

**Appendix A**  
**REPORT TO THE PRESIDENT ON THE ACTIVITIES**  
**OF THE**  
**COUNCIL OF ECONOMIC ADVISERS DURING 1998**



LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS  
*Washington, D.C., December 31, 1998*

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 1998 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*

## 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 .....	
Jeffrey A. Frankel .....	Member .....	April 23, 1997 .....	
Rebecca M. Blank .....	Member .....	October 22, 1998 .....	

# Report to the President on the Activities of the Council of Economic Advisers During 1998

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 continued to chair the Council during 1998. 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 Eugene E. and Catherine M. Trefethen Professor of Business Administration. Dr. Yellen is responsible for communicating the Council's views on economic matters directly to the President through personal discussions and written reports. She 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 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.

Rebecca M. Blank is also a Member of the Council of Economic Advisers. Dr. Blank is on leave from Northwestern University, where she is a 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 member of the research faculty at Northwestern University's Institute for Policy Research.

The Chair and Members work as a team on most economic policy issues. Dr. Frankel was 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. Blank was primarily responsible for policy analysis relating to the budget and taxation, labor, retirement security, health care, welfare reform, and child and family issues. She also worked 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 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 the 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 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 1998 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 discussions of proposals to strengthen the Social Security system, and development of the President's proposal to save Social Security for the 21st century.

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 also participated in a

working group studying bankruptcy reform, and in another on the macroeconomic implications of the Y2K problem.

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, 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 1998 in the international economic policymaking process 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 Asia, Russia, and Latin America, including, for example, the Asian Growth and Recovery Initiative, designed to accelerate the restructuring of bank and corporate debt in some countries affected by the Asian crisis. The Council also monitored closely the effects of the Asian crisis on U.S. trade. In addition, the Council actively participated in the development of proposals to reform the international financial architecture.

The Council was involved in a range of other international economic issues, including evaluating and explaining the case for trade liberalization, U.S. trade remedy laws (antidumping, countervailing duties, safeguards, and Section 301 actions), sanctions policy, and the agendas of multilateral and regional forums such as the World Trade Organization and the Asia-Pacific Economic Cooperation forum. Dr. Yellen testified before the Senate Finance Committee on the causes and consequences of the U.S. trade deficit.

The Council continued its annual meetings with the Economic Planning Agency of Japan and the State Development and Planning Commission of China, the Council's counterparts in those countries, and began to meet with France's new Council of Economic Analysis. In May, Dr. Yellen led a delegation of U.S. economic officials, including representatives of the Departments of Commerce and Treasury and the Board of Governors of the Federal Reserve System, to China to continue discussions about China's economy and economic reforms. Dr. Yellen also participated in the President's trip to China in June, and in November she traveled to Japan, as part of the President's official visit, to discuss Japan's economy and economic reforms.

The Council often represents the United States at international meetings and forums. It 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. Yellen serves as that committee's chair. Dr. Yellen also represented the United States at the 1998 OECD Ministerial and participated in the OECD's High Level Group on Sustainable Development. In 1998 Dr. Frankel participated in the OECD's Working Party 3 on macroeconomic policy coordination. Dr. Blank led the U.S. delegation to the OECD's Working Party 1, which focuses on budget and other microeconomic issues. Dr. Steven N. Braun, Director, Macroeconomic Forecasting at the Council, led the U.S. delegation to the OECD annual examination of the United States.

## MICROECONOMIC POLICIES

During 1998 the Council was an active participant in a range of microeconomic policy discussions. The Council participated in various interagency discussions on labor market issues, health care, education, urban issues, child care, statistical policy, and welfare reform. The Council also participated in working groups on the minimum wage, pensions, training initiatives for displaced workers, immigrant visas, unemployment insurance reform, and farm policy.

The Council was actively involved in the President's Initiative on Race. It coordinated the production and release of a document presenting important indicators of social and economic well-being by race and ethnicity for use by a national audience including educators and policymakers. In October the Council helped coordinate a major conference on racial trends in the United States, sponsored by the President's Initiative on Race and organized by the National Research Council.

In June 1998 the Council issued a report titled *Explaining Trends in the Gender Wage Gap*. The report concluded that although the gap between women and men's wages has narrowed substantially since the signing of the Equal Pay Act in 1963, a significant wage gap remains, which cannot be explained by differences between male and female workers in labor market experience and in the characteristics of jobs they hold.

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 provided background information for and participated in a review of merger effects and related policy issues, and participated in interagency reviews of competition and pricing in various sectors of the transportation market. Dr. Yellen testified before the Senate Judiciary Committee on the economic impact of

mergers in the United States. The Council also participated in a working group on consumer privacy policy, and in another group on natural disaster insurance. The Council worked to consider questions raised by proposed tobacco legislation. It was also engaged in issues related to the privatization of the U.S. Enrichment Corporation.

The Council has been active on several matters relating to telecommunications. It has worked with the Office of the Vice President to examine increases in growth and competition in the U.S. telecommunications industry, and participated in interagency working groups to review a variety of regulatory matters. The Council played an active role in developing the Administration's response to proposed legislation to reform the global satellite industry and worked with other agencies to develop competitive principles designed to increase consumer benefits from satellite communications. The Council took part in interagency efforts to increase competition and efficiency in electric power markets in a manner consistent with important environmental and social objectives.

