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NOMINATIONS OF: HARVEY S. ROSEN KRISTIN J. FORBES, JULIE L. MYERS, AND PETER LICHTENBAUM

HEARING

BEFORE THE

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

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

ON

NOMINATIONS OF:

HARVEY S. ROSEN, OF NEW JERSEY, TO BE A MEMBER OF THE COUNCIL OF ECONOMIC ADVISERS

KRISTIN J. FORBES, OF MASSACHUSETTS, TO BE A MEMBER OF THE COUNCIL OF ECONOMIC ADVISERS

JULIE L. MYERS, OF KANSAS, TO BE ASSISTANT SECRETARY FOR EXPORT ENFORCEMENT, U.S. DEPARTMENT OF COMMERCE

PETER LICHTENBAUM, OF VIRGINIA, TO BE ASSISTANT SECRETARY FOR EXPORT ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

SEPTEMBER 16, 2003

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NOMINATIONS OF:

HARVEY S. ROSEN, OF NEW JERSEY AND KRISTIN J. FORBES, OF MASSACHUSETTS TO BE MEMBERS OF THE COUNCIL OF ECONOMIC ADVISERS

JULIE L. MYERS, OF KANSAS TO BE ASSISTANT SECRETARY FOR EXPORT ENFORCEMENT, AND

PETER LICHTENBAUM, OF VIRGINIA TO BE ASSISTANT SECRETARY FOR EXPORT ADMINISTRATION U.S. DEPARTMENT OF COMMERCE

TUESDAY, SEPTEMBER 16, 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 CHAIRMAN RICHARD C. SHELBY

Chairman SHELBY. The hearing will come to order.

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

Our first panel will be Professor Harvey Rosen and Professor Kristin Forbes. Professors Rosen and Forbes have been nominated to be Members of the President's Council of Economic Advisers. The Council of Economic Advisers, established by the Employment Act of 1946, provides the President of the United States with economic analysis and advice on the development and implementation of domestic and international policy issues.

Professor Harvey Rosen is currently the John L. Weinberg Professor of Economics and Business Policy at Princeton University. I will note that Professor Rosen also served as the Chairman of Princeton's Economics Department from 1993 to 1996. The President's Council of Economic Advisers will not be Professor Rosen's first stint at public service. Previously, Professor Rosen served as

the Deputy Assistant Secretary for Tax Analysis at the U.S. Department of the Treasury.

Professor Kristin Forbes is the Mitsubishi Chair and Associate Professor of International Management at the Massachusetts Institute of Technology's Sloan School of Management. Previously, Professor Forbes served as the Deputy Assistant Secretary for Quantitative Policy Analysis, Latin American and Caribbean Nations, at the U.S. Department of the Treasury. Prior to joining MIT, Professor Forbes held positions in the Investment Banking Division at Morgan Stanley and in the Research Policy Division of the World Bank.

Senator Sununu, you are here and I think I will yield to you to introduce Professor Forbes, if you so desire.

STATEMENT OF SENATOR JOHN E. SUNUNU

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

It is a pleasure to be here to welcome both of the nominees to participate on the Council of Economic Advisers, and it is a special honor to present Dr. Forbes today as one of those nominees. She has a remarkable record of achievements. You have touched on a couple of them. They cover not only academics but also economics and public service as well, and they really do flow from her very strong roots in our home State of New Hampshire.

She is the daughter of a physician, Jim Forbes, and his wife, Allison, and she was raised in our State capital of Concord. Dr. Forbes' parents, Dr. and Mrs. Forbes, are here today, as well as her husband, Steve Calhoun, and I want to welcome them all to the Senate Banking Committee.

Her professional work in international economics has been punctuated with public service, and that is really a credit. Rather than just work successfully in academia or consulting, she has spent a great deal of time trying to give back to the country and served most recently as Deputy Assistant Secretary of the Treasury for Quantitative Policy Analysis, as you mentioned. That is a position where in her capacity she focused on Latin America and Caribbean nations.

After serving for a year in the Bush Administration, she returned to MIT, which is a school that I know reasonably well, having managed to graduate there after a prolonged effort. She served at the Sloan School of Management, and as you mentioned, she has held the Mitsubishi Career Development Chair.

She has a great grasp of international economic policy that has earned her worldwide recognition. Earlier this year, she was honored as one of the Global Leaders for Tomorrow at the World Economic Forum in Davos, Switzerland. She has a wonderful record of achievement, and that does indeed make her a natural choice for the Council of Economic Advisers. I am pleased and very proud for the entire State of New Hampshire to welcome her here today.

Thank you, Mr. Chairman, and welcome, Dr. Forbes.

Chairman SHELBY. Our first panel, Professors Rosen and Forbes, I am going to administer an oath to you, and after that you can make your opening statement, and you might want to introduce any members of the your respective families that you have.

First, if you would stand and raise your right hand. Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Ms. FORBES. I do.

Mr. ROSEN. I do.

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

Ms. FORBES. I do.

Mr. ROSEN. I do.

Chairman SHELBY. Thank you.

Professor Rosen, do you have an opening statement? Do you want to introduce any of your family?

STATEMENT OF HARVEY S. ROSEN, OF NEW JERSEY TO BE A MEMBER OF THE COUNCIL OF ECONOMIC ADVISERS

Mr. ROSEN. Thank you, Senator. I would like to introduce my son, Jonathan Rosen, and my wife, Marsha Novick, who drove down from New Jersey to join us today.

Chairman SHELBY. Thank you. Your written statements will be made part of the hearing record in its entirety. Please proceed as you wish although we may have to recess, because we have a vote at 10:45.

Mr. ROSEN. Yes, sir.

Chairman SHELBY. Go ahead, sir.

Mr. ROSEN. Mr. Chairman, Senator Sununu, I am honored to have the opportunity to appear before you as the President's nominee to be a Member of the Council of Economic Advisers. This is an important moment in my life, and I am happy that I have family and friends here to experience it with me. In particular, I would like once again to introduce you to my wife, Marsha, to whom I have been married 27 years, and my son, Jonathan, who is a junior at Princeton. Jonathan's older sister, Lynne, could not be here today. She is in Vietnam, spending the year teaching English at a community college in the Mekong Delta. Neither Lynne nor Jonathan has ever taken a course in economics. They have focused instead on the hard sciences, sensibly preferring disciplines that at least occasionally provide unambiguous answers to questions.

I mention my children not primarily because I like to talk about them, although, since I am under oath, I am compelled to say that, as a proud father, the opportunity to brag about them to a distinguished Committee of the U.S. Senate is irresistible. Rather, I bring them up because they relate to a question that I expect is on your minds as you ponder my suitability for this appointment. Why does he want the job? I have benefited from the amazing opportunities that America provides its citizens. I want these opportunities to be open to my children and to all children. To a large extent, these opportunities depend on the Nation's prosperity. This prosperity derives primarily from our system of free markets, which unleashes the creative energies of our people.

Our system of free markets depends critically on appropriate Government intervention. Government sets the rules of the game, defining property rights and assuring that all people compete on a level playing field. Government provides certain services that private markets simply cannot provide, such as national defense. And

Government maintains a safety net to assist those people who need a helping hand.

In short, the prosperity I want for my children and others to enjoy depends on good economic policy. I have spent my professional life doing research on economic policy, writing about it, and teaching about it. If I am fortunate enough to be confirmed, I hope this experience will help me to participate effectively in shaping our Nation's responses to the economic challenges that confront it.

Thank you.

Chairman SHELBY. Professor Forbes.

STATEMENT OF KRISTIN J. FORBES, OF MASSACHUSETTS TO BE A MEMBER OF THE COUNCIL OF ECONOMIC ADVISERS

Ms. FORBES. Chairman Shelby, Senator Sununu, it is my privilege to appear before you today. I am honored to be considered by the President and considered by you to serve as a Member of the Council of Economic Advisers.

After just observing the second anniversary of September 11, 2001, this is a particularly poignant moment to reflect on the tremendous strength and resilience of the U.S. economy. In the past few years, the United States has experienced an unprecedented series of challenges—from the collapse of the stock market bubble, to the terrorist attacks of September 11, to the corporate accounting scandals, to the wars in Afghanistan and Iraq. Reflecting on these events reminds me, first of all, of the importance of family and friends. Therefore, I am delighted to be joined here today by my parents and my husband, as just introduced by Senator Sununu.

Reflecting on these events of the past few years also reminds me of the tremendous vitality of the U.S. economy. Despite this series of challenges, the U.S. economy has remained strong and resilient. The recession of 2001 was one of the shallowest in post-World War history, as measured in the fall of GDP from its peak. The U.S. economy grew faster than any other major economy in the world in 2002, and is expected to do so in 2003. Productivity growth is rapid and has recently exceeded even optimistic expectations.

Despite these positive signs, however, there are also reasons to be very cautious and vigilant. Employment has been very slow to recover, and unemployment is still too high. If growth in the United States continues to outpace that in the rest of the world, the current account deficit is likely to increase. In the next decade, as baby boomers retire, the payments for Social Security and Medicare will put increasing pressure on our Federal budget.

Given these challenges, it is important to reinforce the underpinnings of the U.S. economy and the strengths that have contributed to its vitality. The United States is a land of opportunity, where people can, through hard work and perseverance, rise from humble beginnings to comfortable lifestyles. It is a land where an individual with a good idea can start his or her own business and flourish. These possibilities exist in the United States due to the economy's reliance on market forces, combined with a strong protection of individuals' rights. The U.S. Government has an important role to play in building and in enforcing the institutions necessary to ensure that markets function efficiently and that individuals' rights are protected.

Not only does the Government have an important role to play in reinforcing the strengths of the U.S. economy, but also to ensure that the economy successfully adapts to new challenges. Our response to the series of corporate accounting scandals—arresting corrupt managers, allowing insolvent firms to go bankrupt, and passing new legislation to reduce the chance of these events occurring in the future—is a model of rapid adaptation that is the envy of many other countries. Over a decade after its asset bubble burst, Japan is still struggling with how to resolve many of the same challenges. As this country becomes increasingly integrated with the rest of the world, it will continually face new challenges on how to manage these adjustments, while still reaping the tremendous benefits of globalization.

Given the important role of Government in protecting the strength and vitality of our economy, I realize the substantial responsibility entailed in a position as a Member of the Council of Economic Advisers. My background, as Senator Sununu just outlined—a Ph.D. in economics, a professor, and award-winning teacher at MIT, and a recent position as a Deputy Assistant Secretary in the U.S. Treasury Department—has hopefully helped prepare me for these challenges. If confirmed, I will be honored to accept the responsibility of providing sound economic advice to help ensure the continued vibrancy of the economy.

Thank you for your time, and I look forward to your questions.

Chairman SHELBY. Thank you.

Professor Rosen, earlier this year, I again introduced legislation that would greatly simplify our tax system. My proposal, Senate bill 1040, is a simple 17-percent flat tax for all families, after a generous standard deduction.

Knowing your background on taxes and so forth, what do you think, what would be the impact of this proposal? I know it is a proposal, and that is all it is at the moment. But what is the impact of that?

Mr. ROSEN. Senator, I think that a tax system with lower marginal tax rates would be good for labor supply incentives, for saving incentives, would improve the allocation of capital, and reduce administrative costs.

Chairman SHELBY. Dr. Forbes, your academic research has addressed the topic of shocks and contagion in the international financial and economic systems. The Committee has looked at that topic in the context of the Russian and Asian financial crises, as well as other earlier systemic events.

What role do you believe capital controls play in the area? Specifically, do you think emerging countries should be considering controls over "hot money" coming into their economies?

Ms. FORBES. That is an excellent question, and that is a topic many academics have debated very seriously for the past few years.

Chairman SHELBY. It has been raised here, too.

Ms. FORBES. I am sure. I think that it is tempting for a country to put on capital controls because it can protect them from events in the rest of the world, especially negative shocks and negative events in the rest of the world.

Chairman SHELBY. But not for long.

Ms. FORBES. No. I was going to say there is a substantial cost if a country puts on capital controls. It can cut them off from the benefits of globalization and interacting with the rest of the world.

I have also done some research that shows it can introduce some serious microeconomic distortions in the allocation of capital. In particular, large companies find it sometimes easy to get around capital controls to raise money, but for smaller companies, it is much harder to get around capital controls to raise financing. So putting on capital controls can seriously hinder the growth of small and medium enterprises. And as we have seen in many emerging markets, growth often doesn't come from your large state-owned enterprises. It comes from your small and medium enterprises that can grow and become large.

Chairman SHELBY. So they are stifling their own development of their small business sector by doing this.

Ms. FORBES. Exactly.

Chairman SHELBY. Is that what your findings are?

Ms. FORBES. Exactly. I think capital controls can be very dangerous and seriously hurt the development of small- and medium-size businesses.

Chairman SHELBY. Professor Rosen, Dr. Rosen, a lot of your own research is focused on how local and State governments respond to how a Federal tax system is structured.

Mr. ROSEN. Yes, sir.

Chairman SHELBY. Have you seen any evidence that local and State governments increase their reliance on certain types of taxes, like property taxes, when these taxes are deductible against Federal taxes?

Mr. ROSEN. Yes, sir.

Chairman SHELBY. What is the correlation here?

Mr. ROSEN. I did look at the data to see whether or not the likelihood that a jurisdiction had a property tax or an income tax depended on whether or not the marginal tax rate of the members of the community were high or low. The higher your marginal tax rate, the larger the benefit of such a deduction. What this research found was that, yes, in fact, the fiscal structures of the State and local governments were sensitive to the marginal tax rates of the residents.

Chairman SHELBY. But this is not anything new, is it?

Mr. ROSEN. I think it is common sense. It was an interesting project to document it.

Chairman SHELBY. Thank you.

Dr. Forbes, next month this Committee will be receiving the semiannual report from the Treasury Secretary on the International Economic Policy and Exchange Rates, and, of course, Secretary Snow will appear again before the Committee. What advice will you be giving the President with regard to China and its fixed exchange rate policy? And more broadly speaking, what concerns should policymakers have with regard to the U.S. current account deficit and the capital account surplus? I know it complicated stuff, but you are a professor at MIT so you can explain it.

Ms. FORBES. I will begin by addressing the first part of your question about the report on exchange rates. I firmly believe that

the best exchange rate regime for most countries is a market-determined flexible exchange rate.

Chairman SHELBY. Let it float, in other words.

Ms. FORBES. Yes, let the exchange rates float, especially when combined with the free movement of capital and open markets for trade. I think that is the best policy for countries. It reduces their vulnerability to crises and shocks and makes them much more flexible in terms of adjusting to shocks.

In terms of your second question—am I concerned about the current account deficit?—I think it is something we need to watch very carefully. The current account deficit is now approximately 5 percent of GDP, which is an all-time high for the United States. I hope the current account deficit does not grow much more.

Chairman SHELBY. If it did grow, what are some of the downsides?

Ms. FORBES. I think the current account deficit is large, and if it grows, it does need to be interpreted as a symbol of strength. The reason we have a large current account deficit is largely because of capital flows into the United States because foreigners see the United States as the best place to invest in the world and a very attractive investment climate. Although the current account deficit is large, it is easily funded by money from abroad because of the promise that the United States holds as an investment area.

Chairman SHELBY. Senator Sarbanes.

Senator SARBANES. I'll defer to Senator Reed. He was here first.

Chairman SHELBY. Senator Reed.

STATEMENT OF SENATOR JACK REED

Senator REED. Thank you, Mr. Chairman.

Dr. Rosen, you authored a paper called "The Case for Making the Tax Cuts Permanent," which Glenn Hubbard promoted extensively. Within the paper, though, you seemed to diminish the impact of the tax cuts on potential deficits going forward. You do acknowledge that they could raise the budget deficit, but then you say that with dynamic scoring this could be corrected. And also you tend to talk about the empirical evidence on the relationship between deficit and interest rates is inconclusive, whereas some people, including Chairman Greenspan, feel that the correlation is highly conclusive and that the deficit is not a real measure of the burden of Government. In short—and I think these are the words in the paper—"the possible deficits associated with the tax law are no obstacle to making it permanent."

Do you still feel that deficits are an unimportant consideration in evaluating making these tax changes permanent?

Mr. ROSEN. Senator, I think that deficits are certainly a concern. I think that deficits at the level we are looking at now, however, are manageable, especially when we look at them relative to GDP.

