



NATIONAL PLANNING
ASSOCIATION

ANNUAL REPORT

1990



National Planning Association

Three critical problems plague our economic and political scene, all related to American business, labor and agriculture:

- ❑ the fundamental shifts in international competitiveness and the difficulties U.S. producers face at home and abroad from foreign competitors;
- ❑ the accelerating pace of technological change and its impact on production, marketing, services, and personnel;
- ❑ the mounting necessity to better prepare our human resources to meet these challenges through education, retraining and worker-management innovations.

Effective responses to these challenges will never be clear-cut, but central to any progress in maintaining a leadership role for the United States must be a coming together of management, labor, agriculture, and academia. Leaders from these key, sometimes antagonistic, components of our society must in their own interests search for common ground to promote measures that ensure the general welfare.

The National Planning Association provides the forum in which this essential interchange can take place.

NPA is an economic research institution focusing on the three critical areas noted above: international trade and competitiveness, U.S. productivity and workforce preparedness. NPA believes that America's leaders must work together to find solutions to our economic problems and to ensure economic prosperity for all Americans. To that end, NPA conducts an active research program addressing crucial national issues and sponsors five policy committees in which leaders from business, labor, agriculture, and academia meet to acquire greater insight on these issues and to gain better understanding of viewpoints from outside their own sectors.



THE UNITED STATES IN A GLOBAL ECONOMY

Report from the
Chair of the Board
and the President



(L) Richard J. Schmeelk, Chairman, C.A.I. Advisors, and Chair of the NPA Board of Trustees; and (R) Edward E. Masters, NPA President and Chief Executive Officer.



Americans can take great satisfaction from the fact that our sacrifices during more than 40 years of Cold War have paid tremendous dividends and that our concepts have prevailed in setting the stage for a new world order. But the task is not yet finished. Uncertainties remain over the extent to which reform will really take root in the Soviet Union and whether popular expectations in the nations of Eastern Europe can be met. It is also likely that there will be further threats to peace in the developing nations.

The United States is the only world power capable of exercising broad international leadership to meet these continuing threats and uncertainties. It is the only major nation that is both an economic and a military superpower. It is also the most effective proponent of democratic concepts and free market practices.

To play our critical international role, we as a nation need to maintain effective military power and to redefine our concept of national security to include not only military might, but also economic strength, our capacity to compete in international markets and our ability to continue to provide rising living standards for our own people.

On a political map of the world, the boundaries are clear and sharp. But on an economic map, especially one showing international competitiveness, the lines are blurred. Business and finance move quickly as though, in many cases, national boundaries do not exist. Ideas, information and



technology cross borders at literally the speed of light. A global economy with an increasingly common knowledge base dominates today's world economic map.

Capital markets now function on a worldwide basis, with funds being transferred via fiber-optic cables and satellites at nearly the speed of light. Each day several hundred billion dollars in currency changes hands on foreign exchange markets throughout the world. These international financial flows increased by more than 300 percent during the 1980s.

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More than \$4 trillion worth of stock trades annually on the world's major stock exchanges. With new technology, these markets react instantly to news from around the world.

Since the mid-1950s, world trade has grown more than 20-fold, from about \$200 billion in 1956 to nearly \$6 trillion in 1990. A sharp reduction in international trade would be far more serious now than in the 1930s when trade flows were a fraction of their present levels.

The United States has shared in this global economic expansion. In 1970, combined exports and imports represented about 13 per-

cent of our gross national product (compared with about 5 percent in the 1930s). By 1980, the figure had risen to 24 percent, and in 1990 it reached 25 percent. In other words, foreign trade accounts today for one-quarter of our GNP.

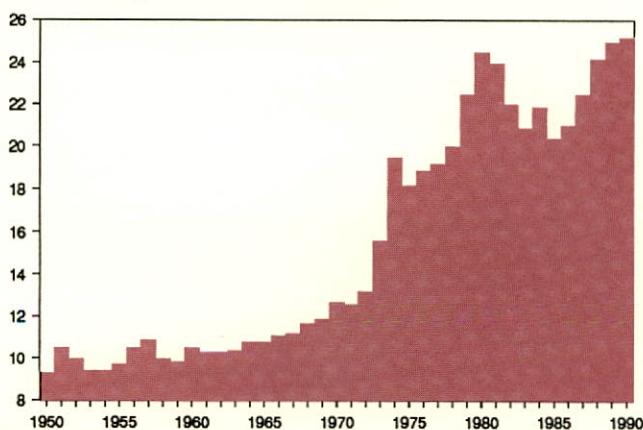
Farm commodity prices and even land values closely track the value of agricultural exports. Exports accounted for 25 to 30 percent of total farm cash receipts in the 1980s, compared with 10 to 15 percent two decades earlier. These exports are estimated to support about one million U.S. jobs, with an additional 500,000 resulting from the assembling, processing and distribution of agricultural products for export.

On the business front, the competition for goods, services and technology pays little heed to national borders. In 1990, IBM received 61 percent of its revenues from operations abroad; for Xerox the figure was 50 percent. Sixty-two percent of Coca-Cola's revenues stem from non-U.S. sources, and the firm controls 80 percent of the cola market and 58 percent of the entire carbonated drink market in Japan. Other U.S. firms rely equally heavily on overseas earnings, and they know how to operate successfully in foreign markets.

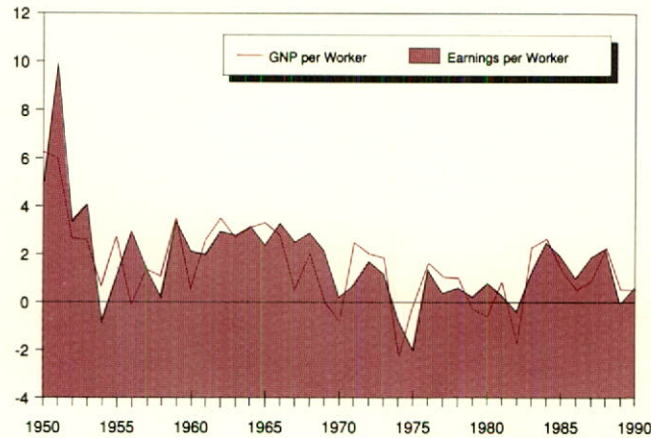
Foreign companies operating in the United States employ more than four million Americans, a figure representing about 5 percent of all U.S. nongovernment employment. Unfortunately, these firms on balance import more than they export, so the net effect on U.S. employment is not necessarily as good as it might appear.

U.S. concepts of democracy and economic structure have spread rapidly throughout the world. Starting

Foreign Trade as a Percent of U.S. GNP



Annual Changes in U.S. Productivity and Average Earnings (%)



with the East Asian NICs (the newly industrializing countries of Korea, Taiwan, Singapore, and Hong Kong), free market ideas have been quickly adopted by other Asian nations—Thailand, Malaysia and Indonesia. These countries have for a number of years been among the world's fastest growing economies. They now take a significant portion of our exports.

Mexico and other Latin American nations are moving toward political liberalization and more open economies. Most dramatic of all, the nations of Eastern Europe and the Soviet Union itself are, in varying degrees, experimenting with more open economic and, in some instances, political systems.

