CALENDAR OF EVENTS

October 2015

Noon – 1:30 p.m., unless Otherwise Specified

*Chinatown Garden Restaurant—618 H St NW, Washington DC, Floor 2 (Just east of the H Street exit from Chinatown/Gallery Place Metro Stop)

- $16 Members, NABE, SGE, Wharton Club of DC and Press (if choosing to have lunch), $25 Non Members

Reservations: http://www.thenationaleconomistsclub.shuttlepod.org/
Information: (703) 493-8824 or manager@national-economists.org

**Walk-ins are allowed for Chinatown Garden Only Please**

Thursday, Oct 8 (Chinatown Garden) Click here to Register

Peter Morici

Professor, Smith School of Business

University of Maryland

Tentative Topic: Forces Shaping the Global Economy

Peter Morici served as Chief Economist at the U.S. International Trade Commission from 1993 to 1995. He is an economist and professor at the Smith School of Business, University of Maryland, and a widely published columnist. He is the five time winner of the MarketWatch best forecaster award.
Frey’s demographic expertise draws from his nearly three decades at the University of Michigan where he is on the faculty of the University’s Institute for Social Research and Population Studies Center. He has authored over 200 publications and several books including Regional and Metropolitan Growth and Decline in the U.S. (Russell Sage, 1988, with Alden Speare, Jr.); America By the Numbers: A Field guide to the U.S. Population (The New Press, 2001 with Bill Abresch and Jonathan Yeasting), and Social Atlas of the United States (Allyn and Bacon, 2008 with Amy Beth Anspach and John Paul DeWitt).

At Michigan, he has directed projects with the National Science Foundation, NICHD Center for Population Research, and several foundations. He has contributed to the 1995 President’s National Urban Policy Report, to HUD’s State of the Cities 2000 report, and to the Russell Sage Foundation’s Census research series. He has been a consultant to the U.S. Census Bureau, and a contributing editor to American Demographics magazine.

Frey has also been active in creating demographic media for use by educators, policy makers and the general public. Examples are the websites: http://www.frey-demographer.org; http://www.ssdan.net; and http://www.CensusScope.org.

Frey received a Ph.D. in sociology from Brown University in 1974. He has been a Visiting Research Scholar at the International Institute for Applied Systems Analysis (Austria); the Andrew W. Mellon, Research Scholar at the Population Reference Bureau in Washington, D.C., and the Hewlett Visiting Scholar at Child Trends in Washington, D.C. He previously held positions at Rutgers University, the University of Washington-Seattle, the University of Wisconsin-Madison, and the State University of New York at Albany. He is a member of the Population Association of America, the International Union for the Scientific Study of Population, the American Sociological Association, and is a past Fellow of the Urban Land Institute.


Please consult www.national-economists.org for further details on this event as the date nears.
Baily re-joined Brookings in September 2007 to develop a program of research on business and the economy. He is studying financial regulation, growth, and how to speed the recovery. He is a Senior Advisor to the McKinsey Global Institute and to the Albright Stonebridge Group. He is the co-chair of the Financial Regulatory Reform Initiative of the Bipartisan Policy Center, and a member of the Squam Lake Group of financial economists. Dr. Baily is a Director of The Phoenix Companies of Hartford CT.

In August 1999 Dr. Baily was appointed as Chairman of the Council of Economic Advisers. As Chairman, Dr. Baily served as economic adviser to the President, was a member of the President’s Cabinet and directed the staff of this White House agency. He completed his term as Chairman on January 19, 2001. Dr. Baily previously served as one of the three Members of the President’s Council of Economic Advisers from October 1994 until August 1996.

Baily has served as a Senior Advisor to the McKinsey Global Institute for many years and was an adviser to the Congressional Budget Office from 2006-09. Dr. Baily was a Principal at McKinsey & Company at the Global Institute in Washington, D. C. from September 1996 to July 1999 and from 2001 to 2007 he was a Senior Fellow at the Peterson Institute where he published books on the European economy and on pension reform. Baily was the co-chair of the Taskforce on Financial Reform convened by the Pew Charitable Trusts.

