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CITY OF EAST PALO ALTO

Presentation - April 17, 2000

PHOTOCOPY
PRESERVATION



City of East Palo Alto

Sharifa Wilson

Mayor

Vice Chair, Redevelopment Agency

Tel: 650/322-7667

2415 University Avenue · East Palo Alto · CA · 94303



City of East Palo Alto

Monika Hudson

City Manager

Tel: 650/853-3100

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2415 University Avenue • East Palo Alto, CA 94303



City of East Palo Alto Office of the City Council

The East Palo Alto City Council, our employees, and our residents would like to present some current information about the City of East Palo Alto. East Palo Alto has a long and proud history although we have only been incorporated as a City for seventeen years. These seventeen years have not been easy:

- One of our prime areas of land, now the site of the Menlo Park Business Park, was annexed by the City of Menlo Park just as we incorporated, reducing the City to its current 2.5 square miles.
- We have had and continue to have higher rates of unemployment and underemployment than the rest of San Mateo County which, in turn, has lead some of our residents to become involved in the drug under-economy; the associated gun violence was directly related to our having one of the highest rates of homicide in the United States in the early 1990's.
- Our efforts to stimulate development and associated job generation were long stymied by negative perceptions related to the fact that 92% of our residents are persons of color.
- Our community was and continues to be divided by a wall of traffic, 27,000 cars strong, passing through our streets on a daily basis, going elsewhere to work, play and spend their dollars.
- East Palo Alto was stripped of all of its banks, supermarkets and general convenience stores by the early 1990's.

We have not been willing to wallow in these facts and instead have "bootstrapped" our own development with the aid of various institutions: the City's location finally attracted the attention of several "big box" retailers and developers, who were able to help us move forward with the development of two of our redevelopment areas; the Packard Foundation assisted us with loan guarantees, which enabled us to restructure associated redevelopment debts; and the cities of Menlo Park and Palo Alto and San Mateo County came together to enhance our police protection, finally understanding that crime "sees no borders". These steps have enabled us to begin to realize our potential as the "City on the Move": retailers are open and generating jobs for local residents; University Avenue was repaired with the assistance of state and federal agencies; and the City was selected as one of sixteen federal Brownsfields sites in the country, enabling us for the first time to assess the extent of the environmental damage which has laid waste to significant portions of our land and allowing various federal agencies to coordinate their approach to helping us "greenfield" our community.

East Palo Alto is still in need of external assistance to address the regional, state and national problems which particularly impact cities of our size and complexion including:

- Assistance with ways to keep housing costs within the reach of existing residents who want to continue to purchase and/or rent within the City of East Palo Alto.
- Support for building the infrastructure that the City needs – the streets, storm drains, streetlights, and decontaminated land, which will allow us to continue to expand our local job and economic base.
- Help in finding alternative ways for East Bay commuters to reach their Silicon Valley jobs.
- Expanded support for senior and youth services, designed to enhance the quality of life for the oldest and youngest among us.
- Assistance with enhancing the quality of our children's education and encouraging life-long learning designed to build upon the existing skill sets of our residents.
- Support for the development of expanded community-based health services.

We are actively engaged in working with our state and federal representatives to resolve these issues. We would appreciate any assistance that you can provide in this regard.

Design of a decade

Mayor recaps progress since dark days of early 1990s

by Don Kazak

In the early 1990s, the East Palo Alto City Council was fractionalized and crippled by bitter infighting, while drug dealers ruled the streets against an overmatched police department.

The city had 42 homicides in 1992, making it the murder capital of the country on a per capita basis, according to the FBI.

The future couldn't have possibly looked more grim.

Today, said East Palo Alto Mayor Sharifa Wilson, the city's future looks bright.

"It is a time of unprecedented opportunity," Wilson said last week in her state of the city address.

Wilson, who joined the council in 1990, used the opportunity to recap the last decade of ups and downs for the city, and its growing stability and success.

Wilson was generous in crediting Palo Alto, Menlo Park and San Mateo County with assisting the city's police in regaining control of the streets. While there is still drug dealing in the city, it's less obvious than previously, and the city only had one homicide in 1999, a far cry from the double-digit years of the early 1990s.

Thanks to the Ravenswood 101 Retail Center, Wilson said, the city isn't just a place to pass through on the way to the Dumbarton Bridge anymore, but a destination for people to stop and shop.

The remainder of the first phase of the shopping center will be built soon, including a branch of Provident Central Credit Union. That will be the city's first bank in more than 10 years.

Other redevelopment projects, including the University Circle office buildings and hotel and planning for the industrial area, are also moving forward, Wilson said.

By the end of 2001, she added, the city will have created more than 2,000 new jobs.

"What a difference 10 years makes," Wilson said. "We would be changing things and creating a new history for the city. We would be doing things that had never been done before."

In addition to announcing the addition of a new bank, Wilson said the city also hopes to stand on its own with less outside help.

While grateful for the financial help the city has received from the Packard and Peninsula Community foundations, Wilson noted the city is now 17 years old, "a time of coming of age. At the same time, we have to become less dependent on the generosity of others."

Regional cooperation with Palo Alto and Menlo Park has been important in the city's road to stability, and Wilson said she looked forward to continued regional cooperation in two key, but difficult, areas.

The first is building more affordable housing. "East Palo Alto has demonstrated a commitment to affordable housing" through the housing now built behind the Ravenswood 101 Retail Center, Wilson said. "In the next 10 years . . . let's make a abundance of hous-

even attempt that 10 years ago when no one outside the city had any faith in its future.

And while the relocation program for apartment tenants dislodged by the Ravenswood 101 Retail Center was difficult and expensive, it had an unexpected consequence. One of every three families relocated for the Ravenswood 101 and University Circle project are now homeowners, Wilson said.

"I will be continuing the tradition of regular meetings with elected officials and staff of our neighboring cities to keep us moving forward on issues of common concern," Wilson said.

"As we start this new millenni-

"At 17, we are about to go out on our own, but we are not quite ready to be fully independent. But we will continue to work with those who are willing to partner with us in those efforts. We will continue to work with our friends . . ."

—Sharifa Wilson,
East Palo Alto mayor



Sharifa Wilson

ing opportunities for the working families of the region."

East Palo Alto, she added, can't do that alone.

The second tough regional problem is traffic congestion. "East Palo Alto bears a disproportionate burden (of Dumbarton Bridge traffic)," she said. "This is a hard issue, but one we can no longer ignore." The three cities should work together on the traffic problem, she added.

The city's maturation is evident in other ways, Wilson noted. The city was able to sell \$23 million in municipal bonds last year for the University Circle project, and it would have been unthinkable to

um, we still have lots to do. We are closer to the goals we developed for this community: creating a stronger tax base, increasing housing and employment opportunities, reducing crime and increasing our community's policing efforts, and increasing citizen participation and education.

"At 17, we are about to go out on our own, but we are not quite ready to be fully independent. But we will continue to work with those who are willing to partner with us in those efforts. We will continue to work with our friends . . ."

In looking ahead, Wilson said, "It is time of unprecedented opportunity for East Palo Alto . . . I am confident we have a bright future . . ."

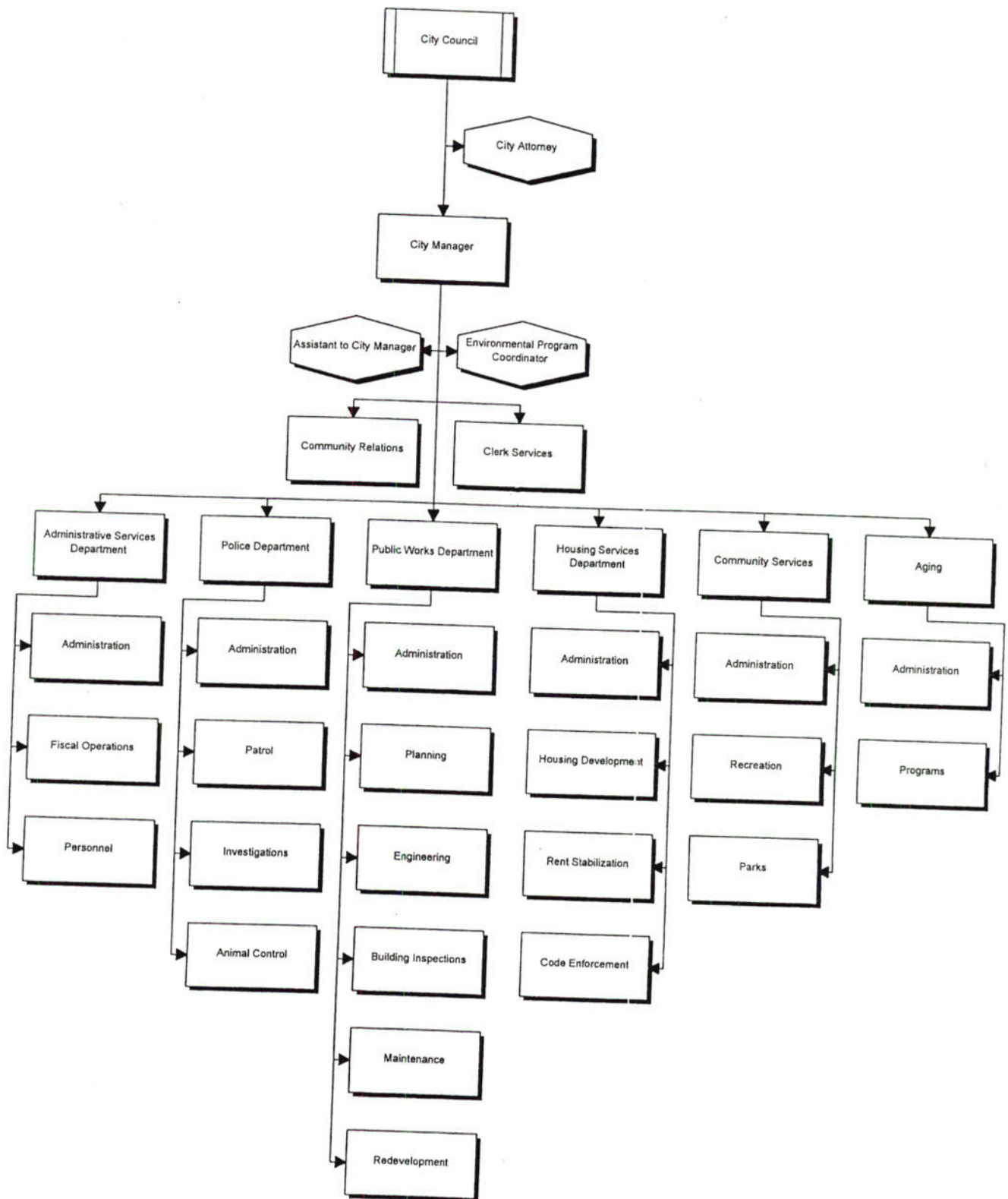
"We are creating a new legacy for the city, a legacy of hope and determination and resilience." ■

Some key points in East Palo Alto history

- **1983:** Incorporated as a city.
- **1992:** Becomes infamous for 42 homicides in one year.
- **1992-94:** Regional Enforcement Detail (RED Team) of Palo Alto, Menlo Park and East Palo Alto police and San Mateo County Sheriff's deputies make 1,032 drug-related arrests in 26 months.
- **1995:** U.S. Rep. Anna Eshoo, D-Palo Alto, holds a "summit meeting" of federal agencies in East Palo Alto to determine ways the agencies can assist the city. One year later, an Environmental Protection Agency worker is loaned full-time to the city, where she still works.
- **February 1997:** Gateway redevelopment project, later renamed the Ravenswood 101 Retail Center, is approved.
- **December 1998:** First Ravenswood 101 Retail Center store opens for business.
- **February 1999:** Lawsuit by a group of Menlo Park residents challenging the University Circle redevelopment project is thrown out of court; construction now slated to begin this spring.
- **January 2000:** Hewlett Foundation announces six-year, \$5 million neighborhood improvement effort, in partnership with the Peninsula Community Foundation, the Haas Center for Public Service at Stanford and the East Palo Alto Community Development Institute.

Palo Alto
Weekly
3-22-00

City Organizational Structure



East Palo Alto 1999/00 Operating Budget

JUNE 28, 1999

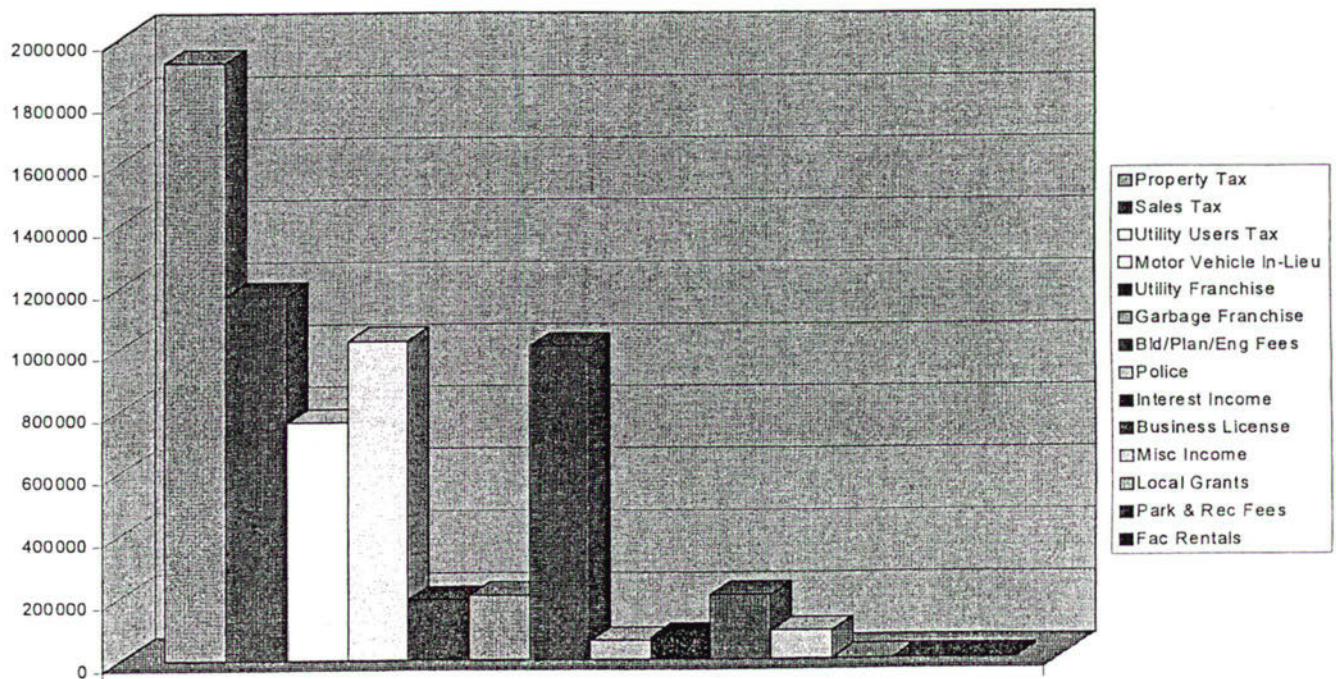
Operating Budget Overview

Projected City Revenues

Finance staff conducted a review of potential City revenues to assure that the revenue projections outlined in the 1998/99 Mid-year Review accurately reflected what the City might expect in 1999/00. As a result of this update, staff projected that General Fund revenues would total \$6,704,202, with \$4,520,569 in monies transferred in from a variety of funds for total City revenues of \$11,224,771.

1999/00 CITY OF EAST PALO ALTO REVENUE PROJECTIONS

1999/99 Revenue



East Palo Alto 1999/00 Operating Budget

JUNE 28, 1999

Operating Budget Overview

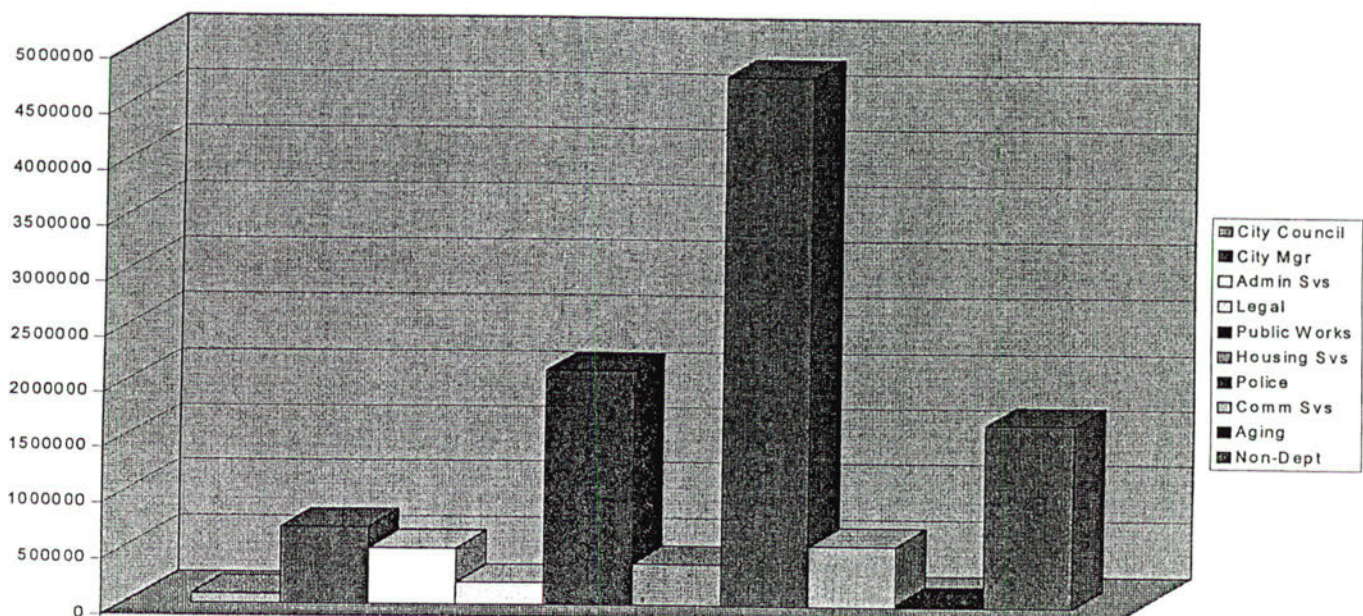
Projected City Expenditures

Revisions to the proposed 1999/00 budget reflect the changes proposed by the City Council as a result of their four study sessions.

- 1999/00 General Fund operating expenditures will not exceed **\$6,704,202**.
- 1999/00 General Purpose operating expenditures (including special revenue support) will not exceed **\$11,039,887** which is 8.8% more than approved 1998/99 expenditures of **\$10,145,000**.

1999/00 CITY OF EAST PALO ALTO EXPENDITURE PROJECTIONS

1999/00 Expenditures



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Opportunity

For more information on the great opportunities in East Palo Alto, contact the City Manager's Office at 650.853.3147.



photos by David Bacon and Clark Irey

east palo alto



A Brief History

EAST PALO ALTO was officially incorporated in 1983. Founded by speculators and farmers in 1849, the town was originally named Ravenswood.

For some time it was the major port in the area. When a wealthy gold miner by the name of Cooley bought the wharf in 1868 it became known as Cooley's Landing.

A generation later, poultry became the main business. Because of the wetlands, locals began to call the region Runnymede around 1916, as a collection of small farms dotted the area.

In 1925, with a burgeoning neighbor to the Southwest, citizens began referring to the town as East Palo Alto.

East Palo Alto is Opportunity



FSIP

The Financial Services Incentive Program of East Palo Alto

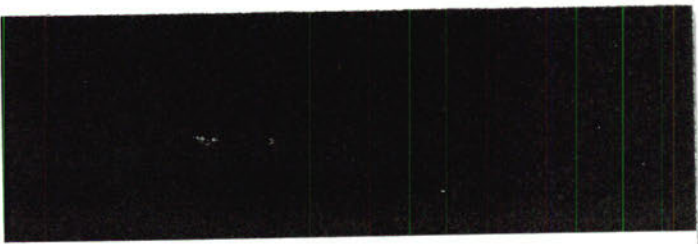
COMBINING COMMUNITY VALUES WITH ECONOMIC SENSE, the Financial Services Incentive Program (FSIP) of East Palo Alto is a groundbreaking economic development strategy. Designed to encourage investment and development in the City, the program will link City deposits to financial institutions that best serve the community.

FSIP HAS BEEN EMBRACED BY THE ENTIRE COMMUNITY—including East Palo Alto's 67 churches—and has also been endorsed by a host of local businesses and organizations including:

- East Palo Alto City Council
- Ravenswood School District
- Federal Home Loan Bank of San Francisco
- East Palo Alto Community Law Project
- County of San Mateo
- East Palo Alto Sanitary District
- California Reinvestment Committee
- Enterprise Foundation
- EPA Can Do
- ROMIC
- Baines Moving and Storage
- Coyote Construction

FSIP WAS ESTABLISHED BY A CITY RESOLUTION and charged by the City Council of East Palo Alto to:

- ▶ evaluate the lending, services and investment of financial institutions;
- ▶ endorse those banks which have best served the community;
- ▶ strengthen the relationship between financial institutions and the City;
- ▶ showcase the community and encourage banks to open a branch within the City limits.



THE CITY WILL LOOK TO FSIP for information on prior and current bank performance, including home and commercial lending, consumer and business services, and educational outreach.

Former City Council member and current San Mateo County Supervisor Rose Jacobs Gibson first suggested providing incentives aimed at encouraging financial institutions to increase lending and services to the City's residents and businesses. This concept was formalized with the creation of the Special Banking Task Force in November 1997, which ultimately recommended the creation of FSIP in June 1998.

THE FSIP COMMITTEE WILL IDENTIFY INSTITUTIONS that have made loans in minority and low-income neighborhoods and have demonstrated good corporate citizenship. Those banks that rank best will be deemed "FSIP Endorsed." These banks will not only receive City deposits but they will also receive the goodwill endorsements of FSIP and will be highlighted in a positive media campaign.

By pooling deposits and publicizing those banks that best serve the City, the Financial Services Incentive Program will give banks both financial and public relations incentive to support vibrant economic development and investment occurring in East Palo Alto.

RESUME

SITE AREA 1,121,401 SF (25.81 AC.)
O'CONNOR ST. FRONT 11,089 S.F.

BUILDING AREA 285,757 SF (DOES NOT INCLUDE GARDEN CENTER)

DEVELOPMENT DENSITY 25.2 SF/AC

BUILDING	BUILDING AREA	PARKING PROVIDED	PARKING RATIO	PARCEL AREA
MAJOR 1	105,000 SF	587 SPACES	5.7/1000	467,558 SF
MAJOR 2	47,000 SF	210 SPACES	5.0/1000	161,558 SF
MAJOR 3	5,100 SF			238,462 SF
MAJOR 4	11,000 SF	530 SPACES	4.7/1000	80,769 SF
MAJOR 5	50,000 SF			115,535 SF
PAD A	10,000 SF	100 SPACES	5.0/1000	76,923 SF
PAD B	2,700 SF	60 SPACES	12.2/1000	50,000 SF
PAD D	2,187 SF	50 SPACES	13.7/1000	50,000 SF
PAD E	2,800 SF	16 SPACES	5.7/1000	10,769 SF

NOTE: 1. TOTAL AREA, INCLUDING AND EXCLUDING AREAS, ARE SHOWN IN THE TABLES. THE TOTAL AREA IS 1,121,401 SF.

NOTE: 2. THE TOTAL PARKING SPACES ARE 1,000. THE TOTAL PARKING RATIO IS 5.0/1000. THE TOTAL PARKING RATIO IS 5.0/1000. THE TOTAL PARKING RATIO IS 5.0/1000.

GATEWAY 101

CONCEPTUAL PARCEL PLAN

EAST PALO ALTO, CALIFORNIA

SGPA

ARCHITECTURE AND PLANNING

PROJECT NO. 10012 DATE: 12/1/94 2:00 PM SCALE: 1"=100'

12/1/94 12/1/94 12/1/94 12/1/94 12/1/94 12/1/94 12/1/94 12/1/94

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TO GOTO POTUS TOMORROW EVENING

April 13, 2000

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
MARIA ECHAVESTE

SUBJECT: Overview of Your Digital Divide--New Markets Tour

The purpose of this memorandum is to provide you an overview of your Digital Divide trip. We will submit more detailed background material for each of your 3 stops before the trip begins on Monday.

As you know, you will travel to East Palo Alto, California and Shiprock, New Mexico on April 17th and Chicago, Illinois on April 18th. Members of Congress will accompany you on each portion of the trip [TBD]. In addition, members of your Cabinet will join you on various legs as well [TBD]. Reverend Jesse Jackson, Rainbow Push; Yosef Jackson, One Net Now; Kwesi Mfume, NAACP; and Raul Yzaguirre, National Council of La Raza will also accompany you on the entire trip.

This memorandum is divided into four sections. The first section provides a short overview of the message of the trip. The next three sections provide an overview of each stop on the tour – including the theme for each location, a tentative list of the CEOs/community leaders who will be in attendance, and the highlights of the corporate deliverables.

I. OVERVIEW OF THE MESSAGE

- The core of your message, as you know, is to continue to bring attention to the need to bring digital opportunity to youth, families and communities.

✓ In your National Call to Action, you have challenged America to meet two major goals:

-- **To bring 21st Century learning tools to every child in every school:** through a comprehensive approach to connect every classroom, provide all students with access to multimedia computers, train teachers to use and integrate technology into the curriculum, and to provide high quality online content and educational software.

--**To bring digital opportunity to every family and community:** by making home access to the Internet universal, bringing technology to every neighborhood through community technology centers, empowering all citizens with IT skills, and motivating more people to appreciate the value of "getting connected."

- 
- ✓ We have the strongest economy in our history; the lowest African American and Hispanic unemployment rates on record; the lowest female unemployment rate in 40 years. But there are people and places that have been left behind. In past New Markets trips, you have been able to show how more could be done to bring the benefits of free enterprise and empowerment (new businesses, new jobs, education and training) to underserved communities.
 - ✓ The digital divide that exists is no different. Computers, the Internet, and the skills needed to use this technology can provide people with a chance to move themselves out of poverty.
 - ✓ But the private and public sectors need to work together to make this happen. This trip will highlight how to industry, community-based organizations and government can work together to expand access to the new opportunities of the Information Age.

FIRST STOP – EAST PALO ALTO, CALIFORNIA (Morning of Day One, April 17)

The East Palo Alto stop is your kickoff event. The focus of the event is on the importance of motivating and inspiring underserved youth to “get connected”. While the price of computers is continuing to decline, and some companies are beginning to offer free Internet access, not enough has been done to communicate to low-income and minority youth why gaining access to technology is so important.

Overview of Events.

- You will arrive at Plugged In, a Community Technology Center in East Palo Alto, CA where you will provide brief remarks to an audience composed primarily of teenagers from East Palo Alto. **Note:** Plugged In received a TIAAP award from the Department of Commerce in 1995.
- You will accompanied on stage by Magic Johnson, Rebecca Lobo (female basketball star), and a number of major high-tech CEOs that have made commitments to bridge the digital divide.
- This event will be an opportunity for you and the other stage participants to interact with the audience, answer their questions, and emphasize the importance for young people to become technologically literate. This event will also be webcast on the Internet-- young people will be hooked up to the event from schools and community technology centers in other parts of the country -- and will be able to e-mail you questions.
- You will then move into the Plugged In facility where you will have a roundtable with a number of CEOs, senior executives and community leaders to discuss their efforts to bridge the digital divide.

CEOs

For this stop, in addition to the community delegation that will be traveling with you, some of the CEOs who will join you include Carly Fiorina, Hewlett-Packard; John Morgridge, Chairman of Cisco Systems, Bob Johnson, Black Entertainment Television; Henry Cisneros, Univision; Robert Knowling, Covad Communications; Ted Waitt, Gateway; and Kaleil Tuzman, Govworks.

Highlights of Corporate/Private Sector Announcements

In addition to the numerous private sector announcements, there are public sector announcements that will be made at each site. Here are some examples of the commitments that companies have made that will be announced in East Palo Alto:

- **The Kaiser Family Foundation is taking the lead in developing, producing and distributing the PSAs to help bridge the digital divide.** The Kaiser Family Foundation, represented by President and CEO Drew Altman, will develop, produce and distribute public service announcements to help motivate young people to "get connected" and take advantage of the economic opportunities in the IT sector. BET, MTV, NBC, ABC, CBS, NBC, TBS, TNT, UPN, Fox, the Disney Channel, the Cartoon Network, the Odyssey Network and the WB have all agreed to join this effort by airing the PSAs. The National Association of Broadcasters has also agreed to distribute the PSAs to 1,000 of their members. Magic Johnson and Rebecca Lobo have agreed to appear in the PSAs.
- **Teacher Training from Gateway.** Gateway, represented by CEO Ted Waitt, has pledged to provide 75,000 teachers with technology training under the Teach America! Program.
- **PowerUP:** A coalition of companies, non-profit organizations and government agencies is committed to increasing the number of PowerUP sites to 250. PowerUP sites expand access to technology and the skills needed to use it for low-income youth. AOL is a major financial backer of PowerUP, and is also providing 100,000 free AOL accounts worth \$26 million.

III. SECOND STOP – The Navajo Nation in Shiprock, New Mexico (Afternoon of Day One, April 17)

The primary focus of the Shiprock stop will be to bring digital opportunity to Indian Country. As you know, Native American communities face major economic and social challenges. This stop in Shiprock will allow you highlight how private and public sector investments can help bring digital opportunity to Native Americans. This event will focus on access to technology as a vehicle for economic development and employment opportunities to Native Americans.

Overview of Events.

- First, you will address a an outdoor crowd of possibly 20,000 people at the Boys and Girls Club to announce the commitments that have been for Native American communities. You will be accompanied by the Navajo Nation Tribal President, Kelsey Begaj; Congressman Tom Udall and possibly a CEO.
- You will then travel to the Diné Tribal College where you, along with a small group, will participate in a webcast with 7th and 8th grade students from the Lake Valley School. There will also be students and teachers from local schools at the Diné site.
- This webcast will be both a video and audio feed where you will be able to interact with the Lake Valley students who are located 1 hour and 45 minutes away from where you will be.

CEOs/Community Leaders.

At this stop, in addition to those community leaders traveling, you will be joined by a number of CEOs, senior executives and community leaders. They include: Michael Capellas, Compaq; Bruce Brooks, Director of Community Affairs, Microsoft [**Note:** he is the former deputy mayor of Seattle]; Robert Rutherford, Native American Systems; John Koehler, Tachyon, Inc.; Karen Smith, Executive Director, TechCorp; Susan Masten, President, National Congress of American Indians; and Kelsey Begaj, President, Navajo Nation.

Highlights of Corporate/Private Sector Announcements.

Here are some examples of the commitments that CEOs or Senior Executives will make about investments in Indian Country:

- **Microsoft to provide \$2.75 Million in New Grants to the American Indian Tribal College Program.** Microsoft, represented by Bruce Brooks, Director of Community Affairs, will provide eight American Indian Tribal Colleges with technology and training through its American Indian Tribal College Program, part of a continuing relationship with the American Indian Science and Technology Education Consortium. Microsoft will provide these tribal colleges with \$2.5 million in software and \$250,000 in technical assistance to ensure an increase in technical skills among students at tribal colleges. In addition, the program will include the tools necessary for the institutions to achieve Microsoft Certified Training Facility status.
- **Compaq will provide \$500,000 to the Tech4Schools Partnership with TechCorps.** Compaq will announce a \$500,000 commitment to develop, pilot and support the national launch of the Tech4Schools program, an online mentoring program that uses the Internet to join students, teachers and volunteer technical experts together to advance the level of technological knowledge in our schools. Compaq's investment in Tech4Schools is part of a larger commitment to creating opportunities of access to technology by all Americans.
- **\$1 Million in Digital Divide Grants by America Online.** AOL will provide localities across the country with grants to support efforts aimed at bring digital opportunity to youth, families and communities. This grant initiative was established to help nonprofit organizations develop and implement projects that help bridge the divide between those who have access to technology and those who do not. AOL is committed to supporting at least one digital divide initiative in Indian Country through this program.

IV. THIRD STOP – CHICAGO, IL (Morning of Day Two, April 18)

The focus in Chicago will be to address the Comdex Conference that will be attended by representatives of every major computer and Internet company in America. This event will provide you with an opportunity to challenge the high-tech industry to work to bridge the digital divide.

ROUTING SLIP

DATE: 4/13/00
 FROM: Stephanie Streett
 Assistant to the President and Director of Presidential Scheduling

File Accept

Comments 4/18

SUBJECT: FOR POTUS to keynote the Comdex computer show in Chicago.

Kris Balderston

Lisa Berg

Samuel Berger

Sidney Blumenthal

Chuck Brain

Charles Burson

Mary Beth Cahill

Maria Echaveste

Terry Edmonds

George Frampton

Laura Graham

Nancy Hernreich

Mickey Ibarra

Ben Johnson

Joel Johnson

Neal Lane

Ann Lewis

Mark Lindsay

Bruce Lindsey

Joe Lockhart

Sean Maloney

Capricia Marshall

Thurgood Marshall Jr.

Minyon Moore

Bob Nash

Beth Nolan

John Podesta

Steve Ricchetti

Bruce Reed

Dan Rosenthal

Rozensky/Emrich

Dori Salcido

Patti Solis-Doyle

Doug Sosnik

Gene Sperling

Carrie Street

Karen Tramontano

Loretta Ucelli

Melanne Verveer

7AU/666

we need a
creative idea
here

CS

4/18/00



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

Gene
LORETTA
STEPHANIE
MARIA
DAVID B.

we should
consider us
part of
digital divide
effort

John

To: John Podesta
From: William M. Daley
Subject: Opportunity for the President To Appear at Comdex
Date: March 2, 2000

As we discussed, I want to highly recommend that President Clinton keynote the Comdex computer show in Chicago the week of April 18th. At the show, we will have for the President the Commerce Department's new digital economy report to release; he can focus attention on the digital divide; and, most importantly, call on the industry to support China's entry into the WTO.

Comdex attracts tens of thousands of attendees; and much of America's high-tech industry will have exhibits and be announcing new products. Comdex is run by Ziff-Davis. They hold two big shows a year -- Chicago in the spring, which is tied to Windows World; and the even larger Las Vegas show in the fall. Typically, they have a keynoter every day the show runs. Last fall at the Vegas show, Bill Gates, John Chambers, Carly Fiorina, and Scott McNealy were among the keynoters. At the Chicago show in April, keynoters include Flip Filipowski, and top people from Palm Computing, Sun Microsystems, and Microsoft (but not Bill Gates, although he has done Chicago several times previously.)

Typically, keynoters use these opportunities to demonstrate new products. In some cases they give traditional speeches; but more often their one hour is a Hollywood-like show, although that is more often the case in Vegas than Chicago. Many national news organizations carried live coverage from the Vegas show, and the Post even sent a reporter to cover the scene.

Beginning last summer my staff had proactively been seeking Comdex as a venue for me to speak, and in November Comdex was kind enough to offer an invitation. Because of my trip to China, I now will not be able to attend. As an industry show, Comdex has never had a government keynoter -- the President will be the first. In light of what was to be my involvement, Comdex began also putting together a special session, where they hope to attract several members of Congress to discuss the digital economy.

This is a wonderful -- and very timely opportunity -- for the President. He could either make a straight speech; or if he would like to go more Hollywood, we had come up with several ideas -- particularly on the digital divide -- that you may want to consider for him. Our thinking was to get prominent Americans to become a voice for closing the divide.

These include:

1) asking Magic Johnson or other celebrities with an interest in the Internet, like Michael Jordan, to participate. Magic is starting a new portal aimed at African Americans, and Michael is a partner in MVP.com -- a Chicago-based company that will sell sporting goods on the Net. My staff had approached Magic about doing this with me, and he was inclined to say yes. At Comdex, the President could have a conversation with him as well as a child or teacher from Chicago on the digital divide.

2) asking Oprah Winfrey to participate. As you know, she reviews books once a month on her TV show, and we approached her about committing to review the Digital Divide report, when it comes out in October. We had thought she could announce this at Comdex. It would be the first government report ever reviewed by her -- or probably any government report ever reviewed by anyone. We would make it available in a consumer oriented version online. She had not accepted our offer, but perhaps Cheryl Mills could help in this regard.

Mort Engleberg has been involved with helping us, and I am sure he would be glad to help the President. On my staff, Ilene Zeldin (482-5035) has been coordinating this for me. And the contact for the White House staff to call at Comdex is Jeff Sudbey at 781-433-1716.

Comdex is eager to invite the President and will be very flexible in the day and time for his possible address. I think it is too great of an opportunity for us to miss, especially as we approach the China vote, and as the President comes off of his digital divide tour.



The Chase Manhattan Corporation
270 Park Avenue
New York, NY 10017-2070
Tel 212-270-4019
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William B. Harrison, Jr.
Chairman and
Chief Executive Officer

March 28, 2000

Mr. Gene B. Sperling
Director, National Economic Council
The White House
Washington, DC

Dear Mr. Sperling:

Thank you for your letter to my predecessor, Walter Shipley. At Chase, we see the digital divide as both a challenge and an opportunity. For several years, we have been pursuing ways to bridge the divide and to use technology to link all of our communities.

Our most exciting initiative in this realm, currently in the early stage of implementation, involves the use of technology to expand access to high quality education in our inner cities. We have begun to work with one New York City public school, wrapping it in technology, end to end, in an effort to demonstrate the power of technology to improve student achievement. The school we have chosen is typical of many inner-city middle schools: the poverty rate exceeds 90%; the student population has a high rate of transience; the student body is 55% African American and also includes students from more than 40 foreign nations, speaking 28 languages.

Chase will provide personal computers to every student and teacher, extensive professional development for the faculty as well as classes and workshops for parents and family members. We will link each home to the Internet, and create a network providing e-mail access to facilitate home-school communication. Employee volunteers (including overseas staff) will be enlisted as mentors and tutors, in person and on-line.

