

Appendix A
REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 1994

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS
Washington, D.C., December 30, 1994

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 1994 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,

Laura D'Andrea Tyson, *Chair*
Joseph E. Stiglitz, *Member*
Martin N. Baily, *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
Alan S. Blinder	Member	July 27, 1993	June 26, 1994.
Laura D'Andrea Tyson	Chair	February 5, 1993	
Joseph E. Stiglitz	Member	July 27, 1993	

Report to the President on the Activities of the Council of Economic Advisers During 1994

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

Laura D'Andrea Tyson continued to chair the Council during 1994. Dr. Tyson, a member of the President's Cabinet, is on leave from the University of California, Berkeley, where she is Professor of Economics and Business Administration. As Chair, Dr. Tyson is responsible for communicating the Council's views on economic developments directly to the President through personal discussions and written reports.

Dr. Tyson also represents the Council at Cabinet meetings and various other high-level meetings including those of the National Security Council focusing on economic issues, deliberations of the National Economic Council, daily White House senior staff meetings, budget team briefings with the President, and many other formal and informal sessions with the President, senior White House staff, and other senior government officials. Dr. Tyson is also the Council's chief public spokesperson. She guides the work of the Council and exercises ultimate responsibility for the work of the professional staff.

The Members of the Council

Joseph E. Stiglitz is the other current Member of the Council of Economic Advisers. Dr. Stiglitz is on leave from Stanford University where he is the Joan Kenney Professor of Economics. The Council's other Member, Alan S. Blinder, left the Council upon his appointment by the President to be Vice Chairman of the Board of Governors of the Federal Reserve System. The President has nominated Martin Neil Baily to succeed Dr. Blinder as a Member of the Council. Dr. Baily is on leave from the University of Maryland where he is Professor of Economics. He currently serves as Dr. Tyson's chief macroeconomic adviser while awaiting a confirmation hearing before the Senate Banking Committee. Members of the

Council are involved in the full range of issues within the Council's purview and are responsible for the daily supervision of the work of the professional staff. Members represent the Council at a wide variety of interagency and international meetings and assume major responsibility for selecting issues for the Council's attention.

The small size of the Council permits the Chair and Members to work as a team on most policy issues. There continues to be, however, an informal division of subject matter among the Members. Dr. Stiglitz is primarily responsible for microeconomic and sectoral analysis and regulatory issues. Member-nominee Baily is primarily responsible for domestic and international macroeconomic analysis and economic projections. All three Members, under Dr. Tyson's lead, are also heavily involved in international trade issues. Finally, all three Council Members participate in the deliberations of the National Economic Council (NEC). Dr. Tyson is one of six members of the NEC Principals Committee.

MACROECONOMIC POLICIES

One of the primary functions of the Council is to advise the President on all major macroeconomic issues throughout the year. The Council prepared for the President, the Vice President, and the White House senior staff a comprehensive series of memoranda monitoring key economic indicators and analyzing current macroeconomic events. During 1994 the Council also prepared special analyses of economic policy issues and briefing papers on extraordinary economic events, such as California's Northridge earthquake disaster in January and the Mexican financial situation later in the year. Council senior economists also prepared in-depth studies of potential output, structural budget deficits, and a regular monitor of inflationary trends.

The Council played a leading role in discussions of macroeconomic policy issues with officials from the Department of the Treasury, the Office of Management and Budget (OMB), and other members of the President's economic policy team, and was a key participant in the formulation of the Administration's economic policies through various Cabinet and sub-Cabinet working groups. As part of this effort, the Council provided an economic assessment of various policy initiatives that are under discussion in the Congress, including the proposed balanced budget amendment to the Constitution (see Chapter 1), dynamic scoring of the budget (see Chapter 2), and welfare reform (see Chapter 1). The Council also carefully monitored the response of the interest-sensitive sectors of the economy to the series of monetary tightening steps taken by the Federal Reserve beginning in February.

The Council, the Department of the Treasury, and the OMB—the economic “Troika”—are responsible for producing the economic forecasts that underlie the Administration's budget proposals. The

Council, under the leadership of Dr. Baily collaborating with Dr. Tyson and Council senior economists, initiates the forecasting process twice each year. The first forecast is published in the summer as part of the Administration's mid-session budget review. In preparing the forecasts the Council solicits input from a wide variety of sources, and leading private sector forecasters visited the Council before each of the forecasting rounds to give their views on current conditions and the economic outlook.

