

Appendix A
REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 1999

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 1999.

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 1999 in accordance with the requirements of the Congress, as set forth in section 10(d) of the Employment Act of 1946 as amended by the Full Employment and Balanced Growth Act of 1978.

Sincerely,

Martin N. Baily, *Chairman*
Robert Z. Lawrence, *Member*
Kathryn L. Shaw, *Member-Nominee*

Council Members and Their Dates of Service

Name	Position	Oath of office date	Separation date
Edwin G. Nourse	Chairman	August 9, 1946	November 1, 1949.
Leon H. Keyserling	Vice Chairman	August 9, 1946	
	Acting Chairman	November 2, 1949	
	Chairman	May 10, 1950	January 20, 1953.
John D. Clark	Member	August 9, 1946	
	Vice Chairman	May 10, 1950	February 11, 1953.
Roy Blough	Member	June 29, 1950	August 20, 1952.
Robert C. Turner	Member	September 8, 1952	January 20, 1953.
Arthur F. Burns	Chairman	March 19, 1953	December 1, 1956.
Neil H. Jacoby	Member	September 15, 1953	February 9, 1955.
Walter W. Stewart	Member	December 2, 1953	April 29, 1955.
Raymond J. Saulnier	Member	April 4, 1955	
	Chairman	December 3, 1956	January 20, 1961.
Joseph S. Davis	Member	May 2, 1955	October 31, 1958.
Paul W. McCracken	Member	December 3, 1956	January 31, 1959.
Karl Brandt	Member	November 1, 1958	January 20, 1961.
Henry C. Wallich	Member	May 7, 1959	January 20, 1961.
Walter W. Heller	Chairman	January 29, 1961	November 15, 1964.
James Tobin	Member	January 29, 1961	July 31, 1962.
Kermit Gordon	Member	January 29, 1961	December 27, 1962.
Gardner Ackley	Member	August 3, 1962	
	Chairman	November 16, 1964	February 15, 1968.
John P. Lewis	Member	May 17, 1963	August 31, 1964.
Otto Eckstein	Member	September 2, 1964	February 1, 1966.
Arthur M. Okun	Member	November 16, 1964	
	Chairman	February 15, 1968	January 20, 1969.
James S. Duesenberry	Member	February 2, 1966	June 30, 1968.
Merton J. Peck	Member	February 15, 1968	January 20, 1969.
Warren L. Smith	Member	July 1, 1968	January 20, 1969.
Paul W. McCracken	Chairman	February 4, 1969	December 31, 1971.
Hendrik S. Houthakker	Member	February 4, 1969	July 15, 1971.
Herbert Stein	Member	February 4, 1969	
	Chairman	January 1, 1972	August 31, 1974.
Ezra Solomon	Member	September 9, 1971	March 26, 1973.
Marina v.N. Whitman	Member	March 13, 1972	August 15, 1973.
Gary L. Seevers	Member	July 23, 1973	April 15, 1975.
William J. Fellner	Member	October 31, 1973	February 25, 1975.
Alan Greenspan	Chairman	September 4, 1974	January 20, 1977.
Paul W. MacAvoy	Member	June 13, 1975	November 15, 1976.
Burton G. Malkiel	Member	July 22, 1975	January 20, 1977.
Charles L. Schultze	Chairman	January 22, 1977	January 20, 1981.
William D. Nordhaus	Member	March 18, 1977	February 4, 1979.
Lyle E. Gramley	Member	March 18, 1977	May 27, 1980.
George C. Eads	Member	June 6, 1979	January 20, 1981.
Stephen M. Goldfeld	Member	August 20, 1980	January 20, 1981.
Murray L. Weidenbaum	Chairman	February 27, 1981	August 25, 1982.
William A. Niskanen	Member	June 12, 1981	March 30, 1985.
Jerry L. Jordan	Member	July 14, 1981	July 31, 1982.
Martin Feldstein	Chairman	October 14, 1982	July 10, 1984.
William Poole	Member	December 10, 1982	January 20, 1985.
Beryl W. Sprinkel	Chairman	April 18, 1985	January 20, 1989.
Thomas Gale Moore	Member	July 1, 1985	May 1, 1989.
Michael L. Mussa	Member	August 18, 1986	September 19, 1988.
Michael J. Boskin	Chairman	February 2, 1989	January 12, 1993.
John B. Taylor	Member	June 9, 1989	August 2, 1991.
Richard L. Schmalensee	Member	October 3, 1989	June 21, 1991.
David F. Bradford	Member	November 13, 1991	January 20, 1993.
Paul Wonnacott	Member	November 13, 1991	January 20, 1993.
Laura D'Andrea Tyson	Chair	February 5, 1993	April 22, 1995.
Alan S. Blinder	Member	July 27, 1993	June 26, 1994.
Joseph E. Stiglitz	Member	July 27, 1993	
	Chairman	June 28, 1995	February 10, 1997.
Martin N. Baily	Member	June 30, 1995	August 30, 1996.
Alicia H. Munnell	Member	January 29, 1996	August 1, 1997.
Janet L. Yellen	Chair	February 18, 1997	August 3, 1999.
Jeffrey A. Frankel	Member	April 23, 1997	March 2, 1999.
Rebecca M. Blank	Member	October 22, 1998	July 9, 1999.
Martin N. Baily	Chairman	August 12, 1999	
Robert Z. Lawrence	Member	August 12, 1999	