Chase will also enlist the participation of other corporations, colleges and nonprofit organizations offering expertise in IT and in the vast potential of technology-based instruction. The Board of Education of the City of New York has also committed to support and enhance the in-school capacity necessary to make this project a success. Chase's commitment to this partnership will last a minimum of three years, and we hope will provide a model for the way education should look in this era.

New Markets Team
Full
Sloppy term
Let's be careful
16s
4/18/00
I need
to
write
him
Back
16s

Page 2
Mr. Gene B. Sperling
Director, National Economic Council

We are eager to roll out the program, probably beginning in June. When we are ready to make a public announcement, we will contact you to see if President Clinton might be interested in coming to New York to participate.

Another relevant initiative is a \$1 million commitment to support the development of financial literacy skills nationwide, with a focus on young people. We are partnering with the Jump\$tart Coalition for Financial Literacy in this effort and we will be making our announcement at their dinner in Washington on April 6th. A key element of this program will be a focus on delivering information via the Internet.

Chase has also supported a number of programs in recent years that seek to bridge the digital divide. Chase has made grants to such organizations as the Center for Children and Technology, the Teachers Network, the National Urban Technology Center, the Stanton/Heiskell Center at the City University of New York, MOUSE, Inc., Teaching Matters, the Media Workshop (of the Bertelsmann Foundation), City College of the City University of New York, and Classroom, Inc. The funds have supported professional development for teachers, creative curriculum development using the World Wide Web, and the production of new software to enhance instruction in all grades.

In addition to our work in the field of pre-collegiate education, we have also made a commitment to overcoming the digital divide in inner city communities by putting the power of technology to work in workforce development programs, community networks, employment and youth leadership/life skills programs.

In the past five years, Chase has donated more than 12,000 computers and furniture with a market value of nearly \$15 million to community-based nonprofits and schools. In 1997, as part of the bank's Global Days of Service program, Chase donated 3,000 computers and hundreds of pieces of furniture to more than 90 schools, social service agencies and cultural organizations. On their own time, Chase volunteers prepared the computers for donation, reinstalling Microsoft software, and the bank provided self-guided job-aid diskettes to support training. In order to improve both the response time and the quality of used equipment provided by Chase, we recently reached an agreement with Per Scholas, Inc., a South Bronx not-for-profit, to outsource the data removal and redistribution of our used PCs. For a small fee, Per Scholas will provide NFPs with refurbished equipment that includes software, a modem and free technical support.

Page 3
Mr. Gene B. Sperling
Director, National Economic Council

I want to reiterate that when we make the public announcement of our New York City public school technology initiative, we will contact your office. As you can see, Chase has taken an active role in attempting to bridge the digital divide. If you require any additional information, please contact Michael Feller, President of The Chase Manhattan Foundation at (212) 332-4101.

Yours very truly,

A handwritten signature in cursive script, reading "Bill Harrison". The signature is written in dark ink and is positioned above the printed name.

William B. Harrison, Jr.

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-1802

COMMITTEES:
WAYS AND MEANS
SUBCOMMITTEES:
TRADE
HUMAN RESOURCES

DEMOCRATIC STEERING AND
POLICY COMMITTEE

WHIP AT-LARGE

Explanation of Congressman Jefferson's tax legislation to bridge the digital divide.

Current law

Prior to 1997, manufacturers were permitted to take a charitable deduction equal to their production cost for property donated to non profits and other charitable organizations. To induce computer hardware and software manufacturers to donate computers and software to schools, the Taxpayer Relief Act of 1997 enacted Tax Code section 170(e)(6). Section 170(e)(6) increased the charitable deduction by an amount equal to half the difference between the cost to produce the computer/software and the retail price of the computer/software (Super deduction). For example, if a computer cost \$500 to produce and sold for \$1000, the charitable deduction was increased from \$500 to \$750. The Super deduction is only available for donations of computers less than 2 years old and only if the donation is made to a school.

The section 170(e)(6) Super deduction, which is the only tax incentive to induce computer and software donation, is set to expire at the end of 2000.

Mr. Jefferson's Proposal

Section 170(e)(6) has induced private companies to donate computers and software to schools all across America. The additional tax incentives proposed in the "New Millennium Classroom Act," HR 2303, will provide further inducements. However, to truly bridge the technology gap, Congressman Jefferson believes we must build a public/private partnership to bolster these efforts and, more importantly, extend technology access to every home in America.

The Digital Divide Elimination Act of 2000 is designed to do just that.

- First, it will allow low income individuals purchasing computers to take an additional refundable credit equal to 50 percent of the cost of the computer, up to \$500.
- Second, it will extend the section 170(e)(6) Super deduction through 2006 and expand it to include donations, not only to libraries and training centers, but also to non profits that provide computer technology to poor families.
- Third, it will allow corporations to take an additional tax credit equal to 10 percent of the allowable charitable deduction for computer technology and training donations. The credit is increased to 25 percent if the donation is made to an entity located in an empowerment zone, enterprise community or high poverty area.

[DISCUSSION DRAFT]

MARCH 6, 2000

106TH CONGRESS
2D SESSION**H. R. _____**

IN THE HOUSE OF REPRESENTATIVES

Mr. JEFFERSON introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to extend
and expand the enhanced deduction for charitable con-
tributions of computers to provide greater public access
to computers, including access by the poor.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Digital Divide Elimina-
5 tion Act of 2000".

1 **SEC. 2. CREDIT FOR PURCHASE OF COMPUTERS BY LOW-**
2 **INCOME INDIVIDUALS.**

3 (a) IN GENERAL.—Subpart C of part IV of sub-
4 chapter A of chapter 1 of the Internal Revenue Code of
5 1986 (relating to refundable credits) is amended by redес-
6 ignating section 35 as section 36 and by inserting after
7 section 34 the following new section:

8 **"SEC. 35. PURCHASE OF COMPUTERS BY LOW-INCOME INDI-**
9 **VIDUALS.**

10 "(a) IN GENERAL.—In the case of an eligible indi-
11 vidual, there shall be allowed as a credit against the tax
12 imposed by this subtitle for the taxable year an amount
13 equal to 50 percent of the amount paid by the taxpayer
14 for qualified computer technology or equipment.

15 "(b) DOLLAR LIMITATION.—The credit allowed by
16 subsection (a) for any taxable year shall not exceed \$500.

17 "(c) DEFINITIONS.—For purposes of this section—

18 "(1) ELIGIBLE INDIVIDUAL.—The term 'eligible
19 individual' means any taxpayer who is allowed a
20 credit under section 32 (relating to earned income
21 credit) for the taxable year.

22 "(2) QUALIFIED COMPUTER TECHNOLOGY OR
23 EQUIPMENT.—

24 "(A) IN GENERAL.—Except as provided in
25 subparagraph (B), the term 'qualified computer
26 technology or equipment' means any computer

1 technology or equipment (as defined in section
2 170(e)(6)) acquired by purchase (as defined in
3 section 170(d)(2)).

4 "(B) EXCEPTIONS.—

5 "(i) CERTAIN SOFTWARE EX-
6 CLUDED.—Such term shall not include
7 game software or any other software which
8 is not necessary for—

9 "(I) use of the computer for ac-
10 cess and use of the Internet (including
11 email), or

12 "(II) business or educational use.

13 "(ii) COMPUTER MUST BE CAPABLE
14 OF INTERNET ACCESS.—Such term shall
15 not include any computer which does not
16 have a modem or other equipment capable
17 of supporting Internet access."

18 (b) CONFORMING AMENDMENTS.—

19 (1) Paragraph (2) of section 1324(b) of title
20 31, United States Code, is amended by inserting be-
21 fore the period " , or from section 35 of such Code".

22 (2) The table of sections for subpart C of part
23 IV of subchapter A of chapter 1 of such Code is
24 amended by striking the last item and inserting the
25 following new items:

"Sec. 35. Purchase of computers by low-income individuals.
"Sec. 36. Overpayments of tax."

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

4 **SEC. 3. EXTENSION AND EXPANSION OF ENHANCED DEDUC-**
5 **TION FOR CHARITABLE CONTRIBUTIONS OF**
6 **COMPUTERS.**

7 (a) EXTENSION.—Subparagraph (F) of section
8 170(e)(6) of the Internal Revenue Code of 1986 (relating
9 to special rule for contributions of computer technology
10 and equipment for elementary or secondary school pur-
11 poses) is amended by striking "December 31, 2000" and
12 inserting "December 31, 2005".

13 (b) EXPANSION.—

14 (1) IN GENERAL.—Paragraph (6) of section
15 170(e) of such Code is amended by redesignating
16 subparagraphs (C), (D), (E), and (F) as subpara-
17 graphs (D), (E), (F), and (G), respectively, and by
18 striking all that precedes subparagraph (D) (as so
19 redesignated) and inserting the following:

20 "(6) SPECIAL RULE FOR CONTRIBUTIONS OF
21 COMPUTER TECHNOLOGY AND EQUIPMENT.—

22 "(A) LIMIT ON REDUCTION.—In the case
23 of a qualified computer contribution, the reduc-
24 tion under paragraph (1)(A) shall be no greater

1 than the amount determined under paragraph
2 (3) (B).

3 "(B) QUALIFIED COMPUTER CONTRIBU-
4 TION.—For purposes of this paragraph, the
5 term 'qualified computer contribution' means a
6 charitable contribution by a corporation of any
7 computer technology or equipment, but only
8 if—

9 "(i) the contribution is to a qualified
10 organization,

11 "(ii) the contribution is made not
12 later than 2 years after the date the tax-
13 payer acquired the property (or in the case
14 of property constructed by the taxpayer,
15 the date the construction of the property is
16 substantially completed),

17 "(iii) the original use of the property
18 is by the donor or the donee,

19 "(iv) substantially all of the use of the
20 property by the donee is for use within the
21 United States and, in the case of a quali-
22 fied educational organization, for edu-
23 cational purposes in any of the grades K-
24 12 that are related to the purpose or func-
25 tion of the organization,

1 “(v) the property is not transferred by
2 the donee in exchange for money, other
3 property, or services, except for shipping,
4 installation and transfer costs,

5 “(vi) in the case of a qualified edu-
6 cational organization, the property will fit
7 productively into the entity's education
8 plan, and

9 “(vii) the entity's use and disposition
10 of the property will be in accordance with
11 the provisions of clauses (iv) and (v).

12 “(C) QUALIFIED ORGANIZATION.—For
13 purposes of this paragraph—

14 “(i) IN GENERAL.—The term ‘quali-
15 fied organization’ means—

16 “(I) any qualified educational or-
17 ganization,

18 “(II) any public library located in
19 an area which is an empowerment
20 zone, enterprise community, or a
21 high-poverty area (as determined by
22 the Secretary),

23 “(III) any technology center lo-
24 cated in such an area, and

1 “(IV) any entity described in sec-
2 tion 501(c)(3) and exempt from tax
3 under section 501(a) that is organized
4 primarily for purposes of providing
5 computers without charge to lower in-
6 come families.

7 “(ii) QUALIFIED EDUCATIONAL ORGA-
8 NIZATION.—For purposes of clause (i), the
9 term ‘qualified educational organization’
10 means—

11 “(I) an educational organization
12 described in subsection (b)(1)(A)(ii),
13 and

14 “(II) an entity described in sec-
15 tion 501(c)(3) and exempt from tax
16 under section 501(a) (other than an
17 entity described in subclause (I)) that
18 is organized primarily for purposes of
19 supporting elementary and secondary
20 education.”

21 (2) CONFORMING AMENDMENT.—Subparagraph
22 (D) of section 170(e)(6) of such Code, as redesign-
23 nated by paragraph (1), is amended by striking
24 “qualified elementary or secondary educational con-

1 tribution" and inserting "qualified computer con-
2 tribution".

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 the date of the enactment of this Act.

6 **SEC. 4. CREDIT FOR CHARITABLE CONTRIBUTIONS OF**
7 **COMPUTERS AND FOR TRAINING AND TECH-**
8 **NICAL ASSISTANCE RELATED THERETO.**

9 (a) IN GENERAL.—Subpart B of part IV of sub-
10 chapter A of chapter 1 of the Internal Revenue Code of
11 1986 is amended by adding at the end the following new
12 section:

13 **"SEC. 30B. CREDIT FOR CERTAIN CHARITABLE CONTRIBU-**
14 **TIONS OF COMPUTERS AND FOR TRAINING**
15 **AND TECHNICAL ASSISTANCE RELATED**
16 **THERETO.**

17 "(a) GENERAL RULE.—There shall be allowed as a
18 credit against the tax imposed by this chapter for the tax-
19 able year an amount equal to 10 percent of the amount
20 allowed to the taxpayer as a deduction under section 170
21 for the taxable year—

22 "(1) for qualified computer contributions, and

23 "(2) for qualified training and technical assist-
24 ance contributions.

1 “(b) INCREASED CREDIT FOR DONATIONS IN ENTER-
2 PRISE ZONES, ETC.—Subsection (a) shall be applied by
3 substituting ‘25 percent’ for ‘10 percent’ in the case of
4 contributions of property to be used in an area which is
5 an empowerment zone, enterprise community, or a high-
6 poverty area (as determined by the Secretary) and of serv-
7 ices provided with respect to property which is to be so
8 used.

9 “(c) QUALIFIED COMPUTER CONTRIBUTIONS.—For
10 purposes of this section, the term ‘qualified computer con-
11 tributions’ has the meaning given to such term by section
12 170(e) (6); except that for purposes of this section—

13 “(1) the limitation that the contributions be
14 made by a corporation shall not apply, and

15 “(2) such term shall not include contributions
16 of computer software (as defined by section
17 197(e) (3) (B)).

18 “(d) QUALIFIED TRAINING AND TECHNICAL ASSIST-
19 ANCE CONTRIBUTIONS.—For purposes of this section, the
20 term ‘qualified training and technical assistance contribu-
21 tions’ means the amount allowed as deduction under sec-
22 tion 170 for contributions of training and technical assist-
23 ance provided to any qualified organization (as defined in
24 section 170(e) (6) (C)) to assist such organization in the
25 operation and management of computer technology or

1 equipment (as defined in section 170(e) (6) (F)) of such or-
2 ganization.

3 “(e) LIMITATION BASED ON LIABILITY FOR TAX.—

4 The credit allowed by subsection (a) for any taxable year
5 shall not exceed the excess (if any) of—

6 “(1) the sum of the regular tax liability (as de-
7 fined in section 26(b) plus the tax imposed by sec-
8 tion 55, over

9 “(2) the sum of the credits allowable under this
10 part IV (other than this section, section 1397E, and
11 subpart C).

12 “(f) TREATMENT OF CARRYOVERS OF EXCESS CON-
13 TRIBUTIONS.—If any amount is carried under section
14 170(d) to a succeeding taxable year, such amount shall
15 be treated as attributable to qualified contributions (as so
16 defined) only to the extent that such contributions exceed
17 the limitation under section 170(b).”

18 (b) CLERICAL AMENDMENT.—The table of sections
19 for subpart of part IV of subchapter A of chapter 1 of
20 such Code is amended by adding at the end thereof the
21 following new item:

“Sec. 30B. Credit for certain charitable contributions of com-
puters.”

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 the date of the enactment of this Act.

From Digital Divide to Digital Opportunity

Kalil draft March 17, 2000

Clinton essay for League of Women Voters

[Note: this essay will run in June -- which is why the trip is referred to in the past tense.]

In recent years, access to information technology and the Internet has exploded. When I became President, there were 50 sites on the World Wide Web. Today, there are more than 10 million. Unfortunately, we still face a "digital divide" -- a gap between those who have access to Information Age tools and those who don't. America has an important choice to make. We can allow unequal access to deepen existing divisions along the lines of race, income, education level, geography, and disability -- or we can use technology as a powerful tool to help realize the American dream of expanding opportunity for all our citizens.

That's why I have issued a National Call To Action to challenge America to meet two important goals:

- **Providing 21st century learning tools for every child in every school** -- with multimedia computers, Internet access, high-quality educational content, and technologically literate teachers.
- **Creating digital opportunity for every family and community** -- by expanding home access to the Internet, creating Community Technology Centers in low-income neighborhoods, giving adults the skills they need to use IT, and motivating more people to understand the value of "getting connected."

Vice President Gore and I have made meeting these national goals a top priority. That's because access to information technology is becoming increasingly important to full participation in America's economic, social, and political life. People are using the Internet to find lower prices for goods and services, start their own business, search for a job, make better informed decisions about their healthcare needs, and keep track of the voting record of their elected representatives. People with IT skills can compete for high-tech jobs, which pay almost 80 percent more than the private sector average.

Technology, used creatively, can also make a big difference in the way teachers teach and students learn. In some classrooms, teachers are using the Internet to keep up with the latest developments in their field, and to communicate more frequently with parents. Students are able to log on to the Library of Congress to use primary documents for a history paper, or explore the universe with an Internet-connected telescope used by professional astronomers. We need to ensure that every child in every school has access to these opportunities

To help create digital opportunity for more Americans, my Fiscal Year 2001 Budget includes a number of key investments, including:

- \$2 billion in tax incentives to encourage private sector donations of computers to schools, libraries, and community technology centers;

- A program to ensure that every new teacher can use technology effectively in the classroom;
- The creation of 1,000 Community Technology Centers in underserved urban and rural communities; and
- New programs to encourage private sector deployment of high-speed networks, particularly in isolated rural communities.

Closing the digital divide, however, will require a strong partnership between government, industry, and the rich mosaic of America's civil society -- including educators, labor unions, librarians, civil rights leaders, faith-based organizations, foundations, volunteers, and community-based organizations. That's why I led a "New Markets" trip during the week of April 9th to mobilize significant public and private efforts to close the digital divide.

Although technology is not a silver bullet for the economic and social challenges that America faces, it can be a powerful tool for widening the circle of opportunity. We see it when people with disabilities can return to work using speech recognition technology, when a homeless mother of 3 is able to support her family after receiving IT training, or when an inner-city school girl is motivated to excel in math and science because of the power of the Internet. America should make the most of these new possibilities, and I challenge each and every American to join with me to build an information society with opportunity for all.

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Alert Categories: car edu hit pol rea

Ticker Symbols: AAPL HD HWP

Industry Groups: CPR RTS

Profiler Categories: Automotive Education HiTech Political
RealEstate

*** Version history. (* = this story, F = final version) ***

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^AM-Tale of Two Cities,610<

^East Palo Alto and Palo Alto: the original digital divide<

^By SCOTT ANDREWS=

^Associated Press Writer=

^With AP Photos NY113,115,116<

¶ EAST PALO ALTO, Calif. (AP) _ Mike Baker steps around mud puddles as he steers clear of a forklift, walks past a 20-foot-tall jumble of car axles and takes proud stock of his junkyard.

¶ "We recycle cars. There's a high demand for it. People are constantly begging me to take their cars," he says, stepping under a jacked-up Toyota being dismantled by grease-stained workers.

¶ Baker's junkyard seems a world away from the economic dynamo of Silicon Valley. But he's less than a mile from the perfectly manicured Palo Alto front yards of such industry titans as Apple Computer CEO Steve Jobs and Netscape co-founder Marc Andreessen. Just across Highway 101 are the business parks of Hewlett Packard, Xerox PARC, ETrade and AltaVista Co.

¶ Between Palo Alto and its poorer stepsister, East Palo Alto, lies the original chasm of the digital divide, the gap between computer haves and have-nots that President Clinton is fighting as part of his New Markets Initiative to encourage economic development in depressed areas.

¶ On Monday, Clinton's campaign will include a visit to East Palo Alto and Plugged In, a computer training center.

¶ In East Palo Alto, a city of about 25,000 residents on the edge of San Francisco Bay, 65 percent of the schoolchildren have trouble with English and 80 percent are poor enough to qualify for subsidized lunches. Minorities comprise about 85 percent of the population.

¶ "When you move here and ask where you should live, they don't necessarily tell you where you should live. They tell you where you shouldn't live," and East Palo Alto was one of those places, said Tamara Nordby, a Palo Alto hair salon manager who recently moved from Minnesota.

¶ About 82 percent of Palo Alto's 62,000 residents are white and the median home price is around \$630,000. Four of the richest 400 Americans live there and the city is so flush with money it plans to install high-speed fiber-optic Internet connections to every home.

¶ Blacks and Hispanics are about half as likely as whites to own a computer, according to the Commerce Department. Eighty percent of families earning at least \$75,000 had computers in 1998, compared to just 35.8 percent of those earning between \$25,000 and \$35,000.

¶ The towns' digital divide is apparent even on the Web.

¶ Palo Alto's Web site has 251 sections. During storms, it provides video of flood-prone San Francisquito Creek. Residents can download forms from the

planning department, read City Council minutes, even search the city library's catalog.

¶ East Palo Alto's Web site has just three pages of information, little more than outdated population figures and City Hall's address.

¶ Still, change is coming fast to East Palo Alto. Yuppie furniture seller Ikea is moving into a new shopping center, there's a new Home Depot and the pounding of hammers echoes from new homes under construction.

¶ Now residents have a new fear: that Silicon Valley's real estate prices will drive out the very people Clinton is trying to get connected.

¶ Baker recently turned down a biotechnology firm's offer to buy his junkyard.

¶ "This town is definitely changing but I hate to see it become another high-tech campus town," he said above the whine of the forklift. "I hope the city can find room for me."

¶

¶ On the Net:

¶ Commerce Department digital divide: <http://www.digitaldivide.gov>

¶ Plugged In computer center: <http://www.pluggedin.org>

¶ Palo Alto: <http://www.city.palo-alto.ca.us>

¶ East Palo Alto: <http://www.ci.east-palo-alto.ca.us>

**THE PRESIDENT'S NEW MARKETS TRIP:
FROM DIGITAL DIVIDE TO DIGITAL OPPORTUNITY**
Motivating Young People to "Get Connected" in East Palo Alto
April 17, 2000

TODAY, PRESIDENT CLINTON WILL KICKOFF HIS DIGITAL DIVIDE NEW MARKETS TRIP IN EAST PALO ALTO, CALIFORNIA TO HIGHLIGHT THE IMPORTANCE OF ALL YOUNG PEOPLE HAVING THE OPPORTUNITY AND THE MOTIVATION TO "GET CONNECTED." President Clinton will kick off his third New Markets trip in East Palo Alto, CA, where he will hold a discussion with Reverend Jesse Jackson, New York Liberty star Rebecca Lobo, high-tech CEOs, community leaders and young people from East Palo Alto. His discussion will center on motivating and inspiring all young people to "get connected" and become technologically literate as a means to increasing their future economic potential. The President will emphasize how critical information technology skills are to competing for the high-tech, high-wage jobs of the 21st century. The discussion will be webcast on the Internet, giving young people across the country an opportunity to email questions to the President.

President Clinton will announce several private and public sector commitments that expand "digital opportunity" for underserved communities, families and youth. He will then participate in a roundtable with corporate and community leaders, focusing on the importance of closing the digital divide.

Today's visit comes two weeks after the President issued his "National Call to Action" with two major national goals:

- Provide 21st Century Learning Tools for Every Child in Every School. To reach this goal, America needs to connect every classroom to the Internet, provide all students with access to computers, train teachers to integrate technology into the curriculum, and provide high quality educational content and software.
- Create Digital Opportunity for Every American Family and Community. For all families and communities to benefit from the New Economy, we must ensure that all Americans have access to technology and the skills needed to use it. We must work to make home access to the Internet universal, bring technology to every neighborhood, empower all citizens with IT skills, and motivate young people to "get connected."

EAST PALO ALTO HAS NOT FULLY SHARED IN THE NATION'S DIGITAL REVOLUTION

Though it is in the heart of Silicon Valley, East Palo Alto has not shared equally in the region's phenomenal economic expansion. While progress has been made, the city still faces significant economic challenges.

- High Poverty Over 80 percent of local K-8 students are eligible for the free lunch program (CA Dept. of Finance, 2000).
- Lack of Education Technology East Palo Alto schools have a 28 to 1 student/ computer ratio, limiting the ability of teachers to use technology in the classroom. (CA Dept. of Ed., 1999).

PRESIDENT CLINTON, AND CORPORATE AND COMMUNITY LEADERS WILL ANNOUNCE OVER \$100 MILLION IN COMMITMENTS TO BRING DIGITAL OPPORTUNITY TO YOUTH FAMILIES AND COMMUNITIES:

- The Kaiser Family Foundation Commits to a Media Campaign to Motivate Young People to "Get Connected." Magic Johnson and Rebecca Lobo Will Star in the Public Service Announcements that Will Air on 13 Major Networks. BET Will Also Produce and Air PSAs to Encourage African-Americans to Participate in Digital Economy.
- HP Announces \$15 Million Partnership to Expand Digital Opportunity in 3 Communities, Including East Palo Alto
- Gateway Launches Program for Technology Training for 75,000 Teachers -- Including All East Palo Alto Teachers
- QUALCOMM Commits \$25 Million to Bridge the Digital Divide in San Diego -- Including \$7 Million for Math and Science Education
- PowerUP Commits to Expanding to 250 Technology Centers for Underserved Youth Across the Country - With Major Support from AOL (100,000 Free Accounts Valued at \$26 Million Annually)
- Novell Will Donate \$20 Million in Software to Non-Profits Devoted to Underserved Hispanic Populations
- Cisco Systems Pledges \$1.4 Million to Develop 10 Pilot Networking Academies
- Applied Materials Pledges \$1 Million for Digital Divide Projects -- Including a Partnership with the Rainbow/ PUSH Coalition to Create a High-Tech Job Training Center in East Palo Alto
- AT&T Pledges \$1.2 Million to The Academy Of Information Technology
- PeoplePC Will Provide 300 Computers and Internet Access to Schools in the East Palo Alto Community
- govWorks's Community Commitment Program Will Donate Computer Equipment to Communities it Serves

A COMPLETE LIST OF PRESIDENT CLINTON AND THE PRIVATE SECTOR'S INITIATIVES TO BRING DIGITAL OPPORTUNITY TO YOUTH, FAMILIES AND COMMUNITIES

- The Kaiser Family Foundation And Black Entertainment Television Announce Public Service Campaigns to Motivate Young People to Participate in Technology. President Clinton will highlight the efforts of the Kaiser Family Foundation and Black Entertainment Television (BET) to help motivate young people to "get connected" and raise public awareness about the digital divide. The Kaiser Family Foundation will produce public service announcements (PSA) featuring celebrities and role models who will highlight their connections to technology and encourage young people to recognize ways that becoming technologically literate can open doors to them. Magic Johnson and Rebecca Lobo are the first celebrities to agree to appear in the PSA campaign. NBC, ABC, CBS, BET, MTV, Fox, TBS, TNT, UPN, The Cartoon Network, Odyssey, The Disney Channel, Univision and the WB will all air the PSAs. The National Association of Broadcasters will distribute the PSAs to their 1,000 members. The Leadership Conference on Civil Rights, the American Library Association and the Digital Divide Network have also agreed to support this effort.

BET will produce and air the PSAs on the BET Cable Network, encouraging African- Americans to use the Internet and to participate in the digital economy. The PSA's will feature major African-American celebrities from the music, sports and film industries explaining the importance of African-American participation in the digital economy, as consumers, employees and entrepreneurs. In addition, BET.com and BET Holdings will sponsor an online celebrity auction to benefit efforts to address the digital divide.
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 - HP @ Home will help families learn and grow together;
 - HP @ School will emphasize enhancing K-12 education through the use of technology; and
 - HP @ Neighborhood Community Centers will help adults and kids to learn, communicate and explore using the Internet, both before and after school.
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- The ThinkQuest® Program Bridges the Digital Divide by Reaching Out to Underserved Students. ThinkQuest, a non-profit Internet-based education initiative, will announce a partnership with the Department of Education's TRIO and Community Technology Center programs, HUD's Neighborhood Network centers and ABILITY Awareness to bring ThinkQuest's award-winning program to the large number of students in underserved schools and communities as well as to students with disabilities. The ThinkQuest program guidelines promote teams that include members from diverse levels of computer competency who come from various cultural, ethnic and socio-economic backgrounds. To date more than 50,000 students and educators from 100 countries have participated in ThinkQuest.
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IN EAST PALO ALTO PRESIDENT CLINTON WILL BE JOINED BY HIGH-TECH AND COMMUNITY LEADERS TO ANNOUNCE NEW PARTNERSHIPS TO BRIDGE THE DIGITAL DIVIDE

The President will participate in a roundtable discussion with CEOs from the technology industry and leaders of the civil rights community and non-profit organizations. The President will lead a discussion on concrete steps that industry, community organizations and government can take to bridge the digital divide. Participants in the roundtable will include:

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Henry Cisneros, President & COO, Univision Communications

Darien Dash, Chairman & CEO, DME Interactive Holdings, Inc.

John Doerr, Kleiner Perkins

Magda Escobar, Executive Director, Plugged In

Carly Fiorina, CEO, Hewlett Packard

Rae Grad, CEO, Power Up

Nick Grouf, CEO, People PC

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Srinija Srinivasan, Vice President & Editor-in-Chief, Yahoo!

Kaleil Tuzman, CEO, GovWorks

Raul Yzaguirre, President, National Council of La Raza

**THE PRESIDENT'S NEW MARKETS TRIP:
FROM DIGITAL DIVIDE TO DIGITAL OPPORTUNITY
Motivating Young People to "Get Connected" in East Palo Alto**

April 17, 2000

TODAY, PRESIDENT CLINTON WILL KICKOFF HIS DIGITAL DIVIDE NEW MARKETS TRIP IN EAST PALO ALTO, CALIFORNIA TO HIGHLIGHT THE IMPORTANCE OF ALL YOUNG PEOPLE HAVING THE OPPORTUNITY AND THE MOTIVATION TO "GET CONNECTED." President Clinton will kick off his third New Markets trip in East Palo Alto, CA, where he will hold a discussion with Reverend Jesse Jackson, New York Liberty star Rebecca Lobo, high-tech CEOs, community leaders and young people from East Palo Alto. His discussion will center on motivating and inspiring all young people to "get connected" and become technologically literate as a means to increasing their future economic potential. The President will emphasize how critical information technology skills are to competing for the high-tech, high-wage jobs of the 21st century. The discussion will be webcast on the Internet, giving young people across the country an opportunity to email questions to the President.

President Clinton will announce several private and public sector commitments that expand "digital opportunity" for underserved communities, families and youth. He will then participate in a roundtable with corporate and community leaders, focusing on the importance of closing the digital divide.

Today's visit comes two weeks after the President issued his "National Call to Action" with two major national goals:

- Provide 21st Century Learning Tools for Every Child in Every School. To reach this goal, America needs to connect every classroom to the Internet, provide all students with access to computers, train teachers to integrate technology into the curriculum, and provide high quality educational content and software.
- Create Digital Opportunity for Every American Family and Community. For all families and communities to benefit from the New Economy, we must ensure that all Americans have access to technology and the skills needed to use it. We must work to make home access to the Internet universal, bring technology to every neighborhood, empower all citizens with IT skills, and motivate young people to "get connected."

EAST PALO ALTO HAS NOT FULLY SHARED IN THE NATION'S DIGITAL REVOLUTION

Though it is in the heart of Silicon Valley, East Palo Alto has not shared equally in the region's phenomenal economic expansion. While progress has been made, the city still faces significant economic challenges.

- High Poverty Over 80 percent of local K-8 students are eligible for the free lunch program (CA Dept. of Finance, 2000).
- Lack of Education Technology East Palo Alto schools have a 28 to 1 student/ computer ratio, limiting the ability of teachers to use technology in the classroom. (CA Dept. of Ed., 1999).

PRESIDENT CLINTON, AND CORPORATE AND COMMUNITY LEADERS WILL ANNOUNCE OVER \$100 MILLION IN COMMITMENTS TO BRING DIGITAL OPPORTUNITY TO YOUTH FAMILIES AND COMMUNITIES:

- The Kaiser Family Foundation Commits to a Media Campaign to Motivate Young People to "Get Connected." Magic Johnson and Rebecca Lobo Will Star in the Public Service Announcements that Will Air on 13 Major Networks. BET Will Also Produce and Air PSAs to Encourage African-Americans to Participate in Digital Economy.
- HP Announces \$15 Million Partnership to Expand Digital Opportunity in 3 Communities, Including East Palo Alto
- Gateway Launches Program for Technology Training for 75,000 Teachers -- Including All East Palo Alto Teachers
- QUALCOMM Commits \$25 Million to Bridge the Digital Divide in San Diego -- Including \$7 Million for Math and Science Education
- PowerUP Commits to Expanding to 250 Technology Centers for Underserved Youth Across the Country - With Major Support from AOL (100,000 Free Accounts Valued at \$26 Million Annually)
- Novell Will Donate \$20 Million in Software to Non-Profits Devoted to Underserved Hispanic Populations
- Cisco Systems Pledges \$1.4 Million to Develop 10 Pilot Networking Academies
- Applied Materials Pledges \$1 Million for Digital Divide Projects -- Including a Partnership with the Rainbow/ PUSH Coalition to Create a High-Tech Job Training Center in East Palo Alto
- AT&T Pledges \$1.2 Million to The Academy Of Information Technology
- PeoplePC Will Provide 300 Computers and Internet Access to Schools in the East Palo Alto Community
- govWorks's Community Commitment Program Will Donate Computer Equipment to Communities it Serves

A COMPLETE LIST OF PRESIDENT CLINTON AND THE PRIVATE SECTOR'S INITIATIVES TO BRING DIGITAL OPPORTUNITY TO YOUTH, FAMILIES AND COMMUNITIES

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**THE PRESIDENT'S NEW MARKETS TRIP:
FROM DIGITAL DIVIDE TO DIGITAL OPPORTUNITY
Highlighting Technology's Economic Opportunity At COMDEX**

April 18, 2000

TODAY, PRESIDENT CLINTON WILL CONTINUE HIS DIGITAL DIVIDE NEW MARKETS TRIP AT THE COMDEX CONFERENCE BY CHALLENGING THE TECHNOLOGY INDUSTRY TO BRING DIGITAL OPPORTUNITY TO ALL COMMUNITIES, FAMILIES AND YOUTH. President Clinton will address the technology industry's influential COMDEX Conference, to personally challenge high-tech companies to take a leadership role in bridging the digital divide. The President will be joined by students and mentors from Street-Level Youth Media, a community technology center that serves urban youth in Chicago. In addition, Congresswoman Jan Schakowsky from Illinois, Fredric Rosen, and Chairman of ZD Events and Jason Chudnofsky, CEO of ZD events will accompany the President.

The President and students from Street-Level Youth Media will also tour the Wireless Pavilion on the floor of Comdex, where the President will see a demonstration of cutting-edge "wireless Web" technology. The educational applications of this technology will allow parents and students to access Web-based information on their school anytime, anywhere, using only a phone.

President Clinton Will Call for Specific Actions by Industry Leaders. In his remarks to COMDEX attendees, the President will challenge the leaders of the high-tech industry to redouble their efforts to bridge the digital divide. The President will ask industry leaders to:

- **Endorse His National Call To Action To Create Digital Opportunity:** Two weeks ago, President Clinton issued a National Call To Action at an event at the White House. Already, over 400 leading high-tech companies and community organizations have endorsed this pledge.
- **Work With Local Schools To Ensure That All Children Are Technologically Literate:** Companies can help reach this goal by donating computers, providing training to teachers so that they are as comfortable with a computers as they are with a chalkboard, supporting the development of high-quality educational software and online resources, and encouraging their employees to provide the technical assistance that schools need.
- **Expand Internships To Expand High-Tech Career Opportunities for Underserved Youth:** The President will urge companies to expand internships, especially for young women, minorities, people with disabilities and young people from economically disadvantaged backgrounds.
- **Lead Grassroots Efforts In Local Communities to Bridge the Digital Divide:** The President will challenge companies to forge partnerships between business, government and community groups to create comprehensive strategies for bridging the digital divide in schools, community centers and homes.

President Clinton Will Announce New Public and Private Sector Commitments to Bridge the Digital Divide:

- **Over 200 new Community Technology Centers:** The Department of Education will announce a combined public and private investment of \$86 million over 3 years (\$42 million in federal funding and \$42 million in state, local, and corporate investments) to create 214 new community technology centers and expand 136 centers. President Clinton is proposing to increase funding for Community Technology Centers to \$100 million in the FY2001 budget.
- **Doubling of Neighborhood Network Centers to 1,000 Across the Country.** The Department of Housing and Urban Development will announce today that it will expand the number of Neighborhood Network Centers to 1,000 over the next two years. These centers are computer-training facilities located in or near HUD-assisted housing developments that offer computer access, staff assistance and a range of training resources to housing residents.

Preparing Every New Teacher to Use Technology in the Classroom: The deans of over 200 colleges of education will make a commitment to President Clinton to ensure that new teachers are prepared to use technology in the classroom. Currently, many schools of education do not prepare their graduates to integrate technology into the curriculum. The President's FY2001 budget proposes \$150 million to work with schools of education to help them reach this goal – up from \$75 million in FY2000.



Thomas A. Kalil

04/07/2000 04:13:08 PM



Record Type: Record

To: David Tseng/OPD/EOP@EOP

cc: Gigi E. Georges/OPD/EOP@EOP, Natasha F. Bilimoria/OPD/EOP@EOP

Subject: Legislative update on digital divide for Gene

Gene:

I think this passed unanimously - this is good even if non-binding

- Tom

Amendment Would Fund Tech Education

The Senate Friday approved an amendment to the fiscal 2001 budget resolution calling on congressional appropriators to fund programs aimed at ensuring that children are computer literate by the time they finish the eighth grade.

The amendment, offered by Sen. Barbara Mikulski, D-MD, was adopted by voice vote to the budget, S. Con. Res. 101. It aims to address the digital divide by calling for increases in funding for programs that broaden access to information technology and expand technology training for teachers and workers. The amendment is similar to legislation, S. 2229, that Mikulski introduced earlier this year.

That bill calls for \$200 million in tax incentives to encourage the private sector to donate computers and provide computer training and repairs. It also would authorize \$600 million for teacher training, \$400 million for school technology, \$100 million to create 1,000 technology centers in low-income urban and rural areas, \$50 million for public-private partnerships to provide computers and Internet access to low-income households, \$25 million for an "E-Corps" within the Americorps national domestic volunteer program, and other initiatives.

