, June 8, 1998.

The Economist of the Century, Fortune, July 6, 1998.



Government Debt: A Horror Story, Fortune, August 3, 1998.

Be Fruitful and Multiply, Fortune, September 7, 1998.

Why We Don't Speak Esperanto, Fortune, October 12, 1998.

Let's Pass the Buck to Russia, Fortune, November 8, 1998.

Should Alan Greenspan Be Worrying About Deflation? Fortune, December 7, 1998.

#### 1999

Government Debt, with Douglas Elmendorf, Handbook of Macroeconomics, North-Holland, 1999.

Interpreting the Correlation Between Inflation and the Skewness of Relative Prices: A Comment on Bryan and Cecchetti, Review of Economics and Statistics, May 1999, 197-198.

Teaching the Principles of Economics, Eastern Economic Journal, Fall 1998, 519-524.

Program Report: Monetary Economics, NBER Reporter, Spring 1999, 1-4.

Comment on "Aggregate Demand and Long-Term Unemployment" by Laurence Ball, Brookings Papers on Economic Activity, 1999:2.

Memo to Tokyo: Cut Taxes, Print Money, Fortune, January 11, 1999.

Are We a Nation of Spendthrifts?, Fortune, February 15, 1999.

How to Screw Up Social Security, Fortune, March 15, 1999.

U.S. Trade Policy is Just Plain Schizo, Fortune, April 12, 1999.

Gas Tax Now!, Fortune, May 24, 1999.

Vouchers: Schools Need Competition, Fortune, June 7, 1999.

A Greenspan Exit Strategy, Fortune, August 2, 1999.

Why Shouldn't We Die Tax-Free?, Fortune, September 6, 1999.

So Who Do We Thank for This Boom? Fortune, October 11, 1999.

The Dow Will Hit 36,000! (Someday), Fortune, November 8, 1999.

A Theory for an Open World, Fortune, December 20, 1999.

#### 2000

The Savers-Spenders Theory of Fiscal Policy, American Economic Review, May 2000.

Review of Monopolistic Competition and Macroeconomic Theory by Robert Solow, Journal of Economic Literature, June 2000.

Why Getting Married Still Costs You, Fortune, January 24, 2000.

Is the Economy Recession-Proof?, Fortune, February 21, 2000.

Candidates Need Clues, Not Tax Plans, Fortune, March 20, 2000.

How Irrational Is Our Exuberance?, Fortune, April 17, 2000.

D.C., Stay Out of the New Economy, Fortune, May 15, 2000.

The Sensible Way to Dismember Microsoft, May 29, 2000.

Ukraine: How Not To Run an Economy, Fortune, June 12, 2000

A Plane Idea: Make the Airlines Suffer, Fortune, July 11, 2000.

The Estate Tax is One Death Penalty Too Many, Fortune, September 4, 2000.

Bush Is a Leader the Economy Can Trust, Fortune, November 13, 2000.

#### 2001

The Inexorable and Mysterious Tradeoff Between Inflation and Unemployment, Economic Journal 111, May 2001, C45-C61; reprinted in German in Wirtschafts Politische Blatter, 4:2001; reprinted in French in Problemes Economique, 2001.

Wages at Harvard, Letter to the Editor, The New York Times, May 4, 2001.

The Cost of a Living Wage: We Can't Ignore Law of Supply and Demand, The Boston Globe, Focus Section, June 24, 2001, p. D8.

A Sad Disdain for ROTC, Letter to the Editor, Wall Street Journal, October 13, 2001.

The Case Against the Living Wage, Harvard Magazine, November-December 2001, p. 70.

Gas-Guzzling in a Patriotic Age, Letter to the Editor, The New York Times, November 27, 2001.

Comment on "The Consumption Risk of the Stock Market" by Jonathan Parker, Brookings Papers on Economic Activity, 2001: 2.

Comment on "Balanced Budget Restraint in Taxing Income from Wealth in the Ramsey Model," by Edmund Phelps, Inequality and Tax Policy, ed., Kevin A. Hassett and R. Glenn Hubbard, American Enterprise Institute, 2001.

## 2002

U.S. Monetary Policy During the 1990s, American Economic Policy in the 1990s, eds. Jeffrey A. Frankel and Peter Orszag, MIT Press, 2002.

Sticky Information versus Sticky Prices: A Proposal to Replace the New Keynesian Phillips Curve, with Ricardo Reis, Quarterly Journal of Economics 117, November 2002, 1295-1328.

The NAIRU in Theory and Practice, with Laurence Ball, Journal of Economic Perspectives 16, Fall 2002, 115-136.

Sticky Information: A Model of Monetary Nonneutrality and Structural Slumps, with Ricardo Reis, in Knowledge, Information, and Expectations in Modern Macroeconomics: Essays in Honor of Edmund S. Phelps, Princeton University Press, forthcoming.

What Measure of Inflation Should a Central Bank Target?, with Ricardo Reis, Journal of the European Economic Association, forthcoming.

Intergenerational Risk Sharing in the Spirit of Arrow, Debreu, and Rawls, with Applications to Social Security Design, with Laurence Ball.

## 2003

Monetary Policy for Inattentive Economies, with Laurence Ball and Ricardo Reis.

Disagreement about Inflation Expectations, with Ricardo Reis and Justin Wolfers.

**Political****Affiliations**

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

Provided informal economic advice to the McCain Presidential campaign, Spring 2000.

**Political****Contributions:**

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

None.

**Qualifications:**

State fully your qualifications to serve in the position to which you have been named. (attach sheet)

I am a professor of economics at Harvard University, where I have taught undergraduates and doctoral students for 18 years. My professional activities have involved research on a variety of aspects of the U.S. economy, with a focus on macroeconomics and growth. I have written two undergraduate textbooks on economics: a principals text covering both micro- and macroeconomics, and an intermediate macroeconomics textbook.

Three principal areas for my economic research include:

**Pricing**

The question of how individual firms set prices is one of the most important questions faced by macroeconomists today. Microeconomists, who study individual firms and consumers, typically assume that prices are free to adjust instantly to changes in demand or supply. This assumption is less useful when studying the economy as a whole, because the aggregate price level appears "sticky," or slow to respond slowly to changing economic conditions. Some of my research showed how the standard micro-based model could be adapted to include costs that individual firms might have to pay if they are to change the prices they charge. (This approach is sometimes called the "menu cost" approach, after the costs that restaurants incur whenever have to print new menus with new prices.) In recent work with a Harvard graduate student, I have extended the concept of menu costs to include firm-level costs of processing information about the market. This line of research suggests that modeling the costs of "sticky information" in the setting of prices can provide additional information compared to the older menu-cost approach.

**Consumption**

Consumption accounts for two-thirds of the economy, so understanding the determinants of consumption is fundamental for understanding the economy. My work on this topic includes a paper illustrating a way of measuring the effect of the real interest rate on consumption. Another paper, written with John Campbell (now also at Harvard), showed that about half of consumers follow a simple "rule of thumb" of consuming their current income. The other half consume out of their lifetime resources, financing current consumption by

borrowing against future income or by drawing down savings. Other, more technical work has adapted modern methods of analyzing consumption to durables (such as cars), which is the component of consumption that varies the most over the business cycle.

