

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	J. Aldy to R. Lawrence, re Y2K and World Energy Markets (1 page)	11/30/1999	P3/b(3)

COLLECTION:

Clinton Presidential Records
Automated Records Management System [Email]
CEA (Robert Z. Lawrence)
OA/Box Number: 950000

FOLDER TITLE:

[11/24/1999 - 12/02/1999]

2014-0316-F
wr10772

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:24-NOV-1999 09:43:07.00

SUBJECT: Re: Final Draft of WTO Proposal

TO: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Good job

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: "Connolly_Marian ("Connolly_Marian/wo"@fs.fed.us [UNKNOWN])

CREATION DATE/TIME:24-NOV-1999 12:20:58.00

SUBJECT: Re[2]: roadless meeting agenda--November 29, 1999 2-4

TO: "Wood_Chris ("Wood_Chris/wo"@sv8.r1.fs.fed.us [UNKNOWN])
READ:UNKNOWN

TO: anne.kennedy@usda.gov (anne.kennedy@usda.gov [UNKNOWN])
READ:UNKNOWN

TO: jeremy.anderson@usda.gov (jeremy.anderson@usda.gov [UNKNOWN])
READ:UNKNOWN

TO: "Diaz-Soltero_Hilda ("Diaz-Soltero_Hilda/wo"@sv8.r1.fs.fed.us [UNKNOWN])
READ:UNKNOWN

TO: Tammy D. Croote (CN=Tammy D. Croote/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TO: Chris_Nolin@fws.gov (Chris_Nolin@fws.gov [UNKNOWN])
READ:UNKNOWN

TO: Peter.Coppelman@usdoj.gov (Peter.Coppelman@usdoj.gov [UNKNOWN])
READ:UNKNOWN

TO: "aferlo ("aferlo/wo"@sv8.r1.fs.fed.us [UNKNOWN])
READ:UNKNOWN

TO: craig.johnson@noaa.gov (craig.johnson@noaa.gov [UNKNOWN])
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TO: Thomas Brumm (CN=Thomas Brumm/OU=CEQ/O=EOP [CEQ])
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TO: Rosina M. Bierbaum (CN=Rosina M. Bierbaum/OU=OSTP/O=EOP [OSTP])
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TO: Donald R. Arbuckle (CN=Donald R. Arbuckle/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: "mconnolly ("mconnolly/wo"@sv8.r1.fs.fed.us [UNKNOWN])
READ:UNKNOWN

TO: "Conroy_Scott ("Conroy_Scott/wo"@sv8.r1.fs.fed.us [UNKNOWN])
READ:UNKNOWN

TO: "Ferlo_Al ("Ferlo_Al/wo"@sv8.r1.fs.fed.us [UNKNOWN])
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READ:UNKNOWN

TO: John.Watts@usdoj.gov (John.Watts@usdoj.gov [UNKNOWN])
READ:UNKNOWN

TO: "jfurnish ("jfurnish/wo"@sv8.r1.fs.fed.us [UNKNOWN])
READ:UNKNOWN

TO: don.knowles@noaa.gov (don.knowles@noaa.gov [UNKNOWN])
READ:UNKNOWN

TO: wanda.cain@noaa.gov (wanda.cain@noaa.gov [UNKNOWN])
READ:UNKNOWN

TO: Louise.Milkman@usdoj.gov (Louise.Milkman@usdoj.gov [UNKNOWN])
READ:UNKNOWN

TO: jennifer.smith@sba.gov (jennifer.smith@sba.gov [UNKNOWN])
READ:UNKNOWN

TO: suriano.elaine@epa.gov (suriano.elaine@epa.gov [UNKNOWN])

READ:UNKNOWN

CC: "Anderson_Betty ("Anderson_Betty/wo"@sv8.r1.fs.fed.us [UNKNOWN])

READ:UNKNOWN

TEXT:

Here is the preliminary assessment of the regulatory analyses and documentation that we believe will and will not be required on the roadless initiative for discussion at the Monday November 29 meeting. Julia is transmitting the timeline by separate e-mail. Marian Connolly

Marian P. Connolly

Branch Chief, Directives & Regulations

Information Resources Management Staff

Phone Number: (703) 605-4533

Fax Number: (703) 605-5111

Internet Address: mconnoll/wo@fs.fed.us

- reg_requirements_prelim_assessment_11_24_99From: Wood_Chris/wo@sv8

Subject: Re: roadless meeting agenda

To: Leigh_L._Linden@cea.eop.gov, Robert_Z._Lawrence@cea.eop.gov, Donald_R._Arbuckle@omb.eop.gov, Jefferson_B._Hill@omb.eop.gov, suriano.elaine@epa.gov, sanderson.dick@epa.gov, jennifer.smith@sba.gov, jere.glover@sba.gov, Stuart_R._Kasdin@omb.eop.gov, Elwood_Holstein@omb.eop.gov, tmuir@ostp.eop.gov, rbierbau@ostp.eop.gov, Louise.Milkman@usdoj.gov, Dinah_Bear@ceq.eop.gov, Thomas_Brumm@ceq.eop.gov, wanda.cain@noaa.gov, craig.johnson@noaa.gov, don.knowles@noaa.gov, aferlo/wo@sv8, jfurnish/wo@sv8, anne.kennedy@usda.gov, Wood_Chris/wo@sv8, John.Watts@usdoj.gov, Peter.Coppelman@usdoj.gov, Gary_D_Frazer@fws.gov, Chris_Nolin@fws.gov, John_Fay@fws.gov, Tammy_D._Croote@omb.eop.gov, Riber_Julia/wo@sv8, Diaz-Soltero_Hilda/wo@sv8, Ferlo_Al/wo@sv8, jeremy.anderson@usda.gov, Conroy_Scott/wo@sv8, anne.kennedy@usda.gov, mconnolly/wo@sv8

MIME-version: 1.0

Content-type: multipart/mixed;

boundary="Boundary_(ID_LTGzX7CwUzyTNXIH3/sJRA)"

Meeting notice of the next interagency review team. Attached as message text and

as an attachment. Tammy have I missed anyone?

Background documents will be sent Wednesday or Fridayby either Julia Riber or

Marian Connolly in advance of the Monday meeting.

Happy Thanksgiving to all!

INTERAGENCY REVIEW TEAM MEETING AGENDA

November 29, 1999, 2-4pm

Location

Chief's Conference Room, 2d Floor, USDA Forest Service, Yates Building, corner of 14th and Independence Aves. SW, Washington, D.C., (no clearance needed to enter building).

Purpose of the meeting

- 1) Discuss preliminary thinking on "purpose and need"
- 2) Review and discuss the regulatory analyses requirements of rulemaking and
- 3) Review and discuss the environmental analyses requirements of rulemaking.

Expected outcomes

The meeting will begin the dialogue on the purpose and need for action and lead to a better understanding of the substantive regulatory and environmental analyses the agency is preparing to undertake as part its roadless rulemaking.

Each agency should decide whether policy or technical representatives, or both should attend the meeting.

Agenda

- I. Discussion of purpose and need: Jim Furnish/Chris Wood/Julia Riber
- II. Regulatory analyses requirements: Marion Connelly
- III. Environmental analyses requirements: Julia Riber

Next meeting preview (December 13, 1999)

In-depth discussion of the project timeline.

- roadless_interagency_mtg_2.doc===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D23]ARMS26616893J.336 to ASCII, The following is a HEX DUMP:

===== END ATTACHMENT 2 =====

**REGULATORY REQUIREMENTS
FOR ROADLESS RULEMAKING
PRELIMINARY ASSESSMENT
11/22/1999**

Introduction

The Forest Service has conducted a preliminary assessment of the analyses likely to be required for the proposed rule on roadless areas. These requirements will be dealt with either through integration into the analysis for the environmental impact statement, through a stand-alone analysis, or addressed in a certification statement in the proposed rule. The regulatory analysis requirements are expected to be the same for the final rule, unless modified on the basis of public comment on the proposed rule and draft environmental impact statement.

The attached table summarizes the required regulatory analyses or actions by four categories:

- Economic impacts;
- Impacts on states, counties, and tribal governments;
- Impacts on individuals and entities;
- Rule drafting and design.

The agency's preliminary assessment is that many of the regulatory requirements can be addressed through certifications in the proposed rule and will not require further analysis in the EIS or stand-alone documentation. Where further analysis is required, the Forest Service will work closely with the appropriate staffs in the Department of Agriculture and as appropriate interagency partners.

A timeline is attached for both the environmental impact statement and the proposed rule. The regulatory certifications and regulatory analyses will be occurring concurrently with the development of the draft and final environmental impact statement.

Summary of Preliminary Assessment

Table 1 displays the regulatory requirements that are not likely to require any action beyond certification in the notice of proposed rulemaking. The economic impacts of this proposed rule are believed to be well below \$100 million annually. The proposed rule is not likely to impose any direct costs on state, local, or tribal governments, to affect private property rights, or to levy paperwork requirements are anticipated.

Table 2 displays the analyses that are likely to be required in the rulemaking process. A cost-benefit analysis is required by both E.O. 12866 and Departmental Regulation 1512-1. The DR 1512-1 also requires a Civil Rights Impact Analysis. The information necessary to conduct both analyses will be collected and analyzed as part of the social and economic analysis in the draft environmental impact statement. The Forest Service will be working closely with the Department's Office of Civil Rights, the Office of Budget and Program Analysis, and the Office of the Chief Economist throughout the development and completion of these analyses.

Table 1. Analyses Not Likely to be Required for the Proposed Roadless Areas Rule

Category	Authority	Required Analysis/Action	Roadless Areas NPR Required Documentation
Economic Impacts	E.O. 12866 (Regulatory Planning and Review)	Regulatory impact assessment (if rule is Economically Significant or Major)	Certification in proposed rule
	Federal Crop Insurance Reform and Department of Agriculture Reorganization Act	Risk assessment (if rule is designated Major)	Certification in proposed rule
	Regulatory Flexibility Act, as amended by SBREFA	Regulatory Flexibility Analysis (assess burden on small entities; e.g., businesses, governments, non-profit organizations)	Certification in proposed rule
Impacts on States, Counties, and Tribal Governments	Unfunded Mandates Reform Act	Federalism Summary Impact Statement (If rule has federalism implications, imposes substantial direct compliance costs on state & local governments and is not required by statute)	Certification in proposed rule
	E.O. 13132 (Federalism)	Supplement unfunded mandates assessment	Certification in proposed rule
	E.O. 12875 (Government Partnerships)	Assess for unfunded mandates	Certification in proposed rule
	Paperwork Reduction Act	Assess reporting requirements & burdens (Prepare clearance package if rule requires information collection.)	Certification in proposed rule

Impacts on Individuals or Entities	Regulatory Flexibility Act (See Economic Impacts Category)	Assess burden on small entities (see Economic Impacts Category)	Certification in proposed rule
	E.O. 12630 (No Takings)	Assess risk of taking private property	Certification in proposed rule (OGC may decide to prepare an assessment to be kept in the files – not published.)
	E.O. 12606 (Regulatory Impacts on Families)	Assess effects on families	None
	Paperwork Reduction Act	Assess reporting requirements & burdens	Certification in proposed rule
Rule Drafting/Design	Presidential Memo on Plain Language	Apply principles of Plain Language	None
	Civil Justice Reform Act	Draft rules with clear standards, etc. (Litigation proofing)	Certification in proposed rule

Table 2. Analyses Likely to Be Required for the Proposed Rule

Category	Authority	Required Analysis/Action	Required Documentation
Economic Impacts	E.O. 12866 Regulatory Planning and Review, Sec. 6a, 3B(ii)	Consideration of potential costs and benefits	May be integrated into DEIS, be a separate document, or be addressed in the proposed rule
	Department Regulation 1512-1	Cost-benefit analysis	May be integrated into DEIS, be a separate document, or be addressed in the proposed rule
Impacts on States, Counties, and Tribal Governments	Department Regulation 1512-1	Civil Rights Impact Analysis	May be integrated into DEIS or be a separate document
Impacts on Individuals or Entities	Department Regulation 1512-1	Civil Rights Impact Analysis	May be integrated into DEIS or be a separate document

List of Regulatory Requirements

Department Regulation 1512-1

The regulation requires a cost-benefit analysis for any proposed rule determined to be of “other significance” by OMB. The DR also requires a civil rights impact analysis (CRIA) “when an agency head determines that a decision is a major policy action having a significant civil rights impact.” Although, the DR limits the preparation of a CRIA for those actions having a significant civil rights impact, in practice, the Office of Civil Rights is requiring a CRIA on any rulemaking designated as significant.

Executive Order 12606: Regulatory Impact on Families

For rules that may have a significant impact on family formation, maintenance, and general well-being, agencies must assess those impacts according to “considerations enumerated in the Executive Order.”

Executive Order 12630: No Takings

Requires an agency to determine if a proposed action poses the risk of taking of Constitutionally protected private property.

Executive Order 12866: Regulatory Planning and Review

Requires a workplan (which includes a complete and detailed description of contemplated regulatory action) to be submitted to OMB; sets out procedures for compliance with the Paperwork Reduction Act of 1995, and requires a regulatory impact assessment for major or economically significant rules, according to OMB guidelines.

Executive Order 12875: Enhancing Intergovernment Partnerships

Requires a federal agency “that imposes unfounded mandates upon State, local, or tribal governments through a regulation that is not specifically required by statute” to assure that necessary funds are available to pay direct costs and to describe the extent of the agency’s prior consultations with affected units of government.

Executive Order 12988, Section 3: Civil Justice Reform

Requires agencies to adhere to certain requirements in the development of new and revised regulation to avoid unduly burdening the court system, including use of clear language and clear legal standards.

Executive Order 13132: Federalism

Requires enhanced consultation with state and local officials.

Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (Public Law 103-354)

Requires a risk assessment and additional cost-benefit analysis for any major regulation (a regulation determined to have an annual impact on the economy of the United States of \$100 million in 1994 dollars).

Paperwork Reduction Act of 1995 (Public Law 104-13) and 5 CFR Part 1320 (Controlling Paperwork Burdens on the Public)

Requires an assessment of whether the rulemaking will impose record keeping or reporting requirements on the public. If information collection requirements are determined to be part of the rule, certain public commenting procedures must be followed as well as an information collection package prepared for OMB review.

Regulatory Flexibility Act (5 U.S.C. 601-612)

Requires an evaluation of whether a rule will have a significant economic impact on a substantial number of small entities.

Small Business Regulatory Enforcement Fairness Act of 1996 (Title II of Public Law 104-121) (SBFRA)

SBFRA amends the Regulatory Flexibility Act to provide for small entities that are adversely affected or aggrieved by final agency action the right to seek judicial review of the agency's compliance with various requirements of the Regulatory Flexibility Act. In addition, sets out Congressional review procedures for final rules.

Unfunded Mandates Reform Act of 1995, Title II (Public Law 104-4, 109 Stat. 64))

Requires a cost-benefit analysis for any proposed rule that may result in the expenditure of \$100 million or more annually by any state, local, or tribal governments in the aggregate, or by the private sector.

INTERAGENCY REVIEW TEAM MEETING AGENDA

November 29, 1999, 2-4pm

Location

Chief's Conference Room, 2d Floor, USDA Forest Service, Yates Building, corner of 14th and Independence Aves. SW, Washington, D.C., (no clearance needed to enter building).

Purpose of the meeting

- 1) Discuss preliminary thinking on "purpose and need"
- 2) Review and discuss the regulatory analyses requirements of rulemaking and
- 3) Review and discuss the environmental analyses requirements of rulemaking.

Expected outcomes

The meeting will begin the dialogue on the purpose and need for action and lead to a better understanding of the substantive regulatory and environmental analyses the agency is preparing to undertake as part its roadless rulemaking. Each agency should decide whether policy or technical representatives, or both should attend the meeting.

Agenda

- I. Discussion of purpose and need: Jim Furnish/Chris Wood/Julia Riber
- II. Regulatory analyses requirements: Marion Connelly
- III. Environmental analyses requirements: Julia Riber

Next meeting preview (December 13, 1999)

In-depth discussion of the project timeline.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: "Riber_Julia ("Riber_Julia/wo"@fs.fed.us [UNKNOWN])

CREATION DATE/TIME:26-NOV-1999 12:33:11.00

SUBJECT: Roadless Meeting Materials

TO: "mconnolly ("mconnolly/wo"@sv8.r1.fs.fed.us [UNKNOWN])

READ:UNKNOWN

TO: "Conroy_Scott ("Conroy_Scott/wo"@sv8.r1.fs.fed.us [UNKNOWN])

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TO: "Diaz-Soltero_Hilda ("Diaz-Soltero_Hilda/wo"@sv8.r1.fs.fed.us [UNKNOWN])

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READ:UNKNOWN

TO: suriano.elaine@epa.gov (suriano.elaine@epa.gov [UNKNOWN])
READ:UNKNOWN

TEXT:

Attached are two of the background documents that Chris mentioned in his earlier

message: An overview of the legal requirements associated with the NEPA analysis and a summary timeline. These documents are in addition to the document sent by Marian Connolly earlier.

Julia Riber

Assistant Project Leader, Roadless EIS

202-205-1017

julia.riber/wo@fs.fed.us

- NEPAlegal_requirements_112699.doc - roadless_eis_overview.ppt===== ATTACHMENT 1
=====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D21]ARMS29000804C.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 2 =====

**LEGAL COMPLIANCE REQUIREMENTS
ASSOCIATED WITH ENVIRONMENTAL ANALYSES
FOR THE ROADLESS EIS,
PRELIMINARY ASSESSMENT**

Introduction

The Forest Service has conducted a preliminary assessment of what analyses are likely to be required for compliance with the principal laws relating to Forest Service activities in conjunction with the National Environmental Policy Act (NEPA) analysis of Roadless Areas. This preliminary assessment will be revisited after completion of the scoping period and again after the close of comment period for the Draft Environmental Impact Statement (EIS).

The attached tables list the principal laws and Executive orders that will likely be considered during the analysis for the Rule and EIS. The laws listed were identified by the EIS team based on their experience with other NEPA analyses or have been identified by the public during scoping. This preliminary assessment concludes that many of the legal requirements can be addressed through findings associated with the NEPA analyses and will not require additional in-depth analyses, consultation or responsive or mitigating action in the EIS. Where further analysis or consultation is required, the Forest Service will work closely with the appropriate staffs in the Forest Service, Department of Agriculture, and as appropriate, interagency partners.

Summary of Preliminary Assessment

Table 1 displays the legal requirements that are not likely to require any action beyond documentation that the requirement was considered during analysis. It is anticipated that the Roadless EIS will disclose the effects of implementing a policy that limits road construction and reconstruction in inventoried roadless areas and provides a process to determine the appropriate level of protection for unroaded areas that have not yet been inventoried. All actions are expected to be programmatic. There will be no ground disturbing activities initiated by this rulemaking and its accompanying environmental impact statement and record of decision. This federal action will not change the current environmental baseline. Subsequent project analyses by the Forest Service under the requirements of the National Forest Management Act and the NEPA will have to be done before a project may go forward. Therefore, no further consultation will be necessary for the agency to meet these legal requirements.

Table 2 displays the legal requirements that are likely to require additional analyses and documentation or consultation during the rulemaking and environmental analysis process. Of special note, a Biological Assessment will be prepared for all threatened, endangered, and proposed species and consultation with National Marine Fisheries Service (NMFS) and the Fish and Wildlife Service (FWS) will be requested in compliance with the Endangered Species Act. Based on the results of our consultations with NMFS and FWS for the Interim Rule Suspending Road Construction in Unroaded Areas of National Forest System Land, we anticipate that formal consultation will not be required.

Table 1. Legal requirements that are not likely to require any action beyond documentation that the requirement was considered during analysis.

Administrative Procedures Act of 1966
American Indian Religious Freedom Act of 1978
Americans with Disabilities Act of 1990
Antiquities Act of 1906
Archeological Resources Protection Act of 1979
Clean Air Act (Section 309 as amended)
Coastal Zone Management Act of 1972
Eastern Wilderness Act of 1975
Federal Advisory Committee Act of 1972
Federal Land Policy Management Act of 1976
Federal Noxious Weed Act of 1974
Flood Plains and Wetlands (Executive Orders 11988 and 11990)
Magnuson-Stevens Fishery Conservation And Management Act of 1996
Mining Law of 1872
Multiple Use and Sustained Yield Act of 1960
National Environmental Policy Act of 1969, as amended
National Forest Roads and Trails Act of 1964
National Forest Management Act of 1976
National Historic Preservation Act of 1966
National Trails System Act of 1968, as amended
Protection and Enhancement of Environmental Quality (Executive Order 11514, as amended by Executive Order 11991)
1998 Supplemental Appropriations Rescission Act
Tongass Timber Reform Act of 1990
Transportation Equity Act for the 21 st Century, 1998
Treaty Rights
Twenty Five Percent Fund of 1908
Use of Off Road Vehicles (Executive orders 11644/11989 as amended by 12608)
Wild and Scenic Rivers Act of 1998

Table 2. Legal requirements that are likely to require analysis and/or consultation during the rulemaking and environmental analysis process.

