

Economic Report of the President



**Transmitted to the Congress
February 1998**

**TOGETHER WITH
THE ANNUAL REPORT
OF THE
COUNCIL OF ECONOMIC ADVISERS**

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**ECONOMIC REPORT
OF THE PRESIDENT**

ECONOMIC REPORT OF THE PRESIDENT

To the Congress of the United States:

For the last 5 years this Administration has worked to strengthen our Nation for the 21st century, expanding opportunity for all Americans, demanding responsibility from all Americans, and bringing us together as a community of all Americans. Building a strong economy is the cornerstone of our efforts to meet these challenges.

When I first took office in 1993, the Federal budget deficit was out of control, unemployment was unacceptably high, and wages were stagnant. To reverse this course, we took a new approach, putting in place a bold economic strategy designed to bring down the deficit and give America's workers the tools and training they need to help them thrive in our changing economy.

Our strategy has succeeded: the economy has created more than 14 million new jobs, unemployment is at its lowest level in 24 years, and core inflation is at its lowest level in 30 years. Economic growth in 1997 was the strongest in almost a decade, and the benefits of that growth are being shared by all Americans: poverty is dropping and median family income has gone up nearly \$2,200 since 1993. We also saw the biggest drop in welfare rolls in history. Many challenges remain, but Americans are enjoying the fruits of an economy that is steady and strong.

THE ADMINISTRATION'S ECONOMIC STRATEGY

From the beginning, this Administration's economic strategy has had three crucial elements: reducing the deficit, investing in people, and opening markets abroad.

Deficit reduction. In 1993 this Administration's deficit reduction plan set the Nation on a course of fiscal responsibility, while making critical investments in the skills and well-being of our people. When I took office, the deficit was \$290 billion and projected to go much higher. This year the deficit will fall to just \$10 billion and possibly lower still. That is a reduction of more than 95 percent, leaving the deficit today smaller in relation to the size of the economy than it has been since 1969. And this year I have proposed a budget that will eliminate the deficit entirely, achieving the first balanced budget in 30 years.

Beyond that, it is projected that the budget will show a sizable surplus in the years to come. I propose that we reserve 100 percent of the surplus until we have taken the necessary measures to strengthen the Social Security system for the 21st century. I am committed to address-

ing Social Security first, to ensure that all Americans are confident that it will be there when they need it.

Investing in our people. In the new economy, the most precious resource this Nation has is the skills and ingenuity of working Americans. Investing in the education and health of our people will help all Americans reap the rewards of a growing, changing economy. Those who are better educated, with the flexibility and the skills they need to move from one job to another and seize new opportunities, will succeed in the new economy; those who do not will fall behind.

That is why the historic balanced budget agreement I signed into law in 1997 included the largest increase in aid to education in 30 years, and the biggest increase to help people go to college since the G.I. Bill was passed 50 years ago. The agreement provided funds to ensure that we stay on track to help 1 million disadvantaged children prepare for success in school. It provided funding for the America Reads Challenge, with the goal of mobilizing a million volunteers to promote literacy, and it made new investments in our schools themselves, to help connect every classroom and library in this country to the Internet by the year 2000.

The balanced budget agreement created the HOPE scholarship program, to make completion of the 13th and 14th years of formal education as widespread as a high school diploma is today. It offered other tuition tax credits for college and skills training. It created a new Individual Retirement Account that allows tax-free withdrawals to pay for education. It provided the biggest increase in Pell grants in two decades. Finally, it provided more funds so that aid to dislocated workers is more than double what it was in 1993, to help these workers get the skills they need to remain productive in a changing economy.

But we must do more to guarantee all Americans the quality education they need to succeed. That is why I have proposed a new initiative to improve the quality of education in our public schools—through high national standards and national tests, more charter schools to stimulate competition, greater accountability, higher quality teaching, smaller class sizes, and more classrooms.

To strengthen our Nation we must also strengthen our families. The Family and Medical Leave Act, which I signed into law in 1993, ensures that millions of people no longer have to choose between being good parents and being good workers. The Health Care Portability and Accountability Act, enacted in 1996, ensures that workers can keep their health insurance if they change jobs or suffer a family emergency. We have also increased the minimum wage, expanded the earned income tax credit, and provided for a new \$500-per-child tax credit for working families. To continue making progress toward strengthening families, the balanced budget agreement allocated \$24 billion to provide health insurance to up to 5 million uninsured chil-

dren—the largest Federal investment in children’s health care since Medicaid was created in 1965.

Opening markets and expanding exports. To create more good jobs and increase wages, we must open markets abroad and expand U.S. exports. Trade has been key to the strength of this economic expansion—about a third of our economic growth in recent years has come from selling American goods and services overseas. The Information Technology Agreement signed in 1997 lowers tariff and other barriers to 90 percent of world trade in information technology services.

To continue opening new markets, creating new jobs, and increasing our prosperity, it is critically important to renew fast-track negotiating authority. This authority, which every President of either party has had for the last 20 years, enables the President to negotiate trade agreements and submit them to the Congress for an up-or-down vote, without modification. Renewing this traditional trade authority is essential to America’s ability to shape the global economy of the 21st century.

SEIZING THE BENEFITS OF A GROWING, CHANGING ECONOMY

As we approach the 21st century the American economy is sound and strong, but challenges remain. We know that information and technology and global commerce are rapidly transforming the economy, offering new opportunities but also posing new challenges. Our goal must be to ensure that all Americans are equipped with the skills to succeed in this growing, changing economy.

Our economic strategy—balancing the budget, investing in our people, opening markets—has set this Nation on the right course to meet this goal. This strategy will support and contribute to America’s strength in the new economic era, removing barriers to our economy’s potential and providing our people with the skills, the flexibility, and the security to succeed. We must continue to maintain the fiscal discipline that is balancing the budget, to invest in our people and their skills, and to lead the world to greater prosperity in the 21st century.



THE WHITE HOUSE
FEBRUARY 10, 1998

**THE ANNUAL REPORT
OF THE
COUNCIL OF ECONOMIC ADVISERS**

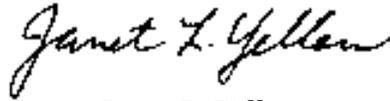
LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS
Washington, D.C., February 10, 1998

MR. PRESIDENT:

The Council of Economic Advisers herewith submits its 1998 Annual Report in accordance with the provisions of the Employment Act of 1946 as amended by the Full Employment and Balanced Growth Act of 1978.

Sincerely,



Janet L. Yellen,
Chair



Jeffrey A. Frankel,
Member



Rebecca M. Blank,
Member-Nominee