Committee for Economic Development
1997 ANNUAL REPORT

THE BEST OF BUSINESS THINKING
The Committee for Economic Development (CED) is an independent, nonpartisan organization of 250 business and education leaders, dedicated to policy research on the major economic and social issues of our time and the implementation of its recommendations by the public and private sectors.

CED Trustees are Chairmen, Presidents, and senior executives of the nation’s largest and most respected corporations. Since 1942, CED Trustees have devoted their time, skill, and energy to developing policies promoting economic growth and greater opportunity for all Americans.

CED has played a pace-setting role in strengthening the federal budget process and fostering stable economic growth with high employment. In international trade and investment, CED has consistently supported open markets, free of protective barriers, and has been outspoken on the need to bolster U.S. competitiveness through public and private strategies that recognize the growing interdependence of a global economy.

CED’s landmark studies on education and child development have alerted the nation to the economic and social consequences of educational failure and have placed American business in the vanguard of the movement to reform the public schools.

CHAIRMAN’S REPORT: THE BEST OF BUSINESS THINKING

CED is an organization of business and education leaders — men and women committed to working for a more productive and competitive U.S. economy and to making economic opportunities available to all Americans. The recommendations CED’s Trustees develop for business and government receive serious consideration because they are grounded in sound economics, grow from a solid commitment to fairness, and offer timely and politically feasible solutions to problems facing our society.

Let me cite two recent examples of how CED’s on-target thinking has translated into action:

- Last year, CED Trustees issued an early warning on the need for a workable plan for saving Social Security. As the Social Security debate gathers momentum, CED’s report, Fixing Social Security, is being considered by the government and policy officials who will be leading the fight to save Social Security.

- CED’s long-term commitment to federal budget deficit reduction is now bearing fruit. CED has not been the only voice warning of the dangers of long-term deficits. But in my opinion, CED has played a central role in keeping up the pressure for a balanced federal budget.

I also want to report on the findings of a special committee of CED Trustees appointed to review our organization’s mission and activities. CED’s Long-Term Strategy Committee concluded that “CED’s founding mission — to engage top business leaders in identifying and solving the major economic problems of our time — remains vital, perhaps more so than ever.”

The election of Charles Kolb as CED’s new President gives us the added momentum to this mission. Charlie has had a distinguished government career, serving as Deputy Assistant to President Bush for Domestic Policy and as an advisor to both Presidents Reagan and Bush in the Office of Management and Budget and the Department of Education. Before joining CED, he was General Counsel and Secretary of United Way of America.
Frank P. Doyle and Charles E.M. Kolb

We welcome Charlie and look forward to working with him as we take CED into the next century.

Finally, it is with deep sadness that I report the death of Owen B. Butler, former Chairman of Procter & Gamble and Chairman of CED from 1988 to 1992 (page 8). Quite simply, Brad Butler changed the way American business thinks about education and young children. Before Brad, few business leaders were involved in their public schools or in early childhood issues. Through CED and through his leadership nationally, in Ohio, and most recently in his home state of Colorado, Brad changed that. Brad's remarkable example should pave the way for more of us to make a real difference in our own communities.

Frank P. Doyle, CED Chairman

When I joined CED this past summer, I did so with real excitement. From my experience in government, I was well aware of CED's ability to identify long-term problems and develop practical solutions. I see CED's intellectual and policy leadership as more essential than ever. In my view, not since the early post-war years has this nation been in a better position to deal with some of the serious structural economic problems that threaten our continued prosperity.

Our economy is strong, but there are still some issues on the horizon which if left untended, will diminish the prospects and opportunities for millions of Americans and may eventually cause not only economic harm, but real damage to our democratic society.

CED is exceptionally well-positioned to tackle these concerns. As Frank Doyle noted, Social Security is clearly one of them. Other issues that will be engaging CED Trustees include a major push on the role of business in welfare reform, campaign finance reform, and a fresh examination of how to tame the runaway costs of our legal system.

CED has a reputation for developing the best of business thinking, for being an early beacon on emerging issues, and for offering practical, workable policies to business and government. It is an honor to be associated with Frank and the rest of the CED Trustees and staff in this effort.

Charles E.M. Kolb, CED President
CED: IMPACT 1997 AGENDA 1998

Through CED, business leaders craft policies that promote growth, competitiveness, and opportunity in the U.S. Economy.