Authority	Roadless Area EIS Anticipated Documentation and Other
Alaska National Interest Land Conservation Act of 1980	Response to comments, analysis in the EIS and finding in the Rule
Clean Water Act of 1977	Analysis in the EIS and finding in the Rule Potential consultation with EPA
Endangered Species Act of 1973	Analysis in the EIS, Biological Assessment, Informal Consultation with USFWS and NMFS
Environmental Justice (Executive Order 12898)	Analysis in the EIS, finding in the Rule
Revised Statute 2477 (U.S.C. 932)	Response to comments, analysis in the EIS, and finding in the Rule
1998 Supplemental Appropriations Rescissions Act	Analysis in the EIS and finding in the Rule
Wilderness Act of 1964, and State Wilderness Act provisions regarding future state-wide reviews, release and LRMP revision review of wilderness.	Response to comments, analysis of State Wilderness Acts in the EIS and finding in the Rule.

**Clinton Presidential Records
Automated Records Management
System [EMAIL]**

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Hex Dump file is not in a recognizable format, has been incorrectly decoded or is damaged.

File Name: p_i3153154_cea_html_1.msoff

Attachment Number: [ATTACH.D73]ARMS25513513J.336

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: "Aaron_Goldzimer ("Aaron_Goldzimer/Student/KSG"@ksg.harvard.edu [UNKNOWN])

CREATION DATE/TIME:26-NOV-1999 12:48:42.00

SUBJECT: WTO Forum

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TEXT:

Dear Prof. Lawrence:

I am trying to arrange a Forum event on trade, the WTO, and Seattle. I have conceptualized the following possible format for the panel:

 Yourself.

 Dani Rodrik.

 Lori Wallach (one of the most prominent U.S. NGO critics of "free trade",

 from Public Citizen's Global Trade Watch).

 (Perhaps) another NGO representative.

Dani Rodrik, Lori Wallach, and the Forum are tentatively available for December

14. Lori is willing to recommend and help bring another NGO representative if necessary. If this date proves unmanageable, we can also think about postponing until February.

Would you be willing and able to participate? Would you be available on December 14?

If you are unable to participate, could you suggest or help attract some other prominent trade-related person from the Administration, Congress, or the private sector?

Aaron Goldzimer

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:26-NOV-1999 15:54:31.00

SUBJECT: Bolivia trip

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

FYI. The climate change trip to Bolivia has been postponed to some time in January. I suggest that we continue the approach of considering CEA participation based on status and timing of ERP schedule as the date nears.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: "Riber_Julia ("Riber_Julia/wo"@fs.fed.us [UNKNOWN])

CREATION DATE/TIME:26-NOV-1999 12:33:01.00

SUBJECT: Roadless Meeting Materials

TO: "mconnolly ("mconnolly/wo"@sv8.r1.fs.fed.us [UNKNOWN])

READ:UNKNOWN

TO: "Conroy_Scott ("Conroy_Scott/wo"@sv8.r1.fs.fed.us [UNKNOWN])

READ:UNKNOWN

TO: "Diaz-Soltero_Hilda ("Diaz-Soltero_Hilda/wo"@sv8.r1.fs.fed.us [UNKNOWN])

READ:UNKNOWN

TO: Tammy D. Croote (CN=Tammy D. Croote/OU=OMB/O=EOP [OMB])

READ:UNKNOWN

TO: Chris_Nolin@fws.gov (Chris_Nolin@fws.gov [UNKNOWN])

READ:UNKNOWN

TO: Peter.Coppelman@usdoj.gov (Peter.Coppelman@usdoj.gov [UNKNOWN])

READ:UNKNOWN

TO: anne.kennedy@usda.gov (anne.kennedy@usda.gov [UNKNOWN])

READ:UNKNOWN

TO: "aferlo ("aferlo/wo"@sv8.r1.fs.fed.us [UNKNOWN])

READ:UNKNOWN

TO: craig.johnson@noaa.gov (craig.johnson@noaa.gov [UNKNOWN])

READ:UNKNOWN

TO: Thomas Brumm (CN=Thomas Brumm/OU=CEQ/O=EOP [CEQ])

READ:UNKNOWN

TO: Dinah Bear (CN=Dinah Bear/OU=CEQ/O=EOP [CEQ])

READ:UNKNOWN

TO: Rosina M. Bierbaum (CN=Rosina M. Bierbaum/OU=OSTP/O=EOP [OSTP])

READ:UNKNOWN

TO: Thomas A. Muir (CN=Thomas A. Muir/OU=OSTP/O=EOP [OSTP])

READ:UNKNOWN

TO: Elwood Holstein (CN=Elwood Holstein/OU=OMB/O=EOP [OMB])

READ:UNKNOWN

TO: Stuart R. Kasdin (CN=Stuart R. Kasdin/OU=OMB/O=EOP [OMB])

READ:UNKNOWN

TO: jere.glover@sba.gov (jere.glover@sba.gov [UNKNOWN])
READ:UNKNOWN

TO: sanderson.dick@epa.gov (sanderson.dick@epa.gov [UNKNOWN])
READ:UNKNOWN

TO: Jefferson B. Hill (CN=Jefferson B. Hill/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TO: Donald R. Arbuckle (CN=Donald R. Arbuckle/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: "Wood_Chris ("Wood_Chris/wo"@sv8.r1.fs.fed.us [UNKNOWN])
READ:UNKNOWN

TO: jeremy.anderson@usda.gov (jeremy.anderson@usda.gov [UNKNOWN])
READ:UNKNOWN

TO: "Riber_Julia ("Riber_Julia/wo"@sv8.r1.fs.fed.us [UNKNOWN])
READ:UNKNOWN

TO: John_Fay@fws.gov (John_Fay@fws.gov [UNKNOWN])
READ:UNKNOWN

TO: Gary_D_Frazer@fws.gov (Gary_D_Frazer@fws.gov [UNKNOWN])
READ:UNKNOWN

TO: John.Watts@usdoj.gov (John.Watts@usdoj.gov [UNKNOWN])
READ:UNKNOWN

TO: "jfurnish ("jfurnish/wo"@sv8.r1.fs.fed.us [UNKNOWN])
READ:UNKNOWN

TO: don.knowles@noaa.gov (don.knowles@noaa.gov [UNKNOWN])
READ:UNKNOWN

TO: wanda.cain@noaa.gov (wanda.cain@noaa.gov [UNKNOWN])
READ:UNKNOWN

TO: Louise.Milkman@usdoj.gov (Louise.Milkman@usdoj.gov [UNKNOWN])
READ:UNKNOWN

TO: jennifer.smith@sba.gov (jennifer.smith@sba.gov [UNKNOWN])
READ:UNKNOWN

TO: suriano.elaine@epa.gov (suriano.elaine@epa.gov [UNKNOWN])
READ:UNKNOWN

TEXT:

Attached are two of the background documents that Chris mentioned in his earlier

message: An overview of the legal requirements associated with the NEPA analysis and a summary timeline. These documents are in addition to the document sent by Marian Connolly earlier.

Julia Riber

Assistant Project Leader, Roadless EIS

202-205-1017

julia.riber/wo@fs.fed.us

- NEPAlegal_requirements_112699.doc - roadless_eis_overview.ppt===== ATTACHMENT 1

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D17]ARMS209997041.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 2 =====

**LEGAL COMPLIANCE REQUIREMENTS
ASSOCIATED WITH ENVIRONMENTAL ANALYSES
FOR THE ROADLESS EIS,
PRELIMINARY ASSESSMENT**

Introduction

The Forest Service has conducted a preliminary assessment of what analyses are likely to be required for compliance with the principal laws relating to Forest Service activities in conjunction with the National Environmental Policy Act (NEPA) analysis of Roadless Areas. This preliminary assessment will be revisited after completion of the scoping period and again after the close of comment period for the Draft Environmental Impact Statement (EIS).

The attached tables list the principal laws and Executive orders that will likely be considered during the analysis for the Rule and EIS. The laws listed were identified by the EIS team based on their experience with other NEPA analyses or have been identified by the public during scoping. This preliminary assessment concludes that many of the legal requirements can be addressed through findings associated with the NEPA analyses and will not require additional in-depth analyses, consultation or responsive or mitigating action in the EIS. Where further analysis or consultation is required, the Forest Service will work closely with the appropriate staffs in the Forest Service, Department of Agriculture, and as appropriate, interagency partners.

Summary of Preliminary Assessment

Table 1 displays the legal requirements that are not likely to require any action beyond documentation that the requirement was considered during analysis. It is anticipated that the Roadless EIS will disclose the effects of implementing a policy that limits road construction and reconstruction in inventoried roadless areas and provides a process to determine the appropriate level of protection for unroaded areas that have not yet been inventoried. All actions are expected to be programmatic. There will be no ground disturbing activities initiated by this rulemaking and its accompanying environmental impact statement and record of decision. This federal action will not change the current environmental baseline. Subsequent project analyses by the Forest Service under the requirements of the National Forest Management Act and the NEPA will have to be done before a project may go forward. Therefore, no further consultation will be necessary for the agency to meet these legal requirements.

Table 2 displays the legal requirements that are likely to require additional analyses and documentation or consultation during the rulemaking and environmental analysis process. Of special note, a Biological Assessment will be prepared for all threatened, endangered, and proposed species and consultation with National Marine Fisheries Service (NMFS) and the Fish and Wildlife Service (FWS) will be requested in compliance with the Endangered Species Act. Based on the results of our consultations with NMFS and FWS for the Interim Rule Suspending Road Construction in Unroaded Areas of National Forest System Land, we anticipate that formal consultation will not be required.

Table 1. Legal requirements that are not likely to require any action beyond documentation that the requirement was considered during analysis.

Administrative Procedures Act of 1966
American Indian Religious Freedom Act of 1978
Americans with Disabilities Act of 1990
Antiquities Act of 1906
Archeological Resources Protection Act of 1979
Clean Air Act (Section 309 as amended)
Coastal Zone Management Act of 1972
Eastern Wilderness Act of 1975
Federal Advisory Committee Act of 1972
Federal Land Policy Management Act of 1976
Federal Noxious Weed Act of 1974
Flood Plains and Wetlands (Executive Orders 11988 and 11990)
Magnuson-Stevens Fishery Conservation And Management Act of 1996
Mining Law of 1872
Multiple Use and Sustained Yield Act of 1960
National Environmental Policy Act of 1969, as amended
National Forest Roads and Trails Act of 1964
National Forest Management Act of 1976
National Historic Preservation Act of 1966
National Trails System Act of 1968, as amended
Protection and Enhancement of Environmental Quality (Executive Order 11514, as amended by Executive Order 11991)
1998 Supplemental Appropriations Rescission Act
Tongass Timber Reform Act of 1990
Transportation Equity Act for the 21 st Century, 1998
Treaty Rights
Twenty Five Percent Fund of 1908
Use of Off Road Vehicles (Executive orders 11644/11989 as amended by 12608)
Wild and Scenic Rivers Act of 1998

Table 2. Legal requirements that are likely to require analysis and/or consultation during the rulemaking and environmental analysis process.

Authority	Roadless Area EIS Anticipated Documentation and Other
Alaska National Interest Land Conservation Act of 1980	Response to comments, analysis in the EIS and finding in the Rule
Clean Water Act of 1977	Analysis in the EIS and finding in the Rule Potential consultation with EPA
Endangered Species Act of 1973	Analysis in the EIS, Biological Assessment, Informal Consultation with USFWS and NMFS
Environmental Justice (Executive Order 12898)	Analysis in the EIS, finding in the Rule
Revised Statute 2477 (U.S.C. 932)	Response to comments, analysis in the EIS, and finding in the Rule
1998 Supplemental Appropriations Rescissions Act	Analysis in the EIS and finding in the Rule
Wilderness Act of 1964, and State Wilderness Act provisions regarding future state-wide reviews, release and LRMP revision review of wilderness.	Response to comments, analysis of State Wilderness Acts in the EIS and finding in the Rule.

**Clinton Presidential Records
Automated Records Management
System [EMAIL]**

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Hex Dump file is not in a recognizable format, has been incorrectly decoded or is damaged.

File Name: p_b4080008_cea_html_2.msoff

Attachment Number: [ATTACH.D21]ARMS22100804D.336

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: robert lawrence & nicole reindorf <lawdorf@erols.com> (robert lawrence & nicole reindorf <lawdorf@erols.com> [UNKNOWN])

CREATION DATE/TIME:28-NOV-1999 17:45:31.00

SUBJECT: [Fwd: (no subject)]

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

Return-path: director@icrier.res.in

Received: from mx01.mrf.mail.rcn.net ([207.172.4.50]) by mta02.mrf.mail.rcn.net (InterMail vM.4.01.02.00 201-229-116) with ESMTP id <19991119073257.DE0014559.mta02.mrf.mail.rcn.net@mx01.mrf.mail.rcn.net> for <lawdorf@mta.mrf.mail.rcn.net>; Fri, 19 Nov 1999 02:32:57 -0500

Received: from [203.197.216.2] (helo=mama.icrier.res.in) by mx01.mrf.mail.rcn.net with esmtp (Exim 2.12 #3) id 11oiXQ-000173-00 for Lawdorf@erols.com; Fri, 19 Nov 1999 02:32:56 -0500

Received: from (icrier.res.in) [203.197.216.5] by mama.icrier.res.in with esmtp (Exim 2.05 #1 (Debian)) id 11oiZR-0000DV-00; Fri, 19 Nov 1999 13:05:01 +0530

Date: Fri, 19 Nov 1999 13:03:25 +0800

From: "Dr. Isher Judge Ahluwalia" <director@icrier.res.in>

Subject: (no subject)

To: Lawdorf@erols.com

Message-id: <3834DA1C.2A5004D7@icrier.res.in>

Organization: ICRIER

MIME-version: 1.0

X-Mailer: Mozilla 4.61 [en] (Win95; I)

Content-type: text/plain; charset=iso-8859-1

Content-transfer-encoding: QUOTED-PRINTABLE

X-Accept-Language: en

November 18, 1999

Dear Robert,

I am writing to make a special request to you to deliver two public lectures on topics of your choice in the broad area of globalisation, trade and macro economic management some time this winter (i.e., December ?99 to March ?00). This is at the request of Jawaharlal Nehru Institute for Development Banking (JNIDB). I am on the Board of Governors of this Institute and am writing to you in that capacity. One of the lectures would be the first JNIDB annual lecture at Hyderabad, and the second one will be in Bombay, hosted by the Industrial Development Bank of India.

The Institute will provide business class airfare for you and Nicole and local hospitality for 2 days in Hyderabad and 2 days in Bombay. Should you wish to explore other tourism possibilities, we can organise

that for you. We at ICRIER would like to organise a public lecture and an interactive session over lunch with senior policy makers and public opinion makers in Delhi. We will be happy to provide local hospitality for two days in Delhi.

I know how busy you must be, but Surjit and I have talked about the importance of having you speak in India. Of course, we would also get the side benefit of seeing you and showing you a bit of India. Do try and make an effort.

With best wishes,

Sincerely,

(Isher Judge Ahluwalia)

Prof. Robert Lawrence

Email: Lawdorf@erols.com

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:28-NOV-1999 22:39:42.00

SUBJECT: treehugging chapter

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

I have been incorporating your comments into the enviro chapter. The draft will be ready to go out for interagency review on Wednesday morning. If you would like to see the draft before then, please let me know -- I will likely have a fully revised version by lunch time on Monday. This version will include most charts and tables, your suggested edits, headers and subheaders, a more focused pitch in the intro, a streamlined design principles section, and a new box highlighting the effect of structural change on CO2 emissions (based on the web article earlier this fall). While I did not intend on actually calling this chapter in the ERP "Saving the Planet Cost-Effectively" or "Treehugging", I could use a little guidance on an appropriate title. Here are some suggestions:

Meeting Environmental Goals Cost-Effectively
Making Markets Work for the Environment
Harnessing Markets to Better Manage the Environment
Optimal Deck Chair Configuration on the Treehugger's Titanic

Your thoughts on these are welcome. Thanks,

Joe

PS: Martin, you suggested that I delete tequila from the list of valuable uses of resources on page 2 (in the context that too stringent enviro policy would divert valuable resources from such uses). Would you like me to replace it with gin, or is the list (education, health care, R&D) sufficient?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: robert lawrence & nicole reindorf <lawdorf@erols.com> (robert lawrence & nicole reindorf <lawdorf@erols.com> [UNKNOWN])

CREATION DATE/TIME:28-NOV-1999 17:45:32.00

SUBJECT: re Surjit

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

Return-path: <ssbhalla@vsnl.com>

Received: from mx01.mrf.mail.rcn.net ([207.172.4.50]) by mta05.mrf.mail.rcn.net (InterMail vM.4.01.02.00 201-229-116) with ESMTP id <19991122121430.HIRI16853.mta05.mrf.mail.rcn.net@mx01.mrf.mail.rcn.net>; Mon, 22 Nov 1999 07:14:30 -0500

Received: from giasdl01.vsnl.net.in ([202.54.15.1]) by mx01.mrf.mail.rcn.net with esmtp (Exim 2.12 #3) id 11psMX-0005FN-00; Mon, 22 Nov 1999 07:14:29 -0500

Received: from priti ([202.54.100.121]) by giasdl01.vsnl.net.in (8.9.2/8.9.2) with SMTP id RAA23980; Mon, 22 Nov 1999 17:43:38 +0500 (GMT+0500)

Date: Mon, 22 Nov 1999 17:33:57 +0500

From: ssbhalla@vsnl.com

Subject: Policy Making - From Quilts to Onions

X-Sender: ssbhalla@nda.vsnl.net.in (Unverified)

To: vkelkar@imf.org, mkhan@imf.org, r-sah@uchicago.edu, reuven.glick@sf.frb.org, Lawdorf@erols.com, rlitan@brook.edu, nzagha@worldbank.org, fortinc@erols.com, klateef@worldbank.org, syusuf@worldbank.org, sfardoust@worldbank.org, sshah@worldbank.org, sbery@worldbank.org, SQislam@aol.com, sfischer@imf.org, udas@imf.org, sadanand.dhume@feer.com, vikram@ms.com

Message-id: <3.0.6.32.19991122173357.00794370@nda.vsnl.net.in>

MIME-version: 1.0

X-Mailer: QUALCOMM Windows Eudora Light Version 3.0.6 (32)

Content-type: text/plain; charset=us-ascii

Content-transfer-encoding: 7BIT

If you are interested in quilts, layers, onions, and the mumbo-jumbo of corporate governance and the jumbo-mumbo of competitiveness, then read on. And you thought these issues could not be weaved together into a coherent, first-principle framework!

Policy Making - From Quilts to Onions

By Surjit S. Bhalla

(Economic Times, Nov 23, 1999)

As talk of second-generation reform gathers steam, it is appropriate to review the patchwork quilts to onions framework that has characterized Indian policy making for the last five decades. The quilts came from socialist patches to competitive instincts of ordinary human beings. The

patches were deemed necessary by the we-know-better economists and wannabe policy makers in the sixties and seventies. Courses were taught, and theorems proved, on the advantages of central planning and budget deficits. Leading international institutions like Harvard, MIT, World Bank and the IMF recommended interventions against human nature, and freedom. To our blame, we willingly lapped it all up because it suited our wretched political economy favouring the BLIPs - Babus, Left-intellectuals, (major) Industrialists and Politicians.

In the BLIP order, all policy making had to be of the patchy variety. Want to increase credit for the so-called poor (read political parties) - then nationalize banks. Want to increase agricultural production - ban movement of foodgrains between states. Want to help a particular industry - raise tariffs. Want to help fund management - guarantee returns on equity products produced by the state (whose guaranteed losses could then be subsidized by the taxpayer). Want to increase use of fertilizers by the farmers - ban imports and subsidize the production (but not use) of fertilizers.

When the reforms started, the quilt was transformed by the ugly state witch into an onion. The reformers started unpeeling the layers, but no matter how many "reforms" were undertaken, the citizens wept. No matter how many layers removed, the story was the same - more layers to go, more crying left. The first principle argument would have required cutting to the core, but surgery does not occur to those who believe in band-aids. Tinkerization gained respectability, but only among Indian policy makers as they moved from one layer to another.

Most of the genuine reforms that have occurred to date (during the nineties) have pertained to the industrial sector. Controls have been hesitantly removed, and tariffs decreased from obscene 150+ percent levels to still obscene 30-40 percent levels. Even here first principles have been eschewed i.e. why not announce a rigid time-path to a decline in tariffs to the low teens level and stick to it ?

But industrial reforms have been near perfect compared to the so-called reforms in the financial sector. Financial market changes have been unashamedly of the control variety. In the name of much-needed regulation, the government set up a licensing body called the Securities and Exchange Board of India (SEBI). This control body ensures that there is very little competition in the equities market. Lack of competition in the fund management industry is mandated by requiring that each of the 200 odd equity mutual funds (US has about 4000 for approximately the same number of investors) routes its investments through at least 20 brokers, and prohibits regulated portfolio managers (all 21 of them) from accepting performance fees! So the investor pays high fees for transaction costs and mutual fund managers get rich.

What is tragic is that when the someone actually finally decides to embark on a first principle non-onion path, it is severely criticized for doing so. Take the example of privatization. The Finance Minister, Mr. Sinha decides to sell shares of GAIL in a transparent manner. The price received through an open market process is approximately Rs. 70 a share. What's wrong? Two major errors. First, Mr. Sinha went against the Disinvestment

Commission's recommendation not to sell in November/December because markets at such times are low because of redemption pressures! Has anybody wondered as to why one needs a Disinvestment Commission to make recommendations on selling after the politicians have already decided to sell? In a quilt-onion world, this is due diligence.