Report to the President on the Activities of the Council of Economic Advisers During 1999

The Council of Economic Advisers was established by the Employment Act of 1946 to provide the President with objective economic analysis and advice on the development and implementation of a wide range of domestic and international economic policy issues.

The Chairman of the Council

Martin N. Baily, who was a Member of the Council of Economic Advisers from 1995 to 1996, was appointed Chairman on August 12, 1999. Dr. Baily replaced Janet L. Yellen, who left the Council to return to the Haas School of Business at the University of California, Berkeley, where she is the Eugene E. and Catherine M. Trefethen Professor of Business Administration and a Professor of Economics. Before joining the Council in August, Dr. Baily was a Principal at McKinsey & Company, Inc., at the McKinsey Global Institute in Washington. He was also a Senior Fellow at the Brookings Institution and Co-Editor of the *Brookings Papers on Economic Activity, Microeconomics*.

Dr. Baily is responsible for communicating the Council's views on economic matters directly to the President through personal discussions and written reports. He also represents the Council at Cabinet meetings, meetings of the National Economic Council (NEC), daily White House senior staff meetings, budget team meetings with the President, and other formal and informal meetings with the President, senior White House staff, and other senior government officials. Dr. Baily is the Council's chief public spokesperson. He directs the work of the Council and exercises ultimate responsibility for the work of the professional staff.

The Members of the Council

Robert Z. Lawrence is a Member of the Council of Economic Advisers. Dr. Lawrence is on leave from the John F. Kennedy School of Government at Harvard University, where he is the Albert L. Williams Professor of International Trade and Investment at the Center for Business and Government. He

previously served as the New Century Senior Fellow at the Brookings Institution, as Editor of the *Brookings Trade Forum*, and as a Research Associate at the National Bureau of Economic Research.

Jeffrey A. Frankel was a Member of the Council of Economic Advisers until March 1999. Dr. Frankel currently holds the Harpel Chair for Capital Formation and Growth at the John F. Kennedy School of Government at Harvard University. He is also Director of the Program for International Finance and Macroeconomics at the National Bureau of Economic Research.

The President has nominated Kathryn L. Shaw to succeed Rebecca M. Blank as a Member of the Council. While awaiting confirmation, Dr. Shaw has been serving as Senior Economic Advisor. She is on leave from Carnegie Mellon University, where she is a Professor of Economics at the Graduate School of Industrial Administration. Dr. Blank was a Member of the Council of Economic Advisers until July 1999. She is currently the Henry Carter Adams Professor of Policy and Dean of the School of Public Policy at the University of Michigan.

The Chairman and the Members work as a team on most economic policy issues. Dr. Lawrence is primarily responsible for the Administration's economic forecast, macroeconomic analysis, international economic issues, and certain microeconomic issues, including those relating to natural resources, the environment, and industrial organization. Dr. Shaw has taken over responsibility for policy analysis relating to the budget and taxation, labor, retirement security, health care, welfare reform, and child and family issues. The Chairman and the Members participate in the deliberations of the NEC, and Dr. Baily is a member of the NEC Principals Committee.