In terms of possible downside effects of the deficit, the issue here, I think, is whether or not increased deficits will lead to increased interest rates. In my view, I continue to think that the research on that issue, taken all together, is inconclusive. Both the theoretical and empirical literature have estimates that are all over the map.

That said, my personal opinion is that, other things being the same, deficits do increase interest rates. I think the issue then be-

comes, when we think about deficits at the level we have now, given the condition of the economy now, are they big enough to impede the recovery? And I think that they are not.

Senator REED. When you look at the deficits with respect to gross domestic product, do you factor out the Social Security surplus?

Mr. ROSEN. The computations about which I am speaking refer to all types of revenue.

Senator REED. Some of the numbers that I have seen suggest that we are running, on a percentage of GDP basis if you subtract out the Social Security fund, at levels that we have not seen since the early 1980's, which was not exactly a stellar period of economic growth in the country. One of the reasons why it makes sense to take out the Social Security surpluses is because back in the 1980's, in fact, up until very recently, we really did not have any significant Social Security surpluses. That was a phenomenon of the changes made in 1986 and compounded going forward.

I would suggest that in historic terms, even using the comparison between GDP ratios, that we are running fairly substantial deficits at this point, which I think will give rise to, as your gut tells you, increased interest rates at some point. And that is something that I think Chairman Greenspan believes also.

This I think is going to be one of the significant issues that you and Ms. Forbes face in advising the President because everything we are doing today has suddenly been transformed by the notion that we do not have any money to do it. And we have some uncontrollable expenditures like Iraq that will certainly add and not detract from the deficit.

I would hope that in your work you would be sensitive to the issue of the deficit and particularly when we consider these tax policies and make them permanent. Thank you. And I thank you for being here today. Ms. Forbes, thank you, too.

Chairman SHELBY. Senator Sununu.

Senator SUNUNU. Thank you.

Mr. Rosen, could you comment a little bit about your perspective of the role and the mission of the IMF, areas where its focus can provide economic benefits overseas and perhaps areas where in the past it may have undertaken policies that were more questionable or might have had more mixed results?

Mr. ROSEN. Senator, I think international organizations such as the IMF and the World Bank can provide a useful framework for the joint action of nations to help other nations that are facing fiscal distress of one kind or another. I think that, in general, the United States has to play an aggressive role in making sure that these policies are executed in a sensible way.

Senator SUNUNU. Do you want to elaborate any more on how prescriptive the IMF can or should be and the degree to which it has been successful or had limited success in some of its interventions?

Mr. ROSEN. I really think Kristin might do a better job on that question.

Senator SUNUNU. I will be happy to kick it over to Dr. Forbes, although in that regard, I would like to ask a slightly more specific question, and that is with regard to Latin America. First, the degree to which the prescriptive policies of the IMF have been successful or unsuccessful in Latin America, but, second, the areas

that your evaluation and your research would indicate are the greatest opportunities for next-stage reforms in Latin America. We have seen some changes, many positive changes in a number of the economies in Central and Latin America over the past 10 years. We have seen what I would term some missteps or some counterproductive action in just the last few years. But where do you see the greatest opportunities for reforms in the next 2 to 4 years throughout Central and South America?

Ms. FORBES. I think, taking a little bit of a step back, when the IMF was created, it was created in the 1960's as part of the Bretton Woods Agreement to ensure the stable flow of capital and balance of payment stability in an era of fixed exchange rates. The world has changed dramatically since then. Capital flows have increased. The world is much more globalized. Many countries have flexible exchange rates. And the IMF has adapted its role to account for these changes.

Along the way, there have been times it has been slow to adapt and slow to adjust to some of these changes. For example, the Asian crisis caught the IMF largely by surprise. The IMF actually did a fairly good job predicting that Thailand was in trouble in 1997, but was not aware of how quickly the problems in Thailand could spread to other countries.

After not being fully aware of the vulnerabilities during the Asian crisis, the IMF has made tremendous steps in reforming itself. It has created an Independent Evaluations Office, the IEO, which is looking at specific programs and policies and trying to think about how the IMF can improve on itself.

I have not seen all of the reports in the IEO. It is still very much a work in progress, but I think some of my own personal recommendations of what the IMF can do to improve its performance, I think first of all the basis of what it does is fundamentally sound. If it is going to give aid to countries, it is right to work with the countries to come up with a stable macro environment, sound fiscal situation, keep inflation under control. Countries just will not recover from financial crisis if they do not have some of these basic macro conditions in place. And the IMF is fairly good at establishing what is needed for macro stability.

Where I think the IMF can reform—and it is trying to make steps in this area—is to now work more on some micro reforms, building institutions in these countries. As we have seen in Argentina, for example, if you have constant changes in the rule of law, constant changes in bankruptcy proceedings, and you cannot trust the legal system, it is very hard to get a banking system that will work and function. And it is very hard to get the financial system to work and the economy to grow again.

I think while the IMF does perform some very important and useful functions, the world is changing, and the IMF is trying to change, and some of the new areas where the IMF will need to focus in the future is on building institutions and some micro reforms to have economies recover and grow.

Senator SUNUNU. Thank you.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Sarbanes.

STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Thank you, Mr. Chairman.

Ms. Forbes, I want to ask you first about a response on your questionnaire from the Committee with respect to political contributions. The question asks the nominees to itemize all political contributions of $500 or more to any individual, campaign, organization, political party, political action committee, or similar entity during the last 8 years and identify specific amounts, dates, and names of recipients. And your response to that is that you purchased two tickets for the President's Dinner, a fundraiser for the Republican Party, total contributions of $5,000 in May 2003—in other words, this past May.

Now, the Intention to Nominate you was announced by the White House on May 15, if I am not correct, and presumably for some period of time before that, you knew that this nomination was in the works.

Were you solicited in some way for that political contribution, by mail, orally, or in any other way?

Ms. FORBES. No, I was not solicited in any way. Just to make sure the time line is clear, I had spoken to the White House in late winter, actually interviewed for the position during one of the big snowstorms in late winter. The possibility of my receiving the position and the Intention to Nominate me was conveyed to me well before I received any invitation to the President's Ball.

The reason why it took so long for my Intention to Nominate to be released was because I was not able to come to Washington and start as a consultant until after I had finished teaching. I had a very busy teaching semester in the spring at MIT. And the person who I was going to replace on the Council was still in the position on the Council, and I did not want to prematurely announce the Intention to Nominate while he was still serving because it might hurt his effectiveness to serve the President.

I was well aware that they were going to offer me the opportunity to serve on the Council well before the invitation to this event came. Then the way it came, I still—honestly, I do not know how my name got on the mailing list, but I just received an invitation to the President's Ball, which was a large fundraiser and dinner at which the President was speaking, and a large number of Senators and Congressmen would be there. I was actually planning to come to Washington during that date, anyway, to look at apartments for the possibility of coming to Washington to serve in this capacity. So, I figured the timing was perfect. I would be in Washington anyway looking at apartments. I already knew I would be offered the possibility of obtaining this position. And I figured this was a wonderful opportunity to possibly see the President and possibly meet some Senators with whom I would be working.

There was no way that I think that the job offer was contingent on the donation, and it is just a pure coincidence that they occurred about the same time.

Senator SARBANES. Had you previously at any time been solicited to make a political contribution?

Ms. FORBES. I probably have received mailings in the past. I cannot think of any specific occasions off the top of my head. Growing up in New Hampshire, I frequently did go to local events.

Senator SARBANES. Well, when this invitation came—I take it you got an invitation in the mail.

Ms. FORBES. Yes.

Senator SARBANES. To contribute to this fundraiser. Is that correct?

Ms. FORBES. It wasn't——

Senator SARBANES. It was not—was it followed up in any way orally by phone or in any other manner?

Ms. FORBES. No. It was just an anonymous invitation that I actually know other colleagues of my husband also received in the mail.

Senator SARBANES. When you got this invitation, it was something new, I take it. I mean, you hadn't been getting invitations like this previously, had you?

Ms. FORBES. My guess was that it had either come because one of my husband's colleagues who was on these mailing lists might have mentioned I had served at the Treasury Department in the Bush Administration, or I thought it might have just come because of after serving in the Bush Administration my name had been possibly added to some mailing lists. But other than that, I have no idea where the invitation came from.

Senator SARBANES. It did not strike you in any way as being something amiss? Here you were about to receive a job in the Administration, and now you are being solicited to attend a fundraiser and make a major contribution, something you hadn't done over the previous 8 years. Is that right?

Ms. FORBES. Also, I did not feel any pressure to give the donation. If I hadn't been in town anyway looking at apartments, I probably wouldn't have written any check. I definitely wouldn't have gone to the fundraiser. So, I did not feel any pressure to contribute and in no way link this to this opportunity to serve on the Council.

Senator SARBANES. Mr. Rosen, did you at any point along the way here get solicited to make a contribution?

Mr. ROSEN. Sir, from time to time, I receive mail solicitations at my home.

Senator SARBANES. In the past?

Mr. ROSEN. In the past, yes, sir.

Senator SARBANES. And did you receive any on or about the time that you were being considered for this nomination?

Mr. ROSEN. Not that I know of, sir.

Senator SARBANES. What does that mean?

Mr. ROSEN. It means no, sir.

Senator SARBANES. Just checking.

Do you have any concern about the appearances of this situation?

Ms. FORBES. In hindsight, since it has made you concerned, I wish I had not given the contribution. But, honestly, at the time I saw it as an opportunity to see the President I would be serving and to meet possibly some of the Senators I would be working with and just saw it as an opportunity and not in any way as a solicitation or anything inappropriate.

Senator SARBANES. Yes. My message is not directed so much at you, but at the person who maybe is running these lists and so forth.

Can I ask another question?

Chairman SHELBY. Sure, go ahead, Senator.

Senator SARBANES. I want to turn to the unemployment insurance issue here for a moment. Almost 22 percent of all unemployed workers are long-term unemployed. The percentage has been above 21 percent now for 7 consecutive months, the first time that has happened since 1983. And it is estimated that over a million American workers have been unemployed for more than 39 weeks and have exhausted their extended unemployment insurance benefits and are unable to find work.

We have had a long, bipartisan history, actually, of extending unemployment insurance benefits during period of prolonged weakness in the labor market. We have extended benefits in every recession since World War II and in many circumstances for a longer period.

In response to an question put to Chairman Greenspan regarding providing these benefits during periods of sustained weakness in the labor market, he answers, "I have always argued that in periods like this, the economic restraints on the unemployment insurance system almost surely should be eased."

Do you support easing the restraints on the unemployment insurance given the high percentage of long-term unemployed, people who want to work but cannot find a job? Should we extend unemployment insurance benefits?

Ms. FORBES. That is a very difficult question. Long-term unemployment is a serious problem. It is very difficult right now for some unemployed to find jobs. There is a very sound argument for providing some relief for the unemployed who are unable to find jobs to help ease them through this transition period.

On the other hand, if we do continue to extend unemployment insurance and provide very generous benefits, then this will reduce the incentives for unemployed to find work. We have seen very strong evidence of this in other countries, such as France, which has generous unemployment insurance and it has severely hurt the incentives of people to find jobs.

Senator SARBANES. Do you apply the same judgment with respect to previous periods in our own history in which we have extended unemployment insurance benefits in order to address the problem created by a difficult labor market?

If you compare it with the French, then you are a winner from the start, given the attitudes now prevailing around here about the French. But let us just talk about the Americans, just to keep it in the American context. What I am questioning is—I am not asking whether you favor doing something we have never done before. Actually, I am asking whether you favor doing something that we have repeatedly done before.

Ms. FORBES. Well, given the very difficult challenges the United States has faced in the past 2 years and the series of shocks that have hurt the economy, the President did think it was worthwhile to extend the unemployment insurance, and that is why twice he has extended unemployment insurance benefits. And I believe that was the right decision and agree with his decision based on the environment in the United States.

When the unemployment insurance, possibility to renew the extension of benefits comes up again in December, I think it is going

to be very important to evaluate what is the current economic situation, what is the current situation with the unemployed, and to weigh the potential benefits of helping the unemployed with additional uninsurance benefits with the potential cost and what it will do to incentives for people to find work. And that is going to be a very difficult decision and one that the President will have to make at the end of the year.

Senator SARBANES. Well, what advice would you give him? I want to point out that there are about 2 million long-term unemployed. A million of those have exhausted all their benefits, even with the extension that you made reference to. That extension continues to fall short of extensions that have been done in previous recessions. So for the million, they are just flat out now. Then there is another million long-term unemployed, presumably between 26 and 39 weeks, who are using up their benefits and may shortly run out of them. What would your advice be?

Ms. FORBES. The unemployed is a very serious concern, and it is something we need to be very aware of. I think the best solution for unemployment, though, is to encourage growth in the United States and stimulate growth. Only with a recovery and rapid growth will we see unemployment fall. And so I would advise the President to do what he is doing in terms of passing three stimulus packages in the past 3 years to spur growth and, therefore, to help the unemployed find jobs.

Senator SARBANES. It has not stimulated the growth and enabled them to find jobs; at least it has fallen short, so far short that at the moment we have these record levels of long-term unemployed. What are we going to do about the long-term unemployed? Would you advise the President to extend the unemployment insurance in order to enable them to meet the difficult situation with which they are confronted?

Ms. FORBES. That has been one very frustrating aspect of the economic recovery. Even though growth is starting to pick up, unemployment is still increasing. Employment is still falling. We are hoping, though—the predictions are that growth should improve dramatically in the third and fourth quarter of this year. Growth should be well above potential GDP growth, which means we hope to see employment start to increase and unemployment start to fall by the end of the year.

It is very difficult to predict right now what will happen, and we will have to see what the economic situation is at the end of the year when the President makes the decision about whether to extend unemployment insurance.

Senator SARBANES. If the current situation continues to prevail at the end of the year, what kind of situation would you recommend extending the unemployment insurance benefit?

Ms. FORBES. That is a decision for the President to make.

Senator SARBANES. No, I am just asking——

Ms. FORBES. —he is going to need to weigh——

Senator SARBANES. —what advice would you give him?

Ms. FORBES. My advice to him would be here is the current economic situation, here is what happened in employment, hopefully those numbers will be positive by then. But there are still a number of unemployed people which would benefit from extending the

unemployment insurance, but there are these potential long-term costs. And then I would leave the final decision up to the President after having carefully laid out the costs and benefits of the different policies.

Senator SARBANES. President Truman once said he wanted a one-armed economist. They asked him, "Why do you want a one-armed economist?" And President Truman said, "Because I am tired of this 'on the one hand' and 'on the other hand,' and I want to get some specific advice."

Mr. Rosen, what would you advise?

Mr. ROSEN. I am afraid I am a two-handed economist, sir.

[Laughter.]

I think that an adviser's job in this context is to make clear to the decisionmaker on the one hand the real distress that unemployed people are facing, and on the other hand the costs of an extension in terms of possibly increasing the unemployment rate. Presumably, the people who have been the President's advisers in the past presented those data to him and he decided that, on balance, it made sense to extend the UI benefits, that the alleviation of this stress, given the situation at the time, more than outbalanced or outweighed the associated possible increases in unemployment.

Senator SARBANES. In addition to the alleviation of the stress does it not have an impetus to the economy by providing purchasing power for people who otherwise would not have it? Does it not have a stimulative effect?

Mr. ROSEN. Yes, Senator, that UI benefits do have a stimulative effect on the economy, and then the question becomes how these rank relative to other possible ways to stimulate the economy, and in particular, ways that might not simultaneously develop or engender supply side effects that work in the direction of when we would want to move.

Senator SARBANES. That would be to discourage people from working, the supply side effect?

Mr. ROSEN. Precisely, sir.

Senator SARBANES. Do you think that is a major problem facing us right now?

Mr. ROSEN. The research that I have seen on the effects of unemployment insurance in the United States suggests that when benefits are extended, other things being the same, people take longer to get new jobs. That doesn't mean that UI is a bad program at all. It is a classic problem that arises in the design of social insurance programs. We want to provide a safety net, but at the same time we understand that they may have an effect on incentives that does counter other public policy goals.

Senator SARBANES. Thank you, Mr. Chairman.