The second criticism, also from a wannabe trader, came from the former finance minister, Mr. Chidambaram. He refused to sell GAIL shares for Rs. 120 to Rs. 140 on the grounds that the price was too low because of the Asian crisis. Obviously, having missed that opportunity and believing in a BLIP price, Mr. Chidambaram now finds the price of Rs. 70 as "too low" as do the traders from the opposition Congress party. Since it is so easy to make certain gains, the Disinvestment Commission, former finance ministers and Congress politicians should go into the fund management business and make zillions on sure-fire methods of selling at the top, buying at the bottom, and selling in August and buying in December.

But beware - they need to have four cats, and two dogs, along with 500 MB of disk space (albeit of an obsolete 286 machine) to qualify under the SEBI regulations to be a licensed fund manager. Not to mention Rs. 2.5 lakhs in fees per year for four years for the luxury of doing so. Ever wondered why the portfolio management market in India is mostly non-existent overground and flourishing underground ?

But one should not be overly critical of Indian reformers. The new buzz words being touted by international experts (replay of the we-know-better interventionist era) are the mumbo-jumbo of corporate governance and the jumbo-mumbo of "competitiveness". If capital markets are inefficient, one should endeavor to make them more transparent. Transparency is ensured through competition and strict disclosure norms, not through requirement of what the Directors should do. If a firm does not deliver profits to investors, its shares get sold. The price of Infosys is not high because its CEO believes in corporate governance - nor the price of Bajaj at lows because its CEO is universally acknowledged as a great corporate governance chap.

What is even worse is the jumbo-mumbo of "competitiveness" the new buzz word from the same politically correct Western economists and organizations that sold hapless LDC's the virtues of government intervention decades earlier. Macro policies do not matter - the "inner workings" of a firm do. Incentives do not matter - the correct strategy does. Comparative advantage is obsolete - competitive policy is the future. Sounds a bit like Deepak Chopra? Yes, and why it is likely to succeed in a non-first principle world. But there is hope - Deepak Chopra isn't half as successful in the third world as he is in the first world.

The author is Director, Oxus Fund Management, a New Delhi based emerging markets advisory and asset management firm.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: robert lawrence & nicole reindorf <lawdorf@erols.com> (robert lawrence & nicole reindorf <lawdorf@erols.com> [UNKNOWN])

CREATION DATE/TIME:29-NOV-1999 11:36:45.00

SUBJECT: [Fwd: Re: Vacation in India - and this is not junk mail]

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TEXT:

Return-path: <ssbhalla@vsnl.com>

Received: from mx01.mrf.mail.rcn.net ([207.172.4.50]) by mta02.mrf.mail.rcn.net (InterMail vM.4.01.02.00 201-229-116) with ESMTP id <19991129030528.WXGL17147.mta02.mrf.mail.rcn.net@mx01.mrf.mail.rcn.net> for <lawdorf@mta.mrf.mail.rcn.net>; Sun, 28 Nov 1999 22:05:28 -0500

Received: from giasdl01.vsnl.net.in ([202.54.15.1]) by mx01.mrf.mail.rcn.net with esmtp (Exim 2.12 #3) id 11sH80-0002XT-00 for lawdorf@erols.com; Sun, 28 Nov 1999 22:05:25 -0500

Received: from laptop (d3922.pppdel.vsnl.net.in [203.197.206.37]) by giasdl01.vsnl.net.in (8.9.2/8.9.2) with SMTP id IAA17253 for <lawdorf@erols.com>; Mon, 29 Nov 1999 08:36:00 +0500 (GMT+0500)

Date: Mon, 29 Nov 1999 08:40:52 +0500

From: ssbhalla <ssbhalla@vsnl.com>

Subject: Re:Vacation in India - and this is not junk mail

In-reply-to: <3829F434.F0C@erols.com>

X-Sender: ssbhalla@giasdl01.vsnl.net.in

To: lawdorf@erols.com

Message-id: <3.0.5.32.19991129084052.007da1b0@giasdl01.vsnl.net.in>

MIME-version: 1.0

X-Mailer: QUALCOMM Windows Eudora Light Version 3.0.5 (32)

Content-type: text/plain; charset=us-ascii

Content-transfer-encoding: 7BIT

References: <3.0.6.32.19991108170325.007951f0@nda.vsnl.net.in>

Robert & Nicole,

You should have got an invitation from Isher about being a prestigious keynote speaker in January; the package includes a ticket for Nicole as well; take it seriously, come here, and let us plan a vacation together also.

Surjit

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 10:54:17.00

SUBJECT: Steve Polasky is coming to town

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Susan P. Clements (CN=Susan P. Clements/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Stephen F. Lin (CN=Stephen F. Lin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah M. Anderson (CN=Sarah M. Anderson/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah L. Rosen (CN=Sarah L. Rosen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Rosalind V. Rasin (CN=Rosalind V. Rasin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Robin L. Lumsdaine (CN=Robin L. Lumsdaine/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Noah Y. Weisberger (CN=Noah Y. Weisberger/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Mary Fibich (CN=Mary Fibich/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Mary E. Jones (CN=Mary E. Jones/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary A. Thomas (CN=Mary A. Thomas/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mark N. Levine (CN=Mark N. Levine/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Linda A. Reilly (CN=Linda A. Reilly/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Douglas V. Almond (CN=Douglas V. Almond/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Christel M. Sice (CN=Christel M. Sice/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Catherine H. Furlong (CN=Catherine H. Furlong/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Carol L. Capece (CN=Carol L. Capece/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Brian A. Amorosi (CN=Brian A. Amorosi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Andrew R. Feldman (CN=Andrew R. Feldman/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

FYI, Steve Polasky, last year's senior for the environment, will be in town later this week. He will stop by CEA on Wednesday evening around 6:30, and then we are planning on heading out for dinner. Please let me know if you are interested in joining us.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 11:24:55.00

SUBJECT: Strategic Planning Calendar

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Susan P. Clements (CN=Susan P. Clements/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Stephen F. Lin (CN=Stephen F. Lin/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Sarah M. Anderson (CN=Sarah M. Anderson/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Sarah L. Rosen (CN=Sarah L. Rosen/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Rosalind V. Rasin (CN=Rosalind V. Rasin/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Robin L. Lumsdaine (CN=Robin L. Lumsdaine/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Noah Y. Weisberger (CN=Noah Y. Weisberger/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary Fibich (CN=Mary Fibich/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary E. Jones (CN=Mary E. Jones/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary A. Thomas (CN=Mary A. Thomas/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mark N. Levine (CN=Mark N. Levine/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Linda A. Reilly (CN=Linda A. Reilly/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Douglas V. Almond (CN=Douglas V. Almond/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Christel M. Sice (CN=Christel M. Sice/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Catherine H. Furlong (CN=Catherine H. Furlong/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Carol L. Capece (CN=Carol L. Capece/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Brian A. Amorosi (CN=Brian A. Amorosi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Andrew R. Feldman (CN=Andrew R. Feldman/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

If you have any updates for the calendar, please let me have them. Thank
you.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 16:29:27.00

SUBJECT: Your Kind Invitation.

TO: director@icrier.res.in (director@icrier.res.in @ inet [UNKNOWN])

READ:UNKNOWN

TEXT:

It was so nice of you to invite me to come to India. I would really love to do it sometime, but I am afraid that it does not make sense while I am in government. One of the appeals of the invitation, of course, is that you have kindly invited Nicole; however, as long as I am in the government, I cannot accept an invitation which pays for her travel. This would mean that I would have to undertake the trip on my own. Since I have been very busy -- and since winter is our busiest time with the Economic Report of the President -- I have tried to keep my discretionary travel to a minimum. Nonetheless, I expect that I will be leaving the administration when it ends in early 2001. If you are looking for a speaker at that time, I would be delighted to oblige.

Please give my regards to Montek, Fondly, Robert.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 08:43:46.00

SUBJECT: Re: follow-up to Pierre Sauve's e-mail

TO: "Tom_Fullum ("Tom_Fullum/Student/KSG"@ksg.harvard.edu [UNKNOWN])

READ:UNKNOWN

CC: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Victoria Greenfield is the senior economist at CEA who you should contact vis-a-vis forest products issues. If she cannot help you, she will know who can.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn Shaw <"ks4s+"@andrew.cmu.edu> (Kathryn Shaw <"ks4s+"@andrew.cmu.edu> [UNKNOWN])

CREATION DATE/TIME:29-NOV-1999 00:44:56.00

SUBJECT: 20m jobs

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

Hi,

Mike and Chad did an amazing job on the jobs paper and Mike sent it to me late Friday. I'm sure that they would like to polish it some, but it is largely all there. I don't know whether Harry Holzer make changes before it circulates to you all, but we will let you know shortly. Plan on looking at it soon, if possible.

(Mike and Chad, I have some written comments, and could get together either before or after my short 9am meeting.)

Kathryn

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 16:20:54.00

SUBJECT: Agency Comments on ERP Chapters

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Susan P. Clements (CN=Susan P. Clements/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Stephen F. Lin (CN=Stephen F. Lin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah M. Anderson (CN=Sarah M. Anderson/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah L. Rosen (CN=Sarah L. Rosen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Rosalind V. Rasin (CN=Rosalind V. Rasin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Robin L. Lumsdaine (CN=Robin L. Lumsdaine/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Noah Y. Weisberger (CN=Noah Y. Weisberger/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Mary Fibich (CN=Mary Fibich/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Mary E. Jones (CN=Mary E. Jones/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary A. Thomas (CN=Mary A. Thomas/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mark N. Levine (CN=Mark N. Levine/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Linda A. Reilly (CN=Linda A. Reilly/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Douglas V. Almond (CN=Douglas V. Almond/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Christel M. Sice (CN=Christel M. Sice/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Catherine H. Furlong (CN=Catherine H. Furlong/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Carol L. Capece (CN=Carol L. Capece/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Brian A. Amorosi (CN=Brian A. Amorosi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Andrew R. Feldman (CN=Andrew R. Feldman/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

CC: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:

As agency comments on our ERP chapters start to trickle in, I just wanted to make sure that everyone was clear on some of the logistics of tracking these comments.

Sandy is our central point of contact for all agency comments. Normally, if they come through the COS or ExecSec of the agencies they will go directly to me/sandy. Sandy keeps copies of all the comments on file and makes sure to route them to the chapter authors.

If you have been in contact with agency folks and they are sending you comments directly, PLEASE make sure to zap a copy to me/Sandy. This helps us track comments and make sure we've covered all our bases.

Thanks very much,

-A

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 09:31:29.00

SUBJECT: Things to do

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Dr. Lawrence:

It looks like my schedule is very light this week, until comments from the ERP are returned. Therefore, I can work on anything you want to assign to me. In otherwords, I need something to do.

Thanks,
Jason

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 12:10:21.00

SUBJECT: Morning Meeting for 11/29/99

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

----- Forwarded by Steven N. Braun/CEA/EOP on 11/29/99
12:10 PM -----

Medley_Global_Advisors@medleyadvisors.com
11/29/99 12:01:13 PM

Record Type: Record

To:

cc:

Subject: Morning Meeting for 11/29/99

NOTICE: Forwarding this proprietary email report constitutes violation of United States and international copyright laws, and will be pursued to the full extent of the law.

Medley Global Advisors 212-219-9096

(See attached file: mmnovem29.PDF)

- mmnovem29.PDF

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 15:49:43.00

SUBJECT: Phone Message from Tom Palley

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Contact: Tom Palley
Company: Phone: FAX: Message: He says 12/7 does not work for his people for the next AFL-CIO mtg. He ask that I hold Fri, 12/10, from 2:30-5pm, on your calendar (actually 2 hrs is really needed). He will call Alice to check with Martin's schedule.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: "Aaron_Goldzimer ("Aaron_Goldzimer/Student/KSG"@ksg.harvard.edu [UNKNOWN])

CREATION DATE/TIME:29-NOV-1999 23:41:36.00

SUBJECT: Re: WTO Forum

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TEXT:

Thanks. I will get in touch if we have to postpone it until next year.

Aaron

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: "Michelle_Von_Euw ("Michelle_Von_Euw/FS/KSG"@ksg.harvard.edu [UNKNOWN])

CREATION DATE/TIME:29-NOV-1999 10:24:39.00

SUBJECT: Faculty Research Seminar

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TEXT:

Next Faculty Research Seminar - Wednesday, December 1

This is a reminder that the next Faculty Research Seminar is scheduled for Wednesday, December 1. Iris Bohnet will present, "More Order With Less Law: On

Contracts, Trust, and Crowding." The seminar will meet in the Faculty Dining

Room, with lunch available at 11:45 am, and will begin promptly at noon.

Next Wednesday, December 8, David Hart will give a presentation entitled, "Red

and White and Blue All Over: IBM in American Politics, 1970-present." The final seminar of the Fall Semester will feature Dean Joseph Nye, on December 15.

For further information, you can reach me at ted_parson@harvard.edu or 495-1404.

If you would like to make a presentation during the spring semester, please contact Suzanne Cooper at suzanne_cooper@harvard.edu, or 495-0390. Please direct all administrative or logistical inquiries to my assistant, Michelle Von Euw, by phone 495-9528 or email michelle_von_euw@harvard.edu.

-Ted Parson

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 20:07:56.00

SUBJECT: China

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

I was told by State Department today that at the US-China Environment and Development forum, the USG will be holding discussions with the Chinese on our economic analysis on China's potential under the Kyoto Protocol. Specifically, State's goals are to start a dialogue on how China's role in Kyoto could be structured so that both countries could enjoy economic benefits (including the idea of a no-lose target and other ideas short of target but more than CDM) and to outline a joint analytic effort on the economic and environmental potential of such Chinese participation. State would like me to attend the forum for this discussion. Unfortunately, the timing is not ideal -- the forum is January 11 and 12. It's in Hawaii, so there may also be a decent amount of travel time associated with a possible trip. I indicated that January is a crazy month with the ERP, and that DOE had already expressed interest in my participation on a trip to Bolivia. I suggested that State should consider setting priorities about when and where they need CEA staff-level participation, and that I would need to raise this issue with you. In terms of climate change priorities, China is clearly near the top of the list for us, if not the top. Moreover, I am very concerned about how other agencies would address this issue. I think we should evaluate this no sooner than when we have the first set of interagency comments back. If it looks like we have smooth sailing on the enviro chapter, then it might be ok to be gone for 2-3 days. Is this consistent with your thoughts?

Joe

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 12:25:38.00

SUBJECT:

TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D48]ARMS20680814I.336 to ASCII,
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**Clinton Presidential Records
Automated Records Management
System [EMAIL]**

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

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Attachment Number: [ATTACH.D17]ARMS239997042.336

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jdavis@hiid.harvard.edu (Jdavis@hiid.harvard.edu [UNKNOWN])

CREATION DATE/TIME:29-NOV-1999 13:10:59.00

SUBJECT: HIID 25th anniversary lecture - time

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TEXT:

Jdavis@hiid.harvard.edu
11/29/99 06:03 PM GMT

To:

cc:

I forgot to indicate the time of the December HIID lecture that will be presented by J. Brian Atwood - the event will take place next Thursday, December 9th, AT 4:00 PM, in the Askwith Lecture Room, Longfellow Hall, Harvard Graduate School of Education, 13 Appian Way, Cambridge.

I apologize for the omission.

Jolanta M. Davis
Publications Coordinator

--

Harvard Institute for International Development
14 Story Street
Cambridge, MA 02138

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 12:24:21.00

SUBJECT: Chapter1

TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

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Outline of Chapter One.

Growth and Inequality: A Century Long Perspective.

Over the past century the US economy has recorded spectacular performance. It's the two percent solution to the American dream. If living standards rise at two percent annually, they double every 35 years and each generation lives twice as well as the previous one. By maintaining an annual average increase of 1.9 percent for a century, the US economy has come close to achieving this goal. Over the century the size of the economy has grown twenty four fold with just five times as many workers (Table with the data). Measured in today's dollars, in 1899 US per-capita incomes were just under \$5000, less than a sixth of what they are today. After two disappointing decades in which it appeared that the American dream was threatened, there is now convincing evidence, that the two percent solution can again be achieved.

To be sure progress has not always been smooth. In the first half of the century, growth was punctuated by several deep recessions Fewer workers were actually employed in 1939 than 1929. Nonetheless in the first fifty years, per-capita incomes still doubled.

In the second half of the century, by contrast they have trebled. The quarter century after world war two was a golden period in which performance was remarkable. Incomes rose rapidly for all, and particularly at the bottom

Paradise Lost? But in the two decades between 1973 and 1993 we had a rude awakening as the dream appeared to have ground to a halt. As large numbers of baby boomers and women streamed into the labor market the economy's performance deteriorated noticeably. First growth became less stable. The period was punctuated with deeper recessions, higher average unemployment. Second, productivity growth slowed. Real wages stagnated and there was a marked rise in inequality. Growth itself did not appear to have the beneficial effects in reducing poverty. Output per worker grew at just one percent per year and real wage growth was sluggish. Between 1973 and 1993, for example real compensation per hour in the business sector averaged barely one half of one percent. A large number of other social indicators declined and people lost faith in government. Change appeared to be threatening rather than promising.

Regained? Since 1993, however, the economy has come back. Growth has been strong. Employment increased by almost 20 million. Output per hour has been robust, real compensation increased at 1.5 percent. The budget has moved strongly into surplus. Inflation has been low. Gains have been widely shared. The stock market has boomed.

Many are now proclaiming a new economy. A period in which the pace of activity can be faster and be less inflationary. This development it comes at a particularly fortuitous moment demographically as the baby boom generation has its retirement in sight and the participation rate for women is fast approaching that of men.

The full implications of performance since 1993 remains difficult to interpret because we have not seen the cycle in full. The period began with the economy in recession, while as of today, the peak as yet to be reached. To be sure growth has been robust -- since 1993, per capita incomes have averaged 2.9 percent -- the same rate of growth as in the 60s. Moreover, over the past three years it has actually accelerated. But we still cannot be sure that the pace could be sustained.

A conservative approach is to benchmark the change since the previous cyclical peak in 1989. On that basis, it is striking that both the growth in GNP per capita of 1.9 percent and that of GNP per worker at 1.6 percent have exactly matched the pace of the century as a whole. We cannot say for certain that over the past decade we have actually seen a new economy that will generate growth that is without historical precedence. But we have much stronger reason to conclude that we have returned to the old economy, the economy which gave us rising incomes for over a century. Moreover, there is certainly support, if not overwhelming evidence, for the view that the future could look even more prosperous.

What has brought us this new era? Four major drivers can be distinguished.

- 1) Information Technology.** One very powerful feature of the strength of this expansion has been investment in plant and equipment, particularly computers and information technology. This can be seen in the dramatic rise in the share of real investment in GDP and the share of high-tech investment in total investment. (Charts) and of course, the diffusion and development of the internet.

By input measures therefore, the pace of technological change driven by the information revolution and other factors appears to have accelerated

- 2) Globalization.** New trade agreements have been implemented -- in particular the NAFTA and the Uruguay Round. Trade has continued to rise as a share of the US economy. In the aftermath of the Asian crisis the US trade deficit in goods and services increased dramatically. (See Chart)

In addition, particularly since 1997, the prices of imported goods have fallen relative to the Consumer Price Index (Chart) and the prices of manufactured goods from developing countries which are typically labor-intensive, have fallen even more rapidly than those from developed countries. (See Chart)

By any measure therefore -- trade agreements, trade volumes, trade prices, and trade deficits, the forces have been more powerful in the 90s.

- 3) The shift to a services economy.**

The share of employment in manufacturing has declined steadily and after rising through 1997, the number employed has fallen. (Chart)

Show charts and give data.

4) An era of prudent fiscal and monetary policies.

Give data on budget and inflation.

A second feature has been the heartening acceleration in productivity growth over the past three years. While productivity growth had been slow in the early part of this expansion, but we've seen business sector productivity up 1.5 in 1997, 2.4 in 1998 and 3.0 in the year prior to mid 1999. Productivity levels are now well above the trend rate since 1973. (Chart)

What are the implications of these forces. Three aspects merit consideration. What do they imply for inflation? What do they imply for productivity? What do they imply for inequality.

Inequality. In the 1980s, whether the data are arrayed by household, by earnings decile, or by indicators of skill and education, they all suggested two fundamental results. First, growing inequality: the more advantaged in the US did particularly well while those at the bottom did poorly. Second, on average, workers fared poorly. Real wage growth was extremely sluggish and by some measures, such as average hourly earnings actually declined over the period.

These results were particularly striking in the face of two developments: First, the inequality trends persisted despite (a) the long expansion in the 80s and (b) the relatively rapid increase in the supply of educated workers.

The literature advanced three lines of explanation for these developments which ran in terms of the forces which have become particularly powerful in this expansion.

First, the force of globalization. The US economy ran large trade deficits in the 1980s. In addition, there was a rise in the participation of developing countries in US trade, partly occasion by the shift in developing countries such as China to more outwardly oriented policies. It has been argued that these developments had particularly adverse effects on the demand for less skilled US workers who were increasingly forced to compete with low-wage workers. In addition the threat of outsourcing and increased international competition were said to reduce labor's bargaining power – a factor which was also held responsible for the slow rise in average wages. Immigration also contributed a larger number of less skilled workers.

