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NOMINATIONS OF: ROGER W. FERGUSON, JR., BEN S. BERNANKE, PAUL S. ATKINS, APRIL H. FOLEY, AND JOSEPH MAX CLELAND

HEARINGS

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

ON

NOMINATIONS OF:

ROGER W. FERGUSON, OF MASSACHUSETTS, TO BE VICE CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BEN S. BERNANKE, OF NEW JERSEY, TO BE A MEMBER OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

PAUL S. ATKINS, OF VIRGINIA, TO BE A MEMBER OF THE U.S. SECURITIES AND EXCHANGE COMMISSION

APRIL H. FOLEY, OF NEW YORK, TO BE FIRST VICE PRESIDENT OF THE EXPORT-IMPORT BANK OF THE UNITED STATES

JOSEPH MAX CLELAND, OF GEORGIA, TO BE A BOARD MEMBER OF THE EXPORT-IMPORT BANK OF THE UNITED STATES

OCTOBER 14 AND DECEMBER 9, 2003

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C O N T E N T S

TUESDAY, OCTOBER 14, 2003

	Page
Opening statement of Chairman Shelby	1
Opening statements, comments, or prepared statements of:	
Senator Bunning	2
Senator Sarbanes	11

NOMINEES

Roger W. Ferguson, Jr., of Massachusetts, to be Vice Chairman of the Board of Governors of the Federal Reserve System	3
Prepared statement	27
Biographical sketches of nominee	30
Ben S. Bernanke, of New Jersey, to be a Member of the Board of Governors of the Federal Reserve System	6
Biographical sketches of nominee	39
Paul S. Atkins, of Virginia, to be a Member of the U.S. Securities and Exchange Commission	8
Prepared statement	28
Biographical sketches of nominee	51

TUESDAY, DECEMBER 9, 2003

Opening statement of Chairman Shelby	65
Opening statements, comments, or prepared statements of:	
Senator Sarbanes	66
Senator Allard	68
Senator Miller	77

WITNESS

Thomas A. Daschle, a U.S. Senator from the State of South Dakota	68

NOMINEES

April H. Foley, of New York, to be First Vice President of the Export-Import Bank of the United States	69
Biographical sketches of nominee	78
Joseph Max Cleland, of Georgia, a former U.S. Senator from the State of Georgia, to be a Board Member of the Export-Import Bank of the United States	70
Biographical sketches of nominee	87

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

Letter to Senator Paul S. Sarbanes from the Coalition for Employment through Exports, Inc. dated December 8, 2003	93

NOMINATIONS OF:

ROGER W. FERGUSON, JR., OF MASSACHUSETTS TO BE VICE CHAIRMAN OF AND

BEN S. BERNANKE, OF NEW JERSEY TO BE A MEMBER OF THE BOARD OF GOVERNOR OF THE FEDERAL RESERVE SYSTEM

PAUL S. ATKINS, OF VIRGINIA TO BE A MEMBER OF THE U.S. SECURITIES AND EXCHANGE COMMISSION

TUESDAY, OCTOBER 14, 2003

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

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

OPENING STATEMENT OF SENATOR RICHARD C. SHELBY

Chairman SHELBY. The hearing will come to order.

This morning we will consider the nomination of three very distinguished individuals. Our first nominee will be Dr. Roger Ferguson, nominated to be Vice Chairman of the Board of Governors of the Federal Reserve System. Dr. Ferguson first of all is no stranger to this Committee. He was originally appointed to the Board of Governors of the Federal Reserve in 1997 and has served as Vice Chairman since October 1999.

Dr. Ferguson has served with great distinction as Vice Chairman. He oversaw the Fed's preparations for the Year 2000 computer challenge. I would also highlight Dr. Ferguson's stewardship of the Fed and our financial system through the troubling day of September 11 and its aftermath. During 2003, Dr. Ferguson became the Chairman of the Committee on the Global Financial System, a central bank panel that monitors and examines broad issues related to financial markets and systems.

Our second nominee is Dr. Ben Bernanke, nominated to be a member of the Federal Reserve Board. Dr. Bernanke has served as a member of the Board of Governors of the Federal Reserve since August 2002. Before Dr. Bernanke became a member of the Board,

he was the Chair of the Economics Department at Princeton University.

Dr. Bernanke has published many articles on a wide variety of economic issues, including monetary policy and macroeconomics. He also served as the Director of the Monetary Economics Program of the National Bureau of Economic Research.

Our third nominee this morning is Paul Atkins, for the position of Commissioner at the Securities and Exchange Commission. He has been serving as Commissioner at the SEC since July 2002. Before Mr. Atkins' appointment as Commissioner, he assisted financial service firms in improving their compliance with SEC regulations and worked with law enforcement agencies to investigate and rectify situations where investors had been harmed. Prior to that experience, Commissioner Atkins served on the staff of two former SEC Chairmen. In those positions, he assisted in efforts to improve regulations regarding corporate governance, enhanced shareholder communications, strengthened management accountability through proxy reform. He also organized the SEC's Individual Investor Program, including the first investor town hall meetings and other investor education programs.

This Committee will continue to look to the Federal Reserve System for its steady head on monetary policy as well as the banking and payments system. And we will look to the SEC to ensure the credibility and integrity of our capital markets.

We look forward to hearing your statements this morning and to an interesting discussion to follow.

Senator Bunning.

STATEMENT OF SENATOR JIM BUNNING

Senator BUNNING. Thank you, Mr. Chairman.

I am a little disappointed that we are not having a markup today since I got up at 5 o'clock to get here for it, but I am very happy that we are having a hearing, especially this very, very important hearing, and I thank our witnesses for coming to testify.

All three of our witnesses today have experience in their positions which they are nominated for. All are qualified, and all have a record of work. This is much different from our usual nomination hearings.

Today, we can judge them on what they have already done in their jobs and what they have been nominated for. We do not have to guess; we have a record to look at.

I do not think it will surprise anyone here who has followed this Committee, but I am going to concentrate with my limited time on the nominees for the Board of Governors of the Federal Reserve. As I am sure you both know, I did not support either of your nominations. I was worried and continue to be worried about group thinking and a cult of personality at the Fed surrounding the Chairman.

To get my support this time, you will have to do a better job of convincing me that you will be an independent voice on the Board of Governors. Too many Governors, in my opinion, simply go along with the Chairman. I would, however, like to commend Vice Chairman Ferguson on another one of his duties. Not too long ago, the Vice Chairman gave us a very informative briefing on critical infra-

structure in the financial industry and possible terrorist threats to that infrastructure. I saw Chairman Greenspan not too long after that briefing and told him what a good job you did.

I am probably the Fed's biggest critic in the Senate, but I also think the Fed should be commended when they do a good job.

When we met before your last nomination hearing, I asked if you disagreed with any monetary policy decisions that the Chairman had made. You told me that you agreed with him on every decision. That worries me a great deal. I do not think it is good for the Chairman to have Governors who will not challenge him.

I would not be a very good Senator if my staff agreed with me in everything that I said or did. To get my support, you both have to show me that you will tell the Chairman when you think he is wrong.

Once again, thank you, Mr. Chairman, for holding these hearings, and I thank all of you for testifying today.

Chairman SHELBY. I would like all three of you to stand, hold up your right hand, and be sworn.

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. FERGUSON. I do.

Mr. BERNANKE. I do.

Mr. ATKINS. I do.

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

Mr. FERGUSON. I do.

Mr. BERNANKE. I do.

Mr. ATKINS. I do.

Chairman SHELBY. Thank you.

Governor Ferguson, we will start with you. First of all, all of your written statements will be made a part of the record in their entirety, and you may, briefly sum up any statement you want to make.

STATEMENT OF ROGER W. FERGUSON, JR. OF MASSACHUSETTS, TO BE VICE CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. FERGUSON. Thank you very much, Chairman Shelby and Members of the Committee.

Chairman SHELBY. And Governor—and this goes for all three of you when your turn comes—if you would like to introduce any members of your family, you are certainly free to do that.

Mr. FERGUSON. Thank you for asking me to do that, because you have maintained peace in my house.

I would like to introduce my wife, Annette Nazareth, who has come to join me here today, and she has been here a few other times at various hearings.

Chairman SHELBY. Absolutely.

Mr. FERGUSON. I am also pleased to appear before you today as President Bush's nominee to serve as Vice Chairman of the Board of Governors of the Federal Reserve System. I am honored that the President has nominated me to serve a second term in that capacity, and I thank you for holding this hearing.

It has been my privilege, as you noted earlier, to serve our fellow citizens as a member of the Federal Reserve Board since 1997 and as Vice Chairman since 1999. I have given this role my undivided attention, and I hope to be able to continue in that service. The policy decisions of the Federal Reserve influence the economic well-being of all Americans. During my tenure, we have faced challenges in many of our areas of responsibility, and I would like to briefly review some of those developments and our responses to them.

Congress has given the Federal Reserve three monetary policy objectives—maximum employment, stable prices, and moderate long-term interest rates. We have viewed those objectives as congruent with the goal of maximum sustainable growth that can occur only in the context of long-run price stability. Fostering financial conditions in which Americans can realize their full potential has presented a number of challenges in recent years. The impressive step-up in the advance of technological and organizational efficiencies and a rapid accumulation of physical capital in the late 1990's have been the key factors affecting our economy's performance in the past decade. These developments have made workers increasingly productive. But faster productivity growth, despite its long-term benefits, has not insulated the economy from cyclical swings. The sharp reevaluation that occurred in equity markets and the retrenchment in business investment and spending that occurred over the past several years, together with the effects of terrorist attacks, wars, and corporate scandals, battered the confidence of households and businesses. In response, the Federal Reserve made substantial adjustments to its policy interest rate in order to cushion the effects of these developments on the broader economy. Other forces, particularly the growing interconnectedness of the global economy, have been important background factors in setting monetary policy. Of late, policymakers have been mindful of the virtual eradication of inflation and their need to set policy so that the economy remains in the zone of price stability. But all of our policy changes have been undertaken in pursuit of maximum sustainable growth and stable prices.

Making monetary policy has been only part of the challenge. During my tenure at the Federal Reserve, we have also worked diligently to communicate to the public what we are doing and why. Transparency in policymaking is a key part of the democratic process and fosters efficient decisionmaking in the private sector. Becoming more transparent has been an important goal of the central bank in recent years, keeping in mind that we must balance being open and accountable with the need to maintain an effective process of decisionmaking by the Federal Open Market Committee. Transparency requires that we periodically review our procedures as we did in 1999 and again last month, to ensure that they appropriately balance these considerations. I do not know what future changes, if any, might be called for in how we communicate, but I am confident that the Federal Reserve will continue to look for ways to communicate and explain our policies clearly.

While macroeconomic conditions are of central importance, the role of the Federal Reserve is broader than monetary policy. Financial stability is an essential precondition for maintaining a strong

economy, and the Federal Reserve played a key role in maintaining financial and economic stability in the aftermath of the terrorist attacks of September 11, 2001. Both you and Senator Bunning have already alluded to my role and responsibilities on that day, so I will not go further into the role that I played at that time.

I will point out, however, that the Federal Reserve also executes its important financial stability responsibilities in less stressful times through its role in supervising and regulating our Nation's banking system. The Federal Reserve and other regulators must foster a competitive environment that will benefit the users of financial services while also promoting safety and soundness. I believe that we should achieve these objectives with a minimum of regulatory burden and without leaving the impression that any institution is too big to fail. Currently, we face the challenge of meeting these goals by developing a new capital Accord to apply to the largest and most complex internationally active institutions. As I have testified before this Committee, the existing Accord no longer suffices for these institutions. Now we need to work with our financial institutions and other regulators to replace the existing Accord with a new one that is more risk-sensitive, builds on advances in risk measurement and management, and provides proper incentives. And we must do so without unnecessary complexity and without creating undesirable competitive imbalances or other unintended consequences.

Last, our payment system is a real presence in the economic lives of every consumer and business. This system too has been, and will continue to be, changed greatly by emerging technologies. From its very founding, the Federal Reserve has had the responsibility to foster an efficient, safe, and accessible payment system. In a dynamic economy, markets appropriately play the key role in guiding the development of the payments infrastructure. This means that innovation and competition will be central to the future development of the payments system, as they are in other areas of the economy. Regulators and Congress should strive to remove barriers to innovation when they can do so without sacrificing important public policy objectives. I have been privileged to work with this Committee on one such initiative, the Check Truncation Act, or Check 21. This legislation removes a legal impediment and should, over time, foster greater use of electronics in the check-clearing process while also preserving the right of consumers and banks to receive paper checks. Ultimately, Check 21 should allow depository institutions to provide new and beneficial services to their customers. I look forward, as I know you do, to its prompt enactment. And I thank the Committee and its staff for the strong support you have provided.

Mr. Chairman and Members of the Committee, during my years on the Board of Governors, I have done my best to contribute positively to all aspects of the Federal Reserve's many responsibilities. I look forward to the opportunity to continue to work with you and serve the Nation as Vice Chairman of the Board of Governors. Thank you for your attention and for considering my nomination. I would be pleased to answer questions.

Thank you.

Chairman SHELBY. Dr. Bernanke.

STATEMENT OF BEN S. BERNANKE, OF NEW JERSEY TO BE A MEMBER OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. BERNANKE. Thank you, Senator.

I am honored to have been nominated by the President to serve a full term as a member of the Board of Governors of the Federal Reserve System. If I am confirmed by the Senate, I pledge to continue to devote myself to the pursuit of the objectives set for the Federal Reserve by Congress: Maximum employment, stable prices, and moderate long-term interest rates.

I would like to take this opportunity to talk briefly about the prospects for the U.S. economy. After several false starts, the economy is showing signs of sustained recovery. The Bureau of Economic Analysis estimates that real GDP grew by 3.3 percent at an annual rate in the second quarter. Growth of real activity appears to have been even more rapid, perhaps considerably more rapid, in the third quarter. Consumer spending, supported by expansionary monetary and fiscal policies, has remained strong. Notably, new housing construction hit record levels this year and will likely continue at a high level despite some increases in mortgage rates this summer. Particularly encouraging, however, are signs of revival in capital expenditure by businesses. Investment in equipment and software, especially high-tech equipment, picked up noticeably in the second quarter and appears to be strengthening further. Rising sales and profits, easy financing conditions, and favorable tax provisions should support investment spending into 2004.

Although economic forecasting is far from an exact science, private-sector forecasters broadly agree that the economy should grow at nearly a 4 percent rate in 2004. I believe that forecast is plausible, assuming that the revival in business investment remains vigorous. Although there are certainly downside risks to that forecast, there are also reasonable scenarios in which growth next year might be higher than the 4 percent consensus, for example, if the rebuilding of inventory stocks is especially rapid or if economic growth among our trading partners begins to pick up significantly.

Although the increased growth rate of output is encouraging, everyone should be concerned that so far, this growth has not translated into significant job creation. Until the job market improves, this recovery will not feel like a recovery to most Americans. A number of factors explain why we have not yet seen net new job creation. Two are particularly worth mentioning.

First, we have seen truly remarkable increases in labor productivity, which have permitted firms to meet the increasing demands for their output without hiring additional workers. This strong performance owes in part to heavy investment in high-technology equipment in the latter part of the 1990's. Only over a period of time, apparently, have managers learned how to reorganize their production and distribution processes to take full advance of the potential of these new technologies. The resulting increases in productivity have delayed the need to add new workers, but—it is important to note—they also imply that American firms and workers will be significantly more competitive, and that will help our economy preserve jobs in the long-run.

Second, the past few years have been a period of heightened uncertainty, reflecting the aftereffects of the terrorist attacks of 2001, the wars in Afghanistan and Iraq, scandals in corporate governance, the unsettled state of the world economy, and other factors. Possibly because of these geopolitical and economic uncertainties, it appears that employers have been slower than usual to make commitments to expand their plants, increase their staff, or add to inventories.

Overlaying these cyclical factors is the continuing restructuring of the U.S. economy, one that has been going on for decades. Although restructuring is a persistent feature of our economic landscape, the displacement of workers and shifting employment patterns resulting from this restructuring are far more difficult to cope with in an environment of generally weak labor markets than they were in periods of rapid employment growth. Inevitably, in a dynamic economy like that of the United States, the process of restructuring will continue and will present an ongoing challenge to American workers and employers. I believe, however, that the current weakness of the labor market is more cyclical than structural in nature, implying that aggregate employment will recover and unemployment will decline as the economic expansion matures.

The exact timing of the recovery in employment, however, is not completely clear. Modest encouragement can be taken from recent data on jobs creation, including increased hiring of temporary workers, often thought to be a leading indicator of more permanent hiring. Other indicators, such as the failure of the average workweek to expand in recent months, and the very slow decline in new claims for unemployment insurance, are less encouraging, though they do suggest at least some stabilization of the job market. I should note that I submitted this testimony before last week's decline in new unemployment insurance claims.

However, in my view, the growth of productivity is likely to slow, at least somewhat, from its recent extraordinary recent pace, so it seems very unlikely that firms can continue to meet rapidly rising demands without adding to their capital stocks, as they have already begun to do, and to their workforces. Thus, given the rate of increase in spending and output that we are now witnessing, a reasonable expectation is that firms will need to add significant numbers of workers within the next several quarters.

Where does this leave monetary policy? Inflation remains low, and the Federal Open Market Committee has indicated that the risks to inflation are to the downside. Thus, currently, both the price stability and maximum employment objectives of the Federal Reserve point us in the same direction. Specifically, in my view, monetary policy can afford to maintain its accommodative stance for a considerable period, certainly until a sustainable recovery in employment is under way and disinflationary risks have been correspondingly reduced. I expect that the continuing support of monetary and fiscal policies, together with the natural resiliency and strength of the U.S. economy, will in all probability lead ultimately to a sustained expansion without inflation, much as occurred after the so-called "jobless recovery" that followed the 1991 recession.

I would be happy to take questions.

Chairman SHELBY. Mr. Atkins.

STATEMENT OF PAUL S. ATKINS, OF VIRGINIA TO BE A MEMBER OF THE U.S. SECURITIES AND EXCHANGE COMMISSION

Mr. ATKINS. Thank you, Mr. Chairman.

First, I would like to introduce my family; I will take you up on your invitation. First, my sons, Stewart, 10, Peter, 7, and Henry, who is 3; and my wife Sarah, who is also here.

Chairman Shelby, Ranking Member Sarbanes, and Members of the Committee, it is a very great honor for me to appear for the second time before this Committee. I am deeply grateful for the confidence that President Bush has again shown in me by nominating me for a second time to be a Commissioner. I appreciate very much your courtesy in calling me before you today.

I would also like to note that it has been a pleasure to work with Chairman Bill Donaldson and my other colleagues on the Commission, Cynthia Glassman, Harvey Goldschmid, and Roel Campos. I salute the leadership that Chairman Donaldson has provided us and the SEC staff. If confirmed once again by the Senate, I look forward to continuing to work with Chairman Donaldson and my fellow Commissioners to address the very weighty issues that are before the SEC.

I have always regarded the Securities and Exchange Commission as one of the finest agencies of the U.S. Government. My 20-year career has centered on the financial markets and the SEC's oversight of them. In fact, I should note that I now have had the privilege of working for four SEC chairmen—Richard Breeden, Arthur Levitt, Harvey Pitt, and Bill Donaldson. I have learned much from each of these men, and I am happy to count them as friends and advisors.

As the Members of this Committee well know, in the past few years investors have been confronted with spectacular failures of large and small corporations because of bad accounting practices and outright fraud. The instances of corporate managers engaging in theft and reckless mismanagement of corporate funds are shocking, outrageous, and completely unacceptable. The revelations of corporate malfeasance undermined our capital markets in a profound way. "Corporate responsibility" rightfully became a national issue for the first time in perhaps 70 years. In response to this crisis, this Committee and Congress acted forcefully, and the President signed into law the Sarbanes-Oxley Act of 2002, the most important piece of corporate governance and securities legislation in the last 70 years.