Chairman SHELBY. Dr. Forbes, at the President's dinner just about everybody on the Republican side of the aisle were there with the President. Just about all of us gave him money. We do not know if he is going to give us a job, we would probably take it. But we did it for philosophical reasons and to help him.

I want to ask several more questions, but one to both of you. Has anybody ever done any studies or suggestions that of the money we pay out in unemployment benefits week by week and extended—

and we all have compassion for people that are unemployed, and there are too many people unemployed. We all know that on both sides of the aisle and you know it as economists. On the other hand, if people, as a rule of human nature, drawing money, a lot of them are not seriously looking for a job. I think myself, when I was going to the university and looking for a summer job, if I could have drawn unemployment, I would have had a heck of a time that summer, but I knew I had to work. We have all been there. Have any studies or thought ever been brought forth to see if you could pay some of that money in a lump sum to some of the more enterprising people one time as capital, where it would unleash something in their makeup, a dynamic, which they never had.

I know a lot of people would spend that money and they would be down and out. But some people would not spend the money. They would be frugal with it. They would be wise with it. How you differentiate the people, I do not know, but I do not see other than compassion, which we all support, to help people that are temporarily down or even long-term down. The billions of dollars spent on unemployment benefits over and over and over. It seems to me—I am sure it is not the norm—but if I got a lump sum of $10,000 or $12,000, heck, I might do something with it. I might start something in my house. I do not know. Capital, as you know, is hard to create. It is hard to earn. It often takes families one to two generations to get enough capital to even start a business. It is just a thought. Dr. Forbes, is that way off the mark?

Ms. FORBES. No, not at all, and actually, the President has a proposal that is somewhat along those lines. The President has proposed personal reemployment accounts, where if someone is unemployed they would receive about $3,000, so it is not quite as generous as your plan, but again, it does keep in mind the fiscal constraints we are operating under.

Chairman SHELBY. You see what I am talking about though?

Ms. FORBES. Yes. And then an unemployed individual can take the $3,000 to either get trained for a new career or to move to a new location where there is more likelihood of finding a job. And the individual can use that money to do what he or she sees best to reemploy himself or herself. And if this person finds a job fast, they can keep the extra money in that pool.

Chairman SHELBY. It seems to me like that would be like microcredit except it would be a lump sum micro to start something. Maybe I am way off the mark.

Ms. FORBES. No. I think it is an excellent idea.

Chairman SHELBY. Professor Rosen, you have any comment?

Mr. ROSEN. There have actually been a number of academic studies looking at this issue. Some States ran demonstration projects to see what would happen if you gave people unemployment insurance benefits as a lump sum up front instead of on a week-by-week basis.

Chairman SHELBY. With the understanding that was it and there is not going to be any more, correct?

Mr. ROSEN. Yes, sir.

Chairman SHELBY. Like when your parents say, "That is all you are getting," you are gone.

Mr. ROSEN. And that is it.

Chairman SHELBY. You looked at your son.

[Laughter.]

Mr. ROSEN. And, you know, one thing that emerged from those studies is that, yeah, people do in fact find their way back to work sooner under those conditions.

Chairman SHELBY. Could you furnish some of that for the Banking Committee record?

Mr. ROSEN. I would be happy to, sir.

Chairman SHELBY. As an academic, you will dig it up quicker than we will.

Mr. ROSEN. I would be delighted.

Chairman SHELBY. Thank you. Professor Rosen, this Committee, as you know, has jurisdiction over most Federal housing programs. You have done a lot of research focused on delivery of housing subsidies, I believe. Have you reached any conclusions in the course of your research that you believe this Committee should consider in evaluating our current housing programs? If you want to furnish that for the record, you can do that.

Mr. ROSEN. I think that the major conclusions of my work on housing subsidies were pretty straightforward, and they are that the housing subsidies embodied in the income tax are an effective way to increase home ownership in this country. My research suggested the subsidies increase the likelihood that a family will own rather than rent, and so it is been—to the extent the goal is to——

Chairman SHELBY. Most people want to own rather than rent, do they not?

Mr. ROSEN. I think that is a goal of many Americans.

Chairman SHELBY. It is not for everybody, but for most people.

Mr. ROSEN. I think right now about two-thirds of Americans are owning, so they are clearly manifesting those preferences.

Chairman SHELBY. Block grants to State and local governments you have looked at? A constant concern is that these funds are not offset by reduced funding for various activities like housing at the local level. During the course of your research, have you reached any conclusions as to what degree Federal Block Grant funding is or is not offset?

Mr. ROSEN. No, sir, I am afraid I have not studied that question.

Chairman SHELBY. Thank you.

Senator Carper.

COMMENTS OF SENATOR THOMAS R. CARPER

Senator CARPER. Thanks, Mr. Chairman.

Dr. Forbes, Dr. Rosen, thank you for being here today. Thank you for your willingness to serve our country.

I am going to ask you to set aside modesty for just a moment, although I admire modesty in people. Just take a moment to tell us why you think you are well prepared to take on these responsibilities. Dr. Forbes?

Ms. FORBES. As Senator Sununu said in his introduction, I have spent the last few years of my life switching between public service and academics in economics. As an academic I have spent an extensive amount of time studying what determines growth in countries, as well as what determines financial vulnerability in countries and

financial crises, how globalization is affecting the world and affects different countries, and how globalization affects different countries vulnerabilities as well as building some of their strengths. I think those are all incredibly important issues that the U.S. economy has to struggle with, how to grow faster, how to deal with globalization and benefit from globalization. So based on my academic background, I think I can bring something to the job in that aspect.

Also I have been in and out of public service and worked in a number of different institutions. Recently, I was at the U.S. Treasury Department and served as a Deputy Assistant Secretary, seeing how the policy process works and the importance of merging economic concepts and economic ideas with other goals, political goals, social goals. I have also spent some time in the private sector in investment banking at Morgan Stanley and at the World Bank.

So, I have had a range of different experiences, and I hope all of that has helped prepare me for the challenges I will face and the responsibilities in this position as a member of the Council of Economic Advisers if confirmed.

Senator CARPER. You have crammed a lot into a relatively few years, that is for sure.

Ms. FORBES. Thank you.

Senator CARPER. Dr. Rosen.

Mr. ROSEN. Thank you, Senator. I have been doing research and thinking about public policy questions for many years now. I have looked at the effect of tax policy on the efficiency of the economy. I have looked at the effect of taxes on labor supply, as Senator Shelby mentioned, on housing. I have studied the effect of taxes on entrepreneurship, whether entrepreneurs are more or less likely to hire labor, expand their businesses in light of taxes. I have looked at a number of other domestic policy issues including health. I am hopeful that what I have learned by doing that research would help me to inform discussions in Washington about public policy.

I should also add that I have been teaching for a number of years. Teaching has actually been a very important part of my career to me. And that is about communication, and I think one problem that economists sometimes have operating in the public arena is making the translation from jargon to English.

Senator CARPER. We have that problem sometimes too, so it is not just economists.

[Laughter.]

Mr. ROSEN. I am hopeful that those skills might also be useful when it comes to serving in the Government.

Senator CARPER. We are suffering through our second almost jobless recovery in the last dozen years or so. And I was in a meeting earlier this morning where some discussion, not of the loss of manufacturing jobs which we hear a lot about and talk a lot about, but the loss of jobs that are more information technology related, programmers, people that are just running software. We are seeing the exportation of those jobs to places you have heard about, in the Philippines, India, and a variety of other countries.

I would like for you just to each take a minute or two and tell us what you think some of the elements of an economic recovery package for our country should be, and it could be pieces that are already in place, it could be things that we are already doing, that

we need to continue to do, maybe several elements that we should do more of, and that would involve not only something that the Congress can do but also maybe monetary policy as well on the part of the Fed. Just a few elements. It does not have to be comprehensive. Just say these are a few of the important things we need to be doing to get this moving again.

Ms. FORBES. I can think of two major sets of policies that would get the economy moving again, many of which are in place or in progress. The first is opening up markets abroad for U.S. goods and U.S. exports. The collapse of the talks in Cancun this weekend was a travesty, and I think we need to continue the aggressive strategy the United States has followed in the past 3 years to continue to negotiate free trade agreements, to continue to reduce barriers to trade, and just open up markets around the world for U.S. exports. We have an incredibly competitive economy and we can compete with any country around the world if markets are open to us. I think it is very important to continue this progress.

A second set of major policies I would propose would be to make sure we reduce costs in the United States to ensure our companies maintain their existing competitiveness. For example, manufacturing has raised concerns, and some specific policies that would address cost issues in manufacturing are some things like tort reform to reduce the excessive cost of lawsuits. Reducing regulations. Some regulations are obviously necessary to ensure safety standards and environmental standards, but making sure we only have regulations for which the benefits exceeds the costs. Another is ensuring low costs or maintaining the cost increases in health care so individuals have health care at reasonable cost.

And another aspect of maintaining low cost to ensure competitiveness is ensuring that we have stable and affordable energy. The blackouts reminded us of the importance of making sure we have a stable source of energy in order for U.S. companies to maintain competitiveness.

Senator CARPER. That is a good list. Thanks.

Dr. Rosen.

Mr. ROSEN. There is not too much I can add to that list.

Senator CARPER. Do you want to take anything away?

[Laughter.]

Mr. ROSEN. No. I think it was a great list. I may have a bias because I have spent so many years studying tax policy, but I would certainly like to see a tax system that is friendly to both business and workers, a tax system with low marginal tax rates that doesn't distort behavior. Also in the context of both the tax system and the regulatory issue is some easing of the administrative burden associated with the tax system, in particular. For example, there are reporting requirements for small businesses that are quite burdensome. I understand some progress has been made in reducing those, and that is an avenue that I would like to go down, which I would like to see us continue to move.

Senator CARPER. Thank you for your testimony. Your families are gathered behind you, and I would say to them, thank you for sharing your loved ones with the people of this country.

Chairman SHELBY. Senator Sarbanes.

Senator SARBANES. Dr. Forbes, did you say Cancun was a travesty or a tragedy?

Ms. FORBES. Travesty.

Senator SARBANES. And who caused the travesty?

Ms. FORBES. I do not have any information other than what I have read in the newspapers. What I have read is that the reason talks broke down was largely because a number of developing countries were making very strong demands that some developed countries, especially Europe, were not comfortable with, and there was an unwillingness to negotiate. Although people kept thinking there would be a breakthrough and the two groups would be able to find some compromises, somehow those compromises never emerged and the talks suddenly ended, much to everyone's surprise.

Senator SARBANES. I was struck by that choice of words.

Mr. Chairman, I just want to make a concluding comment to both of our nominees.

In my view an extraordinarily comprehensive and efficient solicitation protocol or regime on the part of the Administration, and you all are relatively new to this. I am prepared to accept that explanation. But I really want to forewarn you that U.S. Code Title 18 on Making Political Contributions, says:

> It shall be unlawful for an officer or employee of the United States or any department or agency thereof or person receiving any salary or compensation for services from money derived from the Treasury, to make any contribution, within the meaning of Section 301 of the Election Campaign Act, to any other such officer, employee or person, or to any Senator or Representative, if the person receiving such contribution is the employer or employing authority of the person making the contribution.

Then it sets out the penalties. Then it says, "For purposes of this section, a contribution to an authorized committee as defined, et cetera, shall be considered a contribution to the individual who has authorized such committee."

For this to apply, you must be an officer or an employee. There are also penalties for those who do the solicitation, if they in fact are officers or employees of the United States. But just in case these solicitations come in upon you, you really have to acquaint yourself, familiarize yourself with what the legal requirements are, because those soliciting you may not be very sensitive to the requirements. Indeed, they may be oblivious of the requirements. The danger then exists that you will in an innocent way be caught up in something, which you obviously would not want to be caught up with, and so I thought it important to bring this to your attention as we draw this hearing to a close.

Chairman SHELBY. Dr. Forbes, I just want to note for the record, from what I have learned, you are not an employee of the White House. You were a Professor at Massachusetts Institute of Technology, so you have not violated any laws or even the spirit of the law.

Senator SARBANES. Mr. Chairman, I did not mean in any way to suggest that, and I thought that had been developed quite clearly in the previous discussion.

Chairman SHELBY. Absolutely, yes.

Senator SARBANES. But I just want to forewarn, as you move ahead, that there are applicable statutory provisions that you need to be on the alert about.

Chairman SHELBY. Same as our employees can't give us money.

Senator SARBANES. Right.

Chairman SHELBY. That is a good record.

First of all, I want to thank you, Professor Rosen and Professor Forbes, for appearing here today. I think we have had a good dialogue, good exchange of views. We wish you well as on the Council of Economic Advisers to the President, and we will try to move your nomination as soon as we can. Thank you. You can go.

Mr. ROSEN. Thank you, Senator.

Ms. FORBES. Thank you very much.

Chairman SHELBY. Our second panel is composed of Mr. Peter Lichtenbaum, nominated to be Assistant Secretary of Commerce for Export Administration, and Ms. Julie Myers, nominated to be Assistant Secretary of Commerce for Export Enforcement.

Mr. Lichtenbaum is a Partner with the firm of Steptoe & Johnson LLP, where he specializes in trade law. Mr. Lichtenbaum is a widely published author of numerous articles on international trade and export controls. He has been nominated for a position that sits at the nexus of international trade and national security. As Assistant Secretary of Commerce for Export Administration, he would oversee the process whereby applications for license to export items with both civil and military applications are reviewed in coordination with the Departments of State and Defense.

Second, we have Ms. Julie Myers, as I mentioned. Ms. Myers' most recent position has been as Chief of Staff to the Assistant Attorney General for the Criminal Division, Department of Justice. Prior to that she was Deputy Assistant Secretary of Treasury for Money Laundering and Financial Crimes, in which capacity she was involved in formulating the Department's national money laundering and terrorist financing strategy, and before that was an Assistant U.S. Attorney for the Eastern District of New York.

We welcome both of you to the panel today, and I want to say for the record your written statements will be made part of the record in their entirety.

We have just started a vote on the floor of the Senate, but I believe I will try to get through your testimony, and then recess and come back. Ms. Myers, you want to go first?

STATEMENT OF JULIE L. MYERS, OF KANSAS TO BE ASSISTANT SECRETARY FOR EXPORT ENFORCEMENT U.S. DEPARTMENT OF COMMERCE

Ms. MYERS. Thank you, Senator Shelby.

Chairman SHELBY. Thank you. Welcome to the Committee.

Ms. MYERS. Thank you very much. I would like to introduce, sitting behind me, my mother and my stepfather, Kathy and David Sinzheimer, who have flown in to be with me today.

It is a great honor and privilege for me to appear before the Committee and to be the President's nominee for the position of Assistant Secretary of Commerce for Export Enforcement. I thank President Bush and Secretary Evans for their confidence and trust.

Chairman SHELBY. What I need to do before I go farther, I was just reminded by staff, thank goodness, I need to administer an oath to both of you. Would you raise your right hands 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?

Ms. MYERS. I do.

Mr. LICHTENBAUM. I do.

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

Ms. MYERS. I do.

Mr. LICHTENBAUM. I do.

Chairman SHELBY. Thank you. I apologize to you. I think I was focusing on that vote, but I will focus on your testimony.

Ms. MYERS. Thank you, Chairman Shelby.

The Bureau of Industry and Security has a critical mission, safeguarding our national security while protecting the right of American businesses to export their products. The Bureau's Export Enforcement Division advances this mission by rigorously enforcing the export control and antiboycott laws and regulations.

Today, the Bureau's mission is more important than ever. As the President has said, the war on terrorism is fought on many fronts, and Export Enforcement agents have assisted in this fight. They have investigated links between terrorism and exports of dual-use items. For example, Export Enforcement agents played a substantial role in the highly publicized indictment of INFOCOM Corporation and others for illegally exporting computers and computer technology to designated state sponsors of terrorism, Syria and Libya. The INFOCOM indictment also alleges that proceeds from these sales funded Hamas's terrorist activities.

In addition to penalizing unlawful shipments after the fact, Export Enforcement agents work to keep sensitive technologies from ever reaching terrorists and other criminals. The Division, through its close collaboration with industry and with our foreign counterparts, identifies unlawful shipments and technology transfers in advance, and thereby stops exports violations before they occur.

