

NABE ECONOMIC POLICY SURVEY - AUGUST, 2006

QI(A). What do you think is the one most serious problem facing the U.S. economy over the next two years?

	Total
Terrorism and the war in the Middle East	67 34.4%
Energy prices	57 29.2%
Rising inflation	24 12.3%
Current account deficit & potential impact on the dollar	22 11.3%
Excessive household and/or corporate debt	9 4.6%
Federal deficit	4 2.1%
Poorly prepared labor force/ shortage of skilled labor	3 1.5%
Lack of jobs	1 0.5%
Other	7 3.6%
No response	1 0.5%
Base	195

Other:

- Absorbing the loss of the housing stimulus
- Combination of energy price inflation and housing slowdown
- FOMC causing an unnecessary recession in 2007 by raising rates too high
- Housing bust, including reduced cash out of home equity to support consumption
- Housing prices' impact on the wealth effect.
- Housing Sector bubble is in the midst of popping and Fed is too tight
- Incompetent executive & legislative branches
- Interest rates too high

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QI(B). What is the biggest long-term challenge to the economy?

	Total
Federal deficits and government spending	44 22.6%
Educational inadequacies and shortage of skilled labor	40 20.5%
Growth of elderly population & rising dependency ratio	33 16.9%
Health care costs	31 15.9%
Energy issues, global warming & exhaustion of oil supplies	26 13.3%
International competitiveness & job losses to abroad	8 4.1%
Other	9 4.6%
No response	4 2.1%
Base	195

Other:

- Current account deficit and potential impact the dollar
- Entitlement reform
- Global war on terror and its effects on economy
- Government Spending, regardless of the size of the deficit.
- Gov't Spending - Lack of faith in markets - especially in entitlement programs
- health care and social security
- Incompetent leadership
- inflation threat from energy and health-care issues + aging of population
- Poor political leadership
- terrorism
- Terrorism and the conflict in the Middle East
- We need to remove the government from economic actions
- Worldwide political instability.

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QI(C). What do you think is the U.S.'s greatest economic strength today?

	<u>Total</u>
Flexible economy and labor force	76 39.0%
Technological lead and strong productivity	52 26.7%
Deep capital markets	35 17.9%
Democratic government	8 4.1%
World's sole remaining super power	6 3.1%
Legal and judicial institutions	5 2.6%
Quality work force	4 2.1%
Effective monetary policy	4 2.1%
Quality of corporate management	2 1.0%
Other	3 1.5%
Base	195

Other:

- Democracy, Property Rights, Rule of Law
- Extent of global integration

NABE ECONOMIC POLICY SURVEY - AUGUST, 2006

QII(A). Do you consider current monetary policy to be:

	<u>Total</u>
Too stimulative	26 13.3%
Too restrictive	28 14.4%
About right	138 70.8%
Don't know	2 1.0%
No response	1 0.5%
Base	195

NABE ECONOMIC POLICY SURVEY - AUGUST, 2006

QII(B). Over the next six months, would you prefer monetary policy to be:

	<u>Total</u>
More stimulative	34 17.4%
More restrictive	56 28.7%
Unchanged	104 53.3%
No response	1 0.5%
Base	195

NABE ECONOMIC POLICY SURVEY - AUGUST, 2006

QII(C). Over the next six months, do you expect short-term interest rates to increase, remain about where they are today, or decrease?

	<u>Total</u>
<u>INCREASE</u>	111 56.9%
Increase, no amount given	2 1.0%
Increase of 25 basis points or less	29 14.9%
26 - 50	65 33.3%
51 - 75	9 4.6%
76 - 100	4 2.1%
101 - 125	1 0.5%
126 - 150	0 0.0%
151 - 175	1 0.5%
<u>DECREASE</u>	16 8.2%
Decrease, no amount given	1 0.5%
Decrease of 25 basis points or less	6 3.1%
26 - 50	6 3.1%
<u>REMAIN THE SAME</u>	67 34.4%
No Change	67 34.4%
No response	1 0.5%
Base	195

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QII(E). Chairman Bernanke has been criticized for his communications with the financial markets. Do you think the miscommunication is primarily the fault of:

	<u>Total</u>
The press	27 13.8%
Chairman Bernanke	63 32.3%
Communication is no worse than usual	103 52.8%
No response	2 1.0%
Base	195

NABE ECONOMIC POLICY SURVEY - AUGUST, 2006

QIII(A). Do you consider current fiscal policy to be:

	<u>Total</u>
Too stimulative	133 68.2%
Too restrictive	16 8.2%
About right	38 19.5%
Don't know	5 2.6%
No response	3 1.5%
Base	195

NABE ECONOMIC POLICY SURVEY - AUGUST, 2006

QIII(B). Over the next two years, would you prefer fiscal policy to be:

	<u>Total</u>
More stimulative	20 10.3%
More restrictive	147 75.4%
Unchanged	25 12.8%
No response	3 1.5%
Base	195

NABE ECONOMIC POLICY SURVEY - AUGUST, 2006

QIII(C). Over the next two years, do you expect fiscal policy to be:

	<u>Total</u>
More stimulative	68 34.9%
More restrictive	34 17.4%
Unchanged	92 47.2%
No response	1 0.5%
Base	195

NABE ECONOMIC POLICY SURVEY - AUGUST, 2006

QIII(D1). Over the next two years, do you expect discretionary fiscal spending to rise at more or less than the rate of inflation?