For many Americans, the SEC, until recently, may have been just another Federal agency in Washington, DC, with an alphabet soup acronym. As Enron, MCI, and a host of other corporate scandals—along with the severe downturn in the marketplace—showed, the times have radically changed. Millions of Americans look to the SEC more than ever as the defender of their financial hopes and dreams, as it should and must be. Investors rightfully demand a tough cop to fight those who steal their hard-earned savings and investments.

These are unique and demanding times at the SEC. It would be a privilege for me to continue to respond to this call and to give

my best efforts to advance the Commission's mandate on behalf of the investing public.

Thank you.

Chairman SHELBY. Governor Ferguson, this past summer, we had a very different type of crisis with an energy blackout on the East Coast. Did the Federal Reserve review the performance of financial and payment systems in response to that crisis?

Mr. FERGUSON. Yes. We have taken what I would describe as an informal look at that, not through a big study, but yes, we have looked at it.

Chairman SHELBY. Do you know if you have learned any lesson from that yet? I know there is a lot of difference between that and September 11——

Mr. FERGUSON. There are some differences, obviously, but I think it has pointed out yet again the reliance of the financial industry on underlying infrastructure such as electricity, water, et cetera.

I think we have learned a couple of things or observed some things on that point. First is that indeed, post-September 11, many financial institutions did put into place backup arrangements, generators, et cetera, that proved to have been successful in the case of individual institutions.

Second, I think we learned again that one should think of this as a "wide area" challenge, if you will. Being focused on a single building, for example, is not sufficient; you must think about the entire network that supports that. And that continues to be an important issue and challenge for the institution. But I would say by and large, my personal view is that the degree of resilience that was demonstrated in the blackout is much higher than would have been the case a few years ago. I think that institutions are moving in the right direction, although obviously, no one can be complacent yet in that regard.

Chairman SHELBY. Thank you.

Dr. Bernanke, I recently had an opportunity to discuss economic and financial issues with officials from the Japanese and Chinese Governments in Tokyo and in Beijing. How would you assess the conditions of the banking systems in those two countries?

Mr. BERNANKE. Both countries have serious, significant difficulties with their banking systems. The Japanese banking system has been in serious trouble since the collapse of the so-called bubble economy in 1989. There remains a very heavy preponderance of nonperforming loans, new credit is not being extended, and profitability remains low.

However, there have been some recent signals of possible improvement. The Resona recapitalization is a positive step in the sense that beyond simply injecting capital into the Resona Bank, the Government of Japan has taken a much stronger hand in demanding reforms and profitability. They changed the management. They demanded more rapid reductions in nonperforming loans and so on.

Also interesting is the recent order by the Financial Services Agency, the so-called business improvement order, which essentially demands that banks which have received capital injections improve their profits over the next few years.

Under the leadership of Mr. Takenaka, who has been an important force for reform in Japan, what we are seeing is slow but steady movement toward accountability in the Japanese banking system. They are far from out of the woods, but I think they have made some useful steps. That will be assisted by some signs of economic recovery in Japan fostered by monetary policy, increase in the stock market, and so on.

The short answer is that there have been some improvements like the increased accountability. We still have a long way to go in Japan.

China is a rather different situation. In China, until economic reform took place, the Chinese banking system was essentially the instrument of the state's allocation of credit. They have not made the transition to a capitalist free market banking system. They remain deeply under water in terms of their credits, so it will be a considerable amount of time before that system is operative in the sense of a Western free market banking system.

However, I know the Chinese are quite interested in doing that. I think that is an important step toward opening up their capital markets, allowing both more incoming financial flows, as well as allowing Chinese citizens to invest abroad. I think this is a very important priority for the Chinese Government, but they have a long way to go. They do not have the managerial skill, and it will take a while for them to get that situation straightened out.

Chairman SHELBY. Is reform in both Japan and China to their banking systems critical to the sustained health of our economy? Is there a connection there?

Mr. BERNANKE. Yes, there is a connection, Senator. One of the reasons that it has limited our domestic economic growth has been essentially the weak condition of most of our trading partners. Japan is a particular case-in-point. The Japanese economy is the second-largest in the world, yet it has been very depressed now for about 15 years. Domestic reforms, both structural and to the banking system, along with expansionary monetary policy, have the potential to bring Japanese growth, domestic demand, higher. That would be a very important step toward increasing the demand for our exports and for our growth.

The Chinese case is a bit different. China is not suffering from lack of growth, and is growing very rapidly. But clearly, first of all, its integration into the world financial market and into the world exchange market depends on reform in the Chinese banking system. And second, there has certainly been interest in the United States in having the Chinese move eventually to a flexible exchange rate system. One important barrier to doing that immediately is the problems in the banking system. Free capital flows would create large withdrawals from their domestic banks, which would lead presumably to a financial crisis.

Therefore, in order for China to move effectively to a flexible exchange rate system, they do need to make substantial reforms in their banking system, and for reasons that we understand, that would be useful for the United States economy as well.

Chairman SHELBY. Thank you.

Mr. Atkins, mutual fund investors receive disclosure documents that are often confusing and do not contain adequate information

for investors to understand the full fee structure of their fund. Given your experience in investor education, how would you recommend improving upon the transparency and disclosure regarding mutual funds?

Mr. ATKINS. I think that is an excellent question. As far as the essence of choosing between funds, it is really fee structure and other expenses that should most concern investors. That is where we can really concentrate at the SEC to try to bring more transparency. I believe our Investment Management Division is working on just such proposals.

Chairman SHELBY. It is very important, though, is it not?

Mr. ATKINS. It is vitally important.

Chairman SHELBY. Especially in view of some of the revelations that have come recently, dealing with some of the mutual fund operatives.

Mr. ATKINS. Exactly, yes, and transparency is——

Chairman SHELBY. Key to it.

Mr. ATKINS. —primary; exactly.

Chairman SHELBY. Senator Sarbanes.

STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Thank you very much, Mr. Chairman. I am pleased to welcome the nominees before us this morning. They have all been here before, but we always welcome this opportunity.

I want to ask a question of Mr. Ferguson and Mr. Bernanke first. I have discussed this issue before, and that is the issue of equal employment opportunities at the Federal Reserve. Vice Chairman Ferguson, I think you and I had a good exchange about this in one of your earlier hearings.

In February of this year, a number of Members of the House, including a significant number of Members of the House Financial Services Committee—and of course, they do not participate in the nomination process, but they do get in touch with us about it from time to time—wrote to the Chairman: "We are writing to request data on the current status of the equal employment opportunities at the Federal Reserve System." And they referenced the staff report that the Committee had done when it was then the House Banking, Finance, and Urban Affairs Committee back in December 1993, which would now be about—we are coming up to the 10th anniversary of that report—and asked a number of questions.

In April, the Congressional Black Caucus wrote to the Fed, to Chairman Greenspan, to Vice Chairman Ferguson, and Governor Olson, who I think is in charge of the personnel policies as I understand it amongst the Governors of the Fed, expressing what the Congressional Caucus said was "a deep concern about the treatment of African American professionals at the Federal Reserve" and asked for an inquiry, and then they referenced the particular case. But I am interested in what the situation is at the Fed on this important issue.

Mr. FERGUSON. Senator Sarbanes, thank you for giving me an opportunity to address this issue. This is an issue on which there can be no doubt about the commitment from the top to have all of our employees treated purely on the basis of a meritocratic ap-

proach, without any extraneous factors coming into play, as I have said to you before in this room and in other locations.

It is quite important to recognize, if you will, what the statistics tell us, because I do not think the Fed story has actually come out fully. As I look at the statistics on the Federal Reserve Board, for example, looking at our most senior people, at what we call the officer level, which is the equivalent of the Senior Executive Service for the civil service, in 1992, 20 percent of those individuals, our officers, were female, and about 11 percent were minorities. In 2002, 10 years later, 31 percent were women and 16 percent were minorities. Compare that to the last statistics we have for the Senior Executive Service in the civil service, where 24 to 25 percent were women, and 14 percent minorities.

So at the most senior levels, I would say two things are reflected in those statistics. One, there clearly has been progress, and two, frankly, I think the Board of Governors' staff results have been better than what one sees in the Senior Executive Service, the most senior part of the Government in general.

If you look at overall demographics, not just the senior levels, at the Board, about 51 percent of our employees as of year-end 2001 were women, 42 percent were minorities. In the Federal Government, the numbers were 45 percent and 31 percent, respectively. Again, I think we stack up very favorably against the entire U.S. Government.

If we think about our pipeline grades, the people that are likely to move into leadership roles over the next few years, in 1992, 30 percent of that group were women and 9 percent were minorities; in 2002, 41 percent were women and 18 percent were minorities.

I can go on with a number of other statistics on hiring and promotions, but the message I want to leave you with is that we take this issue extremely serious. There is no complacency in the Fed on this issue and there will not be. And if one looks at the trends over the last 10 years, we certainly have seen great progress and advancement for women and minorities, and we stack up very favorably, in fact, I think are better than comparables such as the Senior Executive Service or the Government overall.

How have we done that? We have done it because there is, as I said, no sense of complacency at the top in the Federal Reserve. We have put through a number of processes and procedures that have enhanced the focus, if you will, with respect to the EEO issues that you have raised. We have an annual review process that we established to assess diversity and outreach efforts in each of our divisions. Each division has an annual recruiting and outreach plan to both inform minorities about employment at the Board and to build a diverse pool of candidates. We have an explicit EEO component of performance objectives of the officers and managers. We have undertaken best practice assessments, and this type of information we have shared with the House and have shared with you as well.

I appreciate the opportunity to answer this question, because in fact I think the Federal Reserve Board has done very good work over the period before and while I have been there and will continue to do so. As I have said, the statistics stack up quite favorably against reasonable comparators here in Washington, DC.

I could broaden that statement, and I will if you want me to spend more time on it, talk about the Federal Reserve System overall, but the message tends to be exactly the same if one looks at the statistics for the System overall. It is one of the improvements in all levels, I believe, at least over the last 10 years and a strong pool of individuals in the pipeline, if you will, prepared to be promoted to more senior ranks.

I realize that there is an interest in this issue, but I think our responses put us in reasonably good light, and there is no complacency.

Senator SARBANES. Let me just go below the level of the statistics for a moment. What can you tell us about the actual process within the Federal Reserve to deal with employee grievances, whether it is harassment on the job, discrimination, the ability to have that looked at in a fair and objective way without punishment or retaliation to the employees bringing the allegations?

Mr. FERGUSON. We have a multitiered process for grievance resolution, starting first within the division, so if you have an evaluation—we call it a PMP—that the employee disagrees with, that individual has the right within that division to ask for a reconsideration. And then, through our HR, human resources, chain of command, those grievances can be carried higher and higher through the Federal Reserve Board infrastructure, ultimately coming to the Board of Governors.

Obviously, there is also a parallel process for those who want to go into the formal Equal Employment Opportunity complaint process which ultimately would lead to resolution at the EEO Commission. Clearly, by definition, we cannot tolerate any retaliation that might occur for someone exercising their rights.

The reality is that I, and I think all of us, are very interested in having a very robust process for these grievances, because if there is any evidence of misbehavior along the lines that you talk about, I as Vice Chairman want to know about it, and I think my colleagues on the Board want to know about it. A grievance process that starts within the division but the moves outside the division is a superb way to ferret out those facts. I do not think one can identify a better, more robust grievance process than the one that we currently have. It is open to all and is open without any sense of retaliation.

Senator SARBANES. Thank you, Mr. Chairman. My time is up, and I will yield to my colleagues, but I hope we will have another round.

Chairman SHELBY. We will, yes.

Senator Bunning.

Senator BUNNING. Thank you, Mr. Chairman.

These questions will be for the Vice Chairman and Governor Bernanke, if you will please give me your opinion on these.

The first question is have you disagreed with any monetary policy decision that Chairman Greenspan has made since you have been on the Federal Reserve Board—each of you?

Mr. FERGUSON. Let me start, and then Governor Bernanke can respond.

It is clear from my record that I have not dissented from any FOMC decision. The monetary policy decisions of the Federal Re-

serve are not the decisions of an individual; they are the decisions of a committee. I am a voting member of that committee, and I have to this date not dissented.

Having said that, that does not mean that I am not exercising independent judgment. There are a number of ways in which I can have and will continue to exercise independent judgment. You have seen some of them in the role that I played with respect to September 11, where I had to take the responsibility independently of the Chairman, who was not available. I would encourage you to look at my entire record in terms of independence of judgment.

If I had a strong disagreement with the direction the Committee was taking, I have an obligation, which I have exercised many times, to express myself formally and forcefully, in the Committee discussions to try to persuade my Committee colleagues to see the economic forecast, the economic outlook, and the risks to that outlook and the consequent policy implications the way that I see them.

Senator BUNNING. But in the long-run, you voted with the Committee.

Mr. FERGUSON. Well, but in the long-run, that means that the Committee and I all reached a broad consensus that I could feel comfortable with.

If there were to be a point going forward when I felt strongly that the Committee was reaching a consensus that I could not be a part of, then, by definition, I would exercise my right to dissent.

Senator BUNNING. How long have you been on the Committee?

Mr. FERGUSON. I have been on the Committee since November 1997.

Senator BUNNING. Since 1997.

Mr. FERGUSON. The fact that I have not yet dissented means that I have managed to get the Committee to vote——

Senator BUNNING. All the Committee to the position you wanted?

Mr. FERGUSON. The Committee and I ended up, obviously, in the same position, yes, so that I could comfortably support and be part of the consensus.

Senator BUNNING. The final decision.

Mr. FERGUSON. Sometimes that required my moving, sometimes it required their moving.

Senator BUNNING. Thank you.

Mr. Bernanke.

Mr. BERNANKE. I have not dissented in my year on the Federal Open Market Committee because I basically agreed with the direction of policy, which has been to ease in order to try to revive the U.S. economy and improve employment while maintaining price stability.

However, I have been an independent voice both within and outside the Federal Reserve System through a series of speeches and other public discussions. Among those topics on which I have been prominent in providing leadership include the discussion of alternative monetary policy tools which might be used in the event of a deflation or the zero lower bound binding on nominal interest rates; I have made strong arguments against the intervention of monetary policy into the stock market and other financial markets, and I have also taken leadership in arguing that the Federal Re-

serve can maintain a competitive monetary policy for a longer period than usual because of the slack in the system created by weak labor markets.

There is an area where in fact I have disagreed quite publicly with the Chairman, and that is in the area of how best to achieve Federal Reserve transparency. As I discussed in my initial confirmation hearing a little over a year ago, I am a proponent of what is called "inflation targeting." Despite the name, the approach is not in any way inconsistent with strong commitment to the dual mandate of the Federal Reserve. What it does is attempt to provide more information and more transparency about the Federal Reserve's objectives and long run goals. In particular, I have argued that the Federal Reserve should provide information to the public about what it thinks the long-run inflation or average inflation rate over the business cycle should be, and I have also argued for other measures for increased transparency such as moving up release of the minutes and providing more frequent forecasts by the Federal Open Market Committee.

Certainly in the area of inflation targeting, Chairman Greenspan quite clearly disagrees with that position, and our disagreement has been public, it has been cordial, it has been based on intellectual arguments. Nevertheless, I clearly have staked out an independent position on that very important area of monetary policy.

Senator BUNNING. Thank you.

I want to talk to you about regulations on national banks. I have a lot of small businessmen in my State, and they are complaining vigorously about the banks not being free and afraid to make loans because of the regulations that the Federal Reserve has in monitoring loans. I could give you chapter and verse if you like, but I am not going to do that for fear the Fed will come down on the head of some poor banker down in Louisville, Kentucky. But the fact of the matter is I have some very small businessmen who cannot get any money out of the banks. No matter how good or how well they seem to be doing, the banks are reluctant because of regulatory burdens on specific loans to get any capital influx from an ordinary lender.

Can you give me any reason that that would be? In other words, if you come in and regulate one of the major regional banks in, say, Louisville, and your regulators go in and take a look at what kinds of loans have been made, and they check and say "This is not permissible," and all of a sudden, the poor bank gets in trouble.

Mr. FERGUSON. Senator, I have appeared before this Committee many times, and there have been times when I am not sure I know the answer to your question. This is, I must admit, one of those times.

The reason is that I cannot think of any regulation that the Federal Reserve has promulgated that is targeted in any way at limiting legitimate loans to any segment of the population.

Senator BUNNING. Can I bring the people before you at the Federal Reserve?

Mr. FERGUSON. Absolutely.

Senator BUNNING. The people who want to borrow the money and who want to lend and are frightened to death to do it.

Mr. FERGUSON. What would help me—I am not a very frightening person—what would help me a great deal——

Senator BUNNING. No—but the Federal Reserve is a frightening body.

Mr. FERGUSON. We will take care of it. What would help me a great deal is to know which regulations they think might be impinging on private credit decisions that can legitimately be made. By definition, there are behaviors that one does not want to see in terms of inappropriate evaluations, but I would be interested in the regulation that they think is standing in the way of an appropriate, legitimate, independent credit evaluation being made by the banks.

Senator BUNNING. Okay. We will bring you chapter and verse.

Mr. FERGUSON. That is absolutely fair.

Senator BUNNING. All right. I want to ask one question about mutual funds, and then I will get to the rest of them on the second round.

I was in the business for 25 years. The mutual fund industry at that time was the most transparent of all of the vehicles that you could invest in. They wrote everything down in a prospectus—not everybody understood what was in the prospectus—and they wrote down their fees, they wrote down everything. The fact that some mutual funds and some brokers hedged and did what is illegal should not come down on the heads of the mutual funds but on the people who regularly violated the law. There is a law against buying after the close at certain mutual funds and then selling on the opening and have the market open stronger. That is what some hedge funds did, and some brokers violated that trust.

Now, that has nothing to do with the mutual fund industry except in those individual cases. I have never seen a more honest and regulated group of people than the people who generally run mutual funds.

Tell me if you see it differently.

Mr. ATKINS. No, sir, I do not. What we were, I think, trying to address before as far as disclosure goes is that over the years, as our rule book has expanded, so have the prospectuses and the statements of additional information that mutual funds put out. This has made it very difficult, I think, for investors to grasp the essentials because of all of our mandated disclosures. So, I think that is one of the things that we want to focus on and try to alleviate.

And certainly, I think most people in the mutual fund industry are honest and forthright and trying to do the right thing for their mutual fund shareholders; obviously, there are some bad eggs, as in every group.

Senator BUNNING. We found that out. Thank you very much.

Thank you, Mr. Chairman.

Chairman SHELBY. Thank you.

Dr. Bernanke—Governor Bernanke—you are both—if economic growth develops as is currently forecast in the third and fourth quarters, do you believe that labor markets will show significant improvements?

Mr. BERNANKE. As I discussed, Senator, in my statement, I do believe we will see some significant improvements within the next few quarters. The basic reason for that is that the productivity

gains we are seeing now—6.8 percent in the second quarter, probably higher than that in the third quarter—are simply not sustainable. Firms, as they respond to higher demands for their products, simply must increase their capital and labor inputs. So, I am confident that with the rate of growth of output that we expect to see in the next few quarters and into next year, that employment will pick up.

We have begun to see very early signs of that in the labor market, admittedly very early, in terms of some change in the direction of payroll growth and decline in unemployment claims. Those are very preliminary. I do not want to overstate the importance of those, but they are consistent with the view that we will soon be seeing more significant growth in employment.

Chairman SHELBY. Do you feel overall pretty good about the economy as to where we are today and where we are going?