The Export Enforcement team has had many great successes over the past 2 years. As a former Federal prosecutor, if confirmed, I will work to build on these investigative successes and work to target the most significant violations such as terrorist-related acquisitions and export of biological toxins. My experience at the Departments of Treasury and Justice has taught me the importance of seamless law enforcement and seamless coordination between the different components of American law enforcement. Export Enforcement already enjoys good relations with its law enforcement partners. I will work to strengthen these crucial ties. My previous experience also demonstrated the necessity of partnerships with industry. Export Enforcement has done a great deal to develop relationships with industry, and with our foreign counterparts. I will assign the highest priority to be nurturing these vital relationships in order to stop dangerous exports before they reach terrorists.

Export Enforcement occupies a key role in protecting our national security. If confirmed, it will be my privilege to work with the career law enforcement officials within the Bureau of Industry and Security—special agents, intelligence analysts, and other Enforcement leadership to fulfill our essential mission. In particular, I look forward to working with Under Secretary Kenneth Juster

and Assistant Secretary Designate for Export Administration, Peter Lichtenbaum.

On a personal note, I want to thank my family and friends who are here in the audience today, as well as my father, Charles Myers. Without their constant encouragement and support I would not be here today.

Let me conclude by thanking the Committee for its prompt consideration of my nomination. If confirmed, I look forward to working closely with you, the Committee staff and the entire Congress. Thank you.

Chairman SHELBY. Mr. Lichtenbaum.

STATEMENT OF PETER LICHTENBAUM, OF VIRGINIA TO BE ASSISTANT SECRETARY FOR EXPORT ADMINISTRATION U.S. DEPARTMENT OF COMMERCE

Mr. LICHTENBAUM. Thank you, Chairman Shelby.

First, I want to say I was a student of Dr. Rosen's, and I can testify truthfully here that he did in fact always speak in English and never in jargon.

Chairman SHELBY. Senator Sarbanes preceded all of you at Princeton.

[Laughter.]

Mr. LICHTENBAUM. I was fortunate to be a classmate of his son, as a matter of fact.

I am honored to appear before you today as President Bush's nominee for Assistant Secretary of Commerce for Export Administration. I thank President Bush and Secretary Evans for the trust they have placed in me. I also appreciate the time that Members of this Committee, including Senators Shelby and Enzi have taken recently to meet with me. If confirmed, I will work closely with you and your staff.

As everyone here knows, we are living in dangerous times. We are all aware of the dangers that surround us from terrorist organizations, as well as from certain countries. As our security concerns have increased, so too has the importance of our export control system.

The core function of U.S. export controls is to protect U.S. national and economic security. Since entering office, this Administration has taken numerous actions to reemphasize the importance of security and export controls. The Administration has made it a prime objective to ensure that Commerce's Bureau of Industry and Security, which administers the dual-use controls, considers national security as its fundamental goal. The Bureau's mission statement in fact describes this as its paramount concern. I am completely committed to this mission.

While national security is our top priority, we cannot disregard the impact that export controls have on the U.S. private sector. This is especially true in the current economic climate. If controls become outdated, then they burden our businesses and workers without promoting our security. Indeed, such controls could reduce our security if they spur high-technology industries in other countries, which may not maintain the adequate export controls.

After my education at Princeton and at Harvard and service in the U.S. Department of the Treasury, I have worked for the last

11 years in the private sector, where I focused on promoting compliance by U.S. companies with our export laws, primarily the Commerce Department controls, but also the parallel rules administered by the State Department and the Treasury Department. I believe that this private sector work will be helpful to me in understanding the impact of export controls on the business community.

If confirmed, I plan to work closely with Under Secretary Kenneth Juster, Assistant Secretary Designate for Export Enforcement, Julie Myers, and the career Commerce Department staff. I also will coordinate with other agencies who have an important role in our export control system such as the Departments of State and Defense.

In closing, I want to thank my family for their extraordinary love and support. In the audience today are my parents, Steve and Lynn Lichtenbaum, my wife Greta, and her father, Dale Husemoller, as well as two of my three children, Annika and Jacob, and I regret that my 4-year-old daughter, Rose, could not be here today, as she had a more important commitment, her birthday party at school.

[Laughter.]

I appreciate your time, and am pleased to answer any questions you may have. Thank you.

Chairman SHELBY. We have a vote on the floor, and we have just a few minutes to get there. Everybody else is there I think. We are going to recess, because we have a number of questions we would like to ask you, and we will get back as soon as we can. We hope 10 or 12 minutes.

The hearing will be in recess until the call of the Chair.

[Recess.]

Chairman SHELBY. Thank you for your patience. The hearing will come to order. It is part of the Senate, as you know.

I have a number of questions for you, and I will preface some of it. Both the Department of Commerce Office of Inspector General and the General Accounting Office have been highly critical of the Bureau of Industry and Security's conduct of its role in the export control process. One area that has received considerable attention involves post-shipment verification to ensure that controlled items are both physically at the required location and being used for the purposes for which the authorized shipment intended. We know this is difficult.

Ms. MYERS. Yes.

Chairman SHELBY. This problem is not entirely a problem with the Bureau. The issue of post-shipment verifications overwhelmingly involve shipments of dual-use technologies to China, among others, which has placed severe restrictions on our ability to carry out these inspections. The General Accounting Office, has reported that China's intransigence "has resulted in a backlog of about 700 post-shipment visits." That is on China. The GAO report goes on to say, however, that the U.S. Government: "Makes limited efforts to monitor exporters' and users' compliance with the conditions set forth in the export license for high-performance computers."

Given the importance of high-performance computers to virtually everything China seeks to do within the realm of its military command, control, and communication programs and relative to its

overall effort to modernize its armed forces, do you, as nominees, have any thoughts on how this issue will be dealt with if you are confirmed?

Mr. Lichtenbaum, do you want to go first?

Mr. LICHTENBAUM. Well, I will defer to Ms. Myers.

Chairman SHELBY. Okay. Since I started with her—I was moving back and forth, but I will defer to her, too, at your suggestion.

Ms. Myers.

Ms. MYERS. Thank you, Senator Shelby.

Chairman SHELBY. We know that is a difficult thing to enforce.

Ms. MYERS. Absolutely.

Chairman SHELBY. It is easy to sell, dual-use. Go ahead.

Ms. MYERS. Absolutely, you are exactly right, Senator. It is a very difficult thing to enforce. The Bureau and the Export Enforcement Division are aware of GAO's concerns and the Inspector General's concerns and have worked on a targeted plan——

Chairman SHELBY. GAO is reflecting a lot of our concerns.

Ms. MYERS. That is right.

Chairman SHELBY. As Members of the Senate.

Ms. MYERS. That is right, concerns that you and other Members of Congress have raised.

Chairman SHELBY. Right.

Ms. MYERS. And they have worked on a plan to try to improve in this area because it is so critical that we have end-use visits that are accurate.

In China, in particular, the Bureau has done several things. They have developed what is known as an unverified list, and this list contains the names of parties who have previously conducted transactions, but yet the U.S. Government was not allowed to do an end-use visit. And those parties are then put on the unverified list, and until they are taken off, licenses are stopped and exporters know there is a red flag.

Chairman SHELBY. How many people do you have on that list? Can you furnish it for the record?

Ms. MYERS. Oh, absolutely.

Chairman SHELBY. And who they are.

Ms. MYERS. Absolutely. It is on our website, and we will also furnish a copy for the record.

Chairman SHELBY. Absolutely.

[The list follows:]

Ms. MYERS. It is in the neighborhood of 12 or so right now that are on the unverified list, but it is a method that we developed to try to, you know, hold individuals accountable and parties accountable. When they do not have end-use visits, they can no longer do business with exporters.

We have also conducted some additional outreach with the Chinese community. Tomorrow and I believe the next day, we are holding an export conference in China, the first one in 3 years, to try to help educate industry and educate indeed the Chinese Government about our rules and regulations and what needs to be done to comply.

Chairman SHELBY. We, on the Banking Committee, are not the only ones concerned with this, although we have jurisdiction over the issue. A lot of us who serve on the Defense Appropriations

Committee are concerned with this because of national security concerns, as you are very much aware of.

Ms. MYERS. Absolutely, and it is important that we target our end-use visits, too, and to target on the most significant violations. If we were faced with a choice between doing an end-use visit on, a 200 MTOP computer that went to a bank and a five-axle piece of machinery that went to a manufacturing concern, obviously our efforts would be focused on the five-axle piece of machinery. And the Bureau of Export Enforcement has tried to target its efforts on these high-risk transactions, and I am pleased to report that it is my understanding that they have conducted several end-use visits in China over the last several months. I think there has been progress in this area, but we know that there is a lot more to do, and if confirmed, I would look forward to working in this area.

Chairman SHELBY. Ms. Myers, in your opening statement, you emphasized the importance that you place on close cooperation within the law enforcement community as a result of your background, your experience as a Federal prosecutor, among other things. As recently as this past June, the Commerce Department Inspector General reported that the Bureau of Industry and Security's level of cooperation with other Federal agencies, including U.S. Attorney's Offices, the Customs Bureau within the Department of Homeland Security, the FBI, and other agencies, was deficient. That is their report. It also noted that cooperation with the intelligence community was similarly lacking. This is not a trivial matter, as you well know from your background. Cases of illegal shipments to rogue regimes remain a regular occurrence. Earlier this month, *The Washington Times* reported on a case of four U.S.-manufactured specialty pumps, dual-use items that can be used in the manufacture of nuclear weapon materials, were illegally diverted to Iran, a country whose nuclear program is a source of considerable concern to even the United Nations.

Last June, the *Denver Post* reported on a Colorado man being investigated for helping the Chinese military illegally export high-speed digital cameras to a research institute that develops missiles designed to deliver nuclear warheads. The list can go on and on, but you get the point, I know very well.

Irrespective of how one views the licensing process, diversions such as these present a danger to U.S. interests, perhaps to our national security down the road, that you both are well aware of.

Ms. Myers, data provided to my office indicate that, "Out of an average yearly caseload of 1,038 cases, just three criminal cases were successfully prosecuted in 2002"—and we know it is difficult when you are dealing with dual-use—"with another 25 cases closed with administrative sanctions." That is not a very impressive statistic. You know, I do not know how much is going on with that.

What do you anticipate recommending to strengthen the enforcement mechanism at the Department of Commerce and within the broader law enforcement community? We have had these debates a long time, as you know, but you will be right in the center of it.

Ms. MYERS. Thank you, Senator. You raise very complex and difficult issues.

Chairman SHELBY. Very complex.

Ms. MYERS. Having worked at both Treasury and Justice and then also in the field as a prosecutor, I am very much aware of the problems when agencies do not coordinate and work together. And if confirmed, under my leadership I will seek to improve upon the relations that Export Enforcement has with other agencies.

In terms of the Bureau's numbers, in my preliminary review I have been pleased to see what Export Enforcement has done. If you look, for example, at the civil penalties, which is an important part of Export Enforcement's work——

Chairman SHELBY. It is.

Ms. MYERS. —you can see a rising trend. I think in 2000 there was somewhere in the neighborhood——

Chairman SHELBY. Some of it might not be criminal, anyway.

Ms. MYERS. Some of it may not be. There are cases where——

Chairman SHELBY. It is up to you all to decide.

Ms. MYERS. Right, right. You know, sometimes you have a global settlement where there is both a civil side and a criminal side. But the civil penalties imposed in 2000 were in the neighborhood of $1 million; in 2002, it was $5.2 million. So from my view, I have seen Export Enforcement agents working harder to conduct more significant cases. And, recently, they have participated on the JTTF's very successfully. An agent from New York worked on the Daniel Pearl case. They participated in the INFOCOM indictment that I talked about. They participated down in Texas and provided very important information in the indictment of a Texas Tech professor for transporting human bacteria illegally.

And Commerce agents can bring their expertise to these lengthy investigations, and our numbers will never be like the Bureau, but we will certainly work to target and work on the most significant violations, if I am confirmed.

Chairman SHELBY. Thank you.

Senator Sarbanes.

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

I would like to ask a question of both of you. Some argue that the Commerce Department, because of its orientation of business promotion—indeed, it has a charge to do that—is the wrong lead agency for export control policy and enforcement. What do you all say to that observation?

Ms. MYERS. Senator, thank you for your question. Export Enforcement is in precisely the right place within the Department of Commerce because of the relationships that the Commerce Department has with industry. The agents, we only have a little over 100 agents. They cannot do it all by themselves, and they need to rely on the expertise of exporters, freight forwarders, various parts in the supply chain to bring things to our attention. And because of the relationship the Department of Commerce has with industry, we are able to leverage that in our prosecutions.

And I think that the President's budget numbers and Commerce's budget request for 2005 show that Commerce values export enforcement. If you look at the 2003 budget, there is about $30 million and 217 FTE's. In the President's 2004 budget, they have requested an increase of $5 million, which is pretty significant for the enforcement side, and 10 FTE's. And this is because the Commerce Department values the work that is done. And I think some of the

great cases that I have talked about previously show how the export enforcement agents can do a good job within this agency and to partner and leverage off of our licensing partners so we can help them impose certain license conditions and, indeed, work to monitor them.

Mr. LICHTENBAUM. If I may just add to that, I believe it is a very important question. If it were the case that the Bureau of Industry and Security were acting simply as an advocate for industry, then I think it might be fair to question the appropriateness of having our export controls located in the Commerce Department. However, I believe that is not the case, and particularly since this Administration came into office, I think there has—and the events of September 11—been a very strong emphasis on security, as I mentioned in my statement. And I believe that this is not just, you know, my understanding but the view of the agencies that Commerce works with as well who are specialists in the security area, Defense Department, for example.

I would also note that the decisions that the Bureau makes are made on an interagency basis. For example, the decision about what items to list on Commerce's control list are made on an interagency basis. The decisions about what licenses to grant or deny are made on an interagency basis, with the right of any agency to appeal if it disagrees. So, I believe that the current system is working very well to protect U.S. national security.

Senator SARBANES. Let me just follow up that response. Again, to both of you, one of the principal criticisms that is made of our current export system is that we do not have a workable process for the executive agencies with responsibility for export control—Commerce, State, Defense Department—by which they can resolve disagreements on export licenses. What do you think about that issue?

Mr. LICHTENBAUM. I actually do not think that the criticism is warranted. I think there is a system that has fairly clear rules, that is put in place by an Executive order under which we have an initial stage in which agencies receive licenses to get their opinions on them. If there is disagreement among the agencies on what should happen, that license will then be considered by an interagency operating committee. Again, if an agency disagrees with the decision that is made by the operating committee, they can then escalate that to an advisory committee, which is at the Assistant Secretary rank.

I think there is a very clearly defined process that is in place and has time frames to ensure quick resolution of licensing disputes.

Senator SARBANES. Ms. Myers.

Ms. MYERS. I do not really have anything to add to Peter's statement on that.

Senator SARBANES. Are you familiar with the legislation that was reported out of this Committee dealing with export control? It was not enacted into law.

Mr. LICHTENBAUM. Right.

Senator SARBANES. What is your view of that legislation?

Mr. LICHTENBAUM. Well, I am generally familiar with the legislation, although unfortunately I cannot say that I have read it line by line. I believe clearly, that legislation was supported by a large

majority on this Committee, a large majority in the Senate as a whole, and so represented at the time a consensus judgment, bipartisan judgment about the direction of U.S. export control reform.

However, a fair amount of time has passed since the Senate and this Committee considered that bill, and since then, of course, we have had the events of September 11. We have had numerous developments in the world situation. And so I think everyone who is involved in the process probably will want to take the opportunity to come at it afresh and decide whether any modifications should be made to that bill.

Senator SARBANES. It was supported by the Administration as well.

Mr. LICHTENBAUM. Yes, it was.

Senator SARBANES. Strongly.

Mr. LICHTENBAUM. Yes, it was.

Senator SARBANES. Are they still supporting it, do you know?

Mr. LICHTENBAUM. I do not know that there is an Administration position. There is no legislation pending in the Congress at this time, as far as I am aware. I would expect that the Administration would—first, obviously, it would react to any legislation that is introduced and provide its position at the time, and even before that I think would be more than happy to work with your staffs and yourselves on specific provisions that you may be considering.

Ms. MYERS. And certainly on the enforcement side, there is a great need to expand our law enforcement authorities and the penalties so that our export control system can be more effective.