#### **Economic Growth**

In the long run, living standards are determined by how fast the economy grows. A paper written with David Romer of UC-Berkeley and David Weil of Brown, was among the first to use new cross-country data to test models of economic growth. The paper showed that the standard model of economic growth that economists had used for decades did a surprisingly good job of explaining differences in growth rates in different countries around the world. Specifically, countries with high rates of population growth rates and low saving rates grew less quickly than other countries – just as the standard “neoclassical growth model” predicts.

#### **Future employment**

##### **relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

I will take a leave of absence from my position as a Professor of Economics at Harvard University. I expect to return to Harvard after my service at CEA, if I am confirmed by the Senate.

I have resigned my position as Director of the Monetary Economics Program at the National Bureau of Economic Research. I will remain a Research Associate of the National Bureau of Economic Research, for which I do not receive any compensation.

I have resigned my advisory positions at Brookings, the Congressional Budget Office, the Federal Reserve Bank of Boston, National Council on Economic Education, Committee on Economic Education of the American Economic Association, Economics Advanced Placement Exam Committee of the Educational Testing Service, and Joint Tax Committee Blue Ribbon Commission on Dynamic Scoring.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

As noted above, I will take a leave of absence from my position as a Professor of Economics at Harvard University. I expect to return to Harvard after my service at CEA, if I am confirmed by the Senate.

3. Has anybody made you a commitment to a job after you leave government?

Only the commitment to return to a tenured position at Harvard University.

4. Do you expect to serve the full term for which you have been appointed?

The position serves at the pleasure of the President. Recent CEA chairs have served for around two years, which matches the maximum leave of absence allowed by many universities. I expect to serve at least this long.

**Potential conflicts  
of interest:**

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

I will remain under contract to produce future revisions of my economic textbooks for Worth Publishers and Thomson Publishers. I will not undertake these revisions while I am at the Council of Economic Advisers. I will continue to receive royalties for these textbooks. Pursuant to 18 U.S.C. § 208, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interest of Worth Publishers or Thomson Publishers.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

I presently serve as the co-trustee of a testamentary trust for Dorothy Mankiw, my mother, in which I have a one-half of the remainder interest. I do not receive compensation for serving as a co-trustee. Upon confirmation I will resign my position as a co-trustee. I will continue to have a remainder interest in the underlying assets of the trust. As required by 18 U.S.C. § 208(a), I intend to obtain a written waiver, pursuant to section 208(b)(1) to allow me to participate personally and substantially in any particular matter that will have a direct and predictable effect on my financial interests stemming from this trust or those of any other person whose interests are imputed to me.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None.

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

As noted above, upon confirmation I will resign my position as a co-trustee of the testamentary trust for my mother. I will continue to have a remainder interest in the underlying assets of the trust. As required by 18 U.S.C. § 208(a), I intend to obtain a written waiver, pursuant to section 208(b)(1) to allow me to participate personally and substantially in any particular matter that will have a direct and predictable effect on my financial interests stemming from this trust or those of any other person whose interests are imputed to me.

**Civil, criminal and  
investigatory  
actions:**

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None.

<b>STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES</b>
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<b>Name:</b>	<b>Nesmith</b>	<b>Steven</b>	<b>N/A</b>
	(Last)	(First)	(Other)

**Position to which nominated:** Assistant Secretary for Congressional and Intergovernmental Affairs

**Date of nomination:**

<b>Date of birth:</b>	<b>20</b>	<b>12</b>	<b>1961</b>	<b>Place of birth:</b> Bridgeport Conn.
	(Day)	(Month)	(Year)	

<b>Marital Status:</b> Married	<b>Full name of spouse:</b> Christelle Nesmith
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**Name and ages of children:** Stephan Nesmith 2 years old

<b>Education:</b>	<b>Institution</b>	<b>Dates attended</b>	<b>Degrees received</b>	<b>Dates of degrees</b>
1.	Murrell Dobbins Vocational Tech Philadelphia, Pa.	1976-1979	N/A	
2.	Malvern Preparatory School Malvern, Pa.	1979-1981	High School Diploma	1981
3.	American University	1981-1985	Bachelor of Arts Criminal Justice	1985
4.	Georgetown University Law school	1989-1992	Juris Doctor	1992



**Honors  
and awards:**

List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

1. Four- year basketball scholarship to American University 1981-1985.
2. Lyndon Baines Johnson Intern, with former Congressman William Gray 1983.
3. Recognize by the Washington D.C. Basketball Hall of Fame as a senior at American University in 1985.
4. Award for Outstanding Service in Student Government at Georgetown law school 1992.

**Memberships:**

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
1. The Pennsylvania Bar Association Board of Governors (I was the President of the Young Lawyers Division)		1996-1998
2. Big Brothers/Big Sisters Association of Philadelphia Board of Directors		1997-1998
3. Malvern Preparatory School Board of Trustees		1997-1998
4. The Walnut Street Theater of Philadelphia Board of Trustees		1998-1999
5. The Judicature Society Board		2000-2001

**Employment record:**

List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

1. Summer 1983: Lyndon Baines Johnson Intern for former Congressman William Gray, Washington D.C.
2. 1985-1986: I played professional basketball in London England. My employer was Tower Hamlets Basketball Club.
3. 1986-1987: I played professional basketball in Cork, Ireland. My employer was the Blue Deamons Basketball Club.
4. 1988-1989: I played professional basketball in Lisbon, Portugal. My employer was the Queluz Basketball Club.
5. Summer 1990: Research Intern, Joint Center for Political and Economic Studies in Washington, D.C.
6. Summer 1990: U.S Attorney Office Washington D.C. Summer Intern in the Civil Division.
7. Summer 1991: I was a summer associate at the law firm of White and Williams.

8. 1993-1994: I worked as a law clerk to the Chief Justice of the Pennsylvania Supreme Court, Robert N.C. Nix in Philadelphia.
9. February 1994- October 1994: I worked as Special Assistant for U.S. Senator Harris Wofford.
10. November 1994-1996: worked for the law firm Saul, Ewing, Remick & Saul as a corporate litigation attorney.
11. May, 1996- Jan, 1998: worked for the law firm Wolf, Block, Schorr, Solis & Cohen as a senior corporate litigation attorney.
12. Jan, 1998- Feb, 1999: worked as Director of Operations; Philadelphia Mayor's Office of Community Services/U.S. Dept. HUD Empowerment Zones.
13. June, 1999- July 2001: worked as Senior Counsel at the lobbying firm of the Legislative Strategies Group LLC, Washington D.C.
14. July- 2001- Oct, 2002: Deputy Assistant Secretary for Congressional and Intergovernmental Affairs, U.S. Dept. of Commerce's Economic Development Administration.

#### **Government**

**experience:** List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

1. Summer 1983: Lyndon Baines Johnson Intern for former Congressman William Gray, Washington D.C
2. 1993-1994: I worked as a law clerk to the Chief Justice of the Pennsylvania Supreme Court, Robert N.C. Nix in Philadelphia.
3. Jan, 1998- Feb, 1999: worked as Director of Operations; Philadelphia Mayor's Office of Community Services/U.S. Dept. HUD Empowerment Zones.
4. July- 2001- Oct, 2002: Deputy Assistant Secretary for Congressional and Intergovernmental Affairs, U.S. Dept. of Commerce's Economic Development Administration.

#### **Published**

**Writings:** List the titles, publishers and dates of books, articles, reports or other published materials you have written.