Mr. BERNANKE. I am distressed by the slow recovery at the labor market. I recognize that creates a lot of hardship for many Americans and many communities. I do feel, though, that as the economy recovers and as employment recovers, we will have in fact a very strong, productive, noninflationary economy in the years to come. I do feel good in the longer term, but I believe that at the moment, we have a lot of work to do still.

Chairman SHELBY. Thank you.

Mr. Atkins, the intermarket trading system—you have made some interesting statements regarding the trade-through rule requirements of the intermarket trading system. The trade-through rule and the ITS as a whole have been the subject of a lot of criticism. What do you see as the future of ITS, and do we still need the trade-through rule? I know we are talking about technical stuff, but you are a Commissioner.

Mr. ATKINS. Yes. It is something that I think we really need to look at; it is long overdue. The trade-through rule and the ITS system were put into effect back in the mid-1970's, and obviously, with today's improved technology, there are a lot of people out there who are interested in various aspects of the system as far as pricing and trading go.

I think as part of our overall reassessment of market structure, which I know the Chairman is going to be talking to the Committee about later this week, we need to look at this again.

Chairman SHELBY. Can we assure customer protection with greater focus on what you call the "best execution" obligations of brokers? That goes to the heart of it, doesn't it?

Mr. ATKINS. Yes, sir. That is the heart of our whole system and the broker's relationship with his customer—to give best execution. And, it is all based on the national best bid and offer, and I think that concept is crucial.

Chairman SHELBY. Given the trading technology—you alluded to it—that we have today, is it not possible to accomplish the important customer protection goals that led to the trade-through rule without the rule's impediment on trading speed?

Mr. ATKINS. I think that is exactly part of our reassessment. Now that we have moved away from fractional trading to trading in pennies and even in sub-pennies, I think a lot of people are in-

terested more in speed of execution rather than necessarily having a better price by a fraction of a cent.

Chairman SHELBY. Transparency and speed; right?

Mr. ATKINS. Yes, sir.

Chairman SHELBY. Senator Sarbanes.

Senator SARBANES. Mr. Atkins, at your first confirmation hearing back in July of last year, I indicated a concern about the pay and benefits parity issue at the Commission with respect to the employees. Congress, of course, had passed legislation that said the SEC shall seek to maintain comparability with such banking agencies regarding compensation and benefits. It is my understanding that we still have not fully achieved that.

Could you tell me where we are on that issue and your own view toward it?

Mr. ATKINS. Yes, sir. From my understanding, the Chairman is working hard on this issue and has been working with the National Treasury Employees Union to try to get this into place. From my understanding, progress has been made. He now has a person in his office specifically designated to deal with management and employee issues, and I think that person has been doing a very good job in trying to review the overall situation at the SEC. It seems that morale is up among the employees, and I think our retention and recruitment are better.

I believe that these things will get phased in, and where they stand exactly, it is really in the Chairman's bailiwick. That is my understanding at this point.

Senator SARBANES. Are the Commissioners available to the union representatives to discuss issues affecting the employees at the SEC?

Mr. ATKINS. Yes and, in fact, I have met with both union and nonunion employees. Since I was a former staff member 10 years ago, I also have an obvious deep affinity to what goes on with the staff, and I believe the management issue is a critical one at the SEC to make sure we can best perform our functions.

Senator SARBANES. Would you say that you have what one might describe as an open door policy toward such meetings by union or nonunion representatives of SEC employees to meet with you and discuss matters that are on their agenda?

Mr. ATKINS. Oh, absolutely, and I have been doing that, as I have said, in the last year. Without an open door and without reaching out also—more than just having an open door, reaching out and trying to find out what people's concerns are—I do not think it can be a very effectively managed place.

Senator SARBANES. The Congress provided significant additional funds to the Commission, and we are now on track to further up the amounts in the coming year's budget. How is the Commission using these extra funds?

Mr. ATKINS. As you know, we have hired something like 300 new people already. We did not use the entire allocated amount from last fiscal year, mainly because it was appropriated late in the year, and then also, we were waiting for the new authorization as to accountants and other nonlawyers to be able to hire them on an expedited track.

I think that you will see in this fiscal year things, from my understanding, really start to come into place.

Senator SARBANES. When we provided the extra money, we set out three areas in which it was to be used, in which we thought a response was necessary on the part of the Commission and for which these resources were being provided. One is what you just mentioned—the addition of further personnel. And as you point out, we also enacted legislation to make that process easier for the Commission in terms of taking those people on.

Second was the pay and benefits parity issue, which as I understand from your response and from what Chairman Donaldson said at an earlier hearing not very long ago, has not yet fully been worked out, although everyone keeps assuring me that it is going to be worked out, and it seems to me a matter of some importance as far as your staff morale and retention issues are concerned.

Third was a significant upgrade in the technology at the Commission. What has happened in that regard?

Mr. ATKINS. From what I understand, we have been working to upgrade our technology capabilities, especially in our Enforcement Division, where people there are always undermanned and basically going up against people who have huge resources. That is a critical area, and from what I understand, the Chairman has been focusing on that.

You will probably have to ask the Chairman as to precisely where it all stands now, but again, I know that we have been focusing on——

Senator SARBANES. All of these items, of course, affect the ability of the SEC to function and the level at which it functions, and I have been listening carefully to your answers. Let me ask you this question. The other four commissioners other than the Chairman—to what extent are you involved or cognizant or do you review or become engaged with this whole question of the functioning of the Commission—the treatment of the employees, the technology, et cetera—or do you all say, "Well, that is the Chairman's job; we do not have anything to do with that?"

Mr. ATKINS. I can only speak for myself, not necessarily my colleagues, but as I said, I am very concerned about it.

Senator SARBANES. Let me just interject. I think at the Fed, you assign out some of these various functions, do you not, amongst the Members of the Board of Governors?

Mr. FERGUSON. Yes. The Fed operates in many of its day-to-day activities through a committee structure. Each committee includes three Governors, one of whom is the chairman of the committee and then there are two other members. The Board has committees for a number of these internal activities and other things that we are responsible for.

Senator SARBANES. On these various issues involving, in effect, its internal operations.

Mr. FERGUSON. Yes. We have one committee for internal operations, a committee for regulation, and a committee on payment systems, and other things.

Senator SARBANES. I am sorry. Please go ahead.

Mr. ATKINS. I guess we are under a little bit of a different statutory framework, because back in the 1950's, Congress passed what

was called "Reorganization Plan Number 10"—I do not know how they came up with that name—but basically, it assigns at the SEC staffing and budgetary matters to the Chairman's office. So, as far as the Chairman's prerogatives go, I know, at least looking at past Chairmen, those prerogatives tend to be husbanded carefully, especially vis-á-vis the other Commissioners.

So, I think there is a deference to the Chairman to allow him to manage the agency, because obviously, Congress thought that things would run more efficiently if done that way. Back in the old days, if you look especially at Joel Seligman's book on "The Transformation of Wall Street," basically, all five Commissioners met to approve the hiring of every employee.

Senator SARBANES. I am not trying to get you to that stage, but it does seem to me that you have a Chairman who has indicated he is, as I understand it, quite collegial; is that correct—Chairman Donaldson——

Mr. ATKINS. Yes, sir.

Senator SARBANES. —which seems to me is a desirable trait when you are dealing with a multimember commission, and it would seem to me that an expression of interest and some involvement by the other Commissioners on some of these issues, which after all, properly resolved, would enhance the ability of the Securities and Exchange Commission to do its job, and it seems to me that is called for.

I will cease, Mr. Chairman.

Chairman SHELBY. Thank you.

Senator Bunning.

Senator BUNNING. Thank you, Mr. Chairman.

I want to go back to something that Governor Bernanke said about China and the banking system in China. There are quite a few of us—12, to be exact—in the U.S. Senate who strongly disagree with your assessment on the Chinese banking system and the ability of the Chinese banking system to tie its currency, the yuan, to a fixed rate of exchange with the U.S. dollar, building in about a 28 percent advantage for the Chinese in all trade with the United States of America.

We are trying our best to get legislation to enact that will allow the yuan to float. You have just stated in your testimony that you think that would be a catastrophe or a disaster or whatever word you used, that it would be not in the best interest of the United States or China. I would like to explore that a little more.

Do you think that the Chinese should be able to tell our Secretary of the Treasury to take off—"We do not want to hear from you about this problem"—when he goes there to talk specifically about trade and about the disadvantage that the United States has with trade in the yuan being tied to a fixed rate of exchange with the dollar?

Mr. BERNANKE. My comment was a technical one, Senator. I do think that a purely floating exchange rate would provide some dangers in the current financial system in China. In particular, one risk which one might face is that if there were significant capital outflows as Chinese citizens tried to make investments abroad, the yuan might actually depreciate and worsen the competitive situation.

I do not disagree that there are serious issues that you have properly identified in terms of the trade relationship that we have with China. I would think an alternative approach would be two-pronged. One would be to discuss and consider the possibility of revaluation, which means to keep the exchange rate fixed but at a different parity, that is, at a different value; and the other strategy which I would suggest is to the extent that it is believed that the Chinese are improperly blocking their markets, for example, or in other ways not living up to their WTO commitments would be to proceed through the World Trade Organization and launch complaints that could then be adjudicated.

So, I am not claiming that there is nothing that can be done, and I am not claiming that it is not a problem. I am simply pointing out that the immediate flotation of the yuan might raise some technical difficulties that other strategies might not have.

Senator BUNNING. But do you agree that there is a built-in advantage by the fixed rate of exchange that is now in existence with the yuan and the dollar?

I believe it is an 8-to-1 ratio right now.

Mr. BERNANKE. To the extent that that value is artificially low, that would provide an advantage to trade to the Chinese. There are some offsetting factors to the extent that the Chinese Government accumulates reserves, and that expands the money supply, there will be more inflation in China, which will partly offset that effect. But clearly that is an issue that should be—can be—discussed between the Chinese and the Secretary.

Senator BUNNING. My biggest problem is that they did not pay any attention to the Secretary when he went over there. They just kind of sloughed him off and said, "We are going to do it our way or the highway." We think that is not in the best interest of the United States of America, and we do not think that is a very good way to treat the Secretary of the Treasury.

Mr. BERNANKE. I have no inside information about those negotiations, Senator, and I do not want to create any problems in the exchange markets by making untoward comments, but the President is visiting Japan, I understand, and I assume there will be continued discussion of these matters as we go forward.

Senator BUNNING. Vice Chairman Ferguson, Mr. Bernanke gave us his current perspective on the economy and job creation. Do you have a different opinion than he does about the economy and job creation? Are we headed down the right path?

Mr. FERGUSON. I think we are headed down the right path. I think the issue is the time frame in which we can start to see more job creation. Certainly we have seen in some of the more recent data what I would describe as early indicators that the labor market is at least stabilizing. I think as we get an economy that continues to grow above its potential what we will find indeed is that this pool of underutilized resources will gradually be closed and that will create more jobs.

Having said that, I expect that the unemployment rate will come down only gradually over the next year or so, but I do expect to see a pickup in job creation as the economy grows above potential, and there are some early signs that the labor market is starting to stabilize.

Senator BUNNING. I do not mean to go over, but when productivity of the American worker outstrips the growth in the gross domestic product, we have a heck of a time adding jobs. In other words, if the productivity of the American worker increases by 5 percent, and we are growing at 4 percent, where is the need to add new jobs? So we have to get our GDP growing faster than the productivity increase in our American workers.

Mr. FERGUSON. Right; that is correct.

Senator BUNNING. And I think we are starting to see that dual line kind of cross.

Mr. FERGUSON. I agree with that. You have the analysis about right. Productivity in the long-run is a very positive thing, and there should be no mistake about it. You and I agree on that. As you point out, in the short-run, if you have an economy whose potential output is growing relatively rapidly, then you obviously need to have demand growing even more rapidly—you and I are using the same physical symbol with the hands crossing—and we are starting, I think, to see some of that occur. As that occurs, then in fact you will find that more jobs are being created and that will gradually eat into the pool of individuals who are currently underutilized.

Senator BUNNING. Thank you very much.

Chairman SHELBY. Senator Sarbanes, you have another question.

Senator SARBANES. Yes. I wanted to ask a question to the two nominees for the Board of Governors at the Fed.

Over 2 million of the unemployed workers today are categorized as long-term unemployed—unemployed for more than 26 weeks. Twenty-three-point-two percent of all unemployed workers are long-term unemployed currently. This figure has been above 21 percent for 8 consecutive months now. That is the first time that has happened in 20 years, since 1983, that we have had such a high percentage of the unemployed long-term unemployed over this period of time.

The Center on Budget and Policy Priorities estimates that over one million American workers have been unemployed for more than 39 weeks and therefore have exhausted even their extended unemployment insurance benefits but are still unable to find work.

We have actually had a rather long bipartisan history of extending unemployment insurance benefits during periods of prolonged weakness in the labor market. We have extended benefits following every recession since World War II, and in a number of instances for a longer period—a longer period and greater benefits than is the case today.

Given the current economic situation, shouldn't we again ease these restraints on the unemployment insurance system and provide a further extension of benefits in order to meet this problem?

Mr. BERNANKE. Senator, I think in a situation as we have now, with very long-term unemployment and very slow job creation, extending unemployment insurance benefits is a reasonable policy.

I would make the additional suggestion that we take, I guess I would call it, a caseworker approach to the extent that individuals have exhausted 39 weeks of benefits. We should do more than send them a check; we should try to do what we can to assist them in finding new work.

I think there are some very successful programs involving, for example, helping workers learn how to write resumes and do other things that can get them back into the job market. One might do further things like considering vouchers for retraining or assistance in relocating.

I agree that under the current circumstances, it is not the workers' fault that they are unemployed for a long period of time, but I think that assistance could take the form not only of a check but also perhaps of other more direct counseling or training.

Mr. FERGUSON. I would agree with the latter points Governor Bernanke was making. I think one of the things that is interesting about this slowdown—and we saw it in the earlier 1991–1992 experience—is that we are getting both a cyclical impact here just from an economy that is growing below potential. There has also been some research that has shown that we are getting a longer-term effect as well, that some of the state and nature of the unemployment in this particular slowdown reflects productivity as we have discussed already, but it also reflects the fact that we are at a period of great business restructuring where businesses, in an effort to increase productivity, also are finding ways to do more with fewer workers, and we find that jobs that existed in one industry no longer exist, et cetera.

So, I would argue that one of the issues that one has to focus on is how to help the transition of labor from jobs that no longer exist and may not come back—some certainly will come back, obviously, but some will not—into jobs that are likely to be created, perhaps in new locations, perhaps in different industries. So that some of the issues that Governor Bernanke has touched on, I think I would also commend to you, in particular a recognition that some of what we are dealing with is a long-term secular pattern that also has to be responded to in addition to trying to make sure the economy returns to sustainable growth and indeed has a period where it is growing above trend to start to close some of this gap of resource utilization.

I think society is being confronted with some of these secular trends as well as the cyclical ups and downs of the economy that we have talked about.

Senator SARBANES. Well, I appreciate those comments, but of course, the people who are unemployed and have run out of their benefit checks and cannot find a job face an immediate crisis. I think it was Harry Hopkins who said, "People do not eat in the long-run, they eat in the short-run," and that is staring them right in the face.

Furthermore, as an economic matter, the loss of purchasing power by no longer providing unemployment benefits to workers out of work is going to have a macroeconomic impact as well, would it not? Wouldn't it make it more difficult to move back out of the economic downturn?

Mr. FERGUSON. Well, Senator, it is certainly true that the forecasts—and they are just that—of growth going through not just the third quarter but the fourth quarter of this year and in 2004 build in a number of assumptions, and one of them is an increase in wage and salary income, which is to say more people going back to work. So without a doubt, your economic analysis of the inter-

action between wages and salaries on the one hand and macroeconomic impacts on the other is true. That analysis is part of what is built into the blue chip forecast and almost every other forecast that includes an increase or expectation of an increase in real disposable income, an expectation of an increase in personal consumption expenditures, much of that predicated on some increases in wages and salaries. Obviously, your economic analysis is consistent with that of the economics profession broadly.

Senator SARBANES. Long-term interest rates dropped by more than half a point between the FOMC meetings in early May and in late June. This gave a sizeable boost to mortgage activity, both for new homes and refinancing old mortgages. Then, long-term interest rates rose by more than a percentage point in the weeks following the late June meeting, which of course caused refinancing to fall by more than 80 percent.

What is your analysis of why we had these swings in long-term interest rates in May, June, and July, and have statements by the FOMC and by Fed officials contributed in any way to these swings?

Mr. FERGUSON. I will start, and Governor Bernanke will, I am sure, give his views on this.

Senator SARBANES. There are some analysts, I understand, who think that the bond market participants felt that somehow they had been misled by the Fed and that this contributed to these swings. I would like you to address that criticism.

Mr. FERGUSON. I would be happy to address it. I think the movements that we saw during this period in long-term interest rates reflect a number of factors. I would say some of it has to do with an understanding of the real economy and its likely trajectory; some, I will admit, has to do with issues of understanding or misunderstanding of Federal Reserve intentions.

During that period, there was quite a bit of focus on an economy that was growing very slowly, growing below potential. There was quite a bit of focus on disinflationary pressures, and there was some concern at that time that those disinflationary pressures might start to accumulate and mount and become more severe.

During that period, certainly, there were also some speeches and statements by the Federal Reserve that reflected that those risks existed, but it was clear that those risks were, in the minds of the individuals speaking and in the mind of the Federal Open Market Committee, I think, quite remote.

I think there may have been perhaps some misperceptions in the market that the statement that these risks were remote, and that indeed there were things that we could do to offset those risks should they increase, were perceived by some people in the market as perhaps more a statement of imminent action on our part to take nontraditional measures with respect to monetary policy than in fact was true.

The other things that happened were not just that there was a greater clarification about the Federal Reserve's intentions as time passed, but also the data came in, and there was greater evidence that the economy appeared to be getting its footing, shall we say, and there was some evidence that things were starting to turn.

You have a couple of things going on—economic data that started to show that the worst outcome seemed less and less likely, and

there was a greater understanding that the statement that a disinflationary or a deflationary environment was remote but that we could use nontraditional methodologies to counteract it turned out in fact to be true. Those forces were indeed remote, and there was no need to use any of these nontraditional or unconventional methodologies.

I would say it was certainly a period of time in which there were a number of different factors that came into play, and I would not say that there was a miscommunication on the part of the Federal Reserve so much as perhaps some individuals in the markets overinterpreted the fact that a number of people said something was remote and assumed that that meant it was less remote. In fact, it was just simply a restatement that these outcomes seemed very remote and that there were tools that could be used, but the condition precedent of a remote outcome becoming probable never emerged.

Mr. BERNANKE. I agree with most of what Vice Chairman Ferguson said.

At the May meeting, the statement was the first to break up the risks to output and inflation and made the explicit statement that we considered the risk to inflation to be downward. This was a new situation. The Fed has always been fighting inflation rather than worrying about inflation going too low.

The purpose of signaling that inflation had a downward risk was in a way to try to convey the idea that the Fed would remain accommodative in order to make sure that disinflation did not proceed and at the same time support the recovery in the economy.

It would have been appropriate in fact for bond rates to fall, reflecting the view that the Fed was going to keep interest rates low for a period of time.

It does appear to be the case that some bond market participants overinterpreted that statement to say that the Fed was involved or planning to take much more dramatic actions such as purchasing long-term Treasury bonds in an attempt to bring down long-term yields directly.

Again, we did try to emphasize throughout the process that we were doing our fiduciary duty in preparing and thinking about such contingencies but that we felt that those contingencies were quite remote, and therefore, I think that interpretation was not really a fair one.

The fluctuations that we have seen in bond yields, besides responding to genuine news in the economy, have been exaggerated to some extent by mortgage hedging activity, including by the Government Sponsored Enterprises, which tend to create an unstable dynamic. As interest rates rise, there is a tendency for mortgage hedgers to sell bonds, which then causes interest rates to rise further. That clearly added to the volatility during this period as interest rates were moving up and down.