While the amendment is technically non-binding, it provides a measure of support for the initiative in the Senate and also gives direction to congressional appropriators. The annual budget resolution, which the Senate is expected to pass Friday, provides a blueprint of spending priorities for appropriators. Mikulski is the top Democrat on the Senate Appropriations Committee's veterans affairs and housing panel and will likely push to include some of the provisions included in S. 2229 in the subcommittee's FY 2001 spending bill, according to Mikulski's spokeswoman.

"This vote put the U.S. Senate on record in support of funding and establishing a technology education framework that is available to all Americans," Mikulski said in a statement.



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The amendment, offered by Sen. Barbara Mikulski, D-MD, was adopted by voice vote to the budget, S. Con. Res. 101. It aims to address the digital divide by calling for increases in funding for programs that broaden access to information technology and expand technology training for teachers and workers. The amendment is similar to legislation, S. 2229, that Mikulski introduced earlier this year.

That bill calls for \$200 million in tax incentives to encourage the private sector to donate computers and provide computer training and repairs. It also would authorize \$600 million for teacher training, \$400 million for school technology, \$100 million to create 1,000 technology centers in low-income urban and rural areas, \$50 million for public-private partnerships to provide computers and Internet access to low-income households, \$25 million for an "E-Corps" within the Americorps national domestic volunteer program, and other initiatives.

While the amendment is technically non-binding, it provides a measure of support for the initiative in the Senate and also gives direction to congressional appropriators. The annual budget resolution, which the Senate is expected to pass Friday, provides a blueprint of spending priorities for appropriators. Mikulski is the top Democrat on the Senate Appropriations Committee's veterans affairs and housing panel and will likely push to include some of the provisions included in S. 2229 in the subcommittee's FY 2001 spending bill, according to Mikulski's spokeswoman.

"This vote put the U.S. Senate on record in support of funding and establishing a technology education framework that is available to all Americans," Mikulski said in a statement.

FYI for Gene



govWorks.com

March 26, 2000

govWorks, Inc.
81 Franklin Street
New York, NY 10013
tel 212 941 6900
fax 212 268 4472
info@govworks.com

Mr. Gene Sperling
Assistant to the President for Economic Policy and
Director of the National Economic Council
2nd Floor, West Wing
The White House
Washington, D.C. 20502

Dear Mr. Sperling:

Thank you for the opportunity to meet with you and your team in the White House last Wednesday, March 22. As a minority-led Internet company committed to increasing access to technology, we are very excited about the President's upcoming New Markets tour and are anxious to participate and demonstrate our support. With this letter, I would like to share our plans for April 10th in support of the President's tour and to describe the role that social responsibility plays in govWorks' business.

govWorks' Announces its Community Commitment program

In support of the President's tour, we have chosen April 10th to formally announce and launch govWorks' Community Commitment program in Philadelphia, New Orleans and a city to be determined in Northern California. Through the Community Commitment program, govWorks reinvests a percentage of its revenues back into the communities where it does business in the form of publicly accessible computers and Internet service (i.e., in community centers, public libraries or city halls). We have estimated that this year alone govWorks will contribute over \$150,000 to communities across the country through our Community Commitment program (we expect the actual impact to be much greater given partnership arrangements that we are negotiating with major computer equipment manufacturers and Internet Service Providers.)

govWorks is unique among young Internet companies because we built social responsibility into our business plan from Day One. In other words, our commitment to increasing community access to technology reflects our founders' deeply held values. Following the official launch of our Community Commitment program, govWorks intends to make a number of business announcements related to other major accomplishments, partnerships and our recent financings. In this way, we hope to show that social responsibility can go hand-in-hand with business success, and in so doing, encourage other young Internet and technology companies to implement their own socially responsible business practices.

We would like to show our support for the President's tour and to applaud the attention he is focusing on one of the unfortunate aspects of the new economy by formally announcing the launch of our Community Commitment program. If there is an opportunity for govWorks to play a role in the President's tour, we would be happy to coordinate our efforts. I have also attached information regarding other Community Development initiatives and also a description of the Harlem project that we discussed. Please do not hesitate to contact me at 212.941.6900 x109

Sent by: GOVWORKS, INC.

650 375 1832;

03/27/00 2:05PM;#465;

Page 3/7



(office), 650.270.6834 (mobile) or at my e-mail address below if I may be of any additional assistance.

Respectfully yours,

George Clayton Fatherree, III
Co-Founder and Vice President of
Community Development
govWorks, Inc
george@govWorks.com

enclosure: govWorks' Community Development Description
govWorks' Harlem Technology Project



govWorks' Community Development Group

govWorks, Inc.
81 Franklin Street
New York, NY 10013
tel 212 941 6900
fax 212 208 4472
info@govworks.com

Mission

govWorks was founded to improve the quality of the interactions between constituents and government, and to help reconnect people to their local communities. govWorks is a socially responsible company, committed to making a positive social impact in the areas where it does business. govWorks' Community Development Group is responsible for leading many of the company's socially responsible initiatives and partnerships, but govWorks' commitment to "making good by doing good" manifests itself throughout the entire organization, from govWorks' employees to its corporate partners, and in the Company's values.

Community Commitment Program - "Linking the Digital Divide"

Through govWorks' "Community Commitment" program, the Company channels a percentage of the revenues generated by its govPay module directly back into local communities in the form of computer hardware equipment and prepaid Internet access. govWorks donates these resources to community centers, libraries and city halls to help increase public access to technology and increase the availability of information available on the Internet.

govGive

govGive is govWorks' on-line commitment to nonprofit organizations and volunteers. govGive offers a free database enabling organizations and donors to exchange information and ideas, and allowing users to make donations and locate volunteer opportunities across the country. govWorks also offers nonprofit organizations free advertising on its web site.

Civic Empowerment & YouthVote2000

Both on and off-line, govWorks helps to increase civic empowerment and raise awareness about issues affecting local communities. Online, govWorks provides valuable information about candidates, issues, events and organizations to help constituents get "connected." Offline, govWorks works at the local and national levels to help promote civic involvement.

govWorks is a proud member of YouthVote2000, the largest non-partisan coalition of national organizations committed to encouraging civic participation among our nation's young people. As a member of YouthVote2000, govWorks joins the League of Women Voters, MTV Rock the Vote, YWCA, National Council of La Raza, Black Youth Vote, and over 50 other organizations committed to increase civic awareness and participation among our nations' youth.

Junior Achievement Partnership

govWorks has forged a partnership with Junior Achievement (JA), the world's largest and fastest-growing non-profit economic education organization - serving over 3 million students nationwide. Through JA, govWorks has adopted Public School 126 in downtown Manhattan, where govWorks' volunteers teach elementary students about their roles as individuals, workers and consumers to prepare middle grade and high school students for key economic and workforce issues they will face.

**Earth Day 2000**

Keeping with its mandate to increase civic involvement and empowerment, govWorks is a Premier Corporate Sponsor for the Earth Day New York celebrations, kicking off Earth Week 2000 on April 16. govWorks will donate over 30 computers and Internet access for the event and allow visitors (both at the event and on its site) to send e-mails to their elected representatives encouraging the support of environmentally friendly legislation. govWorks is also offering Earth Day 2000 free advertising on the govWorks.com site and is designing a custom designed database to help facilitate the interaction with elected officials.

Entrepreneurship - "An Innovative Approach to Philanthropy"

govWorks sponsors a number of forums designed to promote entrepreneurship and social entrepreneurship. In addition, the govWorks Internship Program allows highly motivated students from disadvantaged backgrounds the opportunity to receive "hands-on" entrepreneurial training and to learn about the Internet economy.

govWorks is a proud investor in the Entrepreneurs' Foundation (EF). Founded in 1998, the Entrepreneurs Foundation is a nonprofit organization created to strengthen the Silicon Valley/Bay Area community by tapping the talent and wealth of entrepreneurial companies and their employees. EF takes "an innovative approach to philanthropy" by applying venture capital principles to scale-up successful community programs. EF works with govWorks and other Silicon Valley companies to help sponsor local service projects where employees have the opportunity to "give back."

Gigi E. Georges
04/07/2000 11:09:03 AM

Record Type: Record

To: David Tseng/OPD/EOP@EOP, Elliott H. Baer/OPD/EOP@EOP, Jamie H. Ginott/OPD/EOP@EOP

cc:

Subject: Digital Divide call

We put
on To Do List

For Gene -- to call Kweisi Mfume to invite him travel on the full Digital Divide trip:

Kwesi Mfume
President and CEO, NAACP
410-486-9226

Background

AT&T has provided \$300,000 to the NAACP to create CTCs in 20 cities to provide computer training and Internet to families with school-aged children. AT&T is collaborating with the NAACP, the National Urban League and the Community Technology Centers' Network to give under-resourced communities access to technology.

Bell Atlantic provided \$500,000 challenge grant to the NAACP to improve their Internet-based communications system with its network of 2,200 branches and chapters across the country. NAACP is currently seeking matching corporate contributions for this project.

Also plans to build a platform to become an in-house network Internet Service Provider.

We put on
To-Do List

Gigi E. Georges
04/07/2000 02:25:48 PM

Record Type: Record

To: David Tseng/OPD/EOP@EOP, Elliott H. Baer/OPD/EOP@EOP, Jamie H. Ginott/OPD/EOP@EOP

cc:

Subject: Digdiv trip - NCscheduling

(Given Gene's schedule today, I may not get to talk to him, but I do want to follow up on one thing we had begun to talk about yesterday. thanks.)

For Gene:

Talked to Laura Graham again about considering whether the President should do a speech at Shaw College (an HBCU) in Raleigh, NC. focusing on the Digital Divide. Apparently, Shaw was being considered as a commencement speech venue (which would have been on May 13), but the President wanted us to look at the alternative option of speaking on the Digital Divide at Shaw.

Scheduling wants to know how you feel about adding the speech to the day on April 26th. We would start the day with the broadband event in Eastern NC in the morning, and do the Shaw speech in the afternoon.

You had said you would like to talk to Erskine Bowles about the idea before going ahead on it. His numbers:

Work in New York: 212-355-5656

Work in NC: 704-372-2040

Home in NC: 704-364-1279

Home in New York: 212-838-3000



LOCAL INITIATIVES SUPPORT CORPORATION (LISC)

1825 K Street, N.W., Suite 1100

Washington, DC 20006

FAX

Date: April 3, 2000

Number of pages including cover sheet: 3

To: Natasha Billimoria

Phone: (202) 456-2807

Fax phone: (202) 456-2878

From: Stephanie Mathews O'Keefe
SVP, External Affairs

Phone: (202) 739-9265

Fax phone: (202) 861-1294

REMARKS: ☐ Urgent ☐ For your review ☐ Reply ASAP ☐ Please comment

FYI—

Re digital divide on New Markets tour.



Overview:

The Local Initiatives Support Corporation (LISC) is a 20 year-old nonprofit financial intermediary and technical assistance firm that works closely with Community Development Corporations (CDCs), banks, foundations, and major corporations in efforts to encourage investment in low income communities.

The **Los Angeles LISC Technology Initiative** is designed to substantially increase the number of low-income families with access to computers, software and access to the Internet, for education, communication and e-commerce purposes. It is also designed to involve Community Development Corporations (CDCs) in the business of assisting residents of their communities to become proficient computer owners and users, through the development and operation of a CDC Computer Technology Cooperative created to serve their respective constituents

The Problem and the Solution:

Despite the increased presence of computers in school classrooms, libraries and community centers, most families in low-income communities do not have a computer with Internet access at home, and are therefore being left out of the technology evolution that is literally changing the way most Americans live. Children in these families may get a chance to work on computers at school, often in groups, for a few hours each week, but cannot pursue their learning after class using this powerful education tool. Compounding this problem is the fact that Los Angeles' inner-city school children are not allowed to bring their textbooks home (because there are insufficient books available) and you have an ever-expanding divide that is a design for social failure.

To help solve this problem, the Los Angeles office of LISC is developing a Membership Cooperative. This cooperative will combine the buying power of CDC's and the residents of the communities they serve to purchase computers and affordable Internet access from local minority-owned or controlled businesses at discount "quantity" rates.

LA LISC has secured the support of two Strategic Partners -- BreakAway Technologies and SuccessNet/AztecaNet -- to facilitate implementation of this project. BreakAway Technologies is a non-profit organization that is developing new community computer laboratories in partnerships with local nonprofit organizations. To date BreakAway has secured support for this effort from Microsoft, Sony, Cisco, and California Wellness Foundation. BreakAway Technologies will provide high quality new computers complete with Microsoft Windows 98 and Office 2000 software, and residential network installations, at substantially below market prices, to CDC's participating in the Cooperative. SuccessNet/AztecaNet -- a partnering of two for-profit, Los Angeles-based, minority-owned Internet Service Providers -- has agreed to provide below-market rate Internet services.

CDCs that own and manage affordable housing projects will be assisted by grants and loans provided by LISC to "wire" all of the units in a single building so that the units share a single

high speed connection to the Internet. These funds will also be used to purchase computers that will be offered "for sale" to low-income residents, at a monthly cost of \$20 for both the computer and unlimited "always on" Internet access (no phone service required). Residents choosing to participate will pay this sum in addition to their monthly rent directly to the CDC. The CDC will in turn use this income to pay for operating costs related to the project. CDCs will also provide training and technical support for new users at onsite community computer laboratories. At present there are more than 10,000 low-income households living in affordable housing units under CDC ownership in Los Angeles.

To help the even larger number of low-income families residing in single family homes and apartments not owned and operated by CDCs gain access to affordable computers and Internet access, the Cooperative will offer affordable computers and reduced rate dial-up accounts.

LA LISC, working together with its Strategic Partners and the Dunbar Economic Development Corporation, will begin the implementation of the Cooperative's first "pilot project" in April 2000. The residents of 41 units in two apartment buildings adjacent the historic Dunbar Hotel on South Central Avenue in Los Angeles -- all low-income families with young children -- will be offered new in-home computers and unlimited high speed Internet access for \$20 per month. These participating families will also receive SchoolTime™ software, a K-3 English literacy program designed to support the Open Court reading system being taught in many Los Angeles area schools.

A \$50,000 package of grant and loan funds (50:50) provided by LISC is being used to capitalize this project. The Local Area Network being created to serve the residential units will also provide Internet access to Dunbar EDCs "Dreams" Computer Laboratory and the organization's administrative offices -- both in the Dunbar Hotel

Other CDCs that have agree to be members of the Cooperative include: Concerned Citizens of South Central Los Angeles, New Economics for Women, Esperanza Community Housing Corporation, Community Build, Ward Economic Development Corporation, Los Angeles Community Design Center, Strategic Actions for a Just Economy, Gramercy Housing Group, Leimert Park Village CDC, Adams Congress Apartments, and Pueblo Nuevo Development Corporation.

LISC is currently seeking \$1 million in grant and loan support for this project from corporations and foundations. This money will be used to capitalize 20 additional projects in the next year, providing at least 820 low-income families each year with affordable access to computers and the Internet. \$12 million will close the digital divide for 10,000 low-income families.

April 7, 2000

MEMORANDUM TO GENE SPERLING

FROM: TOM KALIL
GIGI GEORGES
NATASHA BILIMORIA

CC: PATRICK DORTON

SUBJECT: OUR IDEAS FOR PRESS PAPER FOR THE DIGITAL DIVIDE TRIP

The following provides you with information on what types of press paper we have talked about putting out during the trip to East Palo Alto, CA; Shiprock, NM; Chicago, IL and rural North Carolina. Please let us know if you agree with these ideas or if you would like to discuss others.

Event Paper

- **Event paper on East Palo Alto, Shiprock, Chicago and North Carolina:** These would describe the event of the day and government, private sector and non-profit commitments we wish to highlight.
- **Background Paper on East Palo Alto, Shiprock and North Carolina:**
 - ✓ East Palo Alto, CA: This paper would include background information on inner cities, background on underserved urban communities and the digital divide, and economic statistics on East Palo Alto.
 - ✓ Shiprock, NM: This paper would include background on Native American communities, background on Native American communities and the digital divide, and economic statistics on the Navajo Nation.
 - ✓ North Carolina (city TBD): Background rural communities, background on rural communities and the digital divide, and economic statistics on rural North Carolina (and if possible, the specific community we would be visiting).

General Paper on the Digital Divide

- **Clinton-Gore Record on Bridging the Digital Divide:** This paper would provide information on all that the President and Vice President have done to close the digital divide, and to help create opportunity for more Americans in the Information Age.
- **The Importance of Closing the Digital Divide:** This paper would provide statistics describing the digital divide that currently exists and explain why technology literacy is an important skill to succeed in the New Economy.
- **Description and Discussion on Broadband Technology:** For distribution in North Carolina and would discuss what broadband is and why it's important.

TAK/GGG/NB

Looks fine. Key paper is
① Commitment paper for East Palo Alto
What will it look like? How do
we do other commitment separately from
Motivation/PSA (open)

② Chicago - need to discuss

65

4/8/00

As part of A.C. committee
Paper.

February 21, 2000

MEMORANDUM FOR GENE SPERLING

CC: GIGI GEORGES, NATASHA BILIMORIA

FROM: TOM KALIL

RE: PROPOSAL FOR A "CONNECTED COMMUNITIES" DAY

Attached is a proposal for a "Connected Communities" Day which we could announce either in mid-March or the week of April 9th. The actual day would be sometime in the fall -- perhaps October. This responds to your interest in having something that would continue the momentum generated by the trip -- which I think is essential.

Elements of the proposal

- What a community does before, during and after Connected Communities day.
- A draft list of commitments that different stakeholders could make at the state and local level (drawn from the framework document -- but organized around participant rather than goal.)

Advantages of the proposal

- Maintains momentum after the April trip.
- Companies could sign up to help lead efforts in particular communities.
- Draws on the demonstrable grassroots success of NetDay - with two important differences:
 - Calls for comprehensive approach, not just wiring
 - Long-term commitment -- not just one-day
- Period of planning between April and the fall ensures that commitments respond to real needs at the local level, and build on existing activities.
- Serves as a catalyst for many more commitments than the Administration could spark directly.
- Gives members of Congress and state and local elected officials a real role.
- Using the Internet -- we can get both local experimentation and rapid learning and dissemination of promising practices.



Downsides

- Additional work needed to ensure that the concept takes off in at least some major cities and rural communities.

Name

- Other possibilities -- Digital Opportunity Day?

Tom Kalil
Draft February 21, 2000

Proposal for a "Connected Communities" Day

As part of his National Call to Action to bridge the digital divide and to create digital opportunity for more Americans, President Clinton will be leading a New Markets trip on the week of April 9th. This trip will be designed to mobilize public and private efforts to bring "digital opportunity" to every child in every school and to under-served families and communities.

The President is setting two broad national goals:

1. **21st Century Learning Tools for every child in every school.** This will require connecting every classroom and school to the Internet, ensuring that students have access to multimedia computers, ensuring that teachers are technologically literate and can integrate technology into the classroom, and expanding the availability of high-quality educational software and resources.
2. **"Digital opportunity" for every American family and community.** This will require setting the long-term goal of making access to the Internet at home universal, expanding the number of well-equipped and well-staffed Community Technology Centers, motivating and inspiring more people to appreciate the value of "getting connected," giving adults the skills they need to use IT and to compete for jobs in the IT sector, and developing the content and applications that will help empower low-income communities.

It is imperative that America maintain the excitement, enthusiasm and momentum on this issue that will be generated by the President's trip. One way to do this would be to call for a national "Connected Communities" Day in the fall of 2000. On Connected Communities Day -- cities and towns around the country would announce concrete steps to help create "digital opportunity" for all of their children, and to ensure that more families are benefiting from the Information Revolution. All sectors of our society -- companies, foundations, non-profit organizations, tech-savvy volunteers, educators, parents, government agencies, etc. would participate.

Steps leading up to Connected Communities Day

Local level:

Communities:

- Evaluate the current status of their efforts to create digital opportunity for children and families.
- Identify challenges and opportunities that the creative use of technology could help address (e.g. shortage of workers with IT skills, need for children to meet higher academic standards).

- Use the Internet and face-to-face meetings between stakeholders to set short and long-term goals for bridging the digital divide -- and the concrete actions that could help meet these goals.

National level

- Major companies, labor unions, non-profits, etc. would encourage their employees and members to get involved at the local level, or agree to work intensively with one or more communities.
- Building on activities such as the "Digital Divide Network" -- community leaders use the Internet to share ideas and promising practices.

On Connected Communities Day

Local level

- Announcement of specific commitments by different stakeholders.
- "Ribbon-cutting" for new or expanded activities (e.g. new community technology center, new home access pilot).
- Opportunities for community service (e.g. NetDay, CEOs visiting schools, etc.)

State/national level

- Announcements that have a state or national level impact (e.g. development of content accessible to all).
- Kick-off for PSA/celebrity campaign.
- Event that uses satellites and the Internet to highlight activities going on around the country.
- Volunteer photo-journalists with digital cameras capture interesting stories associated with "Connected Communities" Day.

After Connected Communities Day

- Commitment to do this again on an annual basis for the next 4 years.
- Annual report cards at the national and local level and description of commitments.

Examples of local commitments

Employers

- Provide paid time off for employees to volunteer in schools, community technology centers, home access pilots, tele-mentoring, and other "digital divide" activities.
- Provide access to computers and Internet for all employees.
- Provide technology training for employees.

High-tech companies

- Partner with one or more schools, libraries, community technology centers, and home access" pilot projects to help develop comprehensive solutions that address computers, Internet access, teacher training, mentoring, and educational software.
- Work with school-to-work programs, welfare-to-work initiatives, community colleges, etc. to increase the number of people with marketable IT skills.
- Partner with local schools of education to ensure that all new teachers can use technology effectively.
- Help non-profits that serve low-income communities upgrade their capacity to use technology.

Unions

- Help wire schools, libraries and community technology centers.
- Provide more apprenticeship opportunities in technical fields.
- Provide mentorship program where teachers with expertise provide teachers without technology knowledge with these skills.
- Make access to technology, technological skills, and distance learning a priority area for labor-management cooperation.

Local school districts, parent-teacher organizations

- Develop and complete school-wide surveys to determine which of the 4 goals (Internet connections, computers, teacher training, educational software and content) are being met.
- Provide teachers with time off to learn how to integrate technology into the curriculum.

Non-profit organizations

- Create a "portal" for local information and services that will help empower low-income families (e.g. child care, transportation, training, job opportunities, local health care, social services, technical assistance for micro-enterprises).
- Work with the private sector, foundations, and government to expand or create new initiatives aimed at bridging the digital divide.
- Conduct outreach to under-served communities to ensure that initiatives respond to real needs -- using both meetings and community networks.
- Expand the capacity of under-served communities to develop their own uses for information technology.

Foundations

- Provide funding for local planning and consensus-building activities.
- Provide funding for follow-up "digital divide" activities that have been identified as priorities.

Celebrities/ sports stars

- Participate in PSAs and local media campaigns on the value of getting connected and mastering the new Information Age tools.

Governors and Mayors

- Provide state-wide or local leadership.
- Make technological literacy a requirement for teacher certification at the state level.
- Identify critical services that can be delivered electronically or enhanced using information technology (example: using geospatial information systems to reduce childhood lead poisoning, use of distance learning for adult basic education, etc.)
- Match the federal government's investment in programs such as the Technology Literacy Challenge Fund.
- Identify sources of funding for "digital opportunity" initiatives (e.g. discretionary money under Workforce Investment Act for IT skills training, state and local budgets).

Libraries and local historical and cultural organizations

- Expand "information literacy" programs. People with information literacy skills are "able to recognize when information is needed and have the ability to locate, evaluate, and use it effectively."
- Develop a "digital library" of information about the community and its history that can be used both locally and nationally.

Universities/Community Colleges

- Ensure that schools of education have an adequate technological infrastructure.
- Encourage multidisciplinary research on digital divide/digital opportunity issues through establishment of research centers.
- Encourage faculty to develop high-quality Internet-based content that can be included in a "Digital Library for Education" through incentives, awards or other forms of recognition.
- Provide objective evaluation of community-based efforts to close the digital divide.

Operators of local Web sites

- Comply with the accessibility standards of the World Wide Web Consortium (Web Accessibility Initiative) to ensure that people with disabilities can access local information and services.

Restaurants and shopping malls

- Establish Internet kiosks in popular commercial establishments.

March 1, 2000

MEMORANDUM TO GENE SPERLING

FROM: RACHAEL GOLDFARB

SUBJECT: COMPUTERS FOR YOUTH

Elizabeth Stock, a former White House Fellow in the Vice President's Office, joined Computers for Youth (CFY) in February 1999 as its Executive Director. The main premise of the organization asserts that a holistic approach to bridging the digital divide includes home access, tech support, content and training. Ms. Stock claims that while President Clinton's effort to bring Internet access to schools and community centers is admirable and effective, it does not sufficiently tackle the disparity in access; she believes that providing PCs for family households goes most directly to bridging the divide. (CFY History Statement <http://www.cfy.org/about.html>)

In a recent NPR interview, Stock described the community-centric approach to the collection and distribution of the computers that CFY utilizes. The organization solicits Pentium computers from the New York City business community and passes them to the School for Cooperative Technical Education ("Co-op Tech") in East Harlem. There, students prepare the computers for redistribution by cleaning hard drives, reconfiguring and installing software, installing modems and doing minor repairs. Not only does this process enable students to have hands-on technical experience, but they also obtain high school credit in exchange for their work. Once the computers are ready for use, Stock and her organization identify an entire community in which to distribute the computers. Specifically, CFY identifies an inner-city school where they provide computers to all the families who have children attending that school, as well as the teachers and parents and they train them to use the computers collectively.

Ms. Stock has successfully enticed an array of partners to support this effort. Microsoft donated \$150,000 worth of software, and additional funding came from Home Box Office, Citigroup, and the U.S. Department of Education. The New York City Internet provider Panix agreed to offer low-cost Internet access for participants in the program. CFY pays for the first three months of access, and after that, families must pay Panix a reduced monthly rate.

Two partners have been particularly helpful in ensuring the success of the organization. The first, help-desk firm C3I, trains high school students to man help desks for CFY users with the aid of software donated by IBM. In addition, the New York City Board of Education allows CFY to house donated machines in warehouse space in Long Island.

Stock, as of January 2000 still had 250 computers to distribute to KIPP Academy, an accelerated but poor middle school in the South Bronx. It was selected as the first school to receive computers from CFY because it is an academically rigorous middle school that is small, but has a very high poverty rate (95% of the students get free or subsidized lunches.) By the end of the 1999-2000 academic year, all 220 students and 30 teachers are expected to receive computers along with comprehensive training sessions held on the weekends twice a month. Stock is aiming to distribute another 500 computers by the end of the school year – about 200 to homes and 300 for use within schools as part of various projects.



Computers for Youth


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Computers for Youth Board of Directors

Holly Delany Cole. A Senior Program Associate at Community Resources Exchange, Ms. Cole assists nonprofits with fund development and fundraising planning, board development and program planning. She has worked with a number of human service organizations in such roles as administrator, program developer, intern and counselor. She was a member of the program staff of the New York Community Trust from 1982-1989. Ms. Cole also co-staffed the start-up of the National Funding Collaborative on Violence Prevention. Ms. Cole holds a B.S.W. from Adelphi and an A.M. from the University of Chicago.

Daniel L. Dolgin, Chairman of the Board. Formerly head of the New York office of the law firm McDermott, Will & Emery, Mr. Dolgin is now engaged in private investing activity, primarily with development-stage businesses, as an outside general counsel and financial advisor. Mr. Dolgin graduated from Columbia College and Columbia Law School.

Loraine F. Gardner. A former corporate lawyer, Ms. Gardner founded and heads a travel agency in New York City, Beyond the Horizon Travel Corp. Ms. Gardner graduated from Oberlin College and the University of Chicago Law School.

Elizabeth A. McGee. Ms. McGee serves as Senior Program Officer at the Academy for Educational Development. A graduate of Smith College, with a Master's in Public Health from Columbia, Ms. McGee has worked extensively in areas of reproductive health, adolescent pregnancy and school reform. She was a contributing author of "Our Bodies, Ourselves" and "Changing Bodies, Changing Lives." She helped start the Brooklyn New School and the PS 261 New Program and has served as a Revson Fellow at Columbia University.

Richard L. Plepler. Mr. Plepler is Senior Vice President of Corporate Communications at Home Box Office, Inc. After graduating from Franklin and Marshall College, Mr. Plepler served as an aide to Senator Christopher Dodd of Connecticut, founded and headed a communications consulting and production firm, RLP Inc., and produced several TV documentaries for Public Television. He is a member of the boards of directors of the Eugene O'Neill Memorial Theater Center, the American Symphony Orchestra and Phoenix House. He is also a member of the Council on Foreign Relations.

Peter R. Pouncey. A Classics scholar and teacher born in China and educated in England (B.A. from Oxford University) and New York (Ph.D. from Columbia), Dr. Pouncey served as Dean of Columbia College, 1972 - 1976, and thereafter as President of Amherst College until he returned to the faculty in 1994 to teach Classics. Dr. Pouncey has written and spoken extensively on liberal education.

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WHITE HOUSE CONFERENCE ON THE NEW ECONOMY BRIEFING BOOK

Tab A. Overview

Tab 1 Overview of the White House Conference on the New Economy

Tab B. Panel 1: Is the New Economy Rewriting the Rules on Productivity and the Business Cycle?

Tab 1 CEA Memo on the New Economy
Tab 2 Background for Panel 1
Tab 3 William Nordhaus
Tab 4 James Galbraith
Tab 5 Abby Joseph Cohen
Tab 6 Roger Altman
Tab 7 Kim Polese

Tab C. Panel 2: Closing the Global Divide in Health, Education, and Technology

Tab 1 Treasury Memo on Vaccines
Tab 2 Background on Health
Tab 3 Background on Education
Tab 4 Background on Technology
Tab 5 Bill Gates
Tab 6 James Wolfensohn
Tab 7 Amartya Sen
Tab 8 Mirai Chatterje
Tab 9 Henry Cisneros
Tab 10 Bob Chase

Tab D. Panel 3: Can New Economy Tools Empower Government and Civil Society?

Tab 1 Background for Panel 3
Tab 2 Robert Putnam
Tab 3 William Julius Wilson
Tab 4 Esther Dyson
Tab 5 Kaleil Tuzman

Tab E. Additional Background

Tab 1 Brief bios of conference participants
Tab 2 Articles from CEA's *Weekly Economic Briefing of the President*

OVERVIEW OF THE WHITE HOUSE CONFERENCE ON THE NEW ECONOMY

Time And Place: Your remarks, Chairman Greenspan's remarks, and the 3 major Plenary Panels that you will moderate during the Conference will take place in the East Room of the White House. Breakout sessions for the participants will be in the Blue Room, China Room, Diplomatic Reception Room, Map Room, and the Roosevelt Room. A buffet lunch will be served in the State Dining Room.

Audience: The audience consists of a prominent and diverse group of invited Wall Street and academic economists, business executives, representatives of non-profit and civil rights organizations and labor leaders, and former members of the economic team in your Administration.

I. Opening Remarks by YOU At Podium (9:00 – 9:15)

II. Panel I: Is the New Economy Rewriting the Rules on Productivity and the Business Cycle? YOU will moderate. (9:15 – 10:35)

- YOU call on Panelists for Opening Statements (3-5 minutes) by Panelists:
 - Abby Joseph Cohen, Chair of Investment Policy Committee, Goldman, Sachs & Co.
 - Roger C. Altman, Partner, Evercore Partners, Inc.
 - James K. Galbraith, Professor of Public Affairs and Government, University of Texas
 - William D. Nordhaus, A. Whitney Griswold Professor of Economics, Yale University
 - Kim Polese, Co-Founder, President, CEO, Marimba, Inc.
- YOU call on Secretary Summers (he will be in 1st row) for brief statement (3 minutes at Podium)
- YOU call on CEA Chairman Bailey (he will be in first row) for brief statement (3 minutes at Podium)
- Panel & Audience Discussion

III. YOU depart. Five Breakout Sessions begin. (10:50 – 12:15)

- **Is a Debt-Free U.S. Government Good For America's Economic Future?**
 - Robert Kuttner, Co-Editor, The American Prospect
 - Henry Kaufman, President, Henry Kaufman & Co, Inc.
 - Gene Sperling, Moderator
- **Avoiding Risks to our Economic Expansion**
 - Robert J. Shiller, Stanley B. Resor Professor of Economics, Yale University
 - Diane Swonk, Chief Economist, Bank One Corporation, Chicago, IL
 - John B. Taylor, Mary and Robert Raymond Professor of Economics, Stanford University
 - Jack Lew, Moderator
- **Who's Being Left Behind in the New Economy**
 - Robert Greenstein, Executive Director, Center for Budget and Policy Priorities
 - Alice Rivlin, Senior Fellow, Economic Studies, Brookings Institution
 - Robert Johnson, CEO, Black Entertainment Television
 - Secretary Shalala, Maria Echaveste, Moderators
- **Globalization and Jobs**
 - C. Fred Bergsten, Director, Institute for International Economics
 - David A. Smith, Director, Public Policy Department, AFL-CIO
 - Susan M. Collins, Senior Fellow, Economic Studies, Brookings Institution
 - Secretary Herman, Moderator

- **The Next Stages of the Internet and Its Impact on the Economy**
 - Hal R. Varian, Dean, School of Management and Systems, Univ. of California, Berkeley
 - E. David Ellington, Co-Founder, Chairman, President, CEO, NetNoir, Inc.
 - William R. Hambrecht, Founder, Chairman, CEO, W.R. Hambrecht & Co.
 - John Podesta, Moderator

IV. Buffet lunch for Participants in State Dining Room (12:15 – 1:45)

V. Briefing opening remarks by YOU welcoming participants to afternoon session (1:45 – 1:50)

VI. Chairman Greenspan's Address on Technology & It's Impact on the Economy (1:50 – 2:15)

VII. Panel Discussion II: Closing the Global Divide: Health, Education, & Technology. YOU will moderate panel and audience discussion. (2:15 – 3:15)

- YOU call on Panelists for Opening Statements – Gates will speak for 15 minutes, the rest for 3-5 minutes
 - William H. Gates, Microsoft Corporation
 - James D. Wolfensohn, President, World Bank
 - Henry Cisneros, CEO, Univision, Inc.
 - Amartya Sen, Master, Trinity College, Cambridge University
 - Mirai Chatterjee, President, Self-Employed Women's Association (SEWA) of India
 - Robert F. Chase, President, National Education Association
- Panel and Audience Discussion

VIII. Panel Discussion III: Can New Economy Tools Empower Civil Society & Government? YOU will moderate (3:30 – 4:30)

- YOU call on Panelists for opening statements (3-5 minutes)
 - Robert D. Putnam, Stansfield Professor of International Peace, Harvard University
 - Kaleil Tuzman, Co-founder and CEO, govWorks.com
 - Esther Dyson, Founder, Chairman, Edventure Holdings, Inc.
 - William Julius Wilson, Weiner Professor of Social Policy, JFK School, Harvard
- Panel and Audience Discussion

IX. Brief Closing Remarks by YOU



THE CHAIRMAN

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20502

April 4, 2000

MEMORANDUM FOR THE PRESIDENT

FROM:

Martin N. Baily

MNB

SUBJECT:

Is the New Economy Rewriting the Rules on Productivity
and the Business Cycle?

Despite being the longest in our history, this expansion looks remarkably vigorous. The pace of demand has been particularly robust as high levels of confidence, large increases in wealth and solid real wage gains have boosted spending on goods and services produced at home and abroad. A crucial question is: How long can this continue? When expansions flag, generally there are telltale signs: inflation accelerates, productivity growth slows down, investment growth slows and production strains the available capacity. But these warning signs are conspicuously absent. As this expansion has matured, core inflation has declined; productivity growth has accelerated, investment, particularly in information technology, has been very strong and capacity utilization remains at moderate levels.

This behavior, which has surprised and astounded most observers, raises important questions about the rules which govern the economy. Four such questions are crucial to our economic future.

First, why has core inflation been so moderate? Prior to this expansion, many economists believed that core inflation would accelerate when unemployment fell below about six percent. Yet currently, an unemployment rate close to four percent appears compatible with steady inflation.

One set of explanations points to temporary events that have been favorable for low inflation and strong real wage growth. Last year these included low commodity and import prices, reflecting weakness abroad and the strong dollar. But these gains are temporary and will last only as long as the specific prices decline. Indeed, this year, higher oil prices have boosted overall inflation, although core inflation remains steady.

The surprising acceleration in productivity growth to a higher trend, has been a key reason why this expansion looks young and why inflation is low even though unemployment is so low. But some economists argue that most of the inflation benefits of higher productivity growth are only temporary. For a while, firms can meet wage demands with little impact on prices. But over time, it is argued, once wage demands adjust to reflect higher expected real

wage increases, unemployment would have to rise, to maintain constant inflation. (Bill Nordhaus on the first panel, makes this argument).

A second set of explanations is compatible with a permanent decline in the NAIRU. These include improvements in the job market (due in part to the internet) and heightened competition and structural change which has led to more moderate wage demands.

A third, much smaller group of economists (typified by James Gailbraith on the first panel), have always believed that the economy's was less inflation-prone than conventional views suggested, and that the spur of demand induces greater supply with less inflation.

Second, why has productivity growth accelerated? Since 1995 productivity growth at 2.9 percent per year has been twice the pace of the previous two decades. If this is the new long run trend rate, we are indeed in a new economy. But there remains considerable debate as to why productivity growth increased and whether the current rate can be maintained.

One explanation, (promoted by Robert Gordon who will be in the audience) focuses almost exclusively on improvements in the *production* of computers. Over the past four years, computer prices have fallen much more rapidly than before and the productivity growth in this sector has contributed disproportionately to the increase in overall productivity growth. If he is correct, there is a concern that the improvement is so narrowly based. Gordon also argues that some of the gains are cyclical and hence temporary. Factories and offices are all running full blast, pushing productivity above its normal level. (A counter-argument is that productivity growth usually declines as expansions mature).