Second, the force of technological change. It was also argued that there had been an acceleration in “skill biased” technical change. Computers and /or new management approaches

emphasizing lean production skewed demand towards skilled workers and away from the less skilled.

Third, the force of institutional and structural changes. In the 1980s de-unionization and deregulation weakened the power of workers. In addition, the declining share of employment in manufacturing reduced high-wage opportunities for blue-collar workers

To be sure these explanations are not mutually exclusive. Indeed they may be interrelated. International competition may have stimulated technological change. International competition has also been invoked to help explain the weakening of union bargaining power and the declining share of manufacturing employment.

While economists differ on the relative importance of these forces – a majority arguing that technological change was dominant -- most assign at least some role to all three.

In the light of these earlier explanations, most would surely have predicted even greater inequality in the 1990s and a particularly tough experience for those. Yet that has not happened. Indeed by numerous measures there has been no increase and by some inequality has actually been reduced.

II: The Recent experience.

Real wages and labor's share. Since 1995 we have seen significant increases in real wages. In addition, the share of output received by workers in the form of compensation has been rising since 1996. It shows almost no change over the longer run suggesting that there has been no significant change in the shares of the pie going to labor and capital. There does not seem to be strong recent evidence that international competition has weakened labor's ability to bargain in this recent period. The most recent wage agreements concluded in the Aerospace and Automobile industries have been particularly strong.

College premiums There has been no acceleration in the premium over the past five years for either men or women.

The ratio of average weekly wages of college graduates to those of high school graduates had increased from 38 percent in 1979 to 74.3 percent in 1994 but between 1994 and 1998 it actually declined to 71.3 percent. (Chart) A similar story emerges in data for average hourly earnings, although the hourly premiums are somewhat lower.

Earnings by decile. Over the past few years, the spread between the hourly earnings at the 90th percentile and those earning at the 10th percentile has stopped rising. The same story is evident in weekly earnings. Between 1979 and 1996 the ratio increases to 4.45. Between 1996 and 1998, however, it declines to 4.36. In the weekly data, likewise the 90/50 spread also rises from 1.86 to 2.12 in 1996 and then subsides.

An even more dramatic picture emerges in the hourly data in which we array the changes between the first half of 1999 and 1994. Here, when men and woman are grouped together, we see increases that are highest at the bottom and lowest at the top. (They're up 8.6 percent since 94 in the lowest decile, up 4.7 at the top.) Similar images of faster growth at the bottom than at the top emerge for both men and women when the data are separated by gender.

Thus the hourly earnings data actually indicate that there has been an increase in wage equality over this period.

More comprehensive indicators of inequality, income gains by quintile and an aggregate measure of inequality the gini coefficient for household income support the view that inequality has not increased. Since 1993, incomes have grown by between 9.9 and 11.7 percent for every quintile of the income distribution. After two decades of rising inequality the GINI coefficient measure has shown no statistically significant change between 1993. Here too, it appears as if the GINI is back in the bottle.

The least fortunate. The poverty data show excellent progress since 1994. The 1998 poverty numbers suggest poverty is lower than at any time since 1979. The poverty rate has fallen from 15.1 percent in 1993 to 12.7 percent in 1998. Over the last five years typical families have seen their incomes rise by 12.1 percent and African American families by 21.0 percent.

Likewise, unemployment gains at the bottom are particularly impressive. Since 1993 African American unemployment has declined from 14.3 percent to 7.8 percent – the lowest on record while Hispanic unemployment has fallen from 11.5 to 6.5 percent – also the lowest on record.

The overwhelming impression therefore is that the inequality has stopped rising. Its certainly incorrect to claim that we have actually reversed the drift towards inequality in the 1980s and hard to make the claim that inequality is now on a downward trend – and some see trouble in that. But this is convincing evidence that inequality has not continued to worsen. And that is highly significant. **It is important, therefore, that this new evidence be introduced into the discussion. :**

How can we explain what has happened? Why is that despite the apparent strength of these forces, the inequality outcome is not what might have been expected? There are both macro-economic and microeconomic possibilities.

One obvious candidate is the role of the high pressure economy and the associated low rates of unemployment. There is certainly compelling evidence that a high - pressure economy tends to increase opportunities for workers particularly at the lower end of the scale. It may set in motion a positive virtuous circle in which new opportunities lead to new skills, higher productivity and improved competitiveness which in turn may allow for labor markets to be run at higher levels without upward pressure on wages. As the labor market tightens, there will be more opportunities and higher pay for those with fewer qualifications.

Ironically, however in this regard, forces which were seen as working towards increased inequality may well have contributed to allowing us to have a high pressure economy.

First, globalization and increased competition can lead to a one time reduction in prices and margins which improves the short run inflation-output trade –off. Similarly price pressures may reduce profits and raise the relative share of labor. And lower import prices help on inflation in the short run. In addition, when there is excess capacity in the rest of the world, we can draw on imports rather than strain domestic capacity utilization, again resulting in fewer price pressures.

Second, as Alan Greenspan has emphasized, when we get positive shocks to productivity due to technological change there is a powerful positive macroeconomic influence allowing firms to pay higher wages without passing it through into inflation

A second possibility is that the trends themselves have been brought to a halt by offsetting microeconomic forces.

One possibility is that “technology” is responsive to relative wages costs. . Skill bias does not come down from heaven but eventually shifts in response to incentives. Firms may increasingly find ways to employ relatively less well educated workers more effectively because these workers have become relatively cheaper

A second possibility is that the downward pressures from “trade” or globalization may have run their course. In particular, the issue of substitutability between domestic and international production is relevant. It could be that eventually, US firms either are driven out of low-wage activities or they figure out how to compete using competitive strategies which offset cheaper foreign labor costs. This means they no longer compete head to head with low wage countries and thus are less affected by competitive pressures. Similarly, vulnerable unions may be forced to reduce members so that those who remain are actually the more powerful ones.

While the macroeconomic explanation implies that inequality could reverse in the face of higher unemployment, the microeconomic considerations suggest that we may have a more resilient economy. We may finally be reaping the benefits of having adjusted to some major structural challenges.

But is also possible that our explanations were defective in the first place. That we actually have never had a very firm grasp on what was shifting the trends in the first place. There were always problems with the story assigning a large role for trade. The numbers just didn’t seem to add up to anything big enough to explain a large share, and the other implications of the theories didn’t seem to be corroborated.

There was also a problem with the skill biased technology story. Why so much change and so little progress? Why in the 80s did we have changes in technology that were large enough to wrench the labor market and yet too small to boost productivity?

Ironically over the past five years we are getting the “progress” i.e. faster productivity growth without the relative wage changes.

Finally, credit for the differences in behavior should also be given to policy. On the Macroeconomic front to both fiscal and monetary policy. The monetary authorities have been vigilant in avoiding inflation and yet willing able to provide sufficient liquidity to finance non-inflationary growth and deal with financial crisis. Fiscal policy has been prudent with a long run trend towards surplus while at the same time resources devoted to education, training and civilian technological development have been increased. As NEC Chief Gene Sperling has recently pointed out strong deficit reduction has not hurt poverty reduction. Increased funding for the EITC and other education, training and research have played a role. Important too, have been increases in the minimum wage. Certainly this has raised wages at the bottom and it does not appear to have had a noticeably negative impact on employment of the least well paid workers.

To Conclude: We should not be complacent. We have not reversed the previous shifts towards greater inequality. Ideally we would like to see sustained gains for all and particularly large gains at the bottom. But we have made progress in arresting trends which were disturbing. But overall these data suggest we have been doing the right things. In addition, it provides an optimistic message. We remain masters of our fate and are not, as some suggest condemned to be buffeted by negative global or technological forces in the face of which we are helpless.

Inequality in the U.S. Economy: The Recent Evidence.

Robert Z Lawrence,

Member Council of Economic Advisers.

**Speech Delivered at a Conference on
“The Macro-dynamics of Inequality in Advanced and Developing Countries.”
The Levy Institute, October 28th 1999**

As a group heavily dominated by academics you have the luxury of looking at the long run. In my brief time in Washington, I've learned that policymakers are often forced to assume a shorter run perspective. But at times this may actually be useful. There are dangers in trying to drive looking only in a rear view mirror and what I want to suggest today, is that ignoring what's been happening on the inequality front could be particularly inappropriate. The stylized facts that many hold in their heads about this topic about trends in US incomes and inequality are heavily influenced by data from the 1980s. What I would like to argue is that what we have to explain may well have changed. We should be wary of simply extrapolating the past. Indeed we may have shifted to a new regime.

The 1980s. For the period from 1979 through to the early 1990s, the story is a very familiar one. Whether the data are arrayed by household, by earnings decile, or by indicators of skill and education, they all suggested two fundamental results. First, growing inequality: the more advantaged in the US did particularly well while those at the bottom did poorly. Second, on average, workers fared poorly. Real wage growth was extremely sluggish and by some measures, such as average hourly earnings actually declined over the period.

These results were particularly striking in the face of two developments: First, the inequality trends had persisted despite (a) the long expansion in the 80s and (b) the relatively rapid increase in the supply of educated workers.

The literature advanced three lines of explanation for these developments

First, the force of globalization. The US economy ran large trade deficits in the 1980s. In addition, there was a rise in the participation of developing countries in US trade, partly occasion by the shift in developing countries such as China to more outwardly oriented policies. It has been argued that these developments had particularly adverse effects on the demand for less skilled US workers who were increasingly forced to compete with low-wage workers. In addition the threat of outsourcing and increased international competition were said to reduce

labor's bargaining power – a factor which was also held responsible for the slow rise in average wages. Immigration also contributed a larger number of less skilled workers.

Second, the force of technological change. It was also argued that there had been an acceleration in “skill biased” technical change. Computers and /or new management approaches emphasizing lean production skewed demand towards skilled workers and away from the less skilled.

Third, the force of institutional and structural changes. In the 1980s de-unionization and deregulation weakened the power of workers. In addition, the declining share of employment in manufacturing reduced high-wage opportunities for blue-collar workers

To be sure these explanations are not mutually exclusive. Indeed they may be interrelated. International competition may have stimulated technological change. International competition has also been invoked to help explain the weakening of union bargaining power and the declining share of manufacturing employment.

While economists differ on the relative importance of these forces – a majority arguing that technological change was dominant -- most assign at least some role to all three.

What I'd like to do now, is to look at what has happened in the US economy, since the mid 1990s. Lets ask firstly what has happened to these forces. Next lets look at the recent evidence on what has happened to various indicators of inequality, and then I'd like to reflect on what lessons we might draw.

I The forces at work over the past five years.

First, what has happened on the globalization front?

New trade agreements have been implemented – in particular the NAFTA and the Uruguay Round. Trade has continued to rise as a share of the US economy. In the aftermath of the Asian crisis the US trade deficit in goods and services increased dramatically. (See Chart)

In addition, particularly since 1997, the prices of imported goods have fallen relative to the Consumer Price Index (Chart) and the prices of manufactured goods from developing countries which are typically labor-intensive, have fallen even more rapidly than those from developed countries. (See Chart)

By any measure therefore – trade agreements, trade volumes, trade prices, and trade deficits, the forces have been more powerful in the 90s.

Second, what has happened to technological change?

One very powerful feature of the strength of this expansion has been investment in plant and equipment, particularly computers and information technology. This can be seen in the

dramatic rise in the share of real investment in GDP and the share of high-tech investment in total investment. (Charts) and of course, the diffusion and development of the internet.

A second feature has been the heartening acceleration in productivity growth over the past three years. While productivity growth had been slow in the early part of this expansion, but we've seen business sector productivity up 1.5 in 1997, 2.4 in 1998 and 3.0 in the year prior to mid 1999. Productivity levels are now well above the trend rate since 1973. (Chart)

By most measures of both inputs and outputs, therefore, the pace of technological change driven by the information revolution and other factors appears to have accelerated.

Third, what has happened on the institutional and sectoral front?

Union membership has continued to decline in 1990s. Membership in the private sector has fallen by over 400,000 since 1994. (Chart)

The share of employment in manufacturing has declined steadily and after rising through 1997, the number employed has fallen. (Chart)

In addition, welfare reform has added new workers, many with limited work experience, to the labor force.

In the light of these earlier explanations, most would surely have predicted even greater inequality in the 1990s and a particularly tough experience for those Yet that has not happened. Indeed by numerous measures there has been no increase and by some inequality has actually been reduced.

II: The Recent experience.

Real wages and labor's share. Since 1995 we have seen significant increases in real wages In addition, the share of output received by workers in the form of compensation has been rising since 1996. It shows almost no change over the longer run suggesting that there has been no significant change in the shares of the pie going to labor and capital. There does not seem to be strong recent evidence that international competition has weakened labor's ability to bargain in this recent period. The most recent wage agreements concluded in the Aerospace and Automobile industries have been particularly strong.

College premiums There has been no acceleration in the premium over the past five years for either men or women.

The ratio of average weekly wages of college graduates to those of high school graduates had increased from 38 percent in 1979 to 74 .3 percent in 1994 but between 1994 and 1998 it actually declined to 71.3 percent. (Chart) A similar story emerges in data for average hourly earnings, although the hourly premiums are somewhat lower.

Earnings by decile. Over the past few years, the spread between the hourly earnings at the 90th percentile and those earning at the 10th percentile has stopped rising. The same story is evident in weekly earnings. Between 1979 and 1996 the ratio increases to 4.45. Between 1996 and 1998, however, it declines to 4.36. In the weekly data, likewise the 90/50 spread also rises from 1.86 to 2.12 in 1996 and then subsides.

An even more dramatic picture emerges in the hourly data in which we array the changes between the first half of 1999 and 1994. Here, when men and woman are grouped together, we see increases that are highest at the bottom and lowest at the top. (They're up 8.6 percent since 94 in the lowest decile, up 4.7 at the top.) Similar images of faster growth at the bottom than at the top emerge for both men and women when the data are separated by gender.

Thus the hourly earnings data actually indicate that there has been an increase in wage equality over this period.

More comprehensive indicators of inequality, income gains by quintile and an aggregate measure of inequality the gini coefficient for household income support the view that inequality has not increased. Since 1993, incomes have grown by between 9.9 and 11.7 percent for every quintile of the income distribution. After two decades of rising inequality the GINI coefficient measure has shown no statistically significant change between 1993. Here too, it appears as if the GINI is back in the bottle.

The least fortunate. The poverty data show excellent progress since 1994. The 1998 poverty numbers suggest poverty is lower than at any time since 1979. The poverty rate has fallen from 15.1 percent in 1993 to 12.7 percent in 1998. Over the last five years typical families have seen their incomes rise by 12.1 percent and African American families by 21.0 percent.

Likewise, unemployment gains at the bottom are particularly impressive. Since 1993 African American unemployment has declined from 14.3 percent to 7.8 percent – the lowest on record while Hispanic unemployment has fallen from 11.5 to 6.5 percent – also the lowest on record.

The overwhelming impression therefore is that the inequality has stopped rising. Its certainly incorrect to claim that we have actually reversed the drift towards inequality in the 1980s and hard to make the claim that inequality is now on a downward trend – and some see trouble in that. But this is convincing evidence that inequality has not continued to worsen. And that is highly significant. **It is important, therefore, that this new evidence be introduced into the discussion.**

:

How can we explain what has happened? Why is that despite the apparent strength of these forces, the inequality outcome is not what might have been expected? There are both macro-economic and microeconomic possibilities.

One obvious candidate is the role of the high pressure economy and the associated low rates of unemployment. There is certainly compelling evidence that a high - pressure economy tends to increase opportunities for workers particularly at the lower end of the scale. It may set in motion a positive virtuous circle in which new opportunities lead to new skills, higher productivity and improved competitiveness which in turn may allow for labor markets to be run at higher levels without upward pressure on wages. As the labor market tightens, there will be more opportunities and higher pay for those with fewer qualifications.

Ironically, however in this regard, forces which were seen as working towards increased inequality may well have contributed to allowing us to have a high pressure economy.

First, globalization and increased competition can lead to a one time reduction in prices and margins which improves the short run inflation-output trade –off. Similarly price pressures may reduce profits and raise the relative share of labor. And lower import prices help on inflation in the short run. In addition, when there is excess capacity in the rest of the world, we can draw on imports rather than strain domestic capacity utilization, again resulting in fewer price pressures.

Second, as Alan Greenspan has emphasized, when we get positive shocks to productivity due to technological change there is a powerful positive macroeconomic influence allowing firms to pay higher wages without passing it through into inflation

A second possibility is that the trends themselves have been brought to a halt by offsetting microeconomic forces.

One possibility is that “technology” is responsive to relative wages costs. . Skill bias does not come down from heaven but eventually shifts in response to incentives. Firms may increasingly find ways to employ relatively less well educated workers more effectively because these workers have become relatively cheaper

A second possibility is that the downward pressures from “trade” or globalization may have run their course. In particular, the issue of substitutability between domestic and international production is relevant. It could be that eventually, US firms either are driven out of low-wage activities or they figure out how to compete using competitive strategies which offset cheaper foreign labor costs. This means they no longer compete head to head with low wage countries and thus are less affected by competitive pressures. Similarly, vulnerable unions may be forced to reduce members so that those who remain are actually the more powerful ones.

While the macroeconomic explanation implies that inequality could reverse in the face of higher unemployment, the microeconomic considerations suggest that we may have a more resilient economy. We may finally be reaping the benefits of having adjusted to some major structural challenges.

But is also possible that our explanations were defective in the first place. That we actually have never had a very firm grasp on what was shifting the trends in the first place. There were always problems with the story assigning a large role for trade. The numbers just didn't seem to add up to anything big enough to explain a large share, and the other implications of the theories didn't seem to be corroborated.

There was also a problem with the skill biased technology story. Why so much change and so little progress? Why in the 80s did we have changes in technology that were large enough to wrench the labor market and yet too small to boost productivity? Ironically over the past five years we are getting the "progress" i.e. faster productivity growth without the relative wage changes.

Finally, credit for the differences in behavior should also be given to policy. On the Macroeconomic front to both fiscal and monetary policy. The monetary authorities have been vigilant in avoiding inflation and yet willing able to provide sufficient liquidity to finance non-inflationary growth and deal with financial crisis. Fiscal policy has been prudent with a long run trend towards surplus while at the same time resources devoted to education, training and civilian technological development have been increased. As NEC Chief Gene Sperling has recently pointed out strong deficit reduction has not hurt poverty reduction. Increased funding for the EITC and other education, training and research have played a role. Important too, have been increases in the minimum wage. Certainly this has raised wages at the bottom and it does not appear to have had a noticeably negative impact on employment of the least well paid workers.

To Conclude: We should not be complacent. We have not reversed the previous shifts towards greater inequality. Ideally we would like to see sustained gains for all and particularly large gains at the bottom. But we have made progress in arresting trends which were disturbing. But overall these data suggest we have been doing the right things. In addition, it provides an optimistic message. We remain masters of our fate and are not, as some suggest condemned to be buffeted by negative global or technological forces in the face of which we are helpless.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jdavis@hiid.harvard.edu (Jdavis@hiid.harvard.edu [UNKNOWN])

CREATION DATE/TIME:29-NOV-1999 12:49:39.00

SUBJECT: HIID 25th anniversary speaker series

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TEXT:

Jdavis@hiid.harvard.edu

11/29/99 05:44 PM GMT

To:

cc:

On behalf of the Harvard Institute for International Development, I am pleased to invite you to the third monthly lecture in the HIID 25th anniversary series that discusses unresolved development challenges for the new millennium.

The December speaker is J. Brian Atwood, former Administrator of USAID (1993-1999). He will discuss "Foreign Aid: What works? What doesn't?"

One of the world's foremost development experts, Atwood led Kosovo relief efforts in the Balkans and served in both the Clinton and Carter Administrations. He is former President of the National Democratic Institute for International Affairs (1986-93) and Dean of Professional Studies at the Foreign Service Institute.

Currently Atwood is Executive Vice President of Citizens Energy Corporation and Director of Citizens International.

The event will take place next Thursday, December 9th, in the Askwith Lecture Room, Longfellow Hall, Harvard Graduate School of Education, 13 Appian Way, Cambridge.

Please note that there will be no speaker in January 2000.

Upcoming Speakers in Spring 2000 (details to be announced)

- Professor Gordon Conway, President of the Rockefeller Foundation
- Mark Mallock Brown, Administrator, United Nations Development Program

Sincerely,

Jolanta M. Davis
Publications Coordinator

--

Harvard Institute for International Development
14 Story Street
Cambridge, MA 02138

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 11:55:19.00

SUBJECT: Jeff Frankel

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Jeff called to say he would be in the area around 5:30 or so today and plans to drop by to say hello. He will call again to confirm that this time is okay with you and Martin.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 13:14:47.00

SUBJECT: Spreadsheet

TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D21]ARMS20495024M.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

**Clinton Presidential Records
Automated Records Management
System [EMAIL]**

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Hex Dump file is not in a recognizable format, has been incorrectly decoded or is damaged.