Dr. Baily earned his Ph.D. in economics in 1972 at the Massachusetts Institute of Technology. After teaching at MIT and Yale, he became a Senior Fellow at the Brookings Institution in 1979 and a Professor of Economics at the University of Maryland in 1989. He is the author of many professional articles and books, testifies regularly to House and Senate committees and is often quoted in the press.
NEC Annual Ambassador’s Address
Featuring Dr. Lawrence Summers
at the Residence of the Ambassador of the Embassy of Brazil
September 30

This event was a huge success and thanks to everyone who worked to make it happen, especially Maricruz Magowan (Special Programs) and Tom Oakley (President)! There was a crowd of about 80 people to include several print reporters. The residence was the perfect setting for this important event. After the discussion, we were escorted upstairs in the residence for a heavy hors-d'oeuvre cocktail reception that was delicious. Greg Ip, of the Wall Street Journal, was the moderator.

NEC ANNUAL MEMBERS DINNER 2015
and Herbert Stein Memorial Lecture
November 4, 2015

**There are about 40 seats left for the dinner. Please hurry and purchase your ticket to assure your place!**

[Click Here to Register]

Location: Embassy of Canada
501 Pennsylvania Ave. NW Washington, D.C. 20001-2111

2015 Herbert Stein Memorial Lecture

**Stanley Fischer**
Vice Chairman
Board of Governors of the
Federal Reserve System

Stanley Fischer took office as a member of the Board of Governors of the Federal Reserve System on May 28, 2014, to fill an unexpired term ending January 31, 2020. He was sworn in as Vice Chairman of the Board of Governors on June 16, 2014. His term as Vice Chairman expires on June 12, 2018.

Prior to his appointment to the Board, Dr. Fischer was governor of the Bank of Israel from 2005 through 2013.

From February 2002 to April 2005, Dr. Fischer was vice chairman of Citigroup. Dr. Fischer served as the first deputy managing director of the International Monetary Fund from September 1994 through August 2001. From January 1988 to August 1990, he was the chief economist of the World Bank.

From 1977 to 1999, Dr. Fischer was a professor of economics at the Massachusetts Institute of Technology (MIT). From 1992 to 1995, he was the Elizabeth and James Killian Class of 1926 professor. From 1973 to 1977, Dr. Fischer
was an associate professor of economics at MIT. Prior to joining the MIT faculty, Dr. Fischer was an assistant professor of economics and a postdoctoral fellow at the University of Chicago.

Dr. Fischer has published many articles on a wide variety of economic issues, and he is the author and editor of several scholarly books. He has been a fellow at the Guggenheim Foundation, the American Academy of Arts and Sciences, and the Econometric Society, as well as a research associate at the National Bureau of Economic Research and an honorary fellow at the London School of Economics.

Dr. Fischer was born in Lusaka, Zambia, in October 1943. He received his B.Sc. and M.Sc. in economics from the London School of Economics. He received his Ph.D. in economics from the Massachusetts Institute of Technology in 1969.

----

**Registration now open**

**Annual Dinner Registration Click Here to Register**

<table>
<thead>
<tr>
<th>Rate Type</th>
<th>Rate</th>
<th>Early Bird</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Rate</td>
<td>$125.00</td>
<td></td>
<td>August 29 - October 11</td>
</tr>
<tr>
<td>Affiliated Rate</td>
<td>$140.00</td>
<td></td>
<td>September 12 - October 11</td>
</tr>
<tr>
<td>Non Member Rate</td>
<td>$150.00</td>
<td></td>
<td>September 12 - October 11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rate Type</th>
<th>Rate</th>
<th>Regular</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Rate</td>
<td>$140.00</td>
<td></td>
<td>October 12 - October 30</td>
</tr>
<tr>
<td>Affiliated Rate</td>
<td>$150.00</td>
<td></td>
<td>October 12 - October 30</td>
</tr>
<tr>
<td>Non Member Rate</td>
<td>$170.00</td>
<td></td>
<td>October 12 - October 30</td>
</tr>
</tbody>
</table>

****About 40 seats remain as of October 1****

THANK YOU TO THE Japan International Cooperation Center (JICE)

NEC Goes to Japan!

Kakehashi Project 2015

Once again, this year saw an extremely strong pool of applicants to the KAKEHASI Program. We are excited to continue this partnership for another year and are grateful to our friends at the Japanese embassy and the funders at the Japan International Cooperation Center (JICE) for making this a reality. Please join us in congratulating the ten applicants who will be our Kakehashi scholars this year. Their names and work affiliations are listed below. The tour is scheduled to take place from October 13 – 20, 2015, including travel days.

**Selectees:**

- John Bennett       REMI
- Daniel Brown       House Committee on Small Business
- Tammy Chang        US Department of the Treasury
- Andrew Clough      Evenflow Macro
- Julie Gressley     IHS
- Danielle Hale      National Association of Realtors®
- Amanda Lawrence    FDIC
PODCASTS

As part of our update of the website, we are pleased to announce the resumption of our podcasts. Please be patient as we are reconstituting this offering.