Strengthening the Economy for the Long Term

TAKING THE LEAD ON SOCIAL SECURITY
In February 1997, CED issued its comprehensive report, Fixing Social Security. Now, one year later, the public also wants Social Security fixed. According to a recent Wall Street Journal/NBC News poll, 77 percent of Americans rank Social Security reform a top priority.

In his State of the Union Address, the President placed Social Security reform at the top of the nation’s agenda.

Since Fixing Social Security’s release, CED’s report has played a serious role in the ongoing reform debate. Project chairman Bruce MacLaury, President Emeritus of The Brookings Institution, has testified before Congress and, along with CED’s senior staff, discussed CED’s recommendations with such senior Administration officials as Gene Sperling, Director of the National Economic Council, Deputy Treasury Secretary Lawrence Summers, and Franklin D. Raines, then Director of the Office of Management and Budget.

The New York Times characterized CED’s report as one that “finally may achieve consensus.” CED’s reform proposals offer a way to save Social Security’s social safety net and boost returns on workers’ contributions. It proposes slowing the growth of benefits for future middle- and upper-income retirees and supplementing the basic system with new individually owned and managed personal retirement accounts.

GETTING IT RIGHT ON REGULATORY REFORM
Released in April 1998, Modernizing Government Regulation, CED’s most recent policy statement, urges sweeping changes in the way Congress drafts laws that regulate economic and social activity. “The American people,” the report states,
“deserve better results from the amount of resources, time, and effort going into government regulation.”

The report calls on Congress to take benefits and costs into account when writing regulatory laws. It also recommends that Congress establish its own nonpartisan, professional agency to provide credible cost-benefit analysis. The statement was prepared by a group of Trustees and advisors led by Roderick M. Hills, President of Hills Enterprises Ltd. and former Chairman of the Securities and Exchange Commission.

MANAGING U.S. BASIC RESEARCH

Scientific research is a critically important, yet often overlooked, source of U.S. growth and prosperity. Under the direction of George H. Conrades, Executive VP of GTE and President of GTE Internetworking, this new report will offer recommendations on how to make the nation’s basic research enterprise as productive and effective as possible. It will address such issues as:

• How Congress allocates funds for basic research,
• The role of research universities and individual scientific investigators,
• The critical importance of peer review,
• Ensuring a pipeline of high-quality scientists and engineers, and
• The implications of an increasingly global research community.

CAMPAIGN FINANCE REFORM

Co-chaired by Edward A. Kangas, Chairman and Chief Executive of Deloitte Touche Tohmatsu International, and Columbia University President George E. Rupp, this new project will offer a business perspective on how to develop a more rational system for financing elections. Significant, realistic improvements can be made to the current system of funding political campaigns that would increase accountability and disclosure without adding burdensome regulations. The goal for reform should be greater constitutional protections and ultimately fairer elections, helping to restore the faith of American citizens in the workings of their government.
ECONOMICS OF LEGAL REFORM
Can anything be done to tame runaway litigation costs? This new project will examine such highly-charged issues as contingency fees, auto insurance reform, and other practices. This new CED project will tackle the explosion in civil litigation and the multibillion dollar burden it has imposed on productivity and growth. Not only has the volume of civil suits made doing business more expensive, it has also seriously eroded the trust and mutual respect essential to a well-functioning, civil society. CED’s effort will focus on identifying important structural reforms that will reduce the incentives people have to initiate law suits.

Roderick M. Hills, President of Hills Enterprises, Ltd. and former Chairman of the Securities and Exchange Commission, and Martin B. Zimmerman, Executive Director, Government Relations and Corporate Economics of The Ford Motor Company, co-chair the project.

VOUCHERS AND PUBLIC SERVICES
Government vouchers for food, housing, child care, and higher education play a major role in the lives of millions of Americans. Working with The Brookings Institution and the Urban Institute, CED is examining the use of vouchers and related delivery mechanisms that expand consumer choice in a wide range of public services.

This project will first examine in general terms the economic, political, and legal considerations related to the use of vouchers. It will then analyze in greater detail the experience with their use in specific sectors such as education, housing, nutrition, medical care, worker training, and child care.

