

Appendix A
REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 1996

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS
Washington, D.C., December 31, 1996

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 1996 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,

Joseph E. Stiglitz, *Chairman*
Alicia H. Munnell, *Member*
Jeffrey A. Frankel, *Member-Nominee*

Council Members and their Dates of Service

Name	Position	Oath of office date	Separation date
Edwin G. Mourse	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.
Alan S. Blinder	Member	July 27, 1993	June 26, 1994.
Laura D'Andrea Tyson	Chair	February 5, 1993	April 22, 1995.
Joseph E. Stiglitz	Member	July 27, 1993	
	Chairman	June 28, 1995	
Martin N. Baily	Member	June 30, 1995	August 30, 1996.
Alicia H. Munnell	Member	January 29, 1996	

Report to the President on the Activities of the Council of Economic Advisers During 1996

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

Joseph E. Stiglitz, previously a Member of the Council, was appointed Chairman on June 28, 1995. Dr. Stiglitz is on leave from Stanford University where he is the Joan Kenney Professor of Economics. Dr. Stiglitz is responsible for communicating the Council's views on economic matters directly to the President through personal discussions and written reports. Dr. Stiglitz 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. Stiglitz 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

Alicia H. Munnell is a Member of the Council. Dr. Munnell had previously served in this Administration as Assistant Secretary for Economic Policy at the Department of the Treasury. She also had served as Senior Vice President and Director of Research at the Federal Reserve Bank of Boston.

Martin N. Baily was a Member of the Council until August 1996. He left the Council to join the Global Institute at McKinsey and Company, Inc. The President has nominated Jeffrey A. Frankel to succeed Dr. Baily as a Member of the Council. While awaiting confirmation, Dr. Frankel has been serving as Chief Economist. He is on leave from the University of California, Berkeley, where he is a 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.

The Chair and Members work as a team on most economic policy issues. Dr. Munnell and Dr. Baily shared responsibility for domestic macroeconomic analysis, the Administration's economic forecast, and budget and tax issues. Dr. Munnell is primarily responsible for health care, welfare reform, environmental, and labor issues. Dr. Baily was primarily responsible for international economic issues and certain microeconomic issues, including agriculture and the environment. Dr. Frankel has taken over this portfolio. The Chair and the Council Members participate in the deliberations of the NEC. Dr. Stiglitz is a member of the NEC Principals Committee.

WEEKLY ECONOMIC BRIEFINGS

Dr. Stiglitz and the Members continued 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 President's oral briefing.

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 macroeconomic 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 Members, initiates the forecasting process twice each year. In preparing these forecasts, the Council consults with a wide variety of outside sources, including leading private sector forecasters.

In 1996 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 and Medicaid, discretionary spending priorities, and the Administration's tax proposals.

The Council, together with the Department of Labor, prepared a report titled "Job Creation and Employment Opportunities: The United States Labor Market, 1993–1996," which analyzed the

American economy's robust employment growth, the nature of the jobs being created, and the incidence of job displacement. This report concluded that over two-thirds (68 percent) of the net job growth in full-time employment between February 1994 and February 1996 occurred in industry/occupation categories that paid above-median wages. The Council also prepared a background report titled "Promoting Economic Growth," which discussed the challenge of increasing the underlying productivity growth rate of the U.S. economy.

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.

INTERNATIONAL ECONOMIC POLICIES

The Council has been an active participant in the international economic policymaking process through the National Economic Council and the National Security Council, providing both technical and analytic support and policy guidance. The Council engaged in interagency discussions dealing with such topics as U.S. trade remedy laws (antidumping, countervailing duties, safeguards, and Section 301 actions); the U.S. balance of payments; cross-border investment; international aspects of telecommunications and information technology; integrating Russia, China, and other newly market-oriented economies into the world economic order; and the agendas of multilateral and regional fora such as the World Trade Organization, the Asia-Pacific Economic Cooperation forum, and the North American Free Trade Agreement.