If you need help or assistance, please email us at manager@national-economists.org.
KEEP YOUR RECORD INFORMATION CURRENT!!

Database System for NEC and Membership Renewal

http://national-economists.org/
(click on Member Login at the top right corner of the page)

You may do this in our system by logging in and “viewing” your profile. See instructions below.

- Generate a copy of the Members Directory for viewing
- Please check the status of your membership prior to renewing. You may already have renewed!! (ex. Currency, up to date Db information, expiration date)
- Features of your record include the standard information but also things like website, photo, organization logo, sites like Facebook, Twitter, LinkedIn, etc. You may edit the information!!
- Check for upcoming events, register and pay via credit card or manually by mailing a check
- Access past event information, Rapporteur Summaries and Podcasts and Newsletters
- http://www.national-economists.org, Click the tab on the left “Member Log In”—on the next screen, look at the top right hand corner of the screen and use the email address that is recognized by the system (Check your SPAM file if you requested a password recovery email; contact us, manager@national-economists.org if you still have problems!)

Notices are sent out via email several times prior to expiration we also send a postcard mailing notifying you if your membership has expired. Please take the necessary steps to keep your membership current. Directions are listed above that direct you as to how to access your record to determine if you are one of these members. Remember, this is what someone will see about you when the directory is generated. Keep the information current!!

NABE

http://www.nabe.com

NABE

National Association for Business Economics

CBE

CERTIFIED BUSINESS ECONOMIST
NABE CALENDAR

- Oct 10-13 NABE Annual Meeting, Washington, DC
- More NABE and Chapter Events on the full NABE Calendar
- Members Only: Podcast recordings of past NABE webinars

Other Items of Interest

http://www.national-economists.org/

Atlas Economic Research Foundation in which through their Sound Money Project http://soundmoneyproject.org/ they are offering research grants and an essay contest designed for students in economics (graduate and undergraduate) as well as for Young Faculty/Policy Analysts. See links below:

ESSAY CONTEST: http://www.national-economists.org/Essay_Contest/

GRANT OPPORTUNITY: http://www.national-economists.org/custpage.cfm/frm/185142/sec_id/185142

LINKED IN Networking Opportunity

The NEC LinkedIn group is only for current NEC members. If you are interested in joining the group, please go to: http://www.linkedin.com/e/gis/819767. You will click on the link stating that you want to join the group, and assuming that your membership is up-to-date, someone will approve your entry into the NEC Linked In group.

Wharton Club

Wharton Club and NEC partner for some events. This allows them to attend our events and us to attend theirs at either Member rates or preferential rates. Please check their website for any offerings open to NEC Members. http://www.whartondc.com/ Click on Events.
INSTITUTIONAL MEMBERS FOR 2015

The Heritage Foundation,  http://www.heritage.org
District of Columbia Office of Revenue Analysis  http://cfo.dc.gov/cfo/site/default.asp
Investment Company Institute  http://www.ici.org
The Group of Thirty  http://www.group30.org
National Association of Realtors  http://www.realtor.org
The Embassy of Britain  http://www.ukinusa.fco.gov.uk/en/
Manufacturers Alliance/MAPI  http://www.mapi.net/
National Association of Manufacturers:  http://www.nam.org/
Econometrica, Inc.:  http://www.econometricainc.com/
Allen & Company Investment Advisors:  New York, NY

Thank you to these institutions for their continued support year after year!

PROFESSIONAL OPPORTUNITIES
(You will need your login information to access the Members’ Only area in this part of the site www.national-economists.org (Click the tab for Member Log In on the left side of the pge)
Please see the website for positions available. We make every effort to ensure timeliness and accuracy of the positions posted. You may also view below.

Thank you to these institutions for their continued support year after year!

