

TO: ERSKINE
FROM: LAURA TYSON : GENE SPERLING

Mission And Outreach

The NEC plays five basic roles: First, as coordinator of economic policymaking, the NEC organizes and leads interagency groups to develop economic policy options for the President on both domestic and international issues. It also brings together policy and political considerations affecting specific issues. The NEC plays this coordinating role in broad areas of economic policy, such as the budget, as well as on specific policy initiatives, such as the minimum wage increase and the US-Japan Economic Framework. The NEC works to assure full representation of all relevant agency views and rigorous economic analysis of all policy options. The NEC works to develop interagency consensus to limit the issues that must be passed onto the President for decision.

Second, the NEC is the President's advocate for his economic goals within the interagency policymaking process. For example, in the annual budget formation and review process, the NEC seeks to identify and emphasize the President's spending priorities within the budgetary submissions of individual agencies. Third, although the NEC consciously eschews an operational role per se, it sometimes works with relevant operational agencies to make sure that the implementation process is working smoothly. For example, the NEC has worked closely with the State and Transportation Departments to develop and refine our positions in a number of international aviation negotiations. The NEC also consults with economic agencies on policies -- such as exchange rates -- which are not appropriate for normal interagency consideration.

Fourth, the NEC also plays a major role in the development and coordination of the Administration's economic policy message. The NEC has developed a reputation for working with the agencies to develop objective and informative talking points that provide a unified Administration message on the economy. Fifth and finally, the NEC serves as a conduit with business, labor, environmental, consumer and other groups that seek a forum in which to express their economic policy concerns to the Administration. Staff maintain channels to principal constituents in their areas of responsibility, while the National Economic Advisor and her deputies meet frequently with senior officials of these groups.

Description of Key People and Tools

The National Economic Advisor has overall responsibility for the missions described above. In particular, she must assure that key economic issues are anticipated, considered and presented to the President for his decision in an efficient fashion. Along with the Treasury Secretary and Chair of the CEA, she speaks for the Administration on economic policy.

The two deputies are responsible for resolving issues among agencies, or preparing them for consideration by Principals or the President. One deputy is principally occupied for budget and non-regulatory domestic issues, the other with international and domestic regulatory issues.

The policy staff of about 16 is roughly divided among senior directors/special assistants to the President, directors, and researchers/analysts. They are responsible for preparing issues for Deputy/Principals consideration and overseeing implementation of NEC or Presidential decisions.

Current NEC leadership would recommend using the opportunity created by vacancies and the inevitable transition turnover to establish a more clearly defined two-tier policy staff, along the lines

of the CEA or the NSC, with a group of 6-7 special assistant/senior directors, supported by 10-12 directors.

Coordination and Overlap

By their nature, significant economic policy issues often overlap significantly with other important interests. As appropriate, the NEC coordinates with other units within the White House. Shared responsibility is warranted in many circumstances to ensure that all relevant units and agencies have a voice in the policy process and to develop a comprehensive set of options or recommendations.

In general, such instances of shared responsibility and shared accountability have worked well as long as the lines of shared authority are well established and understood within the Administration at the outset of the policy development process. For example, the DPC and the NEC have jointly led interagency policy making processes on education and training from the beginning of the first term, and have jointly led the interagency health care process during the last two years. Other current examples of joint responsibility include the NEC's work with the DPC and OVP on urban economic issues, the CEQ on the global warming policy agenda, and with the OMB and the COS on the budget process. As to urban economies, better coordination with OVP would be useful.

In addition, from its inception the NEC has shared joint responsibility with the NSC on all international economic issues. Occasionally, the NEC-NSC joint coordination process has encountered some difficulties, in part because of the difference in size and operating styles between the two organizations. We have not been as diligent as we should in maintaining coordination through regular weekly meetings between the NEC and NSC directors and their deputies. To avoid confusion, it would be helpful for you to confirm for White House and agency officials that international economic policy matters are jointly coordinated by the NEC and NSC.

Communication and Meetings

NEC meetings occur on both a regular and an as-needed basis. At various times during the first term, there was a regular weekly NEC meeting of the NEC core principals (Treasury, CEA, OMB, Commerce, Labor, USTR). Because of overlap with other meetings on specific issue areas and because of the demands of campaign travel schedules, the regular weekly meeting has not been scheduled in recent months. It should be scheduled -- at least for a time -- once the new core NEC principals have been named, in order to inform them of ongoing NEC issues and to establish a collegial team process. In addition to the regular weekly meetings of core NEC principals, there has been a weekly interagency deputies meeting on international economic issues. There are also regular international meetings at the principal level led by the NEC, sometimes in conjunction with the NSC. Both the regular international deputies and principals meetings should continue. Finally, the NEC either alone or in conjunction with other White House units, organizes interagency groups as appropriate to deal with individual issue areas such as coordinating the White House budget working group (interoffice amplifications of the President's budget message) and White House Economic Conferences; this process should continue.

Regular weekly briefings between the NEC director and the President are critical. A separate memo to the President (copy attached) identifies the reasons for the reinstatement and continuation of these briefings.

Goals

Fiscal Integrity (Balancing the Budget and Long-Term Entitlement Reform) And Maintaining Fairness For The Twenty-First Century

Another legacy for the President is that he inherited an economy with a \$290 billion deficit, and an unsustainable long-term retirement system. The President turned the situation around by balancing the budget and pushing through long-term Medicare reform and at least starting the process on Social Security.

Lead a National Commission To Reform Education and Training and Provide Americans With Tools For The Twenty-First Century

A vital legacy should be that the President reformed, improved and expanded education and training opportunity to meet the needs of an information economy. A vital call for higher standards, literacy for all third grade students; technological literacy for all 6th grade students; at least two years of college for all Americans and a new market-oriented training program -- would together constitute a vital reform agenda for education and training that would be a vital legacy.

Trade

An important and achievable legacy for the President would be to establish clear U. S. international economic leadership in the global economy as we enter the twenty-first century. This entails (1) re-energizing our trade initiatives to develop more export opportunities, (2) shaping international cooperation in related areas such as financial regulation and environmental protection, and (3) meeting our financial obligations in international economic institutions so as to maximize our influence in those organizations