In short, I think that we tried to convey to the bond markets that we did intend to keep policy easy, and that should have lowered interest rates. There was an overreaction to that. The lesson we have learned from that is that we need to be even better and more clear in our communication. As I mentioned earlier, one of my particular interests and concerns about monetary policy is how we

should improve the transparency of the Fed and make it more clear to markets and to the public exactly what we are trying to do and what our objectives are.

That episode, I hope, will not create any significant problems with the ongoing recovery, but it does teach us some valuable lessons about communication.

Senator SARBANES. So that kind of volatility is an undesirable factor, is it not?

Mr. BERNANKE. It is indeed.

Mr. FERGUSON. Actually, we have to be careful. One expects interest rates to move based on changing expectations of monetary policy, and based on incoming information about the economy. Extreme volatility by definition, one has to be wary of, but on the other hand, you do expect long-term interest rates to reflect a variety of forces and, by definition, move.

I think the question that has to be asked is whether or not both that sudden, relatively dramatic drop in long-term interest rates, and then the reversal is likely to have a detrimental long-term impact on the recovery of the U.S. economy. My judgment is that, although it is a very interesting period and one that we can learn from—all of us—it is not inconsistent with the kind of turnaround that we expect to see and that is built into the forecast.

So, I agree with you. One wants to be careful about having too much volatility in markets; on the other hand, the opposite of that is interest rates that do not reflect incoming data, and you do want to see that, for sure.

Senator SARBANES. Yes, but these interest rates, wouldn't you say the swing was beyond what the incoming data would reasonably have justified?

Mr. FERGUSON. Yes, I think it was, for reasons that we pointed out. One was a misunderstanding on their part of what interest rate policy and the use of these unconventional tools might have been, and the second is the so-called convexity hedging issue.

Chairman SHELBY. Do you have any other questions?

Senator SARBANES. No, Mr. Chairman.

Chairman SHELBY. Gentlemen, we thank all of you for your appearance today, and we will try to move your nominations as soon as possible so you can continue to do the work that you are doing.

Thank you. The hearing is adjourned.

[Whereupon, at 11:28 a.m., the hearing was adjourned.]

[Prepared statements and biographical sketches of the nominees supplied for the record follow:]

PREPARED STATEMENT OF ROGER W. FERGUSON, JR.

VICE CHAIRMAN-DESIGNATE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

OCTOBER 14, 2003

Chairman Shelby, Senator Sarbanes, and Members of the Committee, I am pleased to appear before you today as President Bush's nominee to serve as Vice Chairman of the Board of Governors of the Federal Reserve System. I am honored that the President has nominated me to serve a second term in that capacity. I thank you for holding this hearing.

It has been my privilege to serve our fellow citizens as a Member of the Federal Reserve Board since 1997 and as Vice Chairman since 1999. I have given this role my undivided attention, and I hope to be able to continue in that service. The policy decisions of the Federal Reserve influence the economic well-being of all Americans. During my tenure, we have faced challenges in many of our areas of responsibility, and I would like to review briefly some of those developments and our responses to them.

Congress has given the Federal Reserve three monetary policy objectives: Maximum employment, stable prices,and moderate long-term interest rates. We have viewed these objectives as congruent with a goal of maximum sustainable growth that can occur only in the context of long-run price stability. Fostering financial conditions in which Americans can realize their full potential has presented a number of challenges in recent years. The impressive step-up in the advance of technological and organizational efficiencies and a rapid accumulation of physical capital in the late 1990's have been the key factors affecting our economy's performance in the past decade. These developments have made workers increasingly productive. But faster productivity growth, despite its long-term benefits, has not insulated the economy from cyclical swings. The sharp reevaluation that occurred in equity markets and the retrenchment in business investment and spending that occurred over the past several years—together with the effects of terrorist attacks, wars, and corporate scandals—battered the confidence of households and businesses. In response, the Federal Reserve made substantial adjustments to its policy interest rate in order to cushion the effects of these developments on the broader economy. Other forces—particularly the growing interconnectedness of the global economy—have been important background factors in setting monetary policy. Of late, policymakers have been mindful of the virtual eradication of inflation and their need to set policy so that the economy remains in the zone of price stability. But all of our policy changes have been undertaken in pursuit of maximum sustainable growth and stable prices.

Making monetary policy has been only part of the challenge. During my tenure at the Federal Reserve, we have also worked diligently to communicate to the public what we are doing and why. Transparency in policymaking is a key part of the democratic process and fosters efficient decisionmaking in the private sector. Becoming more transparent has been an important goal of the central bank in recent years, keeping in mind that we must balance being open and accountable with the need to maintain an effective process of decisionmaking by the Federal Open Market Committee. Transparency requires that we periodically review our procedures, as we did in 1999 and again last month, to ensure that they appropriately balance these considerations. I do not know what future changes, if any, might be called for in how we communicate, but I am confident that the Federal Reserve will continue to look for ways to communicate and explain our policies clearly.

While macroeconomic conditions are of central importance, the role of the Federal Reserve is broader than monetary policy. Financial stability is an essential precondition for maintaining a strong economy, and the Federal Reserve played a key role in maintaining financial and economic stability in the aftermath of the terrorist attacks on September 11, 2001. As the only Board member in Washington, DC, on that day, I had responsibility for overseeing the Federal Reserve System's response to the terrorist attacks. Working with many able colleagues in the System, the U.S. Government, and the private sector, we at the Federal Reserve responded effectively to the attacks. By providing ample liquidity and reassuring the public and the banking community, we helped our financial markets and the supporting infrastructure recover very quickly. Since that terrible day, I have done all in my power to enhance the resilience of the financial system of the United States, and I pledge to continue to work on these issues in the years ahead.

The Federal Reserve executes its important financial stability responsibilities in less stressful times through its role in supervising and regulating our Nation's banking system. The Federal Reserve and other regulators must foster a competitive

environment that will benefit the users of financial services, while also promoting safety and soundness. I believe that we should achieve these objectives with a minimum of regulatory burden and without leaving the impression that any institution is too big to fail. Currently, we face the challenge of meeting these goals by developing a new capital accord to apply to the largest, most complex internationally active institutions. As I have testified before this Committee, the existing accord no longer suffices for these institutions. Now we need to work with our financial institutions and other regulators to replace the existing accord with a new one that is more risk-sensitive, builds on advances in risk measurement and management, and provides proper incentives. And we must do so without unnecessary complexity and without creating undesirable competitive imbalances or other unintended consequences.

Technology and deregulation have encouraged consolidation in the financial sector. With central bank and treasury officials from twelve other major industrial economies, I have reviewed the likely effects of the global trend toward consolidation and its implications for central banks and regulators. Because financial systems will continue to consolidate, the regulatory community needs to monitor developments closely. But our study also found that existing policies appear adequate to allow regulators to maintain safe and sound financial industries now and in the intermediate term. This is true both for financial stability and for the maintenance of markets through which monetary policy can continue to work using the same mechanisms as in the past.

Last, our payment system is a real presence in the economic lives of every consumer and business. This system too has been, and will continue to be, changed greatly by emerging technologies. From its very founding, the Federal Reserve has had the responsibility to foster an efficient, safe, and accessible payment system. In a dynamic economy, markets appropriately play the key role in guiding the development of the payments infrastructure. This means that innovation and competition will be central to the future development of the payment system—as they are in other areas of the economy. Regulators and Congress should strive to remove barriers to innovation when we can do so without sacrificing important public policy objectives. I have been privileged to work with this Committee on one such initiative, the Check Truncation Act, or Check 21. This legislation removes a legal impediment and should, over time, foster greater use of electronics in the check-clearing process while also preserving the right of consumers and banks to receive paper checks. Ultimately, Check 21 should allow depository institutions to provide new and beneficial services to their customers. I look forward, as I know you do, to its prompt enactment. And I thank the Committee and its staff for the strong support you have provided.

Mr. Chairman and Members of the Committee, during my years on the Board of Governors, I have done my best to contribute positively to all aspects of the Federal Reserve's many responsibilities. I look forward to the opportunity to continue to work with you and serve the Nation as Vice Chairman of the Board of Governors. Thank you for your attention and for considering my nomination. I would be pleased to answer any questions.

PREPARED STATEMENT OF PAUL S. ATKINS

MEMBER-DESIGNATE, U.S. SECURITIES AND EXCHANGE COMMISSION

OCTOBER 14, 2003

Chairman Shelby, Ranking Member Sarbanes, and Members of the Committee, it is a very great honor for me to appear for the second time before this Committee. I am deeply grateful for the confidence that President Bush has again shown in me by nominating me for a second time to be a Commissioner. I appreciate your courtesy in calling me before you today.

I would also like to note that it has been a pleasure to work with Chairman Bill Donaldson and my other colleagues on the Commission, Cynthia Glassman, Harvey Goldschmid, and Roel Campos. I salute the leadership that Chairman Donaldson has provided us and the SEC staff. If confirmed once again by the Senate, I look forward to continuing to work with Chairman Donaldson and my fellow Commissioners to address the very weighty issues that are before the SEC.

I have always regarded the Securities and Exchange Commission as one of the finest agencies of the U.S. Government. My 20-year career has centered on the financial markets and the SEC's oversight of them. In fact, I should note that I now have had the privilege of working closely with four SEC Chairmen: Richard

Breeden, Arthur Levitt, Harvey Pitt, and Bill Donaldson. I have learned much from each of these men and am happy to count them as friends and advisors.

As the Members of this Committee well know, in the past few years investors have been confronted with spectacular failures of large and small corporations because of bad accounting practices and outright fraud. The instances of corporate managers engaging in theft and reckless mismanagement of corporate funds are shocking, outrageous, and completely unacceptable. The revelations of corporate malfeasance undermined our capital markets in a profound way. "Corporate Responsibility" rightfully became a national issue for the first time in perhaps 70 years. In response to this crisis, this Committee and the Congress acted forcefully and the President signed into law the Sarbanes-Oxley Act of 2002, the most important piece of corporate governance and securities legislation in the last 70 years.

For many Americans, the SEC until the last couple of years may have been just another Federal agency in Washington, DC, with an alphabet-soup acronym. As Enron, MCI, and a host of other corporate scandals—along with the severe downturn in the marketplace—showed, the times have radically changed. Millions of Americans look to the SEC more than ever as the defender of their financial hopes and dreams, as it should and must be. Investors rightfully demand a tough cop to fight those who steal their hard-earned savings and investment.

These are unique and demanding times at the SEC. It would be a privilege for me to continue to respond to this call and to give my best efforts to advance the Commission's mandate on behalf of the investing public.

In my relatively short tenure as an SEC Commissioner, I have had the privilege of serving at the agency as we attempted to fulfill the high expectations of Congress in implementing the Sarbanes-Oxley legislation. As the Commission considered this important legislation, I tried to be mindful that investors need to have confidence that corporate officers are honest and have the best interests of their companies and stockholders in mind, not just what is good for their own wallets. Investors need to know that auditors of public companies are unconflicted, ethical, and acting in the best interests of investors. They need to know that their representatives on corporate boards are actively guarding their interests. And, last, but certainly not least, investors must be able to rely on the financial reports issued by public companies to present a clear and accurate picture of the financial health of those companies. If confirmed, I will continue to make decisions based on these bedrock principles.

We at the SEC have heard the calls from the investing public, and we are working hard to be more vigilant, more aggressive, and more faithful defenders of the public trust. We have, I believe, made significant steps to restore confidence in our financial system. If confirmed, I will continue to work toward achieving these critical objectives.

As I said the last time that I was before you, the SEC is a vital line of defense in protecting investors and the integrity of our financial markets. If confirmed, I will continue to dedicate my energy, experience, integrity, and independent judgment to achieving that goal. I look forward to the opportunity to return to my position at the SEC to serve with Chairman Donaldson and my fellow Commissioners.

Thank you very much and I would be happy to answer any questions that you might have.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: **Ferguson, Jr.** (Last) **Roger** (First) **Walton** (Middle) (Other)

Position to which nominated: **Vice Chairman, Federal Reserve Board of Governors** Date of nomination: **September 11, 2003**

Date of birth: **28** (Day) **10** (Month) **51** (Year) Place of birth: **Washington, DC**

Martial Status: **Married** Full name of spouse: **Annette L. Nazareth**

Name and ages of children: **Roger Walton Ferguson III** **Son** **12 years old**
Caroline Lawson Ferguson **Daughter** **9 years old**

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Harvard Graduate School of Arts and Sciences	**9/79-6/81** **9/75-6/77**	**Ph.D.** **A.M.**	**6/81** **6/77**
Harvard Law School	**9/77-6/79** **9/74-6/75**	**J.D. (cum laude)**	**6/79**
Pembroke College, Cambridge	**9/73-6/74**	**No degree granted**	
Harvard College	**9/69-6/73**	**A.B. (magna cum laude)**	**6/73**
Sidwell Friends School	**9/66-6/69**	**High School diploma**	**6/69**

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.

1969, National Achievement Award
1972, Richard Perkins Parker Award, Harvard College
1972-73, CFIA Undergraduate Associate and Traveling Fellowship, Harvard College
1973-74, Frank Knox Memorial Fellowship, Harvard College
Sept. 2000, Spirit of COBI Award, Coalition of Black Investors
May 12, 2001, Honorary Doctor of Finance, Lincoln College, Lincoln, Illinois
August 20, 2001, Distinguished African American Award, The Ancient Egyptian Arabic Order Nobles of the Mystic Shrine, Inc. (PHA)
May 11, 2002, Honorary Doctor of Laws, Webster University, St. Louis, Missouri
Oct. 9, 2002, Distinguished Service Award, The Bond Market Association

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

Organization	Office held (if any)	Dates
Harvard Board of Overseers	**None**	**2003 to 2009**
Sigma Pi Phi Fraternity	**None**	**2002 to present**
Harvard Alumni Association	**Elected Director**	**1996 to 1999**
Friends of Education (Trustee's Committee of the Museum of Modern Art)	**Treasurer and Vice Chairman**	**1994 to 1997**
Harvard Club of New York City	**None**	**1992 to present**
Wykagyl Country Club	**None**	**1993 to 1999**
Larchmont Yacht Club	**None**	**1997 to present**
St. John's Episcopal Church	**None**	**1989 to 1998**
New York Museum of Natural History	**None**	**1992 to 1998**
New York Zoological Society	**None**	**1992 to 1998**
Museum of Modern Art	**None**	**1991 to 1998**
New York Botanical Gardens	**None**	**1997 to 1998**
Norwalk Maritime Aquarium	**None**	**1993 to 1998**
New York Science Museum	**None**	**1994 to 1998**
Greenburgh Nature Center	**None**	**1993 to 1998**
Badger Sports Club, Inc.	**None**	**1995 to 1998**
St. Patrick's Episcopal Church	**None**	**1998 to present**
D.C. Children's Museum	**None**	**1998 to present**
Chevy Chase Country Club	**None**	**2001 to present**
The Yellowstone Association	**None**	**2001 to present**

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.

10/99 - present, Vice Chairman, Board of Governors, Federal Reserve System, Washington, DC 20551
11/97 - present, Governor, Federal Reserve System, Washington, DC 20551
10/84 - 10/97, Consultant and Director of Research and Information Systems (Partner), McKinsey & Company, Inc., 55 East 52nd Street, NY, NY
9/81 - 9/84, Attorney, Davis Polk & Wardwell, 450 Lexington Avenue, NY, NY
9/79 - 6/80, Assistant Senior Tutor, Leverett House, Harvard University, Cambridge, MA
6/79 - 9/79, Assistant Director, Program on Regulation, Kennedy School of Government Harvard University, Cambridge, MA
9/78 - 6/79, Assistant Senior Tutor, Leverett House, Harvard University, Cambridge, MA
6/78 - 9/78, Summer Associate, Davis Polk & Wardwell, 450 Lexington Avenue, NY, NY
9/77 - 6/78, Economics Tutor and Pre-law Adviser, Leverett House, Harvard University, Cambridge, MA
6/77 - 9/77, Summer Associate, Debevoise, Plimpton, Lyons & Gates, NY, NY
9/76 - 6/77, Economics tutor and Pre-law Adviser, Leverett House, Harvard University, Cambridge, MA
6/76 - 9/76, Summer Intern, International Trade Commission, Washington, DC
9/75 - 6/76, Non-resident Economics Tutor, Leverett House, Harvard University, Cambridge, MA
6/75 - 9/75, Summer Intern, Foreign Agricultural Service, U.S.D.A., Washington, DC
6/74 - 9/74, Summer Intern, Foreign Agricultural Service, U.S.D.A., Washington, DC
6/73 - 9/73, Summer Intern, Congressional Research Service, Washington, DC

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.

Current job: - Governor, Federal Reserve System

Summer jobs: - Department of Agriculture
- Congressional Research Service
- International Trade Commission

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

Discussion of "Central Banks and Financial Stability: Exploring a Land in Between," in Victor Gaspar, Philipp Hartmann, and Olaf Sleijpen (eds.), *The Transformation of the European Financial System*. Frankfurt, Germany: European Central Bank, 2002
Interview by Steve McCarthy and televised on CNBC, September 2002
Interview by Betsy Clark and televised by ABC, September 2002
Comments on "Waiting for the Information Technology Revolution?," in Kunio Okina and Tetsuya Inoue (eds.), *Monetary Policy in a World of Knowledge-Based Growth, Quality Change and Uncertain Measurement*. London: Palgrave, 2001
Interview in Henry Engler and James Essinger (eds.), *The Future of Banking*. London: Pearson Education, 2000
Interview in *The Region*, June 2000
"And the Economic Forecast for the 21st Century calls For...," *Sidwell Friends School Alumni Magazine*, Spring 2000
Interview in *The Financial Regulator*, Vol. 4, No. 1
Interview in *Online User*, March/April 1997, Vol. 3, No. 2
"Real Wealth," *The McKinsey Quarterly*, 1991, Number 4

Testimonies:
6/19/03, before the House Financial Services Committee, Subcommittee on Financial Institutions and Consumer Credit, re Basel Capital Accord
6/18/03, before the Senate Banking Committee, re Basel Capital Accord
4/8/03, before the House Financial Services Committee, re H.R. 1474, the Check Clearing for the 21st Century Act
4/3/03, before the Senate Banking Committee, re the FRB's proposed Check Truncation Act
2/27/03, before the House Financial Services Committee, Subcommittee on Domestic and International Monetary Policy, Trade and Technology, re Basel Capital Accord
9/25/02, before House Financial Services Committee, Subcommittee on Financial Institutions and Consumer Credit, re H.R. 5414, the Check Clearing for the 21st Century Act
4/24/02, before the House Small Business Committee, re state of small business manufacturing
6/13/01, before the Senate Banking Committee, re nomination to be a Member of the Board of Governors of the Federal Reserve System
5/17/01, before the House Small Business Committee, re small business access to capital
6/4/98, before House Commerce Committee, re perspective on implications of developments in electronic commerce and electronic payments
9/30/97, before the Senate Banking Committee, re nomination to be a Member of the Board of Governors of the Federal Reserve System

Published speeches may be found at the Federal Reserve website at www.federalreserve.gov

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.

Registered member of Democratic Party

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)

See Attachment A

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 am being renominated to serve as Vice Chairman of the Board of Governors of the Federal Reserve System, my present employer.

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.

   I have no current plans to resume employment with my previous business firm.

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.

In my capacity as a Federal Reserve official, I have testified before the Congress on the Federal Reserve's position on proposed check truncation legislation.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

None

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.

See Attachment B

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

Attachment A

My training and experience in government, economics, law, and management consulting qualify me for this position.

