National Economic Council

SARAH ROSEN WARTELL

The National Economic Council, directed by the president's national economic advisor, is the White House unit that should coordinate the development of the president's domestic and international economic program. The NEC should embody a commitment to a fair process of inquiry and debate among the president's top advisors, in which ideas are tested and improved by discourse. Many perspectives, from inside and outside of government, must be given voice, ensuring that the president has informed advice in a timely and efficient way. Cabinet secretaries and other senior White House staff all should have an opportunity to be heard on important decisions in private and can then speak in public in unison—knowing they had a fair shot at shaping the decision. The result: a good policymaking process that provides more time for all the key policymakers to advance the needs of the country and less time wasted in bureaucratic jockeying.

Most modern presidents had some structure for economic policy coordination,[1] though the specific form of the NEC first appeared under President Bill Clinton. The model used by his predecessor, President George H. W. Bush, included a small White House staff supporting an Economic Policy Committee overseen by the Treasury secretary, but Bush relied on it little. For domestic matters, Bush relied heavily upon the Office of Management and Budget Director Dick Darman, although he would also turn to individual agency heads for different projects.[2]

On the campaign trail, presidential candidate Bill Clinton first proposed the creation of a National Economic Security Council, arguing that (unlike President Bush) his focus in world affairs would be on the economic interests of Americans. But from campaign to transition, the brief for what was ultimately termed the National Economic Council expanded. After running a campaign whose lodestar was "it's the economy, stupid," Clinton needed to fulfill a domestic job creation pledge and tackle deficit reduction. The creation of a White House-led policy council to drive a broad international and domestic economic agenda helped his administration to "focus like a laser beam on the economy."[3] Adding the NEC to the White House staff also meant Clinton had top posts available for two key team members: Sen. Lloyd Bentsen of Texas and the Goldman Sachs Group, Inc.'s Robert Rubin, each of whom was believed essential to reassuring important audiences.

President Clinton called the NEC the single most significant organizational innovation that his administration made in the White House.[4] The reason was clear: it pulled international and economic policy together in a single White House-based coordinating council commited to a deliberative process with the NEC serving, first and foremost, as the honest broker. While far smaller and operating more informally than the National Security Council on which it was modeled, the Clinton NEC developed strong procedural norms that were held largely constant through the terms of its three directors, Robert Rubin, Laura Tyson, and Gene Sperling.

The NEC had the support of the president and each of his chiefs of staff, who typically insisted that economic policy recommendations come through the NEC process. After Rubin, for example, left the White House and became a hugely influential Treasury secretary, he had the ability to reach the president directly. But his commitment to the process was such that he brought policy proposals forward through NEC mechanisms. Some cabinet officials even used the NEC strategically to win broader administration support for their initiatives. As a result, most of the major economic policy initiatives of President Clinton were developed around a table convened by the NEC. Those that were not, most notably the health care plan of 1994, did not fare as well, for many reasons perhaps, but also because ideas are tested and improved by the deliberative process.

President George W. Bush retained the NEC structure, although the entire policy council apparatus appears to have been less influential, with more policy direction flowing from Vice President Dick Cheney's office and political advisors.[5] The outcome of the Bush administration's politically driven economic policy—flat to declining real wage gains, less competitive industries, housing and financial markets in continual crisis, and a sea of federal red ink—is what the new president inherits on day one. He will sorely need a proactive, pragmatic, well-respected NEC to sort through the many immediate economic policy priorities to shape a coherent plan to rebuild our economy for long-term, widely shared growth.

Recommendations

The NEC executive order issued by President Clinton remains in place and the NEC under his successor remained largely the same in structure if not function. The 44th president should use the same mechanism—an NEC composed of his top economic advisors, managed by an assistant to the president and director of the NEC.[6] In naming its membership, the president should make clear to all his commitment to an inclusive and transparent deliberative policy process and unwillingness to entertain those who subvert that process.

The new president should appoint a director of the NEC who has the temperament to serve as an honest broker. A trusted relationship with the president can and should be earned, not simply by providing good advice but also by ensuring that the best advice from the president's entire team informs his economic policy. It is less important that the director have specific expertise in economics, financial markets, business, labor, or the intersection of economic policy and politics, although the cabinet should include a mix of such experiences. It is more important that he or she be someone committed to rigorous analysis of all kinds, who can work collegially and earn respect from all quarters, melding them into an economic team.

The NEC director should be supported by two deputies with the responsibilities divided between domestic and international economic issues. One notable difference between the Bush and Clinton administrations was the relationship between the NEC and NSC on international economic policy. Early in his administration, President Bush made a conscious effort to get the National Security Council more involved "in the economic changes that have caused upheaval around the world," hiring more economic experts for the NSC. "It's a way to make sure the economic people don't run off with foreign policy and vice versa," Bush said.[7]

He made the NEC deputy assistant to the president for international economic affairs explicitly "dual-hatted," so he or she served also as the deputy national security advisor. In practice, the deputy operated largely within the NSC's orbit, with offices for the international economic team at the NSC. To ensure a more optimal balance of national security and diplomatic concerns and concern for American companies, workers, and consumers, the new president should name a deputy economic advisor for international economics who operates through the NEC, with good coordination with his or her NSC counterparts.