But there are others who are more optimistic. They acknowledge the central role played by computers in the acceleration, but argue that productivity gains are more widespread. They argue we are experiencing a new wave in which information technology dramatically changes the way we organize and manage businesses and competition. Proponents of this view suggest that the optimism, reflected in the buoyant stock market and in industry analysts' profit forecasts, provide a better guide to what has been happening. They also suggest that many of the improvements are not adequately measured in conventional economic statistics. The optimists can also point out that impact of probably the most revolutionary change, the internet, is as yet rather small, but is likely to be tremendous in the future

Third, why have the gains from the expansion been so widely shared? A striking feature of this expansion has been that wage and income gains have been widespread. The employment and income gains made by African-Americans in this expansion have been particularly impressive. This development is particularly noteworthy since, over this period, rapid technological change and increased globalization have played such important roles. In the past, technological change was seen as biased against workers without a college education, holding down their wages. And open trade was also seen as a source of rising inequality.

How have we combined technology and trade with earnings and income gains for those at the median and below? One explanation is likely the beneficial impact of a high-employment economy in creating opportunities for less skilled workers. A second explanation, may be that

the new wave of technologies is being adapted to bring gains that are more widespread. It is certainly plausible that in the initial stages of a new innovation, only those who are particularly adaptable can take full advantage of it. Thus the skill-premium rises. Over time however, it becomes more user friendly, and the benefits more widely shared. Finally, policies such as worker training, the EITC and the minimum wage have certainly helped.

Fourth, how does the New Economy change the rules of international competition?

In the 1970s and 1980s there was a debate as to whether or not the US was losing its standing as the world's leading economy. Some suggested the US economic model was inherently deficient and advocated the adoption of Japanese practices. Others disagreed, arguing that other countries were simply enjoying faster growth because they could copy and adopt superior US practices and approaches.

In the 90s, it appears that the new economy plays to America's strengths. Indeed the contrasting performances of the US and Japan are particularly striking. In particular, the New Economy appears to place a premium on things America does well such as technological innovation, equity-based finance, flexible firms and labor markets, efficient infrastructure and open markets. Moreover, the information economy operates through networks, and often provides a premium for those who move first and set the standard. Firms such as IBM, Intel, Microsoft, Amazon, and Ebay are good examples. Moreover, since the internet remakes geography, the network is not just national, it is global. While many nations have capitalized on this trend, witness the booming NASDAQ type markets worldwide, US-based firms have clearly been dominant.

Today we see other countries concerned about their technology gaps. Does this mark a new permanent shift in the relative position of the US, or will other countries learn to leapfrog over our innovations and start to overtake us?

What Is New About This Expansion?

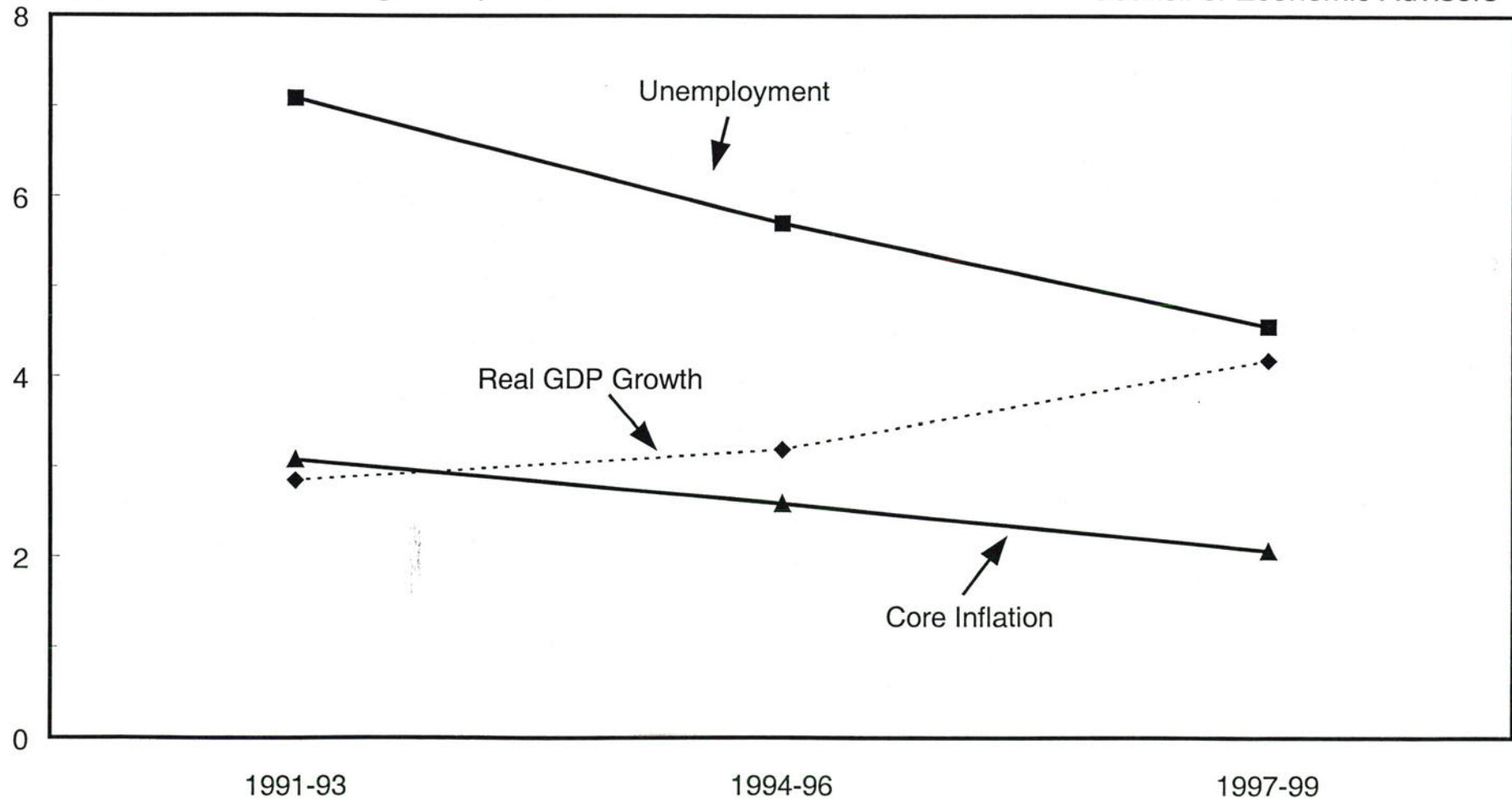
Setting The Stage

Council of Economic Advisers

Unlike prior expansions, core inflation has stayed low, as unemployment fell and GDP growth increased.

Average annual percent change over period

Council of Economic Advisers



Unemployment, Inflation, and GDP Growth: 1991-1999

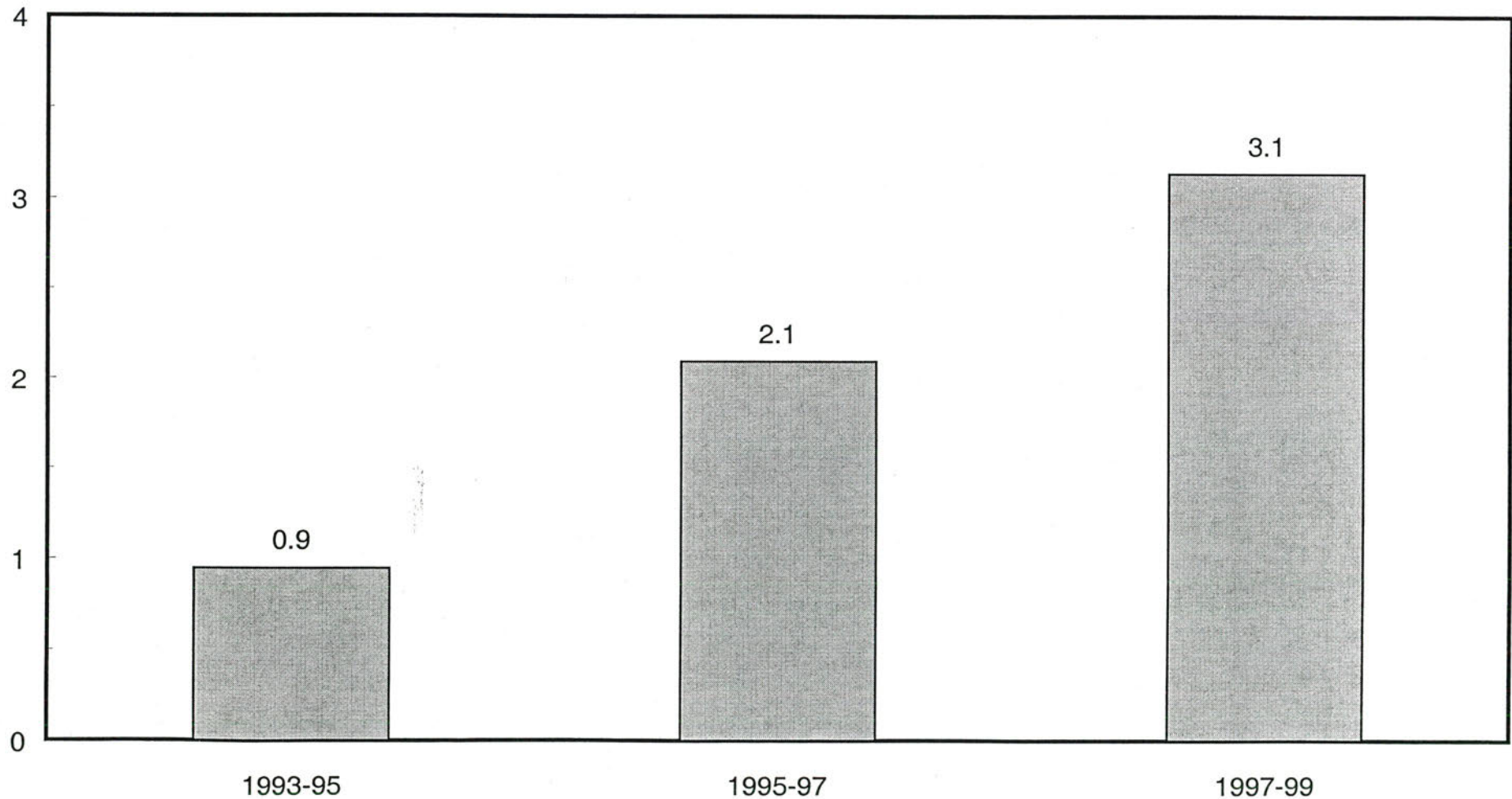
Note: Data for GDP are in chained 1996 dollars. Data for unemployment are the averages of the unemployment rates over the periods shown. Data for core inflation are based on the CPI-U-RS.

Sources: Department of Commerce (Bureau of Economic Analysis) and Department of Labor (Bureau of Labor Statistics).

Productivity growth usually slows as expansions mature---but this expansion looks young.

Average annual percent change over period

Council of Economic Advisers



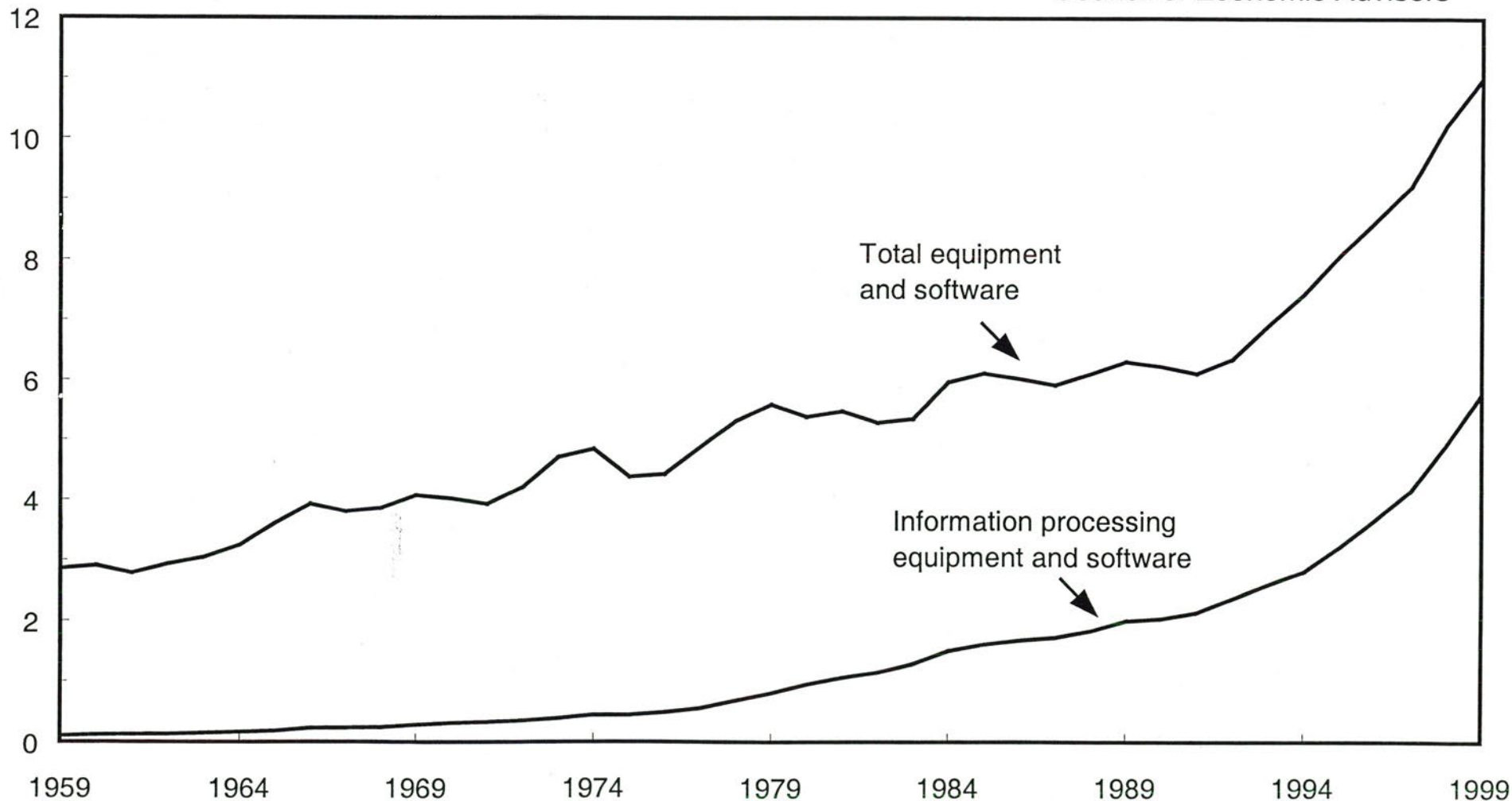
Growth in Nonfarm Business Sector Output per Hour, 1993-1999

Source: Department of Labor (Bureau of Labor Statistics).

Usually investment slows---but this expansion looks vigorous.

Percent of GDP

Council of Economic Advisers

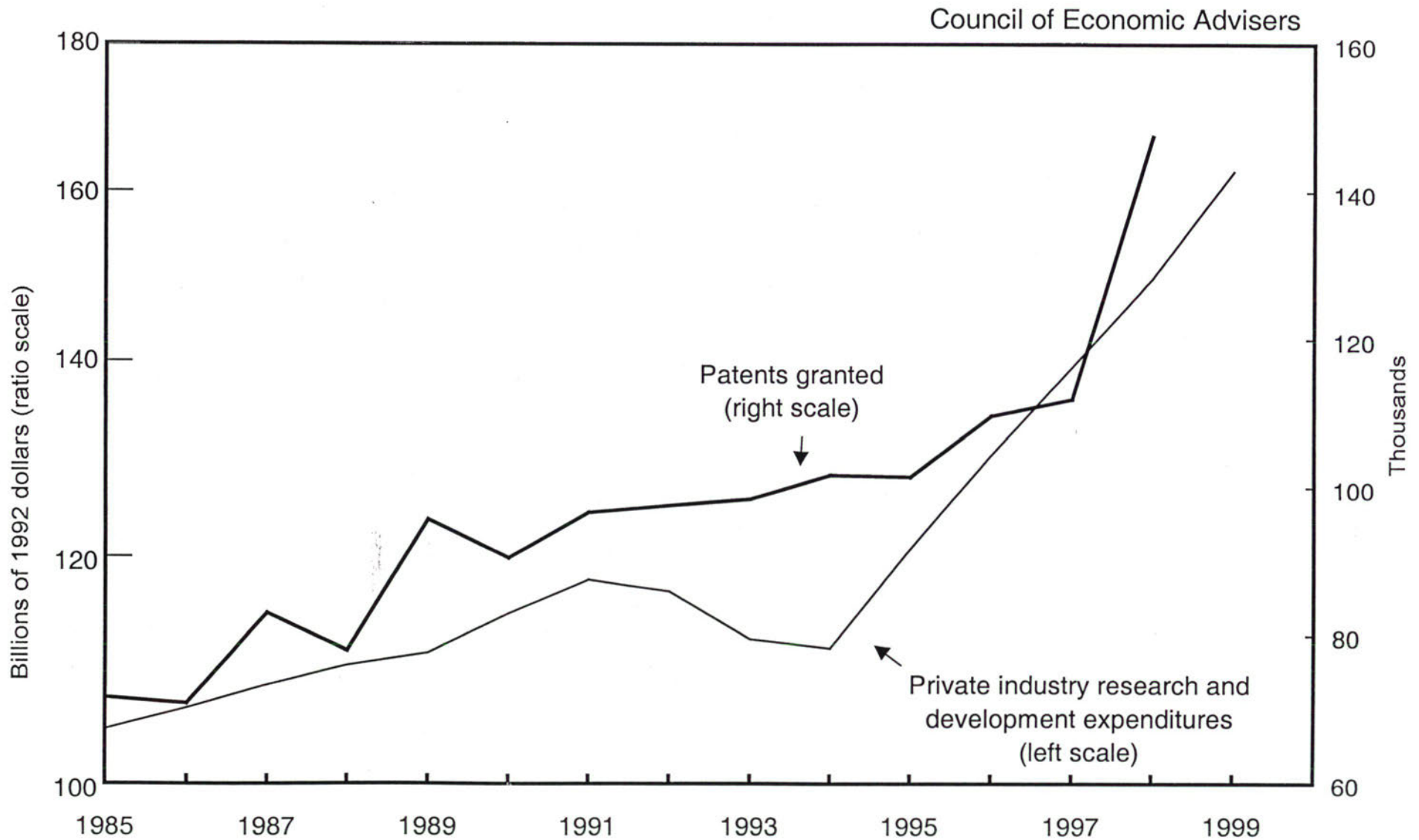


Real Private Investment in Equipment as a Share of Real GDP

Note: Based on chained 1996 dollars. Total excludes residential equipment.

Source: Department of Commerce (Bureau of Economic Analysis).

R&D spending and patents granted are both surging--the technology promise is still strong.



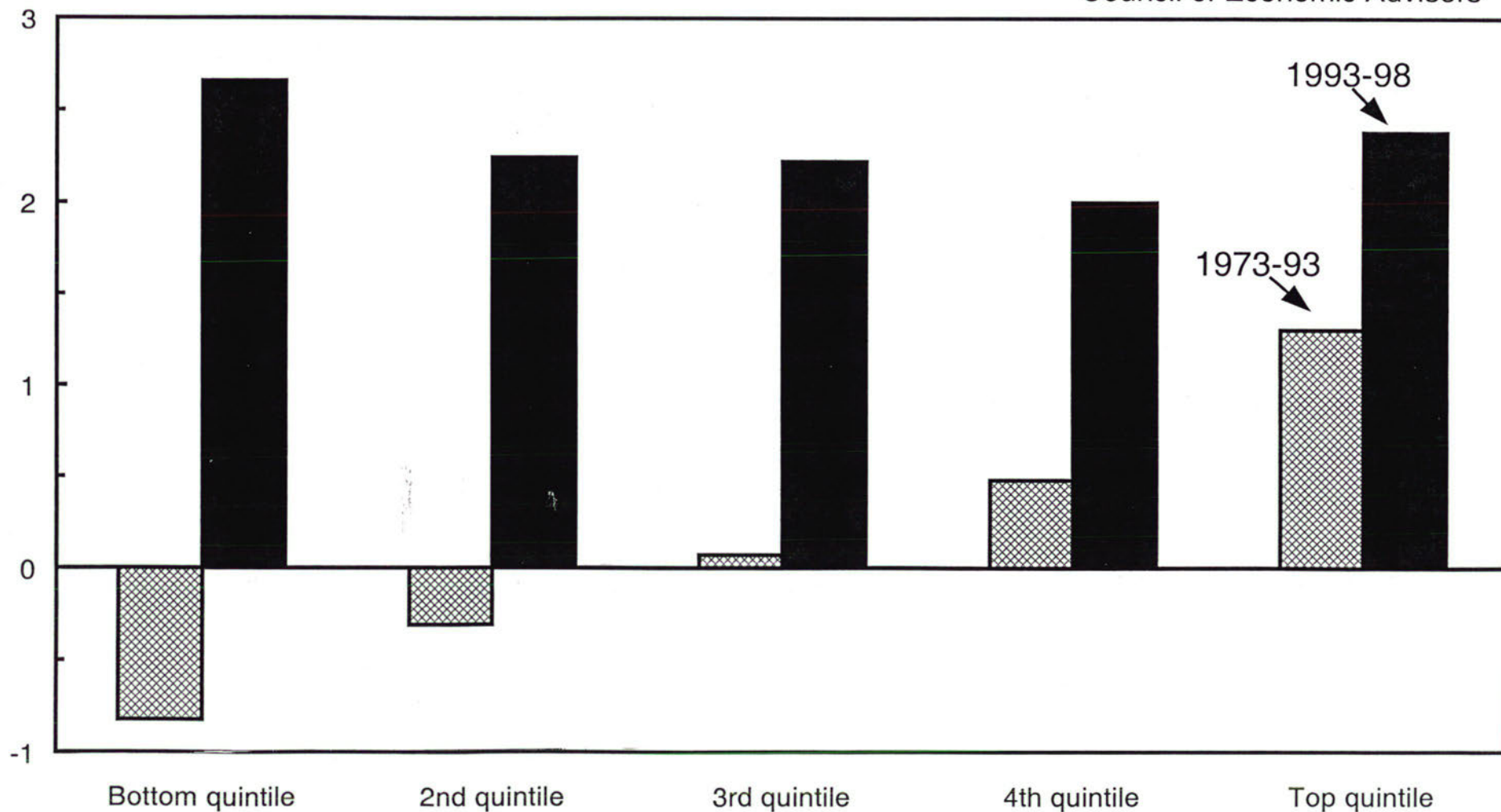
Private Industry Research & Development Expenditures and Patents Granted, 1985-1999

Sources: National Science Foundation and Department of Commerce (Patent and Trademark Office).

From 1973 to 1993, incomes rose for the richest and fell for the poorest. Since 1993, income growth has been solid across all income groups.

Average annual percent change over period

Council of Economic Advisers



Growth in Mean Real Family Income by Quintile

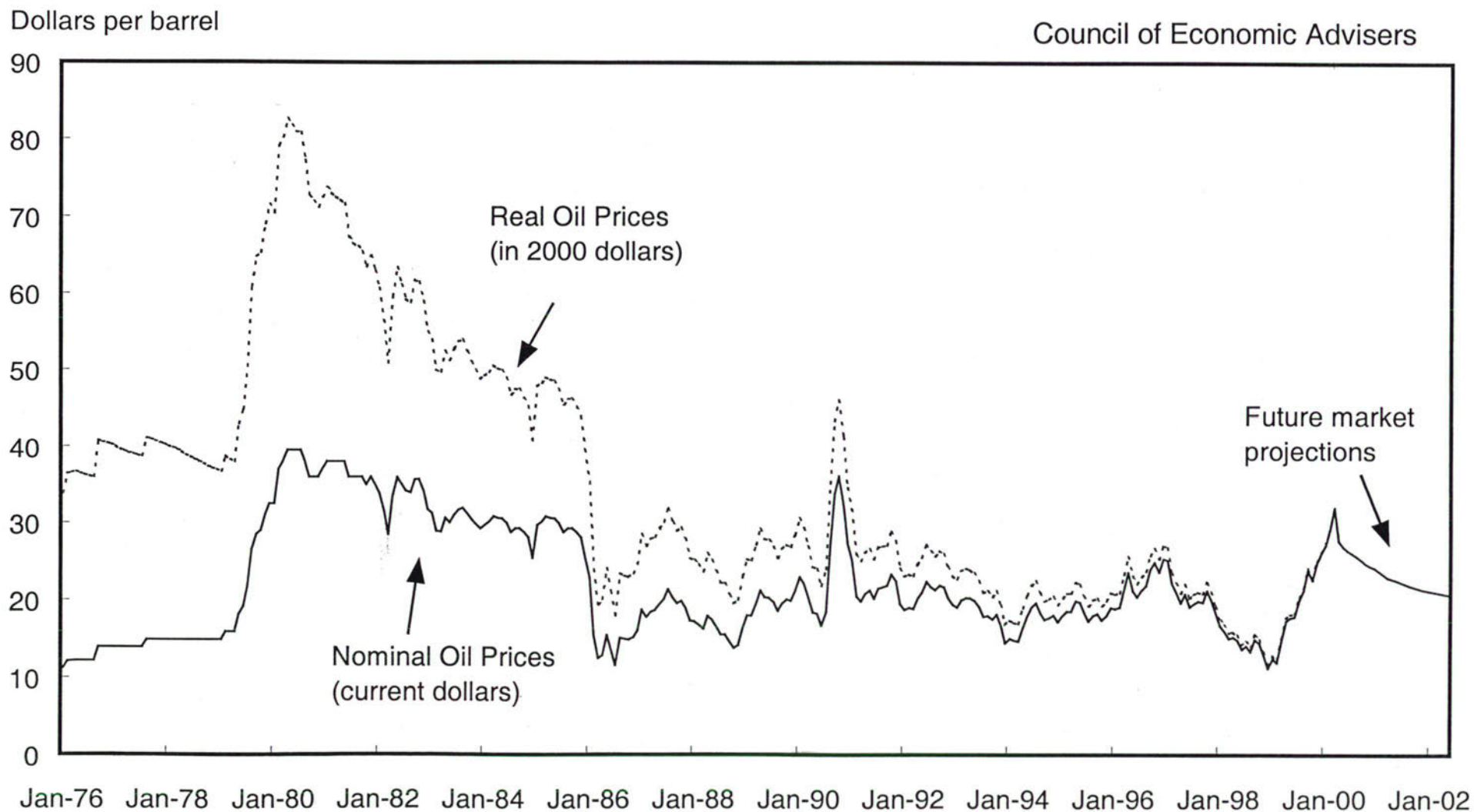
Source: Department of Commerce (Bureau of the Census).

Some See Obstacles To Continued Expansion

- Oil price increases. These have preceded recessions in the past.
- In the past, a build-up of inventories has triggered recession.
- Market ups and downs can lead to variability in aggregate demand.

How robust is this expansion?

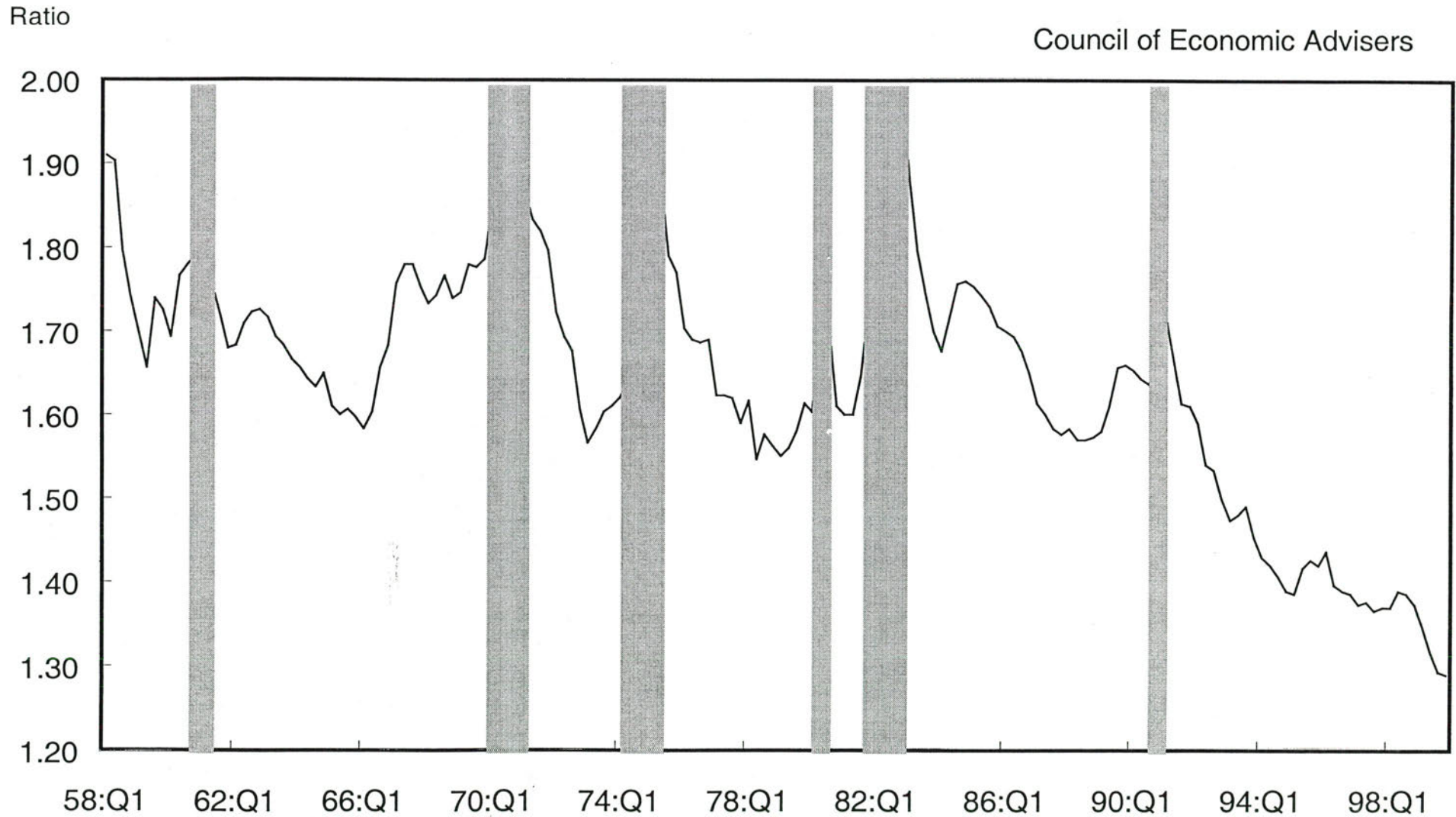
Oil prices have risen---but not to the levels of the early 1980s--and they are expected to fall. Oil plays a much smaller role in today's economy.



Crude Oil Prices and Futures, 1976-2002

Sources: Wall Street Journal, Bloomberg News Service, and Department of Labor (Bureau of Labor Statistics).

New supply-chain management technology keeps inventories lean...



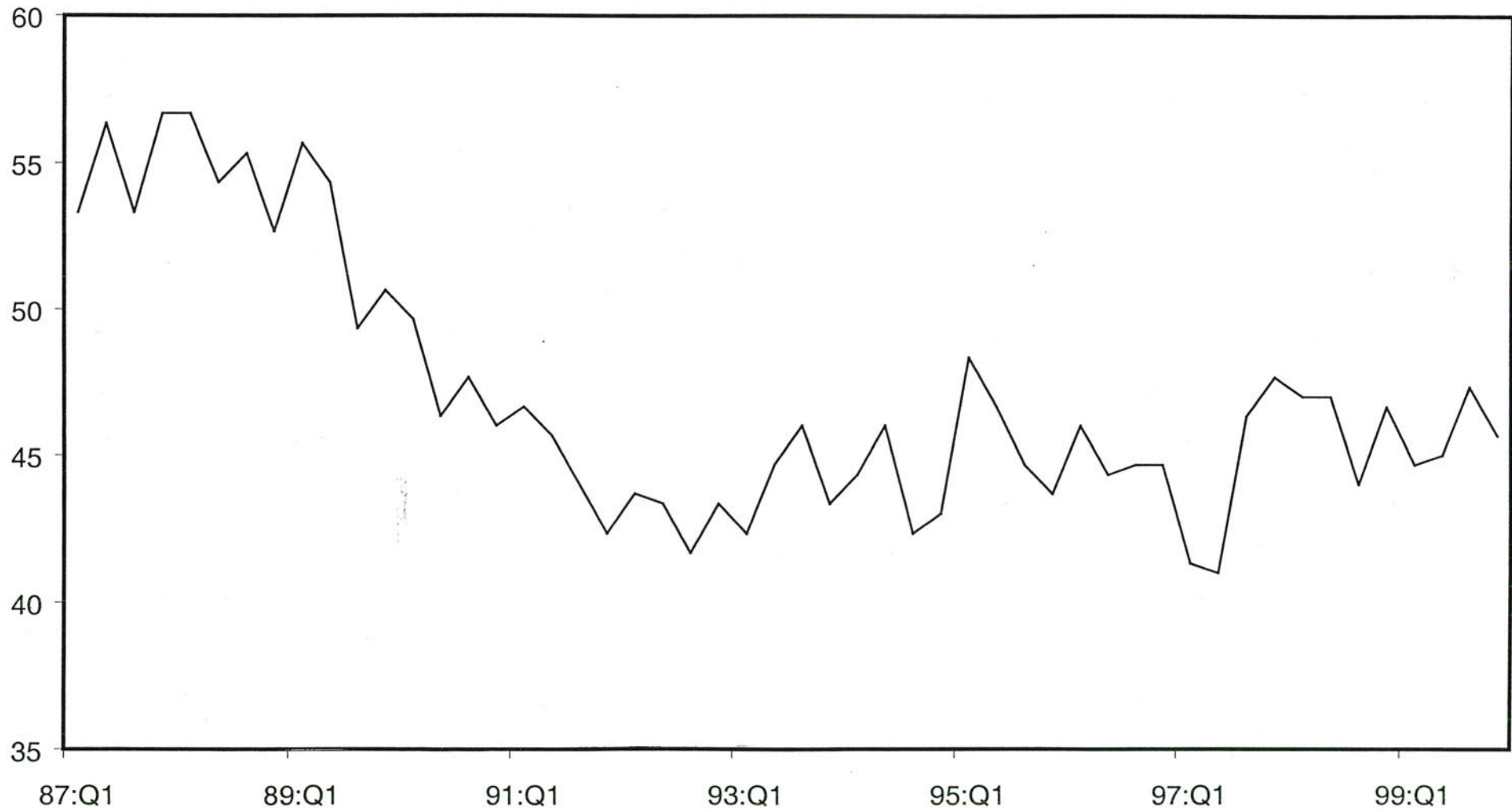
Inventory-Sales Ratio: All Manufacturing Industries

Source: Department of Commerce (Bureau of the Census).

...and has also caused a decrease in the lead time needed to manage inventories.

Average number of days

Council of Economic Advisers



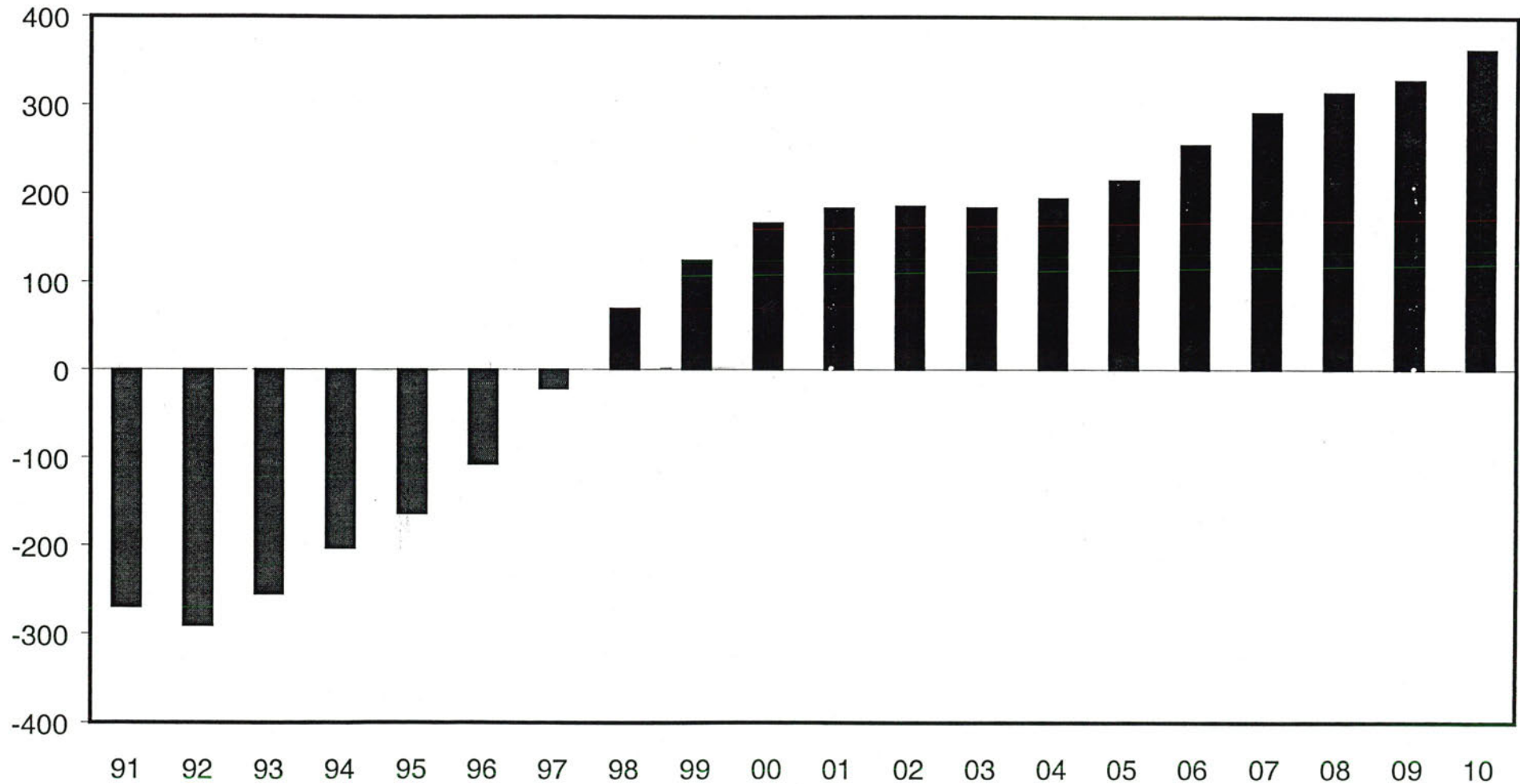
Production Materials Commitments for Manufacturing Industries (Average Days)

Source: National Association of Purchasing Managers.