But all of these changes in the world economic order are in infant stages. Strong leadership from the United States remains necessary to continue progress and peaceful transformation.

Achieving a reinvigorated economy, including rising earnings and incomes, is the essential underpinning to meet our domestic and international objectives and requires action on many fronts. Three interrelated goals are critical to this task:

- ❑ a better trained and motivated U.S. workforce;
- ❑ improved national productivity; and
- ❑ strengthened international competitiveness.

These goals are high on the NPA agenda. NPA's programs addressing these and other urgent national needs are described in this report.

The National Planning Association is building from a strong base. During 1990, we issued a record number of publications and sponsored several major conferences that addressed the important problems facing our private sector.

NPA's five policy committees are active and continue to be on the cutting edge, providing the arena where senior representatives from different parts of the private sector meet to exchange views and, where possible, reach consensus on ways to manage critical national issues. A highlight of this year was the presentation of NPA's Gold Medal Award to Citicorp Chairman John Reed at a very successful dinner in New York City. We are grateful to him and his staff and to NPA members who attended or supported this dinner.

NPA's achievements during 1990 would not have been possible without the help and participation of so many colleagues and supporters representing business, labor, agriculture, academia, and the professions.

We thank you, our supporters, and look forward to working with you during the coming year.

Richard J. Schmeelk

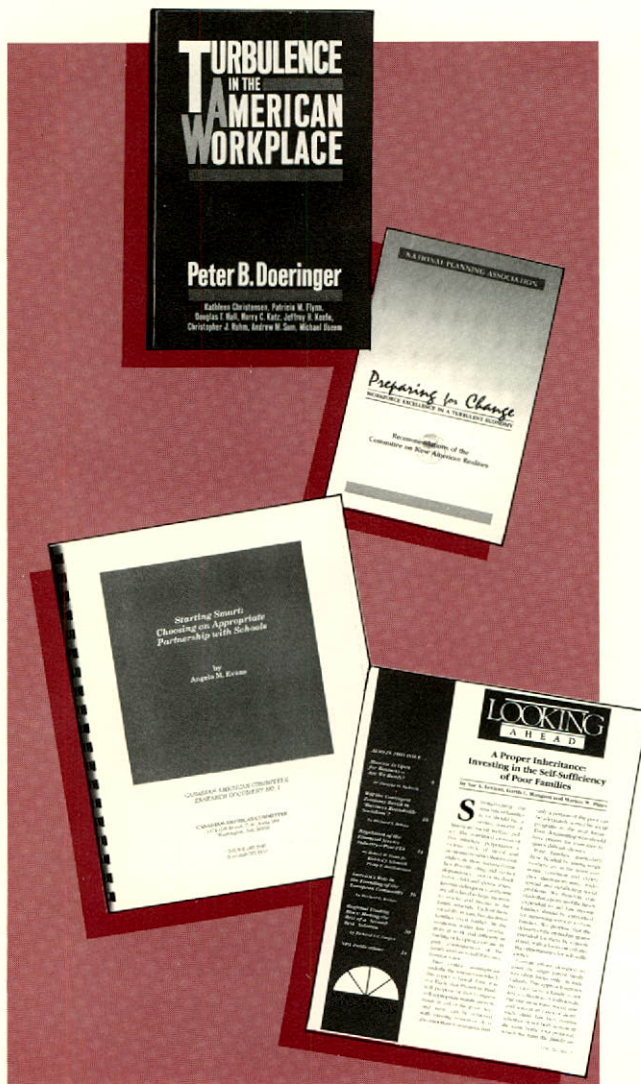
Richard J. Schmeelk
Chair, Board of Trustees

Edward E. Masters

Edward E. Masters
President

NPA'S CRITICAL OBJECTIVES

Enhanced Human Resources



orkers are the least mobile of the major factors of production. The firms that are succeeding in today's global marketplace emphasize development of human capital. This emphasis constitutes a significant competitive advantage for those firms. They know that a skilled and motivated workforce is an essential element in improving the quality of products and services.

NPA and its five policy committees believe that our nation's human resources are by far our most valuable asset. Productivity expert Edward Denison reports that development of the workforce through education and training produced 26 percent of the nation's gains in productivity between 1929 and 1982. Infusion of additional capital per worker contributed only 15 percent.

Estimates are that jobs requiring higher levels of skill in technology and services will increase by 50 percent by the year 2000. To ensure a workforce capable of meeting this challenge, we must:

- ❑ emphasize education and training so that the workforce can work smarter, not necessarily longer or harder;
- ❑ better manage workforce turbulence, which has resulted in lost jobs, declining incomes and reduced national competitiveness;
- ❑ find effective ways of integrating into the labor market groups that are either disadvantaged or otherwise outside the workforce; and
- ❑ strengthen labor-management relations so that the two can, in their own interests, work together more effectively.

Through its policy committees and central research programs, NPA seeks solutions to these critical needs.

A More Productive Nation

We cannot take advantage of the opportunities offered by globalization of the economy and also raise our standard of living unless we significantly improve our national productivity. Unfortunately in recent years—except for U.S. agriculture, which remains the world's most productive agricultural sector, and some manufacturing companies—trends in the United States have been going very much in the opposite direction.

America's productivity—the nation's output per unit of labor—grew at an annual rate of more than 2.3 percent from 1950 to 1973. Since 1973, the growth rate on average has been less than 1 percent. At the higher rate, a worker's output doubles in 32 years; at the lower rate, it takes 70 years or more to double that output. This trend impacts directly on our international competitive position and our standard of living. A less productive economy obviously provides fewer benefits for its people and places at a disadvantage the 70 percent of U.S. manufacturers and the many U.S. service industries that face direct foreign competition.

During the past several years, the United States has been able to offset slow growth in real earnings by sending more workers per household into the workforce. That option is closing as the supply of young workers and women entering the workforce declines.

The solution now lies in raising productivity. This requires improved education and training of our workers, additional investments in fixed plant

"Finding ways to measure and then improve productivity in services is high on NPA's agenda."

and equipment and major improvements in public infrastructure.

The good news is that productivity in manufacturing has increased during recent years as a result of better use of human resources, higher investment levels, increased R&D, and industrial restructuring. Once again American steel and other manufactured goods are becoming competitive.



However, productivity in the service sector has lagged seriously. U.S. service productivity is growing, according to one estimate, at the dismal annual rate of 0.6 percent. This compares with 3 percent in Japan. This is particularly important because the U.S. Labor Department estimates that services will provide 90 percent of all new jobs during the 1990s.

Citicorp Chairman John Reed noted at NPA's Gold Medal Award dinner that, "with 75 percent of our human resources in the service sector, productivity gains in services are going to translate directly into an improved standard of living." Mr. Reed added that, "unfortunately, we don't know anything about productivity in the service sector. We don't know how to bond people to their work."

Finding ways to measure and then improve productivity in services is high on NPA's agenda.

A Globally More Competitive America

Although many American firms are highly competitive in world markets, we as a nation too often are not. The domestic reasons for this situation are examined in detail in many of NPA's reports and other forums.