In 1996, Dr. Stiglitz led a U.S. delegation to the Information Society and Development (ISAD) Conference in South Africa. The ISAD Conference, which followed the 1995 G-7 Ministerial Conference on the Information Society held in Brussels, was designed to extend acceptance of the Global Information Infrastructure principles, first articulated by the Vice President in 1994, to the developing world. Dr. Stiglitz also led a U.S. delegation to China, where he met with top Chinese officials to initiate a dialogue on economic issues between the Council and China's State Planning Commission. In addition, the Council drafted the 1996 *APEC Economic Outlook* for the Asia-Pacific Economic Cooperation, and Dr. Stiglitz presented this report to the APEC Ministers during their meetings in Manila.

The Council plays a leading role in U.S. participation in the Organization for Economic Cooperation and Development (OECD), the principal forum for economic cooperation among the high-income industrialized countries. The Council heads the U.S. delegation to the semiannual Economic Policy Committee (EPC) meetings, and

Dr. Stiglitz is the Committee's Chairman. In that role, Dr. Stiglitz has led an effort to make the EPC's meetings more relevant to member-country policy discussions. Dr. Munnell led the U.S. delegation to the OECD's Working Party 1 on microeconomic and structural issues and participated in Working Party 3. Dr. John D. Montgomery also participated in the OECD's Working Party 3 on macroeconomic policy coordination, and Dr. Steven N. Braun led the U.S. delegation to the OECD's Short-term Economic Forecasts Meeting.

MICROECONOMIC POLICIES

The Council was an active participant in discussions of microeconomic policy issues in 1996. Dr. Stiglitz is a member of the Administration's Regulatory Working Group and addressed numerous groups on the principles, content, and importance of the Administration's regulatory reform program. At Dr. Stiglitz's initiative, the OECD has undertaken a series of studies to promote regulatory reform around the globe. The Council also participated in a range of Administration efforts to reform regulation.

The Council was an active participant in the Administration's re-inventing government effort, which has made Federal Government agencies more efficient and more performance oriented and has revised and eliminated thousands of pages of regulations. To help promote its objectives, the Council advocated procurement reforms that would extend the use of competitive auctions by Federal agencies in their purchase of products and services.

The Council was involved in efforts to implement the 1996 telecommunications reform bill. The Council worked with the Vice President, the National Economic Council, and the Departments of Justice and Commerce to develop Administration policies regarding interconnection of telephone competitors. Dr. Timothy J. Brennan participated in an economists' forum at the Federal Communications Commission to examine various aspects of allowing local telephone companies to provide long-distance service. The Council also promoted participation in spectrum auctions held by the Federal Communications Commission and played an important role in ongoing efforts to restructure INTELSAT and Inmarsat (the international satellite consortia).

The Council was active in a range of policy discussions on natural resources and the environment. The Council has been a leading proponent of reforming public lands policy, especially by reducing subsidies for extractive use of Federal public lands. The Council played a key role in the Headwaters acquisition negotiations and has worked extensively on other land exchanges.

The Council participates actively in the ongoing assessment of global climate change policies. The Council was also active in discussions on the Superfund program and other issues relating to the

management of hazardous wastes. The Council helped assess the reauthorization of the Clean Water Act and the Safe Drinking Water Act and evaluated the drafts of the Environmental Protection Agency's Mercury and Utility reports required by the Clean Air Act Amendments of 1994. In addition, the Council was involved in the evaluation of alternative National Ambient Air Quality Standards for particulate matter and ozone, which are regulated under the Clean Air Act.

The Council played an important role in agricultural policy reform, most notably the Administration's continuing efforts to implement the 1996 Farm Act. The Council also advised on the operation of agricultural trade programs, including the sugar program and various farm export subsidy programs.