Sound fiscal policy in this expansion has encouraged growth and reloaded the "fiscal cannon."

Billions of dollars

Council of Economic Advisers



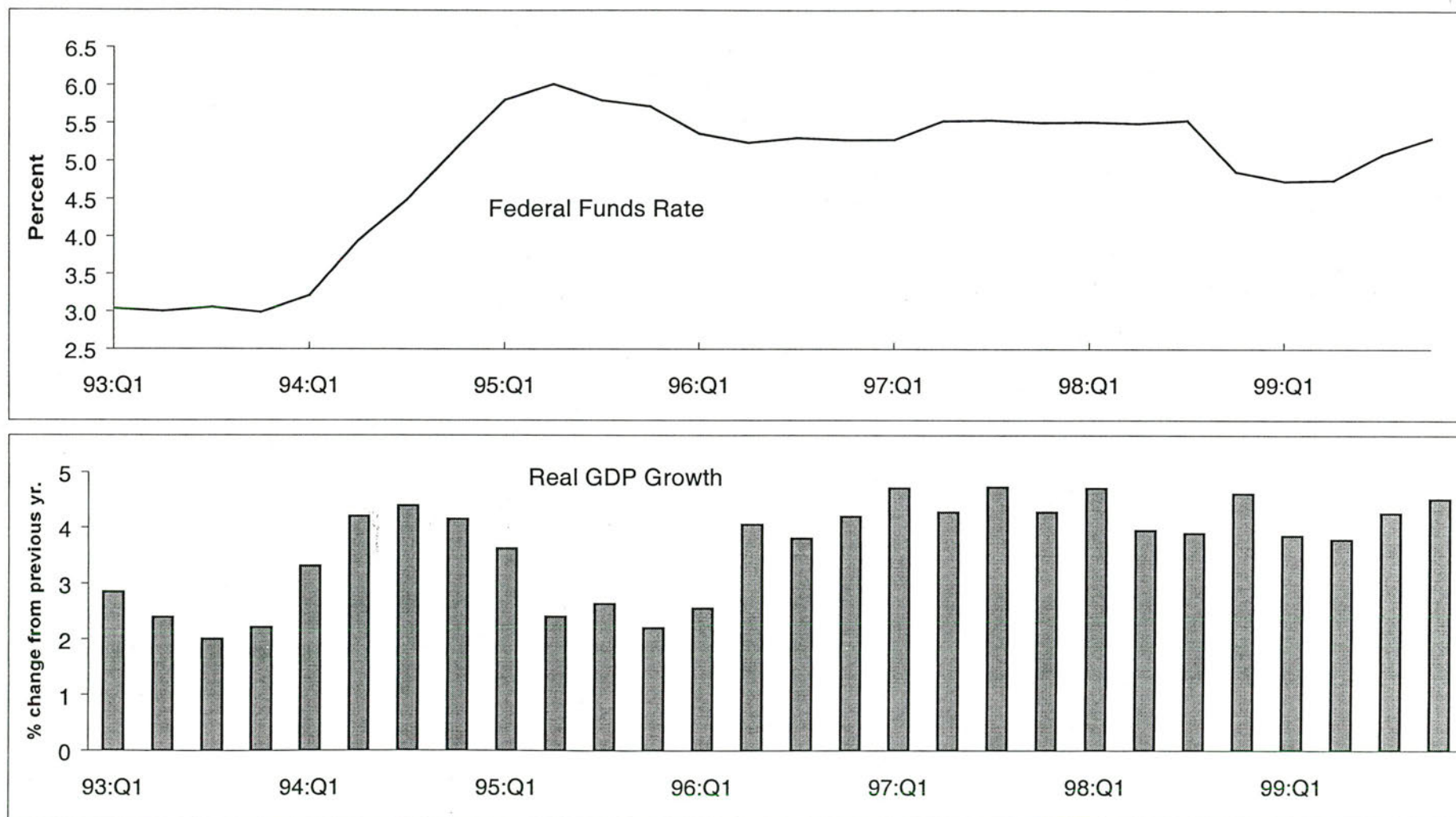
Federal Budget Surpluses and Deficits, 1991-2010

Note: Years are fiscal years. Data from 2000-2010 are projected.

Source: Office of Management and Budget.

Together with sound monetary policy, this has given us the tools to respond to market ups and downs.

Council of Economic Advisers



Federal Funds Rate and Real GDP Growth

Sources: Board of Governors of the Federal Reserve and Department of Commerce (Bureau of Economic Analysis).

Conclusion

- Forever is a long time. There are no guarantees in economics.
- But the current expansion still looks young and vigorous.
- Strong fundamentals mean this economy still has plenty of room to run--provided policy stays on track.

BACKGROUND FOR PANEL 1: IS THE NEW ECONOMY REWRITING THE RULES ON PRODUCTIVITY AND THE BUSINESS CYCLE?

The Conventional Economic Theory on the Limits to Growth

- **Productivity determines the speed limit for economic growth.** One of the core principles of conventional economic theory is that the long-term growth rate of the economy is determined by the growth of the labor force and the growth of productivity. Since the growth of the labor force is essentially fixed by demography over the long run, the key speed limit for growth is given by the growth of productivity.

Recent Estimates of the Speed Limit

Labor force growth	1.0%
+ Productivity growth	1.5%
= GDP growth limit	2.5%

- **If the unemployment rate falls below the “natural rate” or “NAIRU,” inflation will rise.** Conventional economic theory assumes that there is a NAIRU (non-accelerating inflation rate of unemployment). If the unemployment rate falls below this NAIRU, the theory predicts that scarce workers will bid up wages and prices, causing rising inflation. Estimates of the NAIRU have varied greatly over time. In the 1980s and early 1990s estimates were typically 6.0 to 6.5 percent. The most recent Administration forecast makes what it describes as the very conservative forecast that the NAIRU is 5.2 percent. The latest Blue Chip consensus forecast has unemployment at 4.7 percent in the long run, with stable inflation.
- **Economic downturns are triggered by random shocks.** The conventional theory holds that there are no “business cycles” in the sense of regular cycles of ups and downs for the economy. This means that expansions do not die of old age. Instead, the conventional economic theory is that random shocks – like sharp increases in oil prices or financial crises – trigger recessions. Some economists estimate that there is a 20 percent chance that an expansion will end in any given year. This corresponds to an average expansion lasting 5 years. (If the 20 percent rule is correct, there is a 13 percent chance that an expansion will last at least nine years – the length of the current expansion.)

The Recent Surge in Productivity Growth

- **Productivity growth has surged in the last several years.** Up until recently, the strongest period of sustained productivity growth in U.S. history was from around 1950 to 1973. Starting in the 1970s, productivity slowed dramatically. As recently as February 1997, the *Economic Report of the President* had a section entitled “Explaining the Productivity Slowdown.” In the last several years, however, productivity growth has surged ahead, matching or exceeding its growth in the postwar period.

Productivity Growth (annual rate)

1909 – 1950	1.9%
1950 – 1973	2.8%
1973 – 1995	1.4%
1995 – 1999	2.9%
Second half of 1999	5.6%

- **The productivity surge is explained by increased investment, rising “total factor productivity,” and faster computers.** Labor productivity growth means that each worker is producing more per hour. Economists break this up into the growth in capital (more tools for workers to use), increased labor quality (better trained workers), and a residual that economists call “total factor productivity.” This “total factor productivity” captures general improvements in technology, management, and production processes. Recent work has attempted to isolate the effect of faster computers. About half of the recent productivity increase is due to total factor productivity excluding computers, about one-third is due to increased capital, and about one-sixth is due to faster computers.

Sources of Productivity Growth (annual rate)

	Annual Growth		Sources of the increase
	1973-1995	1995-1999	
Labor productivity	1.4%	2.9%	100%
Increased capital	1.1%	1.5%	32%
Labor quality	0.3%	0.3%	3%
Faster computers	0.2%	0.4%	16%
Total factor productivity excluding computers	-0.1%	0.7%	48%

- **Some research finds that it takes one or two decades for new inventions to be absorbed and transformed into higher productivity growth.** When the automobile was invented, it originally went on bad roads designed for horses – and thus did little more than a horse and carriage could do. As better roads and highways were built, the automobile fundamentally changed transportation. Similarly, for at least a decade after the invention of the personal computer, many people used it essentially as a fancy typewriter. It is only with the spread of

the Internet and Intranets within offices, e-mail, and improved networking abilities that computers are fundamentally changing the way we work.

- **Question: is the current information technology revolution the birth of a new industry, or the transformation of the way business is done throughout the economy?** Some ways that business is being transformed by technology:
 - *Inventory management.* Improved inventory management is reflected in the fact that the inventory-to-sales ratio, a key measure looked at by economists, is the lowest on record (data go back to 1948). Previously if a firm mis-predicted demand, it could have a large effect on inventories and thus contribute to the business cycle. Today, firms use more up-to-date techniques to manage their inventories and are thus less vulnerable.
 - *Pricing policies.* Firms are much better able to adjust prices quickly and match prices with people's willingness to pay. Pricing of airline tickets is an example of how computer technology can help firms "price discriminate," charging higher prices to customers with higher demand. Many web sites provide much of their content for free, but then charge people for premium services.
 - *Business-to-business e-commerce.* Business-to-business e-commerce could reach \$1.3 trillion by 2003, saving companies money and improving the efficiency of the economy. Improved inventory control techniques have helped reduce economic volatility, bringing the ratio of inventories to sales to the lowest level on record.
 - *Telecommuting.* Technology is also changing the way people work, by increasing telecommuting.
- **Economic statistics show the impact of information technology investments:**
 - *Wages.* Wages for IT workers are 77 percent higher than they are for the average worker.
 - *Growth.* Nearly one-third of economic growth is accounted for by the growth of information technology.
 - *Inflation.* The falling prices of information technology products subtract nearly 1 percentage point from CPI inflation each year.
 - *Investment.* Information technology now accounts for nearly half of business investment. Adjusted for inflation, American companies invested three times more in IT in 1999 than in 1992.

The Business Cycle in Historical Perspective

- **The economy has become substantially less volatile in the 20th century.** A variety of statistics show that economic downturns have become much shallower, shorter, and less frequent in the 20th century compared with the 19th century.
- **Economic expansions have lengthened and economic contractions have shortened.** According to the official business cycle dating by the National Bureau of Economic Research:

Average Length of Business Cycles (months)

	<u>Recession</u>	<u>Expansion</u>
1854 - 1991	18	35
1854 - 1929	21	25
1945 - 1991	11	50

- **Reasons why the business cycle has changed:**

(1) *End of the Gold Standard.* The Gold Standard helped to create prolonged periods of economic downturn as the supply of gold varied and also as the economy adjusted slowly to changes.

(2) *Macroeconomic Policy.* Keynesian ideas about demand management changed macroeconomic policy, causing it to focus on stabilizing the economy. This mattered both for active stabilization policy by the Federal Reserve, automatic fiscal stabilizers, and deliberate counter-cyclical fiscal policy.

(3) *Improved Financial Regulation.* Banking panics and crises used to be a major source of economic instability. Improved financial regulation has both reduced banking crises and also helped insulate the broader economy from their effects.

- **Are we seeing another change in the business cycle?** We are currently in the longest economic expansion in history. It is too early to tell whether the rules of the business cycle have changed or a combination of good policy and good luck have changed the nature of business cycles. Some reasons that are sometimes given to believe that the business cycle has changed are:

(1) *More/better information.* Increased information that is both better quality and more timely pervades the economy. Firms have more information about their customers and suppliers; investors have more information about the stock market; and monetary policy makers have more information about the economy. Does this help stabilize the economy? Or does it increase economic volatility?

(2) *Better inventory control.* Changes in inventories were an important part of the volatility of GDP in the past. Recent inventory management techniques have reduced inventory cycles and helped smooth the economy.

(3) *Is a technological economy less prone to shocks?* In an agricultural economy bad weather can have a major impact on the economy. In the 1970s the American economy was very oil dependent, and thus the large oil prices increases had a major economic effect. Is a technological economy less vulnerable to these types of shocks? Does the increased use of technology create other types of vulnerabilities?

(3) Natural Rate of Unemployment

- **Estimates of the NAIRU have varied greatly over time.** In the 1960s, it was generally believed that the unemployment rate could average 4-4.5 percent without triggering inflation. In the 1980s, most economists believed the NAIRU was 6 percent or higher. Today, the unemployment rate has been below 5.0 percent for 32 months in a row and the underlying core rate of inflation has stayed about the same.
- **Explaining the decline in the NAIRU.** Larry Katz and Alan Krueger recently published a paper explaining what they estimated was a 0.7 to 1.5 percentage point decline in the NAIRU from the mid-1980s to the late 1990s:

Katz-Krueger Explanation of the Fall in the NAIRU

Demographic shift toward older workers	0.4%
Improved labor market efficiency due to temporary help agencies	0.0-0.4%
Growth of incarcerated population (high unemployment people no longer in the labor force)	0.2%
Decline in unionization, increased worker insecurity, increased competition	0.0-0.1%
Unexplained	0.1-0.4%
Total Decline in NAIRU	0.7-1.5%

- **Other explanations of why the NAIRU has fallen:**

(1) *Productivity speedup.* This theory – held by Robert Gordon (attending conference) and the *Economic Report of the President 2000* – is that the unexpected increase in productivity has allowed firms to afford larger wage increases without triggering price inflation. According to this theory, this factor will only depress the NAIRU temporarily as workers will eventually adjust their wage demands upward to reflect higher productivity growth.

(2) *Virtuous circle – or “Hysteresis.”* In the 1980s, Larry Summers wrote an influential article that argued that high unemployment resulted in making workers less motivated

and effective job seekers, thus leading to a permanently higher NAIRU. Some – including Joe Stiglitz – have argued that the United States is enjoying “hysteresis in reverse” in which low unemployment leads to more effective workers, which in turn allows the lower unemployment to be sustained.

WILLIAM NORDHAUS
Yale University

Professional Background

The Griswold Professor of Economics at Yale University, Professor Nordhaus has been on the faculty there since 1967. From 1977-79 he served on the President's Council of Economic Advisers. Since then, he has been elected to the American Academy of Arts and Sciences. His recent research has focused on economic growth and its relationship to natural resources and the environment.

Likely to Discuss

- Are we in a new economy? Nordhaus will conclude that the evidence is that productivity has picked up and the "natural" rate of unemployment has fallen. He will, however, be agnostic about how much or how lasting this will be.
- Are there clouds on the horizon? Although generally optimistic about the outlook for the economy, Nordhaus will probably warn about some of the risks to the economy, including financial risks.

Views On and Role in the New Economy

- Nordhaus is generally skeptical about the belief that the old rules no longer apply, although he has an open mind about the new economy.
- Much of Nordhaus' research has focused on limitations of economic measurement, including the measurement of growth, consumption, and inflation. Some of his research shows that economists fail to capture many productivity improvements and thus overstate inflation and understate growth. One widely cited paper looked at the price per lumen over the millennia, showing that the standard measures do not capture how much more "productive" a light bulb is than a candle, and thus tend to understate improvements in the standard of living.
- Nordhaus is one of the leading researchers on the environment, climate change, and the cost of environmental protection.

JAMES K. GALBRAITH University of Texas at Austin

Professional Background

Professor of Public Affairs and Government, University of Texas at Austin, he is also a columnist and essayist. From 1994 to 1997 he consulted the government of the People's Republic of China on economic reform; and before that he served as Executive Director of the Joint Economic Committee of the Congress. His research focuses on inequality.

Likely to Discuss

- Overall theme of his talk is that we are learning that the old economy is not what we thought it was.
- He generally is skeptical about speed limits to growth and “natural” rates of unemployment. Instead, he will argue that what is new is that we are testing what we thought were limits, not that the limits have increased.

Views On and Role in the New Economy

- Generally to the left of the mainstream economics profession.
- Although he credits the Administration's fiscal discipline, he has argued that the strong economy was more important for deficit reduction than deficit reduction was for the strong economy.
- The real cause of the expansion, in his view, is demand-side stimulus resulting from the willingness of American households to take on ever more debt and the consumption fueled by the stock market.
- To keep the economy expanding, the government needs to make sure that these working families continue to spend. That means targeted tax cuts and government programs that benefit them. Balanced budgets are fine, but not if they choke off aggregate demand.
- High-tech is fine, too. There is no denying that it has led the recent economic expansion. But Galbraith believes that much of the industry is overvalued and that, over the long haul, traditional sectors should not be neglected.

ABBY JOSEPH COHEN
Goldman, Sachs & Co.

Professional Background

Managing Director and Chair of the Investment Policy Committee of Goldman, Sachs & Co. She is responsible for the firm's U.S. portfolio strategy. Ranked first in U.S. portfolio strategy by Institutional Investor magazine and by Greenwich Associates, she is viewed as one of the most influential equity analysts on Wall Street: her pronouncements often have a major impact on markets. Before joining Goldman, Sachs, she was Chief Strategist for Drexel Burnham Lambert, Economist and Quantitative Research Director for T. Rowe Price Associates, and Economist at the Federal Reserve Board in Washington, DC.

Views On and Role in New Economy

- Last week, Cohen suggested that clients trim their exposure to stocks by 5 percent and favor, for now, ordinary financials over what she described as the fully valued tech sector. She also predicted the S&P 500 will rise 8 to 10 per cent over the next 12 months, but that was lost in translation. Partly as a result of this pronouncement, the Nasdaq took a 186-point drop.
- Cohen was one of the first stock analysts in the 1990s to popularize the notion that it is justifiable to pay higher prices for a company's shares in an era when inflation is low and higher returns are expected. That's the reasoning that has pushed many technology stocks to prices that can reach several hundred times their earnings.

ROGER C. ALTMAN
Evercore Partners, Inc.

Professional Background

Mr. Altman, who writes frequently on economic affairs, is a Founding Partner at Evercore Partners, Inc, an investment house with a fund of \$500 million that specializes in leveraged acquisitions. From 1993-1995 he was Deputy Secretary of the U.S. Treasury. During the Carter Administration he was an Assistant Secretary of the Treasury.

Views On and Role in New Economy

- There is no need to worry about “mergermania” in the media industry in the wake of the AOL Time-Warner merger. First, the rate of startups in this sector far outpaces the rate of mergers. Second, these startups often very quickly become the new gorillas on the block (where were Microsoft, Cisco, and AOL ten years ago?), so not even big corporations are secure in this environment. Finally, the dizzying rate at which new types of media proliferates – DVD, downloadable music on the net, downloadable video on demand --- means that no single merged behemoth will ever get a corner on it.
- Congress’ attempt to pass a huge tax cut risks our long-running economic expansion because it might overheat the economy. The best way to ensure strong and steady demand is to maintain fiscal discipline, which in turn keeps interest rates low, which in turn enable consumers to keep buying and businesses to keep investing.
- On international development, Altman decries the increasing gap between developed and developing countries, a gap widened by the technological explosion of the past 15 years. The solutions, he says, won’t involve Western governments writing big checks. Instead, hope centers on ever-cheaper technology that enlightened businesses and certain philanthropic foundations will bring to what he calls the “Fourth World”. “The basic premise is that supply can induce demand,” he writes. “[t]he availability of extremely low-priced cellular phones, Internet access or medicines, for example, can create consumers of them, even in distressed markets.”

KIM POLESE Marimba, Inc.

Professional Background

Co-Founder, President, and CEO of Marimba, Inc. Her firm provides full service intranet and Internet consulting as well as a software product, Castanet, that allows firms to deliver software efficiently across the net. Her firm, which recently went public, is capitalized at \$1 billion. Before founding Marimba, she was a key player at Sun Microsystems and helped develop its Java programming language. She is one of the few successful female engineers and CEOs in Silicon Valley. A noted and respected industry speaker, Ms. Polese has been named one of Time Magazine's Top 25 Most Influential People in America.

Ms. Polese is a member of the Board of Directors of TechNet, a bipartisan coalition of digital-economy executives focused on strengthening America's leadership in the new economy. She is also an Advisory Board member of W.I.T.I. (Women in Technology International), the premier association dedicated to advancing women in technology, and GirlGeeks, the career and training community for aspiring young women in computing.

Likely to Discuss

- The role of small, entrepreneurial companies in developing the New Economy.

Views On and Role in the New Economy

- She does not write much on broader social or political issues, presumably because she has been too busy managing her startup toward a successful IPO. Her written and spoken statements tend to focus on technical and business matters.

THE MILLENNIUM INITIATIVE TO PROMOTE DELIVERY OF EXISTING VACCINES IN DEVELOPING COUNTRIES AND ACCELERATE DEVELOPMENT OF NEW VACCINES

Rationale for the Initiative

- The economic and humanitarian imperative is clear.
 - More than 8 million children die each year of centuries-old diseases like malaria, tuberculosis, and respiratory and diarrheal diseases. Four million of these deaths could be prevented by existing vaccines. AIDS has killed 16 million people and orphaned 11 million children.
 - Declining life expectancy and the loss of productive adults pose one of the greatest threats to economic development in poor countries. For example, a recent World Bank study estimates that AIDS is likely to subtract about 1 percent a year from GDP growth in 30 sub-Saharan African countries.
- The market does not provide incentives for pharmaceutical companies to develop vaccines and medicines for diseases that disproportionately affect developing nations.
 - Because these nations are poor, they are unable to pay a price that covers the cost of research and development as well as the cost of production.
 - Even if one nation wanted to pay for its *share* of R&D costs, other nations could “free ride” on that nation’s investment. Thus, a coordinated international commitment to purchase vaccines is needed.
- Improving health in developing countries is necessary for reducing poverty, and vaccines must be a key element of any comprehensive proposal to improve health.
 - Developing countries need to build effective delivery systems for basic health services – including vaccines, medicines, and low-tech approaches to preventing and treating infectious diseases. Improving health delivery requires money, competence, and enduring commitment.
 - Vaccines are among the most cost-effective tools for economic development. Yet, the poorest nations spend only \$15 per person on health care each year, less than it costs to immunize a child. Advances in science, including genetic sequencing, have made breakthroughs on the targeted diseases possible.
 - Our overall strategy for global development gives a central role to “global public goods” – like health or the environment – in which positive actions taken in one country benefit other countries as well.

Description and Status of the Initiative

- You proposed a \$50 million contribution to the vaccine purchase fund of the Global Alliance for Vaccines and Immunization (GAVI) in the FY 2001 budget. You also proposed a significant increase for basic research on diseases that affect developing nations.

Status: Discussion of appropriations is just beginning in Congress.

- You called on the World Bank and other multilateral development banks to dedicate an additional \$400 million to \$900 million annually of their low-interest-rate loans to expand immunization, prevent and treat infectious diseases, and build effective delivery systems for other basic health services.

Status: The World Bank has expressed a willingness to shift \$1 billion over three years for basic health care, through a revolving fund of low-interest (IDA) loans. We welcome the increase in resources but want to avoid strict "earmarks" of funds that might open the door to further earmarks that would be unproductive. The Asian and African development banks also support increased health lending, but they are cautious about taking a leadership role. We are actively seeking support from the other G-7 countries for this shift in priorities.

- You proposed a new tax credit for sales of vaccines for malaria, tuberculosis, HIV/AIDS, and any infectious disease that causes more than 1 million deaths annually worldwide. Under this proposal, the seller of a qualified vaccine could claim a tax credit of one dollar for every dollar paid by a qualifying organization, such as UNICEF. The credits would be allocated by the U.S. Agency for International Development (AID) and could total up to \$1 billion for 2002 through 2010. The credit would provide a specific and credible commitment to purchase future vaccines, which would create a strong incentive to accelerate vaccine research and development.

Status: The pharmaceutical companies have requested that any new tax incentive also provide near-term support for their R&D efforts on new vaccines. In response, we have indicated our support for an additional new tax credit for the costs of clinical trials of new vaccines. We are working actively with Congress and the companies on this issue.

BACKGROUND FOR PANEL 2: THE GLOBAL DIVIDE IN HEALTH

The Scope Of The Problem of Infectious Disease In Developing Countries

- While sub-Saharan Africa accounts for only 10 percent of the global population, over 70 percent of individuals infected with AIDS globally live there. Thirteen million sub-Saharan African children have now lost one or both of their parents to AIDS.
- One-fourth of all deaths each year worldwide – 13 million people – are the result of infectious diseases.
- Over 8 million children die each year of centuries-old diseases – and more than 3 million of these deaths could be prevented by existing vaccines.

The Economics of International Vaccines

- Immunization is one of the most cost effective health interventions. Economic research shows that in terms of cost per life saved, vaccines have the lowest cost of any assistance that can be given to developing countries.
- It costs only \$15 to immunize a child, yet in developing countries, children remain 10 times more likely to die of a vaccine-preventable disease than those in the industrialized world. Twenty percent of children worldwide lack access to basic immunization services.
- Only 2 percent of all global biomedical research is devoted to the major killers in the developing world.

The Administration's Millennium Vaccine Initiative

- \$50 million in the President's FY2001 budget as a contribution to the vaccine purchase fund of the Global Alliance for Vaccines and Immunization (GAVI);
- Presidential leadership to ensure that the World Bank and other multilateral development banks dedicate an additional \$400 million to \$900 million annually of their low-interest rate loans to health care services;
- Significant increases in federally funded basic research on diseases that affect developing nations;
- A new tax credit for sales of vaccines for infectious diseases to accelerate their invention and production;
- A call to our G-7 partners to join our efforts to ensure a future market for these vaccines.

Involving the Private Sector: Administration's Efforts with Four Largest Vaccine Manufacturers to Vaccinate the World's Children

CEOs of the four largest vaccines manufacturers – Merck and Co., Inc., American Home Products Corporation, Glaxo SmithKline Beecham, and Aventis Pharma AG –announced that they will donate millions of doses of state-of-the-art vaccines – worth more than \$150 million – to those in the developing world and make a renewed commitment to step up research and development on vaccines for HIV/AIDS and malaria.

- Merck and Co. will donate five million doses, worth \$100 million, of RECOMBIVAX – HB – a vaccine to prevent Hepatitis B;
- American Home Products Corp. will announce a donation of 10 million doses of Haemophilus influenza type-B (Hib) conjugate vaccine to GAVI to protect more than 3 million children in developing nations;
- SmithKline Beecham will announce expansion of its malaria vaccine program and also renewed its pledge to donate \$1 billion to eliminate lymphatic filariasis (elephantiasis);
- Aventis Pharma announced a donation of 50 million doses of polio vaccine to Africa.

The Role of the Bill and Melinda Gates Foundation

- The Bill and Melinda Gates Foundation has clearly demonstrated a major level of support for vaccine initiatives. This past January, the Foundation announced that it will make a \$150 million contribution each year for the next five years (\$750 million total) to the vaccine purchase fund of the Global Alliance for Vaccines and Immunization (based in Geneva).
- This grant builds upon an earlier grant of \$100 million in 1998 that the Foundation made to significantly reduce the time it takes for new vaccines to reach children in the developing countries.
- The President has praised new models for public-private partnerships, including the International AIDS Vaccine Initiative, which announced that it will invest more than \$10 million this year to triple the number of AIDS vaccine candidates moving toward trials.

BACKGROUND FOR PANEL 2: THE GLOBAL DIVIDE IN EDUCATION

The Overall Problem

- An estimated 125 million children in the world do not attend primary school, equivalent to more than all of the primary school children in the US and Europe combined.
- Over half of children in developing countries are not enrolled in secondary school.
- The International Labor Organization estimates that 250 million children work.
- Nearly 1 billion people are illiterate, two-thirds of whom are women, who tend to be the ones mainly responsible for their family's health, size, and, in many cases, agricultural productivity – each of which is influenced by literacy.
- The highest rates of return on investment accrue to primary education, with rates of return on secondary education nearly as high. The proportion of government expenditure for higher education is still unacceptably high for some developing nations, thus limiting the expansion and improvement of primary and secondary education, which should be given emphasis.
- The HIV/AIDS pandemic is decimating educational personnel and systems, especially in sub-Saharan Africa.

Regional and Country-specific Manifestations of the Problem

- Sub Saharan Africa has the developing world's lowest net enrollment rate (57 per cent), with over 40 million primary school age children out of school. Over one third of children who start school drop out before having mastered basic literacy skills. Most developing nations suffer high attrition and repetition rates reflecting the low level of educational quality found in most countries, especially in their rural areas and inner cities.
- In Zambia one quarter of the country's classrooms lack a blackboard, and over half of children lack a simple notebook. It is estimated that up to three-quarters of grade 6 pupils leave the country's primary schools in a state of illiteracy.
- In rural areas of Tanzania it is estimated that there is one textbook for every 20 children.
- In countries such as Chad, Mali and Mozambique governments spend only \$1-3 per pupil on teaching materials (the international minimum target is \$5).

Implications of Gap in Basic Education

- *Child labor:* Lack of access to affordable, effective education is a major factor in child labor and a major obstacle to efforts to remove children from exploitative work.
- *International trading system:* Particularly as economic activity is becoming more knowledge-intensive, low levels of literacy and educational access perpetuate poverty in poor countries, leaving them on the margins of the world economy's integration.
- *Health:* Infectious diseases, which do not respect international borders, require public health campaigns, the success of which is greatly complicated by illiteracy.
- *Population growth and the environment:* Basic education and the literacy it creates helps to reduce infant mortality and fertility rates, leading to smaller families and lightening the burden of often rapid population growth in poor countries.
- *Democracy and peace:* Democracy and participatory governance are strongly assisted by popular literacy. Democratic forms of governance are associated with less conflict.
- *Girls and education:* Two-thirds of the out-of-school population are girls. Improving access to and the quality of basic education not only improves the lives of these girls but also contributes to the future economic growth and development by:
 - improving their ability to care for their own health and that of their future children.
 - contributing to lower fertility rates.
 - boosting farm and other economic productivity (women often do much of the farming).
 - increasing participation in local governance.
- OXFAM has calculated that an annual additional investment of approximately \$7 billion to \$8 billion per year will be required to attain universal primary education by 2015. If this sum is accurate, to secure these funds, both nations and donors must substantially increase their investment in basic education systems. Developing nations typically provide 97 percent or more of the annual national budget for basic education, most of which pays teachers salaries and other recurrent expenses leaving little for programs to improve instructional quality, with bilateral and multilateral resources accounting for the remaining 3 percent.

U.S. Leadership

- *Bilateral.* USAID invests over \$100 million yearly in basic education activities aimed at under-served and poor children in the developing world. USAID's basic education activities in over 40 countries have assisted over 100 million children during the past ten years.
- *IPEC.* Since 1995, through DoL we have provided \$37 million to support initiatives by the ILO's International Program on the Elimination of Child Labor (IPEC). IPEC programs increase awareness about child labor and remove specific groups of children from

exploitative work by providing educational alternatives. We have committed an additional \$30 million in FY 2000.

- To date, we have funded projects to help some 74,500 children in Africa, Asia and Latin America escape from dangerous or abusive work in many industries (including commercial agriculture, mining, fishing, the production of soccer balls, carpets, garments, fireworks, and footwear), as well as prostitution and domestic work.
- *Debt Relief.* The Administration has also attempted to help poor countries devote more of their own resources to basic education by leading the world community to adopt a major expansion of international debt relief for the poorest and most heavily indebted countries.
- All told, the Cologne Initiative will cut countries' foreign debts by as much 70%, freeing up additional domestic funds for health and education.
- For example, in Uganda, debt relief could allow health and education spending to increase by 50% between 1998 and 2001.

New Administration Initiatives

- We are trying to provide additional leadership by asking Congress in the FY 2001 budget to fund the following initiatives:
 - A 50% increase in US funding for the ILO's IPEC program from \$30 million to \$45 million;
 - A new program to increase our bilateral educational assistance by 50% (by an additional \$55 million) targeted to areas in which systemic weaknesses in educational systems and infrastructure is contributing to widespread child labor; and
 - Additional funding for international debt relief: \$210 million in the supplemental appropriations bill for the HIPC trust fund (this is being debated in Congress now) and \$600 million in additional bilateral and HIPC Trust Fund financing to be approved as part of the FY 2001 budget process.

Dakar Conference

The UN is sponsoring a conference later this month (April 26 to 28) in Dakar, Senegal to take stock of progress toward the 2015 Education for All goal. The United States will be sending a delegation. Gene Sperling earlier this week spoke of your support for the work of the conference at a press conference with Oxfam's President, NEA President Bob Chase, and a representative of the Global March Against Child Labor.

BACKGROUND FOR PANEL 2: THE GLOBAL DIVIDE IN TECHNOLOGY

Information Technology and Development

Information and communications technologies such as wireless communications and the Internet can be a powerful tool for development in the Third World. Currently, however, the poorest developing countries lack the infrastructure needed to gain access to the Internet.

- There are more phone lines in Manhattan than there are in all of Africa.
- Of the 300 million people online worldwide, less than 1 percent are in Africa
- In low-income developing countries -- only 4 percent of households have phones, as opposed to the nearly universal access in developed countries.

Potential Benefits of Telecommunications and the Internet for Developing Countries

Raising incomes of the poor: Even the ability to make a phone call to the capital city to find out the price of crops in urban markets can change the bargaining position of poor rural farmers and traders. In Sri Lanka, farmers that used cell phones to find out the price of their crops in urban markets were able to demand 80 percent of that price, as opposed to 40 percent that they had been receiving.

Distance learning: Using satellites and the Internet, people in developing countries are able to gain access to education and training that was previously beyond their reach. The World Bank, for example, has provided seed funding for an African Virtual University. This project links 24 African campuses to classrooms and libraries worldwide, and will soon grant degrees in computer science and electrical engineering.

E-commerce: Some experts predict that business-to-business e-commerce could reach \$2.8 trillion in the U.S. alone -- one-fourth of all U.S. business-to-business purchases. If developing countries are not online, they could fall further behind and miss the opportunity to participate in the global electronic marketplace.

The Internet can also help micro-enterprises in developing countries. Some Web sites allow artisans in developing countries to sell their goods directly to consumers in the developed countries. Helen Mutono, a Ugandan woman, uses the Internet to sell her hand-made African baskets, with the proceeds going to help children who have been orphaned by AIDS.

Health care: Information technology can also improve public health in developing countries. One project in Western Africa has been able to eradicate river blindness, protecting 30 million people from infection and reclaiming fertile land capable of feeding 17 million people. The project succeeded because local communities were able to enter data on the black-fly population, identifying the peak times to use insecticides without damaging the fish.

Current Administration Efforts to Promote the Internet in Developing Countries

Leland Initiative

In 1995, the Administration launched the 5-year, \$15 million Leland Initiative, named in honor of U.S. Congressman Mickey Leland. The goal of the Leland Initiative is to expand Internet access in more than 20 African countries by:

- Encouraging African countries to adopt policies that will allow the Internet to flourish -- such as allowing competition between multiple Internet Service Providers.
- Assist African Internet Service Providers through training and equipment; and
- Promoting applications of the Internet related to development -- such as education, health, and e-commerce.

Internet for Economic Development Initiative

In 1998, the President directed State, AID and other federal agencies to launch the "Internet for Economic Development Initiative." This builds on the Leland Initiative, but includes developing countries in other regions, such as Jamaica, Guatemala, and Haiti.

Obstacles to the Growth of the Internet in Developing Countries

- Government-owned (or private) monopolies that charge high prices for the telecommunications services needed to run the Internet.
- Internet access not affordable for much of the population (or relevant, given low literacy levels).
- Lack of technical talent.

WILLIAM H. (BILL) GATES Microsoft Corporation
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Professional Background

Founder and, until two months ago, CEO of Microsoft Corporation. Now he is the firm's Chairman and Chief Software Architect.

Likely to Discuss

- He will probably focus more on the work of his foundation (see below), especially his vaccine initiative.
- He is as bullish as ever on technology and its potential to improve work and play. Among the statements he often makes in his speeches:
 - ✓ “Business will change more in the next 10 years than it has in the last 50. The way that people find and match buyers and sellers will be radically different. That is the fundamental mechanism of capitalism and the Internet is bringing a new level of efficiency to it.”
 - ✓ “If we think about it, at a meeting like this one three or four years from now, everyone will have a tablet PC and will be taking notes on it so that you do not have a mismatch between what you do on paper and on the computer.”
 - ✓ “If you are watching a sports show, you will be able to look at your buddy list and see if any of your friends are watching the same thing; if so, you will be able to open up a voice conversation and talk with them as simply as if you were watching together. There will be a lot of variety but we will all be connected up to the same network, all sharing the same information.”

Views On and Role in the New Economy

- With \$3 billion in yearly R&D plus strategic acquisitions, Microsoft, under his leadership, has positioned itself to ride what he believes will be the next big waves of the Digital Age:
 - ✓ He founded Corbis Corporation, which is developing one of the largest resources of visual information in the world -- a

JAMES D. WOLFENSOHN
World Bank

Professional Background

Since 1995, President of the World Bank with another five year term set to start in June. Before joining the World Bank, Mr. Wolfensohn was an International investment banker. He was born in Australia, but is now a naturalized U.S. citizen.

Likely to Discuss

- Wolfensohn is likely to stress the complementarity between health, education and technology. He will stress that educated people are healthier, that technology can improve access to health, etc.