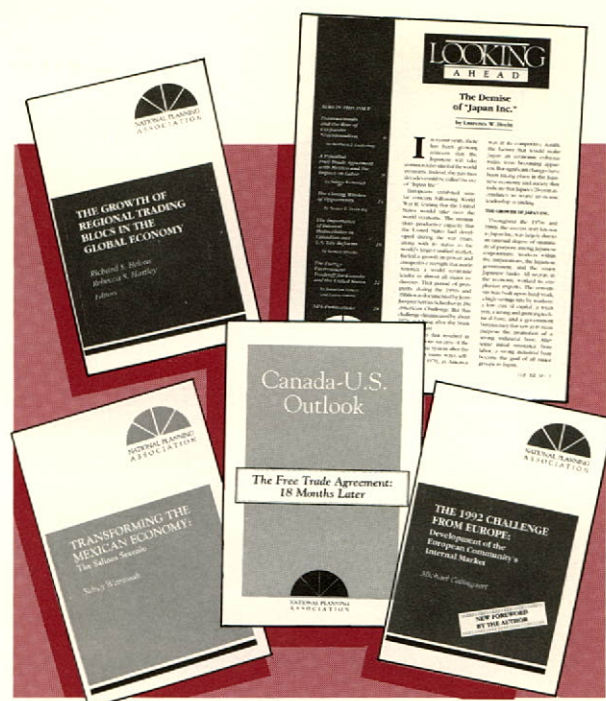
- ❑ Our basic education system is flawed.
- ❑ Our priorities and incentive systems for higher education are skewed (only 5 percent of our B.A. degrees are given in engineering, compared with 20 percent in Japan and 37 percent in Germany).
- ❑ The training and retraining of our workers is insufficient.
- ❑ Civilian R&D spending is far too low.
- ❑ Domestic saving rates are inadequate.
- ❑ Health care costs were up more than 20 percent on average in 1990.

Other reasons could be cited, but it is clear that while we continue to be the most productive nation in the world, we are rapidly losing our competitive edge. And the competition is not standing still.

By January 1, 1993, the 12 nations of the European Community are to create a single market of 320 million people for labor, goods, services, and capital. That market total could rise to 400 million if the European Free Trade Association or some of its members were to become associated with the EC. Participation at some point by one or more nations of Eastern Europe also cannot be ruled out.

The United States and Europe are already each other's leading trade partner and largest source of direct foreign investment. European economic integration will alter the competitive position of U.S. and European firms in Europe in particular but also throughout the world.

Competition from East Asia, still the world's most dynamic economic growth area, is also likely to grow, as is rivalry for markets in this region.



No single group bears the blame for our lack of international competitiveness, and no single group can solve it. What is needed is a collaboration of business, labor, agriculture, and government to meet this critical challenge.

The roles of the first three groups are highlighted throughout this report. Government, the fourth group, has a crucial role in several areas:

- ❑ providing the "level playing field" for international trade through the General Agreement on Tariffs and Trade and regional or bilateral trade arrangements;
- ❑ enforcing adherence to commonly accepted standards of workers' rights and protection abroad;
- ❑ ensuring adequate protection of intellectual property rights; and
- ❑ relaxing or clarifying domestic restrictions that put U.S. firms at a disadvantage—antitrust policies, export controls, uncompetitive commercial loan guarantees, and ambiguities in the Foreign Corrupt Practices Act.

NPA constitutes a forum in which private sector leaders can exchange views on America's competitive position and also interact with government leaders.

THE NPA APPROACH



he problems facing the United States nationally and internationally can be successfully resolved only if Americans from key groups are willing to compromise on competing goals and to agree on priorities in the allocation of scarce human and material resources. This has been the National Planning Association's guiding mandate for almost 60 years, since NPA's founding during the 1930s when conflicts among major economic groups threatened to paralyze national decisionmaking.

NPA believes that the need for such an impartial forum is equally important in meeting the challenges facing the nation today.



(L) NPA Board Chair Richard J. Schmeelk, Chairman, C.A.I. Advisors, and (R) Owen F. Bieber, President, International Union, United Automobile, Aerospace & Agricultural Implement Workers of America, at the March 1990 meeting of the NPA Board of Trustees, held in Washington, D.C.

The programs of NPA's central organization and its five policy committees are designed to address these challenges. Certain overall priorities are reflected in these programs:

- ❑ the growing international importance of Canada, Mexico, a united Germany, Eastern Europe, and the economic forces of the Pacific Basin;
- ❑ the need to use more effectively our human and material resources to enhance our national productivity, competitiveness and standard of living;
- ❑ the value of more productive labor-management relations;
- ❑ the need to bring technology and environmental considerations into better balance; and
- ❑ the importance of reviewing national agricultural policies to reflect current national and international realities.

The discussion that follows presents the highlights of NPA's central programs.



A working session of the Food and Agriculture Committee.



NPA'S CENTRAL PROGRAMS

America's Window of Opportunity

"The chartbook graphically demonstrates that the United States has time to put the nation 'on a course of sustained growth. The question is whether we have the foresight and the will.'"



PA's chartbook of *Changing Sources of U.S. Economic Growth, 1950–2010* was published in early 1990. Authored by NPA Vice President Nestor Terleckyj and directed by the Board of Trustees-level Committee on Enhancement of Human Resources, this important study shows how future economic growth in the aggregate and in per capita income depends on growth in productivity rather than on increases in the workforce. In the book's Preface, Harvard professor emeritus and former Secretary of Labor John Dunlop notes that the chartbook graphically demonstrates that the United States has time to put the nation "on a course of sustained growth. The question is whether we have the foresight and the will."

Drawing on the analysis in the chartbook, the NPA Trustees issued a statement in August 1990 entitled *Taking Advantage of America's Window of Opportunity*, in the midst of negotiations between the executive branch and Congress to find ways to reduce the U.S. federal budget deficit. This statement points out that, for various demographic, economic and strategic reasons, the United States has a "window of opportunity" in which to bring order to the economy by reducing and eventually eliminating the budget deficit. If it fails to do so, then the burgeoning budget deficit and demographic pincers (caused by the reduced growth rate of new workforce entrants, on the one hand, and the rapid increase of the older, dependent population, on the other) will make this task extremely difficult and politically and socially painful after the year 2000.



Canada-U.S. Outlook

The United States and Canada enjoy the friendliest and most comprehensive relationship of any two nations in the world. However, the importance of this relationship is inadequately understood, we believe, by top U.S. policymakers and the American public. To meet what we regard as a significant lack of policy analysis on key binational issues, NPA launched the quarterly *Canada-U.S. Outlook*, which has become the journal of record for critical issues affecting the two nations.

Supported by grants from the Donner and Ford Foundations, the 1990 issues of *Outlook* included a special double issue on energy and environmental tradeoffs and the Canada-U.S. relationship. That issue and its accompanying con-

ference sparked considerable interest. Its results and papers will be published by Praeger in 1991 in a book to be edited by Jonathan Lemco, NPA Senior Fellow and Managing Editor of *Outlook*.

