



"A society promoting the application of economic principles to public policy for over 25 years"

# Bulletin

## It's Renewal Time!

It's time to renew your SGE membership! If you have not already done so, please fill out the form on the back page and send it in with your check as soon as possible. You may also renew at our Web site ([www.sge-econ.org](http://www.sge-econ.org)) and mail the check separately. Make sure you let us know if you want to receive the SGE bulletin in electronic form. Members not renewing by the end of this month may see an interruption in services. Your quick response will help in a number of initiatives intended to make next year's activities as interesting and rewarding as possible.

### SGE Labor and Human Resources Brown Bag

**Robert Gibbs** of the Economic Research Service of the U.S. Department of Agriculture will speak on "Low-wage/Low-Skill Workers"

Date: Tuesday, January 18, 2000

Time: 12:00-1:30

Place: Suite C5515, Room 2  
Frances Perkins Building  
200 Constitution Ave, N.W.

Metro: Judiciary Square

For more information contact Steve Broughman (202) 219-1744; Rick Fry (202) 659-8061; or Ken Swinnerton (202) 219-7611 x 117.

### Monthly Luncheon

**Laurence H. Meyer**, Member, Board of Governors of the Federal Reserve System will speak on "The Economic Outlook and Challenges for Monetary Policy"

Thursday January 20

Luncheon begins at noon, followed by speaker at 12:30.

Cost: \$15 members; \$20 non-members

**Please note the change in location and that this luncheon will be on a Thursday:**

Chinatown Garden, 618 H St., NW, Washington. 1/2 block from Gallery Place/Chinatown Metro.

Reservations by noon Wednesday January 19 to [harvey.bronstein@sba.gov](mailto:harvey.bronstein@sba.gov) or 202-205-6840.

February Luncheon will be on February 16 at the Library of Congress, Montpellier Room. Speaker: Martin Baily of the President's Council of Economic Advisors.

November 1999 Monthly Luncheon Review  
"Futurework: Trends and Challenges for Work in the 21<sup>st</sup> Century."

*Reported by Donna Desrochers, Educational Testing Service*

The November luncheon featured Dr. Harry Holzer, Chief Economist at the Department of Labor and professor at Michigan State University. Holzer presented findings from a recent Labor Department

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**Monthly Luncheon Review!**

## President's Corner

*By Rakesh Kochhar*

On behalf of the SGE board, I would like to wish you the very best for the coming year. The new year also marks a turning point for the board as we consolidate the Society's gains over the preceding month and build a foundation for the coming years. The board has cut costs, revitalized the monthly luncheon, launched the e-bulletin, surveyed the membership, and worked to secure the membership base. In the coming year, we will focus on member services, work on bringing new members to the Society, streamline our operations even more, and continue our drive into the electronic world. Your responses to our survey will serve as a valuable guide to the board. Thank you for taking the time to talk to us.

This year also marks the return of SGE's biennial conference. The theme of the conference is "The New Economy: How to define, measure and manage it." The conference is scheduled for November 17, 2000 in Washington, DC. Please review the notice in this bulletin for further details on the conference theme. We hope you will make plans to attend the open planning. There are many avenues available for participation and we look forward to your input. Amanda Roberts and Rick Fry are currently taking the lead in organizing the conference.

This month marks the last opportunity to renew your membership without interruption in service. If you haven't renewed yet, please use the form at the back of the bulletin to maintain your status through this year or possibly beyond. Members who have stated a preference for the electronic bulletin will no longer receive the paper version. We are also exploring the possibility of maintaining an archive of the SGE bulletin on our Web site. Recipients of the paper bulletin may switch at any time they wish.

## Around Town

### ***A Service Column Listing Professional Activities of Interest to Our Membership***



To include your activity, please e-mail the information to [ann.dunbar@bea.doc.gov](mailto:ann.dunbar@bea.doc.gov) or send it by regular mail to the address on the back of this bulletin.

January 21, 2000 The Office of Advocacy of the Small Business Administration Conference: "The Invisible Part of the Iceberg: Research Issues in Industrial Organization and Small Business," U.S. House of Representatives, Room 311 Cannon House Office Building N.W. Washington, DC. While there is no fee for this conference, a collection for the lunch will occur on-site.

The subway stop is Capitol South on the Blue/Orange line. Register by 1/10/00. If you have any questions, please contact Darlene Moye-Mahmoud ([darlene.mahmoud@sba.gov](mailto:darlene.mahmoud@sba.gov) or 202-205-6561). You can also contact Ann Dunbar [ann.dunbar@bea.doc.gov](mailto:ann.dunbar@bea.doc.gov) if you want a copy of the preliminary program and registration form forwarded to you.