I have served as a member of the Board of Governors of the Federal Reserve System since November 1997 and as the Vice Chairman of the Board since October 1999. During this time I have contributed to a wide range of the Federal Reserve's work. I chaired a working group of the Federal Open Market Committee (FOMC), the monetary policy making body of the System, to review the Committee's disclosure practices. Acting on a recommendation of the group, the FOMC substantially altered its disclosure practices, including deciding to issue a press release after every meeting and revising its regular public statement to indicate the assessment of risks facing the economy. I serve on the Board oversight committee for supervision and regulatory affairs and chair the System committee for payments systems policy. I am currently Co-Chairman of the Federal Reserve's Payments System Development Committee, which addresses public policy issues concerning developments in the nation's payments infrastructure. Earlier in my term, I was chairman of the Board oversight committee on Reserve Bank affairs and also served as the Board's chief administrative officer.

As Vice Chairman, I represent the Board in several international forums and have served in a variety of leadership roles for the international official community. I currently chair the G-10 Central Bank Governors' Committee on the Global Financial System, which is a central bank forum for the monitoring and examination of broad issues relating to financial markets and institutions. The G-7 Finance Ministers and Central Bank Governors have also designated me to be the Chairman of the Financial Stability Forum (FSF), which assesses vulnerabilities affecting the global financial system, identifies actions to address those vulnerabilities and generally improves information exchange among various authorities. The FSF is comprised of central bankers, finance ministry officials and other regulatory authorities. In 2001, I completed service as Chairman of the Group-of-Ten Working Party on Financial Sector Consolidation, which examined the causes and potential effects of consolidation in the financial sector worldwide. From June 1998 to March 2000, I served as Chairman of the Joint Year 2000 Council, sponsored by the Bank for International Settlements, to provide guidance to the global financial supervisory community as it prepared for the Year 2000 computer challenge.

Perhaps the most important evidence of my qualifications to serve as Vice Chairman of the Federal Reserve Board occurred on September 11, 2001. I was the only Board member in Washington, DC, and took responsibility for overseeing the Federal Reserve System's response to the terrorist attacks. I believe that the System responded appropriately to the attacks by providing ample liquidity and issuing statements to reassure the public and the banking community. I have worked since that day to enhance the resilience of the financial system of the U.S.

Earlier in my career, I worked as a securities and banking lawyer, representing securities firms and banks in their underwriting and lending activities. I also served as a consultant to banks and other financial institutions. In that role, among other projects, I worked with money-center and regional banks on regional bank strategy, merger evaluation and post-merger integration, organizational structure, payment system issues, and cost reduction. I also worked with a full-line brokerage firm in developing an information technology strategy. These consulting assignments gave me a direct understanding of the daily and longer-term management challenges faced by banks and other financial institutions.

In addition, for several years I was responsible for research and information systems for McKinsey & Company, a management-consulting firm. Through that role, I have both a background in information technology and the management of research professionals.

I was an Associate with Davis Polk and Wardwell, a law firm located in New York City, between 1981 and 1984. I was with McKinsey & Company, Inc., a management-consulting firm, between 1984 and 1997.

I received a B.A. in economics (magna cum laude) in 1973, a J.D. (cum laude) in 1979, and a Ph.D. in economics in 1981, all from Harvard University. I also studied at Pembroke College, Cambridge University. In addition to studying macroeconomics, money and banking, and international trade and development, I have also studied industrial organization, the economic discipline that is the basis for evaluating the competitive effects of mergers and acquisitions.

This broad background prepares me to analyze the exceptionally wide range of monetary policy, domestic and international economic and regulatory policy, payments matters, and managerial issues confronting the Federal Reserve Board.

Attachment B

Vice Chairman Roger W. Ferguson has been named as a defendant in three lawsuits related to his position at the Federal Reserve. Two cases were brought by Thomas D. Hunter, a former Federal Reserve employee, against the Board and others, including Vice Chairman Roger W. Ferguson, Jr. The third case was brought as a putative class action regarding the Board's retirement system, and was also brought against the Board and other Board officials and entities.

1. Hunter v. Board of Governors of the Federal Reserve System, et al., No. 1:98CV02994 (ESH)., was filed in the United States District Court for the District of Columbia, 333 Constitution Avenue, N.W., Washington, D.C. 20001, on April 2, 1999. Vice Chairman Roger W. Ferguson was named as a defendant in the action. The issues involved were the alleged wrongful denial of access to Board records and the alleged deprivation of First Amendment rights. On May 26, 2000, the Court entered a judgment in favor of the Board and all other defendants, including Vice Chairman Roger W. Ferguson, Jr., on all issues. This case is no longer pending and Vice Chairman Roger W. Ferguson, Jr. is no longer a party to this case.

2. Hunter v. Board of Governors of the Federal Reserve System, et al., No. 1:00CV00735 (ESH), was also brought in the United States District Court for the District of Columbia, filed on April 5, 2000. The issue involved was alleged retaliation for whistleblowing activity by a Board employee. This suit was dismissed by stipulation dated December 15, 2000. Vice Chairman Roger W. Ferguson, Jr. is no longer a party to this lawsuit.

3. Albrecht et al. v. Committee on Employee Benefits, et al., No. 02-5325, is an appeal currently pending in the United States Court of Appeals for the District of Columbia Circuit, 333 Constitution Avenue, N.W., Washington, D.C. 20001, filed on October 18, 2002. The case is an appeal of the dismissal by the United States District Court for the District of Columbia of a putative class action (Albrecht v. Committee on Employee Benefits of the Federal Reserve Employee Benefits System, et al., No. 00CV317 (CKK)), brought by certain employees of the Federal Reserve Board who participate in the Board Benefit Structure of the Federal Reserve System Retirement Plan. The action challenges the mandatory contribution feature of the Board Benefit Structure. Vice Chairman Roger W. Ferguson was sued "in his official capacity" as a member of the Committee on Employee Benefits ("CEB"), an oversight committee charged with administering the Retirement Plan, including the Board Benefit Structure. Vice Chairman Ferguson is no longer a member of the CEB. The district court dismissed the case on September 17, 2002. A decision on the appeal is likely in late 2003 or early 2004.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: **Bernanke** (Last) **Ben** (First) **Shalom** (Other)

Position to which nominated: **Member, Board of Governors of the Federal Reserve System**

Date of nomination:

Date of birth: **13** (Day) **December** (Month) **1953** (Year) **Place of birth:** **Augusta, Georgia**

Marital Status: **Married** **Full name of spouse:** **Anna Friedmann Bernanke**

Name and ages of children: **Joel (20), Alyssa (17)**

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Harvard University	1971-1975	BA	1975
M.I.T.	1975-1979	Ph.D.	1979

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.

Fellow, American Academy of Arts and Sciences, 2001-.

Guggenheim Fellowship, 1999-2000.

Fellow, Econometric Society.

Alfred P. Sloan Research Fellow, 1983-84.

Hoover Institution National Fellow, 1982-83.

National Science Foundation Graduate Fellow, 1975.

Allyn Young Prize (for best Harvard undergraduate economics thesis), 1975.

John H. Williams Prize (for outstanding senior in the Harvard Economics Department), 1975.

Phi Beta Kappa, 1975.

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 Economic Association	Member	1979-present
	Editor, American Economic Review	2001-present
National Bureau of Economic Research	Research associate	1980-2002
	Director, Program in Monetary Economics	2001-2002
	Co-Editor, Macroeconomic Annual	1994-2001
Econometric Society	Fellow	1998-present
American Academy of Arts and Sciences	Fellow	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 inclusive dates of employment.

Member, Board of Governors, Federal Reserve System, August 2002-.

Howard Harrison and Gabrielle Snyder Beck Professor of Economics and Public Affairs, Princeton University, 1996-present. Class of 1926 Professor of Economics and Public Affairs, Princeton University, 1994-1996. Professor of Economics and Public Affairs, Princeton University, 1985-1994.

Associate Professor of Economics, Graduate School of Business, Stanford University, 1983-1985.

Assistant Professor of Economics, Graduate School of Business, Stanford University, 1979-1983.

Morgenstern Visiting Professor, Department of Economics,
New York University, Fall 1993.

Visiting Professor, Department of Economics, M.I.T., Fall 1983; academic year, 1989-90.

Teaching assistant, M.I.T. Department of Economics, 1976-79.

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.

Montgomery Township (NJ) School Board, 2 terms, 1994-2000

Visiting Scholar, Federal Reserve System: Philadelphia (1987-89), Boston (1989-90), New York (1990-91, 1994-96)

Member, Academic Advisory Panel, Federal Reserve Bank of New York, 1990-2002

Member, Academic Policy Committee, Federal Reserve Bank of Philadelphia, 2001-2002

Member, U.S. –Israel Joint Economic Development Group (Private-sector member; sponsored by U.S. State Department); 1997-2002

Member, Advisory Board, U.S. Census, 1986-89

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

Publications: Articles

"Monetary Policy in a Data-Rich Environment", Journal of Monetary Economics, April 2003, vol. 50, no. 3, pp. 525-46. With Jean Boivin.

"Is Growth Exogenous? Taking Mankiw, Romer, and Weil Seriously", NBER Macroeconomics Annual, 2001. With Refet Gurkaynak.

"Should Central Banks Respond to Movements in Asset Prices?" American Economic Review, May 2001. With Mark Gertler.

"Monetary Policy and Asset Price Volatility", presented at Jackson Hole, Wyoming conference of Federal Reserve System. In Federal Reserve Bank of Kansas City, Economic Review, vol. 84, no. 4, Fourth Quarter 1999, pp. 17-52. Also published in Federal Reserve Bank of Kansas City, New Challenges for Monetary Policy, 2000. With Mark Gertler.

"Japanese Monetary Policy: A Case of Self-Induced Paralysis?", in Ryoichi Mikitani and Adam S. Posen, eds., Japan's Financial Crisis and its Parallels to U.S. Experience, Institute for International Economics, 2000.

"The Financial Accelerator in a Quantitative Business Cycle Framework." With Mark Gertler and Simon Gilchrist. In John Taylor and Michael Woodford, eds., Handbook of Macroeconomics, Amsterdam: North Holland, 2000, chapter 21.

"The Liquidity Effect and Long-Run Neutrality", in Charles Plosser and Allan Meltzer, eds., Carnegie-Rochester Conference Series on Public Policy, 1999, vol. 49, no. 1, pp. 149-94. With Ilian Mihov.

"Measuring Monetary Policy", Quarterly Journal of Economics, August 1998, vol. 113, no. 3, pp. 869-902. With Ilian Mihov.

"Inflation Targets and Monetary Policy", Journal of Money, Credit, and Banking, November 1997, vol. 29, no. 4(2), pp. 653-84. With Michael Woodford.

"Inflation Targeting: A New Framework for Monetary Policy?", Journal of Economic Perspectives, Spring 1997, vol. 11, no. 2, pp. 97-116. With Frederic Mishkin.

"Systematic Monetary Policy and the Effects of Oil Price Shocks", Brookings Papers on Economic Activity, 1997:1, pp. 91-142. With Mark Gertler and Mark Watson.

"What Does the Bundesbank Target?" European Economic Review, June 1997, vol. 41, no. 6, pp. 1025-1054. With Ilian Mihov.

"Nominal Wage Stickiness and Aggregate Supply in the Great Depression", Quarterly Journal of Economics, August 1996, vol. 111, no. 3, pp. 853-883. With Kevin Carey.

"The Financial Accelerator and the Flight to Quality", Review of Economics and Statistics, February 1996, vol. 78, no. 1, pp. 1-15. With Mark Gertler and Simon Gilchrist.

"Inside the Black Box: The Credit Channel of Monetary Transmission", Journal of Economic Perspectives, Fall 1995, vol. 9, no. 4, pp. 27-48. With Mark Gertler.

"The Macroeconomics of the Great Depression: A Comparative Approach", (Money, Credit, and Banking Lecture), Journal of Money, Credit, and Banking, February 1995, vol. 27, no. 1, pp. 1-28.

"Credit in the Macroeconomy", Quarterly Review, Federal Reserve Bank of New York, Spring 1993, vol. 18, no. 1, pp. 50-70.

"Central Bank Behavior and the Strategy of Monetary Policy: Observations from Six Industrialized Countries", NBER Macroeconomics Annual, Olivier Blanchard and Stanley Fischer, eds., 1992, pp. 183-228. With Frederic Mishkin.

"The Federal Funds Rate and the Channels of Monetary Transmission", in American Economic Review, September 1992, vol. 82, no. 4, pp. 901-21. With Alan Blinder.

"The Credit Crunch", Brookings Papers on Economic Activity, 1991:2, pp. 205-239. With Cara Lown.

"Procyclical Labor Productivity and Competing Theories of the Business Cycle: Some Evidence from U.S. Interwar Manufacturing Industries", Journal of Political Economy, June 1991, vol. 99, no. 3, pp. 438-59. With Martin Parkinson.

"On the Predictive Power of Interest Rates and Interest Rate Spreads", New England Economic Review, Federal Reserve Bank of Boston, November-December 1990, pp. 51-68.

"The Gold Standard, Deflation, and Financial Crisis in the Great Depression: An International Comparison", in R. Glenn Hubbard, ed., Financial Markets and Financial Crises, Chicago: University of Chicago Press for NBER, 1991. With Harold James.

"U.S. Corporate Leverage: Developments in 1987 and 1988", Brookings Papers on Economic Activity, 1990:1, pp. 255-78. With John Y. Campbell and Toni M. Whited.

"Clearing and Settlement During the Crash", Review of Financial Studies, 1990, vol. 3, no. 1, pp. 133-51.

"Financial Fragility and Economic Performance", Quarterly Journal of Economics, February 1990, vol. 105, no. 1, pp. 87-114. With Mark Gertler.

"Unemployment, Inflation, and Wages in the American Depression: Are There Lessons for Europe?", American Economic Review, Papers and Proceedings, May 1989, vol. 79, no. 2, pp. 210-214. With Martin Parkinson.

"Agency Costs, Net Worth, and Business Fluctuations", American Economic Review, March 1989, vol. 79, no. 1, pp. 14-31. With Mark Gertler.

"Is There a Corporate Debt Crisis?", Brookings Papers on Economic Activity, 1988:2, pp. 83-125. With John Campbell.

"Credit, Money, and Aggregate Demand", American Economic Review, Papers and Proceedings, May 1988, vol. 78, no. 2, pp. 435-439. With Alan S. Blinder. Reprinted in Alan S. Blinder, Macroeconomics Under Debate, New York: Harvester Wheatsheaf, 1989. Reprinted in N. Gregory Mankiw and David Romer, eds., New Keynesian Economics, Cambridge, MA: MIT Press, 1991. Reprinted in David Laidler, ed., The Foundations of Monetary Economics, Cheltenham UK: Edward Elgar, forthcoming.

"Alternative Non-Nested Specification Tests of Time-Series Investment Models", Journal of Econometrics, March 1988, vol. 37, pp. 293-326. With Henning Bohn and Peter Reiss.

"Banking in General Equilibrium", in New Approaches to Monetary Economics, by William A. Barnett and Kenneth J. Singleton, eds., Cambridge University Press, 1987. With Mark Gertler.

"Alternative Explanations of the Money-Income Correlation", in Real Business Cycles, Real Exchange Rates, and Actual Policies, Carnegie-Rochester Conference Series on Public Policy, vol. 25, Karl Brunner and Allan H. Meltzer, eds., Autumn 1986.

"Employment, Hours, and Earnings in the Depression: An Analysis of Eight Manufacturing Industries", American Economic Review, March 1986, vol. 76, no. 1, pp. 82-109. Reprinted in Melvyn Dubofsky and Stephen Burwood, eds., The American Economy During the Great Depression, New York: Garland, 1990.

"The Cyclical Behavior of Industrial Labor Markets: A Comparison of the Prewar and Postwar Eras", in The American Business Cycle: Continuity and Change, Robert J. Gordon, ed., Chicago: University of Chicago Press, 1986.

"Adjustment Costs, Durables, and Aggregate Consumption", Journal of Monetary Economics, January 1985, vol. 15, no. 1, pp. 41-68.

"Permanent Income, Liquidity, and Expenditure on Automobiles: Evidence from Panel Data", Quarterly Journal of Economics, August 1984, Vol. 99, No. 3, pp. 587-614.

"Non-Monetary Effects of the Financial Crisis in the Propagation of the Great Depression", American Economic Review, June 1983, Vol. 73, No. 3, pp. 257-76. Reprinted in N. Gregory Mankiw and David Romer, eds., New Keynesian Economics, Cambridge, MA: MIT Press, 1991. Reprinted in Christopher

M. James and Clifford W. Smith, Jr., Studies in Financial Institutions: Commercial Banks, New York: McGraw-Hill, 1994. Reprinted in David Laidler, ed., The Foundations of Monetary Economics, Cheltenham UK: Edward Elgar, forthcoming.

"On The Sources of Labor Productivity Variation in U.S. Manufacturing, 1947-80", Review of Economics and Statistics, May 1983, Vol. 65, No. 2, pp. 214-24.

"The Determinants of Investment: Another Look", American Economic Review, Papers and Proceedings, May 1983, Vol. 73, No. 2, pp. 71-75.

"Irreversibility, Uncertainty, and Cyclical Investment", Quarterly Journal of Economics, February 1983, Vol. 98, No. 1, pp. 85-106.

"The Real Effects of Financial Crises: Theory and Evidence", in Federal Reserve Bank of S.F., Proceedings of Sixth Fall Academic Conference, November 1982, pp. 134-162.

"Bankruptcy, Liquidity, and Recession", American Economic Review, Papers and Proceedings, May 1981, Vol. 71, No. 2, pp. 155-159.

"Integration of Energy Policy Models", Computers and Operations Research, December 1975, Vol. 2, No. 3, pp. 225-249. With D. W. Jorgenson. Reprinted in D.W. Jorgenson, Growth, Volume 1: Econometric General Equilibrium Modeling, Cambridge MA: MIT Press, 1998.

Publications: Expositional Pieces, Comments, Reviews

"A Perspective on Inflation Targeting", Business Economics, 38, July 2003, 7-15.

"A Crash Course for Central Bankers", Foreign Policy, September-October 2000, p. 49.

"Comment on Rosengreen, Peek, and Tootell", in Frederic Mishkin, ed., Prudential Supervision: What Works and What Doesn't, University of Chicago Press for NBER, 2001, pp. 293-297.

"Comment on DeLong, 'America's Historical Experience with Low Inflation'", Journal of Money Credit and Banking, November 2000, Part 2, pp. 994-997.

"Missing the Mark: The Truth About Inflation Targeting", Foreign Affairs, September/October 1999, 158-161. With Thomas Laubach, Frederic S. Mishkin, and Adam S. Posen.

"Unanticipated Money Growth and the Business Cycle Reconsidered: Comment", Journal of Money, Credit, and Banking, November 1997, vol. 29, no. 4(2), pp. 649-52.

"Symposium on the Revised St. Louis Adjusted Monetary Base: Commentary", Federal Reserve Bank of St. Louis Review, November/December 1996, Vol.78, No. 6, pp. 70-72.

"What Does Monetary Policy Do?: Comment", Brookings Papers on Economic Activity, 1996:2, pp. 69-73.

"What Do We Know About How Monetary Policy Affects the Economy?", Federal Reserve Bank of St. Louis Review, May/June 1995, vol. 77,

no. 3, pp. 127-130.

"Historical Perspectives on the Monetary Transmission Mechanism: Comment", in N. Gregory Mankiw, ed., Monetary Policy, Chicago: University of Chicago Press, 1994.

"How Important is the Credit Channel in the Transmission of Monetary Policy?: A Comment", Carnegie-Rochester Conference Series on Public Policy, December 1993, vol. 39, pp. 47-52.

"The World on a Cross of Gold: A Review of Golden Fetters: The Gold Standard and the Great Depression, 1918-1939", Journal of Monetary Economics, April 1993, vol. 31, no. 2, pp. 251-267.