A subsequent issue of *Outlook* explored the implications for both countries of the Canada-U.S. Free Trade Agreement 18 months after its ratification. The conclusion was that, while some problems had arisen, the agreement was generally working well.

Future issues of *Outlook* will address the U.S.-Canada defense relationship, agricultural issues of concern to the two nations, and implications for the United States if Quebec should leave the federation or significantly weaken its ties.



Panelists at the *Canada-U.S. Outlook* April Conference on Energy and the Environment included (L to R) Barry Rabe, Assistant Professor of Political Science, University of Michigan; NPA Senior Fellow Jonathan Lemco, Managing Editor, *Canada-U.S. Outlook*; and Irving Mintzer, Professor, Center for Global Change, University of Maryland.



John J. Sweeney, International President, Service Employees International Union, AFL-CIO, CLC, addresses the October Conference on European and U.S. Labor Markets sponsored by NPA and the Friedrich-Ebert Foundation.

American and European Labor Markets



William K. Ketchum, Vice President, Labor Relations, AT&T, discusses education and training for the American labor market at the Conference on European and U.S. Labor Markets.

NPA, in conjunction with the Friedrich-Ebert Foundation, has launched a major project that compares and contrasts the dramatic changes that have taken place in American and European labor markets. The first stage of this project was a conference in Washington on October 8–9, 1990, that brought together key labor and management leaders from Europe and the United States. This conference will result in the publication of a study in 1991 showing the tradeoffs and bargains that European and American workers have struck with management.

We believe that NPA and the Ebert Foundation are breaking new ground in this area. In general, American labor markets have generated far more jobs than have European labor markets. But in many cases, the quality of American jobs has been reduced to hold down costs in the short run. Numerous policy issues—including employee benefits such as health care, training, labor regulations and standards, and flexibility—are being addressed by the project.



The Growth of Regional Trading Blocs

A 1989 survey of members of NPA's policy committees showed that 88 percent believed the world economy was moving toward regional trading blocs. With this survey as a starting point, NPA organized a conference of trade and other experts to analyze the impact of this trend.

The results of the conference were published in early 1990 in a timely study entitled *The Growth of Regional Trading Blocs in the Global Economy*, edited by NPA's Richard Belous, Vice President of International Affairs, and Rebecca Hartley, NPA Senior Fellow.

The authors concluded that while a strengthened GATT is desirable, the realities of international life favor growth of a two-tiered system embodying elements of GATT as well as regional blocs. They noted that GATT faces major problems in dealing with new issues (such as agriculture, services and protection of intellectual property rights) and that the United States could no longer be expected to absorb a disproportionate share of the adjustment costs resulting from multilateralism.

The Post-Cold War Economy

The recent dramatic changes in Eastern Europe and the Soviet Union have presented a major opportunity for the United States to rethink its economic strategy and resource allocations. Both President Bush and congressional leaders have noted that a new world order will have a significant impact on American foreign and domestic policies. NPA's study *Creating a Strong Post-Cold War Economy* provides a road map showing the various policy options and tradeoffs that America faces in the 1990s.

Authored by Dr. Belous, the study questions if there will be a so-called peace dividend. Nevertheless, the report presents some of the direct and indirect results of different spending and taxing options. As Michael Aho, Director of Economic Studies of the Council on Foreign Relations, commented, "The study provides a very good foundation to examine the various possibilities that are now open to us." Just as NPA was active in the reconversion process following World War II, it will play a similar role in the post-Cold War era, as Dr. Belous's study demonstrates.

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reconversion process following
World War II, it will play a similar role in
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THE POLICY COMMITTEES

British-North American Committee

*Statement by BNAC North American
Chair William I.M. Turner*



William I.M. Turner, Chairman and Chief
Executive Officer, Exsultate, Inc.



As the war in the Persian Gulf has shown, the very special relationship between the United States, the United Kingdom and Canada remains vital. The British-North American Committee is a unique link among the three nations. It serves as the only forum where top American, British and Canadian leaders from business, labor, agriculture, and the academic and applied professions meet on an ongoing basis.

Beyond any one meeting or research project, the BNAC is a network of private sector leaders who are concerned about common core values. The need to extend enlightened market economies is one of these common concerns. The BNAC has always understood the importance of having all segments of society represented at the table and sharing in the benefits produced by our modern economic systems.

BNAC meetings and research in 1990 focused on key issues that affect the special relationship between the three countries.

The International Role of the United States

As events in the Middle East have demonstrated, the United States is the only nation that can form and lead a coalition of countries against a common threat such as Iraq. Nevertheless, U.S. resources are not unlimited, and the American people expect that the duty of collective security will be fairly shared by many nations. At the Committee's Fall 1990 meeting in Dallas, BNAC member and former Secretary of Defense and of Energy James Schlesinger led a session that examined how the



United States can play a strong role in the post-Cold War world. This area will continue to be important in Committee work.

Economic Issues

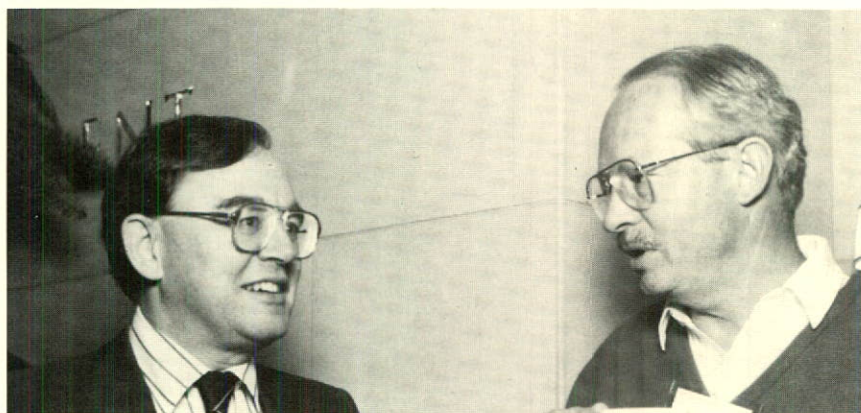
The BNAC plans to publish in 1991 a comprehensive study on saving trends in the developed world. Authored by Harold Rose of the London Business School and a BNAC member, the study will show the causes and consequences of low saving rates. Slower economic growth and capital formation are the primary problems produced by low saving rates. But the main difficulty, the study notes, is in the public sector, not in the private sector, and key policy changes should therefore be made in public sector financing.

A new BNAC Working Group is looking at the increased instability of key elements of the international financial system. Problems have been found in many sectors concerning high debt loads and low liquidity. The Working Group is examining various policy recommendations to improve the situation.

The BNAC is studying ways to manage the economic and social impacts caused by the

dramatic demographic shifts that are occurring in various nations. Programs and policies that have been instituted by corporations, labor unions, governments, and universities are being examined. A comprehensive study will be issued in 1991.

A recent BNAC statement urged world leaders to conclude successfully the Uruguay Round of GATT talks. However, with serious problems in the GATT system and a breakdown in the talks facing



(L) Peter White, Chairman, Unimedia, Hollinger, Inc.; and (R) John A. Hinds, Chair, BNAC Executive Committee, and President, AT&T International.

negotiators, the BNAC launched a comprehensive new study of the long-term direction of the international trading system. This study is being directed by Michael Aho of the Council on Foreign Relations and by BNAC staff.