Senator SARBANES. In fact, you are now proceeding under emergency authorities, are you not?

Ms. MYERS. That is correct, Senator.

Senator SARBANES. Some have raised the concern that some actions that the Administration has taken or might take using the emergency authorities would not stand up to a court challenge. Do you have a view on that question?

Mr. LICHTENBAUM. Well, having left private law practice behind, I decline to offer an opinion on the prospects for such a challenge. But I certainly would agree with you, Senator, that the fact that we are operating under emergency authority creates an unnecessary risk for our export control system, and that is one of the principal reasons why I personally think we need to move forward with an Export Administration Act.

For example, in the area of our proliferation controls, the EPCI initiative, also in the area of antiterrorism controls, I would think that a stronger legal footing could only be helpful.

Ms. MYERS. And, Senator, certainly on the enforcement side, we have been very successful so far in courts, and the agents in the Bureau of Industry and Security have been flexible enough to work with their counterparts on creative kinds of charges. But absolutely it would be a good thing to have firmer authority.

Senator SARBANES. Ms. Myers, after law school you were a law clerk to a Federal judge in the Eighth Circuit. Is that right?

Ms. MYERS. Yes, Senator.

Senator SARBANES. And then you went to Mayer, Brown, and Platt in Chicago for a couple of years, with whom you had worked in the summers while at law school. Is that correct?

Ms. MYERS. That is correct, Senator.

Senator SARBANES. And then you came to Washington. Is that right?

Ms. MYERS. Well, after working at Mayer, Brown, and Platt, I worked for about 16 months for Independent Counsel Ken Starr, and so I was based in both Little Rock and in Washington, DC, but kept my apartment in Chicago actually throughout that period.

Senator SARBANES. What did you do for the Independent Counsel?

Ms. MYERS. I was a very junior attorney, so I did a number of things as assigned. I worked on investigations in Little Rock, and then on the investigation here in DC, writing, researching, and also appearing some in court.

Senator SARBANES. And why did you leave there?

Ms. MYERS. Well, in my view, for my own personal career, the time had come. I had the opportunity to go work as an Assistant U.S. Attorney in Brooklyn, which was my lifelong dream to prosecute cases. And so I left to go try more cases, get in front of juries, and help enforce our Nation's laws

Senator SARBANES. And then what happened?

Ms. MYERS. I was drafted back down to DC into the Administration. After September 11, I was offered the opportunity to come down and work on policy from a bigger perspective than I had as an AUSA. And I came down and served as a Deputy Assistant Secretary for money laundering and financial crimes, and that was a very valuable opportunity.

Senator SARBANES. How long did you stay there?

Ms. MYERS. I was there for about a year. It was at the same time when the Department of Homeland Security was under consideration, and so it was very clear that my job would likely either move over to the Department of Homeland Security or be eliminated altogether. And so I was offered the opportunity to come to work for one of my personal heroes, Michael Chertoff, at the Criminal Division, and I served as his chief of staff until he was promoted to be a judge on the Third Circuit Court of Appeals, and that is when this opportunity opened up to me.

Senator SARBANES. Did these opportunities come along and present themselves to you, or did you seek them out? I am just curious. The way you phrase it, it is as though you are just moving blissfully along in life and these opportunities keep presenting themselves to you.

Ms. MYERS. Well, I feel fortunate, Senator. Obviously, I have looked for good opportunities, but I feel that I have been very fortunate, the opportunities that have come into my life. Of course, I have worked for them and feel that my background qualifies me for them, but I do feel there is some combination of fortune and talent.

Senator SARBANES. But you sought them out, I take it, generally speaking?

Ms. MYERS. That is correct, Senator.

Senator SARBANES. How long do you think you might stay over here at the Commerce Department? I mean, you were at Mayer, Brown, and Platt for 2 years. Then you were with Starr for, I think you said, 16 months. And then you were at the U.S. Attorney's Office for 2 years. And then you were at Treasury for a year. And

then you were at Justice for—well, that is where you are. Is that where you are now?

Ms. MYERS. No. I just moved over as a consultant over a Commerce a week ago.

Senator SARBANES. Okay. So you were at Justice for, what, not even a year.

Ms. MYERS. That is correct.

Senator SARBANES. Well, now, how long do you think you will be at Commerce?

Ms. MYERS. Well, of course, if confirmed, I would serve at the President's pleasure. I certainly have no intention to go looking for a different opportunity at this time.

Senator SARBANES. Do you think an opportunity may come looking for you?

Ms. MYERS. Senator, unfortunately, in my previous administration positions, they have moved out under me so I have sought other opportunities. If Michael Chertoff was still at Justice, I would still be there working for him, and that was certainly a highlight of my career. And if the enforcement office was still at Treasury, I would have remained at Treasury working for Under Secretary Gurulé.

Senator SARBANES. Of course, we know Michael, and we know him very well. Let me just ask you, you have been a prosecutor. You think the resources available presently to the Assistant Secretary for Export Enforcement in the Commerce Department are adequate to the task?

Ms. MYERS. Well, certainly in the President's 2004 budget request, we have asked for more resources to get a few more agents and to place some people abroad, and I think that is necessary. And I think with those limited resources, we can do a good job. I look forward to evaluating that further if I am confirmed, if I am in the job.

Senator SARBANES. Thank you.

Chairman SHELBY. Ms. Myers, you keep doing what you are doing. You are getting great experience. Both of you are young and obviously talented. I have some questions, if I can.

The findings of the Commerce Department's Office of Inspector General called into question the adequacy of the training of special agents, the individuals in the field actually conducting investigations. The quality of both prelicense investigations and post-shipment verifications that we got into are dependent upon the quality of the individuals carrying out the investigations. Both of you know that well. In fact, it is not uncommon for post-shipment verifications to be carried out by the Commerce Department foreign and commercial officers untrained in the sometimes very complicated technical matters involved.

We are interested in the IG report's finding regarding the lack of correlation between prelicense checks and the outcome of license applications. We went into that earlier. The IG report found the following: "Instances in which Export Enforcement recommended rejection of license applications but Export Administration returned them to applicants without action, neither approval nor denial. The two offices did not always attempt to reach consensus on license

recommendations by way of the dispute resolution process outlined in a 1996 Memorandum of Understanding."

That is the Inspector General.

To acknowledge the obvious, neither of you, quite candidly, worked in the Department before, but you bring a lot of experience, although both of you are young, and you cannot be expected, I believe, to comment in any great detail on what has transpired there in the past. I would, however, appreciate hearing from you on your views of this finding by the Inspector General. Do you have any comments on that? You have got to have quality trained people in anything to help do your job right. Right?

Mr. LICHTENBAUM. That is absolutely the case. I would defer on the enforcement issue you raised, Senator, to Ms. Myers.

On the question of interagency discussion on classification requests, I haven't seen that report. I know that the Commerce Department filed a fairly strong statement of disagreement with the GAO. I have not had the time myself to determine the facts of the matter, but certainly I think it is appropriate for one thing that Commerce——

Chairman SHELBY. It has got to be addressed.

Mr. LICHTENBAUM. Yes, exactly. Commerce should be acting fully consistent with the terms of the 1996 NSC guidance. And, in general, if there are commodity classifications that the Defense Department feels it is important for them to review, then we should find a way to make that happen.

Chairman SHELBY. Do you want to comment on that, Ms. Myers? The training of people, very important?

Ms. MYERS. Absolutely. And in a way, I feel fortunate to have this report because it provides a blueprint of some problems that the Bureau has had in the past and ways that we should address them. And it is my understanding that Export Enforcement has worked to update and revise the manual, particularly in Chapter 7, which is the safeguards or the end-use visits area that you are referring to, because it is critically important that agents know what to do when they conduct end-use checks.

In terms of when the Foreign Service individuals conduct end-use checks, the Bureau has worked with them to provide them additional assistance and has come up with a number of ways to make it more clear to them about what they should do.

One thing that they are also doing is working to put attachés in different destinations, and the Bureau has found this to be a very effective way, having someone on the ground there who knows what is going on and can work and conduct those end-use checks.

Chairman SHELBY. It is just too important to take chances here, is it not?

Ms. MYERS. Absolutely, Senator.

Chairman SHELBY. Mr. Lichtenbaum, I want to ask you a question. The Export Administration Act, as you know, has expired. Dual-use exports continue to be controlled under international emergency economic powers authority, which Senator Sarbanes alluded to. If confirmed, what actions would you anticipate taking to rectify this situation? Do you have some concept in mind of how a new control regime should look, how it should be structured?

Mr. LICHTENBAUM. Well, Senator, you raise one of the most important questions that I will have to——

Chairman SHELBY. You have to address it.

Mr. LICHTENBAUM. —deal with if I am confirmed.

Chairman SHELBY. Oh, you will be confirmed, I predict.

Mr. LICHTENBAUM. I appreciate that.

Chairman SHELBY. As soon as we can do it.

[Laughter.]

Mr. LICHTENBAUM. I very much appreciate the support, Senator.

The Export Administration Act, as you say, has expired. We are operating under emergency authorities. I think that one of the key areas for us is to make sure that the authorities are clearly in place for things that we are already doing and that there is bipartisan consensus, I believe, that we should do.

Chairman SHELBY. What about consensus in the area of penalties for violations of export control regulations?

Mr. LICHTENBAUM. I am sorry. I did not——

Chairman SHELBY. Let me say it again. What about consensus in the area of penalties for violations of export control regulations? In other words, do you support penalties more stringent than were in the Export Administration Act of 1979?

Mr. LICHTENBAUM. Yes, I would support more stringent penalties. I believe that is, as Ms. Myers mentioned, one of the important——

Chairman SHELBY. I want to address that to Ms. Myers. You will be enforcing that.

Ms. MYERS. Oh, absolutely.

Chairman SHELBY. We need strong penalties.

Ms. MYERS. Absolutely, Senator.

Chairman SHELBY. We look forward to working with you two on trying to address this because you need clear direction, you need clear laws to enforce this, I believe.

We appreciate your patience. You know the Senate is in session and we are doing other things. But we will try to move both of your nominations as soon as possible, first in the Committee and then on the floor. It is important to you before you can go to work.

Thank you. The hearing is adjourned.

[Whereupon, at 12:14 p.m., the hearing was adjourned.]

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

PREPARED STATEMENT OF JOHN W. WARNER

A U.S. SENATOR FROM THE STATE OF VIRGINIA

Chairman Shelby and my other distinguished colleagues on the Senate's Committee on Banking, Housing, and Urban Affairs, I am pleased to support the nomination of a Virginian, Peter Lichtenbaum, to serve as Assistant Secretary of the U.S. Department of Commerce for Export Administration.

The Bureau of Industry and Security plays a key role in challenging issues involving national security and nonproliferation, export growth and high technology. It works to regulate the export of sensitive goods and technologies; enforces export control, antiboycott, and public safety laws; assists U.S. industry to comply with international arms control agreements; and works with other countries on export control and strategic trade issues.

Mr. Lichtenbaum brings significant expertise to this role from his trade law practice with the firm of Steptoe & Johnson LLP. Through his practice, he has gained extensive experience regarding U.S. export control laws and regulations. He has counseled clients with respect to the Export Administration Act (EAA) and Export Administration Regulations (EAR), as well as the Arms Export Control Act (AECA), the International Traffic in Arms Regulations (IT AR), the International Emergency Economic Powers Act (IEEP A) and various economic embargo programs administered by the U.S. Treasury Department.

Mr. Lichtenbaum holds a law degree from Harvard Law School, a master's degree in public policy from the John F. Kennedy School of Government at Harvard University, and a bachelor of arts degree from Princeton University. He is an active member of the American Bar Association, where he served on the Council of the ABA's Section of International Law and Practice. Mr. Lichtenbaum previously served as an Honors Attorney at the U.S. Department of Treasury and as Acting Foreign Service Officer at the U.S. Embassy in Madagascar for the U.S. Department of State.

Mr. Chairman, clearly Mr. Lichtenbaum's extensive professional experience makes him highly qualified to serve as Assistant Secretary of Commerce for Export Administration, and I am confident that he will do so with distinction.

Again, I am very pleased to support Mr. Lichtenbaum's candidacy. I look forward to the Committee reporting his nomination favorably and for a confirmation vote before the full Senate.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Rosen (Last) Harvey (First) S. (Other)

Position to which nominated: Member, Council of Economic Advisors

Date of nomination:

Date of birth: 3/29/49 (Day) (Month) (Year) **Place of birth:** Chicago, IL

Marital Status: Married **Full name of spouse:** Marsha E. Novick

Name and ages of children:

Lynne N. Rosen, 22

Jonathan N. Rosen, 19

Education:

Institution	Dates attended	Degrees received	Dates of degrees
University of Michigan	9/66-5/70	A.B.	5/70
Harvard University	9/70-6/74	Ph.D.	6/74

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.

Cotsen Faculty Fellow (2001-03)
Richard Musgrave Prize of the National Tax Association (2000)
Richard Quandt Teaching Prize (1999)
National Science Foundation Grant (1998-2001)
Robert Wood Johnson Foundation Grant (1993-94)
Visiting Fellow, Russell Sage Foundation, 1996-97
Fellow of the Econometric Society (1986-)
National Science Foundation Grant (1985-87)
National Science Foundation Grant (1979-81)
Visiting Fellow, Hoover Institution, 1981
Richard Stockton Bicentennial Preceptor (1978-81)
Hoover Institution Grant (1976-77)
Allyn Young Teaching Prize (1974)
U.S. Department of Labor Dissertation Grant (1973-74)
National Science Foundation Graduate Fellow (1970-73)
Harvard Graduate Prize Fellow (1970-74)
Woodrow Wilson Fellow (Honorary) (1970)

Sims Senior Honors Prize (1969)
Phi Beta Kappa (1969)

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

Organization	Office held (if any)	Dates
Jewish Ctr of Princeton		1981-present
Econometric Society		1986-present
American Economic Assn		1974-present
U of Michigan Alumni Assn		1993-present
Von Steuben High School Alumni Assn		1998-present
National Tax Assn		1993-present
Board of Editors:		
Contemporary Economic Policy		
Electronic Journal Advisory Board (*Public Economics Abstracts*)		
International Tax and Public Finance		
Journal of Economic Literature (1991-99)		
Journal of Public Economics (1982-1997)		
Journal of Urban Economics (1988-1993)		
National Tax Journal		
Public Finance Review		
Regional Science and Urban Economics		

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.

Assistant Professor of Economics, Princeton University, 1974-80

Associate Professor of Economics, Princeton University, 1980-84

Professor of Economics, Princeton University, 1984-89 and 1991-present

Deputy Assistant Secretary (Tax Analysis), US Treasury, 1989-91

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.

Consultant to:
- U.S. Treasury, Office of Tax Analysis (1975, 1976, 1983)
- Joint Economic Committee, U.S. Congress (1979)
- Federal Reserve Bank of Philadelphia, (1987-89)
- Board of Governors, Federal Reserve Bank (1994)

Joint Committee on Taxation, U.S. Congress (1995-98)
Small Business Administration (2001)

Deputy Assistant Secretary (Tax Analysis), US Treasury, 1989-91

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

Books:

Public Finance, Richard D. Irwin, Inc.,1985, 1988, 1992, 1995, 1999, 2002. Published in Spanish as *Manual De Hacienda Publica*, Ariel Economia, S.A., 1987; in Basque as *Hazienda Publikoa*, Argitarapen-Zerbitzua, 1991; in German as *Finanzwissenschaft* I, R. Oldenbourg Verlag, 1992 (with Rupert Windisch); in Croatian as *Javne Financije*, 2000; in Chinese as *Cai Zheng Xue*, China Finance and Economic Publishing House, 1995, Liang Publishing Studio, 2000, and McGraw-Hill, 2002. Published in Canada as *Public Finance in Canada*, 1999, 2003 (with Paul Boothe, Bev Dahlby, and Roger S. Smith).

(editor) *Studies in State and Local Public Finance*, University of Chicago Press, 1986.

(editor) *Fiscal Federalism: Quantitative Studies*, University of Chicago Press, 1988.

The Conflict Between Equilibrium and Disequilibrium Theories: The Case of the U.S. Labor Market, W.E. Upjohn Institute, 1988 (with R.E. Quandt).