Weekly Economic Briefings

Dr. Baily and the Members continued to prepare the *Weekly Economic Briefing of the President of the United States* for the President, the Vice President, and the President's other senior economic and policy advisers. The Council, in cooperation with the Office of the Vice President, prepares a written briefing, which provides analysis of current economic developments, more extended discussions of a wide range of economic issues and problems, and summaries of economic developments in different regions and sectors of the economy.

Macroeconomic Policies

A primary function of the Council is to advise the President on all major macroeconomic issues and developments. The Council prepares for the President, the Vice President, and the White House senior staff almost daily memoranda that report key economic data and analyze current economic events.

The Council, the Department of the Treasury, and the Office of Management and Budget—the Administration’s economic “troika”—are responsible for producing the economic forecasts that underlie the Administration’s budget proposals. The Council, under the leadership of the Chairman and the Members, initiates the forecasting process twice each year. In preparing these forecasts, the Council consults with a variety of outside sources, including leading private sector forecasters.

In 1999 the Council continued to take part in discussions about a range of budget issues including Medicare reform, discretionary spending priorities, and the Administration’s tax proposals. The Council also participated in the development of the President’s proposal to strengthen Social Security for the 21st century.

The Council also participates in the Working Group on Financial Markets, an interagency group that monitors developments related to financial markets and the banking sector. The group includes representatives from the Treasury, the Federal Reserve, the NEC, and various regulatory agencies. The Council also participated in a working group studying bankruptcy reform, and in another on the macroeconomic implications of the year-2000, or Y2K, computer problem.

The Council continued its efforts to improve the public’s understanding of economic issues and of the Administration’s economic agenda through regular briefings with the economic and financial press, frequent discussions with outside economists, and presentations to outside organizations. The Chairman and the Members also regularly exchanged views on the macroeconomy with the Chairman and Members of the Board of Governors of the Federal Reserve System.

International Economic Policies

The Council continued as an active participant in 1999 in international economic policymaking through the NEC and the National Security Council, providing both technical and analytical support and policy guidance. The Council took an active role in developing policies to respond to financial turmoil in Latin America and elsewhere, continuing the role it has taken following the series of emerging market financial crises that began in 1997. The Council also monitored closely the effects of the Asian crisis on U.S. trade and actively participated in developing proposals to reform the international financial architecture.

The Council has played an important role in evaluating and explaining the case for trade liberalization and U.S. participation in the multilateral trading system. Its involvement included writing a white paper on *America’s Interest in the World Trade Organization*. The Council was also involved in a range of other international economic issues, including U.S. trade remedy laws

(antidumping, countervailing duties, safeguards, and Section 301 actions) and sanctions policy. Dr. Lawrence testified before the Trade Deficit Review Commission of the Senate on the causes and consequences of the U.S. trade deficit.

Council members regularly met with representatives of the Council's counterpart agencies in foreign countries, as well as with foreign trade ministers, other government officials, and members of the private sector. The Council often represents the United States at international meetings and forums, such as meetings of the Economic Committee of the Asia-Pacific Economic Cooperation forum.

The Council is a leading participant in the Organization for Economic Cooperation and Development (OECD), the principal forum for economic cooperation among the high-income industrial countries. The Council heads the U.S. delegation to the semiannual meetings of the OECD's Economic Policy Committee. Dr. Baily serves as chairman of that committee. In 1999 Dr. Lawrence participated in the OECD's Working Party 3 on macroeconomic policy and coordination. Charles F. Stone, Chief Economist at the Council, participated in the OECD's Working Party 1 meeting on structural issues and attended the OECD's workshop "Making Work Pay." Dr. Lawrence also participated in a meeting of subcabinet officials from the United States and Japan and was a member of the Joint Economic Development Group meeting with the Israeli government.

Microeconomic Policies

During 1999 the Council was an active participant in a range of microeconomic policy discussions, including discussions on welfare policy, regulation by the Occupational Health and Safety Agency, and statistical policy. The Council also participated in Administration working groups on Social Security and Medicare reform and on issues related to parental leave, pension regulations, long-term care, and private investment in high-poverty areas.