The United States and the Global Economy

U.S.-ASIA TRADE AND INVESTMENT STRATEGIES
In September 1997, CED released U.S. Economic Policy Toward the Asia-Pacific Region, which called for streamlining U.S.-Asia trade and investment practices and better policies for resolving international disputes. Co-chairmen Boyd E. Givan, Senior VP and CFO of Boeing, and Clifton R. Wharton, Jr., former Deputy Secretary of State and former Chairman and CEO of TIAA-CREF, released the report in Washington, D.C. and in New York at the Council on Foreign Relations.

Just before China’s President Jiang Zemin’s fall 1997 summit visit to the United States, members of President Jiang’s economic advance team met with CED to discuss the report and U.S.-China economic relations.
WORLD-CLASS SKILLS FOR AMERICAN STUDENTS

Under the direction of CED’s Chairman Frank P. Doyle, CED’s project on the Employer’s Role in Linking School and Work is helping get American business actively involved in building high skills and high standards for today’s students. The statement identifies practical strategies for increasing the meaningful participation of employers in guiding students in the transition from school to the world of work. In addition to its recommendations for business and government, CED, working with Jobs for the Future, will also issue detailed case studies illustrating how business and schools work together in Boston, Louisville, Philadelphia, and Fort Worth.

A recent report by the New England School Development Council and the Educational Research Service on building better working relationships between district superintendents and school boards prominently features recommendations from CED’s 1993 policy statement, Putting Learning First. This report is going to every school superintendent in the country, with endorsements from the National School Boards Association, the Council of Chief State School Officers, and the American Association of School Administrators.

CHILD CARE


BUSINESS, WELFARE REFORM, AND LESS-SKILLED WORKERS

In state after state, Americans are now moving from welfare to work. How is business responding? Are former welfare recipients getting adequate training, support, and job help? What new public strategies might be needed? This project will recommend changes in child care, transportation, health care, and tax policies to help sustain employment and reduce poverty for low-wage workers. The subcommittee is also exploring the effect of immigration on the low-wage labor market and future changes that might be needed in welfare legislation.

Rex D. Adams, Dean of the Fuqua School of Business at Duke University, and Matina S. Horner, Executive VP of TIAA-CREF, co-chair the study.
**JOBS AND INNER-CITY YOUTH**
CED’s 1997 report Connecting Inner-City Youth to the World of Work provided employers with specific recommendations for redesigning their own employment practices to boost opportunities for young job applicants and entry-level employees.

**OLDER AMERICANS IN THE WORK FORCE**
Americans (especially men) are leaving the work force at younger and younger ages. Business and government policies have encouraged this trend. But in coming years, more older workers will be staying on the job — some out of necessity and some because continuing to work will become more attractive. This new CED study will provide a wide-ranging examination of the opportunities and issues that arise when more and more Americans over 62 continue to work.

CED Chairman Frank P. Doyle and Donald R. Caldwell, President and COO of Safeguard Sciences, Inc. co-chair this study.

**RESTORING COMMUNITY**
Growing out of CED’s 1995 report Rebuilding Inner-City Communities, this multi-year project will link business and community groups in Boston, Denver, New Orleans, Chicago, and Seattle. The project’s goal is to connect community-based organizations to business leaders who can attract capital to inner cities, link neighborhood leaders to decision-makers, and develop agendas that can survive political change.

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**CED Corporate Citizenship Award to Pfizer**
Global pharmaceutical leader Pfizer Inc. was the recipient of CED’s 1997 Corporate Citizenship award. The award was presented at CED’s annual gala dinner chaired by then Texaco Chairman Allen J. Krowe.

The CED Corporate Citizenship Award is presented annually to a company actively engaged in public policy issues and one that has a commitment to social and community responsibility. The 1998 Award will be given to First Chicago NBD Corporation, in recognition of the bank’s outstanding commitment to improving the quality of life in the communities in which it operates.

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**Owen B. Butler**
Owen B. Butler, retired Chairman of Procter & Gamble and former Chairman of CED, died in April 1998. Brad Butler chaired a number of CED’s path-breaking reports on education and was a widely-hailed leader in education and children’s issues. In a 1988 address to business leaders, he said “For our own sake, we need to invest in children. There is an economic reason for action. But there is a more important reason, a reason that overwhelms economics. And that reason has to do with what kind of country we want to be. This nation is unique. We are not a race, we are not a religion. We are not an ancestry. We’re nothing as a nation but a vision. We will realize that vision only when every child born in or brought into this country has an equal opportunity to fulfill his and her full potential as a human being.”
The business community continues to be the principal source of support for CED. Through general operating contributions, targeted grants, and broad-based support for the increasingly successful annual dinners, corporations are maintaining their steadfast support of CED at a total level of slightly over $3 million.