Microeconomics, Richard D. Irwin, Inc., 1991, 1994, 1998 (with Michael L. Katz). (Published in Spanish as *Microeconomia*, Addison-Wesley Iberoamerica, 1994.)

The Fiscal Behavior of State and Local Governments – Selected Papers of Harvey Rosen, Edward Elgar, 1997.

Articles:

Tax Illusion and the Labor Supply of Married Women, Review of Economics and Statistics, May 1976.

Taxes in a Labor Supply Model with Joint Wage-Hours Determination, Econometrica, May 1976.

The Optimal Taxation of Commodities and Income, American Economic Review, Papers and Proceedings, May 1976 (with D.F. Bradford).

A Methodology for Evaluating Tax Reform Proposals, Journal of Public Economics, July/August 1976.

A Note on Local Tax Rates, Public Benefit Levels, and Property Values, Journal of Political Economy, April 1977 (with David J. Fullerton).

Is It Time To Abandon Joint Filing?, National Tax Journal, December 1977.

The Measurement of Excess Burden With Explicit Utility Functions, Journal of Political Economy, Part 2, April 1978.

An Approach to the Study of Income, Utility, and Horizontal Equity, Quarterly Journal of Economics, May 1978.

Estimation of a Disequilibrium Aggregate Labor Market, Review of Economics and Statistics, August 1978 (with Richard E. Quandt).

Estimating Inter-City Differences in the Price of Housing Services, Urban Studies, November 1978.

Unemployment Insurance, Income Taxation, and Duration of Unemployment: Evidence from Georgia, Southern Economic Journal, January 1979 (with Floyd C. Newton).

Housing Decisions and the U.S. Income Tax: An Econometric Analysis, Journal of Public Economics, February 1979.

Owner Occupied Housing and the Federal Income Tax: An Econometric Analysis, Journal of Urban Economics, April 1979.

Federal Taxes and Homeownership: Evidence from Time Series, Journal of Political Economy, February 1980 (with Kenneth T. Rosen).

What is Labor and Supply and Do Taxes Affect It?, American Economic Review, Papers and Proceedings, May 1980.

Taxation, Human Capital and Uncertainty, American Economic Review, September 1980 (with Jonathan Eaton).

Optimal Redistributive Taxation and Uncertainty, Quarterly Journal of Economics, September 1980 (with Jonathan Eaton).

Labor Supply, Uncertainty, and Efficient Taxation, Journal of Public Economics, December 1980 (with Jonathan Eaton).

Income Taxation and Labor Supply, Federal Finance: The Pursuit of American Goals, Joint Economic Committee, U.S. Congress, 1980.

Applied Welfare Economics with Discrete Choice Models, Econometrica, January 1981 (with Kenneth A. Small).

On the Estimation of Structural Hedonic Price Models, Econometrica, May 1982 (with James N. Brown).

The Demand and Supply for Investment Goods: Does the Market Clear?, Journal of Macroeconomics, Winter, 1982 (with Mieko Nishimizu and Richard Quandt).

Taxation and On-The-Job Training Decisions, Review of Economics and Statistics, August 1982.

Alternative Tax Treatments of the Family: Simulation Methodology and Results, in Martin S. Feldstein, ed., Behavioral Simulation Methods in Tax Policy Analysis, University of Chicago Press, 1983 (with Daniel R. Feenberg).

Taxation and Excess Burden: A Life Cycle Approach, International Economic Review, October 1983 (with E. John Driffill).Agency, Delayed Compensation and the Structure of Executive Remuneration, Journal of Finance, December 1983 (with Jonathan Eaton).

Housing Tenure, Uncertainty, and Taxation, Review of Economics and Statistics, August 1984(with Douglas Holtz-Eakin and Kenneth T. Rosen).

Tax Analysis in an Oligopoly Model, Public Finance Quarterly, January 1985 (with Michael L. Katz).

Housing Subsidies: Effects on Housing Decisions, Efficiency and Equity, in Alan Auerbach and Martin S. Feldstein, eds., Handbook of Public Economics, North-Holland, 1985.

Housing Behavior and the Experimental Housing Allowance Program: What Have We Learned?, in Jerry Hausman and David Wise, eds., Social Experimentation, University of Chicago Press, 1985.

Notches, American Economic Review, September 1985 (with Alan S. Blinder).

Is There Chronic Excess Supply of Labor?: Designing a Statistical Test, Economics Letters, 1985 (with Richard E. Quandt).

State Personal Income and Sales Taxes: 1977-1983, in Harvey S. Rosen, ed., Studies in State and\Local Public Finance, University of Chicago Press, 1986 (with Daniel R. Feenberg).

The Deductibility of State and Local Taxes: Impact Effects by State and Income Class, Growth and Change, April 1986 (with Daniel R. Feenberg).

The Interaction of State and Federal Tax Systems: The Impact of State and Local Tax Deductibility, American Economic Review, Papers and Proceedings, May 1986.

Unemployment, Disequilibrium, and the Short Run Phillips Curve: An Econometric Approach, Journal of Applied Econometrics, July 1986 (with Richard E. Quandt).

Tax Structure and Public Sector Growth, Journal of Public Economics, March 1987 (with Daniel R. Feenberg).

Unemployment, Disequilibrium, and the Short Run Phillips Curve: Correction and Extension, Journal of Applied Econometrics, 2, 1987 (with Richard E. Quandt).

Taxation, Wage Variation, and Job Choice, Journal of Labor Economics, October 1987 (with James N. Brown).

The Marriage Tax is Down but Not Out, National Tax Journal, December 1987.

Tax Deductibility and Municipal Budget Structure, in Harvey S. Rosen, ed., Fiscal Federalism: Quantitative Studies, University of Chicago Press, 1988 (with Douglas Holtz-Eakin).

Thinking About the Tax Consequences of Marriage, National Tax Journal, June 1988.

Estimating Vector Autoregressions with Panel Data, Econometrica, November 1988 (withDouglas Holtz-Eakin and Whitney Newey).

Promises, Promises: The States' Experience With Income Tax Indexing, National Tax Journal,December 1988 (with Daniel Feenberg).

Testing the Rationality of State Revenue Forecasts, Review of Economics and Statistics, May 1989 (with Daniel Feenberg, et al).

The Revenues-Expenditures Nexus: Evidence From Local Government Data, International Economic Review, May 1989 (with Douglas Holtz-Eakin and Whitney Newey.

Endogenous Output in an Aggregate Model of the Labor Market, Review of Economics and Statistics, August 1989 (with Richard E. Quandt).

The 'Rationality' of Municipal Capital Spending: Evidence from New Jersey, Regional Science and Urban Economics, August 1989 (with Douglas Holtz-Eakin).

Federal Deductibility and Local Property Tax Rates, Journal of Urban Economics, May 1990 (with Douglas Holtz-Eakin).

Corporate Integration Puzzles, National Tax Journal, September 1990 (with Geraldine Gerardi and Michael Graetz).

Recent Trends in Housing Conditions among the Urban Poor, in Mark A. Hughes and Therese A. McGuire, eds., Research in Urban Economics, vol. 8, JAI Press, Inc., 1990 (with Rebecca Blank).

Municipal Labor Demand in the Presence of Uncertainty, Journal of Labor Economics, July 1991 (with Douglas Holtz-Eakin).

Municipal Construction Spending: An Empirical Examination, Economics and Politics, March 1993 (with Douglas Holtz-Eakin).

The Carnegie Conjecture: Some Empirical Evidence, Quarterly Journal of Economics, May 1993 (with Douglas Holtz-Eakin and David Joulfaian).

Budget Spillovers and Fiscal Policy Interdependence: Evidence from the States, Journal of Public Economics, October 1993 (with Anne Case and James Hines).

Sticking It Out: Entrepreneurial Survival and Liquidity Constraints, Journal of Political Economy, February 1994 (with Douglas Holtz-Eakin and David Joulfaian).

Intertemporal Analysis of State and Local Government Spending,
Journal of Urban Economics, May 1994 (with Douglas Holtz-Eakin and Schuyler Tilly).

Entrepreneurial Decisions and Liquidity Constraints, Rand Journal of Economics, Summer 1994 (with Douglas Holtz-Eakin and David Joulfaian).

Recent Developments in the Marriage Tax, National Tax Journal, March 1995 (with Daniel R. Feenberg). [Reprinted in Oliver, Philip D. and Fred W. Peel, Jr., Tax Policy—Readings and Materials. The Foundation Press,1996]

Following in Her Footsteps? Women's Choices of College Majors and Faculty Gender Composition, Industrial and Labor Relations Review, April 1995 (with Brandice J. Canes).

Messages from "The Den of Wild Beasts": Greenback Prices as Commentary on the Union's Prospects, Civil War History, December 1995 (with Timothy W. Guinnane and Kristen L. Willard).

Health Insurance and the Supply of Entrepreneurs, Journal of Public Economics, October 1996 (with Douglas Holtz-Eakin and John Penrod).

Turning Points in the Civil War: Views from the Greenback Market, American Economic Review, September 1996 (with Timothy W. Guinnane and Kristen Willard).

The Way We Were (And Are): Changes in Public Finance and Its Textbooks, National Tax Journal, December 1997.

The Future of Entrepreneurial Finance, Journal of Banking and Finance, 1998.
Vertical Externalities in Tax Setting: Evidence from Gasoline and Cigarettes, Journal of Public Economics, 1998 (with Timothy J. Besley).

Sales Taxes and Prices: An Empirical Analysis, National Tax Journal, June 1999 (with Timothy J. Besley).

Income Taxes and Entrepreneurs' Use of Labor, Journal of Labor Economics, April 2000 (with Robert Carroll, Douglas Holtz-Eakin, and Mark Rider).

Entrepreneurs, Income Taxes, and Investment, in Joel Slemrod, ed., Does Atlas Shrug? The Economic Consequences of Taxing the Rich, Harvard University Press, 2000 (with Robert Carroll, Douglas Holtz-Eakin and Mark Rider).

Horatio Alger Meets the Mobility Tables, Small Business Economics, June 2000 (with Douglas Holtz-Eakin and Robert Weathers).

Self-Employment, Family Background, and Race, Journal of Human Resources, Fall 2000 (with Michael Hout).

Estate Taxes, Life Insurance, and Small Business, Review of Economics and Statistics, February 2001 (with Douglas Holtz-Eakin and John Phillips).

Personal Income Taxes and the Growth of Small Firms, in James Poterba, ed., Tax Policy and the Economy, MIT Press, 2001 (with Robert Carroll, Douglas Holtz-Eakin, and Mark Rider).

Insurance and the Utilization of Medical Services Among the Self-Employed, in Sijbren Cnossen, ed., Public Finances and Public Policy in the New Millennium, forthcoming (with Craig W. Perry).

The Self-Employed Are Less Likely Than Wage-Earners to Have Health Insurance. So

What? in Douglas Holtz-Eakin, ed., Entrepreneurship and Public Policy, MIT Press, forthcoming (with Craig W. Perry).

Exploring the Health-Wealth Nexus (with Jonathan Meer and Douglas Miller), Journal of Health Economics, forthcoming.

Health Status and Portfolio Choice, Journal of Financial Economics, forthcoming (with Stephen Wu

Recent Working Papers:

Cash Constraints and Business Start-Ups: Deutschmarks versus Dollars (with Douglas Holtz –Eakin)

Estimating the Income Effect on Retirement (with David Joulfaian and Douglas Holtz-Eakin)

Financial Aid Packages and College Enrollment Decisions: An Econometric Case Study (with David Linsenmeier and Cecilia Rouse)

Public Finance: Essay for the Encyclopedia of Public Choice

Risk, Return and Self-Employment (with Paul Willen)

Insurance, Health, and the Utilization of Medical Services (with Jonathan Meer)

Entrepreneurship and Taxation: Empirical Evidence

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.

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 specific amounts, dates, and names of recipients.

none

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

I have published research and taught about a number of economic policy issues, including personal income taxation, sales taxation, corporate taxation, labor supply, housing, unemployment, entrepreneurship, health insurance, business investment, state and local public finance, and the marriage tax. I have written a college textbook on public finance, and co-authored a college textbook on microeconomics. I have had previous experience in the federal government, having served as Deputy Assistant Secretary (Tax Analysis) in the U.S. Treasury from 1989 to 1991.

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, I will take a leave of absence from my position as Professor of Economics at Princeton University. I will continue to participate in Princeton's defined contribution pension plan through TIAA-CREF. Pursuant to 18 U.S.C. § 208, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interest of Princeton University, unless I first obtain a written waiver or qualify for a regulatory exemption.

I will remain a Research Associate of the National Bureau of Economic Research, for which I do not receive any compensation. I will continue to participate in the defined contribution pension plan of the National Bureau of Economic Research through TIAA-CREF. Pursuant to 18 U.S.C. § 208, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interest of the National Bureau of Economic Research.

I will remain under contract to produce future revisions of my economics textbooks for McGraw Hill and McGraw Hill-Ryerson. However, I will not perform any work under these contracts during my service with the federal government. I have hired a private-sector economist to check the publisher's proofs of the forthcoming seventh edition of my textbook, Public Finance, and will be involved in the rest of this revision only in the nature of a professional courtesy such as reviewing the corrections to the proofs. Otherwise, and once the seventh edition is finished, I will not undertake further revisions while I am at the Council of Economic Advisers. I will continue to receive royalties for these textbooks. Pursuant to 18 U.S.C. § 208, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interest of McGraw Hill or McGraw Hill-Ryerson Publishers.

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.

Yes, I plan to resume employment with Princeton University.

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

Yes, Princeton will continue my appointment when I leave the government.

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.

My spouse is a partner in the law firm of Smith, Stratton, Wise, Heher & Brennan, LLP, of Princeton, New Jersey from which she receives partnership distributions and allocations of partnership losses and gains. Pursuant to 5 C.F.R. § 2635.208, I will not participate in any particular matter that will have a direct and predictable effect on the financial interest of Smith, Stratton, Wise, Heher & Brennan, LLP. Furthermore, pursuant to section 2635.502, I will not participate in any particular matter involving specific parties in which any client of my spouse is or represents a party, unless I am authorized to participate. In addition, my spouse has agreed not to represent any client with respect to any particular matter before the Council of Economic Advisers during my tenure, if I am confirmed.

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.

See item 2 above.

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: Forbes (Last) Kristin (First) Jamie (Other)

Position to which nominated: Member, Council of Economic Advisers

Date of nomination: 15/07/03

Date of birth: 21/08/1970 (Day) (Month) (Year) **Place of birth:** Staten Island, NY

Marital Status: Married **Full name of spouse:** Steven Carson Calhoun

Name and ages of children: None

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Massachusetts Institute of Technology	09/94 – 06/98	PhD (Economics)	06/98
Williams College	09/88 – 06/92	BA (Economics)	06/92
Concord High School (NH)	09/85 – 06/88	High School	06/88

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.

Named a "Global Leader for Tomorrow" at the World Economic Forum, Davos, 2003.
Teacher of the Year Award: Sloan School of Management at MIT, 2001.
Mellon Fellowship: For a year of research at the Brookings Institution, 2001-02. (Declined for U.S. Treasury apt.)
Ford Foundation Fellowship: Research on India, 2000-01.
Milken Prize: Distinguished economic research, 2000.
National Bureau of Economic Research: Named a Faculty Research Fellow, 2000.
Solow Prize: Excellence in research and teaching at MIT, 1998.
National Science Foundation: Fellowship in economics, 1994-97.
World Economy Laboratory: Grant for applied research in India, 1996, 2001.
David Wells Prize in Economics: Best economics thesis at Williams College, 1992.
Summa cum Laude with Highest Honors: From Williams College, 1992.
Captain of New England Championship Tennis Team: Williams College, 1992.
Most Valuable Player of nationally-ranked (top-ten) Squash Team: Williams College, 1992.
Phi Beta Kappa: First election at Williams College, 1991.
Volvo-Academic All-American: In tennis, 1991 and 1992.
Presidential Scholar: 1988.
National Merit Scholar: 1988.

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

Organization	Office held (if any)	Dates
National Bureau of Economic Research (NBER)	Faculty Research Fellow	2000-present
Emerging Markets Review	Associate Editorial Board	2002-present
Journal of Economic Integration	Editorial Board	2002-present
Latin American and Caribbean Economic Association (LACEA)	Member	2001-present
American Economic Association (AEA)	Member	1997-present
Williams College Alumni Association	Class agent	1997-2002

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.