Views On and Role in the New Economy

- Summarizing his views on development, Wolfensohn has written: "Countries may come up with sound fiscal and monetary policy, but if they do not have sound governance, strong anti-corruption measures and a comprehensive legal system protecting human rights, property rights and contracts, their development is fundamentally flawed and will not last." In other forums, he has insisted on the need for democracy, freedom of speech, and environmental sustainability not only as ends in themselves, but also as important tools of economic development.
- Under Wolfensohn's leadership, the World Bank has placed higher priority on promoting basic education in member countries, handing out rewards to those that keep a high percentage of children full-time in school. On February 21st, for instance, the World Bank gave Indonesia a \$500 million loan, partly as a result of that country's success in keeping millions of children in public school.
- He believes that within 10 years, a new generation of low-level satellites circulating the earth will be able to provide high-speed, free access to the Internet. "It will be possible for us to arrange for communications to poor communities and for education, connectivity will be free," he said. Critics point out that many countries must first provide sewage, plumbing and schools before they can dream of wiring up for the Internet.

AMARTYA SEN Trinity College, Cambridge University
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Professional Background

Professor Sen, the 1998 Winner of the Nobel Prize in Economics and one of the most widely respected economists in the world. He is the leading research on poverty, famines, and the link between ethics and economics. He is Master of Trinity College, Cambridge University. Born in Bengal, he remains a citizen of India. He received his doctorate from the University of Cambridge in 1959 and has been professor in India, the U.K. and the U.S. Until 1998 he was Lamont University Professor and Professor of Economics and Philosophy at Harvard University.

Views On and Role in the New Economy

- Sen studies injustice and deprivation, especially in the developing world. Unlike most economists, he draws on moral and political philosophy to research welfare economics, an approach that led the Royal Swedish Academy of Sciences to award him the Nobel Prize.
- Sen pioneered the “entitlement theory” of famines which argues that what matters most for famines is not the amount of food in a country, but the ability of people to buy food. Droughts in a localized area can cause a famine because agricultural laborers lose their jobs and incomes, even if the country as a whole has ample food.
- Sen also came up with the theory that democracies like India and Botswana cannot have famines because their political systems will not tolerate them, but that a steady level of hunger and malnutrition will not make news and thus will be tolerated.
- Professor Sen donated much of his Nobel prize money to the Pratichi Trust. With branches in India and Bangladesh, it promotes literacy, basic health care and gender equity.

MIRAI CHATTERJEE Self-Employed Women's Association (SEWA)
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Professional Background

Ms. Chatterjee is Secretary of the Self-Employed Women's Association (SEWA), of Ahmedabad, India. Formed in 1972, SEWA works to improve the income and social status of poor working women, both laborers and micro-entrepreneurs. It has five main components:

1. a trade union with a membership of 220,000 women employed in the informal sector that not only fights for higher wages but also for healthier working conditions;
2. a consumer cooperative;
3. support services for women with a special emphasis on obtaining social insurance;
4. a bank for trade union members with 75,000 depositors; and
5. an advocacy arm for housing and public health measures -- such as running water, plumbing, sewage, sanitation -- for the slum-dwellers of Ahmedabad, who comprise roughly 40 percent of the city's inhabitants.

She has a Masters in Public Health from the School of Hygiene and Public Health of the Johns Hopkins University and a B.A. in History and Science, *magna cum laude*, from Harvard University.

You met and talked with her during your recent visit to India, in the city of Mumbai. The First Lady met Ms. Chatterjee during her visit to India in 1995.

Views On and Role in New Economy

We have no direct statements from her, but judging from the activities of her organizations, she is surely a proponent of micro-loans.

HENRY CISNEROS
Univision, Inc.

Professional Background

Mr. Cisneros is President and Chief Operating Officer of Univision, Inc., the largest Spanish-language TV provider in the U.S. with a 92% prime-time market share in that demographic. Prior to joining Univision, he was Secretary of the U.S. Department of Housing and Urban Development. Before that, he was Mayor of San Antonio, TX – the first Hispanic elected Mayor of a major U.S. city. The *Texas Observer* named Cisneros the “best Texas mayor of the century” for his successful economic redevelopment efforts and his ability to bring the city’s Anglo and Latino populations together. Mr. Cisneros has served as President of the National League of Cities, Chairman of the National Civic League, Deputy Chair of the Federal Reserve Bank of Dallas, and as a board member of the Rockefeller Foundation. He remains a leading spokesperson for the Latino community nationwide.

Views On and Role in New Economy

- Univision is a growing string of mostly UHF and cable outlets featuring exclusively Spanish-language programming.
- Univision’s stock has roughly tripled in value in the last 18 months.
- This capitalization has enabled Univision to become a major cable provider. As such, it is poised to participate in the imminent broadband revolution.
- Industry analysts believe that in the very near future, Univision will launch Univision Online, a Spanish-language Web portal that will include sports, news, and entertainment, along with a link to a shopping site backed by Home Shopping Network, which airs a show on Univision’s Galavision cable channel. Univision Online also will offer free computers to those who buy long-term subscriptions.

ROBERT F. CHASE National Education Association

Professional Background

Since 1996, Mr. Chase has been President of the 2.5 million member NEA. He describes his program as "a new unionism," which stresses collaboration and cooperation, risk-taking, and personal responsibility for school quality. Chase serves on the Executive Board of the National Council for the Accreditation of Teacher Education, the National Foundation for the Improvement of Education, the National Board for Professional Teaching Standards, and sits on the Board of Directors of the National Commission on Teaching and America's Future. In addition, he was recently elected North America-Caribbean Regional Representative on the Executive Board of Education International. Before serving as NEA Vice President from 1989-1996, Chase was a member of the Connecticut Education Association Leadership and President of NEA-Danbury.

Likely to Discuss

- Mr. Chase will likely affirm NEA's support for the Global Campaign for Education, an coalition that is calling for greater progress toward the international goal of making primary school universally available by 2015.
- He is likely to point out that in 1990 more than 150 nations pledged that every child would be able to attend primary school by the year 2000. In 1995, the nations moved the target date to 2015, and we are in danger of missing that goal as well, unless we act.
- NEA is seeking to focus attention on the UN meeting on education in Dakar, Senegal later this month, and galvanize action by donors. Later this week, more than 1,500 teachers and other education employees will gather in Atlanta for NEA's annual Issues Conference, at which a massive postcard campaign will be launched to encourage you and U.N. Secretary-General Annan to stand up for universal free public education.

Views On and Role in New Economy

- Known as an advocate of the view that education is more important than ever in the information economy.

BACKGROUND FOR PANEL 3: CAN NEW ECONOMY TOOLS EMPOWER GOVERNMENT AND CIVIL SOCIETY?

Can New Economy Tools Empower Government and Civil Society?

The Internet and information technology are having a major impact on the way in which companies do business. Companies are using information technology to tailor products and services to the needs of individual customers, communicate electronically with their suppliers, sell products in global markets, and deliver “just-in-time” training to their employees. An important issue is whether these same technologies can deliver similar benefits to government and to non-profit organizations.

It’s important to note that the Internet is significantly different from other media (print, radio, TV) in several respects:

- First, it allows for “many to many” communication as opposed to the “one-to-many” communication of radio or TV. An electronic mailing list may have hundreds or thousands of participants, as opposed to the passive audience of the evening news.
- Second, the Internet makes it much easier to form communities that are based on shared interests as opposed to geography. An example of the power of this is an electronic network of caregivers for people with Alzheimer’s. They can communicate with each other and give each other support at 2:00 am.
- Third, anyone with Internet access has the equivalent of a printing press or a radio station. Of course, not all voices on the Internet are equal. A media company with millions of dollars to develop and promote their web site is going to get much more attention than an individual. But the Internet does democratize the ability to publish.

Examples of Benefits for Government and Civil Society

- Citizens are able to access government information and complete secure transactions with the federal government 24 hours a day, 7 days a week, avoiding the need to wait in line.
- More government information, such as information on local environmental conditions, is at people’s fingertips, as opposed to locked away in filing cabinets in Washington. Sometimes the mere disclosure of information can be a powerful tool for achieving policy objectives. Some companies have voluntarily reduced toxic emissions because they did not want to be known as the biggest polluter in their neighborhood.
- Citizens are able to track legislation and the voting record of their Congressional representatives on the issues that they care most about.
- Non-profit organizations are using the Internet to communicate more effectively with their members, recruit volunteers, raise funds, and organize grassroots political

campaigns, such as Amnesty International's fight against human rights violations, or the campaign for an international treaty

Barriers to Adoption of Information Technology by Government and Non-profits

- Government agencies and non-profit organizations lack the financial resources that the private sector can commit to the use of information technology.
- There are fewer incentives for innovation. An entrepreneur with a good e-commerce idea can raise millions of dollars and start their own business. A civil servant doesn't have any similar opportunities. Of course, for-profit companies like govWorks are beginning to spring up to deliver online government information and services such as permits and licensing.
- It's difficult for the government and non-profits to recruit and retain good technical talent, given the disparities in wages.
- The way that money is allocated (by 13 different appropriations committees) makes it difficult for federal agencies to work together to create Web sites and information systems that are organized around the needs of people. Collaboration between federal, state and local agencies is even more difficult.

Administration Record

- The Administration has proposed tripling the funding for the Technology Opportunities Program (TOP) – which has funded innovative non-profit applications of IT – such as web sites used to place hard-to-adopt children, or public health information systems that increase the rates of childhood immunization in inner-city Detroit.
- As part of the “reinventing government” effort -- the Vice President has worked to promote “electronic government.” For example:
 - College students can track their student loan status on line, reserve a camp site for their spring break, or file a change of address, all at the “Access America for Students” web site.
 - Entrepreneurs seeking to start their own business can get online help from the Business Advisor sponsored by the Small Business Administration -- include loans, e-mail counseling and mentoring, government contracts, and an opportunity to electronically present their business plan to potential investors
- In December 1999, President Clinton issued a directive on “electronic government” last month, and directed agencies to:
 - Work together to make government information and services much easier to find;

- Put the top 500 government forms online;
- Increase the number of government benefits and services that can be securely delivered online;
- Ensure that federal Web sites are accessible to people with disabilities, and to build good privacy practices into their Web sites; and
- Conduct a 1-year study to examine the feasibility of online voting.

ROBERT D. PUTNAM Harvard University
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Professional Background

Stanfield Professor of International Peace, Harvard University. Before that, he served as Chairman of Harvard University's Department of Government, Director of Harvard's Center for International Affairs, and Dean of the Kennedy School of Government. He is the author of seven books and thirty articles appearing in ten languages. Professor Putnam's scholarly interests are broad-ranging. He has written on modern Western European politics and done comparative studies on national elites, to name but two areas of his research. In recent years, his research has become more focused on the U.S., in particular the fraying of the civic fabric that ties citizens together.

Likely to Discuss

- Is it possible to use Internet to build "social capital", i.e., trust that makes strangers able to work together?

Views On and Role in the New Economy

- His current research on American democracy will appear in a forthcoming book, *Bowling Alone: Civic Disengagement in America and What to Do about It*. Using both anecdotal and quantitative analysis, it traces the sad decline in civic engagement and club membership among Americans since WW II.
- An outgrowth of *Bowling Alone* has been Putnam's creation of the Saguaro Seminar on Civic Engagement in America. This multi-year dialogue focuses on how we can increasingly build bonds of civic trust among Americans and their communities. The Seminar participants are a diverse, exceptional group of 33 thinkers and doers whose projects promise national applicability for increasing Americans' connections with one another.

Summary of Some of the Work of Robert Putnam: Following are summaries of two of his publications that discuss trends in civic involvement and their relationship to government effectiveness and social outcomes.

- ***“Bowling Alone: America’s Declining Social Capital,” (1995)***

In this article (soon to be a book), Putnam chronicles the decline in American civic engagement since the 1960s. Over this time period, there has been falling turnout in elections and less trust in the federal government. Simultaneously, the number of Americans “attending a public meeting on town or school affairs” has fallen, along with membership in church-related groups, participation in parent-teacher organizations, women’s groups, and fraternal organizations. Putnam notes an interesting case of bowling leagues – which traditionally require a high level of interaction and meeting of its members. Although the total number of Americans who bowl actually increased between 1980 and 1993, membership in bowling leagues decreased 40 percent. Newer, “mass-membership” organizations, such as the Sierra Club or the AARP do not require the same level of interaction and meeting. All told, the average number of associational memberships per person has fallen by about a fourth over the last quarter-century (to 1993). These trends are all the more stark in view of increases in educational attainment, which is positively correlated with civic involvement at the individual level.

Meanwhile, social trust has been falling: between 1960 and 1993 the proportion of Americans who said that most people could be trusted fell from 58 percent to 37 percent. Given evidence suggesting that social connections and civic engagement produce better schools, faster economic development, lower crime, more effective government, and other positive outcomes, these trends are disconcerting. Putnam suggests that declines in “social capital” may result from the movement of women into the labor force, greater geographic mobility, demographic transformations (e.g. fewer marriages) and the technological transformation of leisure into more atomistic pursuits, such as television watching.

- ***“Making Democracy Work: Civic Traditions In Modern Italy” (1993)***

In this book, Putnam asserts that the norms and networks of civic engagement powerfully affect the performance of representative government, based on his 20-year, quasi-experimental study of regional governments in different areas of Italy. Although all these regional governments seemed identical on paper, their levels of effectiveness varied dramatically. Systematic inquiry showed that the quality of governance was determined by longstanding traditions of civic engagement (or its absence). Voter turnout, newspaper readership, membership in choral societies and football clubs--these were the hallmarks of a successful region. In fact, historical analysis suggested that these networks of organized reciprocity and civic solidarity, far from being a result of socioeconomic modernization, were a precondition for it.

WILLIAM JULIUS WILSON
Harvard University

Professional Background

Lewis P. and Linda L. Geyser University Professor at Harvard University and winner of nearly every major prize in the field of sociology plus the MacArthur Prize Fellowship and the National Medal of Science. He writes frequently for a broader public. He currently serves as a member of the President's Commission on White House Fellowships. Before joining Harvard, Professor Wilson was Professor of Sociology at the University of Chicago.

Likely to Discuss

- Wilson is likely to discuss how the trend of increasing inequality is in "remission" but that continued social investments and growth-oriented macroeconomic policies are required to ensure that everyone continues to benefit from the expansion.
- Wilson will link inequality to the new economy, and the way that people interact with each other and with the government.

Views On and Role in the New Economy

- His research interests include: poverty; inner-city school to work transition; racial tensions in urban neighborhoods; and the effects of poor neighborhoods on the social outcomes of adolescents.
- Professor Wilson's books include *The Declining Significance of Race: Blacks and Changing American Institutions* (University of Chicago Press, 1978), *The Truly Disadvantaged: The Inner City, the Underclass and Public Policy* (The University of Chicago Press, 1987), and more recently *The Disappearance of Work: The World of the New Urban Poor* (Knopf, 1996).
- His current research focuses on the increasing concentration of poverty in many large central cities. Recent studies that he directed in Chicago examine this "new urban poverty" and its macro-economic causes. He argues that the flight of jobs from these neighborhoods leads to a disastrous drop in median income; but even more disastrous is the decline of regular work for inner-city inhabitants and the loss of the discipline and self-respect that regular employment instills.

Summary of Some of the Work of William Julius Wilson:

He argues that recent increases in rates of social dislocation for inner-city African-Americans cannot be simply accounted for by racism, but instead to a web of other factors, such as the changes in the urban economy that have produced high rates of black joblessness, exacerbate other social problems in the ghetto as well as the transformation of class in the inner city.

Wilson believes in long-term planning to promote both economic growth and sustained full employment, not only in higher-income areas but in areas where the poor are concentrated as well. Such a policy would be designed to promote wage and price stability, favorable employment conditions, and the development and integration of manpower training programs with educational programs. Although these programs are designed to benefit all segments of society, the groups that have been plagued by severe problems of economic dislocation, such as the ghetto underclass, would be helped the most.

The following are some of the main areas of Wilson's research:

- **Growth of the Ghetto.** Wilson argues that *historic discrimination* - which kept blacks in segregated areas in central cities - is far more important than contemporary discrimination in explaining the plight of the ghetto underclass. Migration patterns, housing discrimination and other historic factors led to segregated areas of African Americans in central cities. Shifts in employer demand toward skilled labor and the loss of manufacturing jobs had a profound impact on employment and poverty in black inner cities. Without quality blue collar jobs, young black males have turned increasingly to the low-wage service sector and unskilled laboring jobs for employment, or have gone jobless. The departure of the big plants triggered the demise or exodus of the smaller stores, the banks, and other businesses that relied on the wages paid by the large employers.
- **Concentration Effects.** Wilson claims that the concentration of poverty in neighborhoods is important. The exodus of middle- and working-class families from many ghetto neighborhoods removes an important social buffer that could deflect the full impact of the kind of prolonged and increasing joblessness that plagued inner-city neighborhoods in the 1970s and 1980s. This argument is based on the assumption that even if the truly disadvantaged segments of an inner-city area experience a significant increase in long-term spells of joblessness, the basic institutions in that area (churches, schools, stores, recreational facilities, etc) would remain viable if much of the base of their support comes from the more economically stable and secure families. Moreover, the very presence of these families during such periods provides mainstream role models that help keep alive the perception that education is meaningful, that steady employment is a viable alternative to welfare, that family stability is the norm, not the exception.

- **Social Isolation.** The communities of the underclass are plagued by massive joblessness, flagrant and open lawlessness, and low-achieving schools, Wilson details. Because of these problems, these communities tend to be avoided by outsiders. This has caused the residents of these areas to be socially isolated from mainstream patterns of behavior. They have little contact with people with stable work histories making it more difficult to acquire human capital skills, including adequate educational training, that facilitate mobility in a society. Being cut off from the job network also makes *finding* work more difficult.
- **Family Structure.** The rise in female-headed families and out-of-wedlock births has become inextricably tied up with poverty and dependency, Wilson notes. Wilson believes male joblessness plays a large role in explaining the deterioration of the family. The delay in marriage and the lower rate of remarriage can be directly tied to the labor-market status of black males. Black women are facing a shrinking pool of "marriageable" (i.e., economically stable) men and, therefore, marry at lower rates than their white counterparts.

ESTHER DYSON
Edventure Holdings, Inc.

Professional Background

Ms. Dyson is one of the most influential analysts and commentators on the Internet as a syndicated columnist and chairman of EDventure Holdings, Inc. The firm invests in emerging technologies, publishes the monthly computer-industry newsletter, *Release 1.0*, and sponsors two of the industry's premier conferences, PC Forum in the US and EDventure's High-Tech Forum in Europe. She also donates time and money to non-profit organizations, notably ICANN, the Internet Corporation of Assigned Names and Numbers, a new international agency charged with setting policy for the Internet's core infrastructure (technical standards and the Domain Name System) independent of government control.

Likely to Discuss

- What are the circumstances under which Internet self-regulation is effective?
- How to govern the Net given its decentralization?

Views On and Role in New Economy

- She argues that the Internet should be allowed to develop standards, norms, and security procedures in a self-regulating manner with minimal government interference.
- Regarding digital and financial privacy, she believes that the onus should not be on the consumer to "opt out" of a tracking firm's database; instead, the consumer should only be tracked and included on that database if she explicitly "opts in". Dyson thinks industry can be trusted to voluntarily adopt such policies without new laws being enacted.

comprehensive digital archive of art and photography from public and private collections around the globe.

- ✓ Gates also has invested with cellular telephone pioneer Craig McCaw in Teledesic, a company that is working on an ambitious plan to launch hundreds of low-orbit satellites around the globe to provide worldwide two-way broadband telecommunications service.
- ✓ Through its acquisition of WebTV, MS figures to be a major player in broadband and specifically web-enabled home television.
- To date, the Bill and Melinda Gates Foundation has committed \$1 billion toward the Gates Millennium Scholars program, which will provide scholarships for talented minority students; more than \$850 million to organizations working in global health with \$100 million targeted for vaccines; more than \$350 million to improve learning opportunities, including the Gates Library Initiative to bring computers, Internet Access and training to public libraries in low-income communities in the United States and Canada; more than \$54 million to community projects in the Pacific Northwest; more than \$29 million to special projects and annual giving campaigns; and other initiatives as well.

KALEIL TUZMAN GovWorks.com

Professional Background

This past year, the Colombian-born 27-year old Mr. Tuzman co-founded govWorks.com and now serves as its CEO. Before starting his own company, he was an arbitrage trader at Goldman, Sachs.

Likely to Discuss

- Role that information technology can play in making government more efficient
- The Internet's ability to do government-citizen transactions, such as paying parking tickets, etc.
- His firm is trying to enter into alliances with local and state government agencies.

Views On and Role in the New Economy

- His company, govWorks.com Inc., is an online link to local government services. It enables citizens in cities, counties and school districts across the country to pay taxes, secure permits, search for government jobs, bid on auctions and get community information online at any time.
- The govWorks.com network will feature numerous applications, including:
 - ✓ govPay, a secure transactional application for paying taxes, bills and violations online.
 - ✓ govPages, which provides contact information for local government agencies including e-mail and physical addresses.
 - ✓ govJobs, an online local government search engine.
 - ✓ govGive, which provides information on local charitable organizations and allows for online donations.
 - ✓ govAuction, which enables citizens to participate in auctions.

- The company generates revenue by charging a transaction fee to the end user, but that will vary by municipality and on what the transaction is -- from parking ticket fines to online procurements.
- GovWorks donates some of its revenue to the communities to help narrow the digital divide, wire up government facilities so that they can better serve citizens, make available a free database and free advertising to nonprofit organizations, and promote YouthVote2000, a national coalition to promote youth voting, and many other initiatives as well.

AUDIENCE PARTICIPANTS
WHITE HOUSE CONFERENCE ON THE NEW ECONOMY
Wednesday, April 5, 2000

Henry J. Aaron, Bruce and Virginia MacLaury Senior Fellow in the Economic Studies Program, Brookings Institution, Washington, DC

Dr. Aaron is a member of the Board of Directors of the Center on Budget and Policy Priorities and President of the Association of Public Policy and Management. The author or co-author of sixteen books, including *Countdown to Reform: The Great Social Security Debate*, Dr. Aaron served as Assistant Secretary for Planning and Evaluation at the Department of Health, Education and Welfare between 1977 and 1978 and as Chair of the 1979 Advisory Council on Social Security.

Marcus Alexis, Academic Economist, Northwestern University, Evanston, IL

Dr. Alexis serves as Board of Trustees Professor at the Kellogg Graduate School of Management at Northwestern University. He specializes in urban economics and public policy, regulation and management strategy, and race and poverty. Previously, he was Dean of the College of Business Administration at the University of Illinois, Chicago; University Professor of Economics and Public Policy at the University of Illinois; and Visiting Professor of Economics at Northwestern and Kellogg, among other academic appointments across the country. In 1985, he was appointed Director of the Federal Reserve Bank of Chicago by the Board of Governors of the Federal Reserve System, serving four years as Deputy Chairman and becoming Chairman in 1990. From 1979-81, while on leave from Northwestern, he served successively as Commissioner, Vice Chairman, and Acting Chairman of the Interstate Commerce Commission and participated in the most comprehensive deregulation ever of the interstate trucking, railroad, and bus industries. Dr. Alexis is co-author of four books and has had more than 60 articles published on urban economics, economic regulation and the economics of minorities.

Roger C. Altman, Founding Partner, Evercore Partners, Inc., New York, NY

Mr. Altman has built a strong career in investment and merchant banking and in 1995, started his own firm, Evercore Partners, Inc. The firm has raised a \$500 million banking fund for leveraged acquisitions and has handled \$23 billion in merger and acquisition transactions. Mr. Altman served as Deputy Secretary of the U.S. Treasury from 1993-95 and as Assistant Secretary of the Treasury from 1977-81. Mr. Altman began his career at Lehman Brothers as an Investment Banking Associate and became a General Partner of that firm in 1974, the youngest partner in Lehman's post-war history.

Marjorie A. Anderson, Chief Executive, Mille Lacs Band of Ojibwe, Onamia, MN

Ms. Anderson serves as Chief Executive of the Mille Lacs Band of Ojibwe, the first woman ever to lead this Native American tribe. She was instrumental in the establishment of Band casinos which provide revenues to support the issuance of the Band's community development bonds, the first by any tribe in the United States. Ms. Anderson is also president of the Midwest Alliance of Sovereign Tribes, a regional alliance of nearly three dozen tribes from Michigan, Minnesota, Iowa and

Wisconsin. Ms. Anderson was recently appointed by Governor Jesse Ventura to the Minnesota Housing Finance Agency, which provides housing for low and moderate income Minnesotans.

Robert Atkinson, Director, Progressive Policy Institute, Washington, DC

Dr. Atkinson joined PPI in October 1997 to head up its new Technology, Innovation, and the New Economy Project. Previously, he served as Executive Director of the Rhode Island Economic Policy Council and as a Senior Analyst and Project Director at the former Congressional Office of Technology Assessment (OTA). While at OTA, he directed "The Technological Reshaping of Metropolitan America," a report examining the impact of the information technology revolution on America's urban areas. Dr. Atkinson, who has a Ph.D. in City and Regional Planning from the University of North Carolina at Chapel Hill, has testified numerous times before Congress, has been an invited speaker at conferences around the world, and has been published extensively on economic development and technology policy.

Martin Baily, Chairman, Council of Economic Advisors, The White House

Dr. Baily, as Chairman of the President's Council of Economic Advisors, provides the President with economic analysis and advice on the development and implementation of a wide range of domestic and international economic policy issues. Dr. Baily also served as a Member of the Council of Economic Advisers from October, 1994 until August, 1996. His responsibilities included macroeconomic and monetary policy, as well as selected microeconomic issues. Between 1996 and 1999, Dr. Baily was a Principal at McKinsey & Company at the Global Institute in Washington, DC. As a Visiting Fellow at the Global Institute between 1993 and 1994, he was a co-leader of projects on service and manufacturing productivity and employment, as well as a series of country studies, looking at France, Germany, the Netherlands, the UK, Brazil, Korea and Russia. Dr. Baily is a co-founder and co-editor of the Microeconomics issue of the *Brookings Papers on Economic Activity*.

Robert Barbera, Chief Economist, Hoenig & Company, Rye Brook, NY

Laurie Bassi, Director of Research, Saba Software Inc.

Dr. Bassi currently serves as the Director of Research at Saba Software Inc., a leading provider of Internet-based business-to-business learning networks. Prior to joining Saba, she was Vice President for Research for the American Society for Training and Development. Previously, Dr. Bassi was a professor at Georgetown University in both the Economics Department and the Graduate Public Policy Program. She also served as Executive Director of the Advisory Council on Unemployment Compensation and a Research Associate at the Urban Institute.

Betty Stanley Beene, President and CEO, United Way of America, Alexandria, VA

Ms. Beene is the President of United Way of America, the national service and training center of 1,400 member United Ways. Together, United Way of America and United Ways across the country raised \$3.4 billion in their 1997-1998 campaigns. Formerly, Ms. Beene was President and CEO of United Way of Tri-State (Connecticut, New York and New Jersey). She sits on the Boards of Directors of the Center of Strategic and International Studies, America's Promise, and the

Wesley Theological Seminary. In addition, Ms. Beene is a Founding Advisory Board Member of the Bennett College Women's Leadership Institute.

C. Fred Bergsten, Director, Institute for International Economics, Washington, DC

Dr. Bergsten has served as the Director of the Institute for International Economics since its creation in 1981. He was also Chairman of the Eminent Persons Group of the Asia Pacific Economic Cooperation forum, throughout its existence, from 1993 to 1995. Dr. Bergsten's other recent activities include his Chairmanship of the Competitiveness Policy Council, membership of the Independent Task Force on the Future International Financial Architecture, sponsored by the Council on Foreign Relations, and membership of the International Financial Institutions Advisory Commission. From 1977-1981, Dr. Bergsten served as Assistant Secretary of the Treasury for International Affairs. Between 1969 and 1971, he was the Assistant for International Economic Affairs to Dr. Henry Kissinger at the National Security Council.

Charles L. Betsey, Professor, Economics Department, Howard University, Washington, DC

Dr. Betsey is Graduate Professor in the Department of Economics at Howard University. He has served as a researcher in various federal government agencies, including the U.S. Sentencing Commission, the Congressional Budget Office, and the U.S. Department of Labor. He served as Study Director at the National Research Council on a study of federal programs for youth employment and as a consultant with local and federal government agencies on discrimination in employment and contracting. Dr. Betsey has conducted research and published on a variety of issues concerning the economic status of minorities.

Nancy Birdsall, Senior Associate and Director, Carnegie Endowment for International Peace, Washington, D.C.

Dr. Birdsall is a Senior Associate at the Carnegie Endowment for International Peace, where she directs the economics programs. Between 1993 and 1998, she was the Executive Vice President of the Inter-American Development Bank. She previously held various policy and management positions at the World Bank, including director of the Policy Research Department. In 1984 she headed the team that prepared the World Bank's annual World Development Report, which focused on population and development. Dr. Birdsall has been a senior advisor to the Rockefeller Foundation and a consultant for the Asia Society, the American Association for the Advancement of Science, and the United Nations Fund for Population Activities. She has served on a number of committees of the National Academy of Sciences, including the Committee on the Human Dimensions of Global Change. She is a Member of the Board of the Population Council and the Overseas Development Council and the author of numerous publications on labor market, human resource and other development issues. Her most recent work is on the relationship between income distribution and growth.

Alan Blinder, Visiting Fellow, Princeton University, Princeton, NJ

Dr. Blinder is a Visiting Fellow in Economic Studies at Princeton University, focusing on macroeconomics, monetary policy, financial institutions, income distribution and international

trade. Dr. Blinder was formerly Vice Chairman of the Board of Governors of the Federal Reserve System (1994-96); a Member of the President's Council of Economic Advisors (1993-94); and Chairman of the Department of Economics at Princeton University (1975).

Charles Brewer, Chairman, EarthLink, Atlanta, GA

Mr. Brewer is Chairman of EarthLink, the renowned Internet service provider, and the Founder of MindSpring, which later joined with EarthLink. He was formerly CEO and CFO of AudioFax, Inc., a fax server software company, and Vice President of Sanders & Company, a venture capital firm.

Judy Brewer, Director, Web Accessibility Initiative (WAI) International Program Office, Cambridge, MA

Ms. Brewer is director of the Web Accessibility Initiative (WAI) at the World Wide Web Consortium (W3C). She coordinates five areas of work for W3C with regard to Web accessibility: ensuring that the technologies of the Web (HMTL, CSS, SMIL, XML, etc.) support accessibility; developing accessibility guidelines for Web content, user agents, and authoring tools; developing tools for evaluation and repair of Web sites; conducting education and outreach on Web accessibility; and monitoring research and development that may impact future accessibility of the Web. Ms. Brewer serves on a number of advisory committees and boards focusing on technology access for people with disabilities. She has received awards for her work on several national initiatives to increase access to mainstream technology for people with disabilities, including access to assistive technology through national health care reform; advocacy to increase the accessibility of the Windows 95 operating system; and consensus-based industry/disability development of Web accessibility guidelines. Prior to joining W3C, Ms. Brewer directed the Massachusetts Assistive Technology Partnership (MATP), a US Government-funded project promoting access to assistive technology for people with disabilities. Ms. Brewer has a background in management, technical writing, education, applied linguistics, and disability advocacy.

Dr. Andrew Brimmer, President, Brimmer & Co., Washington, DC

Dr. Brimmer is President of Brimmer & Co., a financial investment and economic consulting firm, and Wilmer D. Barrett Professor of Economics at the University of Massachusetts, Amherst. Dr. Brimmer was formerly Chairman of the District of Columbia Financial Responsibility and Management Assistance Authority (1995-98), where he helped to restore fiscal discipline to the District's finances under Congressional mandate. Dr. Brimmer served as a Member of the Federal Reserve Board (1966-74) and as a Visiting Professor at Harvard Business School (1974-76). Dr. Brimmer serves as a Board Member for several leading businesses, including Bank of America, American Security Bank, International Harvester Co., United Air Lines and Dupont Co.

John Bryant, Founder, Chairman of the Board and CEO, Operation HOPE, Inc., Los Angeles, CA

Mr. Bryant serves as Founder, Chairman of the Board and CEO of Operation HOPE, Inc. America's first non-profit investment banking organization. Mr. Bryant also serves as Chairman and Chief Executive Officer of Operation HOPE Banking Centers, the growing network of innovative for-

profit subsidiaries of Operation HOPE serving under-served communities. Mr. Bryant is also Chairman and CEO of the Bryant Group of Companies, a privately held business involved in investment banking and several business partnerships, and he sits on several corporate boards, including the Board of Directors of Southern Pacific Bank.

William J. Bynum, Director of Program Development, Enterprise Corporation of the Delta, Jackson, MS

Mr. Bynum is Director of Program Development of the Enterprise Corporation of the Delta. Based in Jackson, Mississippi, the Enterprise Corporation is a private business development organization that seeks to strengthen economic and human assets in the Delta regions of Arkansas, Louisiana, and Mississippi. Since beginning operations in mid-1994, ECD has provided financial and technical assistance to hundreds of firms and entrepreneurs and has attracted international attention for its innovative partnerships with banks, corporations, educational institutions, community development organizations and government. Mr. Bynum's current board service includes the Corporation for Enterprise Development, AmSouth Community Development Corporation, Center for Compatible Economic Development, Hope Community Credit Union, Southern Development Bancorporation and Calvert Social Investment Foundation.

Christina Caballero, President and CEO, Dialogue on Diversity, Inc, Washington, DC

Ms. Caballero is the founder of Dialogue on Diversity, a non-profit educational organization promoting women's entrepreneurship as the route to effective political and social empowerment. The entrepreneurial training, awareness conferences and public affairs symposia presented by Dialogue on Diversity have strongly emphasized the key role of information and communications technology in the operation of competitive enterprises, both now and, more yet, in the decades ahead. Ms. Caballero has led delegations to and from the former Soviet Union and to the 1995 UN Women's Conference in Beijing. She sits on the "Brain Trust" advisory group for the National Women's Business Council and works with the Congressional Caucus on Women's Issues, the SBA's Office of Women's Business Ownership, and the Department of Labor's Women's Bureau. She served as Chair of the 1996-7 Economics Task Force of the Coalition of Women's Appointments in collaboration with the National Women's Political Caucus and she was honored with the 1998 Diversity Award of the Business Women's Network. Ms. Caballero has served on the Board of the Washington, DC Chapter of the U.S. Hispanic Chamber of Commerce since 1998.

Phillip E. Cassidy, Executive Director, The Business Council, Washington, DC

Robert Chase, President, National Education Association, Washington, DC

Mr. Chase, a leading advocate for public education, is president of the 2.5 million-member National Education Association. A social studies teacher for 25 years from Danbury, Connecticut, Bob Chase is Chair of the Executive Board of the National Council for the Accreditation of Teacher Education and a Member of the Boards of the National Foundation for the Improvement of Education, the National Board for Professional Teaching Standards and the National Commission on Teaching and America's Future.

Richard Cohen, President, National Committee on Responsive Philanthropy, Washington, DC

Mr. Cohen joined the National Committee for Responsive Philanthropy in March, 1999 after having worked for nearly 7 years at the National Office of the Local Initiatives Support Corporation (LISC). At LISC, based in New York City, Mr. Cohen was LISC's Vice President for strategic planning, in charge of conducting strategic reassessments of LISC programs throughout the nation, conducting assessments of potential new LISC sites, developing special LISC programs such as LISC's national AmeriCorps program, and developing LISC's multi-year strategic plan. Mr. Cohen came to LISC after having been Vice President of the Enterprise Foundation, located in Columbia, Maryland, where he was in charge of nearly all of Enterprise's community development technical assistance services. Mr. Cohen spent four years as the Director of the Jersey City Department of Housing and Economic Development, where he was in charge of all affordable housing, homeless housing, and market rate housing and commercial development for a city of 220,000. Mr. Cohen has taught at several universities and is the author or co-author of several books and journal articles.

Susan M. Collins, Senior Fellow in Economic Studies, Brookings Institution, Washington, DC

Dr. Collins' areas of expertise are international economics and monetary issues, balance of payments, exchange rates, trade and labor markets, developing countries and economic growth. A Professor of Economics at Georgetown University, a former Associate Professor of Economics at Harvard University and a former Senior Staff Economist on the President's Council of Economic Advisors (1989-1990), Dr. Collins is the author of numerous articles. Her current book project is entitled *International Capital Flows, Currency Crises, and Growth* with Barry P. Bosworth.

Dennis Dammerman, Vice Chairman, General Electric, Stamford, CT

Mr. Dammerman serves as Vice Chairman of the Board and Executive Officer of GE. In addition, Mr. Dammerman holds the position of Chairman and CEO of GE Capital Services. Prior to serving in this capacity, Mr. Dammerman worked as GE's Senior Vice President for Finance and Chief Financial Officer and he was elected to the Board of Directors of GE in December, 1994. He was the youngest CFO in GE's history and has been a Director of GE Capital Services for 14 years. *CFO* magazine awarded Dammerman the first-ever "Lifetime Achievement Award for CFO Excellence." Mr. Dammerman is a Director of the Council of the Americas and a member of the Financial Executives Institute, the Council of Financial Executives, and the former President of the Financial Accounting Foundation.

William Darity, Cary C. Boshamer Professor of Economics, University of North Carolina, Chapel Hill, NC

Dr. Darity's research focuses on inequality, North-South theories of development and trade, history of economic thought and political economy, the Atlantic slave trade and the Industrial Revolution, and social psychology effects of unemployment exposure. At the University of North Carolina, Chapel Hill, he directs the Minority Undergraduate Research Assistants Program (MURAP), which is designed to encourage undergraduate minority students to consider careers as faculty members in the humanities, social sciences, and fine arts in American colleges and universities. Dr. Darity, who was President of the Southern Economic Association in 1997, has served as a Fellow at the National

Humanities Center (1989-90) and a Visiting Scholar at the Federal Reserve's Board of Governors (1984). He has taught economics at the Centro de Excelencia Empresarial (Monterrey, Mexico), Grinnell College, the University of Tulsa, the University of Texas at Austin, the University of Maryland at College Park, and Simmons College and he is the co-author of *Persistent Disparity: Race and Economic Inequality in the United States Since 1945* (forthcoming) and *The Black Underclass: Critical Essays on Race and Unwantedness*.