Careful thought should be given to building the rest of the NEC staff team. The NEC benefits from having staff from many disciplines: business, finance, labor, and social entrepreneurship, along with those with executive agency, White House, and Capitol Hill experience. The range of issues that will arise is as broad as American society itself, so employing those with a wide range of racial, ethnic, faith, geographic, and socioeconomic backgrounds will strengthen the capacity of the NEC team as well. Important qualities to consider are entrepreneurialism, judgment, humility, and endurance.

The NEC Process

The NEC must serve as an honest broker among agencies and viewpoints. Working groups should be established in the key areas of administration policy focus—for example, the housing market or retirement savings. Working groups should also convene to develop a new presidential initiative or a response to a new situation or major legislation. An NEC decision memo should lay out the background, detail a set of options, and argue the advantages and disadvantages of each in an unbiased way. A recommendation section allows each advisor or agency to specify their own recommendation regarding the options described and reasoning in brief.

The NEC's recommendation follows the others. Cabinet officials can ask to have a dissenting memorandum laying out their own views accompany the NEC decision memorandum. Encouraging the president's staff secretary to grant that courtesy, while allowing other principals to see the dissenting communication, is the best way to ensure that the opportunity is taken rarely and officials do not seek end runs around the process. The president will receive the best possible advice if the president and his chief of staff are supportive of the NEC process and that of all of the policy councils. If major policy decisions are made that preempt this process, then the credibility of the NEC will be diminished, as will be its ability to demand adherence to its process norms in the future. Ultimately, the quality of the president's decisions would lack well-rounded input and proper vetting. And the president's time will not be used most efficiently.

As the new occupants of the White House settle in, the NEC director should request a regular weekly briefing with the president and vice president. The NEC director should set the agenda, bringing along and showcasing evidence and analyses from the Council of Economic Advisors, Treasury, the Office of Management and Budget, and others depending upon the topic. The president receives a national security briefing daily, but economic conditions do not change as quickly nor require the same level of everyday engagement. Still, our country faces uniquely challenging economic conditions as the new president assumes office. Regular briefings on economic conditions will help to place these concerns at the front of his mind as the president goes about his schedule and sets his priorities.

The economic issues that are most effectively handled through the NEC process generally share certain characteristics. Typically, more than one agency has a stake in the decision, requiring interagency input and coordination. The NEC, however, also might coordinate presidential decision making on an issue affecting only a single agency, especially if the issue received significant public or congressional attention and the press or members of Congress would look to the president directly. The NEC also helps to coordinate the development of new initiatives that represent the president's priorities. Although the NEC is not an implementation agency, it should periodically check in on implementation of key initiatives to ensure the president's objectives are being met.

Some coordination functions should remain with relevant agencies. In the response to international financial market crises in the late 1990s, for example, Treasury coordinated closely with the NEC and NSC, but it had the lead. It could conduct essential coordination with the Federal Reserve and with finance ministers around the world on critical market issues without the appearance of political interference. Similarly, a framework strategy for trade agreements was developed through White House coordination, but the U.S. Trade Representative's office still managed the interagency process around the details. Buy-in at the front helped to ensure that the process of winning congressional approval for these agreements was a White House-wide effort.

The rhythms of the NEC are determined in significant part by regular and predictable events that drive policy development. In the fall, the NEC should convene a meeting with the president, his chief of staff, and other key presidential aides, where the OMB director and the Treasury secretary should present budget and tax options, and the framework for the budget should be established. Meanwhile, agencies submit their budget requests to OMB. The NEC should be consulted on these proposals and initiatives.

The NEC also should lead a simultaneous effort to develop new economic ideas for the president's State of the Union address in January, so that the budget can be built to accommodate the new initiatives picked by the president. Recent presidents used the month of January leading up to the speech to roll out a number of major proposals in advance and sustain focus on his agenda. The president is required to submit his budget to Congress by the first week in February. CEA's Economic Report of the President, which should reflect NEC and agency input, is submitted to Congress within 10 days of the president's budget. Other key dates that can drive the NEC's work include major international meetings like the Group of Eight industrialized nations.

While these predictable events establish a natural cycle for the NEC, unforeseeable events in the economy or international financial markets also will drive the agenda. These core and ad hoc responsibilities can be consuming, yet it is important to find time amid these pressures for strategic planning over a long-term horizon. In particular, keeping one eye on history, the NEC must reflect on the progress achieved against the president's fundamental economic objectives. This process of reflection and strategic planning benefits from broad consultation. No good policy is developed from inside the bubble alone. The NEC should draw upon the ideas and analyses of a deep bench of experts from non-governmental organizations, universities, other governments, former government officials, and think tanks—all eager to be of service and press their ideas. Consistent with the guidance of the White House counsel, the NEC also must work with allies of the president's policies to forge common advocacy strategies and messages.

