

United States National Economic Council



WPSC 2012

ROLE OF THE NEC

The National Economic Council (NEC) was established in 1993 to advise the President on U.S. and global economic policy. It resides within the Office of Policy Development and is part of the Executive Office of the President by Executive Order 12835 on January 25, 1993. The NEC has four primary functions:

1. To coordinate policy-making for domestic and international economic issues,
2. To coordinate economic policy advice for the President,
3. To ensure that policy decisions and programs are consistent with the President's economic goals,
4. To monitor implementation of the President's economic policy agenda.

The NEC is comprised of various department and agency heads within the administration, whose policy jurisdictions impact the nation's economy. The NEC Director works in conjunction with these officials to coordinate and implement the President's economic policy objectives. The Director is supported by a staff of policy specialists and advisors in a wide array of economic and financial fields.

CURRENT SITUATION

The US economy has continued to deal with persistent structural problems that became apparent after the Financial Crisis of 2008.

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While conditions have improved enough to regain a sense of normalcy in the economy, growth as has been far from robust. GDP growth from 2012 through the first quarter of 2016 has averaged 2.1% annually, and has not exceeded 3.2% in any one period. The Dow Jones Industrial Average is currently at 15,362 points, and has continued to see high levels of volatility during the recovery. This growth pattern has provided some forward momentum for employment situation, although high unemployment persists. The current unemployment rate, as of January 1st, 2016, is 7.3%, and real wages have stagnated for workers in most sectors since 2008. The Federal Reserve has continued to employ a relatively aggressive monetary policy without interruption since 2008. The current Federal Funds Rate stands at 1.50%, which is up about 100 basis points from its lows during the earliest stages of the economic recovery. The Fed's two rounds of quantitative easing were successful at narrowing yield spreads and providing liquidity in markets for assets with longer-term maturities.

Consumer confidence has also rebounded from the relatively anemic levels seen during the recovery, although households are no longer accumulating the same levels of debt seen before the crisis. Housing starts, while still below historical levels, are at their highest levels since 2007. There has been a recent uptick in inflation levels to about 4.4%,

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although core inflation remains stable. A recent increase in commodity prices, particularly brought on by geopolitical fears in the oil markets, have been the largest contributing factors to non-core inflation. The widely-feared hyperinflation resulting from protracted periods of loose monetary policy have not been realized to this point. This recent uptick in inflation, if representative of longer term supply pressures in commodity markets, threatens to derail the recovery seen in both consumer confidence and equity markets.

Fiscally, the U.S. Federal Government has been forced to deal with budget sequestration as mandated by the Budget Control Act of 2011. When the Congressional "Supercommittee" failed to find ways to reach the required deficit reduction targets, automatic cuts were triggered through 2021. Due to sequestration, the Defense Department has been forced to take another \$54.7 billion in annual cuts, while a corresponding amount has been taken from non-defense programs. These cuts provided a necessary first step for controlling growth of the national debt, but the Federal Government continues to run large deficits with no fundamental reforms made to Social Security and Medicaid. The Defense Department has responded to sequestration by reducing procurement of new equipment and by substantially reducing the size of the US Army and Marine Corps. While the US [Type text]

military remains the most technologically advanced military in the world, it is significantly understrengthened relative to its size and capabilities seen during the Global War on Terror.

Congress authorized another increase in the federal debt ceiling in April of 2015, raising the limit to \$18.2 trillion. This limit is projected to be reached in mid-2017, with debt-to-GDP ratios persisting at above 100% for the foreseeable future without serious reform measures. By 2025, 20% of government revenues will be used to service interest payments on the national debt.

Internationally, a "two-tiered" growth model has become more entrenched, as the OECD growth average continues to be far below that seen in the BRIC nations. China's growth has slowed to an average of 7.8% annually, down from the double-digit growth commonly seen from 2000-2010. In 2012, Greece and Italy were forced to leave the EMU in order to preserve the overall integrity of the Euro, and are now back on the drachma and the lira, respectively. Spain, Portugal, and Ireland were salvaged as members of the Eurozone. In response to the crisis and the exit of these two countries, Europe entered another period of severe contraction from 2012-2015, although most countries have returned to levels of modest growth.

While the majority of the pain of the Global Recession has receded, the world economic

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outlook remains highly vulnerable to future shocks and crises.

COMMITTEE STRUCTURE

While the structure, composition, tasks, and methodology of this simulated NEC resemble the actual workings of the National Economic Council, significant changes to terminology, fiscal strategy, and financial reports will be made in order to expedite decision making during committee. The flow of this committee will be an amalgamation of standard Model UN committees and actual NEC proceedings. This committee will be highly responsive to the various crises occurring throughout conference and will also play a vital role providing impetus for the NSC to make executive decisions. The NEC has a high degree of autonomy compared with other committees, however this comes with added responsibility for swift and rational economic decision-making. It is imperative that the NEC work with the guidance given by superiors in the National Security Council.

Structure of debate -

The National Economic Council will operate in “perpetual moderated caucus” mode; there will be no set speakers list. The Chair may call on specific individuals in the committee if he deems their input to be of pressing importance to debate, however under normal conditions the members of the NEC will still decide speaking time and the subject of debate in the standard fashion of a Model UN [Type text]

caucus. In addition to a moderated caucus, delegates will be able to motion for an unmediated caucus, which will only be used for drafting reports, communiqués, and committee directives. All other rules regarding parliamentary procedure will remain in keeping with traditional Crisis simulations, but may be modified at the discretion of the Chair.

Voting procedures -

The primary objective of the NEC is to provide relevant analyses and recommendations to the President in response to dynamic events that occur in the international economic system. The NEC has a much higher degree of autonomy relative to other committees and therefore operates based largely on its own expertise in the financial and economic sectors. The NEC’s largely autonomous nature means that while its decisions are technically non-binding (i.e. all substantive directives must be submitted to the President of the United States for signed approval) the recommendations of the council carry significant weight within the NSC and with POTUS. In essence, the NEC is a committee of experts and policymakers whose advice and recommendations are highly trusted and rarely questioned by the NSC and POTUS. As such, all directives taken by the committee must be submitted to POTUS for approval. Substantive documents within the sole purview of the NEC include the commissioning of economic/financial

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reports, issuance of communiqués to the NSC and other key actors, issuance of press releases via the White House Press Secretary pertaining to economic affairs, and small-scale portfolio actions on behalf of the individuals in the committee.

List of positions -

- Chairman of the Federal Reserve
- President of the New York Federal Reserve Bank
- Deputy Secretary of State
- Deputy Secretary of the Treasury
- Under Secretary of the Treasury for Terrorism and Financial Intelligence
- Managing Director of the International Monetary Fund
- Deputy Secretary of Energy
- Deputy Secretary of Commerce
- United States Trade Representative
- Director of the Congressional Budget Office
- Member of Council of Economic Advisers
- Special Economic Liaison to the Pentagon
- Chairman of the House Ways and Means Committee
- Deputy Secretary of Natural Resources
- White House Press Secretary

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