Kathryn M. Dominguez, Associate Professor of Economics and Public Policy, University of Michigan, Ann Arbor, MI

Dr. Dominguez is the author of numerous works on foreign exchange rate behavior, including *"Exchange Rate Efficiency and the Behavior of International Asset Markets"* and *"Does Foreign Exchange Intervention Work?"* (with Jeffrey Frankel). Previously on the faculty at the Kennedy School of Government at Harvard University and a research consultant for USAID, the Federal Reserve System, the IMF, and the World Bank, Dr. Dominguez's research interests include international financial markets and macroeconomics.

William C. Dudley, Managing Director, Goldman Sachs, New York, NY

Dr. Dudley is responsible for the economic and interest rate forecasts for the United States at Goldman, Sachs and Co., as well as overseeing the Canadian economic research effort. Prior to 1994, Dr. Dudley spent eight years analyzing U.S. financial market developments as senior economic advisor to Robert Rubin at Goldman Sachs. Prior to joining Goldman Sachs, Dr. Dudley was Vice President in charge of regulatory analysis at J.P. Morgan, where he co-authored and edited *Rethinking Glass-Steagall*, which helped lead to Section 20 securities affiliates for commercial banks. He began his career as an economist in the Financial Studies Section at the Federal Reserve Board, where he briefed the Board of Governors on payments and bank regulatory issues. Dr. Dudley is Co-Chair of the Economic Advisory Committee of the Bond Market Association, as well as a member of the technical consultants board to the Congressional Budget Office and the Brookings Council of the Brookings Institution. His written work includes articles on monetary and fiscal policy, Social Security reform, equity market valuation, Treasury inflation-protected securities, the determinants of foreign exchange rates, health care reform, bank regulation, and the LDC debt and thrift crises.

Nada Eissa, Assistant Professor of Economics, University of California, Berkeley, CA

Dr. Eissa is a Faculty Research Fellow of the National Bureau of Economic Research. Her current research focuses on public assistance and children's well-being, as well as Social Security. The recipient of the 1995 National Tax Association Annual Dissertation Award for her work on the effects of tax and transfer policy on female labor supply, Dr. Eissa has written articles on tax reform, tax and transfer programs and their effects on household behavior, program evaluation methods, environmental taxation, and the Earned Income Tax Credit.

E. David Ellington, Co-Founder, Chairman, President and CEO, NetNoir, Inc., San Francisco, CA

Mr. Ellington's corporation, NetNoir, is the leading media destination that connects people and businesses to black culture and lifestyle. NetNoir provides companies with marketing opportunities, market research, and media solutions. Prior to founding NetNoir, Mr. Ellington practiced international, entertainment, and multimedia/new technology law and served as Chairman of the International Law Section of the Beverly Hills Bar Association. He is Co-Founder and Chairman of the Board of Advisors of OpNet, the interactive media internship opportunities program, as well as a member of the board of the San Francisco Partnership's Multimedia Task Force and CompuMentor, which provides technical assistance to institutions that serve low-income populations. Mr. Ellington is a Member of the Advisory Board of the Progressive Policy Institute's New Media Task Force, a member of Technology Network PAC, and a Panelist for Western Region of the President's Commission on White House Fellowships, as well as Commissioner and President of the Telecommunications Commission for the City and County of San Francisco.

Melvin Farr, President, Mel Farr Automotive Group, Oak Park, MI

Mr. Farr is owner of the nation's largest African-American owned auto dealership chain, named the #1 African-American owned business in the United States last year by *Black Enterprise* magazine. Owner of eleven franchises in Michigan and Ohio, as well as Triple M Financing, a division of Mel Farr Automotive Group, Farr is seeking to make automobile more accessible to low- and moderate-income customers, particularly in urban areas. Before entering the automotive industry, Farr played football for UCLA and the Detroit Lions.

George C. Fatheree, III, Vice President of Community Development and Co-Founder of govWorks, Inc., New York, NY

Mr. Fatheree, III builds partnerships between govWorks, municipalities, government partners and affiliated organizations. He previously worked as a member of Booz Allen & Hamilton's Communications, Media & Technology Practice, where he advised several of the firm's clients on issues related to e-commerce and business-to-business Internet applications. Mr. Fatheree has worked extensively in Latin America, both on capital markets transactions for leading municipalities and privatizations of Latin American telecommunications companies.

Jeffrey Frankel, Harpel Chair of Capital Formation and Growth, Kennedy School of Government at Harvard University, Cambridge, MA

Dr. Frankel is also director of the National Bureau of Economic Research's Program in International Finance and Macroeconomics. After eighteen years on the faculty of the University of California at Berkely, Dr. Frankel was appointed by President Clinton to the Council of Economic Advisors in 1996, where he served until 1999. His responsibilities as Council Member included international economics, macroeconomics, and the environment. His current research interests include globalization, international finance, monetary policy, regional blocs, East Asia, and global climate change.

Patricia Garrison-Corbin, President and CEO, P.G. Corbin & Co., Inc., Philadelphia, PA

Ms. Garrison-Corbin is the Founder and CEO of P.G. Corbin & Company, Inc., an independent financial advisory company. The firm specializes in providing comprehensive advisory services to federal, state and local governments and government agencies. The firm's consultants have assisted governments nationwide and have provided advice on all matters pertaining to debt structuring and issuance, debt management, asset management, financial analysis and modeling, long-range strategic and capital planning. Since 1986, P.G. Corbin has served as financial advisor for over \$75 billion in tax-exempt and taxable financing.

Honorable Jamie S. Gorelick, Vice Chair, Fannie Mae, Chevy Chase, MD

Ms. Gorelick, as part of the three-person Office of the Chairman of Fannie Mae, manages the affordable lending products and the legal and regulatory responsibilities of the nation's largest source of funds for home mortgages. Prior to joining Fannie Mae in 1997, Ms. Gorelick was Deputy Attorney General of the United States. Before that time, she served as General Counsel for the Department of Defense and the Assistant to the Secretary and Counselor to the Deputy Secretary of Energy. She was President of the District of Columbia Bar from 1992-1993. Ms. Gorelick serves on the boards of DC College Access, the Washington Legal Clinic for the Homeless, the National Park Foundation, and the Carnegie Endowment for International Peace, among other organizations. A member of the Harvard Board of Overseers, Ms. Gorelick has taught at Harvard Law School and the Kennedy School of Government.

Robert Greenstein, Executive Director, Center on Budget & Policy Priorities, Washington, DC

Mr. Greenstein is considered an expert on the federal budget and in particular, the impact of tax and budget proposals on low-income people. Greenstein has written numerous reports, analyses, op-ed pieces, and magazine articles on poverty-related issues. He appears on national television news and public affairs programs and is frequently asked to testify on Capitol Hill. In 1994, he was appointed by President Clinton to serve on the Bipartisan Commission on Entitlement and Tax Reform. Prior to founding the Center in 1981, Greenstein was Administrator of the Food and Nutrition Service at the U.S. Department of Agriculture.

Nick Grouf, Founder, Chairman and CEO, PeoplePC

Mr. Grouf is the founder, chairman, and CEO of PeoplePC. PeoplePC simplifies participation in the "Network Economy" by making the acquisition of hardware and Internet access affordable through one monthly fee. Prior to founding PeoplePC, Mr. Grouf served as a Venture Partner at Softbank Technology Ventures, the largest shareholder of Yahoo!, E*Trade, and Ziff Davis, among other portfolio companies. Before joining Softbank, he was the Founder, President and CEO of Firefly Network, Inc., which was acquired by Microsoft in April 1998. Firefly was the leading provider of personalization technologies for the Internet and pioneered the P3P privacy standard, universally adopted by the US, EU and other nations. Mr. Grouf spent his early career with McKinsey & Co. in their New York office where he focused on the media and technology companies as well as Goldman Sachs where he worked in mergers and acquisitions.

**Gloria Guerrero, President and CEO, Rural Development and Finance Corporation,
San Antonio, TX**

Ms. Guerrero has over twenty years of experience in the field of housing, community development, and business finance. The Rural Development and Finance Corporation is a private, not-for-profit organization that provides technical assistance and financing to stimulate business and affordable housing in rural areas of the country. Ms. Guerrero is a Member of the Board of Directors of the Neighborhood Funders Group, serves on the Advisory Council of the Calvert Social Investment Fund, and has served as a consultant to not-for-profit organizations, including the Development Training Institute, the California Community Economic Development Association, the FannieMae Foundation and the Development Fund. In addition, she has delivered training and provided organizational development consulting to groups throughout the Southwest and Southeast.

Bronwyn H. Hall, Associate Professor of Economics, University of California, Berkeley, CA

Dr. Hall serves as a Temporary Professor of Economics and Fellow of Nuffield College at Oxford University, as well as a Research Associate at the National Bureau of Economic Research and a Research Associate at the Institute for Fiscal Studies in London. She is the Founder and Owner of TSP International, a computer software firm that maintains, distributes, and does continuing development on the TSP econometrics package. She has extensive expertise in the areas of patents as indicators of innovative output; firm size and growth; the effects of corporate restructuring on innovation and R&D. She also is interested in industrial policy, technology and science policy, and growth; empirical tests of transaction cost economics; and international comparisons of corporate governance and capital markets, especially France, Japan, the United Kingdom, and Germany.

**William R. Hambrecht, Chairman, CEO and Founder, WR Hambrecht & Co.,
San Francisco, CA**

Mr. Hambrecht, in addition to founding WR Hambrecht & Co., an online investment bank, is Co-Founder of the investment bank Hambrecht and Quist. WR Hambrecht & Co. is dedicated to leveling the playing field for investors by using technology to provide transparency in capital markets. WR Hambrecht & Co. is active in investment banking, electronic brokerage services, private equity, mergers and acquisitions advisory services, research, trading and electronic underwriting. Mr. Hambrecht also serves as director for KQED and Beacon Education Management. In 1999, TIME Digital named Hambrecht as one of the top 50 most influential people in technology.

Idit Harel, MaMaMedia, Inc., New York, NY

**Ruth R. Harkin, Senior Vice President for International Affairs and Government Relations,
United Technologies International, Hartford, CT**

Ms. Harkin was appointed in 1997 as United Technologies Corporation's Senior Vice President for International Affairs and Government Relations and Chair of United Technologies International,

UTC's international representation arm. Ms. Harkin joined UTC from the Overseas Private Investment Corporation, where she served as President and CEO. Prior to her work at OPIC, Ms. Harkin served as Deputy General Counsel at the Department of Agriculture, County Attorney of Story County, Iowa, and counsel at the law firm of Akin Gump, Strauss, Hauer and Feld. Ms. Harkin was a member of Russian Prime Minister Chernomyrdin's Foreign Investment Advisory Council and currently sits on the Board of the National Association of Manufacturers.

George Herrera, President & Chief Executive Officer, The United States Hispanic Chamber of Commerce, Washington, DC

Mr. Herrera was elected President & Chief Executive Officer of the United States Hispanic Chamber of Commerce in August 1998. As head of the organization, Mr. Herrera is primarily responsible for communicating the interests of over one million Hispanic-owned businesses across the country to both the private and public sectors, addressing critical economic issues that impact Hispanic entrepreneurs. Mr. Herrera has testified on numerous occasions before the U.S. House of Representatives and has authored several articles and journals concerning legislation and policies pertaining to small business. He was recently recognized by *Hispanic Business Magazine* as one of the 100 Most Influential Hispanics in the United States and is the creator of the first ever National Hispanic Business television show entitled, "Hispanic Business Today." Mr. Herrera currently sits on the Board of Directors of The Mexican American Solidarity Foundation, The Committee for Hispanic Children and Families, Inc., The Washington Center, Try US Resources and The Hemispheric Congress.

Debra Hickerson, President, National Association of Women Business Owners, Washington DC

Norman Hill, President, A. Philip Randolph Institute, Washington, DC

Mr. Hill directs the work of more than 200 APRI chapters in building black community support for the trade union movement and conveying to labor the needs and concerns of black Americans. After serving as the Chicago Coordinator for the Youth March for Integrated Schools and the National Program Director of the Congress of Racial Equality, among other positions, Mr. Hill served as Legislative Representative and Civil Rights Liaison of the Industrial Union Department of the AFL-CIO, where he helped to coordinate Dr. Martin Luther King's six-city 1964 get-out-the-vote tour. He has been with APRI since 1967.

Robert D. Hormats, Vice Chairman of Goldman Sachs International and Managing Director of Goldman, Sachs and Co., New York, NY

Dr. Hormats was appointed by President Clinton to The US-Russia Investment Fund in 1993. He served as Assistant Secretary of State for Economic and Business Affairs from 1981 to 1982, Ambassador and Deputy U.S. Trade Representative from 1979 to 1981, and Senior Deputy Assistant Secretary for Economic and Business Affairs at the Department of State from 1977 to 1979. In addition, he served as a Senior Staff Member for International Economic Affairs on the National Security Council from 1969 to 1977, during which time he was Senior Economic Advisor to Dr. Henry Kissinger, General Brent Scowcroft, and Dr. Zbigniew Brzezinski. The author of

numerous works on foreign policy, Dr. Hormats is a Board Member of the Council on Foreign Relations, Engelhard Hanovia, Inc., and Human Genome Sciences Inc.

Lyric Merrie Hughes, Founder and President, T.L.I. International Corporation, Chicago, IL

Ms. Hughes is the President of T.L.I. International Corporation, a marketing, consulting, and public relations firm with offices in Chicago, New York, Tokyo, and Beijing. Ms. Hughes works as a consultant to major US firms with operations in Asia and overseas. She has written extensively on advertising in China and frequently lectures at business schools. In 1985, Ms. Hughes arranged broadcast of the first Super Bowl in China, and in 1991, she introduced the Super Bowl in the former Soviet Union. Ms. Hughes founded T.L.I. in 1976 to assist corporations with cultural and linguistic problems in Japan.

Reed E. Hundt, Senior Advisor, McKinsey & Co., Washington, DC

Mr. Hundt is a Senior Advisor for Communications and Technology for McKinsey & Co. From 1993 to 1997, Mr. Hundt served as Chairman of the Federal Communications Commission. He advocated private competition and public benefits in communication, leading the way to deregulatory, pro-competitive policies that resulted in consumer choice, lower prices and better services. Under Mr. Hundt, an advocate of market-based spectrum policy, the FCC issued over 4,300 new wireless communication licenses and raised more than \$12 billion for the Treasury through competition-creating spectrum auctions. Mr. Hundt is also a Principal for Charles Ross Partners, a Special Advisor for Madison Dearborn Partners and a Venture Partner for Benchmark Capital.

Jerry Jasinowski, President and CEO, National Association of Manufacturers, Washington, DC

Mr. Jasinowski is a frequently quoted authority on political, economic and manufacturing trends. He is currently calling for a national strategy to boost economic growth and improve opportunities for employees through empowerment, education and wealth creation and he has written and lectured on what companies should do to increase their growth, particularly in terms of factory-floor productivity, going global and empowering and educating workers. In 1997, Mr. Jasinowski was awarded the Anti-Defamation League's Person of the Year Award for his leadership role in advancing more inclusive policies in the workforce. A one-time factory worker, Mr. Jasinowski became NAM's President in 1990, after serving as the Association's Executive Vice President and Chief Economist for ten years. Prior to joining NAM, Mr. Jasinowski served as Director of the Carter Administration's economic transition team for the department of Treasury, Commerce, and Labor, as well as the Federal Reserve and the Council of Economic Advisors. His work in Washington, D.C. followed service as a U.S. Air Force intelligence officer in the Far East in the 1960s, as an Assistant Professor of Economics at the U.S. Air Force Academy, and as a Manager of research and legislative activities for the Joint Economic Committee of Congress.

Philip N. Jefferson, Associate Professor, Economics Department, Swarthmore College, Swarthmore, PA

Dr. Jefferson, a former Research Economist at the Federal Reserve Board, teaches macroeconomics, monetary economics, and econometrics. His recent research has delved into such issues as the relationship between unemployment and small firms' financial constraints, government taxation via inflation, and the effect of the money supply on macroeconomic performance. Dr. Jefferson has received fellowships from the University of California, the American Economic Association, the University of Virginia, and the National Science Foundation. Dr. Jefferson has taught at the University of Virginia and Columbia University.

Robert L. Johnson, Chairman & CEO, Black Entertainment Television, Washington, DC

Mr. Johnson, the founder of Black Entertainment Television cable network, took BET Holdings public in 1991, making it the first black-owned and -controlled company traded on the New York Stock Exchange. BET Holdings II, Inc., one of the leading black-owned and operated multi-media entertainment companies, is committed to establishing BET as the most valued consumer brand within the black marketplace by delivering quality entertainment, information, and merchandise.

Roberta Katz, President and CEO, The Technology Network (TechNet), Palo Alto, CA

Dr. Katz, as President of TechNet, oversees a national bipartisan political network of technology industry executives. Previously, she served as Senior Vice President, Secretary, and General Counsel of Netscape Communications Corporation and Senior Vice President and General Counsel of McCaw Cellular Communications. Dr. Katz was also a Partner in the Seattle office of Heller, Ehrman, White, & McAuliffe. Before becoming an attorney, she was a cultural anthropologist specializing in issues of social and cultural change. Recently, she was named one of "The Fifty Most Influential Women Lawyers in America" by the *National Law Journal* and one of the "100 Most Influential Lawyers in California" by the *Daily Journal*.

Dr. Henry Kaufman, President, Henry Kaufman Company, New York, NY

Ms. Nancy Killifer, McKinsey & Company, Washington, DC

Ms. Killefer is a Senior Director and the Office Manager of the Washington, DC Office of McKinsey & Company, Inc. She is also a leader of McKinsey's Consumer and Retailing Practice Group, specializing in developing market strategies and improving organization effectiveness for a wide range of clients. Her client service has spanned a broad range of industries, including pharmaceuticals, OTC, retailing, packaged goods, and personal products. Nancy has recently returned to McKinsey from 2 ½ years as Assistant Secretary for Management, Chief Financial Officer and Chief Operating Officer at the United States Department of the Treasury. In addition to overall management responsibilities for Treasury's 14 bureaus and 160,000 people, she led a major modernization at the Internal Revenue Service, prepared Treasury's systems for Y2K, and reshaped management processes.

Mr. Orin S. Kramer, General Partner, Kramer Spellman, LP, Fort Lee, NJ

Mr. Kramer is the General Partner of Kramer Spellman, LP, which manages several investment vehicles focusing on the financial services industry. He was named by President Clinton as a Member of the Commission to Study Capital Budgeting. In June, 1995, he was designated by the Secretary of Treasury to serve as a Member of the Advisory Commission on Financial Services. In 1992, he served as a Coordinator of President-elect Clinton's transition team on financial services issues. In 1990, he was appointed by the Governor of California as Executive Director of the California Commission on Ratemaking for Workers Compensation Insurance. In 1986, he served as Vice-Chairman and Executive Director of a special commission appointed by Governor Cuomo to study the liability insurance crisis and civil justice reform, and he co-authored the New York DeWind Commission report on product deregulation for banks. Mr. Kramer has taught financial regulatory law at Columbia Law School and has published a number of studies on the financial services industry. From 1981 to 1983, Mr. Kramer was a Member of the Financial Institutions Group at McKinsey & Co., and from 1977 to 1981, he served as Associate Director of the White House Domestic Policy Staff, where he was the senior staff member responsible for the financial services industry, municipal finance and housing. Previously, Mr. Kramer had been an associate with the law firm of Simpson Thacher & Bartlett, a Commissioner of the New Jersey Sports and Exposition Authority, and Executive Director of the New York State Commission on Living Costs and the Economy.

Robert Kuttner, founder and co-editor, *The American Prospect*, Boston, MA

Mr. Kuttner is Founder and Co-Editor of *The American Prospect*. He writes regularly for the magazine about a variety of issues, often focusing on domestic and international economic policy. Kuttner is the author of five books: *Everything for Sale: The Virtues and Limits of Markets* (1997); *The End of Laissez-Faire* (1991); *The Life of the Party* (1987); *The Economic Illusion* (1984); and *Revolt of the Haves* (1980). He is one of five contributing columnists to *Business Week's* "Economic Viewpoint," and was the economics editor of *The New Republic*. His weekly editorial column originates in *The Boston Globe* and is syndicated nationally to about 20 major daily papers. Kuttner contributes major articles to *The New England Journal of Medicine* as a national policy correspondent. His work has also appeared in *The New York Times Magazine* and *The New York Times Book Review*, *The Atlantic Monthly*, *The New Yorker*, and *Harvard Business Review*. His occasional commentaries are heard on National Public Radio. He also appears on *Firing Line*, *Crossfire*, *Nightline* and the *PBS News Hour*. He has taught at Brandeis University, Boston University, the University of Massachusetts, and Harvard University's Institute of Politics. He has been a John F. Kennedy Fellow at Harvard, a Woodrow Wilson Fellow at the University of California at Berkeley, a Guggenheim Fellow, and a Radcliffe Public Policy Fellow. Kuttner's editorial column was the winner of the John Hancock Award for excellence in business and financial journalism. Kuttner also received the Jack London Award for labor journalism. He is the founder of the Economic Policy Institute, and serves on its board. He was the 1996 winner of the Paul Hoffman Award for Human Development of the United Nations, for his work on the

relationship of economic efficiency to social equality. His book *Everything for Sale* was the 1997 winner of the Sidney Hillman Award.

Robert Lawrence, Council of Economic Advisors, The White House

Dr. Lawrence was nominated by the President as a Member of the Council of Economic Advisers and was confirmed on August 5, 1999. Dr. Lawrence is currently on leave from Harvard University where he is the Albert L. Williams Professor of Trade and Investment at the John F. Kennedy School of Government. Dr. Lawrence held the New Century Chair as a non-resident senior fellow at the Brookings Institution, and founded and edited the Brookings Trade Forum. He is a Research Associate at the National Bureau of Economic Research. He also served as the Chair for the Project on Middle East Trade at the Institute for Social and Economic Policy in the Middle East, John F. Kennedy School of Government. Dr. Lawrence has been a Senior Fellow in the Economic Studies Program at the Brookings Institution (1983-91), a Research Associate at Brookings (1976-82), an instructor at Yale University (1975), and a professorial lecturer at the Johns Hopkins School of Advanced International Studies (1978-81). He has served as a consultant to the Federal Reserve Bank of New York, the World Bank, the OECD, and UNCTAD. He was a Member of the Presidential Commission on United States Pacific Trade and Investment Policy, and has served as a Member of the Advisory Committees of the Institute for International Economics, the Panel on Foreign Trade Statistics of the National Academy of Sciences, the Committee for Economic Development, the Overseas Development Council, and the Panel of Economic Advisors of the Congressional Budget Office. Dr. Lawrence has written over 100 papers and articles on topics in the field of international economics. His recent research has focused on global integration, trade in the Middle East, and the impact of trade on the labor market.

Robert E. Litan, Vice President and Director of Economic Studies Program, Brookings Institution, Washington, DC

Dr. Litan is Vice President and Director of Economic Studies Program at the Brookings Institution, where he also holds the Cabor Family Chair in Economics. He is the author or co-author or editor of over 20 books and 100 articles on a wider range of economic policy issues, including *Going Digital!* (with William Niskanen). He is currently co-directing a project, with Alice Rivlin, on the economic impact of the Internet. He is an expert in the areas of antitrust, banking, competitiveness, the Federal Reserve System, financial institutions, liability issues, savings and loans, and trade policy. He served in two positions in the Clinton Administration, as Deputy Assistant Attorney General in the Antitrust Division of the Justice Department (1993-95) and as Associate Director of the Office of Management and Budget (1995-96). He has also served as Visiting Lecturer in Banking Law at Yale Law School.

Lisa Lynch, Williams L. Clayton Professor of International Economic Affairs, The Fletcher School of Law and Diplomacy at Tufts University, Medford, MA

Dr. Lynch's research is focused on international comparisons of the impact of training and education on productivity, competitiveness, and pay. She was formerly a Chief Economist at the US Department of Labor and Editor of the *Journal of Labor Economics*.

John H. Makin, Resident Scholar, American Enterprise Institute for Public Policy Research, Washington, DC

Dr. Makin is a Resident Scholar at the American Enterprise Institute and specializes in the areas of tax and budget issues, monetary policy, international finance, and US-Japan relations. A Principal at Caxton Associates, LLC, Dr. Makin has been a member of the Panel of Economic Advisers of the Congressional Budget Office (1984-1994), Chairman of the Japan-United States Friendship Commission (1988-1992), and a consultant to the International Monetary Fund and the Department of the Treasury. A former Professor and Director of the Institute for Economic Research at the University of Washington, Dr. Makin has authored or co-authored several books and articles including *Debt and Taxes: How America Got into Its Budget Mess and What to Do about It*, *U.S.-Japan Economic Interdependence and Defense Burden Sharing*, and *Trade Policy and U.S. Competitiveness*.

Julianne Malveaux, President and CEO, Last Word Productions, Washington, DC

Dr. Malveaux is an economist, author, award-winning columnist, and national affairs commentator. Her most recent book, *Wall Street, Main Street, and the Side Street: A Mad Economist Takes a Stroll*, is a collection of her columns on economics, politics, gender, race and national affairs. Dr. Malveaux is the immediate past president of the National Association of Negro Business and Professional Women's Clubs, Inc., and is currently President and CEO of Last Word Productions, Inc. a full-service multimedia production, curriculum (issues) development, and training design organization. She has taught economics, public policy, African-American studies and women's studies, most recently as the Sister Julie Catharine Cunningham Chair in the School of Business at the College of Notre Dame in San Mateo, California.

Honorable David McCurdy, President, Electronics Industries Alliance, Arlington, VA

The Honorable David McCurdy, former Oklahoma Congressman, served in the House of Representatives for seven terms, (1981-1995) and attained numerous leadership positions including Chairman of the House Intelligence Committee, Chairman of the Military Installations and Facilities Subcommittee of the House Armed Services Committee, and Chairman of the Transportation, Aviation and Materials subcommittee of the Science and Space Committee. He is also the Co-Founder and former National Chairman of the Democratic Leadership Council. Then most recently, he served as Chairman and Chief Executive Officer of the McCurdy Group L.L.C., a successful business consulting and investment practice. Under his leadership, EIA has over two thousand member companies and is the national trade organization representing the \$500 billion US electronics manufacturing and information technology industry.

Nina McLemore, Senior Managing Partner, Regent Capital, New York, NY

Nina McLemore is Senior Managing Partner of Regent Capital Partners, LP, which is a private equity investment firm with \$35 million in private capital. Regent makes debt and equity investments in small- to medium-sized companies that require capital to expand their operations or to finance buyouts and recapitalizations. The Founder of Liz Claiborne, Ms. McLemore has

managed a wide variety of retail and manufacturing businesses concentrating in women's apparel. Former Chairman of the Fashion Group International, Ms. McLemore is currently serving as the Chair of the National Foundation for Women Business Owners and is a founding member of the Committee of 200.

L. Ray Moncrief, Executive Vice President and CEO, Kentucky Highlands Investment Corporation, London, KY

Mr. Moncrief also serves as President and CEO of Mountain Ventures, a wholly-owned subsidiary of Kentucky Highlands Investment Corporation. The Founder of Shadow, Inc. and former CEO of Medical Management Company, Mr. Moncrief has also held accounting positions at Firestone Tire and Rubber Company. Moncrief is an active Director on eight corporate Boards of Directors, a founding director and Treasurer of the Community Development Venture Capital Alliance (CDVCA) and is a member of the Board of Governors of the National Association of Small Business Investment Companies (NASBIC) and is a past member of the Executive Committee of NASBIC.

Dr. Marilyn Moon, Senior Fellow, The Urban Institute, Washington, DC

Dr. Marilyn Moon, a Senior Fellow at the Urban Institute, conducts research and policy analysis primarily in health policy. Recent publications include, *"Will the Care Be There? Vulnerable Beneficiaries and Medicare Reform"* and *"Can Competition Improve Medicare? A Look at Premium Support."* Since October 1993, she has been writing a periodic column for the Health section of *The Washington Post* on health reform and health coverage issues. She has recently completed her term as a public trustee for the Social Security and Medicare trust funds. Dr. Moon has served as an Associate Professor of Economics at the University of Wisconsin-Milwaukee, a Senior Analyst at the Congressional Budget Office, and the founding Director of the Public Policy Institute of the American Association of Retired Persons.

James W. Morrison, Senior Policy Advisor, National Association for the Self Employed, Washington, DC

Mr. Morrison is the Senior Policy Advisor to the National Association for the Self-Employed. With more than 200,000 members, NASE is the nation's second-largest business association, representing businesses with less than five employees. Morrison advises the organization on a range of issues, including taxation, regulation and deregulation, intellectual property, retirement security, and the globalization of commerce. He previously served in Brussels as the Policy Strategist to the World Travel & Tourism Council, where he focused on telecommunications deregulation in the European Union and the development of export trading rules for service industries. Morrison has represented independent inventors, as well as private firms in the fields of Internet security and telecommunications. He began working in Washington as a professional staff member of the Senate Small Business Committee.

Melissa Moss, President and CEO, Women's Consumer Network, Washington, DC

Ms. Moss' has a 20-year career in building national policy and political and educational organizations. She served as the Director of the Office of Business Liaison in the U.S. Department of Commerce, where she worked closely with the late Commerce Secretary Ron Brown and the CEOs of America's leading companies. Ms. Moss serves on the boards of First Book (a national literacy program) and the National Partnership for Women and Families, and assists the Alumni Association of the Kennedy School of Government at Harvard University.

Alicia H. Munnell, Peter F. Drucker Chair in Management Sciences, Carroll School of Management, Boston College, Chestnut Hill, MA

Dr. Munnell came to Boston College from a long career in government. She spent 20 years at the Federal Reserve Bank of Boston, where she became Senior Vice President and Director of Research. She left the Boston Federal Reserve Bank in 1993 to become Assistant Secretary of the Treasury for Economic Policy, then moved to the President's Council of Economic Advisers. Her teaching and research interests are in the area of tax policy, social security, public and private pensions, productivity growth, infrastructure and general monetary and fiscal policy. She has published articles on these topics in leading journals such as the *American Economic Review*, *Journal of Political Economy*, and *National Tax Journal*. Among many other affiliations, Dr. Munnell was Co-Founder and first President of the National Academy of Social Insurance. She is currently a member of the Institute of Medicine, the National Academy of Public Administration, and the Pension Research Council at Wharton.

William D. Nordhaus, Professor, Department of Economics, Yale University, New Haven, CT

Professor Nordhaus is the A. Whitney Griswold Professor of Economics at Yale University. He has been on the faculty of Yale University since 1967 and has been Full Professor of Economics since 1973. From 1977 to 1979, he was a Member of the U.S. President's Council of Economic Advisers. From 1986 to 1988 he served as the Provost of Yale University, and from 1992 to 1993 he was the Vice President for Finance and Administration at Yale. He is a member and senior advisor of the Brookings Panel on Economic Activity, Washington, DC and is a Fellow of the American Academy of Arts and Sciences. Professor Nordhaus is current or past editor of a number of scientific journals and has served on the executive committees of the American Economic Association and the Eastern Economic Association. He is the author of many books, among them, *Invention, Growth and Welfare, Is Growth Obsolete?*, *The Efficient Use of Energy Resources*, *Reforming Federal Regulation*, *Managing the Global Commons*, and (joint with Paul Samuelson) the classic textbook, *Economics*, now in its sixteenth edition. His research has focused on economic growth and natural resources, as well as the question of the extent to which resources constrain economic growth, with pioneering work beginning in the 1970s on the economics of global warming. Professor Nordhaus has also undertaken studies in wage and price behavior, augmented national accounting, the political business cycle, productivity, and the costs and benefits of regulation. Recently, his work has focussed on the economics of global warming, including the

construction of integrated economic and scientific models to determine the efficient path for coping with climate change.

Larry L. Orr, Abt Associates, Bethesda, MD

Dr. Larry L. Orr is Chief Economist and Vice President of Abt Associates. A nationally recognized expert in evaluation design, over the past 30 years he has participated in the design and implementation of more than 20 large-scale demonstrations and program evaluations. Dr. Orr was project director of the 8-year, \$20 million National JTPA Study, the National Evaluation of Community Service Programs, and the evaluation of the seven-state AFDC Homemaker-Home Health Aide Demonstrations. Dr. Orr has published extensively on the evaluation of public programs, including a number of articles in professional journals; he has authored, co-authored, or edited six books. His graduate level text, *Social Experiments: Evaluating Public Programs with Experimental Methods*, was published in October 1998. He serves on the Editorial Board of the journal *Evaluation and Program Planning* and from 1991-93 was a member of the National Academy of Sciences *Committee on Postsecondary Education and Training*. Prior to joining Abt, he directed the Office of Technical Analysis, U.S. Department of Labor, and the Office of Income Security Policy Research, U.S. Department of Health, Education, and Welfare.

Peter Orszag, President, Sebago Associates, Belmont, CA

Dr. Orszag is President of Sebago Associates, Inc., an economic policy consulting firm, and a lecturer in economics at the University of California, Berkeley. Prior to founding Sebago Associates, Dr. Orszag served as Special Assistant to the President for Economic Policy at the White House, where his portfolio included Social Security, climate change, personal bankruptcy reform, and a variety of other economic policy issues. He has also served as an Economic Adviser to the Russian Government, and as Senior Economist and Senior Adviser on the President's Council of Economic Advisers. He is a member of the Council on Foreign Relations, the Pacific Council on International Policy, and the National Academy of Social Insurance.

Steven Rattner, Partner, Quadrangle Group, New York, NY

Rattner served as Deputy Chairman and Deputy Chief Executive Officer of Lazard Frères & Co., prior to the formation of Quadrangle, a private investment firm specializing in the media and communications industries, in March 2000. Active in public policy matters, he has worked with the IMF Advisory Committee, the President's Commission to Study Capital Budgeting, and the International Competition Policy Advisory Committee. Mr. Rattner is also a Trustee for the Public Policy Institute and has served as Finance Chairman for Vice President Gore and Senator Charles Schumer. His philanthropic activities include being Chairman of the Educational Broadcasting Corporation, Chairman of the Budget and Finance Committee, Trustee of Brown University, the Metropolitan Museum of Art, the Museum of Television and Radio, and the Brookings Institution.

Earl S. Richardson, President, Morgan State University, Baltimore, MD

Dr. Richardson is the 11th President of Morgan State University in Baltimore, Maryland. He has been a Fellow of the Ford Foundation and the Kellogg Foundation and has conducted extensive

research on critical problems in higher education relevant to racial autonomy, desegregation and integration. He has written several articles on the implications of proposals to merge historically Black institutions with white institutions and on inter-institutional cooperation in higher education. Before becoming President of Morgan State University in 1984, Dr. Richardson held numerous positions in government, including: Assistant to the President of the University of Maryland System; Executive Assistant to the Chancellor, Director of Career Planning and Placement and Acting Director of Admissions and Registration at the University of Maryland Eastern Shore. He has also taught at the undergraduate level. Since becoming President of Morgan State University, Dr. Richardson has fashioned an all-encompassing strategy for strengthening academic programs, improving fiscal management, stabilizing student enrollment, accelerating fund-raising efforts and renovating the University's physical plant. As a result of his leadership, Morgan has experienced growth and improvement over the last decade and is in the midst of a true Renaissance. Dr. Richardson is also very active in civic and community organizations. He serves as a member of the Boards of the Maryland Business Roundtable for Education, the American Council on Education's (ACE) Commission on International Education, among many others.

Jerry Rickett, President and CEO, Kentucky Highlands Investment Corp., London, KY

Mr. Rickett, as President and CEO of the Kentucky Highlands Investment Corporation, is innovative in managing the company's assets directing funds to development projects throughout Kentucky. Prior to his service with the KHIC, Mr. Rickett was Chief Planner with the Cumberland Valley Area Development District and Physical Planner with the Kentucky River Area Development District.

Alice M. Rivlin, Senior Fellow, Economic Studies, Brookings Institution, Washington, DC

Dr. Rivlin is a Senior Fellow in Economic Studies at the Brookings Institution and Chair of the District of Columbia Financial Management Assistance Authority. She served as a member of the staff at Brookings from 1957 to 1966, from 1969 to 1975, and from 1983 to 1993, and was Director of Economic Studies from 1983 to 1987. Before returning to Brookings, Ms. Rivlin served as Vice Chair of the Federal Reserve Board from 1996 to 1999. She was Director of the White House Office of Management and Budget from 1994 to 1996, and before that served as Deputy Director (1993-94). In 1992 she was Hirst Professor of Public Policy at George Mason University. Ms. Rivlin also was the founding Director of the Congressional Budget Office, a position she held from 1975 to 1983. She also served at the Department of Health, Education and Welfare as Assistant Secretary for Planning and Evaluation (1968-69) and as Deputy Assistant Secretary for Program Coordination (1966-68). Ms. Rivlin has received a MacArthur Foundation Prize Fellowship, taught at Harvard University, served on the Boards of Directors of several corporations, and been President of the American Economic Association. She is a frequent contributor to newspapers, magazines, and journals and has written numerous books, the most recent *Reviving the American Dream*.

Elisa Maria Sanchez, President, MANA, Washington, DC

Ms. Sanchez is the President and CEO of MANA, a National Latina Organization. She was elected to the post in 1994 and will serve through 2000. MANA is a pan-Latina membership organization

dedicated to empowering Latinas. Prior to coming to MANA, Sanchez was the Coordinator for International Trade and Border Economic Development with the Department of Transborder Affairs, County of San Diego. In that capacity, she hosted business delegations from Pacific Rim countries interested in doing business in the transborder region and advised the Board of Supervisors on trade issues. Sanchez currently sits on the Boards of The National Committee on Responsive Philanthropy as Secretary; The National Committee on Pay Equity; the Hispanic Association on Corporate Responsibility as Treasurer; the National Hispanic Leadership Agenda Executive Committee; and the Women's Intercultural Network, which she co-founded. She is also an active member of the National Council of Women's Organizations, an historic coalition of 130 women's organizations. She was recently sworn in by Vice President Gore to represent MANA on the National Women's Business Council, a federal advisory panel that supports the growth of women-owned businesses. She has been a delegate to the National Summit on Retirement Savings authorized by Savings Are Vital to Everyone's Retirement Act (SAVER) of 1997, The White House Conference on Social Security and the Presidential Rank Awards Panel. Sanchez has also served on other national boards including the Planned Parenthood Federation of America and the Alan Guttmacher Institute both in New York City, the Women's Campaign Fund in Washington, DC, ETR Associates in Santa Cruz, CA and the Latino Issues Forum in San Francisco. In 1996, and again in 1998, she was named one of the 100 Most Influential Hispanics by Hispanic Business Magazine. In 1997, at the 20th Anniversary Congressional Hispanic Caucus Institute Gala, she was awarded the Medallion of Excellence for advancing the status of Latinas in our society.