At Dr. Tyson's direction, the Council established the President's Economic Policy Advisory Board, comprised of distinguished academic and other private sector economists. Members of the Board are recognized scholars in the fields of international trade, macroeconomics, microeconomics, labor markets, and financial markets. The Board meets approximately every 6 months to advise the Council and other high-ranking members of the Administration's economic policy team on current policy issues.

The Council continued its ongoing efforts to improve the general public's understanding of economic issues through regular briefings with the White House financial and general press corps, periodic discussions with distinguished outside economists and forecasters, presentations before civic groups, and meetings with business and labor leaders and with representatives from foreign countries. The Chair and the other Members made numerous presentations to outside organizations to explain the Administration's economic agenda. Dr. Tyson, Dr. Stiglitz, Dr. Blinder, and Dr. Baily also regularly exchanged views on the macroeconomy with the Chairman and Members of the Board of Governors of the Federal Reserve System.

Finally, the Council continued to work to improve the quality of government economic statistics. On several occasions the Council met with experts from other government agencies in seminars on topics ranging from the scope of forthcoming revisions to the national income statistics to measuring unemployment. The Council also sought increased funding for economic and demographic statistics in deliberations over Federal budget priorities.

INTERNATIONAL ECONOMIC POLICIES

International economic issues occupied much of the efforts of the Council in 1994. Dr. Tyson and the other Members helped formulate Administration policies that brought the Uruguay Round negotiations of the General Agreement on Tariffs and Trade to completion and subsequent Congressional approval. The Council also provided analyses of the implications of the Uruguay Round agreements and the North American Free Trade Agreement for the U.S. economy.

The Council was intensely involved in the preparatory work for the Administration's major regional initiatives at the November Asia-Pacific Economic Cooperation (APEC) meeting in Bogor, Indo-

nesia and the December Summit of the Americas in Miami, which Dr. Tyson attended. Dr. Tyson was actively involved in the negotiations under the U.S.-Japan Framework for a New Economic Partnership and in the ongoing examination of U.S. relations with China and its place in the world trading system.

The Council continued its active role in the Organization for Economic Cooperation and Development (OECD). The Council leads the U.S. delegation to the OECD's semiannual Economic Policy Committee meetings, and Dr. Tyson is the Committee's Chair. Dr. Baily was a member of the OECD's Working Party 3 on macroeconomic policy coordination. Dr. Stiglitz headed the U.S. delegation to OECD Working Party 1 on microeconomic and structural issues. Senior staff participated in Asia-Pacific experts' meetings in Sydney and Jakarta. The Council was also active in the preparations for the economic summit of the Group of Seven (G-7) nations in Naples which Dr. Tyson attended.

MICROECONOMIC POLICIES

The Council continued to participate actively in a broad range of Administration microeconomic initiatives in 1994. The breadth of this activity reflects the Administration's belief in the utility and significance of microeconomic policy.

Dr. Tyson and Dr. Stiglitz both served on the Administration's Welfare Reform Task Force, which developed the Work and Responsibility Act. Dr. Tyson also served on the Community Empowerment Board, the committee responsible for implementation of the empowerment zone and enterprise community provisions of the Omnibus Budget Reconciliation Act of 1993. Dr. Tyson was also a member of the Administration's Health Care Task Force, with particular responsibility for assessing the likely economic effects of various reform options. In addition, Dr. Tyson served as a member of the President's National Science and Technology Council (NSTC).

Dr. Stiglitz chaired the NSTC Subcommittee on Social and Economic Sciences Research under the NSTC Committee on Environment and Natural Resources, where he was a strong advocate for the application of research findings in economics and other social sciences to the policy development process. He is an active participant in the Intergovernmental Panel on Climate Change and is a lead author in its forthcoming report. Dr. Stiglitz has been particularly active in the Administration's environmental policymaking efforts. He also participated in an interagency working group formed to assess the condition of the oil and gas industry. In addition, Dr. Stiglitz served on the Administration's Natural Disaster Task Force, the Task Force on Floodplain Management, and the Earthquake Task Force.

Dr. Tyson and Dr. Stiglitz also played key roles in the Administration's reinventing government efforts, particularly with respect to the Departments of Energy, Transportation, and Housing and Urban Development. Dr. Stiglitz continued as co-chair of the subgroup on benefit-cost analysis of the Administration's Regulatory Working Group and co-chairs the working group on reviewing regulation of financial services. Dr. Tyson and Dr. Stiglitz have also been very active in the Administration's efforts to formulate policy in telecommunications; in June, Dr. Stiglitz supervised the preparation of a Council White Paper, titled "Economic Benefits of the Administration's Legislative Proposals for Telecommunications."