"Why Does the Paper-Bill Spread Predict Real Economic Activity? Comment", in James H. Stock and Mark W. Watson, eds., Business Cycles, Indicators, and Forecasting, Chicago: University of Chicago Press, 1993.

"The Cycle Before New-Classical Economics: Comment", in The Business Cycle: Theories and Evidence, Michael Belongia and Michelle Garfinkel, eds., Boston: Kluwer Academic Publishers, 1992.

"The Bank Credit Crunch", in Federal Reserve Bank of Chicago, Credit, Markets in Transition, Proceedings of the 28th Annual Conference on Bank Structure and Competition, 1992.

"Recent Trends in Corporate Leverage: Causes and Consequences", in Edward I. Altman, ed., The High-Yield Debt Market: Investment Performance and Economic Impact, Dow-Jones Irwin, 1990. With John Y. Campbell.

"'Regulation of Debt and Equity', by Kopcke and Rosengren: Comment", in Richard W. Kopcke and Eric S. Rosengren, eds., Are the Distinctions Between Debt and Equity Disappearing?, Federal Reserve Bank of Boston, October 1989.

"Comments on Corporate Debt", in Federal Reserve Bank of Chicago, Banking System Risk: Charting a New Course, Proceedings of the 25th Annual Conference on Bank Structure and Competition, 1989.

"Is There Too Much Corporate Debt?", Business Review, Federal Reserve Bank of Philadelphia, September-October 1989, pp. 3-13.

"Monetary Policy Transmission: Through Money or Credit?", Business Review, Federal Reserve Bank of Philadelphia, November-December 1988, pp. 3-11.

"'Crazy Explanations of the Productivity Slowdown', by Paul Romer: Comment", NBER Macroeconomics Annual, 1987.

"Review of: The Great Depression, 1929-1938, by Christian Saint-Etienne", Journal of Political Economy, August 1985, vol. 93, no. 4, pp. 831-35.

"Review of: Financial Crises, C. P. Kindleberger and J. P. Laffargue, eds.", Journal of Economic Literature, June 1983, vol. 21, no. 2, pp. 574-75.

"Rates of Return by Industrial Sector in the United States, 1948-1976: Discussion", American Economic Review, Papers and Proceedings, May 1980, vol. 70, no. 2, pp. 338-339. With J.I. Bulow.

"Review of: Factors in Business Investment, by Robert Eisner", Journal of Political Economy, August 1980, vol. 88, no. 3, pp. 811-813.

Publications: Books, Edited Volumes

NBER Macroeconomics Annual, Cambridge MA: MIT Press
Vol. 10, 1995.
Vol. 11, 1996.
Vol. 12, 1997.
Vol. 13, 1998.
Vol. 14, 1999.
Co-editor (with Julio J. Rotemberg).

Vol. 15, 2000.
Vol. 16, 2001.
Co-editor (with Kenneth Rogoff).

Inflation Targeting: Lessons from the International Experience. 1998. Princeton: Princeton University Press. With Thomas Laubach, Frederic Mishkin, and Adam Posen. Paperback, 2000.

Essays on the Great Depression. 2000. Princeton: Princeton University Press. Paperback, 2001.

Publications: Text Materials

Readings and Cases in Macroeconomics, New York: McGraw-Hill, 1987.

Macroeconomics, Reading MA: Addison-Wesley-Longman, 1991. With Andrew Abel. 2d ed., 1994. 3d ed., 1997. 4th ed., 2000. 5th ed., forthcoming.

Principles of Economics, San Francisco, CA: McGraw-Hill and Co., 2000. With Robert H. Frank. 2d ed., 2003.

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.

Registered as Republican.

No offices held or services rendered.

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)

(1) I have served as a Member of the Board of Governors since August 2002. I have been active in the formulation of monetary policy and in communication with the public through frequent speeches and informal talks. My committee service includes Economic Affairs (chair), Community and Consumer Affairs, and Payments Systems.

(2) Prior to joining the Board I was an academic for 23 years and held an endowed professorship at Princeton University. I have written widely on monetary economics, macroeconomics, economic history, statistical analysis of the economy, and banking. I am well acquainted with forecasting methodologies and research. My research experience includes the editorship of the American Economic Review, the highest-circulation economics research journal in the world, and the co-editorship of the NBER Macroeconomics Annual, a leading journal focusing on applied macroeconomic research. I am the coauthor of two successful college textbooks in economics.

(3) My prior career included regular contact with the Federal Reserve System as a visiting scholar, advisor, and consultant. I also regularly visited and advised central banks and finance ministries in other countries, including Canada, Mexico, Chile, Argentina, Germany (both the Bundesbank and the European Central Bank in Frankfurt), Italy, Israel, China, and Japan. My academic research is used extensively by central banks around the world in economic analysis and policy formation.

(4) As chair of the Princeton economics department for seven years prior to joining the Board, I successfully managed and built up one of the top economics departments in the world. I also helped to create, and was the first Director of, the Bendheim Center for Finance at Princeton, which has rapidly become a respected center for research and education in finance. My six years' experience as an elected member of the Montgomery Township School Board made me more effective at working as part of a group in the pursuit of public objectives.

(5) As a research associate of the nonprofit National Bureau of Economic Research, I served as the Director of the Program in Monetary Economics and as a member of the NBER's business cycle dating committee.

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 am on unpaid public service leave from my professorship at Princeton University. Princeton University will permit me leave for two, possibly three, years (beginning August 2002), after which I would have to resign. I have retained editorship of the American Economic Review, a scholarly research journal, on an unpaid basis; however, I have indicated that I will give up the editorship when my term ends in 2004.

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.

If I were to leave government service before August 2004, or possibly August 2005, I would have the option to return to my professorship at Princeton University.

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.

Not applicable.

Civil, criminal and investigatory actions:

1. Give the full derails 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.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: ATKINS (LAST) PAUL (FIRST) STEWART (OTHER)

Position to which nominated: Commissioner, Securities and Exchange Commission Date of Nomination: 3 September 2003

Date of birth: 28 (DAY) March (MONTH) 1958 (YEAR) Place of birth: Erwin, North Carolina

Marital status: married Full name of spouse: Sarah Jane Humphreys Atkins

Name and ages of children:
Stewart (9)
Peter (7)
Henry (3)

Education:

Institution	Dates attended	Degrees received	Dates of Degrees
Vanderbilt University School of Law	1980-1983	J.D.	May 1983
Wofford College	1976- 1980	A.B.	May 1980
H.B. Plant High School	1973-1976	Diploma	June 1976

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.

Law and Policy Award, Securities and Exchange Commission (December 1992); Vanderbilt Law Review (1981-83), Senior Student Writing Editor (1982-1983); Best Brief Award, Moot Court Competition (1981); Phi Beta Kappa (1980); Blue Key (1979); Charles E. Daniel Scholarship (Wofford College, 1976-1980); National Merit Scholar (1976); Valedictorian, H.B. Plant High School, Tampa, Florida (1976)

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

Organization	Office held (if any)	Dates
The Florida Bar		1984 - present
New York Bar		1986 - present
Association of the Bar of the City of New York		1990 - present
Washington Golf and Country Club, Arlington, Virginia		1998 - present
~~Metropolitan Club in the City of~~ Washington		2000 - present
Old Presbyterian Meeting House, Alexandria, Virginia		1998 - present
Atkins Family Trust Foundation	Trustee	1999 – 2002

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.

Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A., summer law clerk (1981), Tampa, Fla.

Davis Polk & Wardwell, summer associate (1982), associate (1983-90), New York, NY (1983-86 and 1989-90), Paris, France (1986-89)

U.S. Securities and Exchange Commission, attorney-fellow and counsel to Chairman (1990-92), executive assistant to Chairman (1992-93), counsellor to Chairman (1993-94), Washington, DC

PricewaterhouseCoopers LLP, principal, financial services regulatory advisory services (1994-2002), Washington, DC

U.S. Securities and Exchange Commission, Commissioner (2002 – present), Washington, D.C.

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. Agency for International Development – PricewaterhouseCoopers contract for advisory services on banking and securities issues for central and eastern Europe (1995)

U.S. Securities and Exchange Commission – employee (1990-94); commissioner (2002-present)

Published writings:

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

P. Atkins and T. McAleer, "The Changing Role of the Compliance Officer," *Compliance Monitor* (London, June 2000, Vol. 12, No. 12)

P. Atkins and Karen Clark, "Compliance Officer's Disaster Planning," *NSCP Currents* (Nov/Dec 1999)

Generally Accepted Risk Principles (written with others at Coopers & Lybrand, 1996)

For speeches as SEC commissioner, please see www.sec.gov for published copies thereof.

Political affiliations and activities:

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

None.

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 the specific amounts, dates, and names of the recipients.

Please see attached Schedule A.

Qualifications:

State fully your qualifications to serve in the position to which you have been named. (attach sheet)

Please see attached Schedule B.

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, it is my hope that the President will appoint me to a new term as commissioner, if the Senate confirms me for a new term.

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, I have no such plans.

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.

Please see attached Schedule C.

3. Describe any business relationship, dealing or financial transaction (other than taxpaying) 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 last 10 years in which you have engaged 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 potential conflict of interest that may be disclosed by you responses to the above items.

Please see attached Schedule C.

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.

Civil, criminal and investigatory actions:

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.

Schedule A

Political Contributions

Date	Recipient	Amount
21 May 2003	Bush-Cheney 2004	$2000
31 Oct 2002	Mike Pence Committee	$500
26 Oct 2002	John Swallow for Congress, Inc.	$500
15 Jan 2002	Bush – Brogan 2002	$500
19 Oct 2001	Mark Earley	$1000
5 Oct 2001	Republican Party of Virginia	$1000
1 Oct 2001	Bret Schundler	$1000
24 Sept 2001	Neill A. Atkins	$500
13 Aug 2001	PricewaterhouseCoopers PAC	$500
29 Oct 2000	Rick Lazio	$1000
11 Aug 2000	Bush-Cheney 2000 Compliance Committee	$1000
11 Aug 2000	Rick Lazio	$1000
16 June 2000	Demaris Miller	$1000
9 June 2000	PricewaterhouseCoopers PAC	$600
18 Nov 1999	George W. Bush	$1000
23 Feb 1999	PricewaterhouseCoopers PAC	$500
24 Sept 1998	Demaris Miller	$1000
21 Apr 1998	PricewaterhouseCoopers PAC	$500
21 Apr 1998	Demaris Miller	$1000
24 Feb 1997	Coopers & Lybrand PAC	$550
11 Oct 1996	Coopers & Lybrand PAC	$500
12 Dec 1995	Jim Miller	$1000

Schedule B

Paul S. Atkins: Qualifications to Serve on Securities and Exchange Commission

- Currently serving as an SEC commissioner (as of August 2002) during one of the most robust periods of SEC rulemaking activity, pursuant to authority granted by the Sarbanes-Oxley Act of 2002.

- Current service builds upon prior securities law experience and service on SEC staff:
  - Associate, Davis Polk & Wardwell, New York and Paris, 1983-90
  - Attorney-Fellow and counsel to Chairman Richard C. Breeden, 1990-92
  - Executive Assistant (chief of staff) to Chairman Richard C. Breeden, 1992-93
  - Counsellor to Chairman Arthur Levitt, July 1993 – Nov 1994
  - Principal, PricewaterhouseCoopers, 1994-2002, in financial services regulatory advisory group helping financial services firms comply with SEC regulations through investigations of possible regulatory violations, mock SEC examinations, and reviews aimed at improving internal controls and preventing violations of securities laws (*e.g.*, frontrunning, unethical/illegal sales practices, soft dollar violations, unsuitable recommendations)

- First-hand management experience
  - Acted as advisor to bankruptcy trustee in the investigation of the Bennett Funding Group, Inc., a leasing company that the SEC cites as the largest "Ponzi" fraud in U.S. history
  - Served as "crisis CEO" of a $100 million time share and real estate finance company, the only surviving entity of Bennett Funding Group; tasks included instituting effective internal controls and rebuilding business for eventual sale by trustee

- Practical knowledge of securities regulations
  - 19 years of securities regulatory experience, including 7 years in private law practice
  - Law practice included wide range of public and private securities offerings, mergers and acquisitions, and bank and securities regulatory work

- As staff member of SEC, focused on individual investor issues and corporate disclosure matters
  - Organized SEC's Consumer Affairs Advisory Committee in 1993
  - Developed SEC's original ***Invest Wisely*** brochures aimed at individual investors regarding the retail brokerage relationship (http://www.sec.gov/investor/pubs/inws.htm) and mutual fund investment (http://www.sec.gov/investor/pubs/inwsmf.htm)
  - Planned and organized "town hall" investor forum program in 1993-94
  - Spearheaded effort to improve proxy disclosures and modernize shareholder communications rules in 1991-92

- International Experience
  - Served as chairman of the Working Group for Securities and Financial Investment of the International Action Commission for Saint Petersburg, Russia (1995)
  - Organized the SEC's International Institute for Securities Market Development, a training program for securities regulators in emerging markets
  - Resident for 2½ years as lawyer in Paris

Schedule C

As required by 18 U.S.C. 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any other person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to 18 U.S.C. 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. 208(b)(2). I understand that the interests of the following persons are imputed to me: my spouse, minor children, or any general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

I intend to retain the equity holdings in issuers not owning entities regulated by the Securities and Exchange Commission listed in Attachment A to Schedule C. I understand that these equity holdings may present a potential conflict of interest under 18 U.S.C. 208(a). I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on these holdings, unless I first obtain a written waiver or qualify for a regulatory exemption.

I also understand that the interests in registered investment companies listed in Attachment B to Schedule C present a potential conflict of interest under 18 U.S.C. 208(a). I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on these investment companies, unless I first obtain a written waiver or qualify for a regulatory exemption.

I also understand that the holdings in debt securities listed in Attachment C to Schedule C present a potential conflict of interest under 18 U.S.C. 208(a). With respect to these debt securities, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the willingness or ability of the issuer to fulfill its obligations or on the market value of the bond, unless I first obtain a written waiver or qualify for a regulatory exemption.

I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the ability or willingness of the companies listed in Attachment D to Schedule C to fulfill their obligations under the terms of the insurance policies and annuity plan, unless I first obtain a written waiver or qualify for a regulatory exemption.

I understand that the private equity and limited partnership interests listed in Attachment E to Schedule C present a potential conflict of interest under 18 U.S.C. 208(a). I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of these entities, including any particular matter that will have a direct and predictable effect on the holdings of these entities, unless I first obtain a written waiver or qualify for a regulatory exemption.

I resigned from my position as principal with PricewaterhouseCoopers LLP prior to being sworn in as Commissioner on August 8, 2002. Because the payment I received from the firm prior to being sworn in constituted an extraordinary payment under 5 C.F.R. 2635.503, I will not participate in any particular matter in which the firm is a party or represents a party through August 8, 2004, unless I obtain a regulatory waiver under section 2635.503.

My spouse is a consultant with TAMKO Roofing Products, Inc., in Joplin, Missouri. She also owns stock in, and notes issued by, this company. 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 this company, or on the willingness or ability of the company to fulfill its obligations or on the value of the notes, unless I first obtain a written waiver or qualify for a regulatory exemption.

If re-confirmed as Commissioner, to the extent my disqualification is not required by 18 U.S.C. 208, I nevertheless will not participate in any particular matter involving specific parties which is likely to have a direct and predictable effect on the financial interests of a member of my household, where it is determined that the circumstances would cause a reasonable person with knowledge of the relevant facts to question my impartiality in the matter, unless I am authorized to participate under the provisions of 5 C.F.R. Part 2635, Subpart E.

Finally, I will provide the appropriate officials with a list of those interests I have retained (or may acquire) in order to support my efforts to avoid conflicts of interest. In addition, I will recuse myself from participation on a case-by-case basis in any particular matter in which, in my judgment, it is desirable for me to do so in order to avoid the possible appearance of impropriety, despite the lack of any actual conflicts.

Attachment A to Schedule C—Publicly Traded Equity Securities

The Eastern Co.
Microsoft Corp.
Met-Pro Corp.
Superior Uniform Group Inc.
American Vanguard Corp.
Griffon Corp.
Twin Disc Inc.
Wilshire State Bank
Gehl Co.

Attachment B to Schedule C—Registered Investment Companies

MFS Total Return Fund
Neuberger Berman Genesis Fund
Northern Trust Short Term Fund
Blackrock Municipal Income Trust
John Hancock Preferred Income Fund
PIMCO Municipal Income Fund
UBS Financial Services Resource Management Account Tax-Free Fund Inc.
Financial Square Funds, Inc.

Attachment C to Schedule—Debt Securities

City of Chicago, Illinois, Capital Appreciation City Colleges Bonds
Southlake, Texas, Series B Bonds
Midlothian, Texas, ISD ETM Bonds
County of Allegheny PA Deferred Int Bonds Series C
Allegheny County PA Sanitation Authority Sewer Rev Bonds
Bellevue Wash Convention Center Authority Special Oblig Rev Bonds
Blue Ridge Regional Jail Authority VA Bonds
Kansas City, Kansas, Preferred FSA Bonds
Colorado Housing Finance Authority Bonds
Colorado Health Facilities Authority Retirement Facilities Revenue Bonds
Colorado Springs CO School District Nr 11 Bonds
Detroit Michigan Downtown Development Authority Tax Increment Revenue Bonds
E-470 Public Highway Authority Colorado Revenue Bonds
Elkhart IN Community Schools Building Corp Bonds
Fairfax County VA Water Authority Revenue Bonds
Houston Texas Water & Sewer System Bonds
Illinois Health Facilities Authority Revenue Bonds
Lipan Texas Independent School District Bonds
New York State Dormitory Authority Capital Appreciation Bonds
Ohio Housing Finance Agency Bonds
Beaver County, PA, Industrial Development Authority Bonds
Pocahontas Parkway VA Capital Appreciation Bonds
Southeastern Public Service Authority VA Revenue Bonds
Texas Public Finance Authority State Preservation Board Bonds
Upper Occoquan VA Sewer Authority Bonds
Virginia Beach VA Development Authority Bonds
Harris County, Texas, Health Facilities Bonds
Waxahachie Texas Independent School District Capital Appreciation Bonds
St Louis MO Land Clearance Redevelopment Authority Bonds
Virginia Housing Development Authority Bonds
Illinois State Dedicated Tax Revenue Bonds Due 2019
Lingleville, Texas, Independent School District Bonds
Terrell, Texas, Independent School District Bonds
Illinois State Dedicated Tax Bonds Due 2017
Forney, Texas, Independent School District Capital Appreciation Bonds
Chicago, Illinois, Park District Series B Bonds

Attachment D to Schedule C—Insurance Policies and Annuity

Guardian Insurance C+C Variable Annuity
Minnesota Life Universal Life Insurance Policy
National Life of Vermont Whole Life Policies
Metropolitan Life Insurance Company Whole Life Policy

Attachment E to Schedule C—Private Equity and Limited Partnership Securities

Rooftop Financial LLC
Ragtime Realty LLC
Banzai Fiber, Inc.
Midwest Flight Capital, Inc.
Great Barrier Reef, Inc.
Rooftop Partners Atlanta L.P.
Midwest Life Insurance Co. Ltd.

NOMINATIONS OF:

APRIL H. FOLEY, OF NEW YORK TO BE FIRST VICE PRESIDENT OF AND JOSEPH MAX CLELAND, OF GEORGIA TO BE A BOARD MEMBER OF THE EXPORT-IMPORT BANK OF THE UNITED STATES

TUESDAY, DECEMBER 9, 2003

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

The Committee met at 9:30 a.m., in room SD–538, Dirksen Senate Office Building, Senator Richard C. Shelby (Chairman of the Committee) presiding.