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, 6 staff economists, and 3 research assistants. The professional staff and their areas of concentration at the end of 1996 were:

Chief of Staff and General Counsel

Michele M. Jolin

Senior Economists

S. Lael Brainard	International Economics and Senior Director at the National Economic Council
Steven N. Braun	Director, Macroeconomic Forecasting
Timothy J. Brennan	Regulation, Industrial Organization, and Antitrust
William B. English	Macroeconomics and Finance
Phillip B. Levine	Labor, Welfare, and Education
Mark J. Mazur	Public Finance and Senior Director at the National Economic Council
John D. Montgomery	International Economics
Raymond Prince	Environment and Natural Resources
Christopher J. Ruhm	Health Care, Aging, and Labor
Charles F. Stone	Macroeconomics and Editor, <i>Weekly Economic Briefing of the President</i>
David L. Sunding	Agriculture and Natural Resources

Senior Statistician

Catherine H. Furlong

Staff Economists

Carrie S. Cihak	International Economics
Jason L. Furman	Macroeconomics
Cynthia K. Gustafson	Labor, Welfare, and Education
Andrea Richter	International Economics
Cristian J. Santesteban	Industrial Organization, Science and Technology, and Regulation
Caroline M. Thompson	International Economics

Research Assistants

Jennifer C. Daskal
Sarah J. Reber
Diane M. Whitmore

Statistical Office

Mrs. Furlong directs the Statistical Office. The Statistical Office maintains and updates the Council's statistical information, oversees the publication of the *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 and Information Systems
Linda A. Reilly	Statistical Assistant
Brian A. Amorosi	Research Assistant
Margaret L. Snyder	Statistical Aide

The Administrative Office

Elizabeth A. Kaminski	Administrative Officer
Catherine Fibich	Administrative Assistant

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

Staff Secretaries

Mary E. Jones
Rosalind V. Rasin
Mary A. Thomas

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*. Robert E. Cumby, Georgetown University, David M. Cutler, Harvard University, and Michael A.

Toman, Resources for the Future, served as consultants during the year.

Student interns during the year were Oren Ahoobim, Anthony R. Alvarado, Noelle M. Campbell, Albert C. Chen, George L. Colindres, Mariano-Florentino Cuellar, Ariel S. Glasner, Kara A. Gobi, Minna J. Hahn, Mary K. Lesh, Robert P. Martin, Rachel A. Novak, Christopher J. O'Connor, Angela Sherry, Courtney A. Sweeney, Megan R. Sweeney, James R. Sweet, and Jose A. Villar. The following student interns joined the Council in January to assist with the preparation of the *Economic Report*: James T. Engelhardt, Gregory B. Garvin, and Laura M. Higginson.

DEPARTURES

Peter R. Orszag, who served as Senior Adviser to the Council, returned to the London School of Economics in November and has now joined the National Economic Council staff. 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 resigned during the year returned to their previous affiliations. They are George B. Frisvold (Department of Agriculture), Thomas J. Kane (Kennedy School of Government, Harvard University), Eileen Mauskopf (Board of Governors of the Federal Reserve System), Robert G. Murphy (Boston College), Marius Schwartz (Georgetown University), and Michael A. Toman (Resources for the Future). Robert S. Dohner accepted a staff position with the Department of the Treasury. Louise M. Sheiner left the Council to serve as Deputy Assistant Secretary of the Treasury and has now rejoined the Board of Governors of the Federal Reserve System.

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 1996 are Michael A. Ash (University of California, Berkeley), Jonah B. Gelbach (Massachusetts Institute of Technology), and Scott J. Wallsten (Stanford University). Valerie A. Mercer accepted a position with the International Monetary Fund. Ronald C. Chen began graduate studies at Oxford University.

Public Information

The Council's *Annual Report* is the principal medium through which the Council informs the public of its work and its views. It is an important vehicle for presenting the Administration's domestic and international economic policies. Annual distribution of the Report in recent years has averaged about 45,000 copies. The Council also has primary responsibility for compiling the monthly

Economic Indicators, which is issued by the Joint Economic Committee of the Congress and has a monthly distribution of approximately 10,000.