Over the past year the Council has released several research papers on microeconomic policy issues. In May 1999 the Council released a report titled *Families and the Labor Market, 1969-1999: Analyzing the "Time Crunch."* Its purpose was to further the national discussion on balancing work and family and to encourage a discussion of policies that could help strengthen American families. In a report titled *The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update*, the Council examined the unprecedented fall in the number of people receiving welfare. Released in August 1999, the report concluded that the welfare reforms of 1996 accounted for about one-third of the reduction in caseloads from 1996 to 1998. Finally, in December 1999 the Council and the Office of the Chief Economist at the Department of Labor released a report titled *20 Million*

Jobs: January 1993-November 1999. This study documented the strong job growth of the past 7 years and found evidence that a high proportion of the new jobs were in industry and occupation categories that pay wages above the median.

The Council has taken an active role in reviewing and analyzing progress in the telecommunications industry and other growing sectors of the digital economy. In February the Council released a white paper titled *Progress Report: Growth and Competition in U.S. Telecommunications, 1993-1998*. The Council has also been active in ongoing interagency discussions involving the digital economy and has recently assumed a leading role in facilitating work on the topic. Work in progress includes reviewing and improving data collection activities to better assess the growth of electronic commerce; participation in the new OECD Growth Project initiated at the May 1999 meeting of the OECD Council at the Ministerial level; and economic analysis of policy-related costs and barriers to electronic commerce.

The Council has also participated actively in interagency discussions on regulation and competition policy. On the domestic front, the Council has been involved in discussions about merger policy, rail policy regarding interconnections, and the performance of agricultural markets. Discussions regarding regulatory reform in the broadcast industry and in the air traffic control system have also been ongoing, as has the monitoring of issues related to the privatization of the U.S. Enrichment Corporation. The Council has been actively involved in several issues relating to international regulation and competition, including the effects of gray market imports, and has undertaken interagency discussions regarding the role of competition policy in the World Trade Organization.

The Council was active during 1999 in a range of policy discussions on natural resources and the environment, including implementation of the Clean Air Act as it applies to automobiles, petroleum refineries, power plants, and other pollution sources. Council Members and staff participated in several Administration efforts to assess oil supply issues, including the effects of oil imports on the U.S. economy and planning for potential Y2K oil supply disruptions. The Council has also contributed to Administration initiatives on national forest management.

Continuing the Council's involvement in the analysis of the Administration's global climate change policy, Dr. Yellen testified on two occasions before Senate and House committees on the economic implications of the Kyoto Protocol. At a high-level OECD meeting on climate change, Dr. Lawrence participated in a discussion on developing country participation in the Kyoto Protocol. The Council has been active in developing and promoting plans for the international trading of emissions permits and other market mechanisms to achieve the protocol's targets as efficiently as possible. It has also worked

with a number of developing countries to identify opportunities for them to further contribute to the global effort to address climate change. To advance these plans, Members and staff consulted with officials from a number of countries and organizations, including Argentina, Australia, Bolivia, Canada, China, Colombia, the European Union, Japan, Kazakhstan, Mexico, the OECD, and the Russian Federation. In addition, the Council has evaluated trends in U.S. carbon dioxide emissions and participated in Administration efforts to promote energy efficiency in the Federal Government.

The Staff of the Council of Economic Advisers

The professional staff of the Council consists of the Chief of Staff, the Senior Statistician, nine senior economists, six staff economists, and three research assistants. The professional staff and their areas of concentration at the end of 1999 were:

Chief of Staff

Audrey Choi

Senior Economists

Joseph E. Aldy	Environment and Natural Resources
Steven N. Braun	Director, Macroeconomic Forecasting
Michael J. Brien.....	Labor, Social Policy, and Education
John G. Fernald.....	International Economics
William H. Gillespie	Industrial Organization
Victoria A. Greenfield.....	International Trade and Agriculture
Robin L. Lumsdaine.....	Labor
Charles F. Stone.....	Chief Economist and Editor, <i>Weekly Economic Briefing of the President</i>
John C. Williams	Macroeconomics, Financial Markets, and Editor, <i>Weekly Economic Briefing of the President</i>

Senior Statistician

Catherine H. Furlong

Staff Economists

Douglas V. Almond	Labor and Health Economics
Jason A. Bernstein	Agriculture and International Economics
Yu-chin Chen	International Economics

Andrew R. Feldman	Labor and Social Economics
Leigh L. Linden.....	Environment, Natural Resources, and Industrial Organization
Noah Y. Weisberger	Macroeconomics

Research Assistants

John L. Goldie.....	<i>Weekly Economic Briefing of the President</i> and International Economics
Stephen F. Lin	Macroeconomics
Sarah L. Rosen.....	<i>Weekly Economic Briefing of the President</i> and Labor

Statistical Office

Mrs. Furlong directs the Statistical Office. The Statistical Office maintains and updates the Council’s statistical information, oversees the publication of the monthly *Economic Indicators* and the statistical appendix to the *Economic Report of the President*, and verifies statistics in Presidential and Council memoranda, testimony, and speeches.