Added to this are major program grants from private foundations, which in 1997 totaled over $810,000. The projects that attracted the largest share of these grants are: Restoring Community, an initiative to promote business collaboration with community organizations; Social Security reform; U.S.-Asia economic relations; and the business role in linking school and work. CED acknowledges with deep appreciation the generosity of all those whose support enabled CED to carry out its policy research and outreach programs with growing impact on our nation’s public policy. A list of the corporate and private foundations providing program support follows.

For several years there has been a noticeable trend among corporations to redirect their giving from unrestricted annual support to designated project grants. CED has not been immune to this trend. Over the past two years alone, some $160,000 in what was formerly operating support was re-allocated by the donors from operating to program support. Replacing this operating support has not been an easy task, but the companies represented on CED’s Board of Trustees have, as always, responded to the challenge and helped to make up this shortfall. The support of the Trustees and their companies continues to represent some 75 percent of total unrestricted income, and we owe them an enormous debt of gratitude for their commitment to CED’s present and future.

We particularly thank James N. Sullivan, Vice Chairman of Chevron Corporation, our national chairman for the 1997 campaign, for leading a vigorous effort to get CED’s message out to companies across the United States and Canada.

Mr. Sullivan was aided in this effort by a team of CED Trustees and other business leaders who served as Industry Chairmen. These included Ian Arnof, President & CEO, First Commerce Corporation; Melvyn E. Bergstein, Chairman & CEO, Diamond Technology Partners; Roy J. Bostock, Chairman & CEO, The MacManus Group; Robert B. Catell, Chairman, President & CEO, KeySpan Energy Corporation; John S. Chalsty, Chairman, Donaldson, Lufkin & Jenrette, Inc.; Frederick W. Gluck, Vice Chairman & Director, Bechtel Group, Inc.; Edwin J. Hess, Senior Vice President, Exxon Corporation; Edward A. Kangas, Chairman and Chief Executive, Deloitte Touche Tohmatsu International; Mackey J. MacDonald, President and CEO, VF Corporation; James J. O’Neill, Chief Executive Officer, Onex Food Services, Inc.; James F. Orr III, Chairman & CEO, UNUM Corporation; Howard M. Rosenkrantz, President & COO, United States Surgical Corp.; and Richard J. Swift, Chairman, President & CEO, Foster Wheeler Corporation.

Their participation in the 1997 campaign was a major factor in attracting new corporate supporters to CED’s ranks.

A relatively new source of support for CED has been the annual dinners. CED’s 1997 dinner is highlighted on page 8. The importance of these annual events lies beyond their significant financial value; they serve to introduce the work of CED to new constituencies. Finally, CED also receives support from longtime friends and benefactors who, through special endowments, have generously supported a number of ongoing CED projects. These endowments include: The Roy L. Ash Program in American Governance; The Owen B. Butler Program in Education Studies; The Edmund B. Fitzgerald Program in International Studies; The Philip M. Klutznick Program in Urban Studies; and The Philip D. Reed Program in Energy and the Environment.
$50,000 and over
AT&T
Bel Atlantic
Exxon Corporation
GE Fund
GE Fund
Mobil Corporation
Northern Telecom
Pfizer Inc.
The Procter & Gamble Fund
The Prudential Foundation
The Texaco Foundation

$30,000 – $49,000
ADP Foundation
BankAmerica Foundation
BellSouth Corporation
Bestfoods
The Boeing Company
The Chase Manhattan Foundation
Citicorp Foundation
Chrysler Corporation Fund
Ford Motor Company Fund
Johnson & Johnson Family of Companies
Merritt & Co., Inc.
Metropolitan Life Foundation
PaineWebber
Shell Oil Company Foundation
UNUM Corporation

$20,000 – $29,000
ABC Foundation, Inc.
American Express Foundation
The Bristol-Myers Squibb Foundation, Inc.
Chevron Corporation
Chubb Corporation
The Citicorp Foundation
Coopers & Lybrand L.L.P.
DuPont
Frank Russell Group of Companies
General Mills Foundation
Goldman, Sachs & Co.
IBM Corporation
Merrill Lynch & Co. Foundation, Inc.
New York Life Foundation
Northwestern Mutual Life
State Street Bank and Trust Company
TRW Foundation
The Xerox Foundation