Massachusetts Institute of Technology-Sloan School of Management: *Cambridge, MA. 1998-present.*
Associate Professor of Management in the Applied Economics Group. 2002-present.
Mitsubishi Career Development Chair of International Management. 2001-present.
Assistant Professor of Management in the Applied Economics Group. 1998-2002.
Teaching assistant for various MBA, executive-MBA and PhD classes, 1997-1998.

U.S. Treasury Department, International Affairs: *Washington, DC. 2001-2002.*
Deputy Assistant Secretary of Quantitative Policy Analysis, Latin America & Caribbean Nations. 2002.
Deputy Assistant Secretary of Quantitative Policy Analysis (QPA). 2001-2002.

National Council of Applied Economic Research (NCAER): *New Delhi, India. Summer, 1996.*
Research Fellow in Macroeconomics group.

Fleet Financial Institutions, Economics Department: *Boston, MA. Summer, 1995.*
Research assistant to Chief Economist.

World Bank, Policy Research Department: *Washington, DC. 1993-94.*
Project Assistant in the Department of the Director.

Morgan Stanley, Mergers and Acquisitions: *New York, NY. 1992-93.*
Financial Analyst in Investment Banking Division, Financial Institutions Group.

Visiting Scholar Positions:
Federal Reserve Bank of Minneapolis: Minneapolis, MN. October 2002.
International Monetary Fund: Washington, DC. May-July, 2002.
Indian Council for Research on International Economic Relations (ICRIER): New Delhi, India. December 2000, April 2001.
Federal Reserve Board: Washington, DC. May 2001.

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

Council of Economic Advisers: *Washington, DC. 2003-present.*
Consultant.

U.S. Treasury Department, International Affairs: *Washington, DC. 2001-2002.*
Deputy Assistant Secretary of Quantitative Policy Analysis, Latin America & Caribbean Nations. 2002.
Deputy Assistant Secretary of Quantitative Policy Analysis (QPA). 2001-2002.

Federal Reserve Bank of Minneapolis: Minneapolis, MN. October 2002.
Visiting Scholar.

Federal Reserve Board: Washington, DC. May 2001.
Visiting Scholar.

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

Edited Book:

International Financial Contagion (2001). Volume edited by Stijn Claessens and Kristin Forbes. Kluwer Academic Publishers.

Published (and forthcoming) Articles, Reviews, Comments, and Book Chapters:

The Asian Flu and Russian Virus: The International Transmission of Crises in Firm-Level Data (2003, forthcoming). *Journal of International Economics.*

Trade Linkages and Output-Multiplier Effects: A Structural VAR Approach with a Focus on Asia (2003, forthcoming) with Tilak Abeysinghe. *Review of International Economics.*

Comment on "Securities Transaction Taxes and Financial Markets" by Karl Habermeier and Andrei Kirilenko. (2003, forthcoming) In *IMF Staff Studies.*

Dancing in Unison? (2003) with Robin Brooks, Jean Imbs, and Ashoka Mody. *Finance and Development,* pgs. 46-49.

Cheap Labor Meets Costly Capital: The Impact of Devaluations on Commodity Firms (2002). *Journal of Development Economics* 69 (2, December), pgs. 335-365.

How Do Large Depreciations Affect Firm Performance? (2002). *IMF Staff Papers* 49, pgs. 214-238.

No Contagion, Only Interdependence: Measuring Stock Market Co-Movements (2002) with Roberto Rigobon. *The Journal of Finance* LVII (5, October), pgs. 2223-2261.

Are Trade Linkages Important Determinants of Country Vulnerability to Crises? (2002). Chapter in Sebastian Edwards and Jeffrey Frankel, eds. *Preventing Currency Crises in Emerging Markets.* University of Chicago Press.

Comment on "Long-Term Capital Movements" by Gian Maria Milesi-Ferretti and Philip Lane (2002). In Ben Bernanke and Kenneth Rogoff, eds., *NBER Macroeconomics Annual 2001.* Cambridge, MA: MIT Press, pgs. 116-126.

Skill Classification Does Matter: Estimating the Relationship Between Trade Flows and Wage Inequality (2001). *Journal of International Trade and Economic Development* 10(2, June), pgs. 175-209.

Contagion in Latin America: Definitions, Measurement, and Policy Implications (2001) with Roberto Rigobon. *Economia* 1(2, Spring), pgs. 1-46. Lead article.

How are Shocks Propagated Internationally? Firm-Level Evidence from the Asian and Russian Crises (2001). Chapter in Reuven Glick, Ramon Moreno, and Mark M. Spiegel, eds. *Financial Crises in Emerging Markets.* Cambridge University Press, pgs. 106-159.

Measuring Contagion: Conceptual and Empirical Issues (2001) with Roberto Rigobon. Chapter in Stijn Claessens and Kristin Forbes, eds. *International Financial Contagion.* Kluwer Academic Publishers, pgs. 43-66.

International Financial Contagion: An Overview (2001) with Stijn Claessens. Chapter in Stijn Claessens and Kristin Forbes, eds. *International Financial Contagion.* Kluwer Academic Publishers, pgs. 3-17.

How do Currency Crises Spread Internationally? (2000). *Corporate Finance Review* 5 (3, Nov/Dec), pgs. 3-10.

A Reassessment of the Relationship Between Inequality and Growth (2000). *American Economic Review* 90 (4, September), pgs. 869-887.

Book Review of *New Theories in Growth and Development* (1999). Edited by F. Coricelli, M. di Matteo, and F. Hahn. In *The Economic Journal*, 109(459): F806-807.

Released Working Papers:

One Cost of the Chilean Capital Controls: Increased Financial Constraints for Smaller Traded Firms (2003). NBER Working Paper #9777.

A Decomposition of Global Linkages in Financial Markets Over Time (2002), joint with Menzie Chinn. NBER Working Paper #9555.

Inequality and Growth: An Evaluation of Trends and Relationships in India (1997).

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.

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 specific amounts, dates, and names of recipients.

Purchased 2 tickets for the "President's Dinner", a fundraiser for the Republican party. Total contribution of $5,000 in May, 2003.

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 will be on leave from MIT's Sloan School of Management and will continue to hold assets in the MIT defined contribution pension plan (but no contributions will be made while at the CEA). I will also continue my affiliation as a faculty research fellow at the National Bureau of Economic Research (a position for which I receive no compensation). I will also continue to receive royalties from Kluwer Academic Publishers for the book *International Financial Contagion*. If I am confirmed, I will resign my position on the editorial boards of two journals: *Emerging Markets Review* and *Journal of Economic Integration*.

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 may have the opportunity to return as faculty member to MIT's Sloan School of Management after my employment at the CEA.

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

Only the possibility to return as a faculty member to MIT (as mentioned above).

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

Yes.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

My husband (Steven Calhoun) is a financial analyst at Fidelity Investments and manages several health care funds. He owns non-traded shares in Fidelity (a private company) which he receives and/or has the opportunity to purchase as part of his employment. My husband also owns stock in his personal account in two companies (Surgicare and Terra Industries).

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.

Due to my employment and affiliations, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interest of MIT, the National Bureau of Economic Research, or Kluwer Publishers, unless I first obtain a written waiver or qualify for a regulatory exemption. After confirmation, I will resign from my editorial

positions, but for a period of one year, I will not participate in any particular matter involving specific parties in which any one of these organizations is a party or represents a party, unless I am authorized to participate.

Due to my husband's employment, I will not participate in any particular matter involving specific parties in which Fidelity is or represents a party, as well as any related issues that will substantially impact health care stocks. Although it has been determined that it is not necessary at this time to divest of my husband's two stock holdings (Surgicare and Terra Holdings), 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, unless I first obtain a written waiver or qualify for a regulatory exemption.

See Ethics Agreement for further details.

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.

In April 1990 I was charged with "open container" and "minor with alcohol" in the North Adams District Court in Massachusetts. Both charges were dismissed.

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 to my knowledge.

Attachment A: Qualifications for Job

The U.S.—like most countries—is becoming increasingly integrated with the global economy. This increasing integration presents tremendous opportunities, but also tremendous challenges. Understanding economic trends in other countries and how they will affect the U.S. is critical to determining what policies will best improve our standard of living. My background as an international and development economist, combined with practical experience in the U.S. Treasury Department and several other policy-related positions, will help me address these challenges as a member of the Council of Economic Advisers.

I am currently on leave from the Sloan School of Management at the Massachusetts Institute of Technology, where I am an Associate Professor of International Management and hold the Mitsubishi Career Development Chair. I am also a member of the National Bureau of Economic Research. My academic research addresses a number of important policy-related questions in international finance and development economics. I am a leading expert on "contagion"—how events and crises in one country spread to other economies located around the world. I have written extensively on this subject, including a co-edited book *International Financial Contagion*. As a result of this research, as well as related work on financial crises, I was awarded the Milken Award for Distinguished Economic Research in 2000. My most recent work examines the impact of capital controls on investment decisions and the effect of currency depreciations on companies around the globe. An earlier area of my academic research attempted to explain how different factors (such as inequality or trade) affect countries' development and rates of economic growth.

During 2001-2002 I worked in the International Affairs Division of the U.S. Treasury Department as the Deputy Assistant Secretary of Quantitative Policy Analysis, Latin American and Caribbean Nations. In this position I helped start a new office to monitor "vulnerabilities" in emerging markets in order to provide the U.S. government with additional time to prepare for, and hopefully prevent, major financial disruptions in other economies. During this period, I also worked on developing methods to better assess how a crisis in one country might effect other countries, and therefore better understand what countries might be vulnerable to "contagion". I also worked on several projects aimed at improving growth and living standards in a range of countries—such as the Millennium Challenge Account .

In addition to this position at the U.S. Treasury Department, I have also held several positions at a range of government, and private sector institutions. For example, I have been a visiting scholar and spent extensive time in India at the Indian Council of Research on International Economic Relations (ICRIER) and the National Council of Applied Economic Research (NCAER). I have also been a visiting scholar at the U.S. Federal Reserve Board, International Monetary Fund (IMF), and the Federal Reserve Bank of Minneapolis. Prior to joining MIT, I worked in the investment banking division at Morgan Stanley, in the policy research department at the World Bank, and in the economics group at Fleet Financial Institutions. I have also travelled extensively in an effort to better understand different economies and cultures around the world.

An important component of working on the Council of Economic Advisers is not only understanding key economic issues, but also being able to explain these issues to a range of people both within and outside the U.S. government. My experience as a professor—of both MBA's as well as executives—has provided invaluable training for this role. As evidence of my ability to communicate complex economic ideas to a broad audience, I was recently honored as the "Teacher of the Year" for the Sloan School of Management. I was also just named a "Global Leader for Tomorrow" as part of the World Economic Forum at Davos in early 2003.

I received my PhD in Economics at MIT in 1998, where I won the Solow Prize for excellence in teaching and research. During this period I had the privelege of working with two talented advisors—Rudiger Dornbusch and Paul Krugmen—who provided me with starkly constrasting views of economic policy and the world. I obtained my BA, *summa cum laude* with highest honors from Williams College in 1992. I grew up in Concord, New Hampshire, where I graduated as the valedictorian from Concord High School in 1988. In 1988 I was also honored as a National Merit Scholar and Presidential Scholar.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Myers Julie Lyn

Position to which nominated: Asst. Secretary (Export Enforcment)

Date of nomination: June 25, 2003

Date of birth: 12 July 1969

Place of birth: St. Louis, Missouri

Martial Status: single

Full name of spouse: n/a

Name and ages of children: None

Education: Institution	Dates attended	Degrees received	Dates of degrees
Shawnee Mission North High School Overland Park, Kansas	1984-1987	H.S. Diploma	May 1987
Baylor University Waco, Texas	1987-1991	B.A.	May 1991
Cornell Law School Ithaca, New York	1991-1994	J.D.	May 1994

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.

Baylor University President's Award for Excellence in Student Involvement

Golden Key National Honor Society

Omicron Delta Kappa

cum laude Graduate of Cornell Law School

Editor, Cornell Law Review

American Jurisprudence Award for Highest Grade in Constitutional Law

Winner, Two Cornell Law School Moot Court Competitions

Various Special Achievement and Special Act Awards at Independent Counsel's Office, U.S. Attorney's Office and Treasury Department (1999-2002)

Memberships:

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

	Organization	Office held (if any)	Dates
1)	Thurgood Marshall Academy Mentor		2002-Present
2)	First Baptist Church		1985-Present
3)	Baylor Alumni Association		1991-Present
4)	Lincoln Inn of Court		1995-1997
5)	Chicago Bar Association		1995-1997
6)	American Bar Association		1994-1997
7)	Liaison to ABA Task Force on Ethical Standards for Prosecutorial Investigations		2002-Present
8)	Cornell Christian Legal Group	Co-Chair (1993-1994)	1991-1994
9)	Cornell Law School Moot Court	Exec. Board (1993-1994)	1991-1994
10)	Federalist Society		1991-1992
11)	Golden Key National Honor Society	Vice-President (1990-1991)	1989-1991
12)	Baylor Hunger Awareness Week Steering Committee		1989-1990
13)	Baylor University Welcome Week Steering Committee		1990-1991
14)	Baylor University Student Council	Honor Council (1989-1990) Vice-President (Senior Class-1990-1991)	1989-1991
15)	Baptist Student Union	Vice-President (1990-1991)	1987-1991
16)	Kappa Alpha Theta	Float Co-Chair (1988) Editor (1990-1991)	1988-Present

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

1) Teaching Assistant for Professor Kevin M. Clermont; Cornell Law School; Ithaca, NY; 6/1992-8/1992 and 1/1993-5/1993.

2) Summer Clerk for Cornell University Counsel's Office; Ithaca, NY; 6/1992-8/1992.

3) Teaching Assistant for Professor Stuart Schwab; Cornell Law School; Ithaca, NY; 8/1993-11/1993.

4) Teaching Assistant for Professors Kevin M. Clermont and John Siliciano; Cornell Law School; Ithaca, NY; 1/1994-5/1994.

5) Summer Associate; Mayer, Brown & Platt; Chicago, IL; 6/1993-8/1993 and 6/1994-8/1994.

6) Law Clerk; Chambers of the Honorable C. Arlen Beam; U.S. Court of Appeals for the Eighth Circuit; Lincoln, NE; 8/1994-8/1995.

7) Associate; Mayer, Brown & Platt; Chicago, IL; 10/1995-12/1997.

8) Associate Independent Counsel; Office of the Independent Counsel (Kenneth W. Starr); Little Rock, AR and Washington, DC; 1/1998-10/1999.

9) Assistant United States Attorney; United States Attorney's Office-Eastern District of New York; Brooklyn, NY; 10/1999-10/2001.

10) Deputy Assistant Secretary (Money Laundering and Financial Crimes); Department of the Treasury; Washington, DC; 10/2001-10/2002.

11) Chief of Staff, Criminal Division, Department of Justice; Washington, DC; 11/2002- Present (Deputy Chief of Staff; 11/2002-12/2002).

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.

Other than my work for the federal government described in my answer relating to my employment, I have not had any experience or association with federal, state, or local government.

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

I was co-author of one article for a newsletter at Mayer, Brown & Platt on employment law and the new requirements of the Americans with Disabilities Act. The article was published in approximately 1995, but I do not have the exact date or title.

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.

Shortly before I joined the Department of Justice, I volunteered for one day on the Bob Erlich for Governor campaign in November 2002.

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.

N/A

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

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No

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

No

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

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any *way* constitute or result in a possible conflict of interest with the position to which you have been nominated

None

4. List any lobbying activity during the past ten years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

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

N/A

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

Julie Myers
Qualifications – Attachment

My background in management and law enforcement, as well as my experience working with Congress and private industry, make me well-suited to serve as Assistant Secretary for Export Enforcement at the Department of Commerce. First, a successful Assistant Secretary must have management experience and expertise. As a Deputy Assistant Secretary in the Office of Enforcement in the Department of Treasury, I supervised the Narcotics Office and the International Money Laundering Office in the Office of Enforcement, where I managed a staff of approximately fifteen professionals. In addition to direct management responsibilities, I conducted substantial oversight of the Treasury law enforcement bureaus, which at that time included the United States Customs Service, United States Secret Service, Bureau of Alcohol Tobacco and Firearms, Financial Crimes Enforcement Network and the Office of Foreign Assets Control. I learned how strong leadership can make a difference in improving performance and enhancing enforcement. I participated in decision making in broad cross-cutting issues as a member of Treasury's internal transition team for the Department of Homeland Security. The senior Treasury leadership also reemphasized the importance of performance measures in obtaining a quality work force. If fortunate enough to be confirmed, I intend to apply these lessons to the Office of Export Enforcement in the Bureau of Industry and Security at Commerce.