File Name: p_h4180860_cea_html_1.msoff

Attachment Number: [ATTACH.D48]ARMS20680814I.336

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 17:27:14.00

SUBJECT: Staff meeting change

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Susan P. Clements (CN=Susan P. Clements/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Stephen F. Lin (CN=Stephen F. Lin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah M. Anderson (CN=Sarah M. Anderson/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah L. Rosen (CN=Sarah L. Rosen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Rosalind V. Rasin (CN=Rosalind V. Rasin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Robin L. Lumsdaine (CN=Robin L. Lumsdaine/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Noah Y. Weisberger (CN=Noah Y. Weisberger/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Mary Fibich (CN=Mary Fibich/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Mary E. Jones (CN=Mary E. Jones/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary A. Thomas (CN=Mary A. Thomas/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mark N. Levine (CN=Mark N. Levine/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Linda A. Reilly (CN=Linda A. Reilly/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Douglas V. Almond (CN=Douglas V. Almond/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Christel M. Sice (CN=Christel M. Sice/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Catherine H. Furlong (CN=Catherine H. Furlong/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Carol L. Capece (CN=Carol L. Capece/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Brian A. Amorosi (CN=Brian A. Amorosi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Andrew R. Feldman (CN=Andrew R. Feldman/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

The staff meeting has now been moved to Wednesday, December 1 at 9:30 a.m. Please note on your schedules. Thank you.

Note: Mary, would you please reserve the conference room. Thank you.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 17:11:43.00

SUBJECT: Re: WTO Forum

TO: "Aaron_Goldzimer ("Aaron_Goldzimer/Student/KSG"@ksg.harvard.edu [UNKNOWN])

READ:UNKNOWN

TEXT:

I would be happy to do this, but unfortunately will be in Paris on the
14th of December

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 11:23:13.00

SUBJECT: Due Dec 1-Another Reminder-Your Personal Y2K Preparations for CEA

TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Rosalind V. Rasin (CN=Rosalind V. Rasin/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Mary Fibich (CN=Mary Fibich/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Brian A. Amorosi (CN=Brian A. Amorosi/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Noah Y. Weisberger (CN=Noah Y. Weisberger/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Sarah Rosen Wartell (CN=Sarah Rosen Wartell/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

TO: Robin L. Lumsdaine (CN=Robin L. Lumsdaine/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Stephen F. Lin (CN=Stephen F. Lin/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Mary E. Jones (CN=Mary E. Jones/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Catherine H. Furlong (CN=Catherine H. Furlong/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Susan P. Clements (CN=Susan P. Clements/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:

----- Forwarded by Francine P. Obermiller/CEA/EOP on
11/29/99 11:19 AM -----

Francine P. Obermiller
11/18/99 10:03:35 AM

cc:

Please respond to me no later than December 1, as Audrey must submit our
answer to White House Counsel then (see below).

----- Forwarded by Francine P. Obermiller/CEA/EOP on
11/18/99 10:00 AM -----

Francine P. Obermiller
11/18/99 10:00:30 AM

cc:

bcc:

Subject:

Francine P. Obermiller
11/12/99 10:50:19 AM

Audrey Choi
11/10/99 08:12:15 PM
Record Type: Record

To: All CEA Users
cc:
Subject: Your Personal Y2K Preparations for CEA

Earlier this week each of you received a copy of CEA's Business Continuity and Contingency Plan for Y2K issue.

As you'll see, there are a few things that each employee will need to do before certain deadlines to ensure the least possible disruption to our abilities to keep CEA humming through the turn of the millennium. .

Here's the first one.

In case the Internet and e-mail communication outside of the WH Complex is not available, our Plan calls for each employee to ask their regular e-mail correspondents to supply current telephone and fax numbers. Each user will be responsible for collecting and organizing this information, printing out copies, and having them available by December 1, 1999.

Please e-mail Francine Obermiller when you have completed the task, so that we can be assured that we are adhering to our Plan and will be as prepared as we can be in the event of any interruptions after January 1, 2000.

Thanks for your cooperation,

Message Sent

To: _____
Joseph E. Aldy/CEA/EOP@EOP
Douglas V. Almond/CEA/EOP@EOP

Brian A. Amorosi/CEA/EOP@EOP
Martin N. Baily/CEA/EOP@EOP
Jason A. Bernstein/CEA/EOP@EOP
Lisa D. Branch/CEA/EOP@EOP
Steven N. Braun/CEA/EOP@EOP
Michael J. Brien/CEA/EOP@EOP
Yu-Chin Chen/CEA/EOP@EOP
Audrey Choi/CEA/EOP@EOP
Susan P. Clements/CEA/EOP@EOP
John G. Fernald/CEA/EOP@EOP
Mary Fibich/CEA/EOP@EOP
Catherine H. Furlong/CEA/EOP@EOP
William H. Gillespie/CEA/EOP@EOP
John L. Goldie/CEA/EOP@EOP
Victoria A. Greenfield/CEA/EOP@EOP
Mary E. Jones/CEA/EOP@EOP
Robert Z. Lawrence/CEA/EOP@EOP
Stephen F. Lin/CEA/EOP@EOP
Leigh L. Linden/CEA/EOP@EOP
Robin L. Lumsdaine/CEA/EOP@EOP
Rosalind V. Rasin/CEA/EOP@EOP
Linda A. Reilly/CEA/EOP@EOP
Sarah Rosen Wartell/OPD/EOP@EOP
Charles F. Stone/CEA/EOP@EOP
Mary A. Thomas/CEA/EOP@EOP
Noah Y. Weisberger/CEA/EOP@EOP
Alice H. Williams/CEA/EOP@EOP
John C. Williams/CEA/EOP@EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-NOV-1999 19:54:40.00

SUBJECT: diesel sulfur issue

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Following-up on Martin's conversation with Carol Browner today on the diesel sulfur issue, I spoke with the Director of the Office of Mobile Sources, EPA.

Background: EPA will be promulgating a preliminary rule on diesel sulfur content in the near future. The key question has to do with a phase-in of low-sulfur diesel. EPA has advocated a one-fuel system consisting of low-sulfur diesel starting in 2007, while CEA and other economic agencies have advocated for a 2-fuel system where all fuel suppliers (fill-up stations, truck stops, centrally-located fuel stations) must carry low-sulfur diesel and will have the option to carry high-sulfur fuel in 2007 and for 3-4 years thereafter. Since low-sulfur fuel will likely cost 3-5 cents/gallon more than high-sulfur fuel, but low-sulfur fuel delivers very little environmental benefit when used in older vehicles that don't require the low-sulfur fuel, then requiring all vehicles to use low-sulfur fuel will significantly increase the costs of the program without much benefit. Providing the option for 2 fuels will allow the market to decide where it is economic to invest in extra tank capacity for 2 grades of diesel. Our preliminary estimates of the potential cost-savings of a dual fuel approach are around \$1 billion/year.

I made the following 3 points in the phone call:

1) I expressed frustration with the apparent misinterpretation of the CEA view on the diesel sulfur rule. I indicated that CEA does not advocate the position that every fill-up station will have to install extra tanks; but that fill-up stations have the option to do so if they find it is economic. I made clear that our view is that the choice to carry 1 or 2 grades of diesel cannot be more expensive, and likely could result in substantial cost-savings, relative to mandating 1 grade.

2) I expressed frustration that EPA noted concerns about CEA's views on

this issue at the principal's level when EPA staff have been non-responsive to CEA and OMB entreaties to analyze this issue. Our 2 agencies sent a memo on 10/29 illustrating our concerns with EPA's original analysis that found that a 2-fuel approach would be more costly than a 1-fuel approach. (FYI, I have a left a copy of this memo for you.) EPA staff have not responded to the memo, and they have not been responding to voice mails left by OMB staff following up on the issue.

3) I stated that Chair Baily welcomed Administrator Browner's offer for our staffs to meet, and that he believes that such a meeting would allow for a more productive, cooperative relationship. I sent a copy of the 10/29 memo to the Director of Mobile Sources and suggested that we discuss how EPA will respond to the memo in a meeting or conference call. I will follow-up with a phone call later this week to arrange the staff meeting.

EPA has argued that all stakeholders support their position for a 1-fuel system. There are two key caveats to this claim. EPA's claim is based on a comparison of a mandated 1-fuel system relative to a mandated 2-fuel system. I would agree that requiring all fuel suppliers to supply 2 grades of diesel would likely be more expensive than a 1-fuel system, and much more expensive than providing them with the choice of going with 1 or 2 fuels. Second, some of the larger refining companies like the 1-fuel system because it raises competitors' costs -- some small refineries would likely go out of business with a stringent low sulfur 1-fuel system. It should be noted that EPA is apparently fairly open to considering various options in the SBREFA consultation process (the process where EPA, OMB, and Small Business Administration do outreach with small businesses to identify concerns they may have and try to develop ways to address these concerns).

In general, EPA's mobile sources staff has been non-responsive on a wide variety of requests for additional analysis on this and the Tier 2 rule for gasoline (limits on sulfur content in gasoline, limits on NOx emissions from cars and light trucks). I hope that Browner's offer for a meeting indicates that they will be more open to consider other options on this issue. I will keep you up to date on this issue.

Joe

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 15:01:57.00

SUBJECT: Re: ERP Chapter 2 and fourth quarter NIPA data

TO: noah y. weisberger (CN=noah y. weisberger/OU=cea/O=eop@eop [CEA])

READ:UNKNOWN

TO: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: martin n. baily (CN=martin n. baily/OU=cea/O=eop@eop [CEA])

READ:UNKNOWN

TO: stephen f. lin (CN=stephen f. lin/OU=cea/O=eop@eop [CEA])

READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Mary Fibich (CN=Mary Fibich/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Since Martin has decided that we will wait for Q4 data for chapter two, I just want to make sure that everyone's clear on what that will mean logisitically for the production of the chapter and the ERP as a whole.

1. Macro chapter will continue to stay on the schedule for all deadlines through (and including) January 19.
2. By January 19, the macro team should be providing a chapter as final as it can humanly be without the Q4 number. Ideally, there ought to be only a handful of spots where the final number needs to be plunked it or a sentence possibly rejiggered here or there. Because of the crunch of time on the other end, we really have to keep the moving parts very limited and well circumscribed.
3. All other parts of the chapter should be fully fact checked and essentially camera ready at that point

4. On Thursday night, Jan 27, we will get the data -- due for Friday a.m. release

5. On Friday (and over the weekend as necessary) the final numbers will have to be inserted into the chapter, that handful of changes made, and fully fact-checked, and go through a final edit with the ERP editor. Obviously, macro team will need to be on hand/reachable throughout this process.

6. By 8:30 a.m (at the latest) on Monday January 31st, the chapter must be AT graphics. Not getting finished to send -- but AT graphics. This means that realistically, it is best to send it out the night before so that is waiting for graphics as soon as their folks arrive in the morning.

7. All day, throughout the day, on the 31st the macro team will need to be on hand to answer any questions or troubleshoot anything as graphics finalizes the chapter.

Cathy -- if there is anything else that I have forgotten to mention, please feel free to add to or expand on this list.

Thanks

-Audrey

John C. Williams
11/29/99 01:37:38 PM
Record Type: Record

To: Martin N. Baily/CEA/EOP@EOP
cc: See the distribution list at the bottom of this message
Subject: ERP Chapter 2 and fourth quarter NIPA data

Martin,
This is to confirm that we now plan to include data from the BEA NIPA advance release for 1999:IV (official release date: January 28, 2000) in Chapter 2 of the ERP. I am changing the draft text of Chapter 2 accordingly.

John W.

Message Copied

To:
Audrey Choi/CEA/EOP@EOP
John C. Williams/CEA/EOP@EOP

Steven N. Braun/CEA/EOP@EOP
Noah Y. Weisberger/CEA/EOP@EOP
Stephen F. Lin/CEA/EOP@EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 15:11:24.00

SUBJECT: ERP Intro

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Dr. Lawrence,

I have attempted to reconstruct the data you sent me (pcgnp.xls) in the worksheet below. I did come up with some different numbers on several occasions, largely due to the availability of 1999(3Q) data and some recent revisions to the GNP series. However, these differences are very minor.

I did have some questions though on how you spliced the productivity data between NBER and BLS. I get some different numbers when I tried to converge the data to one index. I also have a question on how you spliced Lebergott and BLS employment data (if the Lebergott employment figures are persons ages 14 and over, and BLS figures are for persons 16 and over, how could the BLS equivalent of Lebergott data be higher than Lebergott's original numbers?) I may be making some mistakes but I just want to make sure.

Again, I think these differences are minor but let me know when you have a chance to discuss them so I know if I'm getting it right.

Thanks,
Jason

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D89]ARMS220666344.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

Clinton Presidential Records Automated Records Management System [EMAIL]

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Hex Dump file is not in a recognizable format, has been incorrectly decoded or is damaged.

File Name: p_14205939_cea_html_1.msoff

Attachment Number: [ATTACH.D21]ARMS20495024M.336

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 17:56:58.00

SUBJECT: Just a Reminder

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Will you need any visual aid equipment for your presentation before the National Economists Club on Thurs, 12/2? Please let me know ASAP.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 13:48:23.00

SUBJECT: IRUP ideas

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Here are this week's IRUP ideas:

1) A world Bank report Greening Industry: New Roles for Communities, Markets and Governments. According to this report, the view that the expansion of industrial output will inevitably exacerbate pollution in developing countries is false. Factories in many poor countries run cleaner than a decade ago, and total emissions are actually falling in some areas where industry is growing rapidly. The report advocates new pollution-fighting techniques based on market incentives and increased public information disclosure rather than the use of "command and control" models whereby government regulators set maximum pollution levels and then fine companies that exceed them. For example, Indonesia has cut industrial water pollution sharply by monitoring factories' discharges and publicizing their findings to the new media. Columbia and the Philippines have achieved success by imposing charges on factories that pollute.

2) The yen soared close to Y100 to the dollar despite Japanese authorities' interventions, while the euro tumbled to its lowest level, trading as low as \$1.0038 on Monday. While some claim that the psychology of 1-1-100 played a role, continued strength of the US and Japanese economies above expectations, net outflows of investment capital partly associated with major purchases of foreign firms by euro-zone companies, as well as the low confidence in euro are other factors influencing the movements. Given strong economic forecasts and continued current account surplus in the euro-zone, euro's decline poses little economic threat or to price stability, according to ECB, which deems the fall "no cause for policy change" but warns against "talk and hype" damaging public confidence in the euro. The surge of yen, on the other hand, deserves more concerns. As the yen is driven up by overseas

investors chasing after Japanese assets, the strong currency would hurt export and potentially slow down economic recovery. Bank of Japan sold up to \$5bn of yen for dollars on Monday but failed to stop the yen from surging. Finance Minister Kiichi Miyazawa said that Japan might ask other major industrialized nations for help in stabilizing its currency.

3) The Heritage Foundation and the Wall Street Journal just published their annual Index of Economic Freedom. The index ranks 161 countries according to 50 independent variables that are divided into 10 broad factors of economic freedom: trade policy, fiscal burden, government intervention in the economy, monetary policy, capital flows and foreign investment, banking, wages and prices, property rights, regulation, and the black market. According to this year's index, the top 3 most economically free countries are Hong Kong, Singapore, and New Zealand, with the U.S. tied for fourth with Bahrain and Luxembourg. The most economically repressed countries are North Korea, Iraq, Libya, and Somalia. The report finds encouraging results; this year, 57 countries improved their score while 34 declined. Inflation played an enormous role in determining the direction of economic freedom. The monetary policy factor accounted for 40% of all improved scores in the individual factors, due mainly to improved inflation rates, particularly in Latin America. Sub-Saharan Africa remains the most economically unfree region; out of 42 countries graded, none received a rating of "free", 7 received a rating of "mostly free", 28 were "mostly unfree", and 7 were "repressed".

4) USDA (ERS) report on state trading in agriculture. State-trading enterprises (STE), defined as governments or private enterprises that have been granted special privileges by their governments, account for significant shares of world trade in grains, dairy products, and sugar. The report presents a classification scheme for STEs that provides an index of an STE's ability to influence external trade. Applies classification to 9 major STEs and concludes that only a few of them are able to affect international trade substantially, and recent policy reforms have eroded some of the nine's power to influence trade.

5) The UN Centre for the Facilitation of Administration, Commerce, and Transport UN/Cefact has teamed up with the world's leading computer and software companies to devise standard web-based electronic business procedures for international trade in a move that could slash transaction costs and provide a big stimulus to global commerce. The parties have joined together to develop standards for paperless trading using a new web language called XML. The initiative will enable companies to deal online with suppliers and customers anywhere in the world as well as supply documentation to customs and taxation authorities, insurance companies, banks, and others, using standardised software accessible to anyone with internet connection. Promises to narrow "digital divide" between rich and poor nations and widen participation in international trade. According to Cefact, 99% of all global trade transactions still use paper documentation. One estimate of producing a single invoice at \$75, compared with an online transaction cost of perhaps 50 U.S. cents.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Rosina M. Bierbaum (CN=Rosina M. Bierbaum/OU=OSTP/O=EOP [OSTP])

CREATION DATE/TIME:30-NOV-1999 19:49:25.00

SUBJECT: NAS briefing on Energy & China report Wed 11 am-noon, 472 OEOB

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: David Gardiner (CN=David Gardiner/OU=CEQ/O=EOP@EOP [CEQ])

READ:UNKNOWN

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Ronald Minsk (CN=Ronald Minsk/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

TO: Jefferson B. Seabright (CN=Jefferson B. Seabright/OU=WHCCTF/O=EOP@EOP [WHCCTF])

READ:UNKNOWN

TO: Roger S. Ballentine (CN=Roger S. Ballentine/OU=WHO/O=EOP@EOP [WHO])

READ:UNKNOWN

CC: Henry C. Kelly (CN=Henry C. Kelly/OU=OSTP/O=EOP@EOP [OSTP])

READ:UNKNOWN

CC: Samuel F. Baldwin (CN=Samuel F. Baldwin/OU=OSTP/O=EOP@EOP [OSTP])

READ:UNKNOWN

holdren (holdren [UNKNOWN])

READ:UNKNOWN

TEXT:

This report "Cooperation in the Energy Futures of China and the US" will be released 12/8 and we asked for an early briefing for senior WH staff. You are cordially invited if your schedules permit. Jack Siegel (President, Technology and Markets Group of Energy International) and Bob Fri (currently the Director of the Natural History Museum of the Smithsonian) will do the briefing. The National Academies of both countries produced this consensus report. I believe their analysis of the problems and opportunities will be in sync both with the PCAST report (there are several members in common) and our current internal papers for SOU. Thanks, Rosina

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 08:52:16.00

SUBJECT: lunch or something

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Are you free for lunch? I'd like to talk about some administrative issues
and whatever.

Kathryn

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 09:37:33.00

SUBJECT: Re: lunch or something

TO: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Yes, Lets do it today.

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	J. Aldy to R. Lawrence, re Y2K and World Energy Markets (1 page)	11/30/1999	P3/b(3)

COLLECTION:

Clinton Presidential Records
Automated Records Management System [Email]
CEA (Robert Z. Lawrence)
OA/Box Number: 950000

FOLDER TITLE:

[11/24/1999 - 12/02/1999]

2014-0316-F
wr10772

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

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RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 14:47:25.00

SUBJECT: WEB

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Here is a first draft. ===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D69]ARMS289726341.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

Inequality and the New Economy: is the GINI back in the bottle?

A variety of indicators suggest that this expansion has not only been robust and long-lived but has also been widely shared. The troublesome increases in inequality, so much a features of the economy from the late 1970s to the mid 1990s appear to have abated. In fact, over the last five years, those at the bottom of the wage distribution have enjoyed the greatest gains. These developments are particularly striking because globalization, technological change and deunionization, all blamed for rising inequality in the 1980s, have actually never been more powerful. These forces may actually operate in a more benign fashion than previously thought or they have been overridden by the even more powerful effects of economic policy and a high employment economy.

This special edition of the WEB, examines these developments.

1979-93. When the data from 1979 through 1993 are arrayed by household, by earnings decile, or by indicators of skill and education, they all suggested two fundamental results. First, growing inequality: more advantaged US workers did particularly well while those at the bottom did poorly. Second, on average, workers fared poorly. Real wage growth was extremely sluggish and by some measures, such as average hourly earnings actually declined over the period. These results were particularly striking because the inequality trends persisted despite the long expansion in the 80s and the relatively rapid increase in the supply of educated workers.

The literature advanced three lines of explanation for these developments

International trade. The US economy ran large trade deficits in the 1980s. In addition, there was a rise in the participation of developing countries in US trade, partly occasioned by the shift in developing countries such as China to more outwardly oriented policies. It has been argued that these developments had particularly adverse effects on the demand for less skilled US workers who were increasingly forced to compete with low-wage workers. In addition the threat of outsourcing and increased international competition were said to reduce labor's bargaining power – a factor which was also held responsible for the slow rise in average wages.

Technological change. The broader application of computers and /or new management approaches emphasizing lean and more flexible “post-Fordist” production methods are said to have skewed demand towards skilled workers and away from the less skilled. While technological change has long been biased towards the use of skilled workers, in the 80s, this trend appeared to have accelerated.