I have never written any articles or books. However, during my time as President of the Young Lawyers Division of the Pennsylvania Bar Association; I wrote a monthly legal column in the "Bar Association's Newsletter."

#### **Political**

##### **Affiliations**

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

Pennsylvania's African Americans for George Bush Presidential Campaign:

May. 2000-Nov. 2000. Helped organized "Get Out The Vote" efforts in Philadelphia.

**Political**

**Contributions:** Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

NONE

**Qualifications:** State fully your qualifications to serve in the position to which you have been named.

SEE ATTACHEMENT # 1 WHICH DETAILS MY BIOGRAPHICAL DATA.

**Future employment relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes, I will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

NO, as far as can be foreseen, I have no plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

3. Has anybody made you a commitment to a job after you leave government?

NO.

4. Do you expect to serve the full term for which you have been appointed?

YES.

**Potential conflicts  
of interest:**

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

NONE

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

NONE

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

NONE

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

N/A

**Civil, criminal and  
investigatory  
actions:**

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

I had a judgement filed against my campaign (Steve Nesmith for City Council) in 1999 in Philadelphia for \$ 5,000.00 for helping out with the campaign. This campaign debt has been combined with my consolidated debt for payment.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

**NONE!** I have never had any proceeding, inquiry or investigation by any professional association including any bar association in which you I was, or am now the subject of the proceeding, inquiry or investigation.

## STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: TERAN Jose Francisco  
(Last) (First) (Other)  
 Position to which nominated: National Institute of Building Sciences Date of nomination: April 2, 2003  
 Date of birth: 18 10 32 Place of birth: City of Leon, NICARAGUA  
(Day) (Month) (Year)  
 Marital Status: Married Full name of spouse: Maria Lourdes Balladares de Teran  
 Name and ages of children: Carmen Ocon, 39 Gabriela Teran, 28  
Carolina Weitzman, 37  
Maria Lourdes Collo, 32

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	Colegio Centroamérica	1946-50	High School	02-1950
	University of Michigan	1951-56	Bach of Architecture	1956
	University of Michigan	1956-58	Master of Architecture	02-1958
	J.NCAE - Harvard	1968	Advanced Management	1968
	Real Estate, Texas	1984 to present	Broker	
	Real Estate, Florida	02/15/02 -	Broker	

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

"Special Medal of Honor", 1950, Jesuit's High School  
 "Freshman of the Year", Wilson Teachers College, Washington, D.C.  
 "Ben and Lucille Brown Scholar", University of Michigan, 1951  
 "Charles W. Ottumood" Research Fellowship in Architecture,  
 University of Michigan, 1956  
 "Order of Ruben Daro", 1968, NICARAGUA  
 "Distinguished Citizen", Mayor and City Council, City  
 of Houston, Texas, 1995  
 "Jose Martí" award, 1998, Institute of Hispanic Culture,  
 Houston, TX  
 Medals 1989 and 1994 for design of National Theatre,  
 Nicaragua

## Memberships:

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
American Institute of Architects		1982 to present
A.I.A., Houston, TX, Chairman International Committee		
Licensed Architect, State of Texas		March 82 to present
Licensed Interior Designer, Texas		October 94 to present
Houston Board of Realtors		1984 to 1998
Society of Architectural Historians		2000 to present
West Houston Rotary Club		mid 1980's

(Continued see attached page)

## Employment record:

List below all positions held since college, including the title or description of job, name of employer, location of work, and dates of inclusive employment.

- Design team, Minoru Yamasaki & Associates, 1958-59
- Instituto Fomento Nacional, INECOLAB, Nicaragua, development of regional construction materials for low cost housing - 1956
- A.I.S.A., Vice President, 1960 to 1979
- Osorio y Teran, Architects and Engineers, 1967 to 1979
- C.F.I., Vice President 1967 to 1979
- CAPSA Savings and Loan, Vice President, 1968 to 1979
- Inmobiliaria La Torre, Guatemala, 1979-1980 - President
- Alborada S.A., Guatemala, 1979-1980 - Gen. Manager
- Duerr, Dealy Investments, Inc., Houston, TX, 1980-84 - Vice President
- NATE CORPORATION, Houston, TX, 1984-1999, President and CEO.
- Jose F. Terron, A.I.A., Consultant, 1999 to present
- NACPROL U.S.A., Inc., Vice President, 1984 to present.

Government  
experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

Ministry of Infrastructure and Development,  
"Superior Urban Council," Council Member  
1965-1974.  
Director, Cultural Council, Government  
of Nicaragua - Ad Honorem - 2001 to  
present.

Published  
Writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

- "DIMENSION" College of Architecture & Design,  
University of Michigan, Editorial, Vol. 1, No. 2, 1956  
"ALLOCATION FOR ARCHITECTURAL RESEARCH",  
Vol. 5, No. 1.  
"MATTHIAS GOERITZ" an Introduction, Vol. 3, No. 2.
- "LA CONSTRUCCION EN NICARAGUA", INEQUAS, 1956
- "PERCEPTION AND ORIENTATION IN ARCHITECTURAL  
SPACE", a thesis, University of Michigan, 1958
- "El Teatro Nacional Ruben Dario", La Prensa, Dec. 1994
- "La Arquitectura y las Ingenierias", La Prensa, May 8, 1970
- "Situación de la Industria de la Construcción y su  
futuro", 1971 (Continued see attached pages)

Political  
Affiliations  
and activities:

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

- Republican National Committee Since 1993
- Life Member R.N.C
- Republican Party of Florida



## Political

## Contributions:

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

See Attached Pages

## Qualifications:

State fully your qualifications to serve in the position to which you have been named.  
(attach sheet)

See Attached Pages

Future employment  
relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

NO

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

NO

3. Has anybody made you a commitment to a job after you leave government?

NO

4. Do you expect to serve the full term for which you have been appointed?

YES

Potential conflicts  
of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

NONE

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

NONE

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

NONE

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

N/A

Civil, criminal and  
investigatory  
actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

NONE

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NONE

**COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS  
UNITED STATES SENATE**

**Statement for completion by presidential nominees  
Nominee: Jose Francisco TERAN  
Position: Director NIBS**

**ATTACHMENTS: (Page 1 of 5)**

**Page 2: Memberships:**

Institute of Hispanic Culture, Houston, Texas, for about 10 years, 1980's

St. Cecilia Catholic Church, Houston, Texas, parishioner and lector minister, 1980 to 1999

St. Agnes Catholic Church, Key Biscayne, Florida, 1999 to present

Kings Manor Homeowners Association, Kingwood Texas, President, 1994 to 2002

Grand Bay Residences Condominium Association, Inc., Key Biscayne, Florida, Member, Vice President of the Board of Directors 2001-2003. Current President of the Board of Directors.

Grand Bay Club, Key Biscayne, Florida, 1999 to present.

Greater Houston Homebuilders Association, Approximately from 1995 to 1998

University of Michigan Alumni Association since graduation to present.

Republican National Committee member # 10328238 since 1993 to present. Life Member also.

**COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS  
UNITED STATES SENATE**

**Statement for completion by presidential nominees  
Nominee: Jose Francisco TERAN  
Position: Director NIBS**

**ATTACHMENTS: (Page 2 of 5)**

**Page 3: Published Writings:**

"El Sector Privado Organizado en el Desarrollo Nacional", 1976

"Rehabilitation of Buildings Damaged by Earthquakes", 1979

"Historical Context of Building Forms in Managua" World Seismic Congress, San Francisco, California, 1973.