"The BNAC has always understood the importance of having all segments of society represented at the table and sharing in the benefits produced by our modern economic systems."



Governing Corporations

Another newly formed Working Group is examining the vast changes that have taken place in corporate governance. As a first step, the Working Group has focused its attention on the role of outside directors.

Energy and the Environment

The BNAC remains active in studying tradeoffs between the environment and energy needs. At the Fall 1990 meeting, Lee Raymond, President of Exxon Corporation and a BNAC member, explained the possible energy-related scenarios resulting from war in the Middle East. Richard Lipsey of Simon Fraser University examined the role of market-based solutions to environmental problems. The BNAC reissued a study in 1990 written by the late Harry Johnson, a member of the BNAC, that shows how to conduct cost-benefit analyses in the environmental field.



David Schramm, Louis Block Professor in the Physical Sciences, Department of Astronomy and Astrophysics, and Department of Physics, University of Chicago.



Seated (L to R) James R. Schlesinger, Senior Advisor, Lehman Brothers, and former Secretary of Defense and of Energy; and Sir Michael Palliser, BNAC British Chair, and Deputy Chairman, Midland Bank PLC. Standing (L to R) Alan Tuffin, General Secretary, Union of Communication Workers; Nathaniel Samuels, Advisory Director, Lehman Brothers; and Margaret S. Wilson, Chairman and Chief Executive Officer, Scarbroughs.

Europe Without Margaret Thatcher

At the June 1990 BNAC meeting in Gleneagles, Scotland, British Labour Party leaders discussed what a post-Thatcher era would be like. The BNAC continues to examine the direction of the United Kingdom and the European Community now that Margaret Thatcher has left center stage. It is interesting to note that the new Prime Minister, John Major, met with the BNAC two years ago.

The BNAC has proved to be a flexible international network for new ideas and innovative solutions to major problems. The recent pace of events in Europe, the Soviet Union and the Middle East shows the importance of such forums and of continued close association among private sector leaders in the three nations who face similar problems.



Canadian-American Committee

*Statement by CAC Cochair
Robert G. Nichols*



Robert G. Nichols, Partner, Price Waterhouse.



The Canada-U.S. bilateral relationship continues to be one of the most amicable and vital in the world today. In an era when the European Community and the countries of the Pacific Rim are rapidly forming trading blocs, it is increasingly important for Canada and the United States to promote their trading relationship effectively. The bilateral Free Trade Agreement encountered certain early problems, but it remains the best vehicle to promote North American economic cooperation. It also serves as a positive model for other nations.

The FTA and the CAC

The members of the CAC, who are drawn from industry, labor, agriculture, and the professions, were instrumental in promoting the negotiations that led to the signing of the Free Trade Agreement. Their job is not completed, of course. As the FTA is being implemented, CAC members are among the first to be consulted about strategies for maximizing the opportunities that the agreement offers.

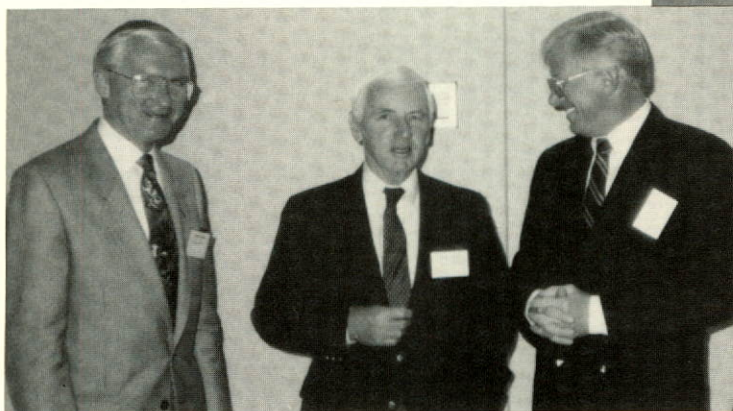
This is just the first phase of activity, however, for it is possible that Mexico will ultimately become an FTA partner. Because the Committee is especially interested in this prospect, it has commissioned Ronald Wonnacott of the University of Western Ontario to write a book on the topic. Professor Wonnacott's study will devote particular attention to the relative benefits and costs of a North American Free Trade Agreement that includes Mexico as opposed to separate binational agreements between the United States and its two neighbors.

Education-Business Partnerships

The CAC is examining how business can promote science and mathematics education in public schools. By identifying clear and viable policy choices, the corporate sector can help to transform the workforce into a better educated and more



productive part of American society. Angela Evans, Director of Education for the Congressional Research Service, authored a CAC monograph in 1990 entitled *Starting Smart: Choosing an Appropriate Partnership with Schools*. The report has been distributed to many school libraries in both the United States and Canada.



(L to R) Frederick E. Hennig, President and Chief Operating Officer, Woolworth Corporation; Frank J. Morgan, President and Chief Operating Officer, Quaker Oats Company; and James E. Perrella, Executive Vice President, Ingersoll-Rand Company.



(L) Erland E. Kailbourne, Chairman of the Board and Chief Executive Officer, Norstar Bank, N.A.; and (R) Robert G. Nichols, CAC American Chair, and Partner, Price Waterhouse.

Energy and the Environment

For most Canadians and many Americans, environmental issues remain a vital binational concern. The CAC is studying the tradeoffs between energy production options and environmental protection strategies. It has formed a task force to examine energy and environmental issues and to suggest policy alternatives that will be in the best interests of labor, industry and the public. The task force will focus in particular on recycling strategies and hazardous waste siting issues.

The meetings of the Canadian-American Committee are the primary forum for discussion of bilateral relations and public policy issues. The blend of corporate, labor, agricultural, and academic leaders in the CAC provides a unique network of individuals qualified to suggest solutions to the problems inherent in any vital binational relationship. The work of CAC members has proved valuable to politicians and public officials in both Canada and the United States.



(L) James A. Curtis, Chairman and Chief Executive Officer, Milliman & Robertson, Inc.; and (R) Fred Fosmire, Senior Vice President, Human Resources-Technology-Engineering, Weyerhaeuser Company.

Committee on Changing International Realities

*Statement by CIR Chair
John J. Simone*



John J. Simone, Group Executive, Manufacturers Hanover Trust Company.



While much has been made of the relative decline of U.S. influence in the world economy, events in the Middle East show that America still plays a key leadership role in international affairs. The CIR's meetings and research agenda reflect the renewed awareness of this fact and of the nation's continued global responsibilities.

Now in its 16th year, the CIR remains a unique forum for the discussion of critical developments in the international political economy that affect the U.S. private sector. The Committee brings together influential business and labor leaders and experts in the fields of economics and international relations. The findings and recommendations of the CIR help private and public sector policymakers manage the changes that have become a main element of the international scene today.

The CIR is currently focusing on a number of significant issues.

Regional Concerns

Long before the Berlin Wall fell, the CIR had launched a comprehensive study on the global impacts of a revitalized Germany. *United Germany and the United States*, to be published in 1991, is one of the first detailed examinations of the full implications that a unified Germany will have for the United States and the European Community.