January 20, 2000 Washington Statistical Society (WSS) Seminar

TOPIC: Issues in Combining Survey Data: Estimates from the Medical Expenditure Panel Survey and the Medicare Current Beneficiary Survey

Speaker: D.E.B. Potter, Agency for Healthcare Research and Quality, DHHS

Date: Thursday, January 20, 12:30-2:00 p.m.

Location: Bureau of Labor Statistics  
BLS Cognitive Lab, Room 2990  
Postal Square Building,  
2 Massachusetts Avenue, NE  
Washington, DC

Use the First St. NE entrance. Call Karen Jackson (202-606-7524) at least 2 days before the talk to be placed on the visitors' list and bring photo ID. WSS seminars are open to everyone. You can visit their web site for information.

## November Labor and Human Resources Brown Bag Summary



### GEDs for Teenagers: Are there Unintended Consequences

Reported by Steve Broughman

At the November Labor and Human Resources brown bag lunch gathering Duncan Chaplin of the Urban Institute presented his research on the consequences of allowing teenagers to obtain the General Educational Development certificate (GED). Dr. Chaplin motivated his talk by observing that there are almost one half million new GED recipients each year, with about 200,000 of these recipients under the age of twenty, and that GEDs as a fraction of all high school credentials received by teenagers have more than doubled since 1978. This increase in the number of GEDs received by teenagers has sparked interest in the costs and benefits of making the GED available to teenagers. In his research, Dr. Chaplin focused on one cost of the GED program – the extent to which it encourages teenagers to drop out of school. Dr. Chaplin used aggregate data by age, state, and year to analyze this issue. His analysis suggests that many policies allowing teenagers to get GEDs without parental permission encourage them to drop out of high school. He also finds that when parental permission is required, allowing teenagers to get GEDs does not have this effect.

Dr. Chaplin estimated the effects of GED policies on continuation rates. Continuation rates, rather than dropout rates, were used as the dependent variable because consistent data on continuation rates are available for more years and states than dropout data. The continuation rates were derived from the enrollment by grade information for public schools contained

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## January Luncheon Speaker

Laurence H. Meyer (Ph.D., economics, MIT, 1970) has been a member of the board of governors of the Federal Reserve System since 1996. Previously he was president of his own consulting firm in St. Louis specializing in macroeconomic forecasting and policy analysis and was professor of economics at Washington University from 1969-96. Widely recognized as one of the nation's leading economic forecasters, he was honored twice during the 1990's as the most accurate forecaster on the panel for the Blue Chip Economic indicators. Dr. Meyer has also served as an economist at the Federal Reserve Bank of New York, was a visiting scholar at the St. Louis Fed, has published numerous articles in top professional journals, written a text on macroeconomic modeling, and has testified before Congress.

## SGE Conference 2000 The 'New Economy':

### How to define it, measure and manage it

**The Society of Government Economists** is making plans for its biennial conference, tentatively titled "The 'New Economy': How to define it, measure and manage it". The conference is scheduled to be held on November 17, 2000 in Washington, D.C.

The theme of the conference will focus on the reactions, responses and revisions inherent in the "new economy". Over the medium to long term, how does the U.S. need to revise our economic measures to reflect our standard and quality of living, demographic, social and health care changes, national and global market interdependencies and capital flows? Are changes in savings and spending behavior and the composition of U.S. products accurately reflected in our observations of the economy or are our observations a reaction to fluctuations in prices? Is technological change ushering in a sustained increase in worker productivity and restructuring business enterprises and industrial structures? What challenges face policymakers in understanding the "new economy" and managing it? Private/public economists, statisticians, researchers and representatives from the political arena are invited to present their research and discuss their findings.

SGE will be hosting open planning meetings in the coming months. SGE would like to invite any individual who wishes to contribute to the content, design and/or publicity of the conference. Potential avenues of participation are suggesting session topics and speakers, organizing sessions, presenting and/or discussing papers, assisting in organization or marketing matters, etc. Please contact an SGE board member (page 6) if you are interested in participation.

## Holzer Speaks At Luncheon

report “Futurework” highlighting the major trends and challenges—both on the supply and demand sides of the economy—which will affect the U.S. workforce over the next century.