Richard Santos, Associate Professor of Economics, University of New Mexico, Albuquerque, New Mexico

Dr. Santos is an Associate Professor of Economics at the University of New Mexico. He is also affiliated with the College of Pharmacy and the Southwest Hispanic Research Institute. His areas of expertise are labor and health economics, with a specialization in Hispanic employment issues. He is the author of a book on Hispanic youth and other articles on education, employment, and health issues. Professor Santos has served on the Board of Economists of Hispanic Business Magazine. His research efforts include a study of poverty in New Mexico, and he is currently involved in a collaborative research project, which addresses access and the costs aspects of Medicaid and managed care in New Mexico.

Isabel V. Sawhill, Senior Fellow in Economic Studies, Brookings Institution, Washington, DC

Dr. Sawhill, in addition to being the first holder of the Adeline and Alfred Johnson Chair at the Brookings Institution, also directs the Brookings Roundtable on Children and serves as President of the National Campaign to Prevent Teen Pregnancy. The author of numerous books and articles, Dr. Sawhill has served as a Senior Fellow at the Urban Institute, Associate Director of the Office of Management and Budget, Director of the National Commission for Employment Policy and President of the Association for Public Policy Analysis and Management.

Charles L. Schultze, Senior Fellow Emeritus, Economic Studies, Brookings Institution, Washington, DC

Dr. Schultze holds the position of Senior Fellow Emeritus at the Brookings Institution and has an expertise in budget and fiscal policy, macroeconomics, and inflationary and standard of living issues. He was a Senior Fellow at Brookings from 1968-1976 and 1981-1997. He served as former Director of Economic Studies at Brookings; former President of the American Economic Association; former Chairman of the President's Council of Economic Advisors (1977-80); and former Director of the U.S. Bureau of the Budget (1965-67). He held the position of President of the American Economic Association 1984. He has published several books and articles including: *Setting Domestic Priorities: What Can Government Do?*, co-editor with Henry J. Aaron (1992); *Memos to the President: A Guide Through Macroeconomics for the Busy Policymaker* (1992); *An American Trade Strategy: Options for the 1990s*, co-editor with Robert Z. Lawrence (1990); *American Living Standards: Threats and Challenges*, co-editor with Robert E. Litan and Robert Z. Lawrence (1988) among others.

Derek Scott, Economic Advisor to British Prime Minister, Tony Blair, London, U.K.

Derek Scott is Economic Adviser to the British Prime Minister, Tony Blair. Before the election, he combined working for Prime Minister Blair with the post of Director of European Economics at BZW, a post he has now resigned. He joined BZW in 1986. Before that, he was Chief Economist at Shell (UK) Ltd. and International Policy Adviser for Shell International. Between 1976 and 1979, he was Special Adviser to Chancellor of the Exchequer Denis Healy at HM Treasury, and subsequently for former Prime Minister Jim Callaghan when he was Leader of the Opposition.

Gail S. Shaffer, CEO, Business and Professional Women USA and the BPW Foundation, Washington, DC

Ms. Shaffer's organization, founded in 1919, advocates for working women on issues such as pay equity, child care, pension reform, and affirmative action. Prior to joining BPW/USA, Ms. Schaffer served as Secretary of the State of New York. She is also the founding CEO of Revenue Recovery Services, LP and a Member of the Council on Foreign Relations.

Robert J. Shiller, Stanley B. Resor Professor of Economics, Cowles Foundation for Research in Economics, Yale University, New Haven, CT

Dr. Shiller is the Stanley B. Resor Professor of Economics at Cowles Foundation for Research in Economics at Yale University. He is Research Associate of the National Bureau of Economic Research, a fellow of the American Academy of Arts and Sciences, a Fellow of the Econometric Society, a Member of the Academic Advisory Panel for the Federal Reserve Bank of New York, and a recipient of a Guggenheim fellowship. He has written widely on financial markets, macroeconomics, real estate, statistical methods, behavioral economics, and on public attitudes, opinions, and moral judgments regarding markets. His 1989 book *Market Volatility*, was a mathematical and behavioral analysis of price fluctuations in speculative markets. His 1993 book

Macro Markets: Creating Institutions for Managing Society's Largest Economic Risks proposed a variety of new risk-management contracts, such as futures contracts in national incomes or in real estate, that would revolutionize the management of risks to standards of living. This book won the 1996 Paul A. Samuelson Award, TIAA-CREF. His 2000 book *Irrational Exuberance* is an analysis and explication of the stock market boom 1982-2000. He is Co-Founder of Case Shiller Weiss, Inc., an economics research and information firm in Cambridge, MA.

Margaret C. Simms, Vice President for Research, Joint Center for Political and Economic Studies, Washington, DC

Dr. Simms, prior to joining the staff of the Joint Center as Deputy Director of Research in 1986, was a Program Director at the Urban Institute. Dr. Simms was on the faculty of Atlanta University and the University of California at Santa Cruz. She was editor of the *Review of Black Political Economy* and chaired the Board of Directors of the Institute for Women's Policy Research. She currently serves as a member of the Policy Council of the Association for Public Policy Analysis and Management.

Barbara Simons, President, Association for Computing Machinery, Palo Alto, CA

Dr. Simons was elected President of ACM in 1998. ACM is the oldest and largest scientific and educational computer society in the world, with about 80,000 members internationally. Prior to becoming ACM President, Simons chaired ACM's US Technology Policy Committee (USACM) and the ACM Committee for Scientific Freedom and Human Rights. Simons was elected Secretary of the Council of Scientific Society Presidents (CSSP) in 1999 and she has been on the CSSP Board since 1998. She has been a member of the U.C. Berkeley Engineering Fund Board of Directors since 1998. Simons is a Fellow of ACM and of the American Association for the Advancement of Science. After completing her graduate work, Dr. Simmons joined IBM's Applications Development Technology Institute and subsequently served as senior technology advisor for IBM Global Services. Simons holds several patents and has authored numerous technical papers. Simons was selected by c|net as one of its 26 Internet "Visionaries" and was named one of the "Top 100 Women in Computing" by Open Computing. She has received the Norbert Wiener Award from the Computer Professionals for Social Responsibility and the Pioneer Award from the Electronic Frontier Foundation. Simons currently serves on the President's Export Council's Subcommittee on Encryption and she had been a Member of the Information Technology Working Group of the President's Council on the Year 2000 Conversion. She has testified before both the U.S. and the California legislatures and at government sponsored hearings on cryptography, medical privacy, authentication for access to on-line records, and intellectual property on the Internet. Simons is a Co-Founder of the U.C. Berkeley Computer Science Department Reentry Program for Women and Minorities. She has also worked for over twenty years to encourage women and girls to enter computer science and related fields.

Allen Sinai, Chief Global Economist and President and CEO, Primark Decision Economics, Inc., New York, NY

Dr. Sinai is the founder of Primark, which is a global economic and financial market information and advisory firm serving financial institutions, corporations, governments and individual investors.

He is responsible for the firm's forecasts and analyses of the United States, international economies, and financial markets. Previously, Dr. Sinai was Chief Global Economist and a Managing Director at Lehman Brothers, Inc., the director of Lehman Brothers Global Economic, and Senior Vice President and Chief Financial Economist at Data Resources, Inc., where he was the Co-Developer of the DRI Model of the U.S. Economy. A pioneer in econometric model building and the information systems approach to economic forecasting, analysis, and monitoring, Dr. Sinai has 25 years of experience in scientific quantitative research with applications to business and financial markets, as well as in managing businesses and in active involvement with markets. Dr. Sinai has authored or co-authored 40 articles, has taught at numerous universities, and has consulted the Federal Reserve Board and administrations of both political parties.

David A. Smith, Director, Public Policy Department, AFL-CIO, Washington, DC

Mr. Smith is director of the Public Policy Department, AFL-CIO. The department's work covers a wide range of domestic and international concerns with a special emphasis on economics. Prior to joining the AFL-CIO, Mr. Smith served as senior deputy budget director and as commissioner of economic development for the City of New York. Mr. Smith is a former aide to Senator Edward M. Kennedy, and as a senior economist for the Joint Economic Committee of Congress. Mr. Smith has taught economics and public policy at the University of Massachusetts and the New School for Social Research, and is a Senior Fellow at the Century Foundation (formerly The Twentieth Century Fund). Mr. Smith is a Member of the Board of Directors of the National Bureau of Economic Research, and a Member of the Treasury Department's Advisory Committee on the International Monetary Fund.

Edward M. Smith, Vice President, Regional Manager, Midwest Region Laborer's International Union of North America, Washington, DC

Mr. Smith became Manager of the Midwest Region in 1994. Smith began his union career in 1968 when he joined Laborers' Local 773 in Cairo, Illinois. He was elected Business Manager/Secretary-Treasurer in 1976 and served in the position until 1994. In 1981, he was appointed International Representative for the Springfield Region and was later appointed Legislative Director for the State of Illinois. Smith was elected President of the Southern Illinois Laborers' District Council in 1986 and Business Manager in 1990 and served in these positions until 1994.

Sung Won Sohn, Senior Vice President and Chief Economist, Wells Fargo & Company Minneapolis, MN

Dr. Sohn became the Senior Vice President and Chief Economist for Wells Fargo & Company in 1998, after 25 years as Norwest Corporation's Chief Economist. At Wells Fargo, Dr. Sohn is responsible for international, national, regional and agricultural economics, and speaks on behalf of the company about economic issues. Dr. Sohn's views are frequently sought by the top media in the nation including the *Wall Street Journal*, *The New York Times*, *Business Week*, *The Washington Post*, the *Associated Press* and major regional newspapers across the country. He also appears on National Public Radio and various television news programs. Before joining Norwest in 1974, Dr. Sohn was a senior economist on the President's Council of Economic Advisers, where he was

responsible for economic and legislative matters pertaining to the Federal Reserve and financial markets. He has also been a professor in the Pennsylvania State University system.

William Spriggs, President, National Economists Association, Washington, DC

Dr. Spriggs is the President of the National Economists Association, the organization of professional black economists, serves on the *Black Enterprise* magazine Board of Economists, and is a member of the National Academy of Social Insurance. Most recently, he edited the National Urban League's *State of Black America 1999*. He also directs the National Urban League's Washington Operations office and is responsible for the planning and administrative management of the League's research, legislative, public policy and advocacy efforts as the Director of Research and Public Policy of the National Urban League. Previously, he served as Senior Advisor to the Associate Deputy Administrator for Government Contracting and 8(a) Business Development of the Small Business Administration. He also held the position of Special Advisor in the Office of the Under Secretary for Economic Affairs at Commerce.

Earl Stanford Richardson, President, Morgan State University in Baltimore, Maryland

Dr. Richardson has been a Fellow of the Ford Foundation and the Kellogg Foundation and has conducted extensive research on critical problems in higher education relevant to racial autonomy, desegregation and integration. He has written several articles on the implications of proposals to merge historically black institutions with white institutions and on inter-institutional cooperation in higher education.

Bruce Steinberg, Chief Economist, Merrill Lynch and Co., New York, NY

Dr. Steinberg is the primary economic spokesman for Merrill Lynch and Co. In this position, he communicates his economic, interest rate, and earnings outlooks to Merrill Lynch's clients. Dr. Steinberg was appointed Chief Economist in April 1997, having joined Merrill Lynch in 1986 as First Vice President and Manager of Macroeconomic Analysis. Prior to joining Merrill Lynch, Dr. Steinberg was Associate Editor and Economist at *Fortune* Magazine and taught economics at Rutgers University of New York at Stony Brook.

Joshua L. Steiner, Quadrangle Group, LLC, New York, NY

Eugene Steuerle, Senior Fellow, Urban Institute, Washington, D.C.

Dr. Steuerle is a Senior Fellow at the Urban Institute and author of a weekly column, "Economic Perspective," for *Tax Notes* magazine. At the Institute, he has conducted extensive research on budget and tax policy, Social Security, charitable sector issues, health care and welfare reform. Dr. Steuerle is the author, co-author, or editor of eight books, and more than 125 reports and articles, 500 columns and 45 Congressional testimonies or reports. Earlier in his career he served in various positions in the Treasury Department under four different Presidents and was eventually appointed Deputy Assistant Secretary of the Treasury for Tax Analysis. Between 1984 and 1986 he served as Economic Coordinator and original organizer of the Treasury's tax reform effort. A former IRS Commissioner has written "During the past decade, few people have had greater impact on major

changes in the tax law and the principal improvements in tax compliance and administration." Dr. Steuerle serves as chair of the Technical Panel advising Social Security on its methods and assumptions and has recently served as an advisor, consultant, or board member to or for the National Commission on Retirement Policy, the U.S. General Accounting Office's Advisory Panel on Social Security, the American Tax Policy Institute, the Joint Committee on Taxation, retreats of the Senate Finance Committee and the House Ways and Means Committee, the International Monetary Fund, the IRS, the Entitlement Commission, the Department of Labor, the National Commission on Children, a Technical Panel to the Social Security Advisory Council, the National Academy on Aging, and as a Member of the Capital Formation Subcouncil of the Competitiveness Policy Council. As a Member of the International Monetary Fund Fiscal Affairs Advisory Committee, Dr. Steuerle also has undertaken tax assistance missions to China, while the government of Barbados recently undertook a tax reform effort modeled after a report that he co-authored as head of another mission. Previous positions also include Federal Executive Fellow at the Brookings Institution, Resident Fellow at the American Enterprise Institute, and President of the National Economists' Club Education Foundation.

Joseph E. Stiglitz, Brookings Institution, Washington, DC

Dr. Stiglitz served as the Senior Vice President for Development Economics and Chief Economist at the World Bank prior to beginning his work at the Brookings Institution. Dr. Stiglitz, a former Chair of the Council of Economic Advisers, has also been a Professor of Economics at Princeton, Yale, and All Souls College, Oxford. Dr. Stiglitz helped create a new branch of economics – "The Economics of Information," – which has received widespread application throughout the field. In the late 1970's and early 1980's Dr. Stiglitz helped revive interest in the economics of technical change and other factors that contribute to long-run increases in productivity and living standards.

Diane C. Swonk, Chief Economist and Senior Vice President, Bank One Corporation, Chicago, IL

Ms. Swonk, as Chief Economist and Senior Vice President, manages Bank One's Corporate Economics Group. In addition, she is currently the youngest President of the National Association for Business Economics in the history of the organization. One can frequently find her commentary in the Financial pages of *The Wall Street Journal*, *The New York Times*, and *Business Week*. She was named one of the *Wall Street Journal*'s "Star Forecasters," and *Today's Chicago Woman* named her the "Top Woman in Finance in Chicago."

John B. Taylor, Professor of Economics, Stanford University, Stanford, CA

Dr. Taylor is a Senior Fellow, supported by the Bowen H. McCoy Fellowship, at the Hoover Institution. He is also the Mary and Robert Raymond Professor of Economics at Stanford University. Senior Economic Policy Adviser to Bob Dole during the 1996 presidential campaign and a current a member of the California Governor's Council of Economic Advisers, Dr. Taylor was Member of the Council of Economic Advisers during the Bush Administration. In that capacity, he was responsible for assembling the administration's economic forecasts and was a member of the U.S. delegation to the Uruguay Round and to the U.S.- Japan trade talks. He traveled to Poland, Yugoslavia, Hungary, and Romania to discuss economic reforms and U.S. technical assistance with

government leaders in these countries. Taylor's government service also includes positions as consultant to the Federal Reserve Board and the Congressional Budget Office, as well as Senior Staff Economist on the President's Council of Economic Advisers in 1976-1977. An Honorary Adviser to the Bank of Japan and the former Co-Editor for macroeconomics and international economics at the *American Economic Review*, Taylor is the author of more than a hundred research papers and books on economics. His recent research is on the causes of the business cycle, inflation, and the role of monetary policy.

Kermit Thomas, KRT Group, Atlanta, GA

Mr. Thomas is President of the KRT Group, a housing, economic development and lobbying company involved in a variety of public/private development projects, with offices in Atlanta, New York, St. Louis and New Orleans. Formerly President and Chief Operating Officer of Gateway Community Hospital, East St. Louis, IL, Mr. Thomas is active in a number of prominent civic and community organizations, including the National Black Chamber of Commerce, the largest trade organization for persons of color in the United States.

Hal R. Varian, Dean, School of Information Management and Systems at the University of California, Berkeley; Professor, Haas School of Business and Department of Economics, Berkeley, CA

Dr. Varian is the Dean of the School of Information Management and Systems at the University of California, Berkeley. He is also a Professor at the Haas School of Business, a Professor in the Department of Economics, and holds the Class of 1944 Professorship. He has taught at MIT, Stanford, Oxford, Michigan and other universities around the world. Dr. Varian is fellow of the Guggenheim Foundation, the Econometric Society, and the American Academy of Arts and Sciences. He has served as co-editor of the *American Economic Review* and is on the editorial boards of several journals. Professor Varian has published numerous papers in economic theory, industrial organization, financial economics, econometrics and information economics. He is the author of two major economics textbooks, which have been translated into 11 languages. His recent work has been concerned with the economics of information technology and the information economy. He is the co-author of a bestselling book on business strategy, *Information Rules: A Strategic Guide to the New Economy*.

Edward Yardeni, Chief Economist, Deutsche Bank, New York, NY

Dr. Yardeni is the Chief Economist and a Managing Director of Deutsche Bank Securities (North America). Working from the firm's headquarters in New York City, he writes the Global Economic Analysis, Global Portfolio Strategy, Global Economic Briefing, and Y2K Reporter, as well as a variety of topical studies. In these publications, Dr. Yardeni explores issues and trends in the economy and financial markets that are vital to a broad spectrum of decision-makers. Dr. Yardeni previously served as Chief Economist for C.J. Lawrence, Prudential Securities, and E.F. Hutton. He taught at Columbia University's Graduate School of Business, and was an economist with the Federal Reserve Bank of New York. He also held positions at the Federal Reserve Board of Governors and the U.S. Treasury Department in Washington, DC. Dr. Yardeni has published articles in *The Wall Street Journal*, *The New York Times*, and *Barron's*. He writes monthly for

Nikkei Financial Daily and *Nikkei Business*. He has appeared on numerous television and radio shows, including Wall Street Week and CNN's Moneyline.

Janet Yellen, Professor, University of California at Berkeley, Berkeley, CA

Dr. Yellen is a Eugene E. and Catherine M. Trefethen Professor of Business Administration and Haas Economic Analysis and Policy Group and Professor in the Department of Economics at the University of California at Berkeley. She has been at the Haas School of Business since 1980. Dr. Yellen's expertise lies in unemployment and labor markets; monetary and fiscal policies; and international trade and investment policy. She has served as Chair of the President's Council of Economic Advisors (1997-99); Governor for the Board of Governors of the Federal Reserve System (1994-97); and held teaching positions at the London School of Economics and Political Science and Harvard University. Other major accomplishments include: Chair, Economic Policy Committee of the Organization for Economic Cooperation and Development (1997); President's Interagency Committee on Women's Business Enterprise (1997); and member and senior adviser of the Brookings Panel on Economic Activity

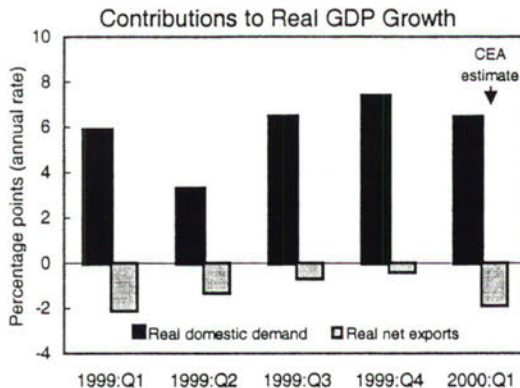
MACROECONOMIC UPDATE

The Boom Goes On

The economy continues to grow, with domestic demand remaining very strong. The consensus forecast for real GDP growth over the four quarters of 2000 has moved up to 3.4 percent, 0.7 percentage points above last November's consensus.

Domestic demand. Despite past concerns about a post-Y2K slump, real consumption appears to be growing at about a 6½ percent annual pace in the

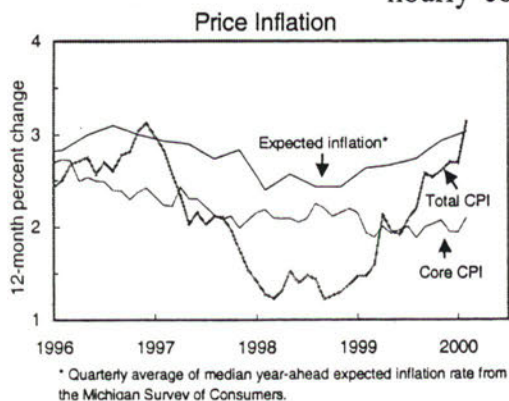
first quarter and is consistent with record levels of consumer confidence. Investment in computer-related equipment is also set for a solid gain after slowing in the fourth quarter. With domestic demand growing faster than domestic supply, imports are rising faster than exports so that net exports are reducing real GDP growth—at least based on January data (see upper chart).



Jobs. Job growth was anemic in February (possibly because of unusual weather), but initial claims for unemployment insurance for the 4-week period through mid-March have fallen to the lowest level of this expansion. Despite the tight labor market, nominal increases in the ECI measure of hourly compensation have been stable for the past 3 years.

Inflation. Over the past 3 years, the recipe for low and stable inflation has included stable growth in hourly compensation offset by strong productivity

growth and falling nonoil import prices. Thus far, the recent inflation pickup has been confined to petroleum products. The longer-term worry is that the boost to CPI inflation from petroleum prices will elevate wage demands and upset the balance between wages and productivity. Surveys of inflation expectations have started to move upward—but only modestly so far (see lower chart).

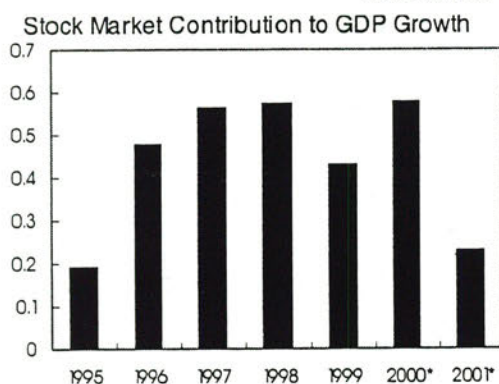


CURRENT DEVELOPMENT

The Wealth Effect

Household stock market wealth increased over 170 percent during the last 5 years, reaching \$16.8 trillion at the end of 1999. As Federal Reserve Chairman Greenspan described in recent testimony, rising wealth has contributed to soaring consumer spending over the last few years. However, wealth will have a declining impact on the economy this year and next if future gains are more modest and in line with growth in income.

Only 4 cents on the dollar (but there are a lot of dollars). According to the standard “life-cycle” model, people prefer to enjoy a relatively stable level of consumption throughout the remainder of their lives. Hence, an increase in wealth is not spent



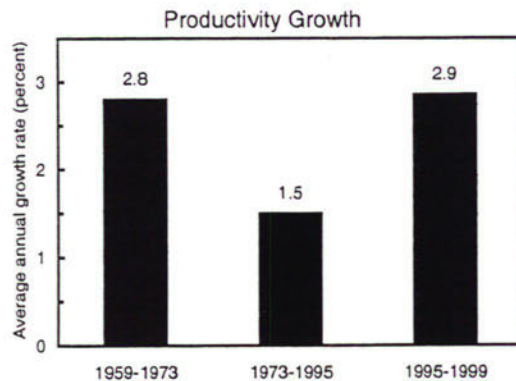
all at once, but instead, higher spending is spread over many years. On average, the evidence suggests that consumer spending changes about 3½ cents for every dollar change in stock market wealth, with the response occurring over a few years. The direct contribution to GDP growth of the rise in stock market wealth relative to overall income over the past 5 years has averaged about one-half percentage point (see chart). In the end, not all of this extra consumer spending adds to GDP as part goes to imports.

The waning of the wealth effect. The Wilshire 5000—the broadest index of U.S. equity prices—has changed little since the start of the year. Assuming that over this year and next, the value of stock market wealth increases in line with overall income, the wealth effect will diminish next year after the effects of the run-up in stock prices in late 1999 play out. The tapering off of the stock wealth contribution to spending implies a decline in the growth rate in spending, down to a pace in line with income growth.

SPECIAL ANALYSIS

Growing Pains in the New Economy

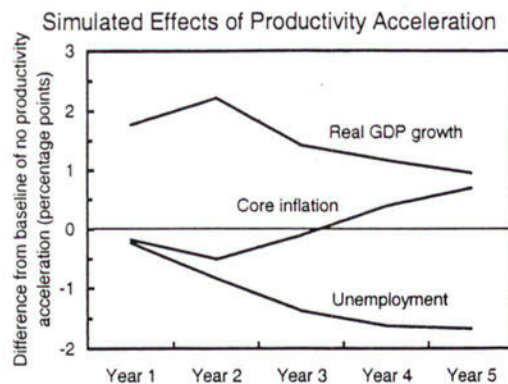
The sustained increase in productivity growth since 1995 (see chart) bodes well for future growth in real wages. The recent productivity acceleration has also helped lower core inflation. Paradoxically, however, it may also be a source of



potential overheating of the economy in the short run. Alan Greenspan pointed to such a possibility in recent testimony, observing that the improvement in productivity trends may be a reason why increases in spending have been outstripping increases in domestic supply, causing unemployment to fall and the current account deficit to widen, and increasing the risk of inflation.

A spending boom. One implication of accelerating productivity is higher expected future corporate profits through the effects of lower costs and increased sales. This improved profit outlook, in turn, justifies higher stock prices. The resulting increase in household wealth encourages greater consumer spending through the wealth effect described in last week's *Weekly Economic Briefing*. But the productivity acceleration also causes wages and incomes to rise faster, and as people come to expect this to continue, they raise their spending patterns accordingly. Together, these effects can cause current spending to increase more than current income, because households might rationally borrow against the income they expect to receive in the future in order to pay for rising standards of living starting today. A further boost to aggregate spending comes from business investment, as firms ramp up capacity to meet growing demand for their products.

An experiment. Record levels of consumer confidence, the booming stock market, and rapid growth in consumer and business spending offer circumstantial evidence of a spending boom fueled by the productivity acceleration. Still, sustained changes in productivity growth are rare, making a careful empirical test of the link between accelerating productivity and spending difficult. An experiment using the Federal Reserve's macroeconomic model provides some indirect support for this hypothesis, however. The experiment involves comparing two simulations: a base case with a constant trend rate of growth of productivity, and a second case with a 1 percentage point higher trend rate of growth of productivity. The Federal Reserve is assumed to hold the real federal funds rate constant in both simulations. The results of the experiment are meant to be illustrative of the linkages between productivity and spending; they are not meant to measure the extent to which productivity increases have contributed to actual economic developments.



Model results. In the experiment, the spending boom outlined above causes real GDP to grow faster than potential GDP for the first 4 years (see chart). The shortfall in supply is made up by hiring additional labor (which causes the unemployment rate to fall by 1.7 percentage points) and a widening of the current account deficit (not shown in chart) as imports make up for the share of demand not met by domestic producers.

The productivity acceleration has two competing effects on inflation. Because it takes several years for wage increases to catch up with the rise in productivity, unit labor costs initially fall, putting downward pressure on inflation. This impulse for falling inflation diminishes over time. If it were not for increased labor market tightness, the inflation rate would eventually stabilize at a lower level. This outcome could be accomplished if the Federal Reserve were to raise interest rates sufficiently to keep spending in line with potential GDP. Without such rate increases, however, the tighter labor markets resulting from the spending boom put upward pressure on wages and prices, eventually leading to a pickup in core inflation.

Conclusion. This model-based experiment provides one basis of support for Chairman Greenspan's contention that the productivity acceleration may be a key factor behind the recent spending boom and fall in unemployment. Other models might produce different results. But as long as the inflationary pressure from tight labor markets outweighs the dampening effect of lower unit labor costs, a policy tightening is needed to forestall rising inflation.

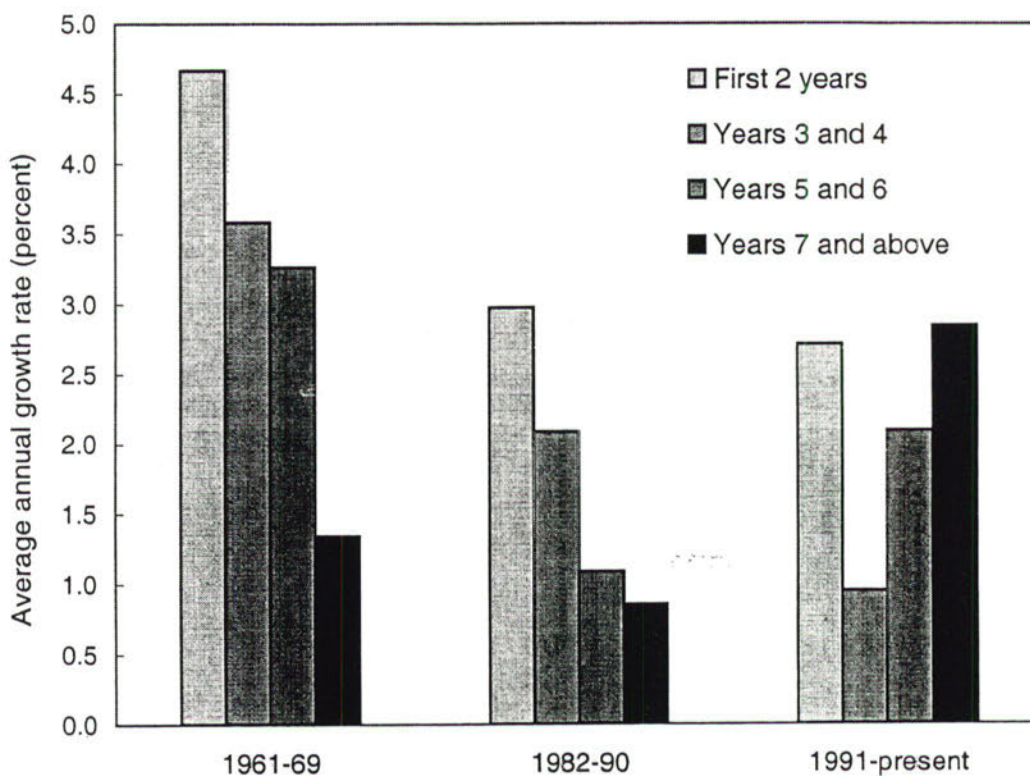
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

January 7, 2000

CHART OF THE WEEK

Growth in Nonfarm Output per Hour During Expansions



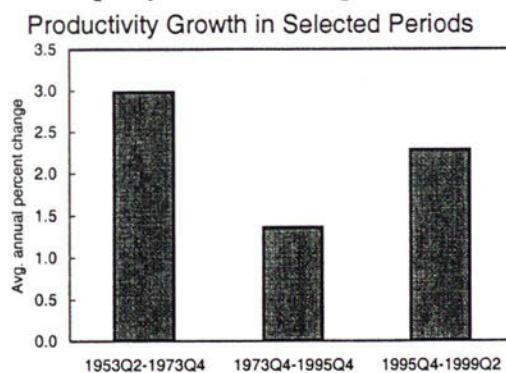
Productivity growth tends to be strong in the early stages of an expansion as idle resources are put back to work. But the rate of growth of productivity tends to fall as the expansion matures. While this was true of the other two long postwar expansions, it has not been true in the current expansion, with nonfarm productivity growth strongest in the later years. A Special Analysis in this Briefing examines possible reasons for this acceleration.

CURRENT DEVELOPMENT

The Role of Computers in Productivity Growth

Productivity growth in the computer and semiconductor industries contributes directly to aggregate productivity growth and, according to one estimate, has been the dominant source of the recent productivity spurt in the U.S. economy. Productivity growth in the manufacture of computers and semiconductors reflects the ability to produce faster processors, greater memory capacity, and larger disk drives without proportional increases in costs. But business investment in computers also adds to the quantity and quality of the capital stock, boosting productivity growth throughout the private sector. In the past, this latter effect on productivity growth was relatively small, but has recently increased.

The importance of computers in aggregate productivity growth. Productivity in the non-farm private business sector grew at a 2.3 percent annual rate over the last 3½ years (see chart). Adjusting for the typical cyclical pattern of productivity, overall “trend” productivity growth is estimated to be about 2.0 percent per year over this period. This marks a 0.6 percentage point pickup in



trend productivity growth over the 1.4 percent annual rate estimated for the previous 22 years.

So far, the pickup in productivity has been mostly limited to the computer industry, which has seen a 40 percent annual growth rate in productivity since the end of 1995—double the rate recorded over the previous two decades. After accounting for cyclical

factors and changes in measurement, trend productivity in the private business sector excluding computers shows very little acceleration. Although computers and semiconductors make up only about 5 percent of private output, the awesome acceleration in productivity growth in these industries more than makes up for their relatively small size. This localization of the productivity boom contrasts sharply with the experience of the productivity slowdown of the 1970s, when trend productivity slowed across most sectors of the economy.

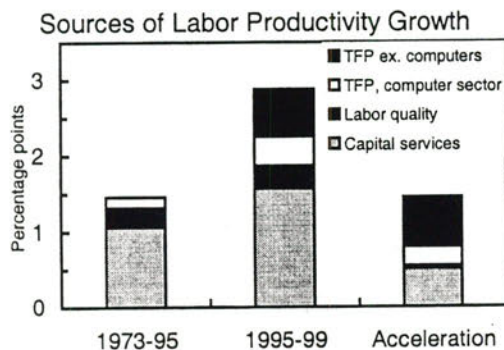
The outlook for productivity growth. The outlook for productivity growth depends on the computer and semiconductor industries' ability to continue their recent pace of innovation and improvements in manufacturing efficiency, together with the effects from the use of growing stocks of computers throughout the economy. It is hard to predict whether the unprecedented pace of productivity growth in the computer and semiconductor industries observed over the last few years can be sustained. On the more positive side, the estimated contribution to productivity growth from the use of computers has increased relative to the

previous 25 years and will remain at a high level for the near future. During the 1970-95 period, when the share of computers in the capital stock was very small, the contribution to the annual rate of productivity growth from the use of computers is estimated to have been only about 0.2 percentage points. But, the contribution has been growing and is estimated to have been about 0.4 percentage points per year over the last 3½ years, with the largest effects occurring this year.

SPECIAL ANALYSIS

Accounting for the Surge in Productivity Growth

Labor productivity trended upward at an average annual rate of 1.4 percent from 1973 to 1995, but it has since accelerated to a 2.9 percent annual clip over the past 4 years (see upper chart). CEA analysis finds that half of this acceleration is accounted for by an increase in capital—especially computer capital—and by productivity growth in the computer-producing sector.



More capital per worker. Labor productivity increases when workers have more capital to work with. Partly because business investment as a share of GDP has been above its long-term average since 1995, capital services per hour have grown faster since 1995 as well. Analysis of preliminary data indicates that this capital deepening accounted for 1.5 percentage points of annual labor productivity growth during the 1995-99 period, up from 1.1 percentage points during the 1973-95 period (see lower chart). Thus, the increase in capital services per hour accounts for about a third of the 1.5 percentage point increase in annual productivity growth. Most of this gain from capital deepening is accounted for by investment in computers and software.

Computer quality. Besides their role in capital deepening, computers enter GDP directly as a flow of new investment. Hence, productivity growth in the production of computers contributes directly to overall productivity growth. Productivity growth has been particularly rapid in the computer-producing sector, as reflected in the rapid decline in computer prices. Price declines for computers, which had been running at a 15 percent average annual rate before 1995, fell at a 27 percent annual rate thereafter, indicating an acceleration in computer quality after 1995. Improved computer quality added an estimated 0.25 percentage point to the post-1995 productivity acceleration.

Work force quality. The American work force has become better educated, and, since about 1980, the average worker has had more work experience. However, nothing dramatically new happened to the index of labor composition after 1995, and the estimated contribution of work force quality to productivity growth of 0.3 percentage point per year since 1995 is only slightly above the pre-1995 pace.

Total factor productivity. According to these estimates, the combined effects of capital deepening, changing labor composition, and rising computer quality account for about half of the post-1995 acceleration in productivity. The residual, called total factor productivity (TFP), reflects all the other factors that affect productivity growth. These may include cyclical influences and new efficiencies from the use of the Internet, especially for business-to-business transactions.

Outlook. Can the factors that account for the more rapid pace of labor productivity growth since 1995 be sustained? Of course we cannot know for sure, but current trends are positive and Administration policies are supportive.

- Capital deepening. The growth rate of capital services per hour increased in 4 of the past 5 years, reaching 5.4 percent in 1999—a rate that implies a 1.8-percentage-point per year contribution of capital deepening to labor productivity growth. For 2000, the pace of capital deepening is likely to increase further, because the level of investment is already very high. Projections over the longer run are more speculative, but the level of nominal investment is expected to remain high relative to nominal output. Pursuing a budget policy of debt reduction also promotes investment.
- Computers. The pace of computer price declines has been particularly rapid over the past 4 years and may not be sustainable. However, the contribution of computers to productivity growth would still be important even if the rate of price declines slowed to the longer term rate of about 20 percent per year.
- Work force quality. The trend toward a more educated work force seems likely to continue with the Administration's policy of promoting human capital investment, and the average age of the work force will continue to rise through at least 2008, when the leading edge of the baby-boom generation retires. But these factors are not expected to accelerate, and the contribution of labor composition to productivity is not likely to change much from its historical average of 0.3 percentage point per year.
- Total factor productivity. This is the most difficult factor to forecast since it is a residual reflecting a wide variety of factors.