	<u>Total</u>
More	168 86.2%
Less	25 12.8%
No response	2 1.0%
Base	195

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QIII(D2). Over the next two years, do you expect tax revenues to rise at more or less than the rate of inflation?

	<u>Total</u>
More	157 80.5%
Less	36 18.5%
No response	2 1.0%
Base	195

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QIII(E). Which five of following tools would be most helpful to the economy in the short run (within two years of enactment)?

	HELPFULNESS						N.R.	Mean
	Total	MOST 1	2	3	4	LEAST 5		
Raise taxes or allow the tax cuts to expire	195 100%	35 18%	6 3%	6 3%	8 4%	11 6%	129 66%	2.3
Extend the tax cuts	195 100%	40 21%	22 11%	11 6%	10 5%	5 3%	107 55%	2.1
Eliminate or substantially limit the AMT	195 100%	15 8%	27 14%	17 9%	23 12%	16 8%	97 50%	3.0
Raise federal spending	195 100%	1 1%	3 2%	3 2%	5 3%	5 3%	178 91%	3.6
Cut federal spending	195 100%	27 14%	35 18%	30 15%	11 6%	8 4%	84 43%	2.4
Reform health care and Medicare	195 100%	38 19%	42 22%	32 16%	22 11%	19 10%	42 22%	2.6
Reform Social Security	195 100%	6 3%	22 11%	27 14%	25 13%	29 15%	86 44%	3.4
Tort reform	195 100%	5 3%	6 3%	18 9%	24 12%	20 10%	122 63%	3.7
Reducing trade barriers and quotas	195 100%	14 7%	22 11%	22 11%	27 14%	29 15%	81 42%	3.3
Raising trade barriers	195 100%	0 0%	1 1%	3 2%	1 1%	4 2%	186 95%	3.9
Other	195 100%	10 5%	2 1%	2 1%	2 1%	4 2%	175 90%	2.4

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QIII(E). Which five of following tools would be most helpful to the economy in the short run (within two years of enactment)?

Other:

- Acknowledge that the most useful tools are micro, not macro.
- Cease offensive wars
- Change federal spending to domestic programs
- Change Treasury policy to a strong dollar
- cut military spending
- Effective energy policy
- eliminate estate taxes
- Encourage/incentives to use of alternative fuels
- Impose a National retail sales tax and do away with any form of Federal income tax
- Increase in minimum wage
- Just because Congressmen have a two year time horizon, it does not mean that economists must or should be so short sighted. I would not attempt to answer a question so framed. Consider my answers to have a time frame of 5 to 10 years.
- Lower defense spending in particular
- Make it madatory that each spending bill have a single theme like military or education.
- Pursue a competent war against Islamic extremists
- Reduce Foreign Spending
- reduce regulations
- Reform public education system financing
- Reform the tax system
- retain cap gains & dividend tax cuts, allow rest to expire
- selectively cut federal spending (pork)
- Withdraw from IRAQ
- withdraw from Iraq

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QIII(F). The Treasury has recently released a study on the economic impact of making the tax cuts permanent. Do you believe:

	<u>Total</u>
Tax cuts are good, but only if balanced by spending cuts	97 49.7%
Tax cuts are always good	35 17.9%
Taxes should be increased to help balance the budget	23 11.8%
Tax cuts should be allowed to help balance the budget	35 17.9%
No response	5 2.6%
Base	195

NABE ECONOMIC POLICY SURVEY - AUGUST, 2006

QIV(A). Are the current conflicts in the Middle East, including the violence involving Israel and the Iranian disputes, likely to expand into a regional war?

	<u>Total</u>
Yes	70 35.9%
No	118 60.5%
No response	7 3.6%
Base	195

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QIV(B). Will the conflicts result in a major disruption of oil supplies?

	<u>Total</u>
Yes	63 32.3%
No	127 65.1%
No response	5 2.6%
Base	195

ECONOMIC POLICY SURVEY, AUGUST 2006

IVC. Where do you expect oil prices to be next summer?

WTI

	<u>Value</u>
25th percentlie	65.3
Median	74.6
75th percentlie	84.8
Base	182
Minimum	25.0
Maximum	125.0
Mean	75.5
S.D.	14.0
Mode	65.0

ECONOMIC POLICY SURVEY, AUGUST 2006

IVD. If Iran stops exporting oil, how high will oil prices go?