OPENING STATEMENT OF CHAIRMAN RICHARD C. SHELBY

Chairman SHELBY. The hearing will come to order.

The purpose of this hearing is to review the nomination of April Foley to be First Vice President of the Export-Import Bank of the United States—Ms. Foley already serves as a member of the Bank's Board of Directors—and the nomination of Max Cleland to the Board of Directors of the same institution.

The Export-Import Bank is the principal U.S. Government entity for financing the export of U.S. goods and services. As the United States becomes more economically interdependent with a growing number of trade partners, the Bank's role in leveling the playing field for American companies seeking to market their goods and services overseas continues to grow. In fact, an agency that just a few short years ago was the target of serious efforts aimed at its dissolution has not only survived but has also seen its mission expand. Especially with the increase in emphasis over the past decade on the Bank's loan guarantee and risk insurance programs, the opening of new markets in developing countries will almost certainly tax its energy and resources more than ever before.

It is for this reason that the importance of the role of the Export-Import Bank's Board of Directors should not be underestimated. The positions for which these two highly respected individuals have been nominated oversee an organization with an annual budget of $600 million and which supports billions of dollars in U.S. exports every year. Ms. Foley, of course, is an incumbent member of the Bank's Board. Our former colleague and friend Max Cleland, how-

ever, will be new to the Bank, and I firmly believe will make an admirable addition.

Prior to assuming her position as a member of the Ex-Im's Board of Directors, April Foley was a member of the Board of Directors and President of the United Way of Northern Westchester, New York. She has been Director of Business Planning for Corporate Strategy for PepsiCo and served as Director of Strategy for Reader's Digest Association. She carries with her the battle scars from having cast the deciding vote against Ex-Im Bank support for the natural gas extraction, pipeline, and processing facilities the Government of Peru intends to build in sensitive rainforest and marine preserves. Given the stakes involved in that project for U.S. companies, Ms. Foley has already demonstrated her independence and her integrity.

The second nominee, of course, is Max Cleland, a former U.S. Senator from Georgia. Senator Cleland is currently a member of the National Commission on Terrorist Attacks Upon the United States. Prior to his election to the Senate, he served in the Administration of President Carter as Secretary of Veterans Affairs, and has also served in the Georgia State Senate and as that State's Secretary of State. I am pleased that he is here with us today.

Senator Sarbanes.

STATEMENT OF SENATOR PAUL S. SARBANES

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

I am pleased to welcome before the Committee on Banking, Housing, and Urban Affairs former Senator Max Cleland, who has been nominated to be a member of the Board of Directors of the Export-Import Bank, and Ms. April Foley, who has been nominated to be the First Vice President of the Export-Import Bank.

I would like to begin by thanking Chairman Shelby for holding this confirmation hearing today. Both of these nominations were received by the Senate on November 24, so there was no opportunity to hold a hearing on them before the Senate recessed on November 25. I should also note that Senator Miller was unable to be here this morning but asked that his statement of strong support for Senator Cleland's nomination be inserted in the record of the hearing.

Senator Cleland has given extraordinary service to our country for nearly 40 years. I am very pleased that he will be able to continue that career of public service as a member of the Board of the Export-Import Bank.

Senator Cleland received his undergraduate degree from Stetson University in 1964 and a master's degree from Emory University in 1968. He served in the United States Army from 1965 to 1969, at which time he retired with the rank of captain. During his service, he received the Soldiers' Medal for Heroism, the Bronze Star for Meritorious Service, and the Silver Star for Gallantry in Action. Senator Cleland served as a Senator in the Georgia legislature from 1971 to 1975 and as a staff member of the U.S. Senate Veterans' Affairs Committee from 1975 to 1977.

President Carter appointed Senator Cleland to be Administrator of the Veterans Administration in 1977, a position he held until 1981. From 1983 to 1996, Senator Cleland served as Secretary of

State of Georgia. From 1997 to 2003, he served as U.S. Senator from Georgia. He is currently a member of the Independent Commission on Terrorist Attacks on the United States and Distinguished Adjunct Professor and Member of the Center for Presidential and Congressional Studies at American University.

April Foley received her undergraduate degree from Smith College in 1969 and an MBA from Harvard Business School in 1975. She worked in senior management positions for Wilson Sporting Goods from 1976 to 1981. From 1981 to 1993, she served as Director of Business Planning for PepsiCo Company. From 1994 to 1995, she was Director of Strategy for Reader's Digest.

I should note that Ms. Foley had been previously nominated to be a member of the Ex-Im Bank Board on April 11. However, she received a recess appointment on May 14 and has been serving on the Board since then. Her nomination to be a member of the Ex-Im Bank Board was withdrawn by the White House on November 21, prior to the submission of her nomination to be First Vice President of the Ex-Im Bank.

I believe that both of these nominees are well-qualified for these positions, and I intend to support their nominations. Senator Cleland, of course, will bring a perhaps unprecedented dimension of stature and weight to the Board of the Ex-Im Bank. I think it is fair to say that calls from him on behalf of the Ex-Im Bank to U.S. exporters and commercial banks, foreign companies and governments, and indeed, Members of Congress and other executive branch agencies, will be returned with greater haste than your average Ex-Im Bank Board member.

I also know that he brings a passionate commitment to the promotion of U.S. exports and the creation of American jobs, the principal mission of the Export-Import Bank. His service on the Senate Commerce and Small Business Committees as well as the assistance he provided to exporters from Georgia provide him with substantial background for his new position.

By all reports, Ms. Foley has performed with great distinction during her brief service on the Board of the Export-Import Bank. Her significant background in senior management positions in the private sector will serve her well. The Charter of the Ex-Im Bank provides that the First Vice President shall serve as Vice Chairman of the Board of the Export-Import Bank.

Mr. Chairman, I want to enter in the record a letter sent to us from the Coalition for Employment Through Exports, a business-labor group which has been very interested in the export issue and has been a source of good advice, I think, to the Committee, signed by its president, Edmund B. Rice, and I am going to take a moment just to quote from it.

In the 8 months since she was appointed to the Bank's Board, April Foley has quickly distinguished herself as a hard-working, dedicated director. She has demonstrated a keen understanding of the fierce competition that U.S. exporters confront in global markets and the key role that the Bank plays to help level the playing field against foreign companies that have the active financial support of their governments in financing transactions and projects.

This sharp focus on increasing U.S. exports and export-related jobs is complemented by her prior private sector management experience, which makes her an excellent choice to be First Vice President of the Bank with that position's added responsibilities.

And with respect to Senator Cleland, Mr. Rice says: "Former Senator Cleland's distinguished public service in the military and in the Senate needs no further elaboration. He would bring to the Bank's Board a well-honed ability to determine public policy in a wide range of areas, and we are confident that he would add an important dimension to the Board's governance of the Bank."

Mr. Chairman, I would close by just saying that I believe that both of these nominees are very well-qualified for these positions. I intend to support their nominations.

Chairman SHELBY. Senator Allard.

COMMENTS OF SENATOR WAYNE ALLARD

Senator ALLARD. Mr. Chairman, thank you.

I wanted to be here this morning specifically so that I could welcome my good friend Senator Cleland to the Committee.

Senator Cleland and I worked together on the Armed Services Committee and worked on some pretty sensitive issues, and I think at the time we were working together, a lot of the export-import issues as far as defense products were concerned were something that received a lot of discussion. And obviously, his experience on the Small Business Committee is something I have appreciated. Being a small businessman myself, I put a lot of importance on small business, and I think if there is an area where we need to have emphasis and help, it is in the small business area and working on the exports and imports of this country. It seems like larger corporations have the personnel to do it, but those that probably need assistance at least to get started are in the small business community and helping out small business entrepreneurs.

And he has had experience on Commerce, Science, and Transportation Committee—that covers most bases. I think he will do a great job on the Board of Directors of the Export-Import Bank, and I wanted to be here just to specifically say hello to him and wish him well, and I plan on supporting him for this position.

I would also like to welcome April Foley to the Committee. Her extensive experience in financial planning and strategy development will make her a valuable asset on the Board of the Export-Import Bank, and further, her previous employment experiences allowed her to interact with many different people on many different levels, and I think that is important. This will be key as she works to create relationships internationally, working to keep the U.S. economy strong and growing.

So, Mr. Chairman, thank you for giving me the time to welcome these nominees, and I suppose Senator Daschle has a word or two that he wants to say, too, so I will yield over the rest of my time.

Thank you.

Chairman SHELBY. I will call on Senator Daschle, our former Majority Leader, the Democratic leader, a friend and colleague of all of us, for any remarks he wishes to make.

COMMENTS OF THOMAS A. DASCHLE
A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator DASCHLE. Mr. Chairman, I would begin by thanking you, the Members of the Committee, and your staff for rearranging your schedules to hold this hearing. It means a great deal to many of

us, and this would not have happened were it not for your willingness to do so. So I am grateful to you for that.

You have spoken so eloquently and articulately about the qualifications of each of our candidates. I congratulate our nominees, and I simply wanted to come before the Committee this morning to say just a word about our dear friend Max Cleland.

Max went to Vietnam at six-foot-four and came back having sustained injuries that most of us could never have tolerated or endured. But I think he stands even taller than that today in this country and in the Senate in large measure because of the man he is. With his integrity, his willingness to work hard, his sense of fairness and bipartisanship, he has become an inspiration to us all.

Max has written two books—"Going for the Max" and "Strong at the Broken Places." This man is strong in broken places, and he serves as an inspiration, not only to those who have also endured tragedy and hardship, but also to those of us who have had the good fortune to work with him. He is a dedicated public servant. You have articulated well his qualifications, as well as his experience, so I could do no more than to commend him to the Committee, thank him for his willingness to continue in public service today, and wish him well as he begins a new chapter in his life.

I thank the Committee.

Chairman SHELBY. Senator Daschle, thank you for your remarks.

Chairman SHELBY. Will both of you raise your right hand, or raise your hand and affirm?

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?

Ms. FOLEY. I do.

Senator CLELAND. I do.

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

Ms. FOLEY. I do.

Senator CLELAND. I do.

Chairman SHELBY. Welcome, Ms. Foley and Senator Cleland.

I understand you might want to introduce any family members that you have here, and Ms. Foley, we will start with you.

STATEMENT OF APRIL H. FOLEY, OF NEW YORK TO BE FIRST VICE PRESIDENT OF THE EXPORT-IMPORT BANK OF THE UNITED STATES

Ms. FOLEY. Mr. Chairman, Senator Sarbanes, esteemed Members of the Committee, I am honored to come before you as you consider my nomination to be First Vice President and Vice Chair of the Export-Import Bank of the United States.

Many thanks to you and your fine staffs for scheduling this hearing. I also want to say happy birthday to Senator Daschle.

Senator SARBANES. He left the room. We forgot to do that.

Ms. FOLEY. I did not get that in soon enough.

I am deeply appreciative of President Bush for the faith and trust he has placed in me. His nomination provides me with an exceptional opportunity to serve my country. We are all proud citizens of the finest country in the world. It is a rare gift to have the chance to serve it in such a significant way.

I would like to recognize a family member who is here today. Ellen James, who is the sister of my late husband, Gifford Foley.

I would also like to recognize my colleagues here who have been enormously supportive of me.

I fully endorse the mission of the Ex-Im Bank, and I will strive to successfully fulfill it. If confirmed, I will work diligently to support U.S. exports, create jobs for deserving Americans, and level the playing field with foreign competitors. I will act to protect the fiduciary interests of the American taxpayer. I will actively seek creative enhancements to Ex-Im's products and programs to better respond to the changing needs of the marketplace. I will work with the organization to identify new approaches tailored specifically to the requirements of small business. I will back Ex-Im's efforts to be a relentless competitor. I will strive to foster a positive working environment of honesty, openness, personal recognition, and respect. I will commit myself to serving this country with integrity, balance, and vigor.

It would be a great honor and privilege to serve under the extraordinary leadership of Chairman Philip Merrill, and with such accomplished colleagues as Director Joe Grandmaison and Senator Max Cleland.

Mr. Chairman, Senator Sarbanes, Members of the Committee, I respectfully ask for your favorable consideration of my nomination. I am pleased to respond to your questions.

Chairman SHELBY. Thank you, Ms. Foley.

Senator Cleland.

STATEMENT OF JOSEPH MAX CLELAND, OF GEORGIA A FORMER U.S. SENATOR FROM THE STATE OF GEORGIA TO BE A BOARD MEMBER OF THE EXPORT-IMPORT BANK OF THE UNITED STATES

Senator CLELAND. Thank you very much, Mr. Chairman. It is an honor to be here with my potential colleague, Ms. Foley, and I would like to say a special word of thanks to all of you for the wonderful words of welcome and the wonderful words of praise that I have heard today. I have them on tape and will play them late at the midnight hour.

[Laughter.]

I would like to recognize some people who have meant a lot to me and do mean a lot to me—Ms. Nancy Ross, the woman I am in love with and my fiancee; Bob Vaughn—we served together in Vietnam; Gamin Michael, we served together in the Veterans Administration; Lynn Kimmerly, who was on my staff here in the Senate; Andy Van Landingham, who was also on my staff here; Mashio Cameron, a distinguished member of my former staff; and two people who have made it possible for me to survive here this year in Washington and whom I hope to bring to the Bank with me—Elaine Iler and Adil Durrani. Also, I would like to thank Mr. Peter Cohen and Jeri Thompson for their wonderful support.

May I just say, Mr. Chairman, Senator Sarbanes, and distinguished Members of the Committee, it is good to be back home in the U.S. Senate. Senator Byrd used to say that people come to the Senate to make an impact on it and find out that the Senate makes an impact on them. So for the last 6 years of my life, it has made

an impact on me, a positive impact, and I have enjoyed serving the people of Georgia and the United States.

I wanted to have this new opportunity, if this Committee so decides, to have a new home at the Export-Import Bank. I would like to thank the Minority Leader, Senator Tom Daschle, for his unstinting support and his wonderful words today, and President Bush for the opportunity to continue my service in public life. As a former Chairman of the Ex-Im Bank, Mr. John Robson once declared before this Committee: "I relish this new challenge because I have never found a canvas as big to paint on as public service offers." Those are my feelings exactly, Mr. Chairman.

But what kind of picture shall we, working together, paint? The picture I would like to paint over the course of my tenure on Ex-Im Bank's Board is of an expanding economy that creates jobs. One way to maximize the jobs created in this country is by an expansion of our exports. Ex-Im Bank is needed now more than ever to create jobs here in this country. Since its creation by President Franklin Roosevelt almost 70 years ago, this marvelous agency is one of the tremendous tools we have at our disposal to reverse the downturn in the job market.

In 2003, Ex-Im Bank created and sustained thousands of jobs in America through supporting $14 billion in our Nation's exports. In my home State of Georgia over the last few years, the Bank has supported over $600 million in exports for 126 different companies in 45 separate communities. That is quite an impact just in my State alone. This is a picture of job creation and support for our exports that I would like to paint for my whole country were I to be confirmed by the U.S. Senate.

Last, I think my service in this body—as Senator Allard has pointed out, as the Chairman has pointed out, and Senator Sarbanes has pointed out—my experience on the Senate Commerce Committee and on the Senate Small Business Committee for 6 years, especially gives me a chance to be a spokesperson for small business, which is one of the things I would like to do at the Bank.

Thank you for your time, Mr. Chairman. Thank you for this hearing. Senator Sarbanes, Senator Allard, thank you for coming. I would like to especially thank Ms. Foley and Mr. Joe Grandmaison for helping me prepare for today's hearing and the wonderful staff at Ex-Im Bank, and certainly want to thank Chairman Phil Merrill. It is just great to have the opportunity to potentially serve with them.

Thank you again, Mr. Chairman, and I would just like to ask you and the Members of the Committee for your support as a Director of the Ex-Im Bank.

Chairman SHELBY. Thank you, Senator.

Iraq is estimated to be in debt to foreign lenders to the tune of $116 billion. Alongside that debt load is an estimated cost to rebuild Iraq of about $200 billion. As Iraq struggles to rebuild and come to grips with the implications, including the state of the nation's dilapidated infrastructure, with a history of autocratic rule and war, it is clear that at least in the short-term, its only real hope for generating meaningful revenue is its oil, the industry's oil reserves.

There have been a number of proposals for how to exploit Iraq's future oil revenues to facilitate economic reconstruction. The Export-Import Bank itself had floated a proposal to issue bonds against Iraq's oil revenue. Now it would obviously be unfair to place too much of the burden for Iraq's reconstruction on an agency like the Export-Import Bank.

The scope of the Bank's mission and its limited resources mean it can only do so much, as we know. To the extent, though, that the Bank has a seat at the table of the U.S. and foreign lending agencies that make the decisions on how best to aid Iraq's reconstruction, I would appreciate hearing from both of you your assessments of how Iraq's future oil reserves factor into the Bank's calculations of what can be achieved here.

I know this is very complicated, what I am asking you. I would also like to hear from you about your views of the approach the Bank would take to calculate the risk with regard to a country with such an enormous debt load relative to the current state of its economy and the estimated cost of rebuilding. Ms. Foley.

I hate to hit you all with this, but this is very important.

Ms. FOLEY. No. I think it is an excellent question, and I want to first compliment Chairman Philip Merrill for taking a leadership role in the area of Iraqi reconstruction and also compliment Peter Saba, who is part of the Bank, who has worked very diligently with the team there to get some financing products on the table.

At Ex-Im Bank, I think a top priority for us is to make a contribution to Iraq reconstruction.

Chairman SHELBY. And you will be at the table.

Ms. FOLEY. Definitely, we will be at the table—and in fact, we have just come forward with a $500 million line of credit to finance short-term transactions with the CPA which is guaranteed by the Development Fund of Iraq, which is basically where the oil revenues are collected.

This is a short-term facility. We took the leadership role in establishing this facility, and then we worked with 15 other countries to have similar facilities so that now, instead of $500 million on the table, there is $2 billion on the table.

We will be moving forward to put a medium-term product on the table, and I am planning to go to Iraq in 2004 and try to move the ball forward and see what more we can contribute.

Chairman SHELBY. You are very familiar with the fact that President Bush has enlisted the help of former Secretary of State James Baker to try to bring that debt load down.

Ms. FOLEY. Yes, he has, and we are fully supportive and feel that it is a top priority because medium-term and long-term financing really cannot occur before that debt is rescheduled or forgiven.

Chairman SHELBY. Max, do you have any comment?

Senator CLELAND. Yes, sir. Mr. Chairman, I have always thought that this nation, Iraq, which has the second-largest oil reserves in the world, has a tremendous natural asset that it can leverage and that we can leverage in assisting it to rebuild.

I think the Bank has taken a very forward step already. They have evaluated the risk, and I think they have approached it properly by in effect taking it one step at a time. Ms. Foley talked about short-term debt, less than 180 days. I think that that is the proper

way to do it and that the Bank has backed some $500 million in exports for U.S. companies who want to export there. This support has now increased to 15 other nations and involves some $2 billion in assets to back exports for Iraq reconstruction.

So, I would support the continued evaluation of Iraq and leveraging the oil that they have. We will take it one step at a time, and I think the Bank has already taken a good first step.

Chairman SHELBY. What about Russia? I will start with you, Ms. Foley, since you are on the Board now. How do we secure the environment for U.S. investment in Russia, considering the history and considering what is going on there? There is a lot of potential and a lot of danger, is not there?

Ms. FOLEY. There is. There is both. I think some of the messages that Senator Evans—excuse me—Secretary Evans and the Commerce Department——

Senator SARBANES. I am sure the Secretary does not mind being promoted.

[Laughter.]

Ms. FOLEY. —good point—Secretary Evans is trying to get the message of the importance of good corporate governance, ethical conduct, and the rule of law. I think a lot of progress is being made on all of those fronts in Russia. Even so, Ex-Im Bank has to be cautious in how it approaches each transaction. We have a well-developed risk assessment program for every country which evaluates a complex array of economic, political, and credit factors. We feel these evaluations provide us with adequate protection for the risks that we take.