Susan P. Clements	Statistician
Linda A. Reilly	Statistician
Brian A. Amorosi	Statistical Assistant

Administrative Office

Catherine Fibich.....	Administrative Officer
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Office of the Chairman

Alice H. Williams.....	Executive Assistant to the Chairman
Sandra F. Daigle.....	Executive Assistant to the Chairman and Assistant to the Chief of Staff
Lisa D. Branch	Executive Assistant to Dr. Lawrence
Francine P. Obermiller.....	Executive Assistant to Dr. Shaw

Staff Support

Mary E. Jones.....	Executive Assistant for International Economics, Labor, and Health Care
Rosalind V. Rasin	Executive Assistant for Environment, Industrial Organization, and Agriculture
Mary A. Thomas	Program Assistant for the <i>Weekly Economic Briefing of the President</i> and Macroeconomics

Michael Treadway provided editorial assistance in the preparation of the text of the 2000 *Economic Report of the President*.

Lowell J. Taylor and Christopher W. Snow joined the Council in January 2000 as senior economist and staff economist, respectively, and assisted with the preparation of the *Economic Report of the President*.

Student interns during the year were Sarah M. Anderson, Robert P. Bamsey, Carol L. Capece, David S. Felman, Paul K. Hoffmeister, Heather L. Jambrosic, Burth G. Lopez, Matthew S. Milner, Jason K. Nuzzo, Jacob M. Studley, and Aaron D. Tracy. The following student interns joined the Council in January to assist with the preparation of the *Economic Report of the President*: Karin A. Braack, Warren A. Herold, and Julie M. Meyers.

Departures

Michele Jolin, who served as Chief of Staff, resigned in April 1999 to accept a position as Vice President and Senior Project Manager of Innovative Learning Initiatives at Ashoka: Innovators for the Public.

The Council's senior economists, in most cases, are on leave of absence from faculty positions at academic institutions or from other government agencies or research institutions. Their tenure with the Council is usually limited to 1 or 2 years. Some of the senior economists who resigned during the year returned to their previous affiliations. They are Elise H. Golan (U.S. Department of Agriculture), Cordelia W. Reimers (Hunter College of the City University of New York), and Robert F. Schoeni (RAND Corporation). Senior economists who resigned during the year and accepted new positions are Douglas W. Elmendorf (Department of the Treasury), Stephen Polasky (University of Minnesota), Nouriel Roubini (Department of the Treasury), Howard A. Shelanski (Federal Communications Commission), and Robin L. Lumsdaine (Deutsche Bank).

Staff economists are generally graduate students who spend 1 year with the Council and then return to complete their dissertations. Those who returned to their graduate studies in 1999 are Ryan D. Edwards (University of California, Berkeley), Nora E. Gordon (Harvard University), and Matthew R. McBrady (Harvard University). Bert I. Huang began graduate studies at Harvard Law School and at the Massachusetts Institute of Technology. Quindi C. Franco accepted a position at the Federal Communications Commission. After serving as research assistants at the Council, Raymond P. Guiteras accepted a position at Bain and Company, and Summer L. Scott accepted a position at Charles River Associates.

Public Information

The Council's annual *Economic Report of the President* is an important vehicle for presenting the Administration's domestic and international economic policies. It is now available for distribution as a bound volume and on the Internet, where it is accessible at <http://www.access.gpo.gov/eop>. The Council also has primary responsibility for compiling the monthly *Economic Indicators*, which is issued by the Joint Economic Committee of the Congress. The Internet address for the *Economic Indicators* is <http://www.access.gpo.gov/congress/cong002.html>. The Council's home page is located at <http://www.whitehouse.gov/WH/EOP/CEA/html/index.html>.