Third, institutional and structural changes. In the 1980s, de-unionization and deregulation weakened the bargaining power of workers. In addition, the declining share of

employment in manufacturing, “de-industrialization” reduced high-wage opportunities for less-skilled blue-collar workers

To be sure these explanations were not seen as mutually exclusive. Indeed they may be interrelated. International competition may have stimulated technological change. International competition has also been invoked to help explain the weakening of union bargaining power and the declining share of manufacturing employment. While economists differ on the relative importance of these forces – a majority arguing that technological change was dominant -- most assign at least some role to all three. What is particularly noteworthy is that over the past five years these forces have never been more apparent:

Trade has been operating powerfully in the 90s. Trade has continued to rise as a share of the US economy. New trade agreements have been implemented – in particular the NAFTA and the Uruguay Round. In the aftermath of the Asian crisis the US trade deficit in goods and services increased dramatically. (See Chart) In addition, particularly since 1997, the prices of imported goods have fallen relative to the Consumer Price Index (Chart) and the prices of manufactured goods from developing countries which are typically labor-intensive, have fallen even more rapidly than those from developed countries. (See Chart)

By most measures of both inputs and outputs, the pace of technological change driven by the information revolution and other factors appears to have accelerated. One very powerful feature of the strength of this expansion has been investment in plant and equipment, particularly computers and information technology. This can be seen in the dramatic rise in the share of real investment in GDP and the share of high-tech investment in total investment. (Charts) and of course, the diffusion and development of the internet. A second feature has been the acceleration in productivity growth over the past three years. While productivity growth had been slow in the early part of this expansion, but we’ve seen business sector productivity up 1.5 in 1997, 2.4 in 1998 and 3.0 in the year prior to mid 1999. Productivity levels are now well above the trend rate since 1973. (Chart)

In addition, union membership has continued to decline in 1990s. Membership in the private sector has fallen by over 400,000 since 1994. (Chart) The share of employment in manufacturing has declined steadily and after rising through 1997, the number employed has fallen. (Chart) In addition, welfare reform has added new workers, many with limited work experience, to the labor force.

In the light of these earlier explanations, most would surely have predicted even greater inequality in the 1990s. Yet that has not happened. Indeed by numerous measures there has been no increase and by some inequality has actually been reduced.

Real wages and labor’s share. In contrast to the experience of the 1980s, since 1995 we have seen significant increases in real wages. (Chart) In addition, the share of output received by workers in the form of compensation has been rising since 1996. (Chart) It shows almost no change over the longer run suggesting that there has been no significant change in the shares of the pie going to labor and capital. Indeed, recent contracts in Aerospace and

Automobiles do not suggest that pressures from international competition have reduced labor's ability to win generous contracts.

College premiums There has been no acceleration in the premium over the past five years for either men or women. The ratio of average weekly wages of college graduates to those of high school graduates had increased from 38 percent in 1979 to 74.3 percent in 1994 but between 1994 and 1998 it actually declined to 71.3 percent. (Chart)

Earnings by decile. The spread between the hourly earnings at the 90th percentile and those earning at the 10th percentile has stopped rising. The same story is evident in weekly earnings. Between 1979 and 1996 the ratio increases to 4.45. Between 1996 and 1998, however, it declines to 4.36. In the weekly data, likewise the 90/50 spread also rises from 1.86 to 2.12 in 1996 and then subsides.

The hourly earnings data suggest that between 1994 and 1999 there has been an increase in wage equality. When men and woman are grouped together, we see increases that are highest at the bottom and lowest at the top. (They're up 8.6 percent since 94 in the lowest decile, up 4.7 at the top.) Similar images of faster growth at the bottom than at the top emerge for both men and women when the data are separated by gender.

Household incomes. More comprehensive indicators of inequality, income gains by quintile and an aggregate measure of inequality the gini coefficient for household income support the view that inequality has not increased. Since 1993, incomes have grown by between 9.9 and 11.7 percent for every quintile of the income distribution. After two decades of rising inequality the GINI coefficient measure has shown no statistically significant change between 1993. Here too, it appears as if the GINI is back in the bottle.

The least fortunate. The poverty data show excellent progress since 1994. The 1998 poverty numbers suggest poverty is lower than at any time since 1979. The poverty rate has fallen from 15.1 percent in 1993 to 12.7 percent in 1998. Over the last five years typical families have seen their incomes rise by 12.1 percent and African American families by 21.0 percent.

Likewise, unemployment gains at the bottom are particularly impressive. Since 1993 African American unemployment has declined from 14.3 percent to 7.8 percent – the lowest on record while Hispanic unemployment has fallen from 11.5 to 6.5 percent – also the lowest on record.

The overwhelming impression therefore is that the inequality has stopped rising. It would be incorrect to claim that we have actually reversed the drift towards inequality in the 1980s. But there is convincing evidence that inequality has not continued to worsen. And that is highly significant.

Why is that despite the apparent strength of these forces, the inequality outcome is not what might have been expected? There are both macro-economic and microeconomic possibilities.

One obvious candidate is the role of the high pressure economy and the associated low rates of unemployment. A high - employment economy will increase opportunities for workers at the lower end of the scale. It may set in motion a positive virtuous circle in which new opportunities lead to new skills, higher productivity and improved competitiveness which in turn may allow for labor markets to be run at higher levels without upward pressure on wages. As the labor market tightens, there will be more opportunities and higher pay for those with fewer qualifications.

Ironically, the forces which were seen as working towards increased inequality may well have contributed to allowing us to have a high pressure economy.

First, globalization and increased competition can lead to a one time reduction in prices and margins which improves the short run inflation-output trade –off. Similarly price pressures may reduce profits and raise the relative share of labor. And lower import prices help on inflation in the short run. In addition, when there is excess capacity in the rest of the world, we can draw on imports rather than strain domestic capacity utilization, again resulting in fewer price pressures.

Second, as Alan Greenspan has emphasized, when we get positive shocks to productivity due to technological change there is a powerful positive macroeconomic influence allowing firms to pay higher wages without passing it through into inflation

And third, it could be that a less organized economy is less inflation-prone.

A second possibility is that the trends themselves have been brought to a halt by offsetting microeconomic forces.

One possibility is that “technology” is responsive to relative wages costs. Skill bias does not come down from heaven but eventually shifts in response to incentives. Firms may increasingly find ways to employ relatively less well educated workers more effectively because these workers have become relatively cheaper

A second possibility is that the downward pressures from “trade” or globalization may have run their course. In particular, the issue of substitutability between domestic and international production is relevant. It could be that eventually, US firms either are driven out of low-wage activities or they figure out how to compete using competitive strategies which offset cheaper foreign labor costs. This means they no longer compete head to head with low wage countries and thus are less affected by competitive pressures. Similarly, vulnerable unions may be forced to reduce members so that those who remain are actually the more powerful ones.

While the macroeconomic explanation implies that inequality could reverse in the face of higher unemployment, the microeconomic considerations suggest that we may have a more resilient economy. We may finally be reaping the benefits of having adjusted to some major structural challenges.

But is also possible that our explanations were defective in the first place. That we actually have never had a very firm grasp on what was shifting the trends in the first place. There were always problems with the story assigning a large role for trade. The numbers just didn't seem to add up to anything big enough to explain a large share, and the other implications of the theories didn't seem to be corroborated.

There was also a problem with the skill biased technology story. Why so much change and so little progress? Why in the 80s did we have changes in technology that were large enough to wrench the labor market and yet too small to boost productivity? Ironically over the past five years we are getting the "progress" i.e. faster productivity growth without the relative wage changes.

Finally, credit for the differences in behavior should also be given to policy. On the Macroeconomic front to both fiscal and monetary policy. The monetary authorities have been vigilant in avoiding inflation and yet willing able to provide sufficient liquidity to finance non-inflationary growth and deal with financial crisis. Fiscal policy has been prudent with a long run trend towards surplus while at the same time resources devoted to education, training and civilian technological development. As NEC Chief Gene Sperling has recently pointed out strong deficit reduction has not hurt poverty reduction. Increased funding for the EITC and other education, training and research have played a role. Important too, have been increases in the minimum wage. Certainly this has raised wages at the bottom and it does not appear to have had a noticeably negative impact on employment of the least well paid workers. In addition, trade policies have been directed towards opening markets.

To Conclude: We should not be complacent. We have not reversed the previous shifts towards greater inequality. Ideally we would like to see sustained gains for all and particularly large gains at the bottom. But we have made progress in arresting trends which were disturbing. But overall these data suggest we have been doing the right things. In addition, it provides an optimistic message. We remain masters of our fate and are not, as some suggest condemned to be buffeted by negative global or technological forces in the face of which we are helpless.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 12:22:03.00

SUBJECT: G-7 Special Report: Euro and Yen: A Pair at Parity

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

----- Forwarded by Steven N. Braun/CEA/EOP on 11/30/99
12:21 PM -----

Medley_Global_Advisors@medleyadvisors.com

11/30/99 12:17:55 PM

Record Type: Record

To:

cc:

Subject: G-7 Special Report: Euro and Yen: A Pair at Parity

NOTICE: Forwarding this proprietary email report constitutes violation of United States and international copyright laws, and will be pursued to the full extent of the law.

Medley Global Advisors 212-219-9096

(See attached file: srmovem30.PDF)

- srmovem30.PDF

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D1]ARMS283173342.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

Medley Global Advisors

G7 Special Report

Euro And Yen: A Pair At Parity

November 30, 1999

Yesterday morning, a senior Japanese MOF official arrived in Washington for deliberately low profile discussions with US Treasury officials and spent most of the afternoon locked up with Secretary Summers. The purpose was to "probe" for any real concern from Treasury officials about the impending approach of European and Japanese currencies to parity. In itself this is nothing new -- Japanese officials are always in town trying to get the US interested in intervention (one way or the other) and the US is always resisting. At almost the same time that the Japanese official arrived in Washington, ECB President Duisenberg was telling Ecofin finance ministers in Brussels that there would be no intervention by the ECB to defend the euro in large part because the economic fundamentals would soon begin driving the euro back up against the dollar in the new year. In fact, **senior ECB officials have been making it clear in recent days that they expect to be raising rates early and often in 2000, perhaps reaching or exceeding the 4% level by year end.**

That new confidence in European growth was not the only surprising thing about the dual meetings in Washington and Brussels. There were equally surprising things about the Washington meeting in particular. First, **the US was at least somewhat "on alert" for trouble as the two currencies move toward par; second, US officials are far more "on alert" about the euro than the yen -- they find the ECB boosterism surprising** and perplexing given recent numbers out of Germany -- and third the Japanese seemed far more determined to press American officials for their support in the IMF Managing Director fight than for their support with dollar/yen.

European officials need to be particularly alert to the possibility that the euro will slide quietly under parity at the same time that the chance of getting a European back at the helm of the IMF slips below 50% unless they find a unified candidate quickly (by Helsinki at the latest). **Developing countries and Asian officials are lobbying hard for Sakakibara or someone like him and there is growing awareness that Koch-Weser is no favorite on Pennsylvania Avenue.** We are working on this story hard right now, because we believe there may be much more here than meets the eye. Trade-offs about taxes, rates, appointments to the IMF and other events are being discussed. But will return to that in the next few days.

What is important now is that attention is turned toward the euro in Washington. US officials recognize that with both the euro and the yen approaching parity, there is some risk that trading and speculative flows start to get out of hand and create a crisis atmosphere as we run up to impossibly thin market conditions at year end. On the other hand, there is nothing like a sense of panic now. **Stock and bond markets are handling this latest move in the currencies with extraordinary aplomb, and as long as that holds true, massive and sustained intervention is not likely.** In fact, if European officials are to be believed, there is growing confidence that economic fundamentals will turn the situation around in the new year.

IS THIS REALLY A EURO PROBLEM?

Washington officials have one important question they cannot answer about the euro as it slides toward parity: is the euro problem a long term and endemic credibility problem or just the final thrashing around of position squaring? There is no doubt from recent conversations among G-7 officials that the fact the euro is now in trouble has made the currency issue far more important to Treasury officials than when it was just the usual yen problem. **There is concern that the Europeans have not established their currency credibly and although there is clearly nothing the US can do to affect that in the ultimate sense, there are greatly intensified talks in case the situation gets out of**

control and emergency stabilizing interventions need to happen.

The Treasury concerns are shared by some ECB officials more than they want to admit in public. Despite Duisenberg's explicit pledge to Euro finance ministers that no intervention is forthcoming, the situation is far more fluid and is beginning to resemble the interest rate discussions of earlier this fall. Public statements by ECB officials are becoming a big part of the euro-weakening story as they speak at cross-purposes and at times that seem almost preternaturally capable of sinking the currency. There is an active and on-going discussion among ECB officials about what they should or can do about the currency, **but there is widespread belief that if the weakening euro begins to "undermine public confidence" in the not quite year-old currency, they will have to do something.** That has not happened yet, but just as with US officials, ECB officials are talking about the "what-if" scenarios to come.

For the Europeans, the ultimate question to be answered before any serious consideration of intervention would be the price of any joint intervention with the US.

"Now that Treasury believes we have a 'euro problem,' intervention would come with a policy hook," one senior European official sighs, not sounding especially pleased at the prospect of renewed lectures from Washington. "And that means demands for tax cuts or some kind of fiscal stimulus." It could also mean a renewed commitment to let reform get to work in the workers' paradise of Mannesmann, Holzmann and Orangina.

Of course, the best possible world is that the euro gradually drifts down for the rest of this year, erasing the dreaded parity question and levels off as new and stronger growth statistics start to emerge from Euroland, and the markets come to understand growth is likely to be stronger than currently predicted. That would be enough to push the euro back up toward the 108 central rate the ECB prefers, and would help cushion the inflationary blows from high and lingering oil price movements. **The Europeans remain highly skeptical that any currency intervention would have any lasting effect since much of the flows out of the euro seem to be driven by portfolio flows (real money) and fundamentals rather than speculative money.**

Thus while there is some near term worry about keeping the euro from being a permanent whipping boy for carry trading capitalists, and there will continue to be smoothing operations from individual central banks would continue as they take profit on over-stuffed dollar reserves, there is no coordinated campaign to keep the euro anywhere special. **"There is a real sense here that next year will be the year of the euro and there's no reason to get particularly excited about it as it finishes a rougher than expected birth process," one European official tells us.**

YEN INTERVENTION STRATEGY

Leaving aside the chance of a serious market disturbance that makes US-led joint intervention a real possibility, **the Japanese can be expected to continue their singular intervention tactics for a little while, but with more of a probing intent than anything else.** Japanese officials have described their current intervention strategy to US officials as one of testing the waters to determine whether this latest down move is driven by serious fundamentals or simply speculative froth. MOF will directly intervene for a few days and watch what happens. If somewhat sustained intervention stops the dollar/yen fall (or allows it to climb back toward 105-108), then the interventions will prove the move down was largely speculative. **But if the interventions fail to stop the dollar/yen fall, then the move was based on real money fundamentals and they will tolerate a further move down and consolidation through parity.** This is exactly the pattern of interventions we saw at 120, 115 and 110. It gives the stock market time to adjust to new, lower dollar/yen levels, and it keeps the moves from turning into market-destroying routs.

Clearly the yen is strengthening across the board (which helps with restructuring pressures in Tokyo and with political pressures from labor in Washington), but no one can make the case that the dollar is weakening. It remains about 5% off its highs when Rubin left office this July, but is basically unchanged in the past three months. The sense that we were in for a dramatic and destructive rebalancing of asset

markets has faded as US growth and asset markets stay buoyant. And in Tokyo there is a sense of gradual inevitability about dollar/yen dropping below parity in a smooth and sustained way. **There is very little concern that we are on the brink of a freefall in dollar/yen because the fundamentals simply do not support it and there is widespread confidence that even a break of parity would not send the pair further down than 95 or so.**

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 11:03:21.00

SUBJECT: Should we be reading or faxing figures to Greenspan?

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Martin expressed some reservations about reading data to Greenspan over the phone. As an alternative, we could send the Chairman's data worksheet from the secure fax in my office to the secure fax in Karen Johnson's office. We have done this twice already, once on November 17th with the trade data and again on November 24th with the Personal Income data.

The next time fill out a chairman's data worksheet is next Thursday evening with the employment figures.

Greenspan does NOT have a secure phone in his office. But we could encourage him to get one so that he could speak to us, either through the secure phone in Martin's office or the one in my office.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 09:28:36.00

SUBJECT: Kathryn Shaw

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Kathryn asked to have lunch with you and Martin today at noon. Francine made a reservation in the Mess.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 15:42:55.00

SUBJECT: income oped

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

I am not sure this was the final version, but it is close.===== ATTACHMENT 1

=====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D72]ARMS20771734A.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

Putting the Gini Back in the Bottle: An Economic Expansion for All
By Martin N. Baily
Chairman, The President's Council of Economic Advisers

WASHINGTON – The U.S. currently enjoys an economic expansion that is the envy of the world. Real GDP grew at almost 4 percent a year in 1997 and 1998 and looks set to achieve a similar pace in 1999. This has driven the unemployment rate to a near 30-year low, even as inflation remains tame.

Despite this record, critics abound. One set argues that the glowing aggregate numbers mask a serious underlying problem of rising inequality in our country. Middle- and lower-income families, it is argued, are not truly sharing in the prosperity. From another quarter, critics suggest that the path forward requires a return to tax cuts that would threaten fiscal discipline and cut funding for education, science and the disadvantaged.

It is time for a reality check.

Since 1993, the average income across all segments of the household distribution of income has increased about 10%. The annual growth rate is greater than the increases achieved in either the 1975-79 or 1982-89 expansions – for all but the richest fifth of households.

In measuring income inequality, economists use what is called the “Gini coefficient,” which measures the concentration of income received by families in the top income groups compared to those in the bottom income groups. From 1968 to 1992 the Gini rose by 11.9%. Strikingly, however, since 1993, the Gini coefficient has stopped rising. In this expansion, the inequality Gini has been put back in the bottle.

To be sure, the upper income classes have seen dramatic increases in wealth as a result of the strong bull market. But many middle class families have also benefited from the run-up in the stock market. And the fact remains that all income groups are better off than they were before

Moreover, income gains have remained strong throughout this expansion – defying the usual trend of income gains slowing as an expansion matures. Median household income adjusted for inflation increased 3.5 percent last year, to \$38,885. This was as large a percentage increase as any in the past 20 years. Median income adjusted for inflation has never been higher. All types of households—two-parent families, single-parent families, and individuals—experienced growth in real income in 1998. And for the first time since regional data became available in 1975, all four regions of the country experienced significant annual gains.

Hispanic households had an especially large 4.8 percent increase in real median income in 1998 alone. The income of African American families has grown 21%

since 1993 – representing an additional \$5,104 for the typical African American family, an even larger increase than for the typical family.

As long as millions of American families and children remain in poverty, it is important not to become complacent. But even here the progress is substantial. Since 1993, the poverty rate has dropped 2.4 percentage points and there are now 4.8 million fewer people in poverty. The child poverty rate remains too high, but the decline from 22.7 percent in 1993 to 18.9 percent last year was the largest five-year decline in nearly 30 years.

What is the policy backdrop for all this? In 1993, the federal budget deficit equaled a staggering 3.5% of GDP, after adjusting for the effect of the business cycle. Today, in contrast, there is a surplus of 1.1% of GDP. This massive swing towards fiscal discipline has meant lower interest rates and supported an investment boom. That investment in turn has added to capacity and raised productivity, allowing more jobs at higher wages without inflationary pressure.

As a result, we are now seeing all groups of workers benefit from this expansion. In the late eighties and early nineties, inequality was increasing and technological change and globalization seemed to be lowering the demand for and the relative wages of low-wage workers. Today, with policies to help workers gain access to the education and skills they need, we are discovering the benefits a full-employment, high-investment economy can bring. Employers face a sellers market are taking a second look at job candidates they might have ignored before and training those workers to be more productive.

In addition, the more generous earned income tax credit, welfare reform and the increased minimum wage have encouraged people to look for work and ensured they are rewarded financially when they find it.

Certainly we still have more work to do. Some remain in poverty. Some workers have been hurt as the number of well-paid jobs in traditional manufacturing declines. But the accomplishments thus far are unmistakable: Over 19 million new jobs, low inflation, across the board income gains, declining poverty. To continue expanding these achievements the road ahead is clear: continued fiscal discipline and strategic investments in education and training so that all families can share in the rewards.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 14:11:03.00

SUBJECT: Re: IRUP ideas

TO: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

John L. Goldie

11/30/99 01:48:16 PM

Record Type: Record

To: Robert Z. Lawrence/CEA/EOP@EOP, Victoria A.

Greenfield/CEA/EOP@EOP, John G. Fernald/CEA/EOP@EOP

cc: Yu-Chin Chen/CEA/EOP@EOP, Charles F. Stone/CEA/EOP@EOP

Subject: IRUP ideas

Here are this week's IRUP ideas:

You might want to detail the astounding increases in forecasts for Korea as reported in the Financial Times (I think yesterday)

1)8. A world Bank report Greening Industry: New Roles for Communities, Markets and Governments. According to this report, the view that the expansion of industrial output will inevitably exacerbate pollution in developing countries is false. Factories in many poor countries run cleaner than a decade ago, and total emissions are actually falling in some areas where industry is growing rapidly. The report advocates new pollution-fighting techniques based on market incentives and increased public information disclosure rather than the use of "command and control" models whereby government regulators set maximum pollution levels and then fine companies that exceed them. For example, Indonesia has cut industrial water pollution sharply by monitoring factories' discharges and publicizing their findings to the new media. Columbia and the Philippines have achieved success by imposing charges on factories that pollute.