The Committee is very concerned about developments in the Soviet Union as well as Eastern Europe. Many CIR members have been active recently in that part of the world, and the Committee has provided a special avenue in which to share those experiences and insights.

The CIR issued a study in 1990 on the policies of Mexican President Salinas. In *Transforming the Mexican Economy*, Sidney Weintraub of the University of Texas at Austin shows that Mexico is





(L to R) Rolf Henel, President, Lederle International, American Cyanamid Company; Laurence W. Hecht, Executive Director, Iacocca Institute, Lehigh University; and NPA Senior Fellow Rebecca S. Hartley, Director, NPA's Germany Project.

"The CIR remains a unique forum for the discussion of critical developments in the international political economy that affect the U.S. private sector."

switching from a policy of import substitution and government control to one centering on market forces and export-led growth. This bold experiment has many implications for the United States and Third World nations, the study concludes.

The CIR is currently conducting a new project that examines the prospects for a more open trade arrangement between the United States and Mexico. Peter Morici of the University of Maine and an NPA Senior Fellow is directing this study for the CIR.

The long-term political and economic impacts of events in the Middle East were the focus of CIR meetings in 1990. A key concern was their effect on energy prices and supply conditions. In light of the Persian Gulf war, the CIR will continue to explore the various options for the United States in the post-Cold War world.



Barbara J. Easterling, Executive Vice President, Communications Workers of America.

Economics and Trade

The serious problems faced in the latest round of GATT talks have been a major concern of the Committee. In view of the difficulties experienced in the Uruguay Round, the CIR led an NPA project that resulted in publication of one of the first detailed studies on *The Growth of Regional Trading Blocs in the Global Economy*. The CIR continues to follow closely the tensions generated between stalled reform of the multilateral trading system and growth of new regional agreements.

The CIR is in the final stages of a major project examining the critical relationship between global corporations and nation-states. Both the costs and the benefits of large "stateless" corporations are being studied, as well as various methods to establish basic rules of the road and new institutions to cope with the tensions that have arisen.

The CIR continued its research in 1990 on the long-term implications for the United States of continued trade and budget deficits. The net result seems to be slower long-run rates of capital formation and growth.

(L) Dominique Clavel, Senior Vice President, Chase Manhattan Bank, N.A.; and (R) Edward J. Carlough, CIR Vice Chair, and General President, Sheet Metal Workers' International Association.

Telecommunications and Computers

A current focus of the CIR is on recent developments in the fields of telecommunications and computers. The Committee is concerned about the impacts these changes will have on corporations, workers and international trade.

In 1990, I took over the Chairmanship of the CIR from William R. Miller, former Vice Chairman of the Board of Bristol-Myers Squibb Company. Under Bill's leadership, the CIR made many advances in research and membership. The CIR plans to build on this firm foundation in a period of many difficult international realities.

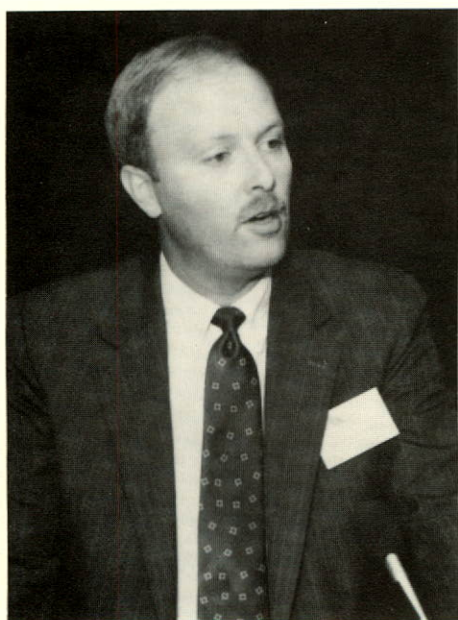


"Both the costs and the benefits of large 'stateless' corporations are being studied, as well as various methods to establish basic rules of the road and new institutions to cope with the tensions that have arisen."



Food and Agriculture Committee

*Statement by FAC Chair
Mark R. Drabenstott*



Mark R. Drabenstott, Assistant Vice President and Economist, Federal Reserve Bank of Kansas City.



For American agriculture, 1990 was a year of decision for the future of both domestic farm policy and international trade policy. On the domestic farm policy front, a new farm bill was adopted late in the year with little fanfare. The new bill continued to nudge U.S. agriculture toward greater market orientation. But on the international trade front, some critical decisions were postponed. Multilateral negotiations under the auspices of the GATT failed to reach an accord, leaving the future of agricultural trade relations highly uncertain.

The New Farm Bill

Early in 1990, NPA's Food and Agriculture Committee completed work on an extensive set of papers on farm policy issues as input into the farm bill debate. In March, the FAC, working cooperatively with the National Center for Food and Agricultural Policy (NCFAP) of Resources for the Future, jointly published the results of this two-year study in *Agricultural Policies in a New Decade*. Representatives of Congress, the Administration, farm and commodity organizations, consumer and environmental groups, and the press were briefed on the study's findings and recommendations at the Spring FAC meeting in Washington.

As the 1990 farm bill took form in mid year, it became increasingly evident that actions taken to reduce the federal budget deficit would have a major effect on the farm policy that was ultimately adopted. At the Fall meeting of the FAC, Robert D. Reischauer, Director of the Congressional Budget Office, briefed the Committee on links between the budget negotiations that were then under way and the 1990 farm bill. At the same meeting, Congressman Fred Grandy (R-Iowa), a member of the House Agriculture Committee in the 101st Congress, presented a thoughtful analysis of the major features of the 1990 farm bill and the political forces that shaped the final bill.





Thomas N. Urban, Chairman of the Board and President, Pioneer Hi-Bred International, Inc.

A New Decade, A New Agenda

With the wrap-up of the 1990 farm bill project, the FAC considered six possible topics from which to build its new agenda: agriculture's impact on the environment, food safety, changes in the structure of food and agricultural businesses and markets, the role of management in food and agricultural enterprises, boosting exports of value-added farm products, and the future of the rural community. The Committee received and discussed reports on each topic at its two main meetings in 1990 and then set up a two-part plan for the coming year.

The first priority of the FAC's current program is to study in greater depth the environmental and food safety issues facing U.S. agriculture. As consumers and policymakers pay more attention to

the quality of the environment and the safety of the nation's food supply, agriculture and the food system could undergo great change. The nature of those changes and the policy decisions that will govern the rate of change are not well understood. Among questions that the Committee will address are: To what extent do current agricultural production and marketing systems affect environmental quality and food safety? What are the pros and cons of policy options to resolve current and emerging conflicts between farm and environmental interests?

FAC members believe that this part of the new agenda will form a natural, continuing bridge between the FAC and the NCFAP. In light of the success of the farm bill project, FAC members

"The first priority of the FAC's current program is to study in greater depth the environmental and food safety issues facing U.S. agriculture."





Congressman Fred Grandy (R-Iowa).

support the pursuit of further joint projects. The NCFAP also has interest in and expertise on these issues.