Events Coordinator – ANN DUNBAR, Retired, Department of Commerce, Bureau of Economic Analysis
Investment Committee—JEFF WERLING, CHAD MOUTRAY, ED KEAN, SCOTT EVANS

NEC Welcomes New Members

*New NEC Members since publication of the September 2015 Newsletter:*

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justin Izzo</td>
<td>Financial Analyst</td>
<td>US Dept of the Treasury</td>
</tr>
<tr>
<td>Mark Lewis</td>
<td>Gen. Securities Principal</td>
<td>Mutual Securities, Inc.</td>
</tr>
<tr>
<td>Caroline Shinkle</td>
<td>Research Assistant</td>
<td>Federal Reserve Board</td>
</tr>
<tr>
<td>Carol Leming</td>
<td>Analyst</td>
<td>HUD</td>
</tr>
<tr>
<td>Teddy Downey</td>
<td>Political Economist</td>
<td>The Capitol Forum</td>
</tr>
</tbody>
</table>
"Demographics and Retirement Savings: How They are Changing Household Demand for Bonds and the Implications for Bond Funds"

Dr. Reid's presentation addressed two questions:

1. Why have investors added more than $2.1 trillion to bond mutual funds and exchange traded funds (ETFs) since 2007?
2. In the context of this significant increase, what is likely to happen in fixed income markets if rates increase?

Since 2007, investors have added more than $2.1 trillion to bond mutual funds and ETFs. Many observers attribute this increase to lingering investor concern about the potential risk of equity securities. Dr. Reid argued that these concerns may explain some of the growth, but the fact that investors have added $1.7 trillion to stock-oriented funds over the same periods suggests that there other, likely more significant, explanatory factors.

Dr. Reid focused on the confluence of three factors which he believes help explain the growth in bond funds over the last 15 years and will continue to influence the trajectory of those funds, even in a rising interest rate environment.

The first factor is the shift from defined-benefit retirement plans to defined-contribution retirement plans. At the end of the first quarter of 2015, of the $24.9 trillion in retirement assets held by Americans, approximately 58 percent were invested in Individual Retirement Accounts (IRAs), 401(k) plans, or other defined contribution plans. This move away from defined benefit plans has forced investors to take a more active role in planning for retirement than in the past and funds of all types have grown as a result.

The second factor is demography. Baby boomers are the first generation to fund their retirement primarily with these defined contribution plans. More than half of the retirement assets held in defined-contribution plans are owned by baby boomers who began retiring in the mid-1990s and are now retiring at a rate of nearly 4 million per year. As baby boomers near retirement, they tend to allocate increasingly larger shares of their assets to bonds both to minimize risk and to more closely mimic lost labor income.

The third factor, the U.S. Treasury and Agency debt security buying spree prompted by the financial crisis, pushed these baby boomers to look for higher returns in the corporate bond market. Between 2006 and 2014, the Federal Reserve alone increase the increased its ownership share of all outstanding Treasury securities from seven to twenty percent. The historically low yields that resulted from these large purchases pushed bond funds to increase their share of outstanding corporate bonds from eleven to seventeen percent over the same period.
With the first two factors – the dominance of defined-contribution plans and the large and growing number of retirees – certain to continue for the foreseeable future, Dr. Reid turned to the question of how an increase in interest rates might impact the appetite for bond funds and how bond market liquidity might be affected.

The structural changes discussed above have not eliminated the cyclical factors that have historically affected fixed income market. Inflows into bond funds have, and likely will remain, positively correlated with bond returns and during periods of stress there will be outflows from bond funds. However, the magnitude of these outflows and their impacts may, at times, be exaggerated. Historically, even in periods of significant stress, outflows have rarely exceeded two to three percent of total assets.

The May 2013 "Taper Tantrum" illustrates this point. Following the announcement that the Federal Reserve would begin reducing its bond buying program, the yield on the 10-year Treasury note rose from 1.6 percent to 3 percent. While outflows did exceed inflows during this period, high yield bond funds continued to both buy and sell and fund sales did not exceed 20 percent of total market sales – far less than the share of the market held by bond funds. This suggests that investor behavior is more heterogeneous than usually assumed.

This heterogeneity, supported by the factors discussed above, may also blunt the oft-cited concern that declining dealer bond inventories mean that the market is less liquid and that outflows will have a significant negative impact on prices. To date, trading volume and other similar measures do not indicate a problem with liquidity.

Overall, Dr. Reid expects that household demand for bonds will continue to grow over the next decade and that outflows, while they will occur if rates increase, will remain small relative to fund assets. Dr. Reid cautioned, however, none of this should cause us to lose focus on serious bond market structure issues that need to be addressed to ensure a viable 21st century market.

Brian Reid is Chief Economist at the Investment Company Institute. He joined ICI in 1996 and was appointed Chief Economist on December 31, 2004. Reid leads the Institute's Research Department and oversees all Institute statistical collections and analysis of the mutual fund industry. Prior to joining ICI, Reid was a staff economist in the Monetary Affairs Division of the Federal Reserve Board. He received a B.S. in economics with honors from the University of Wisconsin-Madison, and has a Ph.D. in economics from the University of Michigan.