Price in US\$

	<u>Value</u>
25th percentlie	85.3
Median	90.4
75th percentlie	100.1
Base	177
Minimum	60.0
Maximum	150.0
Mean	94.2
S.D.	11.9
Mode	100.0

ECONOMIC POLICY SURVEY, AUGUST 2006

IVE If the conflict expands to cut supply from Kuwait and Saudi Arabia, how high would prices go?

Price in US\$

	<u>Value</u>
25th percentlie	100.0
Median	119.8
75th percentlie	149.7
Base	174
Minimum	80.0
Maximum	300.0
Mean	127.8
S.D.	38.2
Median	119.8
Mode	100.0

ECONOMIC POLICY SURVEY, AUGUST 2006

IVF. How high would oil prices have to go to cause a recession?

Price in US\$

	<u>Value</u>
25th percentile	90.0
Median	99.9
75th percentile	119.7
Base	171
Minimum	75.0
Maximum	299.0
Mean	107.1
S.D.	28.4
Mode	100.0

ECONOMIC POLICY SURVEY, AUGUST 2006

IVG. How much would real GDP drop next year if oil prices hit \$250/bbl?

GDP

	<u>Value</u>
25th percentile	2.1
Median	3.1
75th percentile	5.0
Base	148
Minimum	1.0
Maximum	20.0
Mean	4.3
S.D.	3.2
Mode	2.0

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QIV(H). Can any reasonable combination technologies, such as those in question "I." below, allow the U.S. to cut demand and eliminate non-North American oil imports??

	<u>Total</u>
Yes	74 37.9%
No	108 55.4%
No response	13 6.7%
Base	195

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QIV(I). If yes, please rank the following options for the U.S. in order of likely ability to cut demand for oil imports in the medium term (next 10 years).

	ABILITY TO CUT DEMAND FOR OIL IMPORTS								N.R.	Mean
	Total	MOST LIKELY 1	2	3	4	5	6	LEAST LIKELY 7		
Nuclear	195 100%	43 22%	17 9%	14 7%	9 5%	7 4%	5 3%	2 1%	98 50%	2.4
Ethanol and biodiesel	195 100%	32 16%	27 14%	21 11%	11 6%	2 1%	2 1%	0 0%	100 51%	2.3
Wind power	195 100%	1 1%	6 3%	13 7%	14 7%	18 9%	12 6%	7 4%	124 64%	4.5
Geothermal	195 100%	1 1%	3 2%	5 3%	9 5%	16 8%	14 7%	15 8%	132 68%	5.2
Oil shale and tar sands	195 100%	22 11%	35 18%	19 10%	8 4%	3 2%	2 1%	1 1%	105 54%	2.4
Super-heavy crude	195 100%	3 2%	11 6%	21 11%	12 6%	11 6%	7 4%	4 2%	126 65%	3.8
Hydrogen	195 100%	1 1%	4 2%	3 2%	12 6%	13 7%	10 5%	20 10%	132 68%	5.3

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QIV(J). Which statement is closest to your own opinion:

	<u>Total</u>
Oil prices rising too quickly making adjustment difficult	4 2.1%
We are running out of oil, and higher prices may help in the long run by forcing the adjustment	31 15.9%
World still has enough oil, but our dependence on the Middle East is a major problem and we need to use less.	94 48.2%
Whether world has enough oil or not, global warming is a major disaster and we need to cut back on fossil fuels	32 16.4%
There is plenty of oil; current problem caused by the politics of the Middle East., We should concentrate On getting through the Disruption	19 9.7%
There is plenty of oil, & the Middle East will settle down	12 6.2%
No response	3 1.5%
Base	195

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QV(A). Do you expect:

	<u>Total</u>
Entitlement spending will increase as planned, paid for by tax hikes	16 8.2%
Entitlement spending will be controlled with some tax hikes	99 50.8%
Entitlement spending will be primarily financed by deficits	80 41.0%
Base	195

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QV(B). Most of the increase in entitlement spending is concentrated in health care. Do you expect:

	<u>Total</u>
Health care costs will be controlled through federal reform of the health care system	27 13.8%
Reform will occur, but led by state governments	26 13.3%
No meaningful reform will occur, but more costs will be pushed onto the recipient and less paid by the govt.	103 52.8%
Age at which government care is available will be increased	18 9.2%
No meaningful reform will occur, and taxes will be raised to pay for the costs	20 10.3%
No response	1 0.5%
Base	195

NABE ECONOMIC POLICY SURVEY - AUGUST, 2006

QV(C). Rank the following possible health care reforms in order of desirability.