On the demand side, Holzer explained that both globalization and the rapid development of new technologies will continue to change the way Americans work. Technological advances in computing have been pervasive throughout the workforce. And while the most rapidly growing occupations are those related to technology, incumbent workers are also affected by technological changes. Businesses are restructuring their operations to take advantage of new productivity-enhancing technology, and in many occupations computers are replacing people. Increased global competition will further alter our economic base as trade continues to lessen the demand for lower-skilled workers. Holzer noted, however, that most economists conclude that technology has had a larger impact than trade on the economy.

Holzer discussed the positive impact of technology and globalization as well as the challenges that remain. Productivity growth increased to more than 2 percent annually in the 1990s, rebounding from declines suffered in the 1970s. Real wages have also reflected the increase in productivity growth: recently, overall real wages have grown after remaining relatively constant for more than two decades.

Our changing economy does present some challenges, he cautioned. The most skilled occupations are the fastest growing, leading to a rising demand for skilled workers. With employers demanding better cognitive and communication skills, many less-skilled workers will have increasing difficulty in the labor market. Holzer also discussed the increase in earnings inequality that has resulted from rising skill requirements. The earnings gap between high school and college graduates has nearly doubled in the past two decades, and the real wages of less-educated men have fallen. The demand for high-skilled workers appears to be growing faster than the supply, even though more people are attending college. Nevertheless, supply and demand are not the only reasons for rising wage inequality: institutions, unions, and minimum wages also affect earnings differentials.

On the supply side, demographic changes will sub-

stantially alter the face of the workforce. By 2050, just over one-half of the population is projected to be White while one-quarter is expected to be Hispanic, thereby altering the composition of the labor force. The population is also expected to age and workers will remain in the labor force longer as financial stresses on Medicare intensify and changes in social security take effect. Women are also expected to participate in the labor force at an increasing rate.

Labor force changes will result in more families facing concurrent issues of child-care and elder-care. Finding a balance between work and family life will become more difficult and as a result, and family stress is also expected to continue to rise, Holzer fears. In response to these challenges, he cited the need for more flexible work arrangements and additional efforts to “make work pay” for all workers. Telecommuting can offer alternative work arrangements, although these opportunities can blur the lines between family-time and work-time. Though a small proportion of the workforce, the temporary help sector is continuing to grow, offering both flexibility to workers and employers.

Holzer concluded by presenting some policy responses to these changes and challenges. First, all groups in the labor force need to continue to improve their skills. Incumbent workers and disadvantaged populations need access to education and training opportunities. Second, less-skilled workers must be able to rely on the Earned Income Tax Credit and the minimum wage so their earnings don’t fall even further behind. Third, addressing child-care and elder-care issues through more flexible work arrangements will help mitigate family stress. Fourth, employment barriers facing women and minorities should continue to be broken down by improving transportation, providing better employment information, and stricter enforcement of anti-discrimination laws. Finally, policies should be developed to ensure that workers in alternative work arrangements have the same workplace protections as those in traditional work settings.

A copy of the *Futurework* report can be found at <http://www.dol.gov>.

## Book Review

Richard D. Morgenstern, Editor, *Economic Analysis at EPA*. Washington, D. C.: Resources for the Future, 1997. Pp.478, xii.

Author/editor Morgenstern points out that the EPA is different from other regulatory agencies in that it administers 9 broadly stated laws rather than one organic statute and deals more with externalities rather than a specific market failure. Furthermore, these laws frequently charge the EPA with deciding how the laws should be administered and how much protection should be granted; a seemingly ready-made situation for economic analysis. Morgenstern argues that the engineering and legal culture of EPA has reduced the importance of economic analysis in establishing EPA rules and regulations.

Considerable discussion throughout the book is devoted to the usefulness of benefit/cost analysis and regulatory impact analysis. Twelve case study chapters, each by different authors, demonstrate that while not usually paramount, economic analysis has influenced the final rules and regulations. Economic analysis has been of use to EPA policy makers in identifying trade-offs, cost incidence, benefit flows, and identifies least cost alternatives to achieving goals. Instead of being typically introduced at the regulatory impact analysis stage, it is suggested that economic analysis should also be used in identifying and defining the problem.