Chairman SHELBY. Senator Sarbanes.

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

Mr. Chairman, I am going to forego questions, particularly in view of the very strong statements of both Ms. Foley and Senator Cleland. I thought they were an exceedingly strong, concise statement of their responsibilities on the Export-Import Bank Board.

I just want to mention a couple of points for their consideration. First of all, as you indicate, I think this issue of Iraq reconstruction is very complex. The Board needs to work through it very carefully. Obviously, that challenge could consume all of the resources of the Board that are available to us, leaving it with very little or nothing to do elsewhere.

There is a matter of balance that has to be taken into account. I do not quarrel with there being a role to play, but I think it needs to be thought through very carefully so the Bank's fundamental role of helping exports and jobs all over the world is not markedly circumscribed.

Second, Senator Allard took the lead in the Committee last year with the support of many of us to increase the percentage of Ex-Im Bank financing that must go to small business. It has been increased from 15 to 20 percent. I think that does pose a challenge to the Ex-Im Bank to move up to that level, and I was heartened by the commitment on the part of both of you here this morning to the small business challenge and particularly the experience that Senator Cleland brings to that issue.

Finally, this Committee put the Tied Aid Credit War Chest into the law, and we have been strongly supportive of it. I think it is

essential. We are trying to get agreements at OECD not to underwrite exports, so the competition is simply on the basis of price and quality. But if other countries are not going to play by that rule and are going to significantly underwrite their exporters, for us to fail to provide support for our own exporters means they will not be competing on a level playing field, and I think that needs to constantly be borne in mind.

But again, Mr. Chairman, I am excited by these two nominees. I think they will add to the quality of the Ex-Im Bank with Chairman Merrill and Director Grandmaison and give us a very strong team at the Ex-Im Bank.

I know the President has one further appointment to make, which I understand is in the works, so we will have a full complement there, but I have always felt that Ex-Im has a very important role to play in terms of the workings of our economy, and I wish you both well.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Allard.

Senator ALLARD. Thank you, Mr. Chairman.

I would like to follow up a little bit on Senator Sarbanes' small business comments. As he mentioned, we had provisionally put in the authorization bill to increase the role of small business in exports and imports, and as Senator Sarbanes pointed out, it is not an easy issue to deal with. I was wondering—this is to both of you—if you have any thoughts on what initiatives you might put forward and might talk about that would meet the goals that were laid out in that legislation.

Senator CLELAND. Let me take that if I can, Senator. About 98 percent of the jobs in America are created by small businesses, basically defined as 200 employees or less. As a matter of fact, during the 1980's and 1990's, a massive growth period, most of the new jobs created in America were by businesses with 19 employees or less.

So, I think the whole evolution of small business in America is a challenge to us all. One of the things I would like to specialize in, given my interest in small business, is how the Bank can leverage its power and its financial support for exports for small business companies. I think that is a tremendous payoff there if we can find good ways to do it. I appreciate your particular interest in this, and it is something that I would like to personally tackle. I do not have any great ideas right now, but it is something that I would like to put right on the front burner when and if I am confirmed by the Senate.

Ms. FOLEY. It is a good question, and it is a difficult question. First of all, the Bank fully supports the 20 percent hurdle, and we are trying to not only meet it but also exceed it. But because of the limited resources that we have at the Bank, it really takes a different type of approach than we use for our normal large business transactions. Increasingly what we are seeing is that to be effective with small business, we have to have products designed for use by financial institutions that work through their vast branch networks. They can provide access to a greater number of small businesses. So therefore, the financial institution acts as a multiplier for our business.

So right now we are in the process of evaluating our product and program lineup for financial institutions to make sure that our products are tailored properly to meet the needs of small businesses. In cases where they are not, we are trying to adjust the product line so that we have faster turnaround time, we have less paperwork, we have an electronic application process, et cetera, et cetera. Local currency is also an important small business-type feature to have.

We are looking at all of these, and I think that when we get these programs into place, we will be much more effective in working through our multipliers to get the small business volume that we want to pump through Ex-Im Bank.

Senator ALLARD. I think both of you have given good responses. I might add that I think part of the problem with small business is the communication problem and how you are going to get the message out to them and help them. I think you need to seek out those organizations that have a certain appeal to small business—it might be the local chamber, it might be the NFIB, or any other group of small business people—and let them know it is available. And even that is a relatively small percentage of all the small businesses that we have out there. I think that is one of the challenges considering some of the limited resources you might have dedicated, so you want to think of ways, while you get that message out there, that you can help small businesses. The banks, as you suggested, could be a good avenue, as well. Frequently, when small businesses are expanding, they go to a bank and ask for a loan, and I think this is a good opportunity for banks to help out a little bit in that area.

The other question I have is a little more pointed, and I do not mean it to reflect at all on what I think is happening now at the Export-Import Bank, but I do think it is really important that we have an inspector general there that is functioning. We put that language in the Export-Import authorization bill, and I have noticed that in this last year, it was not requested, and I hope that—in fact, I am going to ask for a commitment from each one of you that you work as members of that Board to get in the President's budget a request for money for an inspector general. The inspector is the eyes and ears—you can understand this, Senator Cleland; we rely on them—they are the eyes and ears of the Members of the Congress, and I think it adds to the credibility of the Export-Import Bank to have it there. I think it makes those of us who have some oversight of the Bank feel more comfortable about what is happening. And I hope, again, and I ask that each one of you will work to fund the IG position in the next budget.

Senator CLELAND. May I take that one first?

Senator ALLARD. Yes.

Senator CLELAND. Thank you for mentioning that. It is a little-known part of credible, honest, straightforward, accountable government, but the inspector general is a valuable tool for that to happen in any agency.

When I was head of the Veterans Administration in the late 1970's, I created the Office of Inspector General in the VA, and it is still there today. The VA is right across the street, so I bring the

same passion across the street now to Ex-Im Bank's Board to create an Office of Inspector General.

Senator ALLARD. I appreciate your commitment to that.

Ms. Foley.

Ms. FOLEY. My understanding is that it was requested in fact in the President's budget but did not get through.

Senator ALLARD. At what level?

Ms. FOLEY. I do not know.

Senator ALLARD. Okay. But the Board actually made the request from the Export-Import Bank, and when it went up for review, it got taken out. Is that what happened?

Ms. FOLEY. That is my understanding.

Senator ALLARD. Okay. That is interesting. Well, continue your efforts if you would, please——

Ms. FOLEY. Okay.

Senator ALLARD. —to track that down. Maybe we need an amendment in the Senate.

Ms. FOLEY. Let me assure you in the meantime, as chair of the Audit Committee, that we have a very rigorous audit and control function at the Bank.

Senator ALLARD. Thank you.

Chairman SHELBY. I just want to tell both of you that I believe both of you are exemplary nominees. Ms. Foley is already on there, and we know Senator Cleland well; he is highly respected. We are going to push both of these nominations as quickly and expeditiously as we can under the circumstances that we find ourselves in. We are going to be working with the leadership on both sides, Senator Daschle and Senator Frist, because these are important positions; you know it.

So we thank you both, and we look forward to moving you as soon as possible. You will have widespread support in the Senate. Thank you.

Senator CLELAND. Thank you, Mr. Chairman.

Ms. FOLEY. Thank you.

Chairman SHELBY. The hearing is adjourned.

[Whereupon, at 10:11 a.m., the hearing was adjourned.]

[Prepared statements, biographical sketches of the witnesses, and additional material supplied for the record follow:]

PREPARED STATEMENT OF SENATOR ZELL MILLER

Mr. Chairman, Members of the Committee, in all of my years in politics, I know of no other person who has embodied leadership, service and sacrifice more than Max Cleland.

On and off the battlefield Max's story should serve as a continual inspiration to us all.

When his Nation called in 1966, Max Cleland did not hesitate. He answered the call to arms and went to battle. His answer was, "Count me in."

He volunteered for service, and he volunteered for Vietnam when he could have stayed stateside and been safe and sound.

During his service in uniform, Max received the Silver Star Medal, one of the highest awards that can be given for gallantry in action. Listen to this citation:

> Captain Cleland distinguished himself by exceptionally valorous action on 4 April 1968 . . . during an enemy attack near Khe Sanh. When the battalion command post came under a heavy enemy rocket and mortar attack, Captain Cleland, disregarding his own safety, exposed himself to the rocket barrage as he left his covered position to administer first aid to his wounded comrades. He then assisted in moving the injured personnel to covered positions. Continuing to expose himself, Captain Cleland organized his men into a work party to repair the battalion communications equipment, which had been damaged by enemy fire. His gallant action is in keeping with the highest traditions of the military service, and reflects great credit upon himself, his unit and the United States Army.

Those are not my words. That is Uncle Sam talking.

And 4 days after that incident that earned him the Silver Star came the grenade explosion that so grievously wounded him. His would be a great story if you stopped there. But Max Cleland did not stop there.

He continued to lead by courageously overcoming this tragedy and serving in the Georgia state Senate. And he followed that up by distinguished tours of duty as head of the Veterans Administration and as an esteemed member of this body.

I have known and respected and loved Max Cleland for over 30 years. His is an American story; one of inspiration for us all. Mr. Chairman, I have no doubt that the Export-Import Bank and the Nation will benefit by his appointment and service on this board.

Thank you, Mr. Chairman.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Foley (Last) April (First) Hoxie (Other)

Position to which nominated: Board of Directors, Export-Import Bank of the U.S.

Date of nomination: 4-9-2003

Date of birth: 09-08-1947 (Day) (Month) (Year)

Place of birth: Chester, PA

Marital Status: widow

Full name of spouse: Gifford Thomas Foley, deceased

Name and ages of children:

Catherine Liggett Foley – 25

Gifford Thomas Foley – 23

James Edwards Hoxie Foley - 18

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Harvard University	09/73-06/75	MBA	06/75
Smith College	09/65-06/69	BA	06/69
Avon Lake High School	09/61-06/65	High School Dip.	06/65

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.

1999 Spirit of Caring Community Leadership Award

2003 Alexis de Tocqueville Outstanding Commitment to Westchester/Putnam

Harold Marshall Award for Outstanding Service – United Way

Graduated with Distinction in Psychology from Smith College

Valedictorian of High School Class

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

Organization	Office held (if any)	Dates
United Way of Westchester Putnam	Board of Directors	1996-2003
Alexis de Tocqueville Society	Chair	2001-2003
United Way of Northern Westchester	President	1998-2001
CPR Institute for Dispute Resolution	Board of Directors	1996-2003
Smith College Capital Campaign	Co-Chair, Special Gifts	1998-1999
Northern Westchester Shelter	Co-Chair of Friends	2001-2003
St. Matthew's Episcopal Church	Board of Women	2001-2003

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.

Director of Strategy, Reader's Digest, Pleasantville, NY 1994-1995
Director of Business Planning, Pepsico, Purchase, NY 1981-1993
Director of Planning, Wilson Sporting Goods, River Grove, IL 1980-1981
Senior Planning Analyst, Wilson Sporting Goods, River Grove, IL 1979-1980
Purchasing Manager, Wilson Sporting Goods, River Grove, IL 1978-1979
Manager of Distribution Planning, Wilson Sporting Goods, River Grove, IL 1976-1979
Production Line Supervisor, Pfizer, New York, NY 1976-1976
Senior Management Associate, Pfizer, New York, NY 1975-1976
Full Charge Bookkeeper, Gateway Equipment, Boston, MA 1973
Bookkeeper, METCO, Monorvia, Liberia 1972-1973
Sales Management Trainee, Livingston Bros, San Francisco, CA 1970-1971
Night Club Owner, Blackbird, San Jose, Costa Rica, 1969-1970

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.

None

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

None

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.

Member, Republican Party
Member, Sue Kelley Club

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

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)
See attached

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

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.
I do not

3. Has anybody made you a commitment to a job after you leave government?

No one has

4. Do you expect to serve the full term for which you have been appointed?

I do

Political Contributions of $500 or more made by April H. Foley

Rudolph W. Giuliani	08/04/99	$1000
	01/12/00	1000
Sue Kelly for Congress	04/12/99	250
	06/30/99	600
	10/13/00	1000
	06/22/01	500
	11/19/01	500
	03/27/02	1000
	05/05/03	2000
George W. Bush	06/10/99	1000

Qualifications of April H. Foley

Financial/analytical skills – Many years of my corporate career were spent working in all aspects of financial planning and analysis, including short and long term financial planning, capital planning, merger and acquisition analysis. Although I was not involved specifically in bank loans, which is the work of Ex-Im Bank, many of the approaches to financial analysis are the same. In particular, I spent many years in charge of mergers and acquisitions for PepsiCo, which involves many of the same types of transactional analysis as those involved in loans, guarantees, and insurance evaluation.

Strategic Planning – Much of my career was involved strategy development. Lending transactions typically involve an understanding of the strategic implications for all parties.

Presentation skills – At PepsiCo, I made countless presentations to audiences of all sizes. For example, I was in charge of rolling out a major "Shareholder Value" initiative for all of PepsiCo's employees and traveled extensively to make presentations to employees to introduce the concepts, suggest ways in which they might change how employees do their jobs, and work to get buy-in. My understanding is that the job at Ex-Im Bank will involve representing the bank, generating interest in the bank, and making a case for the advantages of using the bank to increase exports and create jobs.

Organizational/ thought leadership skills – I worked for a large complex organization for 17 years. PepsiCo had 400,000 employees and 8 divisions. Effecting change invariably involves working with countless people with varying points of view and prejudices and persuading them of the wisdom of moving in a new direction. Over the years, I have developed the skills to make me an effective agent of positive change. Although Ex-Im Bank has only 400 employees, because it works within the context of the federal government, it demands someone who has well-developed skills for a large complex organization.

Interpersonal skills – It's important to work smoothly with people in spite of differences of opinion. It's important to create around yourself a positive, motivational, and supportive working environment in which individuals are recognized for their efforts and accomplishments. It's important to have fun on the job. I believe I work well with others because of this approach.

Integrity/ honesty – Personal integrity is extremely important to me. I believe in being honest about what I believe, in being truthful to others, in holding myself and others to the highest standards of personal ethics and behavior.

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.

See Attached

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.

See attached Ethics Agreement

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

Page 5, Item 1

PepsiCo Pension – Monthly benefit at age 65 is $3086.16. Present value based on as 30-year US Treasury rate of 4.92% is $159, 879.14.

PepsiCo Deferred Compensation:

> Piece A is invested in PepsiCo stock and valued at $106, 590. It is to be amortized through quarterly payments made over a 7-year period that began 10/01/02. The most recent payment was $3772.61. The amount of payment is based on the value of PepsiCo stock on the payout date divided by the number of remaining quarterly payments.
>
> Piece B is invested in PepsiCo stock and valued at $95, 796.66. It is to be amortized through quarterly payment made over a 15-year period beginning 10/01/08. The amount of the payment is based on the value of PepsiCo stock on the payout date divided by the number of remaining quarterly payments.

I will recuse myself on all bank matters related to PepsiCo, Inc.

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.

See attached Ethics Agreement

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

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Cleland (Last) **Joseph** (First) **Maxwell** (Other)

Position to which nominated: Board of Directors—Export/Import Bank

Date of nomination:

Date of birth: 08/24/1942 (Day) (Month) (Year) **Place of birth: Atlanta, Georgia**

Marital Status: Single

Full name of spouse: NA

Name and ages of children: NA

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Stetson University		**BA**	**1964**
Emory University		**MA**	**1968**

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.

Soldiers' Medal for Heroism, Bronze Star for Meritorious Service, Silver Star for Gallantry in Action in Vietnam (1968), Stonehill College PhD (Honorary)-1977, Emory University PhD (Honorary)-1978, Stetson University PhD (Honorary)-1979, 1977 Jefferson Award, Outstanding Public Service by an American under 35—Institute of Public Service

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

Organization	Office held (if any)	Dates
The Carmon Group	**Of Counsel**	**2003**
Stetson University	**Board of Trustees**	**2003**
American University	**Distinguished Adjunct Professor and Member of the AU Center for Presidential and Congressional Studies**	**2003**
Vietnam Veterans Memorial Foundation	**Advisory Committee**	**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.

2003 to Pres.	**Independent Commission on Terrorist Attacks on the United States**
1997-2003	**United States Senator, Georgia**
1983-1996	**Georgia Secretary of State**
1977-1981	**Administrator, Veterans Administration**
1975-1977	**Staff Member, U.S. Senate Veterans Affairs Committee**
1971-1975	**State Senator, Georgia Legislature**
Oct 18, 1965 to Dec. 24, 1969	**United States Army, Retired US Army Captain**
Summer 1965	**Intern, U.S. House of Representatives**

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.

2003 to Present	**Independent Commission on Terrorist Attacks on the United States**
1997-2003	**United States Senator**
1983-1996	**Georgia Secretary of State**
1977-1981	**Administrator, Veterans Administration**
1975-1977	**Staff Member, U.S. Senate Committee on Veterans Affairs**
Oct 18, 1965 to Dec. 24, 1969	**United States Army, Retired US Army Captain**
1965	**Summer Intern, U.S. House of Representatives**

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

Strong At The Broken Places	1980
Going for the MAX!	1999

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.

1982, 1988, 1992, 1996, 2000
Delegate to National Democratic Convention

1992
National Democratic Convention Site Selection 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.

Mr. William Perry	**$550.00 (aggregate amount)**
Mr. Charles Wolden	**$500.00**
Mr. John Barrow	**$1,000.00**

Qualifications: (attach sheet) State fully your qualifications to serve in the position to which you have been named.

Secretary of State, Georgia and commissioner of corporations for 12 years. U.S. Senator with membership on the Small Business and Commerce, Science and Transportation Committees; Subcommittee on Telecommunications; Subcommittee on Aviation

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.

If confirmed to the Board of the Export/Import Bank, I will be obligated to resign from all compensatory positions currently held.

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.

AFLAC – 2,000 shares stock options for next ten years.

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.

On any potential conflict of interest, I will recuse myself from voting on the issue.

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.

1994 – State Ethics Commission investigation regarding allegations of a fired state employee. By vote, committee found in favor of the state employee; however, no fine or punishment was administered.

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

CEE

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December 8, 2003

The Honorable Paul Sarbanes
Ranking Democratic Member
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Senator Sarbanes:

As the committee prepares to consider the nominations of April Foley to be First Vice President of Ex-Im Bank and Max Cleland to be member of the Bank's board, I write on behalf of our Coalition's members to support both nominations and to urge that the Senate confirm both for these positions.

In the eight months since she was appointed to the Bank's board, April Foley has quickly distinguished herself as a hard-working, dedicated director. She has demonstrated a keen understanding of the fierce competition that U.S. exporters confront in global markets and the key role that the Bank plays to help level the playing field against foreign companies that have the active financial support of their governments in financing transactions and projects. This sharp focus on increasing U.S. exports and export-related jobs is complemented by her prior private sector management experience, which makes her an excellent choice to be First Vice President of the Bank, with that position's added responsibilities.

Former Senator Cleland's distinguished public service, in the military and in the Senate, needs no further elaboration. He would bring to the Bank's board a well-honed ability to determine public policy in a wide range of areas, and we are confident that he would add an important dimension to the board's governance of the Bank.

In providing for the Bank to be overseen by a board of directors, the Congress long ago established the principle that collective decision-making is the most effective approach to insure that the Bank makes sound decisions on both individual transactions and on overall financing policy. We believe that both April Foley and Max Cleland would make important contributions to fulfilling that Congressionally-established principle at the Export-Import Bank and we urge that the committee and the Senate act to confirm them as quickly as possible.

Sincerely,

Edmund B. Rice
President