2)7. The yen soared close to Y100 to the dollar despite Japanese authorities' interventions, while the euro tumbled to its lowest level, trading as low as \$1.0038 on Monday. While some claim that the psychology of 1-1-100 played a role, continued strength of the US and Japanese economies above expectations, net outflows of investment capital partly associated with major purchases of foreign firms by euro-zone companies, as well as the low confidence in euro are other factors influencing the movements. Given strong economic forecasts and continued current account surplus in the euro-zone, euro's decline poses little economic threat or to price stability, according to ECB, which deems the

fall "no cause for policy change" but warns against "talk and hype" damaging public confidence in the euro. The surge of yen, on the other hand, deserves more concerns. As the yen is driven up by overseas investors chasing after Japanese assets, the strong currency would hurt export and potentially slow down economic recovery. Bank of Japan sold up to \$5bn of yen for dollars on Monday but failed to stop the yen from surging. Finance Minister Kiichi Miyazawa said that Japan might ask other major industrialized nations for help in stabilizing its currency.

3)7. The Heritage Foundation and the Wall Street Journal just published their annual Index of Economic Freedom. The index ranks 161 countries according to 50 independent variables that are divided into 10 broad factors of economic freedom: trade policy, fiscal burden, government intervention in the economy, monetary policy, capital flows and foreign investment, banking, wages and prices, property rights, regulation, and the black market. According to this year's index, the top 3 most economically free countries are Hong Kong, Singapore, and New Zealand, with the U.S. tied for fourth with Bahrain and Luxembourg. The most economically repressed countries are North Korea, Iraq, Libya, and Somalia. The report finds encouraging results; this year, 57 countries improved their score while 34 declined. Inflation played an enormous role in determining the direction of economic freedom. The monetary policy factor accounted for 40% of all improved scores in the individual factors, due mainly to improved inflation rates, particularly in Latin America. Sub-Saharan Africa remains the most economically unfree region; out of 42 countries graded, none received a rating of "free", 7 received a rating of "mostly free", 28 were "mostly unfree", and 7 were "repressed".

4)6 USDA (ERS) report on state trading in agriculture. State-trading enterprises (STE), defined as governments or private enterprises that have been granted special privileges by their governments, account for significant shares of world trade in grains, dairy products, and sugar. The report presents a classification scheme for STEs that provides an index of an STE's ability to influence external trade. Applies classification to 9 major STEs and concludes that only a few of them are able to affect international trade substantially, and recent policy reforms have eroded some of the nine's power to influence trade.

5)7. The UN Centre for the Facilitation of Administration, Commerce, and Transport UN/Cefact has teamed up with the world's leading computer and software companies to devise standard web-based electronic business procedures for international trade in a move that could slash transaction costs and provide a big stimulus to global commerce. The parties have joined together to develop standards for paperless trading using a new web language called XML. The initiative will enable companies to deal online with suppliers and customers anywhere in the world as well as supply documentation to customs and taxation authorities, insurance companies, banks, and others, using standardised software accessible to anyone with internet connection. Promises to narrow "digital divide" between rich and poor nations and widen participation in international trade. According to Cefact, 99% of all global trade transactions still use paper documentation. One estimate of producing a single invoice at \$75, compared with an online transaction cost of perhaps 50 U.S. cents.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Roger S. Ballentine (CN=Roger S. Ballentine/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:30-NOV-1999 09:58:25.00

SUBJECT: early credit

TO: Ronald Minsk (CN=Ronald Minsk/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: David Gardiner (CN=David Gardiner/OU=CEQ/O=EOP@EOP [CEQ])

READ:UNKNOWN

TEXT:

I promise that, unlike last week, we will discuss early credit at today's 4:30 as soon as Cumby arrives. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 09:24:26.00

SUBJECT: Climate Oversight Meeting Agenda, Tues, 11/30

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

FYI.

----- Forwarded by Lisa D. Branch/CEA/EOP on 11/30/99
09:23 AM -----

Angela C. Mizeur

11/29/99 06:59:09 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Roger S. Ballentine/WHO/EOP@EOP, wigginslr@state.gov @ inet

Subject: Climate Oversight Meeting Agenda

The following will be discussed at the Climate Oversight Meeting at 4:30pm
in 115 OEOP:

1. State of the Union
2. FY 2001

If you know that a principle is unable to attend, and you would like to
send a substitute, please call me at 456-1782 to verify. Thank you-Angie

Message Sent

To:

David Gardiner/CEQ/EOP@EOP

Jefferson B. Seabright/WHCCTF/EOP@EOP

Nancy Marlow/CEQ/EOP@EOP

David A. Bernell/OMB/EOP@EOP

Betty J. Fountain/OSTP/EOP@EOP

Lisa D. Branch/CEA/EOP@EOP

Ronald Minsk/OPD/EOP@EOP

Sandalowdb@state.gov @ inet

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 15:41:10.00

SUBJECT: Draft WEB

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D93]ARMS29551734O.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

Inequality and the New Economy: is the GINI back in the bottle?

A variety of indicators suggest that this expansion has not only been robust and long-lived but has also been widely shared. The troublesome increases in inequality, so much a features of the economy from the late 1970s to the mid 1990s appear to have abated. In fact, over the last five years, those at the bottom of the wage distribution have enjoyed the greatest gains. These developments are particularly striking because globalization, technological change and deunionization, all blamed for rising inequality in the 1980s, have actually never been more powerful. These forces may actually operate in a more benign fashion than previously thought or they have been overridden by the even more powerful effects of economic policy and a high employment economy.

This special edition of the WEB, examines these developments.

1979-93. When the data from 1979 through 1993 are arrayed by household, by earnings decile, or by indicators of skill and education, they all suggested two fundamental results. First, growing inequality: more advantaged US workers did particularly well while those at the bottom did poorly. Second, on average, workers fared poorly. Real wage growth was extremely sluggish and by some measures, such as average hourly earnings actually declined over the period. These results were particularly striking because the inequality trends persisted despite the long expansion in the 80s and the relatively rapid increase in the supply of educated workers.

The literature advanced three lines of explanation for these developments

International trade. The US economy ran large trade deficits in the 1980s. In addition, there was a rise in the participation of developing countries in US trade, partly occasioned by the shift in developing countries such as China to more outwardly oriented policies. It has been argued that these developments had particularly adverse effects on the demand for less skilled US workers who were increasingly forced to compete with low-wage workers. In addition the threat of outsourcing and increased international competition were said to reduce labor's bargaining power – a factor which was also held responsible for the slow rise in average wages.

Technological change. The broader application of computers and /or new management approaches emphasizing lean and more flexible “post-Fordist” production methods are said to have skewed demand towards skilled workers and away from the less skilled. While technological change has long been biased towards the use of skilled workers, in the 80s, this trend appeared to have accelerated.

Third, institutional and structural changes. In the 1980s, de-unionization and deregulation weakened the bargaining power of workers. In addition, the declining share of

employment in manufacturing, “de-industrialization” reduced high-wage opportunities for less-skilled blue-collar workers

To be sure these explanations were not seen as mutually exclusive. Indeed they may be interrelated. International competition may have stimulated technological change. International competition has also been invoked to help explain the weakening of union bargaining power and the declining share of manufacturing employment. While economists differ on the relative importance of these forces – a majority arguing that technological change was dominant -- most assign at least some role to all three. What is particularly noteworthy is that over the past five years these forces have never been more apparent:

Trade has been operating powerfully in the 90s. Trade has continued to rise as a share of the US economy. New trade agreements have been implemented – in particular the NAFTA and the Uruguay Round. In the aftermath of the Asian crisis the US trade deficit in goods and services increased dramatically. (See Chart) In addition, particularly since 1997, the prices of imported goods have fallen relative to the Consumer Price Index (Chart) and the prices of manufactured goods from developing countries which are typically labor-intensive, have fallen even more rapidly than those from developed countries. (See Chart)

By most measures of both inputs and outputs, the pace of technological change driven by the information revolution and other factors appears to have accelerated. One very powerful feature of the strength of this expansion has been investment in plant and equipment, particularly computers and information technology. This can be seen in the dramatic rise in the share of real investment in GDP and the share of high-tech investment in total investment. (Charts) and of course, the diffusion and development of the internet. A second feature has been the acceleration in productivity growth over the past three years. While productivity growth had been slow in the early part of this expansion, but we’ve seen business sector productivity up 1.5 in 1997, 2.4 in 1998 and 3.0 in the year prior to mid 1999. Productivity levels are now well above the trend rate since 1973. (Chart)

In addition, union membership has continued to decline in 1990s. Membership in the private sector has fallen by over 400,000 since 1994. (Chart) The share of employment in manufacturing has declined steadily and after rising through 1997, the number employed has fallen. (Chart) In addition, welfare reform has added new workers, many with limited work experience, to the labor force.

In the light of these earlier explanations, most would surely have predicted even greater inequality in the 1990s. Yet that has not happened. Indeed by numerous measures there has been no increase and by some inequality has actually been reduced.

Real wages and labor’s share. In contrast to the experience of the 1980s, since 1995 we have seen significant increases in real wages. (Chart) In addition, the share of output received by workers in the form of compensation has been rising since 1996. (Chart) It shows almost no change over the longer run suggesting that there has been no significant change in the shares of the pie going to labor and capital. Indeed, recent contracts in Aerospace and

Automobiles do not suggest that pressures from international competition have reduced labor's ability to win generous contracts.

College premiums There has been no acceleration in the premium over the past five years for either men or women. The ratio of average weekly wages of college graduates to those of high school graduates had increased from 38 percent in 1979 to 74.3 percent in 1994 but between 1994 and 1998 it actually declined to 71.3 percent. (Chart)

Earnings by decile. The spread between the hourly earnings at the 90th percentile and those earning at the 10th percentile has stopped rising. The same story is evident in weekly earnings. Between 1979 and 1996 the ratio increases to 4.45. Between 1996 and 1998, however, it declines to 4.36. In the weekly data, likewise the 90/50 spread also rises from 1.86 to 2.12 in 1996 and then subsides.

The hourly earnings data suggest that between 1994 and 1999 there has been an increase in wage equality. When men and woman are grouped together, we see increases that are highest at the bottom and lowest at the top. (They're up 8.6 percent since 94 in the lowest decile, up 4.7 at the top.) Similar images of faster growth at the bottom than at the top emerge for both men and women when the data are separated by gender.

Household incomes. More comprehensive indicators of inequality, income gains by quintile and an aggregate measure of inequality the gini coefficient for household income support the view that inequality has not increased. Since 1993, incomes have grown by between 9.9 and 11.7 percent for every quintile of the income distribution. After two decades of rising inequality the GINI coefficient measure has shown no statistically significant change between 1993. Here too, it appears as if the GINI is back in the bottle.

The least fortunate. The poverty data show excellent progress since 1994. The 1998 poverty numbers suggest poverty is lower than at any time since 1979. The poverty rate has fallen from 15.1 percent in 1993 to 12.7 percent in 1998. Over the last five years typical families have seen their incomes rise by 12.1 percent and African American families by 21.0 percent.

Likewise, unemployment gains at the bottom are particularly impressive. Since 1993 African American unemployment has declined from 14.3 percent to 7.8 percent – the lowest on record while Hispanic unemployment has fallen from 11.5 to 6.5 percent – also the lowest on record.

The overwhelming impression therefore is that the inequality has stopped rising. It would be incorrect to claim that we have actually reversed the drift towards inequality in the 1980s. But there is convincing evidence that inequality has not continued to worsen. And that is highly significant.

Why is that despite the apparent strength of these forces, the inequality outcome is not what might have been expected? There are both macro-economic and microeconomic possibilities.

One obvious candidate is the role of the high pressure economy and the associated low rates of unemployment. A high - employment economy will increase opportunities for workers at the lower end of the scale. It may set in motion a positive virtuous circle in which new opportunities lead to new skills, higher productivity and improved competitiveness which in turn may allow for labor markets to be run at higher levels without upward pressure on wages. As the labor market tightens, there will be more opportunities and higher pay for those with fewer qualifications.

Ironically, the forces which were seen as working towards increased inequality may well have contributed to allowing us to have a high pressure economy.

First, globalization and increased competition can lead to a one time reduction in prices and margins which improves the short run inflation-output trade –off. Similarly price pressures may reduce profits and raise the relative share of labor. And lower import prices help on inflation in the short run. In addition, when there is excess capacity in the rest of the world, we can draw on imports rather than strain domestic capacity utilization, again resulting in fewer price pressures.

Second, as Alan Greenspan has emphasized, when we get positive shocks to productivity due to technological change there is a powerful positive macroeconomic influence allowing firms to pay higher wages without passing it through into inflation

And third, it could be that a less organized economy is less inflation-prone.

A second possibility is that the trends themselves have been brought to a halt by offsetting microeconomic forces.

One possibility is that “technology” is responsive to relative wages costs. Skill bias does not come down from heaven but eventually shifts in response to incentives. Firms may increasingly find ways to employ relatively less well educated workers more effectively because these workers have become relatively cheaper

A second possibility is that the downward pressures from “trade” or globalization may have run their course. In particular, the issue of substitutability between domestic and international production is relevant. It could be that eventually, US firms either are driven out of low-wage activities or they figure out how to compete using competitive strategies which offset cheaper foreign labor costs. This means they no longer compete head to head with low wage countries and thus are less affected by competitive pressures. Similarly, vulnerable unions may be forced to reduce members so that those who remain are actually the more powerful ones.

While the macroeconomic explanation implies that inequality could reverse in the face of higher unemployment, the microeconomic considerations suggest that we may have a more resilient economy. We may finally be reaping the benefits of having adjusted to some major structural challenges.

But is also possible that our explanations were defective in the first place. That we actually have never had a very firm grasp on what was shifting the trends in the first place. There were always problems with the story assigning a large role for trade. The numbers just didn't seem to add up to anything big enough to explain a large share, and the other implications of the theories didn't seem to be corroborated.

There was also a problem with the skill biased technology story. Why so much change and so little progress? Why in the 80s did we have changes in technology that were large enough to wrench the labor market and yet too small to boost productivity? Ironically over the past five years we are getting the "progress" i.e. faster productivity growth without the relative wage changes.

Finally, credit for the differences in behavior should also be given to policy. On the Macroeconomic front to both fiscal and monetary policy. The monetary authorities have been vigilant in avoiding inflation and yet willing able to provide sufficient liquidity to finance non-inflationary growth and deal with financial crisis. Fiscal policy has been prudent with a long run trend towards surplus while at the same time resources devoted to education, training and civilian technological development. As NEC Chief Gene Sperling has recently pointed out strong deficit reduction has not hurt poverty reduction. Increased funding for the EITC and other education, training and research have played a role. Important too, have been increases in the minimum wage. Certainly this has raised wages at the bottom and it does not appear to have had a noticeably negative impact on employment of the least well paid workers. In addition, trade policies have been directed towards opening markets.

To Conclude: We should not be complacent. We have not reversed the previous shifts towards greater inequality. Ideally we would like to see sustained gains for all and particularly large gains at the bottom. But we have made progress in arresting trends which were disturbing. But overall these data suggest we have been doing the right things. In addition, it provides an optimistic message. We remain masters of our fate and are not, as some suggest condemned to be buffeted by negative global or technological forces in the face of which we are helpless.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:30-NOV-1999 09:26:42.00

SUBJECT: EPA meetings with stakeholders on Tier 2

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Robert,

Do you want to attend either of these? If not, I will try to cover the last two.

Leigh

----- Forwarded by Leigh L. Linden/CEA/EOP on 11/30/99
09:25 AM -----

Eric M. Haxthausen
11/29/99 09:05:25 PM
Record Type: Record

To: See the distribution list at the bottom of this message
cc: See the distribution list at the bottom of this message
Subject: EPA meetings with stakeholders on Tier 2

We have learned of two more EPA meetings with stakeholders on Tier 2:

Bob Perciasepe is meeting tomorrow morning (Tuesday) at 10 am in his office (5426 Ariel Rios) with a few small refiners to discuss the sulfur credit/allowance averaging, banking, and trading (ABT) provisions of Tier 2. If you are interested in attending, please contact Terry Porterfield at 564-7404. (Space is limited, so please limit attendees if possible.) I apologize for the short notice on this one.

Carol Browner is scheduled to meet with API and oil company executives Friday, 12/3, at 1 pm. Location TBA. Please let me know if you are interested in attending this one.

API will also be meeting with OIRA Administrator John Spotila on Friday 12/3 at 3 pm in room 180. You are welcome to attend.

Message Sent

To:

Morley A. Winograd/OVP@OVP
Jennifer R. Muller/OVP@OVP
Joseph E. Aldy/CEA/EOP@EOP
Leigh L. Linden/CEA/EOP@EOP
Linda Lance/CEQ/EOP@EOP
Ronald Minsk/OPD/EOP@EOP
Frances Sharples/OSTP/EOP@EOP
Henry C. Kelly/OSTP/EOP@EOP
Kelly Kirkpatrick/OSTP/EOP@EOP
Kevin F. Neyland/OMB/EOP@EOP

Message Copied

To:

Sophia P. Jackson/OVP@OVP
James A. Laity/OMB/EOP@EOP
Richard P. Theroux/OMB/EOP@EOP
Amy Squires/OMB/EOP@EOP
Arthur G. Fraas/OMB/EOP@EOP
Lorraine Day/OMB/EOP@EOP
Donald R. Arbuckle/OMB/EOP@EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-DEC-1999 15:05:32.00

SUBJECT: FYI: Steel battle

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Monday, November 29, 1999

NEW REPORT DETAILS

MARKET-DISTORTING U.S.

GOVERNMENT SUBSIDIES FOR THE

U.S. STEEL

INDUSTRY

AIIS Report details 20 years of
WTO-illegal federal, state and local
subsidy
programs

Washington, DC - November 29, 1999:

The American Institute for

International Steel (AIIS) today

released a new report that details billions of

dollars in subsidy support provided

to the U.S. steel industry by U.S. federal, state

and local governments in the past 20

years. The report entitled "Subsidies to the

U.S. Steel Industry - Are they

'market distorting' practices that 'support

economically unjustifiable steel

production?" reveals a history of government

subsidies for the domestic steel

industry.

(http://www.aiis.org/html/release_report.htm)

Rebuttal from the domestic industry reps:

The American Iron and Steel Institute (AISI) and the Steel
Manufacturers

Association (SMA) commented today on a list of alleged

U.S. steel subsidies, prepared by the

American Institute for International Steel (AIIS).

According to the AISI and SMA:

The AIIS list of alleged subsidies to the U.S. steel industry is a biased compilation prepared by those who represent foreign producers engaged in unfair trade. It alleges a problem that does not exist. In stark contrast to the situation in many other countries, what little government aid is available to competitive U.S. producers is insignificant, non-actionable under trade laws, not trade-distorting and certainly not a cause of injury in other markets. This is an effort to divert attention from the massive subsidies and real trade-distorting practices of many foreign governments and foreign steel producers. We suggest that, if trading partners are really concerned about alleged government assistance to the U.S. steel industry, they join steel and other U.S. industries in Seattle to ensure that the World Trade Organization,s (WTO,s) antidumping and countervailing duty laws are not weakened.

(<http://www.steel.org/news/>)

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-DEC-1999 14:37:16.00

SUBJECT: if anyone sees mike brien, could you ask him to call me? thanks

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Susan P. Clements (CN=Susan P. Clements/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Stephen F. Lin (CN=Stephen F. Lin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah M. Anderson (CN=Sarah M. Anderson/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah L. Rosen (CN=Sarah L. Rosen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Rosalind V. Rasin (CN=Rosalind V. Rasin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Robin L. Lumsdaine (CN=Robin L. Lumsdaine/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Noah Y. Weisberger (CN=Noah Y. Weisberger/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Mary Fibich (CN=Mary Fibich/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Mary E. Jones (CN=Mary E. Jones/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary A. Thomas (CN=Mary A. Thomas/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mark N. Levine (CN=Mark N. Levine/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Linda A. Reilly (CN=Linda A. Reilly/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Douglas V. Almond (CN=Douglas V. Almond/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Christel M. Sice (CN=Christel M. Sice/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Catherine H. Furlong (CN=Catherine H. Furlong/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Carol L. Capece (CN=Carol L. Capece/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Brian A. Amorosi (CN=Brian A. Amorosi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Andrew R. Feldman (CN=Andrew R. Feldman/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-DEC-1999 13:31:18.00

SUBJECT: Morning Meeting for 12/01/99

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

----- Forwarded by Steven N. Braun/CEA/EOP on 12/01/99
01:31 PM -----

Medley_Global_Advisors@medleyadvisors.com
12/01/99 01:02:27 PM

Record Type: Record

To:

cc:

Subject: Morning Meeting for 12/01/99

NOTICE: Forwarding this proprietary email report constitutes violation of United States and international copyright laws, and will be pursued to the full extent of the law.

Medley Global Advisors 212-219-9096

(See attached file: mmdecem1.PDF)

- mmdecem1.PDF

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D97]ARMS27646644U.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

Medley Global Advisors

Morning Meeting

December 1, 1999

G-7:

Japan: Announcement fx

Emerging Markets:

Brazil: Further funding for Fraga

Russia: More illness for Yeltsin; IMF update

G-7

JAPAN

BOJ/MOF CONTINUE NEW LOVE FEST

Japanese authorities are working to make their interventions more effective and to keep the charge toward parity from being a surefire one-way bet. Toward that goal, the BOJ issued another in this year's series of "extraordinary statements" designed to clarify their position about the conduct of monetary policy. This one basically repeated the long-held view among BOJ leaders that, at zero interest rates with one trillion yen of excess call money lying around each day, the issue of sterilized versus unsterilized intervention is phony and irrelevant. BOJ Governor **Hayami also noted that the total amount of yen left each night could increase temporarily or permanently if it was necessary** to help stabilize dollar/yen levels.