After leaving the Treasury Department, I served as Chief of Staff for Assistant Attorney General Michael Chertoff at the Department of Justice. My responsibilities included overseeing a $124 million budget, directly supervising a fifty person management office in the Division, and assisting the Assistant Attorney General supervise over four hundred employees. I helped Assistant Attorney General Chertoff implement his new priorities, and experienced the challenges of focusing a large group of people towards a particular set of goals. If confirmed, I will use this knowledge to enhance my management skills with the Office of Export Enforcement.

In managing individuals and programs, I was able to draw upon my substantive expertise in law enforcement, which is another critical qualification for an effective Assistant Secretary for Export Enforcement. At the Treasury Department and the Department of Justice, I saw the importance of coordinating enforcement actions nationwide and ensuring that local prosecutorial decisions did not override broader goals. I also had the experience of making direct supervisory decisions about types of enforcement activities, such as whether and how to proceed in certain sensitive cases, and learned from others how to conduct effective oversight of enforcement operations. In addition to my supervisory enforcement experience, I also served as an Assistant United States Attorney in Brooklyn, where I successfully prosecuted a wide variety of cases, including securities fraud, narcotics, environmental violations, immigration, gun crime, fraud, customs violations and many more. This combination of line experience and supervisory experience would add substantial value to my work at Commerce.

Of course, the Bureau of Industry and Security cannot be successful by itself in ensuring that our exports do not reach the hands of terrorists and other criminals. For this reason, my experience in building relationships and partnerships within the inter-agency community is an essential part of my background that qualifies me for the Assistant Secretary position. My work at Treasury and Justice allowed me to develop excellent working relationships with leadership in those Departments, and the Department of Homeland Security, among other agencies. I have had involvement in many strategic and tactical decisions relating to our progress on the war on terrorism, and my training in the Criminal Division has helped me be alert to how Commerce can even more effectively work with the Justice Department.

Next, an effective Assistant Secretary must work effectively with industry. It has become more apparent since 9/11 that we cannot successfully guarantee security without a significant public/private partnership. We must look to industry for innovation and creativity to ensure that American goods are exported to the maximum intent possible without placing them into the hands of terrorists or other criminals. At the Treasury Department, I participated in the Department's partnership with industry. In particular, I learned from the excellent work and innovation of the United States Customs Service, in such programs as the Customs Trade Partnership Against Terrorism (C-TPAT). In addition, my work at Mayer, Brown and Platt gave me the perspective of a defense attorney, and of a client seeking to accomplish something in the most effective manner possible. These skills provide a valuable start for the partnership with industry that, if fortunate enough to be confirmed, I would hope to have.

A final, but key qualification, for an effective Assistant Secretary, is the ability to work effectively with the Congress. During my time at the Justice and Treasury Departments, I had the opportunity to work closely with Congress in, among other things, helping draft more effective anti-terrorist legislation and respond to congressional inquiries. I am well aware of the expertise on the critical export enforcement issues that is within this Committee. If I am fortunate enough to be confirmed, I look forward to working with this Committee and the Congress to continue to accomplish great things.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Lichtenbaum (Last) Peter (First) (Other)

Position to which nominated: Assistant Secretary of Commerce for Export Administration

Date of nomination: July 18, 2003

Date of birth: 09 (Day) 11 (Month) 1965 (Year) **Place of birth:** Princeton, NJ

Marital Status: Married **Full name of spouse:** Greta L. H. Lichtenbaum

Name and ages of children:

Annika L. Lichtenbaum	10
Jacob S. Lichtenbaum	9
Rose M. Lichtenbaum	3

Education:

Institutions	Dates Attended	Degrees Received	Dates of Degrees
Harvard University Law School	9/87-6/90	J.D. *cum laude*	June 1990
John F. Kennedy School of Government	9/86-6/90	Masters Public Policy	June 1990
Princeton University	9/82-6/86	A.B. *magna cum laude*	June 1986
Ithaca Senior High School	9/79-6/82	H.S. Diploma	June 1982

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.*

Certificate in African Studies, Princeton University

John F. Kennedy Fellow, Harvard University

Special Award, U.S. Department of Treasury

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

Organization	Office Held (if any)	Dates
District of Columbia Bar Association		1990 - Present
American Bar Association Section of International Law and Practice	Goal VIII Officer Council Member	2001 - Present
National Capital YMCA		1990 - Present
Chesterbrook Swim Club		2000- Present
Highlands Swim Club		1999 - 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.*

Dates	Employer	Title
3/92-Present	Steptoe & Johnson LLP 1330 Connecticut Avenue, N.W. Washington, D.C. 20036	Partner (1/99-Present) Associate (3/92-12/98)
10/90-3/92	U.S. Department of Treasury 1500 Pennsylvania Avenue, N.W. Washington, D.C. 20220	Honors Law Clerk
6/87-8/87	U.S. Department of State 2201 C Street, N.W. U.S. Embassy Antananarivo Madagascar	Acting Economic Officer
1989	Wilmer, Cutler & Pickering 2445 M Street, N.W. Washington, D.C. 20037	Summer Associate
1988	Baker & McKenzie 805 Third Avenue New York, NY 10022	Summer Associate
1/90-5/90	Harvard College 1350 Massachusetts Avenue Cambridge, MA 02138	Teaching Fellow

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.

Dates	Employer	Title
10/90-3/92	U.S. Department of Treasury 1500 Pennsylvania Avenue, N.W. Washington, D.C. 20220	Honors Law Clerk
6/87-8/87	U.S. Department of State 2201 C Street, N.W. U.S. Embassy Antananarivo Madagascar	Acting Economic Officer
7/85-8/85	U.S. Department of State 2201 C Street, N.W.	Intern

Published Writings:

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

(See Attachment A)

Political Affiliations & Activities:

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

Prepared issue papers and talking points for Sen. Robert Dole presidential campaign in 1996 and for Gov. George W. Bush presidential campaign in 2000.

Political Contributions:

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

Senator Chuck Hagel, $1000, 2002.

Qualifications:

State fully your qualifications to serve in the position to which you have been named.

(See Attachment 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.*

   Yes.

2. *As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.*

   As far as can be foreseen, I have no plans after completing government service to resume employment, affiliation or practice with any previous employer.

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.*

Pursuant to partnership agreement with Steptoe & Johnson LLP, I will receive lump sum payment of capital account, partnership share calculated on service performed through termination, and a termination payment determined by the partnership's executive committee; all payments to be received prior to entering into Federal service. Defined benefit plan will rollover in January and April 2004, pursuant to the terms of the plan; 401K and profit sharing plans will rollover at termination, pursuant to the terms of the plan. Pursuant to an Ethics Agreement I executed on July 16, 2003, for two years following the date of my resignation from Steptoe & Johnson, I will not participate in any particular matter in which the firm is a party or represents a party, unless my participation is permitted or authorized as provided in applicable regulations.

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.*

   I registered under the Foreign Agents Registration Act (FARA) in 1998 on behalf of British Steel PLC with respect to the Administration's consideration of regulations implementing the Uruguay Round Agreements Act.

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

   I will consult with the General Counsel of the Department of Commerce and, if appropriate, divest myself of conflicting interests, recuse myself, or obtain a conflict of interest waiver under 18 U.S.C. § 208(b) if the interest is not substantial.

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.

ATTACHMENT A

PETER LICHTENBAUM (131-62-9288)

PUBLICATIONS

"Civil Aircraft in the GATT/WTO System," forthcoming in The Kluwer Companion to the World Trade Organization (co-author)

"Special Treatment versus Equal Participation: Striking a Balance in the Doha Negotiations," 17 American University International Law Review 1003 (2002)

"The Response to Cyberattacks: Balancing Security and Cost," 36 International Lawyer 39 (Spring 2002) (co-author)

"The Long Road from Doha," Centre for European Reform, February/March 2002 (co-author)

"E-Products and the WTO," 35 International Lawyer 5 (Spring 2001) (co-author)

"The EU and World Trade," Centre for European Reform (2000) (co-author)

"Internet Taxation Goes International," Journal of Commerce (May 23, 2000)

"Dispute Settlement and Institutional Issues," 3 Journal of International Economic Law No. 1 (March 2000)

"District Court Affirms NAFTA's Constitutionality," 29 International Law News (Winter 2000) (co-author)

"Procedural Issues in WTO Dispute Resolution," 19 Michigan Journal of International Law No. 4 (Summer 1998)

"Canadian Law - U.S. Legal Developments," 31 International Lawyer 477 (Summer 1997)

"International Trade," 31 International Lawyer 427 (Summer 1997) (co-author)

"An Agenda for the New Administration," 25 International Law News (Winter 1997) (co-author)

"The New Encryption Policy," Journal of Commerce (Nov. 18, 1996) (co-author)

"Cutting Red Tape on Encryption Policy," Journal of Commerce (Sept. 27, 1996) (co-author)

"The Cuba 'LIBERTAD' Act and Its Implications for Canadian Companies," XXIX Canadian Law Newsletter 5 (Spring 1996) (co-author)

"Expanding Access to the Japanese Financial Services Market," 11 The Review of Banking and Financial Services, No. 11 (June 1995) (co-author)

PETER LICHTENBAUM

"U.S. Export Control Law," in Counseling Emerging Companies in Going International, Alan S. Gutterman, ed. (1994) (co-author)

"Trade Update: Softwood Lumber Case Ends," XXIV Canadian Law Newsletter 25 (Winter 1994) (co-author)

"Does the Bear Dance to the Arbitrator's Tune? Russian Courts' Enforcement of Foreign Arbitral Awards," 4 East-West Executive Guide, No. 10 (October 1994) (co-author)

"1993 Federal Circuit Decisions in the Shadow of the Uruguay Round," 43 American University Law Review 1521 (Summer 1994) (co-author)

SPEECHES

"The Response to Cyberattacks: Balancing Security and Cost," for Southern Methodist University Conference, February 2002.

Lecturer, International Law Institute, 1999-2002. I have lectured on the WTO Government Procurement Agreement and on U.S. countervailing duty law.

"The Hague Convention and E-Commerce," for American Society of International Law meeting, April 2000.

"Private Sector Involvement in WTO Dispute Settlement," for Agency for International Trade Information and Cooperation (AITIC) Forum on Improving Developing Country Access to the Dispute Settlement Mechanism, February 25, 2000.

"U.S. Economic Sanctions," for the International Law Association, November 13, 1998

Lecturer, United States Information Agency, June 1998. I gave a series of lectures in Seoul, South Korea, on U.S. international trade law and policy.

"Use of Section 301 to Trigger WTO Dispute Resolution," for 1998 Annual Meeting of American Bar Association (ABA).

"The Helms-Burton Legislation," for the Canadian Club of New York City, June 1996.

ATTACHMENT B:

QUALIFICATIONS OF PETER LICHTENBAUM TO SERVE AS ASSISTANT SECRETARY OF COMMERCE FOR EXPORT ADMINISTRATION

I have received advanced degrees from Harvard University in law and public policy, both academic disciplines with significant relevance to the position for which I am nominated. In my legal and policy studies, I focused extensively on issues of international law and policy, which are especially relevant given the nature of this position which is related to international trade policy.

I have practiced for more than 11 years in the field of U.S. international trade law at Steptoe & Johnson LLP, a Washington, D.C. law firm that is well-known for its international trade practice. Before that, I served in the U.S. Treasury Department, working on issues of international law and U.S. international economic policy.

Of particular relevance to this position, I have significant experience advising clients with respect to the application of U.S. export control laws and regulations. In addition to the Export Administration Act (EAA) and Export Administration Regulations (EAR) administered by the Commerce Department, I have counseled clients with respect to the Arms Export Control Act (AECA), the International Traffic in Arms Regulations (ITAR), the International Emergency Economic Powers Act (IEEPA) and various economic embargo programs administered by the U.S. Treasury Department. For instance, I have prepared export compliance programs for clients, advised clients on the application of the EAR to specific transactions, prepared "de minimis" reports for U.S. origin software, assisted in obtaining "deemed export" licenses for foreign nationals working in the United States, etc.

I have also written and spoken on the U.S. export control laws. For instance, in 1994, I co-authored a lengthy article entitled "U.S. Export Control Law." In 1996, I co-authored two shorter articles regarding U.S. export controls on encryption software. I have spoken on various export control issues, primarily to industry groups.

I believe that my long-standing experience in this field qualifies me to serve as Assistant Secretary of Commerce for Export Administration.

ATTACHMENT D

LIST OF CLIENTS REPRESENTING MORE THAN 0.75% OF FEES CHARGED FOR TIME OF PETER LICHTENBAUM

2000

BOEING CO
UNITED STATES ENRICHMENT CORP
MERRIMAC INDUSTRIES
ELECTRONIC DATA SYSTEMS
BOMBARDIER
BC SOFTWOOD LUMBER TRADE COUNCIL
MITSUBISHI HEAVY INDUSTRIES
CORN REFINERS ASSOCIATION
SCHLUMBERGER LTD
AMAZON.COM, INC.
GOVERNMENT OF CANADA

2001

COOPER INDUSTRIES, INC.
BOEING CO
UNITED STATES ENRICHMENT CORP
BOMBARDIER
MERRIMAC INDUSTRIES
SCHLUMBERGER LTD
MITSUBISHI HEAVY INDUSTRIES
CANADIAN LUMBER TRADE ALLIANCE
AMAZON.COM, INC.
CORN REFINERS
BC SOFTWOOD LUMBER TRADE COUNCIL
CORUS GROUP PLC
ELECTRONIC DATA SYSTEMS
MORGAN STANLEY & CO. INC.

2002

BOEING CO
OCCIDENTAL CHEMICAL CORP.
SCHLUMBERGER LTD
BOMBARDIER
MERRIMAC INDUSTRIES
CORUS GROUP PLC
BC SOFTWOOD LUMBER TRADE COUNCIL
ELECTRONIC DATA SYSTEMS
CANADIAN WHEAT BOARD
UNITED STATES ENRICHMENT CORP
SHELL SERVICES INTERNATIONAL INC.
CANADIAN LUMBER TRADE ALLIANCE

October 10, 2003

Hon. Richard C. Shelby, Chairman
Hon. Paul S. Sarbanes, Ranking Member
Senate Committee on Banking
534 Dirksen Building
Washington, DC 20510

Dear Senators Shelby and Sarbanes:

We are all current or recent Co-Chairs of the International Trade Law Committee of the American Bar Association's Section of International Law and Practice (SILP). In that capacity, we have had the opportunity to work on various projects with Peter Lichtenbaum, a long-time and active member of the SILP, and to get to know him over a period of years.

While we have a wide variety of perspectives on current trade issues, we are writing today to congratulate the Administration on selecting Peter for the post of Assistant Secretary of Commerce for Export Administration, and to express our shared view that he will be an outstanding public servant. We know Peter to be a thoughtful and effective advocate on trade matters, an eager and well-informed participant in trade policy debates, and someone whose work exemplifies the highest standards of integrity, fairness, scholarliness, and open-mindedness. The trading community, like the government, should count itself fortunate that he has agreed to enter public service.

Please do not hesitate to contact any of us if we can be of assistance to you in connection with this most welcome nomination.

Sincerely,

Timothy C. Brightbill
Wiley Rein & Fielding

Eric P. Salonen
Stewart & Stewart

John R. Magnus
Dewey Ballantine LLP

Stephen J. Powell
University of Florida,
Levin College of Law

Maria T. DiGiulian
Sidley Austin Brown & Wood
LLP

C. Christopher Parlin
Kaye, Scholer, Fierman, Hayes &
Handler

G. Hamilton Loeb
Paul Hastings

cc: Hon. Donald Evans, Secretary of Commerce