"The Sandinistas", Houston Chronicle, 1986

;"La Poesia de Ruben Dario", Institute of Hispanic Culture, Houston, Texas, "Jose Marti" Award. Book published by "Fundacion Vida", 2001

"Ecos, Ruidos, Musica y Danza en Dario por Dario", 2002, Central Bank of Nicaragua.

**Page 4: Statement of Purpose and Service:**

I have the academic and post-academic training and 50 years of solid and continuous experience in Architecture, Urban Design, Construction, Management, Real Estate Development and other disciplines, both in the United States and abroad, to be able to contribute to the National Institute of Building Sciences' goals and objectives: To improve the building regulatory environment, to integrate the latest developments in science and technology into the building process and to improve communication at all levels. If confirmed by the Banking Committee and the Senate, I will serve faithfully and dedicate whatever efforts are needed to contribute to keep and enhance the leadership of our country in the art and sciences of Construction theory and practice. If confirmed, this appointment will constitute the highest honor that I have received in my life and I will endeavor to serve to the best of my abilities.

**COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS  
UNITED STATES SENATE**

**Statement for completion by presidential nominees**

**Nominee: Jose Francisco TERAN**

**Position: Director NIBS**

**ATTACHMENTS: (Page 3 of 5)**

**Political Contributions:**

From 1995 to 1999 I made contributions of not more than \$500 each to the campaigns of several Houston City Council candidates, republican and democrat. Two more contributions may have been for not more than \$1,000.

Since 1993 I have been a regular contributor to the Republican National Committee and to the Republican Party of Florida for amounts less than \$500 and I am a Life Member of the RNC.

\$1,000 contribution to Primary campaign of Senator Phil Gramm

In 2000 my wife and I made a \$500 contribution each to the campaign of President George W. Bush.

On 4/2003 I made a \$500 contribution to the Presidential Dinner for President Bush.

**Jose Francisco Teran, AIA**

445 Grand Bay Drive # 702  
Key Biscayne, FL 33149

Tel: (305) 365 0379  
e-mail: [popejfr@aol.com](mailto:popejfr@aol.com)

Fax: (305) 365 9331

May 8, 2003

Hon. Mr. Richard Shelby, Chairman  
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS  
534 Dirksen Building  
Washington, D.C. 20510

**Ref: My Presidential Nomination for Director of the National Institute of Building  
Sciences ( NIBS )**

Your Honor:

It is a great honor for me to be nominated by President George W. Bush to be a director of the National Institute of Building Sciences, NIBS. I now appear before you and the Committee on Banking, Housing and Urban Affairs of the United States Senate to present what I believe to be my credentials for that high position of the Administration and to answer any questions that you and your colleagues may have to be confirmed by your Committee.

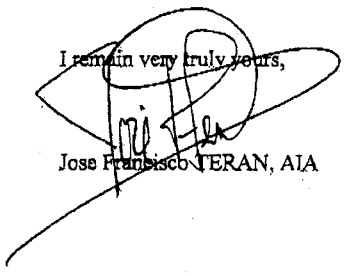
I have the academic and post-academic training and 50 years of solid and continuous experience in Architecture, Urban Design, Construction, Management, Real Estate Development and other disciplines, both in the United States and abroad, to be able to contribute to the National Institute of Building Sciences' goals and objectives: To improve the building regulatory environment, to integrate the latest developments in science and technology into the building process and to improve communication at all levels. If confirmed by the Banking Committee and the Senate, I will serve faithfully and dedicate whatever efforts are needed to contribute to keep and enhance the leadership of our country in the arts and sciences of Construction theory and practice.

If confirmed, this appointment will constitute the highest honor that I have received in my life and I will endeavor to serve to the best of my abilities.

I have been instructed to appear before you on Tuesday morning at 9:30 AM. This to confirm my appearance on that date and hour.

I thank the Committee for the work done on my nomination and I will endeavor to correspond your efforts with the quality of work I plan to do if I am confirmed by the Senate.

I remain very truly yours,



Jose Francisco TERAN, AIA



## STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: BROADDUS JAMES ANTHONY  
(Last) (First) (Other)  
 Position to which nominated: BOARD OF DIRECTORS NATIONAL INSTITUTE FOR BUILDING SCIENCES Date of nomination: APRIL 2003  
 Date of birth: 4 Aug 1947 Place of birth: SAN ANTONIO, TEXAS  
(Day) (Month) (Year)  
 Marital Status: MARRIED Full name of spouse: KAY HOLMES BROADDUS  
 Name and ages of children: SCOTT ANTHONY BROADDUS - AGE 31  
ALH JEFFREY JORDAN BROADDUS, USMC - AGE 27

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	UNIVERSITY OF TEXAS	SEP 65 - MAY 70	B.S. CIVIL ENGR.	MAY 70
	UNIVERSITY OF TEXAS	SEP 71 - DEC 75	M.S. CIVIL ENGR.	MAY 76
	UNIVERSITY OF TEXAS	SEP 81 - AUG 83	PH.D. CIVIL ENGR.	MAY 91
	(*REGISTERED IN ABSENCE - WORKING ON DISSERTATION)			

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

ACADEMIC - <sup>(1)</sup> CHI Epsilon <sup>(2)</sup> Xi CIVIL ENGR HONORARY <sup>(3)</sup> TAU BETA PI - ENGR. HONOR.  
<sup>(3)</sup> BSCE DEGREE CUM LAUDE

MILITARY - <sup>(1)</sup> LEGION OF MERIT, <sup>(2)</sup> MERITORIOUS SERVICE MEDAL (TWICE), <sup>(3)</sup> NAVY COMMENDATION MEDAL (TWICE), <sup>(4)</sup> NAVY ACHIEVEMENT MEDAL,  
<sup>(5)</sup> SEA SERVICE DEPLOYMENT RIBBON, <sup>(6)</sup> PRESIDENTIAL SERVICE BADGE

PROFESSIONAL - DESIGN BUILD INSTITUTE OF AMERICA - SPECIAL RECOGNITION AWARD

## Memberships:

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
BOYS & GIRLS CLUBS OF AUSTIN	BOARD OF DIRECTORS	JAN 2003 - PRESENT
AMERICAN CONSTRUCTORS (AUSTIN)	BOARD OF ADVISORS	DEC 98 - DEC 2002
3D/INTERNATIONAL (HOUSTON)	BOARD OF ADVISORS	NOV 98 - MAR 2001
LONGHORN FOUNDATION MILITARY VETERANS COMMITTEE (AUSTIN)	MEMBER	1999 - PRESENT
NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS	MEMBER	1991 - PRESENT
DESIGN-BUILD INSTITUTE OF AMERICA	MEMBER	DEC 2000 - PRESENT
SOCIETY OF AMERICAN MILITARY ENGRS.	MEMBER	1970 - PRESENT
MILITARY OFFICERS ASSN OF AMERICA	MEMBER	1991 - PRESENT
NAVY LEAGUE	MEMBER	2001 - PRESENT