Rapporteur: David H. Saltiel
Mr. Hall discussed the role of dynamic scoring in Congressional Budget Office (CBO) cost forecasts. Congressional budget committees are responsible for evaluating the long-term and short-term budgetary effects of legislation and often rely on cost estimates produced by the CBO. In 2014, the CBO provided more than six hundred formal cost estimates and somewhere between five and six thousand informal assessments.

Up until recently, the CBO’s budgetary forecasts have not accounted for the macroeconomic disturbances that could result from policy implementation. Their estimates have solely incorporated the budgetary effects of changes in people’s behavior in response to new acts of legislation. In other words, forecasts have more or less ignored the macroeconomic effects of policy-driven behavioral changes on the federal budget. These might include movements in labor supply and private investment that result from fluctuations in fiscal spending.

Now, under the 2016 Budget Resolution, the CBO and Joint Committee on Taxation (JCT) will include dynamic components in their forecasting models that take into account the effects of changes in total economic output resulting from 1) any legislation having a fiscal impact equivalent to 0.25% of GDP in the next decade and 2) policies established by one of the budget committee chairmen. In the past, the CBO has generally reserved such analysis for their evaluations of certain reports or legislation (i.e., President’s budget or the repeal of the ACA). This is due to the complex and time-consuming nature of dynamic scoring, combined with the fact that most legislation has a marginal effect on aggregate output.

Mr. Hall explained the CBO’s approach to determining the macroeconomic feedback effects of fiscal policies. The analysis breaks down into two components: short-run and long-run. In the short-run, given enough slack in labor markets, legislation can impact aggregate labor supply which in turn influences total output. Furthermore, depending on the magnitude of the demand multiplier, changes in fiscal spending trickle through the economy, altering output in the short-run. Mr. Hall explained how the CBO’s forecasting of the multiplier effect is dependent on assumptions about the likely monetary policy response—for parameter estimates of the demand multiplier and other relevant factors in the short-run, CBO relies on the various conclusions of relevant economic literature.

Fiscal policy can also impact the long-run trajectory of an economy by altering national saving, private sector investment incentives, work incentives, and federal investment. The CBO relies on the Solow-type Growth model and the Life-cycle model to estimate the feedback effects of policies on long-run potential output. Both models make different assumptions regarding the role of people’s expectations about the economy.

The Solow-type Model assumes that people mainly base their decisions about working and saving on current economic conditions. For example, a significant tax cut will presumably have a dual-component effect on work incentives. As a result of the legislation, working is more valuable relative to leisure; yet at the same time, individuals can now work fewer hours for the same income. The net effect of the two components can be measured as total wage-elasticity, the percentage change in the labor supply from a one percent change in after-
tax income. Implicit in the Solow-type Growth model are the assumptions that federal investment is roughly half as effective as private sector investment and that federal deficit spending effectively crowds out private investment, 33 cents to the dollar (these parameter estimates reflect a range of conclusions from relevant literature studies).

In contrast, the Life-cycle model supposes that people are forward thinking and prepare for future changes in fiscal spending (and taxation). Therefore, fiscal policy can alter the perceived value of working and saving in the present because people actively anticipate future tax rates and savings returns. When legislation is funded by further deficit spending, households respond by working more and holding additional savings.

In cost estimates with dynamic analysis, the CBO will clearly present the macroeconomic effect(s) influencing the analysis and will also provide counterfactual forecasts that ignore the policy’s eventual feedback on output.

Keith Hall became the ninth Director of the Congressional Budget Office on April 1, 2015. He has 24 years of public service, most recently as the Chief Economist and Director of Economics at the International Trade Commission (ITC). Before that, he was a senior research fellow at George Mason University’s Mercatus Center, the Commissioner of the Bureau of Labor Statistics, Chief Economist for the White House’s Council of Economic Advisers, Chief Economist for the Department of Commerce, a senior international economist for the ITC, an assistant professor at the University of Arkansas, and an international economist at the Department of Treasury. In those positions, he worked on a wide variety of topics, including labor market analysis and policy, economic conditions and measurement, macroeconomic analysis and forecasting, international economics and policy, and computational partial equilibrium modeling. He earned his Ph.D and M.S. in economics from Purdue University. For more information on dynamic scoring, see Congressional Budget Office, “Dynamic Analysis,” www.cbo.gov/topics/dynamic-analysis.

Rapporteur: Nathan Kuhl