	DESIRABILITY						N.R.	Mean
	Total	MOST 1	2	3	4	LEAST 5		
National health service such as U.K. or Canada	195 100%	24 12%	20 10%	20 10%	34 17%	62 32%	35 18%	3.6
Universal coverage required for employers/individuals	195 100%	53 27%	42 22%	39 20%	33 17%	6 3%	22 11%	2.4
Cost controls imposed within a still-private system	195 100%	19 10%	65 33%	50 26%	24 12%	13 7%	24 12%	2.7
Introduction of customer-driven health care through HSAs with catastrophic Coverage only	195 100%	88 45%	33 17%	25 13%	27 14%	4 2%	18 9%	2.0
Do nothing, and accept higher cost	195 100%	5 3%	25 13%	27 14%	35 18%	65 33%	38 19%	3.8

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QV(D). Medicare Part D drug benefits are proving far more expensive than expected. The government should:

	<u>Total</u>
Repeal the drug benefit	23 11.8%
Maintain the benefit only for indigent	32 16.4%
Bargain with drug companies to	78 40.0%
Restrict the drugs covered to only necessary & generic drugs	41 21.0%
Pay the bill	12 6.2%
No response	9 4.6%
Base	195

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Future Topics:

- Approaches to slowing fed. spending.
- Are energy (commodity) prices being driven by traders & speculators ?
- Assess current administration's economic policy.
- Balance between government control/initiatives and the "market".
- Barriers to reform of public schooling
- consumer spending; infrastructure building
- Corporate governance; role of legal institutions in financial development
- disaster preparedness
- Dramatic pension liabilities of state and local governments: what to do?
- education and training
- Educational reform to strengthen U.S. competitiveness
- Effects of illegal immigration on the economy and the possibility of the terrorists fighting in here.
- Energy conservation as a way to reduce energy dependence
- equity markets; corporate profits; china related
- federal tax simplification; alternatives to federal income tax
- Financing of the wars in Iraq and Afghanistan
- Good questions but question E is confusing
- Good Survey: Do more including ?'s like IV and V above on different topics.
- Have we learned anything about "fine tuning" the macroeconomy?
- housing and potential impact on overall economy
- how to improve current FOMC ineffectiveness
- Immigration
- Impacts of less-equal income and wealth distribution
- In Energy H the question did not address the time frame. I think we can reduce dependence but not in the next 5 to ten years.
- Is federal data (Commerce/Labor/BEA/etc.) reliable or is it politicized?
- Is inflation in a higher secular drift?
- Issues surrounding income and wealth inequality
- Judicial reform and personal responsibility,
- lower education policy, e.g., impact of "No Child Left Behind" and prospects for major voucher tests by states
- Maintain Focus on Energy and Health Care; Agriculture Subsidies
- Many bad questions this time (e.g. NO natural gas in I) and many "opinion" questions can be tested empirically, so don't belong here in this format espec oil & war "opinion" questions - makes us look like cheap news, not experts on economy
- Mideast - it's only getting worse.....
- monetary policy
- monetary policy options: inflation targeting, asset prices, core vs actual, etc
- more targeted questions on tax cuts, rather than the excessively broad questions as in #E and F above
- National Retail Sales Tax or FAIR Tax
- No coherent national transportation policy -- what should be done?
- Note: V-D should have allowed for multiple responses. IV-I could have been answered irrespective of answer to IV-H. in III-E the benefits of any of the options are primarily long-run; I had a hard time finding anything that would help in the SR
- Ongoing non-degree education for the workforce
- Opportunity cost of the war in Iraq; effect of underinvestment in infrastructure (e.g. New Orleans dikes)
- Pension growth
- Possible economic implication of the election
- Reducing the rate of growth of government spending
- Regulatory Reform, Trade Issues, Immigration issues, specific spending cuts
- role of government in managing economy
- Should income from capital be taxed at all?
- Should tax hikes be used to slow econ growth rather than interest rate hikes?
- Solutions for solving the US education crisis.
- State of our education system.
- Tax reform
- Tax reform, could the Fair Tax plan work?
- Taxing and spending for the nation's transportation and utility infrastructure. We need to do more.
- The impact of housing slow down on the economy
- The state of USA investment (ie construction)

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Future Topics: (continued)

- This survey had some dubious questions. UK and Cdn health systems are very different. Part D is less expensive than expected, partly because ins. cos. have done so well bargaining down drug prices.
- Tort Reform
- Trade deficit
- U.S. skilled employment losses to countries where companies are not burdened with social costs (health care, pensions, etc.)
- Unequal distribution of income between wages and corporate profits
- US weak dollar policy
- War /Defense Spending and US Financial Strength/Decline
- We need to be more helpful on the energy issue. Most of us think markets prices are the best energy policy. We can use this question to reveal our taste for a tax on energy to address externalities (global warming and strategic vulnerability).
- Which is the more accurate measure of US employment in the year 2006, payrolls or household survey?