$10,000 – $19,000
A.O. Smith Corporation
Air Products and Chemicals, Inc.
Airbus Industrie of North America, Inc.
American Home Products Corporation
American Management Systems, Inc.
Amgen
Andersen Worldwide
ARCO Foundation
Bain & Company
Bear, Stearns & Co. Inc.
Bechtel Foundation
Becton Dickinson and Company
The BF Goodrich Company
The Blackstone Group
Brown Brothers Harriman & Co.
Cargill
Caterpillar Inc.
CBS Corporation
Champion International Corporation
Chancellor Capital Management, Inc.
CIGNA Foundation
Cognizant Corporation
Ferdinand Colloredo-Mansfeld
Cross Timbers Oil Company
D’Arcy Masius Benton & Bowles, Inc.
Deere & Company
Deloitte & Touche LLP
Diamond Technology Partners Incorporated
Digital Equipment Corporation
Donaldson, Lufkin & Jenrette, Inc.
Fannie Mae Foundation
First Chicago NBD Corporation
First Commerce Corporation
Foster Wheeler Corporation
Foundation Health Systems, Inc.
The Jack Gantz Foundation, Inc.
The General Motors Foundation
General Reinsurance Corporation
The Goodyear Tire & Rubber Company
H.J. Heinz Company Foundation
Honeywell
J.C. Penney Company, Inc.
John Hancock Mutual Life Insurance Company
KeySpan Energy Corporation
Lazard Frères & Co. LLC
Levi Strauss Foundation
MagneTek, Inc.
McKinsey & Company, Inc.
MediaOne
Morgan Stanley Dean Witter & Company
Mutual of New York Foundation
New York Stock Exchange Foundation, Inc.
NYL Care Health Plans, Inc.
Onex Food Services Inc.
Pennsylvania Power & Light Co.
Pepsi-Cola Company
Phillips Petroleum Company
Public Service Enterprise Group Inc.
Safeguard Sciences Foundation
Sara Lee Corporation
Sealed Air Corporation
The Shorenstein Company
Siecor Corporation
Springs Industries, Inc.
Sprint Foundation
The UPS Foundation
The Travelers Foundation
US WEST, Inc.
Value Line Publishing, Inc.
The Warner-Lambert Foundation
Weil, Gotshal & Manges

PROJECT GRANTS
Carnegie Corporation of New York
The Commonwealth Fund
Charles Stewart Mott Foundation
The Ford Foundation
New York Community Trust
The Pew Charitable Trusts
The Roy L. Ash Program in American Governance
The Owen B. Butler Program in Education Studies
The Edmund B. Fitzgerald Program in International Studies
The Philip M. Klutznick Program in Urban Studies
The Philip D. Reed Program in Energy and the Environment

Endowments
- The Roy L. Ash Program in American Governance (given by Mr. Ash)
- The Owen B. Butler Program in Education Studies (given by Daiwa Securities Co. Ltd)
- The Edmund B. Fitzgerald Program in International Studies (given by Northern Telecom)
- The Philip M. Klutznick Program in Urban Studies (given by Mr. Klutznick)
- The Philip D. Reed Program in Energy and the Environment (given by the Philip D. Reed Foundation)
### FINANCIAL SUMMARY

For the year ending December 31, 1997

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<tr>
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<th>1997</th>
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<td><strong>Revenue and Expenses</strong></td>
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<td><strong>Revenue</strong></td>
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<td><strong>Changes in Net Assets</strong></td>
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The above information is taken from our audited financial statements, which are available upon request from:

Committee for Economic Development, 477 Madison Avenue, New York, New York 10022
CED BOARD OF TRUSTEES

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GTE Corporation and President

GTE Internetworking

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John Diebold Incorporated

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GE

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T. J. DERMOT DUNPHY, Chairman and Chief Executive Officer

American Electric Power Company

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Pereus Capital LLC

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Manchester Associates, Ltd.

WILLIAM S. EDGERLY, Chairman

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Pace University

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RONALD E. FERGUSON, Chairman, President and Chief Executive Officer

Global RE Corporation

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