The Council has engaged in a number of efforts aimed at improving the Nation's agricultural and resource management policies. With the support of the Vice President's office, the Council and the Office of Science and Technology Policy initiated an interagency working group on bioenergy. This work included the evaluation of the prospective economic viability of bioenergy in future decades and strategies for research, development, and demonstration. The Council, primarily through Dr. Tyson and Dr. Stiglitz, has been a key participant in Administration deliberations on reauthorization of the farm bill.

WEEKLY ECONOMIC BRIEFINGS

Dr. Tyson continued to conduct an oral weekly economic briefing for the President, the Vice President, and the President's other principal economic advisers. The Council, in cooperation with the Office of the Vice President, prepares a written *Weekly Economic Briefing of the President*, which serves as the basis for the oral briefing. The briefing includes analyses of current economic developments, more extended treatments of a wide range of economic issues and problems, and summaries of news on different regions and sectors of the economy.

The Staff of the Council of Economic Advisers

The professional staff of the Council consists of the Chief of Staff, the Senior Statistician, thirteen senior economists, six staff economists, and two research assistants. The professional staff and their areas of concentration at the end of 1994 were:

Chief of Staff and General Counsel

Thomas P. O'Donnell

Senior Economists

Jonathan B. Baker	Regulation, Industrial Organization, and Law
S. Lael Brainard	International Economics
Robert S. Dohner	International Economics
Michael R. Donihue	Macroeconomics and Forecasting
Robert D. Innes	Agriculture
Sally M. Kane	Science and International Environmental Policy
David I. Levine	Labor, Welfare, and Education
Eileen Mauskopf	Macroeconomics and Finance
Mark J. Mazur	Public Finance
Ellen E. Meade	International Economics
Jay S. Stowsky	Science and Technology
Michael A. Toman	Environment and Natural Resources
David W. Wilcox	Macroeconomics and the <i>Weekly Economic Briefing of the President</i>

Senior Statistician

Catherine H. Furlong

Staff Economists

Kimberly A. Clausing	International Economics
Maya N. Federman	Labor, Education and Agriculture
Carolyn Fischer	Public Finance, Environment, and Natural Resources
Christopher L. Foote	Macroeconomics
F. Halsey Rogers	Macroeconomics and the <i>Weekly Economic Briefing of the President</i>
Eric D. Wolff	Industrial Organization, Regulation, and Technology

Senior Research Assistant

D. W. Clark Dees	International Economics and Macroeconomics
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Research Assistant

Timothy S. Simcoe

Statistical Office

Mrs. Furlong manages 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

Linda A. Reilly Statistical Assistant
Brian A. Amorosi Research Assistant
Margaret L. Snyder Secretary

The Administrative Office

Elizabeth A. Kaminski Administrative Officer
Catherine Fibich Administrative Assistant

Office of the Chair

Alice H. Williams Executive Assistant to the Chair
Sandra F. Daigle Executive Assistant to the Chair and
Assistant to the Chief of Staff
Lisa D. Branch Executive Assistant to Dr. Stiglitz
Francine P. Obermiller Executive Assistant to Dr. Baily

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 1995 *Economic Report*.

Robert E. Cumby, Georgetown University, and David M. Cutler, Harvard University, served as consultants during the year. Student interns during the year were Kristen E. Bowers, William P. Cowin, William B. Ferretti, James C. Hritz, Ethan D. Kaplan, Christina M. McCall, Michael G. Rand, Rachelle M. Rowe, Jesse Shapiro, Megan L. Shiflet, Adam R. Skilken, Nathan K. Sleeper, Megan R. Sweeney, Chi-Hwa Holly Tang, Anna R. Tryon, and Raymond A. Wolff.

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 resigned during the year returned to their previous affiliations. They are David M. Cutler (Harvard University), Warren E. Farb (Department of Commerce), Alan J. Krupnick (Resources for the Future), Erik R. Lichtenberg (University of Maryland), Marcus Noland (Institute for International Economics), and Matthew D. Shapiro (University of Michigan). Those going on to new positions were Robert E. Cumby (Georgetown University), William T. Dickens (The Brookings Institution), Constance R. Dunham (Office of the Comptroller of the Currency), Pamela F. Short (The

Rand Corporation), and Robert F. Wescott (International Monetary Fund).

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 1994 are Kevin C. Murdock (Stanford University), Jeremy B. Rudd (Princeton University), Elizabeth A. Schneirov (University of Wisconsin), and Darryl S. Wills (Massachusetts Institute of Technology) and Peter R. Orszag (London School of Economics). Kimberly J. O'Neill accepted a position with the National Economic Council/Domestic Policy Council.

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 distribution of approximately 10,000.