

Appendix A
REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 1997

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS
Washington, D.C., December 31, 1997

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 1997 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,

Janet L. Yellen, *Chair*
Jeffrey A. Frankel, *Member*
Rebecca M. Blank, *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	
John D. Clark	Chairman	May 10, 1950	January 20, 1953.
	Member	August 9, 1946	
	Vice Chairman	May 10, 1950	
Roy Blough	Member	June 29, 1950	February 11, 1953.
Robert C. Turner	Member	September 8, 1952	August 20, 1952.
Arthur F. Burns	Chairman	March 19, 1953	January 20, 1953.
Neil H. Jacoby	Member	September 15, 1953	December 1, 1956.
Walter W. Stewart	Member	December 2, 1953	February 9, 1955.
Raymond J. Saulnier	Member	April 4, 1955	April 29, 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	
Jeffrey A. Frankel	Member	April 23, 1997	

Report to the President on the Activities of the Council of Economic Advisers During 1997

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 Chair of the Council

Janet L. Yellen was appointed Chair on February 18, 1997. Dr. Yellen replaced Joseph E. Stiglitz, who left the Council to become Senior Vice President of Development Economics and Chief Economist of the World Bank. Before becoming Chair of the Council, Dr. Yellen served as a Member of the Board of Governors of the Federal Reserve System. Dr. Yellen is on leave from the Haas School of Business at the University of California, Berkeley, where she is the Bernard T. Rocca, Jr. Professor of International Business and Trade. Dr. Yellen is responsible for communicating the Council's views on economic matters directly to the President through personal discussions and written reports. Dr. Yellen 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. Yellen is the Council's chief public spokesperson. She directs the work of the Council and exercises ultimate responsibility for the work of the professional staff.

The Members of the Council

Jeffrey A. Frankel is a Member of the Council of Economic Advisers. Dr. Frankel is on leave from the University of California, Berkeley, where he is Professor of Economics. He previously directed the program on International Finance and Macroeconomics at the National Bureau of Economic Research and is a former Senior Fellow at the Institute for International Economics.

Alicia H. Munnell was a Member of the Council of Economic Advisers until August 1997. Dr. Munnell currently holds the Peter F. Drucker Chair in Management Sciences at Boston College's Carroll School of Management. The President has nominated Rebecca M. Blank to suc-

ceed Dr. Munnell as a Member of the Council. While awaiting confirmation, Dr. Blank has been serving as Chief Economist. She is on leave from Northwestern University, where she is Professor of Economics. Dr. Blank previously served as the first Director of the Northwestern University/University of Chicago Joint Center for Poverty Research and was a faculty affiliate at Northwestern University's Institute for Policy Research.

The Chair and Members work as a team on most economic policy issues. Dr. Frankel and Dr. Munnell shared responsibility for domestic macroeconomic analysis, the Administration's economic forecast, and budget and tax issues. Dr. Frankel is primarily responsible for international economic issues and certain microeconomic issues, including those relating to natural resources, the environment, and industrial organization. Dr. Munnell was primarily responsible for retirement, health care, welfare reform, and labor issues. Dr. Blank has taken over responsibility for these issues. She is also responsible for child and family policy issues and is working closely with the President's Initiative on Race. The Chair and Members participate in the deliberations of the NEC, and Dr. Yellen is a member of the NEC Principals Committee.

WEEKLY ECONOMIC BRIEFINGS

Dr. Yellen and the Members continued during 1997 to conduct a weekly economic briefing 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 *Weekly Economic Briefing of the President*, 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. This document serves as a basis for the oral economic briefing of the President.

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 forecast that underlies the Administration's budget proposals. The Council, under the leadership of 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 1997 the Council continued to take part in discussions about the President's balanced budget plan. The Council also participated in meetings on a range of budget issues including Medicare reform, discretionary spending priorities, and the Administration's tax proposals. The Council participated in discussions regarding proposals to strengthen the Social Security system, and in an interagency effort to develop a package of proposed reforms to the private pension system to promote higher rates of national saving and greater retirement security.

The Council 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 continued its efforts to improve the public's understanding of economic issues and the Administration's economic agenda through regular briefings with the economic and financial press, frequent discussions with outside economists, and presentations to outside organizations. Drs. Yellen, Frankel, Munnell, and Blank 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 was an active participant in 1997 in the international economic policymaking process through the NEC and the National Security Council, providing both technical and analytical support and policy guidance. In particular, the Council has helped assess the economic impact of international sanctions against foreign nations, and the efficacy of relaxing restrictions in the U.S.-Japan civil aviation market. The Council has taken an active role on a range of other international economic issues, including evaluating and explaining the case for trade liberalization, the Administration's policy approach to Asia's financial turmoil, U.S. trade remedy laws (antidumping, countervailing duties, safeguards, and Section 301 actions), and the agendas of multilateral and regional forums such as the World Trade Organization, the Asia-Pacific Economic Cooperation forum, and the proposed Free Trade Area of the Americas.