The Council was active in a range of policy discussions on natural resources and the environment, including implementation of the Clean Air Act, as it applies to automobiles, power plants, and other pollution sources. It was involved in the development and analysis of the Administration's global climate change policy. After the negotiation of the Kyoto Protocol, the Council responded to requests from the Congress and the public to analyze the economic impact of the climate change agreement. The Council led the preparation and release of the Administration's economic analysis, titled *The Kyoto Protocol and the President's Policies to Address Climate Change: Administration Economic Analysis*, which was released in July. Dr. Yellen testified on six occasions before several House and Senate committees regarding the Administration's findings. The Council has been particularly active in developing and promoting plans for the international trading of emissions permits and other market mechanisms to achieve the targets of the Kyoto Protocol most efficiently. To advance these plans, Members and staff traveled to and consulted with officials from Argentina, China, France, and the Republic of Korea.

## 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, the Senior Advisor to the Council, five staff economists, and three research assistants. The professional staff and their areas of concentration at the end of 1998 were:

## *Chief of Staff and General Counsel*

Michele M. Jolin

### *Senior Economists*

Steven N. Braun .....	Director, Macroeconomic Forecasting
Douglas W. Elmendorf.....	Macroeconomics and Financial Markets
Elise H. Golan .....	Agriculture and Natural Resources
Stephen Polasky .....	Environment and Natural Resources
Cordelia W. Reimers .....	Labor, Social Policy, and Education
Nouriel Roubini.....	International Economics
Robert F. Schoeni .....	Labor, Social Policy, and Welfare
Howard A. Shelanski .....	Regulation, Industrial Organization, and Antitrust
Charles F. Stone .....	Macroeconomics and Editor, <i>Weekly Economic Briefing of the President</i>

### *Senior Advisor to the Council*

Joseph E. Aldy.....	Global Environment and Natural Resources
---------------------	--

### *Senior Statistician*

Catherine H. Furlong

### *Staff Economists*

Ryan D. Edwards .....	Macroeconomics
Quindi C. Franco .....	Environment and Natural Resources
Nora E. Gordon .....	Labor and Social Economics
Bert I. Huang .....	Labor and Microeconomics
Matthew R. McBrady .....	International Economics

### *Research Assistants*

Andrew R. Feldman.....	<i>Weekly Economic Briefing of the President</i> and Labor
Raymond P. Guiteras.....	<i>Weekly Economic Briefing of the President</i> and International Economics
Summer L. Scott.....	Macroeconomics

### *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 Office*

Catherine Fibich .....	Administrative Officer
------------------------	------------------------

#### *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 1999 *Economic Report*. Michael A. Toman, Resources for the Future, served as a consultant during the year.

Anne M. Piehl and Timothy Waidmann provided expertise in the preparation of a report prepared by the Council for the President's Initiative on Race entitled *Changing America: Indicators of Social and Economic Well-Being by Race and Hispanic Origin*. Jenepher W. Moseley provided editorial assistance in the preparation of this report.

Student interns during the year were Robert P. Bamsey, Gregory A. Bedard, Carol L. Capece, Michael A. Egner, Heather L. Jambrosic, Jason K. Nuzzo, Jenny E. Pippin, Annette M. Richter, Rachel E. Rubinfeld, Kristen M. Scarafia, Jasmin K. Sethi, and Matthew C. Weinzierl. The following student interns joined the Council in January to assist with the preparation of the *Economic Report*: Enrique J. Alonso, David S. Felman, Matthew S. Milner, and Nathaniel F. Stankard.

#### 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. Many of the senior economists who resigned during the year returned to their previous

affiliations. They are Christopher D. Carroll (The Johns Hopkins University), Aaron S. Edlin (University of California, Berkeley), Jon D. Haveman (Purdue University), and Sanders D. Korenman (Baruch College of the City University of New York). Keith O. Fuglie returned to the U.S. Department of Agriculture, and he has since accepted a position with the International Potato Center. Senior economists who resigned during the year and accepted new positions are Maria J. Hanratty (University of Minnesota), Randall W. Lutter (American Enterprise Institute and the AEI-Brookings Joint Center for Regulatory Studies), Adele C. Morris (Department of the Treasury), and Jeremy B. Rudd (Department of the Treasury).

Staff economists are generally graduate students who spend 1 year with the Council and then return to their universities to complete their dissertations. Those who returned to their graduate studies in 1998 are Mark R. Hopkins (University of Wisconsin-Madison) and Mark C. Rainey (Massachusetts Institute of Technology). Amy N. Finkelstein began graduate studies at the Massachusetts Institute of Technology and Sarah J. Reber at Harvard University. After serving as a research assistant at the Council, Zachary M. Candelario accepted a position at Mars and Company. Research assistants who began graduate studies in 1998 are Melissa A. Clark (Princeton University) and Ha Yan Lee (London School of Economics). Daniel K. Chang began studies at Georgetown University Law Center.

#### 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](http://www.access.gpo.gov/congress/cong002.html).