None of this was new; we have been hearing this song and dance for months. It is also technically true from a monetary theory perspective. However, this statement continues the year-long tradition of the BOJ refraining from gaining market reactions through the announcement effect of policy positions. As senior BOJ officials have heard a million times this year, if there is no monetary policy difference between sterilized and unsterilized intervention at current rate levels in Japan, then why not simply announce to markets that the next ten interventions will be unsterilized and see what happens (hint: dollar/yen would go up, at least a little). **The BOJ, for its part, feels that this announcement effect is one of the last bullets they have. Why shoot it now, when there is no economic emergency?**

Fans of BOJ minutiae will see last night's statement as another slight creep in the direction of more market and MOF friendly rhetoric. This is particularly true of the point that, with all the damn money MOF is spending these days, what's a few billion in intervention; after all, with a \$200 billion supplementary budget just announced why should anyone notice a \$2 billion intervention? And that's why Miyazawa and Obuchi quickly came out to express their love and affection for the BOJ's independence and for its stance on sterilized interventions and non-purchases of JGBs. But in the end, **we are left where we were. Japan will pile up more fiscal deficits, spend a few more billion in interventions, keep interest rates at zero and let the pace of private sector growth and reform continue to accumulate at least through mid-spring** before making any serious adjustments to this policy mix. It has started to work so why "fix" it now?

EMERGING MARKETS

BRAZIL

INFLATION WORRIES THE IMF

The IMF's Executive Board completed its review of Brazil's economic program and authorized the drawing of another tranche. **The extra \$4.7 billion from the IMF will add to central bank head Arminio**

Fraga's intervention war-chest (see our MM of November 23), but behind the scenes the Fund is pressing for a shift of anti-inflation tools from the exchange rate back to interest rates.

Recent Brazilian inflation figures have Washington officials more worried than their Brazilian counterparts. The underlying meaning of the official IMF communique's language that "interest rate policy needs to remain cautious in the next few months" is more hawkish than neutral. We have learned that **the IMF has been pressuring the economic team to pre-emptively raise interest rates.** The Brazilian economic team has responded that the inflation of the past two months is largely due to one-time factors rather than general price pressures. Some seasonal effects are expected for December, then a reversion to a more favorable trend. **Despite IMF pressure, the economic team is at this point in favor of a change to an upward bias at the next COPOM meeting (December 15), but no rate hike.**

RUSSIA

YELTSIN RULES, IF HORIZONTALLY

The most recent relapse of Boris Yeltsin into the hospital has prompted the usual speculation in Moscow that the illness was faked -- this time as a prelude to stepping down early in order to advance the presidential cause of Prime Minister Putin. While it is true that an early Yeltsin retirement would benefit Putin -- who would love to be in a position to capitalize on his current high, though probably transitory popularity -- it is hard to imagine anyone foolhardy enough to suggest to Tsar Boris that he abdicate early. Yeltsin's recent health setback seems genuine, **but the President is unlikely to retire early** unless rigor mortis has set in.

OUTLOOK FOR IMF CASH

Meanwhile, the accusations and counter-accusations over Chechnya and the banking scandal seem to dim the prospects for a quick release of the next IMF tranche to Russia. **However, behind the scenes the Fund and the US Administration are not as ill-disposed to a disbursement as the rhetoric may seem to suggest.** We continue to believe that the second tranche will eventually come, probably not in 1999, but more likely in Q1 of next year.

More important than the timing of the next tranche is what happens to the Russia programme after the next tranche is disbursed. Here the harsh rhetoric coming out of the G-7 needs to be taken more seriously: our sources in Washington tell us that official sector lending to Russia may be the subject of a rethink in the new year. Added to Russia's longer term woes is the transition at the top of the IMF. **Camdessus' successor -- even if he is as well-disposed to Russia as Michel is -- is unlikely to be politically strong enough to push the policy of engagement forward** in as coherent (if controversial) way as Camdessus was able to do.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-DEC-1999 21:25:20.00

SUBJECT: Citizens for Tax Justice on Bush Tax Plan

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

FYI... pretty interesting stuff!

----- Forwarded by Audrey Choi/CEA/EOP on 12/01/99 09:24

PM -----

William G. Dauster

12/01/99 05:24:00 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Citizens for Tax Justice on Bush Tax Plan

\$1.7 Trillion Bush Tax Plan Targets Two-Thirds of Tax Breaks to Top 10%

<http://www.ctj.org/html/bush99pr.htm>

Message Sent

To:

David W. Beier/OVP@OVP

Natasha F. Bilimoria/OPD/EOP@EOP

Charles M. Brain/WHO/EOP@EOP

Leonard.Burman@do.treas.gov

Audrey Choi/CEA/EOP@EOP

Alan.Cohen@do.treas.gov

Alan L. Cohen/OVP@OVP

Douglas.Elmendorf@do.treas.gov

William.Fant@do.treas.gov

Jason Furman/OPD/EOP@EOP

Elizabeth Gore/OMB/EOP@EOP

Carl Haacke/OPD/EOP@EOP

Mark.Iwry@do.treas.gov

Brian V. Kennedy/OPD/EOP@EOP
Brooke B. Livingston/WHO/EOP@EOP
Sylvia M. Mathews/OMB/EOP@EOP
Joseph J. Minarik/OMB/EOP@EOP
Linda.Robertson@do.treas.gov
Jon.Talisman@do.treas.gov
Marti.Thomas@do.treas.gov
Tracey E. Thornton/WHO/EOP@EOP
Karen Tramontano/WHO/EOP@EOP
David.Wilcox@do.treas.gov
John C. Williams/CEA/EOP@EOP
Ted Zegers/OMB/EOP@EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-DEC-1999 14:31:00.00

SUBJECT: Will we make 20 million jobs?

TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robin L. Lumsdaine (CN=Robin L. Lumsdaine/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Sarah L. Rosen (CN=Sarah L. Rosen/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Stephen F. Lin (CN=Stephen F. Lin/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

At present, we are 206,000 short of 20 million. The median expectation is 205,000 as surveyed by Bloomberg, or 210,000 as surveyed by MMS. Our model (based on UI claims and help-wanted advertising) predicts 230,000 (plus or minus 160,000).

So it looks like it could go either way. (perhaps we should have an office pool.)

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-DEC-1999 13:56:17.00

SUBJECT: China-WTO

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:
Robert;

I searched around; there doesn't seem to be any good studies out there.
For now, I left the Daniel Rosen IIE summary report and the executive
summary of the ITC report on your chair. Note that Rosen's estimates are
based on Hufbauer's PE model, though the paper does seem to have some good
qualitative discussions.

Victoria has looked into the IIE studies more extensively and said that
she'd be happy to go over them with you briefly.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-DEC-1999 17:01:28.00

SUBJECT: Y2K Preparations

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Catherine H. Furlong (CN=Catherine H. Furlong/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

I know everyone is swamped and that this is the last thing folks want to do, but as we approach the end of the year with astonishing rapidity, we need to take some time to make sure we're girded for Y2K. As you'll remember, a couple of weeks ago, each of you received a copy of CEA's Business Continuity and Contingency Plan for Y2K . In that plan were a few things that each employee will need to do before certain deadlines to ensure the least possible disruption to our abilities to keep CEA humming through the turn of the millennium. The one immediatly upon us

is the following:

In case the Internet and email communication outside of the White House complex is not available, our Plan calls for each employee to ask their regular email correspondents to supply current telephone and fax numbers. Each user will be responsible for collecting and organizing this information, printing out copies, and having them available by December 1, 1999. (TODAY)

I had asked you to send an email to Francine Obermiller indicating that you had done this. You are the last folks we need to hear from to complete this exercise. Please do whatever you need to do to complete this task so the CEA can be in compliance with a White House request. Thanks very much.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-DEC-1999 09:27:37.00

SUBJECT: John Spotila's Mtg on Tier II

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

You're invited to Spotila's mtg on the economics of Tier II to be held
Fri, 12/3, at 4pm, in Rm. 350. Prins + 1.

poc: Lisa Jones, x54852

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-DEC-1999 15:23:26.00

SUBJECT: Re: forgot attachment

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Here is the latest version of a possible op-ed. Mike could you add the
figures for real wage growth by decile? ===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D59]ARMS20108374S.336 to ASCII,

The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

The American economy is working. Since January 1993, when President Clinton took office, payrolls have swelled by over 20 million. A larger percentage of the population is employed now than at any previous time and the unemployment rate, at 4.1 percent is at its lowest level in 30 years. These employment gains have been widely shared. Labor force participation rates of women, African Americans and Hispanics are all at record levels.

While the job totals are impressive, even more heartening is the quality of the jobs that have been created. Recent analysis by the Council of Economic Advisers and the Department of Labor has found that eighty one percent of new jobs are located in industry/occupation categories that pay above median wages. And the good jobs have not only gone to the professional elite: Excluding professional occupations from our sample, we still found that 71 percent of the new jobs were in categories paying above median wages. And its not only those with college degrees who are gaining. When we looked only at workers with a high school education, we found an overwhelming proportion of the job growth was in the categories in which these workers earn the highest wages. From 1993 to 1998 manufacturing jobs grew rapidly along with the rest of the economy. Since then there have been jobs losses as a result of the international financial crisis. But even so, there are a quarter of a million more manufacturing jobs today than there were in January 1993.

In addition to creating good new jobs, the economy has been rewarding all groups of workers. In the 1980s real wage growth was confined to high-wage workers who were typically highly educated. Indeed, real wages at the lower end of the wage distribution actually fell. But starting in 1994, workers throughout the wage distribution have experienced strong real wage gains – with those at the bottom enjoying the highest growth rates. Since 1994 the lowest decile have enjoyed a real increase in weekly wages of XX percent while wages in the top decile have increased by YY percent. Since 1994, the growth in the average weekly wages of high school graduates has matched those with college degrees.

Over the last five years, typical families have seen their incomes rise by 12.1 percent, and African Americans have seen their incomes rise by 21 percent. These strong earnings gains help explain why the poverty rate has fallen to its lowest level since 1979 and the Gini coefficient, the most comprehensive measure of income inequality, has remained essentially unchanged in the course of the recovery.

These results may come as a surprise. The forces of globalization and technological change are clearly at work in this expansion. Our economy is more open than ever before. Likewise as a share of GDP, investment in information technology stands at record levels. It has become conventional wisdom that increased global involvement and rapid technological change inevitably damage the prospects of low-wage workers. Yet, over the past five years, this has not been the case. Conventional wisdom overlooked the role these forces have played in allowing us to operate a high employment economy with less inflationary pressures. A more open economy with faster productivity growth permits higher wages without triggering price increases. And with less inflation, the economy can be operated at levels providing greater opportunities for those at the bottom.

The President's economic policies have played a key role in this success. The shift from huge budget deficits to surpluses has led to a virtuous circle of lower interest rates and higher investment. This investment brought new technology into the workplace and raised capacity and productivity. Increased opportunities for education and training have allowed people to move into better-paying jobs. In addition, increases in the minimum wage and boosts to the Earned Income Tax Credit have helped make work pay for less-skilled workers. The President has also worked to reduce trade and investment barriers, an effort that continued last week in Seattle. It is appropriate to celebrate the amazing growth of good jobs since January 1993 and desirable to sustain the Clinton-Gore strategy of fiscal prudence, investing in people and opening foreign markets.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-DEC-1999 09:51:01.00

SUBJECT: OPED

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D69]ARMS238704646.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

The American economy is working. Since January 1993, payrolls have swelled by 20 million. A larger percentage of the population is employed now than at any previous time and the unemployment rate, at 4.1 percent is at its lowest level in 30 years. These employment gains have been widely shared. Labor force participation rates of women, African Americans and Hispanics are all at record levels.

While the job totals are impressive, even more heartening is the quality of the jobs that have been created. Recent analysis by the CEA has found that eighty one percent of all new jobs are located in industry/occupation categories that pay above median wages. And the good jobs have not only gone to the professional elite: Excluding professional occupations from our sample, we still found that 71 percent of the new jobs were in categories paying above median wages. And its not only those with college degrees who are gaining. When we looked only at workers with a high school education, we found an overwhelming proportion of the job growth in the categories in which these workers earn the highest wages. To be sure, over the past two years, good manufacturing jobs have been lost because of the export slump due to financial crisis and slow foreign growth, but these losses have been more than offset by employment growth in the rest of the economy.

In addition to creating good new jobs, the economy has been rewarding all who work. In the 1980s real wage growth was confined to high-wage workers who were typically highly educated and real wages at the lower end of the wage distribution actually fell. But in the second half of the 90s, by contrast, workers throughout the wage distribution have experienced strong real wage growth – with those at the bottom enjoying the highest growth rates. Since 1995 the lowest decile have enjoyed real wage increase of X percent while wages in the top decile have increased by YY percent. Since 1994, the growth in average weekly wages of high school graduates have matched those with college degrees. Labor's share of income is back to its historic average. (Check)

These strong earnings gains help explain why the poverty rate has fallen to its lowest level since 1979 and the Gini coefficient, the most comprehensive measure of income inequality, has remained essentially unchanged in the course of the recovery.

These results may come as a surprise. The forces of globalization and technology are clearly powering the expansion. Our economy is more open than ever before. Likewise as a share of GDP, investment in information technology stands at record levels. It has become conventional wisdom that increased global involvement and rapid technological change inevitably damage the prospects of low wage workers. Yet, over the past five years, this has not been the case. It appears that conventional wisdom has overlooked the role these forces have played in allowing us to operate a high employment economy with less inflationary pressures. A more open economy can limit inflationary pressures by drawing on global capacity. Faster productivity growth permits higher wages without the need to raise prices. And with less inflation, the economy can be operated at levels which provides greater opportunities for those at the bottom.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-DEC-1999 20:33:57.00

SUBJECT: NY Times on Child Labor

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Kathryn L. Shaw (CN=Kathryn L. Shaw/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:

FYI

----- Forwarded by Audrey Choi/CEA/EOP on 12/02/99 08:33
PM -----

Sarah Rosen Wartell
12/02/99 06:17:38 PM
Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: NY Times on Child Labor

----- Forwarded by Sarah Rosen Wartell/OPD/EOP on
12/02/99 06:17 PM -----

Rachael F. Goldfarb
12/02/99 06:15:49 PM
Record Type: Record

To: Sarah Rosen Wartell/OPD/EOP@EOP
cc:
Subject: NY Times on Child Labor

December 2, 1999

Clinton Signs Child Labor Treaty

Related Article
Seattle Cracks Down On Rioters, as Ministers Wage Trade Battles

Forum
Join a Discussion on the Protests Against the World Trade Organization

By THE ASSOCIATED PRESS

SEATTLE -- With protest-marred world trade talks in the background, President Clinton on Thursday signed a treaty that would ban the worst forms of child labor, which he said "shock the conscience and haunt the soul".

The signing ceremony for the International Labor Organization treaty came in the middle of a tumultuous session of the World Trade Organization, of which Clinton's allies in organized labor have been outspoken critics.

Clinton's message around the treaty signing seemed aimed at reassuring labor leaders of his support for their cause, especially for addressing concerns about worker rights in the increasingly globalized economy.

With the secretaries of labor and commerce, AFL-CIO President John Sweeney and business leaders in the audience, Clinton said the treaty is proof that business and labor could come together on important international issues.

"The step we take today affirms fundamental human rights," Clinton said.

"Ultimately that's what core labor standards are all about. Not an instrument of protectionism or a vehicle to impose one nation's values over another, but about shared values, the dignity of work, the decency of life, the fragility and importance of childhood."

The Clinton administration played a leading role in negotiating

the child
labor treaty, unanimously approved in June by delegates to the
I.L.O.,
which is an arm of the United Nations.

"This convention is a breakthrough for the children of the world
and an
important milestone in President Clinton's efforts to help us
put a human
face on the global economy," said Labor Secretary Alexis Herman.

Labor leaders were pleased that Clinton mentioned including
sanctions in
trade agreements to punish labor violations, a notion that is
anathema to
most WTO members. But administration officials were quick to
characterize Clinton's comments as a future goal, not a
negotiating plank
for the current talks.

The treaty targets only the most egregious forms of child
servitude,
including slavery and bondage; the use of children for
prostitution, in
pornography or illegal activities such as drug trafficking; and
hazardous
work.

In his address Wednesday, Clinton urged trade ministers to begin
considering such concerns in their deliberations over global
trade.

"I believe the WTO should collaborate more closely with the
I.L.O.,
which has worked hard to protect human rights, to ban child
labor," he
said.

"To deny the importance of these issues in the global economy,"
he said,
"is to deny the dignity of work."

Sweeney signed on to support Clinton's W.T.O. negotiating agenda,
which calls for the establishment of a working group on labor
standards.

But Sweeney and other labor leaders are skeptical about the
benefits to
workers of untrammelled global trade and they oppose including
China in
the W.T.O., a Clinton priority.

Sweeney met with Clinton Wednesday evening and laid out labor's
concerns about the W.T.O.'s record on considering the impact of

trade

on workers. "John Sweeney had a chance to tell him that no agreement out of the W.T.O. is a lot better than a bad agreement," said AFL-CIO spokeswoman Denise Mitchell.

Labor and environmental groups led tens of thousands of protesters against the W.T.O. on Tuesday, a march that was overshadowed by a smaller number of violent demonstrators.

Police in riot gear were on every street corner near the downtown sites where Clinton appeared on Wednesday. Tear gas wafted along the sidewalk as his motorcade returned to the Westin Hotel in the afternoon, and the Secret Service locked down the hotel for about 20 minutes, refusing to allow anyone to enter or exit.

The president strove to draw a distinction for the W.T.O. ministers between the violent activists and the legitimate questions raised by peaceful demonstrators from organized labor and environmental groups.

"I condemn the small number who were violent and who tried to prevent you from meeting, but I am glad the others showed up," he said. "They represent millions of people who are now asking questions about whether this enterprise in fact will take us all where we want to go. And we ought to welcome their questions and be prepared to give an answer."

Message Sent

To:

Rachael F. Goldfarb/OPD/EOP@EOP
Karen Tramontano/WHO/EOP@EOP
Susan E. Alesi/OMB/EOP@EOP
Broderick Johnson/WHO/EOP@EOP
Lauren K. Gillespie/WHO/EOP@EOP
Larry R. Matlack/OMB/EOP@EOP
Lisa M. Kountoupes/WHO/EOP@EOP
Debra J. Bond/OMB/EOP@EOP

Carolyn T. Wu/WHO/EOP@EOP
Christine A. Stanek/WHO/EOP@EOP
Audrey Choi/CEA/EOP@EOP
Lael Brainard/OPD/EOP@EOP
Richard M. Samans/OPD/EOP@EOP
rosenbaum_jon@ustr.gov @ INET @ VAXGTWY
mkerr1@fenix2.dol-esa.gov
Jane E. Stromseth/NSC/EOP@EOP
samardick-ruth@dol.gov @ inet
Colwell-john@dol.gov @ inet
jaffe-maureen@dol.gov @ inet
eugenio-marcia@dol.gov
SAMET-ANDREW@DOL.GOV @ inet
Levin-matthew@dol.gov @ inet
warD-diane@dol.gov @ inet
gohl-earl@dol.gov @ inet
fra@fenix2.dol-esa.gov @ inet
deshazer-macarthur@dol.gov
accolla-peter@dol.gov @ inet
Lynchp@do.treas.gov
dennis.oconnell@do.treas.gov
Rick.sinkfield@do.treas.gov
Carl.lohmann@do.treas.gov
James.Shea@do.treas.gov
WHellert@exim.gov @ inet
Sandra.Jackson@exim.gov
allerjc@state.gov
tmahoney@usaid.gov @ inet
mengman@usaid.gov
evargas-baron@usaid.gov @ inet
dfoster-gross@usaid.gov
Eric_Biel@ita.doc.gov
Bart.Chilton@usda.gov @ inet
RoseMARY.HART@USDOJ.GOV @ inet
Strotz5A1@state.gov
camillocg@state.gov
Ravic R. Huso/NSC/EOP@EOP
keith.collins@usda.gov
Joanna E. Slaney/WHO/EOP@EOP
Rachael F. Goldfarb/OPD/EOP@EOP
Richard M. Samans/OPD/EOP@EOP
Sarah Rosen Wartell/OPD/EOP@EOP
Steven J. Naplan/NSC/EOP@EOP
Jane E. Stromseth/NSC/EOP@EOP
Eric P. Schwartz/NSC/EOP@EOP
Colwell-john@dol.gov @ inet
warD-diane@dol.gov @ inet
SAMET-ANDREW@DOL.GOV @ inet
deshazer-macarthur@dol.gov @ inet
eugenio-marcia@dol.gov @ inet
allerjc@state.gov
iod1@erols.com
surenaam@ms.state.gov
jakecaller@aol.com

nstigliani@state.gov
hkoh@state.gov
mayLI@iowpoa.us-state.gov
iodl@erols.com
dennismj@ms.state.gov
scharj@osd.pentagon.mil
gaddislt@js.pentagon.mil
loesa@erols.com @ inet
Prevmedbob@aol.com @ inet
Joanna E. Slaney/WHO/EOP@EOP