The individual case studies are written by people directly involved or very close to those carrying out the economic analysis in each case. The cases discussed include lead in gasoline, organic chemicals and water pollution, stratospheric-ozone depletion, asbestos, lead in drinking water, municipal landfill management, Grand Canyon visibility, agricultural pesticides, motor vehicle smog inspection, municipal sewage sludge management, reformulated gasoline, and Great Lakes water quality. Each case study includes a detailed analysis of the development of the EPA regulation from its suggestion form to its final regulatory form. Special attention is paid to the role of economic analysis in guiding the development of the regulation and obtaining its ultimate approval. Uncertainty is often introduced into the economic analysis when health benefits or nonmarket benefits must be included. In other cases, quantifiable scientific evidence was insufficient to generate meaningful economic data. Several case studies showed how previous scientific and economic studies' results were borrowed or adapted, sometimes with great controversy, by EPA researchers to save time and research funds. Time and research budget constraints frequently precluded sophisticated economic analysis that most likely would have contributed to a better rule. However, economic analysis was able to play a role in the development of the final regulation in each case.

While the detail of the case studies leads to a rather lengthy book, reading this book--or even several of the case studies-- is a worthwhile endeavor for anyone doing environmental and regulatory research. The descriptions of how researchers at EPA handled the problems of limited data, inadequate scientific knowledge, pioneering methodologies, political realities, and restricting time constraints are of particular value. The chapters contain many useful figures, tables, and reference lists. Morgenstern's observations about the difficulty of finding data, institutional culture, and actual use of economic analysis are insightful.

Donald E. Agthe  
Economic Consultant  
Tucson, Arizona USA

## Brown Bag Summary

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in the Common Core of Data (CCD) for school years 1988-89 through 1996-97. The grade level continuation rates from the CCD were merged with the aged based data by matching the 10 to 11 and the 11 to 12 grade continuation rates with the data for the 16 and 17 year olds, respectively, and by matching the 12th grade graduation ratios with the data for the 18 and 19 year olds. The data on GED policies came from the GED Examiners Manuals for the years 1989, 1991, 1993, and 1997. The diverse state GED policies were summarized using the following variables: 1) a composite measure of the scores needed to pass the test, 2) the number of centers per population age 16-19, 3) whether the state has a dropout prevention program which allows student to obtain the GED while still enrolled in high school, 4) whether someone is allowed to take the GED meeting only the national requirements, and 5) a set of 13 variables describing whether they can get a GED if they meet some additional requirements. These latter variables were constructed from somewhat complicated rules containing multiple conditions. Four types of control variables were also used – state, age, and year dummy variables, state rules regarding

completion of high school, the compulsory attendance age, and measures of local labor market demand.

In addition to regressing the continuation rates on the full set of independent variables, GED rates (calculated from GED data and Current Population Survey data) were also regressed on the GED policy variables. The results suggest that there are many GED rules that are associated with both higher GED rate and lower continuation rates. In fact, the evidence suggests that not only do some GED rules encourage teenagers to leave school, but the effects of these policies on continuation rates are much larger than their effects on getting a GED, indicating that most teenagers who drop out of high school because the GED option is available do not get a GED as teenagers. Dr. Chaplin also mentioned three puzzling results. First, the variable controlling for high school graduation rules and local labor demand affect continuation rates but not GED rates. Second, the estimated effect of “unrestricted access” is much smaller than the estimated effects of many of the more restricted options. And lastly, there are two cases in which the evidence suggests that allowing teenagers to get GEDs increases continuation rates.

### SGE Bulletin

Please submit all materials you would like to appear in the bulletin by the 12th of the month to Jason Tripp at [sge@sge-econ.org](mailto:sge@sge-econ.org) or SGE 10371 Painted Cup Columbia, MD 21044 or call toll free: 877 SGE-ECON (877-743-3266.)

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## Membership Form 2000

Join now for membership through 2000 or choose the two-year option for membership through 2001. Copy this form as needed.

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*Please complete the form and send it with a check made payable to SGE to the following address:  
SGE, 10371 Painted Cup, Columbia, MD 21044.*

### Check membership status and dues:

- Student member  One-year, \$10  
Supporting member  One -year, \$40  Two -year, \$75  
Regular member  One -year, \$30  Two -year, \$55  
Household membership  One -year, \$50  Two -year, \$90

*(You may designate one additional person in your household as a member. The household will receive one copy of the monthly bulletin.)*

- Institutional member  One -year, \$150

*(An institution may designate up to 3 persons as members. Use 3 copies of this form. Each person will receive a copy of the monthly bulletin.)*

**Send me the monthly bulletin:**  **Online** (list e-mail address on back of the form)  **By mail.**  
*(select one option)*

### *Please check the SGE activities you would like to participate in:*

- Organizing seminars  Rapporteur for seminars  SGE board activities  
 SGE conference  SGE sessions at ASSA and regional meetings  
 Monthly newsletter  Writing book reviews  Other

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