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

### U.S. NAVY CIVIL ENGINEER CORPS OFFICER / SEABEES

JUN 70 - SEP 70 STUDENT; CIVIL ENGR OFFICER SCHOOL PT. HUENEME, CA  
 SEP 70 - AUG 72 PUBLIC WORKS CENTER; SUBIC BAY, PHILIPPINES  
 SEP 72 - AUG 74 PUBLIC WORKS OFFICER; NAVAL FACILITY ORANGE, TX  
 SEP 74 - DEC 75 GRADUATE STUDENT, UNIV. OF TEXAS AUSTIN, TX  
 JAN 76 - JAN 78 RESIDENT OFFICER IN CHARGE OF CONST.; SAN DIEGO, CA  
 FEB 78 - JUN 80 NAVAL MOBILE CONST. BATTALION 67; GULFPORT, MS  
 JUL 80 - AUG 81 NAVAL CONST TRAINING CENTER; GULFPORT, MS  
 SEP 81 - AUG 83 NAVAL RESERVE CONSTRUCTION FORCE, AUSTIN, TX  
 SEP 83 - JUN 85 MILITARY CONSTRUCTION CHIEF OF NAVAL OPERATIONS  
 PRESIDENTIAL RETREAT WASHINGTON, DC  
 JUL 85 - JUL 88 COMMANDING OFFICER, CAMP DAVID, MD  
 AUG 88 - AUG 90 ACQUISITION OFFICER, NAVAL FACILITIES ENGR.  
 CHARLESTON, SC.

### CIVILIAN CAREER

SEP 90 - MAY 94 ASSOC. DIRECTOR, CONST. INDUSTRY INSTITUTE  
 AUSTIN, TX  
 MAY 94 - NOV 98 DIRECTOR, PLANNING & CONSTRUCTION  
 UNIV. OF TEXAS SYSTEM, AUSTIN  
 NOV 98 - NOV 2000 PRESIDENT & CEO, DESIGN-BUILD INSTITUTE  
 OF AMERICA, WASHINGTON, D.C.  
 NOV 2000 - PRESENT PRESIDENT, BROADBUS & ASSOC., INC.  
 AUSTIN, TX

Government  
experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

U.S. NAVY CIVIL ENGINEER CORPS OFFICER - 1970-1990

PERFORMED CONSULTING WORK FOR THE FOLLOWING AGENCIES:

U.S. DEPT OF ENERGY; FEDERAL BUREAU OF PRISONS; WILLIAMSON  
COUNTY, TEXAS; HENDERSON COUNTY, TEXAS; CITY OF AUSTIN, TEXAS;  
DALLAS AREA RAPID TRANSIT; UNIVERSITY OF TEXAS SYSTEM; SOUTH TEXAS  
COMMUNITY COLLEGE; DALLAS COUNTY HOSPITAL DISTRICT; GEN'L SERVICE ADMIN.  
ADVISORY WORK - DESIGN/BUILD SELECTION COMMITTEE FOR (GSA)  
U.S. DEPT OF STATE - REPLACEMENT NAIROBI EMBASSY

Published  
Writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

DESIGN EFFECTIVENESS IN CONSTRUCTION: THE RELATION-  
SHIP BETWEEN INPUTS TO THE DESIGN PROCESS AND  
PROJECT SUCCESS; DISSERTATION, MAY 1991.

DESIGN-BUILD MAGAZINE; MCGRAW-HILL PUBLISHER  
ARTICLES: "10-POINT PLAN FOR OWNERS & DESIGN-BUILD  
"BEST PRACTICES BALANCE PEOPLE, PROCESSES", June 2000  
Monthly "President's Article-DBIA", Nov 98 - Oct 2000

Political  
Affiliations  
and activities:

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

ASSOCIATION EXECUTIVES FOR BUSH FOR PRESIDENT 1999-2000  
-MEMBER

HOST COMMITTEE FOR 2 BUSH FOR PRESIDENT FUND RAISERS  
HOST COMMITTEE FOR CHENEY FUND RAISER (2000)

- ALL 3 FUND RAISERS HELD IN WASHINGTON D.C.

## Political

## Contributions:

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

6/1999 \$1000 - Geo. W. Bush(R) for Republican Nominee for President (Primary)  
 5/2000 \$1000 - Geo W. Bush(R) for President (Gen'l Election)  
 7/2000 \$2000 - RNC Convention Costs  
 5/2001 \$1000 - Frankie Limmer for Williamson County Pct 4 Commission  
 12/2001 \$1000 - John Doerflinger for Williamson County Judge  
 5/2001 \$1500 - Greg Boatright for Williamson County Pct 2 Commissioner  
 5/2002 \$10/2002 \$700 - Ben Bandy in(R) for Texas State Senate  
 6/2002 \$500 - Todd Bayler (R) for Texas State Representative  
 4/2000 \$5000 - Design Build Institute of America P/C

## Qualifications:

State fully your qualifications to serve in the position to which you have been named.

(attach sheet)  
 to Buildings - My NIBS mission is focused on National Issues related  
 Building Planning, Design & Construction.  
 Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

No, This is a non-paying, part time Board position. My  
 Project Management Consulting business will continue to operate

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

N/A See item 1. above

3. Has anybody made you a commitment to a job after you leave government?

N/A See item 1. above

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts  
of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None. The clients of Broadbus Associates and/or our firm have no business relationships with NIRS

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

My consulting company has performed services for Federal Agencies (See Gov't Experience section). All those services have been completed and any consulting contracts <sup>are</sup> currently concluded. My consulting work not been related in any way to Federal Agency interfaces with NIRS and will remain that way.

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

In 2000, as President of Design-Build Institute of America, we supported language in 2000 FAA Reauthorization Act and the Water Resources Development Act encouraging the use of integrated design-build contracting strategies on Federal grant projects.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

None to be resolved. I will be careful not to create conflicts in the future

Civil, criminal and  
investigatory  
actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

**James A. Broaddus, Ph.D., P.E., President**

<b>Education</b>	BSCE 1970,	The University of Texas at Austin, Cum Laude
	MSCE 1976,	The University of Texas at Austin
	Ph.D. 1991,	The University of Texas at Austin
<b>Professional Certification</b>	Registered Professional Engineer, Texas	
<b>Professional Experience</b>	2000 - Present	President, Broaddus & Associates, Inc.
	1998 - 2000	President & CEO, Design-Build Institute of America, Washington, D.C.
	1994 - 1998	Director, Office of Facilities Planning and Construction, U. T. System
	1990 - 1994	Associate Director, Construction Industry Institute, U. T. Austin
	1970 - 1990	Civil Engineer Corps Officer, U.S. Navy
<b>Background</b>	<p><i>Dr. James A. Broaddus, P.E.</i>, President of Broaddus &amp; Associates, Inc., has 30 years of hands-on experience in project management from the owner's perspective. Broaddus &amp; Associates provides innovative project management and consulting for owners with capital construction programs. Currently, Broaddus &amp; Associates is managing project valued at \$285 million for clients such as Williamson County, South Texas Community College, The University of Texas Health Science Center at San Antonio, Texas Southern University and The University of Texas Medical Branch at Galveston.</p>	

Throughout his career, Dr. Broaddus has emphasized improving the project process through innovation, and has conducted extensive research on the effect of pre-project planning on ultimate project success. As the Director of Facilities Planning and Construction for the 15-campus statewide University of Texas System from 1994-1998, he completed \$1.4 billion of a wide variety of projects for research, teaching, athletics, utilities and infrastructure. Of the total, \$600 Million was in projects related to patient care, medical research, and health education. The effectiveness of his projects at U. T. System was due to the strong emphasis placed on front-end planning. While at U. T. System, master plans were conducted at each of the 15 institutions, and compiled in an overall executive summary master plan document. Innovative programs such as constructability, pre-project planning, partnering, and alternate project delivery have been used on his projects effectively, controlling budgets, compressing schedules, and creating satisfied customers.