The Council played a significant role in preparing both the Administration's *1997 Study on the Operation and Effects of the North American Free Trade Agreement* and the *1997 APEC Economic Outlook*. The *Weekly Economic Briefing of the President* also regularly included articles on international events and issues.

Because of the growing importance of international economic issues to the U.S. economy, the Council often represents the United States at international meetings and forums. In November Dr. Yellen gave the keynote address at the U.S.-R.O.C. Economic Council Plenary Session. Also in November Dr. Frankel participated in the annual meeting of

the APEC Senior Economic Advisers, a meeting initiated in 1996 by the Council during the APEC Leaders Summit. At this meeting Dr. Frankel presented a Council paper on the long-term determinants of growth. In December Dr. Frankel participated in the Joint Economic Development Group with Israel. The Council also continued annual meetings with the Economic Planning Agency of Japan and the State Planning Commission of China, the Council's counterparts in those countries.

The Council is a leading U.S. 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. Yellen serves as that committee's chair. In 1997 Dr. Frankel participated in Working Party 3 on macroeconomic policy coordination. Dr. Steven N. Braun, Director, Macroeconomic Forecasting at the Council, led the U.S. delegation to the OECD annual examination of the United States, and to the Short-term Economic Forecasters' Meeting. Dr. Christopher Carroll, Senior Economist at the Council, led the U.S. delegation to the Working Party 1 meeting on structural issues.

MICROECONOMIC POLICIES

During 1997 the Council was an active participant in a range of microeconomic policy discussions. The Council participated in various interagency policy discussions on labor market issues, health care, education, child care, and welfare reform; in the development of the Child Health Insurance Program; in interagency discussions of proposals to increase health insurance coverage for older workers; and in a working group investigating alternative measures of poverty. The Council also participated in working groups on the minimum wage, training initiatives for displaced workers, and unemployment insurance reform.

The Council has been actively involved in the President's Initiative on Race and is coordinating production of a document that will present important indicators of social and economic well-being by race and ethnicity for use by a national audience including educators and policymakers.

In May the Council issued a report titled *Explaining the Decline in Welfare Receipt, 1993 to 1996*. The report examined the causes of the 20-percent decline (2.75 million recipients) in the welfare caseload that took place between 1993 and 1996 and concluded that roughly 40 percent of the decline was due to the stronger economy, roughly 30 percent to welfare reform policies, and the remainder to other factors such as the earned income tax credit.

The Council was involved in White House conferences on early childhood development and child care. In conjunction with the early child-

hood development conference, the Council released a white paper titled *The First Three Years: Investments That Pay*. This report documented the importance of programs to encourage children's development in the first 3 years of life and the high long-term payoff of such investments.

As a follow-up to the White House child care conference, the Council issued a report titled *The Economics of Child Care*. This report reviewed the economics literature regarding the availability, cost, and quality of child care and the importance of policies to support access to affordable, quality care.

In the areas of regulation and competition policy, the Council helped develop important Administration initiatives to improve the performance of markets, both domestically and internationally. On the domestic front the Council took part in interagency efforts to increase competition in electric power markets in a manner consistent with important environmental and social objectives. The Council contributed to the Administration's analysis of whether and how much to reform product liability law, and to discussions of the Federal Communications Commission's methods for pricing telecommunications services. The Council also worked with the Federal Trade Commission, the Department of Justice, and the Department of the Treasury to consider questions raised by the proposed industry-wide tobacco settlement. In addition, the Council worked with the Treasury, the Department of Education, and the Office of Management and Budget to develop reforms of the college financial aid system to make it fairer and more efficient.

With respect to international regulation and competition policy, the Council cooperated with the Department of State and other agencies to bring more competition to the satellite communications industry, to support the OECD's adoption of principles for economically sound regulation, to promote efficient infrastructure development in the Asia-Pacific region, and to coordinate merger policy with the European Union.

The Council was also active in a range of policy discussions on natural resources and the environment. The Council took part in the interagency evaluation of National Ambient Air Quality Standards for ozone and particulate matter under the Clean Air Act and the implementation plans for the revised standards. The Council was actively involved in the development and analysis of the Administration's global climate change policy.