Most importantly, the credibility of the president's policy requires that the NEC have strong ties to both American business and American labor. Business must be given an opportunity to gain confidence in a new progressive president. Organized labor, too long unwelcome in any agency other than the Department of Labor, has important insights and can be mobilized on behalf of the president's agenda to restore economic opportunity and mobility. Other key allies include mayors and governors around the country, each of whom shares the new chief executive's interest in fixing many of these same challenges in their own communities.

Critical Relationships

The NEC's core value is transparency, essential to assuring the NEC principal that the council is serving as an honest broker, which at times makes dealing with its most important co-council, the National Security Council, difficult to navigate. The national security community operates with a norm of secrecy, with information shared only on a need-to-know basis. While some national security advisors have been honest brokers, others saw themselves as advocates first. These different traditions can exacerbate the natural tension that flows from the different worldviews of those with different experiences and expertise at the NEC and NSC.

Managing these inherent tensions constructively is necessary to best serve the new president. The NEC director should be a member of the NSC and vice versa. When matters involve international economic policy, the NEC should chair the relevant meetings and drive the process with heavy NSC consultation. Planning for trips overseas, international meetings, and visits by foreign dignitaries, however, should be led by the NSC, except when economic issues are paramount, as for meetings of the G8, the Asia-Pacific Economic Cooperation, and the Summit of the Americas. NEC inclusion in planning and briefing for international meetings, even when NSC-led, is an important way to ensure that economic implications are given due weight in foreign affairs.

The president's chief of staff plays a key role in managing this tension by insisting on mutual respect and comity. When presented with important issues with both security and economic dimensions, the NSC and NEC advisors can be asked to run a joint process—with co-chaired meetings and co-signed memoranda—ensuring both perspectives are appropriately reflected from the start. If the president's staff secretary always insists on giving one advisor an opportunity to comment on a relevant memoranda from another advisor before the memo reaches the president, then both advisors will learn to bring each other into discussions earlier. Finally, interactions between the two councils work best when the relationship between the relevant NEC and NSC deputies is strong and collegial.

The responsibility for international economic issues must rest with the NEC, working closely (even sharing responsibility at times) with the NSC. A new mechanism, the National Energy Council, should have the responsibility to oversee single-mindedly the transformation to a low-carbon economy, partnering with the NEC on processes that determine how the transformation fits into the 44th president's overall economic strategy. Similarly, responsibility for creation of a plan to achieve universal health care should be shared between the Domestic Policy Council and NEC, with consideration of the fiscal and budget implications driven by the NEC and issues regarding our health care system led by the DPC. Finally, the new president also should make clear assignments for education, with policies related to primary and secondary schools going to the DPC and higher education policy to the NEC. Where issues overlap these borders, it may ease tension to ask two assistants to the president to co-chair the process in which the key decisions get made.

President Clinton's creation of the NEC threatened the traditional role of the Council of Economic Advisors more than any other agency. Over time, however, the bifurcation of economic responsibilities worked. The CEA should have responsibility for forecasting and core economic analysis; the NEC should ensure that the CEA has a seat at the table whenever a decision affecting the economy is made. The CEA also has the ability to give the president unfettered economic advice, even where the NEC believes other considerations should dictate a different outcome. The CEA in turn helps to ensure that policy debate is grounded in sound economics and that unfounded economic arguments for the president's policy are not advanced, weakening his credibility. Rubin described the CEA to Tyson as "the hand of economic analysis within the NEC glove."[8]

The Role of Politics and Messaging

The new president is assuming leadership of a country that faces profound economic challenges. The success of his presidency hinges on addressing these challenges and winning public and congressional support for his economic policies. Even the best substantive policy made in a vacuum without consideration of communication and politics is unlikely to survive. The NEC process is where these political realities and public communication challenges intersect with the development of policy. Legislative and messaging strategy should be developed along with the policy positions themselves.

However, if political considerations simply drive the policy process, as appears to have happened during the Bush administration, then the NEC and other policy councils serve little serious purpose. A commitment to the deliberative process of the NEC and its sister policy councils is a commitment to serving the best interests of the country and its citizens. Of course, political considerations must be brought to bear in weighing the range of options available and the best strategy for achieving the public interest, but strengthening a party's hold on power should not ever become the object of governance. The culture and traditions of the NEC, if supported by the new president and his chief of staff, offer a mechanism to get this balance right in economic policy.

National Energy Council

TODD STERN AND DAVID HAYES

Both nationally and globally, we are on a trajectory for energy use and greenhouse gas emissions that is incompatible with the preservation of a safe and livable world. World primary energy use and carbon dioxide emissions are expected to grow 55 percent to 57 percent between 2005 and 2030, including around 75 percent in developing countries. American CO_2 emissions, on a business-as-usual path, are expected to increase 25 percent between 2006 and 2030.[1] At the same time, leading scientists estimate that to avoid the worst risks of climate change, the world will have to *reduce* emissions by at least 50 percent as compared to now, with some estimating the needed reduction to be more than 80 percent.

The scope of this challenge is immense. Many leading climate scientists say we need to limit the increase in global average temperature to 2° Celsius above