From 1970-1990, he served in 11 different assignments with the U. S. Navy Civil Engineer Corps and the SEABEES (the Navy's military construction forces), which included project management responsibilities on a wide variety of major contract design and construction work. Key positions included: (1) responsibility for the \$500 million per year engineering and construction program in the Navy's 11-state southern region, (2) major project planning and budgeting for the Chief of Naval Operations in the Pentagon, and (3) a unique assignment as Commanding Officer of the Presidential Retreat at Camp David, Maryland. In the SEABEES, he directed a 700-man construction work force overseas in the Pacific and Europe, accomplishing a wide variety of projects. While in the Navy, he conducted research for his graduate degrees that provided innovative options to the Navy to improve project delivery and pre-project planning. During his 20-year Navy career, he retired at the rank of Commander and received seven personal decorations, including the Legion of Merit.

Dr. Broaddus served as the Associate Director for Implementation Programs at the Construction Industry Institute, a research center funded by private owner engineering and construction companies, from 1990-1994. From 1998-2000, he was the President and CEO of the Design-Build Institute of America (DBIA), an 850-member organization headquartered in Washington, D.C. that supports the professional use of an integrated design and construction contracting approach. During his tenure, membership doubled, a national network of regional chapters was established, and design-build legislation for federal programs in several states was passed.

**BROADDUS**

<b>STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES</b>
--

**Name:**

(Last) Pate

(First) Paul

(Other) Danny

**Position to which nominated:** Board of Directors, National Institute of Building Sciences**Date of nomination:** April 8, 2003**Date of birth:** 01 May 1958  
(Day) (Month) (Year)**Place of birth:** Ottumwa, Iowa**Marital Status:** Married**Full name of spouse:** Jane Ann Pate**Name and ages of children:**

Jennifer Ann Pate, 21

Amber Lynn Pate, 18

Paul Daniel Pate, 18

Brandon Tyler Pate, 3

**Education:**

Institution	Dates attended	Degrees received	Dates of degrees
Kennedy High School	1972-1976	Diploma	June 1976
Kirkwood Community College	1977-1978	Associate of Arts	August 1978

**Honors and awards:**

List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognition for outstanding service or achievement.

United States Small Business Administration (SBA) Iowa Entrepreneur of the Year  
 Blue Chip Award Winner, United States Chamber of Commerce  
 Outstanding Community Leader designation from the *Des Moines Register*  
 Kirkwood College Alumni of the Year  
 Guardian of Small Business Award from the National Federation of Independent Business

**Memberships:**

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
<i>All dates are approximate</i>		
Association of General Contractors of America		since January 1995
Cedar Rapids Area Chamber of Commerce		since January 1982
Cedar Rapids Area Homebuilders Association		since 1982
Iowa Commission on the Status of Women		January 1989-January 1994



Iowa Comprehensive Health Insurance Association Board of Directors since June 1998  
 Iowa League of Cities Executive Board since September 2002  
 Iowa Right to Work Board since January 1990  
 National Asphalt Paving Association Associates Council since January 2002  
 National Federation of Independent Business member since January 1982  
 National Homebuilders Association member since 1982  
 Professional Estimators Association member since January 2000  
 Rotary International Honorary Member since October 2002  
 US Conference of Mayors member since January 2002  
 US Conference of Mayors Great Lakes Region Community Development and Housing  
 Committee Chair since January 2003

**Employment record:** List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

City of Cedar Rapids  
 Location -- Cedar Rapids, Iowa  
 Mayor January 2002 to present  
 President of City Council, Commissioner of Public Affairs

State of Iowa  
 Location -- Des Moines, Iowa  
 Secretary of State January 1995 to December 1998  
 Commissioner of Elections and Vice Chair of the Iowa Executive Council

State of Iowa  
 Location - Des Moines, Iowa  
 State Senator January 1989 to January 1995  
 Represented parts of Linn and surrounding counties in the Iowa Legislature/Iowa Senate

Pate Asphalt Systems/PM Systems Corporation  
 Location -- Cedar Rapids, Iowa metropolitan area  
 Sales/Estimator May 1976 to May 1981  
 General Manager May 1981 to March 1984  
 President/Owner March 1984 to present

**Government experience:** List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

I previously served as state senator, Iowa Secretary of State, and currently serving as Mayor as listed above.

**Published Writings:** List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Not applicable.

**Political**

**Affiliations**

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

Iowa Young Republicans Chair, 1989-1993  
 Phil Gramm for President, Iowa Co-Chair, 1995-96  
 Elizabeth Dole for President, Iowa Chairman, 1999-2000  
 George W. Bush for President Iowa Small Business Council Chair, 2000

**Political**

**Contributions:**

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

Republican Party of Iowa, estimated \$1000

**Qualifications:**

State fully your qualifications to serve in the position to which you have been named.

I, Paul D. Pate, Mayor of Cedar Rapids, Iowa and owner of Pate Asphalt/PM Systems Corporation, look forward to the opportunity to serve on the Board of Directors of the National Institute of Building Sciences.

This position presents an opportunity for me to apply my passion for leadership, learning, hard work and economic development in a national setting. I am qualified in part because I view the position as an opportunity to do my best, keep moving forward and help create common benefit through the public-private partnership this board represents.

As Mayor, former Secretary of State and former state senator, I bring nearly 12 years of legislative and executive experience in state and local government to this nomination. For example, one of the strengths of Cedar Rapids is the affordability of the housing market. I can offer perspective on governmental impact on the market and learn from colleagues on the board.

If confirmed, I will actively engage myself in all aspects of the Institute's public mission to improve the building regulatory environment, facilitate technology introduction and disseminate information. For example, the Mayor's Building and Development Task Force I founded in Cedar Rapids last year is a successful example that may be replicated in other areas of the country for local impact on keeping economic development moving forward.

I am a third generation professional in the building/professional development trade. Thanks to the foundation values instilled by my father and grandfather, I worked from the ground up and complete the highest quality work I can. This family tradition, including 27 years of personal experience, means I understand the firsthand perspective of builders because I am proud to be one.

In closing, I consider it an honor to be nominated by our President, George W. Bush, and considered by the Senate for this position. I will apply my passion for moving forward on even more effective partnerships between government and the private development industry if confirmed for this position.

As a leader and former President I admire, Teddy Roosevelt once said, "The government is us — you and me!"

President Roosevelt also said, "The first requisite of a good citizen in this republic of ours is that he shall be able and willing to pull his weight."

I will carry the honor and personal responsibility those statements imply forward, applying the best of myself as a member of the Board of Directors of the National Institute on Building Sciences. Thank you for your consideration of my confirmation.