The FAC's second priority is to begin developing a major program to understand the changing structure of agricultural businesses and markets. At the Fall 1990 meeting of the FAC, Thomas N. Urban, Chairman of the Board and President of Pioneer Hi-Bred International, Inc., provided the Committee with an insightful analysis of how agriculture may be restructured in the decade ahead. He sketched a future where bulk farm commodities sold in traditional auction markets might be replaced by more specialized, higher value products sold under new contractual agreements between farmer and processor. The lexicon of these more vertically integrated markets is not yet defined, but Mr. Urban calls the process the "industrialization of agriculture."

For example, in the future, Iowa corn farmers might plant a genetically altered corn that produces soft-textured kernels for use in certain sweetener or starch production processes. These farmers would keep that corn separate in their management and would preserve the identity of the corn to the processor. The processor, wanting to guarantee a steady supply of the special corn, would enter into exclusive contracts with the farmer.

In short, we could be on the threshold of a revolution in agricultural markets, a revolution made possible by advancing technology and motivated by a financial quest to find more value in traditional agricultural commodities. This trend has already occurred in the broiler industry, and it could spread to others. The Committee believes that the trend will pose unique challenges for the industry and will lead to far-reaching consequences for farmers, agribusinesses, rural communities, and policymakers. During 1991, the FAC will undertake a long-term project to address the subject.



(L to R) R. Gerald Saylor, Director of Market Economics, Deere & Company; FAC Chair Mark R. Drabenscott, Assistant Vice President and Economist, Federal Reserve Bank of Kansas City; and Robert D. Reischauer, Director, Congressional Budget Office.



Committee on New American Realities

*Statement by NAR Chair
Charles R. Lee*



Charles R. Lee, President and Chief Operating Officer, GTE Corporation.

The Committee on New American Realities promotes the achievement of a more competitive U.S. economy. Its members are drawn from business, labor, agriculture, and the academic and applied professions. The NAR sponsors open, nonpartisan analysis and discussion of U.S. economic performance to help define common interests and to foster a broad-based consensus from which effective national policies and private sector initiatives are developed. As part of its mission to explore ways to enhance American competitiveness and productivity, the Committee focused on several key topics in 1990.

Economic Policy

Although our nation spends \$2 billion a day on health care, 37 million Americans are without any health insurance protection and another 50 million have health care coverage that is inadequate to meet their needs. Health insurance premiums are increasing at a rate of 18 to 30 percent per year. Most American business leaders see the high cost of health care as a major factor undermining the competitiveness of U.S. products and services.

"The NAR sponsors open, nonpartisan analysis and discussion of U.S. economic performance ... to explore ways to enhance American competitiveness and productivity."

In response to this situation, business, labor and health care professionals are examining ways to control costs, provide equality of access and ensure quality services in a competitive environment. The NAR has held several meetings to consider the state of health care in America and what must be done to reform our system. Recognizing that many blue-ribbon studies exist concerning this problem,



Michael A. Callen, Director and Sector Executive, Citibank N.A.



Jack M. Greenberg, Senior Executive Vice President and Chief Financial Officer, McDonald's Corporation.



Jack Sheinkman, President, Amalgamated Clothing & Textile Workers' Union.

the NAR plans to publish in 1991 a paper on health care reform outlining the dimensions of the crisis and examining possible solutions.

The NAR also examined corporate restructuring and corporate governance. As part of its future agenda, the Committee will explore the complex issue of the cost and availability of capital and whether other nations have a competitive advantage over the United States in this area.

Labor Market and Workforce Issues

In 1990, the NAR published an important pamphlet entitled *Preparing for Change: Workforce Excellence in a Turbulent Economy*, which contained its recommendations for better preparing the American workforce to deal with economic turbulence and restore American competitiveness.

The Committee's book-length research study *Turbulence in the American Workplace*, which provides the background information on which the pamphlet's conclusions were based, has been published by Oxford University Press (see page 27). This work completes the Committee's three-year study of labor market turbulence and its impact in the United States. The book will be marketed by the publisher throughout the United States and in Europe and Japan.

The Committee continued its study of the changing nature of the workforce, including a skills gap, the increase in the numbers of minorities and immigrants, the increase in working women, and the "graying" or aging of the workforce. The Committee thinks that these changes require a fundamental re-examination of public and private sector assumptions and policies governing human resource management. Some groups in the United States have started this review process, but efforts so far have not been fast enough or broad enough. The Committee believes that, with its unique composition of business, labor and academic leaders, it can make a significant contribution in this important area.

These and other changes affecting the workforce were the focus of the Committee's Fall 1990 meeting in San Francisco. Committee members

discussed the social and demographic trends that are creating an "age wave" in America and looked at the profound impact that the aging of the population is having on work, education, the family, and health care. The other concerns that were addressed included the need for better preparation of workers for employment, minority employment issues, immigration, direct job creation policy, and apprenticeship training.



(L to R) Richard Rosecrance, Professor of Political Science, UCLA; Ken Dychtwald, Chairman, Age Wave, Inc.; Paul A. Allaire, President and Chief Executive Officer, Xerox Corporation; and Vernon M. Briggs, Jr., Professor of Industrial and Labor Relations, Cornell University.

Labor-Business Relations

In 1990, the Committee examined employee involvement in quality improvement programs, including application of W. Edwards Deming's techniques of "manufacturing management."

The NAR plans to continue its review of labor-management cooperation programs. In addition,

the Committee will study the conventional wisdom about adversarial labor-management relations and their impact on productivity in an upcoming round table discussion. The round table will be chaired by John Dunlop of Harvard University and will involve senior executives from labor and management.

Other future activities of the NAR include an examination of how to measure productivity in the service sector, an international comparison of productivity models, and a tour of and briefing on GM's Saturn Plant in Springhill, Tennessee.



(L to R) James B. Booe, Secretary-Treasurer, Communications Workers of America; Piotr Meteniowski, Polish Solidarity trade union leader; and John Miller, NPA Trustee.

TURBULENCE IN THE AMERICAN WORKPLACE

Turbulence—rapid and sometimes tumultuous change—has characterized the labor markets of the 1970s and 1980s. Turbulent competitive conditions have cut sharply into profits and have forced downsizings and radical readjustments in America's workplaces. Workplace turbulence has resulted in lost jobs, declining incomes and falling productivity for American labor.

A major new book, the National Planning Association's Committee on New American Realities study *Turbulence in the American Workplace*, published by Oxford University Press, poses the questions of "who is most affected by the turbulent economic environment; how the workforce can be better prepared to deal with turbulence in the future; and how the responsibility for preparing the future workforce should be divided between the public and private sectors."

From the Foreword by Paul A. Allaire,
President and Chief Executive Officer,
Xerox Corporation

In *Turbulence in the American Workplace*, the authors argue that the human resource capacity of the private sector is the first line of defense against turbulence and is as important as are public sector education and training programs. The study demonstrates how global competition, deregulation and technical change are creating hard choices for employers that will affect both the living standards of workers and the performance of American industry in the coming decades. A policy agenda

is presented for developing a public-private workforce preparedness system that will enhance the adaptability and productivity of workers and provide a bulwark against economic hardship caused by the changing competitive environment.