The Staff of the Council of Economic Advisers

The professional staff of the Council consists of the Chief of Staff, the Senior Statistician, 11 senior economists, 5 staff economists, and 3 research assistants. The professional staff and their areas of concentration at the end of 1997 were:

Chief of Staff and General Counsel

Michele M. Jolin

Senior Economists

Steven N. Braun	Director, Macroeconomic Forecasting
Christopher D. Carroll	Macroeconomics and Aging
Aaron S. Edlin	Regulation, Industrial Organization, and Antitrust
Keith O. Fuglie	Agriculture and Natural Resources
Maria J. Hanratty	Health Care and Labor
Jon D. Haveman	International Economics
Sanders D. Korenman	Labor, Welfare, and Education
Randall W. Lutter	Regulation and Environment
Adele C. Morris	Environment and Natural Resources
Jeremy B. Rudd	Macroeconomics
Charles F. Stone	Macroeconomics and Editor, <i>Weekly Economic Briefing of the President</i>

Senior Statistician

Catherine H. Furlong

Staff Economists

Joseph E. Aldy	Environment and Natural Resources
Amy N. Finkelstein	Labor and Public Finance
Mark R. Hopkins	International Economics
Mark C. Rainey	Industrial Organization and Regulation
Sarah J. Reber	Health Care and Environment

Senior Research Assistant

Ha Yan Lee	Macroeconomics
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Research Assistants

Zachary M. Candelario	<i>Weekly Economic Briefing of the President,</i> Labor, and Environment
Daniel K. Chang	<i>Weekly Economic Briefing of the President</i> and International Economics

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*, and verifies statistics in Presidential and Council memoranda, testimony, and speeches.

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

Administrative Officer

Catherine Fibich

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. Frankel
Francine P. Obermiller	Executive Assistant to Dr. Blank

Staff Secretaries

Mary E. Jones	International Economics, Labor, and Health Care
Rosalind V. Rasin	Environment, Industrial Organization, and Public Finance
Mary A. Thomas	Macroeconomics

Mrs. Thomas also served as executive assistant for the *Weekly Economic Briefing of the President*.

Michael Treadway provided editorial assistance in the preparation of the 1997 *Economic Report*. Michael A. Toman, Resources for the Future, served as a consultant during the year.

Student interns during the year were Aryeh J. Aslan, Elizabeth T. Burns, Carol L. Capece, Quindi C. Franco, Robert K. Kaproth, Mark N. Levine, Jennifer A. Meyers, Andrew J. Miller, Praveen Rangnath, Katharine S. Rogers, Ravi K. Sandill, Kristen M. Scarafia, Courtney A. Sweeney, Harsh N. Trivedi, and Jennifer H. Yoon. The following student interns joined the Council in January to assist with the preparation of the *Economic Report*: Keith H. Monk, Jenny E. Pippin, and Samuel G. Steckley.

DEPARTURES

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. Most of the senior economists who left the Council during 1997 returned to their previous affiliations. They are Timothy J. Brennan (University of Maryland, Baltimore County, and Resources for the Future), William B. English (Board of Governors of the Federal Reserve System), Phillip B. Levine (Wellesley College), John D. Montgomery (International Monetary

Fund), Raymond Prince (Department of Energy), Christopher J. Ruhm (University of North Carolina, Greensboro), Jason F. Shogren (University of Wyoming), and David L. Sunding (University of California, Berkeley). Mark J. Mazur became Senior Policy Adviser and Chief Economist at the Department of Energy.

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 1997 are Carrie S. Cihak (University of Michigan), Cynthia K. Gustafson (University of California, Berkeley), Andrea Richter (London School of Economics), Cristian J. Santesteban (Stanford University), and Caroline M. Thompson (Princeton University). Jason L. Furman accepted a position with the World Bank. Thomas A. Rhoads accepted a position with Resources for the Future and has since returned to graduate studies at the University of Wyoming. After serving as research assistants at the Council, Jennifer C. Daskal accepted a position at the Center on Budget and Policy Priorities, and Diane M. Whitmore began graduate studies at Princeton University.

Elizabeth A. Kaminski and Margaret L. Snyder retired in 1997 after serving the Council for 32 and 36 years, respectively. Mrs. Kaminski served most recently as Administrative Officer, and Mrs. Snyder retired from the Statistical Office.

Public Information

The Council's *Annual Report* is an important vehicle for presenting the Administration's domestic and international economic policies. It is now available for distribution as a bound volume, on CD-ROM, 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 www.access.gpo.gov/congress/cong002.html.