**Future employment relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

I plan to maintain employment as Mayor of Cedar Rapids, Iowa and will continue on as President of PM Systems Corporation.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

Not applicable

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

**Potential conflicts of interest:**

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None known

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None known

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

As Mayor, regular meetings and correspondence with Iowa Congressional delegation on City funding priorities

As Secretary of State, regular meetings and correspondence with Iowa Congressional delegation regarding election law issues

I have also addressed small business issues through meetings and correspondence connection to my membership in the National Federation of Independent Business, Chamber of Commerce, Home Builders Association, etc.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

I am not aware of any specific issues that would conflict with my service on the National Institute of Building Sciences Board of Directors. In the event that issues come up that may be a conflict given my involvement listed above, I will abstain from voting/board action on those items.

**Civil, criminal and  
investigatory  
actions:**

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

I previously served as state senator and later as Iowa Secretary of State. Near the end of my term as Secretary of State, I decided to seek the Republican nomination for Governor. During that primary election campaign, a disgruntled former employee of the Secretary of

State's office (who was actively supporting my opponent) filed a complaint with the Iowa Ethics and Campaign Disclosure Board.

The former employee alleged that I knowingly allowed campaign work to be conducted in the Secretary of State's Office. Following my own intensive internal investigation and an independent investigation by the Iowa Ethics and Campaign Disclosure Board, the Board concluded, "...there is no evidence of knowledge or approval on the part of Secretary Pate of the events..."

Because the violations occurred in my office, I agreed to an informal settlement, which included a detailed list of corrective measures as well as a letter of reprimand. Those corrective measures, most of them suggested by me, included reimbursement of \$250.00 for the use of State property.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

## STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Carson Lane Anderson  
(Last) (First) (Last) (middle)  
 Position to which Member/Board of Directors Date of  
 nominated: National Institute of Building Sciences nomination: April 2, 2003  
 Date of birth: 21 Aug. 1947 Place of birth: New Orleans, LA  
(Day) (Month) (Year)  
 Marital Status: Married Full name of spouse: Laura Lewis Carson  
 Name and ages  
 of children: Rebecca Carson Age 22  
Christopher Carson Age 21

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	<u>Louisiana State Univ.</u>	<u>9/65-12/69</u>	<u>B.S.</u>	<u>7/71</u>
	<u>Tulane University</u>	<u>9/72-5/74</u>	<u>J.D.</u>	<u>5/74</u>

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.  
Purple Heart, Vietnam Campaign Medal; Vietnam Service Medal,  
Greater New Orleans "Outstanding Vietnam Veteran",  
National DAR Medal of Honor  
Citation for Meritorious Service by the Veterans Admin. for  
Outstanding Service to the Veterans of America

## Memberships:

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
<u>Alpha Tau Omega Social Frat.</u>		<u>66-69</u>
<u>Pi Tau Pi Honorary Business Frat.</u>		<u>66-69</u>
<u>Mandeville Chamber of Commerce</u>	<u>Director</u>	<u>mid 80's</u>
<u>Covington Chamber of Commerce</u>	<u>Director</u>	<u>mid 80's</u>
<u>W. St. Tammany Chamber of Commerce</u>		<u>90's</u>
<u>VFW, American Legion, DAV</u>		<u>70's to present</u>
<u>Am. Vets, Military Order of the Purple Heart</u>		<u>70's to present</u>

## Employment record:

List below all positions held since college, including the title or description of job, name of employer, location of work, and dates of inclusive employment.

1985-Present-Chief, Civil Div., District Attorney, 22nd JDC of LA.  
Walter Reed, District Attorney, Covington, LA  
 1977-Present-Attorney at Law, Lane Carson & Assoc., Mandeville/  
Covington, LA  
 1982-83-Assst. Secy, Office of Licensing and Regulation, LA Dept.  
of Health and Human Resources, Baton Rouge, LA  
 1976-1982-Member Louisiana Legislature  
 1976-1977-Associate Attorney, Hammatt, Leake, and Hammatt, New  
Orleans, LA  
 1974-1975-Law Clerk, La. Arch Circuit Court of Appeals, New  
Orleans, LA  
 1970-1971-Military service 2LT, Basic Combat Training Brigade,  
Ft. Lewis, Wash, 1st LT, Combat Platoon Leader, 1st of 5th  
Infantry Div., 3. Vietnam  
 1965-1969 -Lou-Con Construction Co., Helper, New Orleans, LA

**Government  
experience:**

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

1982- Appointed to Veterans Administration Readjustment Counseling Committee

1982 - Appointed by President Reagan to Architectural and Transportation Barriers Compliance Board.

1982 - Member Southwest Regional Selection Panel for the 1982-83 White House Fellowship Program

2002 - Appointed by Gov. Foster to the LA Veterans Affairs Committee

**Published  
Writings:**

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

NONE, except as a Louisiana legislator, from 1976-1982, I have written press releases and reports to constituents.

**Political  
Affiliations  
and activities:**

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

1992- La. Veterans for Bush

1996- Re-elect DA Walter Reed Committee

2000 - Co-Chairman, La. Veterans for Bush-Cheney

2000 - St. Tammany GOP Political Executive Committee

2002 - Re-Elect DA Walter Reed Committee



**Political****Contributions:**

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

2002 -- \$500 DA Walter Reed

1996 -- \$500 DA Walter Reed

**Qualifications:**

State fully your qualifications to serve in the position to which you have been named.  
(attach sheet)

**Future employment  
relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

No, this is a part time board appointment.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

N/A

3. Has anybody made you a commitment to a job after you leave government?

No.

4. Do you expect to serve the full term for which you have been appointed?

Yes

**Potential conflicts  
of interest:**

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

NONE

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

NONE

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

NONE

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

N/A

Civil, criminal and  
investigatory  
actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

USDC, Civil action #003419, New Orleans, LA, plaintiff sued

St. Tammany Parish and Asst. D.A. Lane Carson over status of

public road on the side of his property. District Court

dismissed plaintiff's suit. 5th Circuit affirmed dismissal.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NONE

MEMO

TO: MEMBERS OF THE COMMITTEE ON BANKING, HOUSING &  
URBAN AFFAIRS

Attn: Jennifer Amatos

FROM: LANE CARSON/ NATIONAL INSTITUTE OF BUILDING  
SCIENCES APPOINTMENT (NIBS)

As a youngster, I grew up in the building trades while working in my father's construction company. I had the opportunity to work along with various contractors and sub-contractors. After completing my studies in Business and Public Administration at LSU, and completing my military obligation in Vietnam, I came home and received my law degree from Tulane University through the V.A. Vocational Rehabilitation Program.

After law school, I was elected to the Louisiana Legislature where I worked closely with the building construction and real estate industries.

Following the legislature, I served as Assistant Secretary, Louisiana Department of Health and Human Resources under Governor Dave Treen. In that capacity, I was in charge of the Office of Licensing and Regulation where capital construction decisions for hospitals, nursing homes, and other health care facilities were made. I also was responsible for the licensure and regulation of these same facilities.

After serving as a Louisiana state health official, I obtained my Louisiana State General Contractors license and a Louisiana Real Estate Brokers license. I have renovated several multi-family units, and an 18-unit office complex in the town of Covington, Louisiana.

Finally, as Chief of the Civil Division for D.A. Walter Reed for 18 years, I have been the legal advisor to St. Tammany Parish, one of the fastest growing counties in the Southeast. I have been on the ground floor as the

legal advisor in regards to construction, permits, building codes, zoning and land use, etc.

Therefore, I believe that my background as a disabled Vietnam veteran; as a legislator working well with the building and construction industry; as a public official reviewing construction of health care facilities; as a licensed general contractor and real estate broker who is familiar with the associations and consumer interests, and finally as an attorney representing local government in one of the fastest growing counties in the southeast, I would be a good addition to the NIBS Board who could help bring understanding and cooperation between government and the construction industries.

## STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: EDWARDS COLVIN MORGAN  
(Last) (First) (Other)

Position to which nominated: NATL. INT. OF BUILDING STANDARD Date of nomination: MAY 1, 2003

Date of birth: 09 - 21 - 1938 Place of birth: CHARLOTTE, NC  
(Day) (Month) (Year)

Marital Status: DIVORCED Full name of spouse: N/A

Name and ages of children: THERESA EDWARDS (38)  
HAYLEY EDWARDS (36)

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	JOHNSON C SMITH UNIV	1956-1960	BS.	1961
	UNIV OF PENNA	1973-1976	MG-A	PENDING

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

MILITARY METALS

## Memberships:

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
<u>NATL. FIRE PROTECTION ASSO.</u>		<u>1973 - 77</u>
<u>ASTM</u>		<u>1973 - 77</u>
<u>NCS BCS</u>		<u>1973 - 77</u>
<u>KAPPA ALPHA PSI</u>		<u>1958 -</u>
<u>AARP</u>		<u>1988 -</u>

## Employment record:

List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

U.S. NAVY RESERVE / CDR / RETIRED  
IND. ENGINEER / CAMPBELL SOUP CO  
PROJECT MANAGER / PHILCO FORD (FORD AEROSPACE)  
DIR. Q/A / TOWNLAND CORP  
\* DIVISION CHIEF (BUILDING CODE ADMIN) STATE OF PA  
MANAGEMENT CONSULTANT / SELF EMPLOYED  
\* ECONOMIC DEV. DIR. / CITY OF PHILA  
\* ASSIST. SECRETARY / NC DOT  
\* RECRUITER / US CENSUS BUREAU  
OFFICE MGR. / H&R BLOCK  
REAL ESTATE BROKER / THE CENSAR CORP.

Government  
experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

SEE ABOVE LIST (\*)

Published  
Writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

"THIRD PARTY INSPECTION" NATL BUREAU OF STANDARDS

Political  
Affiliations  
and activities:

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

REPUBLICAN PARTY (LOCAL, STATE, NATIONAL)

SINCE 1979 - VARIOUS POSITIONS



Political  
Contributions:

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

NONE OVER \$500.00

Qualifications:

State fully your qualifications to serve in the position to which you have been named.  
(attach sheet) DESIGNED, DEVELOPED AND MANAGED A STATEWIDE BUILDING CODE PROGRAMS FOR MODULAR AND MOBILE HOMES

Future employment  
relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

N/A

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

NONE

3. Has anybody made you a commitment to a job after you leave government?

NO

4. Do you expect to serve the full term for which you have been appointed?

YES

Potential conflicts  
of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

NONE

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

NONE

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

NONE

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

N/A

Civil, criminal and  
investigatory  
actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

NONE

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NONE

**RESPONSES TO WRITTEN QUESTIONS OF SENATOR JOHNSON  
FROM N. GREGORY MANKIW**

**Q.1.** Is the goal of the President's tax proposals to raise the fraction of the economy that goes to national saving, or to lower it?

**A.1.** The proposal is intended to increase employment in the short-run by boosting aggregate demand and to increase GDP growth in the long-run by improving economic incentives, particularly by lowering the taxation of capital income. In the short-run, the proposal may reduce national saving by adding to the deficit. In the long-run, the proposal is likely to increase national saving, as private saving is encouraged by the removal of the double tax on corporate income and the expansion of tax-free savings accounts. The President has said that he also favors spending restraint, in order to reduce the deficit and increase national saving.

**Q.2.** Do you believe that a tax cut worsens or improves the budget balance?

**A.2.** Holding Government spending fixed, a tax cut worsens the budget balance to some extent. However, tax cuts that improve economic incentives also promote economic growth, which generates additional revenue. This revenue feedback partly offsets the direct revenue loss, so that a tax cut reduces the budget balance by less than one-for-one. The President has said that he believes that spending restraint is an important counterpart to tax relief.

**Q.3.** Do you believe that a budget deficit raises interest rates relative to what they would otherwise be?

**A.3.** Budget deficits moderately raise interest rates. The 2003 Economic Report of the President (pp. 55–58) estimated that every \$200 billion of additional Government debt causes a long-run increase of 3 basis points in interest rates. The impact of budget deficits on interest rates is one reason why the President is concerned about the deficit and favors spending restraint.

**Q.4.** Do you believe that an increase in the budget deficit crowds out private investment?

**A.4.** In the short-run, budget deficits may actually increase investment by stimulating aggregate demand. In the long-run, all else being equal, budget deficits crowd out private investment by raising interest rates (as discussed above). However, if the budget deficit is associated with tax cuts that encourage private investment, such as the President's proposal to remove the double tax on corporate income, the tax cut may provide an offsetting boost to private investment. The President favors spending restraint to reduce the deficit and prevent the crowding out of private investment.

**Q.5.** Do you believe the official projections from the Office of Management and Budget are a realistic best-guess forecast of the likely path of budget surpluses or deficits over the next 5 or 10 years?

**A.5.** Although I am not an expert on budget forecasting, I am confident the Office of Management and Budget does a capable and professional job, in a volatile economic environment, of forecasting the Federal budget under different assumptions about policy decisions. One set of OMB projections is based on the assumption that the President's proposed policies will be adopted and another is

based on the assumption that current policies will be maintained. Even aside from economic uncertainties, the actual budget surplus or deficit will differ from these projections if different policies are enacted.

**RESPONSE TO A WRITTEN QUESTION OF SENATOR SHELBY  
FROM JAMES A. BROADDUS**

**Q.1.** What are some of the things which could be done to provide greater building safety in tornado-prone areas?

**A.1.** Mr. Chairman, the National Institute of Building Sciences (NIBS) is working vigorously on the issue of tornados and their disastrous effects. HAZUS is a nationally applicable, standardized methodology and software program for estimating potential losses from earthquakes, floods, and wind. HAZUS is being developed by the Federal Emergency Management Agency (FEMA) under a cooperative agreement with the NIBS. It now has the capability to estimate earthquake losses, and flood and wind models are being developed. The NIBS has established a committee of wind engineering experts to provide technical oversight and guidance to the project.

Development of the wind model will continue after 2003, to increase the capability of the model to allow estimating indirect economic losses and impacts to lifelines, and to add the capability to assess the effects of extra-tropical cyclones, tornados, thunderstorms, and hail.

The HAZUS wind model will be an improvement over existing loss estimation models by using a wind hazard-load-damage-loss framework. The model will address wind pressure, wind borne debris, surge and waves, atmospheric pressure change, duration/fatigue, and rain.

The model will have the following features:

- A building classification system that depends on the characteristics of the building envelope and building frame.
- The capability to compute damages based on building classes and the effects of rain, progressive failure.
- The capability to compute damage to contents and building interior.
- The capability to estimate tree blowdown and structure debris quantities.
- Loss estimates will include direct and indirect economic loss, shelter requirements, and casualties.
- Modules will be included to facilitate future assessment of mitigation, benefit cost, and building code issues.

When confirmed as a Board Member, I will monitor the progress of this program, making suggestions as necessary to ensure its value and payback to the Nation's citizens.