This important work will be of significant value to business school faculties, corporate strategic planners and general managers, as well as to students and professionals interested in public policy, industrial relations, education, and labor studies.

EDITOR

Peter B. Doeringer, Professor of Economics, Boston University, and Jacob Wertheim Fellow, Center for Business and Government, Harvard University

AUTHORS

Kathleen Christensen, Associate Professor of Environmental Psychology, Graduate Center, City University of New York

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Douglas T. Hall, Professor of Organizational Behavior, Boston University

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Jeffrey H. Keefe, Assistant Professor, Institute of Management and Labor Relations, Rutgers University

Christopher J. Ruhm, Assistant Professor of Economics, Boston University

Andrew M. Sum, Professor of Economics and Director of the Center for Labor Market Studies, Northeastern University

Michael Useem, Professor of Sociology and Management, University of Pennsylvania



1990 Gold Medal Award recipient John S. Reed, Chairman and Chief Executive Officer, Citicorp, addresses the audience.



John Reed poses with the dinner's Cochairs (L to R), Thomas R. Donahue, Secretary-Treasurer, AFL-CIO, and Vice Chair, NPA Board of Trustees; Robert C. Stempel, Chairman, General Motors; Richard J. Schmeelk, Chairman, C.A.I. Advisors, and Chair, NPA Board of Trustees; and Edward E. Masters, NPA President.



On October 16, 1990, NPA honored Citicorp Chairman and Chief Executive Officer John S. Reed for his dedicated service to the National Planning Association and for his leadership in "enhancing social and economic advancement through private sector cooperation." The Gold Medal Award is presented periodically to a prominent individual who has made an "outstanding contribution through planning to the betterment of human life."

Three hundred and fifty people attended the sold-out event at the Waldorf-Astoria Hotel in New York. Thomas R. Donahue, Secretary-Treasurer of the AFL-CIO, Richard J. Schmeelk, Chairman of C.A.I. Advisors and Chair of the NPA Board of Trustees, and Robert C. Stempel, Chairman of General Motors Corporation, were honorary Cochairs. The funds raised will support NPA's central research programs.

1990 GOLD MEDAL AWARD



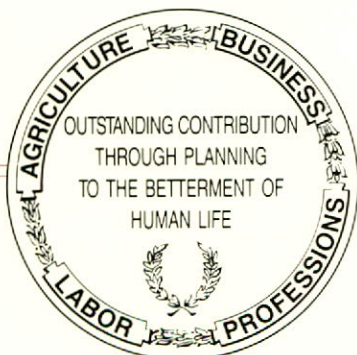
Robert C. Stempel (L), Chairman, General Motors, and a Cochair of the dinner, welcomes retired Citicorp Chairman Walter Wriston.



Mrs. John Reed (L) greets long-time NPA supporters David Morgenthau, Managing Partner, Morgenthau Ventures (center), and Molly Johnson and Charles S. Johnson, Senior Vice President, Pioneer Hi-Bred International, Inc. (R).



NPA Trustee Alexander M. Haig, Jr., President, Worldwide Associates, Inc., chats with Mrs. Walter Wriston (L) and Mrs. Robert Carswell (R).



"My experience with the National Planning Association has clearly changed me. I have learned much that I would not have learned from the bank alone. Indeed, I think that all of us who work together on NPA's various committees have learned that society does not always function in ways that we expect. Through the committee approach, we are able to build mutual respect and to come up with answers that turn out to be more useful than the ones we started with. That function of NPA will become more important as the United States faces the central challenges of society during this decade."

*John S. Reed
Chairman, Citicorp*

M A F F E Y
◆ G O O D ◆
&
A S S O C I A T E S

Board of Trustees
National Planning Association
1424 16th Street, N.W.
Washington, D.C. 20006

Independent Auditors' Report

We have audited the accompanying balance sheets of National Planning Association as of January 31, 1991, 1990 and 1989 and the related statements of revenue, income and expense, and changes in fund balance for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Planning Association as of January 31, 1991, 1990 and 1989 and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting supplemental schedules as listed in the contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

March 12, 1991

M. J. Good & Associates

A PROFESSIONAL CORPORATION OF CONSULTANTS AND CERTIFIED PUBLIC ACCOUNTANTS

814 W. DIAMOND AVE. □ QUINCE TREE EXECUTIVE CENTER □ GAITHERSBURG, MD 20878 □ 301/670-6900 □ FAX 301/670-0412

8-14500-1

Financial Statements

EXHIBIT A

Balance Sheet, General Fund, for the Years Ended January 31, 1991, 1990 and 1989

	1991	1990	1989
ASSETS			
Current			
Cash and short-term investments	\$237,112	\$112,321	\$130,539
Accounts receivable			
Projects	63,986	83,206	101,954
NPA Data Services, Inc.	24,806	13,294	22,301
Employees and other	4,883	10,422	4,814
Prepaid expenses	6,788	808	3,176
Note receivable (current portion) (note 2)	<u>4,039</u>	<u>15,510</u>	<u>17,456</u>
Total current	<u>341,614</u>	<u>235,561</u>	<u>280,240</u>
Fixed			
Furniture and equipment (less allowance for depreciation of \$99,383, \$88,840 and \$78,130)	57,053	48,838	46,495
Equipment leased (less allowance for depreciation of \$41,387, \$32,432 and \$26,977)	29,362	39,913	51,186
Leasehold improvements (less amortization of \$2,518, \$249 and \$26,915)	<u>9,177</u>	<u>7,230</u>	<u>7,383</u>
Total fixed	<u>95,592</u>	<u>95,981</u>	<u>105,064</u>
Other			
Note receivable (note 2)	—	1,356	14,640
Deposits	<u>26,488</u>	<u>34,719</u>	<u>15,405</u>
Total long-term	<u>26,488</u>	<u>36,075</u>	<u>30,045</u>
Total assets	<u>\$463,694</u>	<u>\$367,617</u>	<u>\$415,349</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

EXHIBIT A Continued

	<u>1991</u>	<u>1990</u>	<u>1989</u>
LIABILITIES, DEFERRED INCOME AND FUND BALANCE			
Liabilities			
Current			
Accounts payable	\$ 18,705	\$ 61,828	\$ 13,649
Payroll withholdings and fringes payable	12,493	13,155	12,691
Capital lease obligation—current	7,730	7,846	10,388
Accrued annual leave payable	<u>19,933</u>	<u>21,312</u>	<u>14,980</u>
Total current	<u>58,861</u>	<u>104,141</u>	<u>51,708</u>
Long-term			
Capital lease obligation net of current portion	8,103	15,833	19,551
Deferred credits	<u>46,734</u>	<u>13,568</u>	<u>—</u>
Total long-term	<u>54,837</u>	<u>29,401</u>	<u>19,551</u>
Total liabilities	<u>113,698</u>	<u>133,542</u>	<u>71,259</u>
Deferred income			
Committee contributions	26,500	7,600	10,000
Projects	<u>307,604</u>	<u>258,335</u>	<u>362,588</u>
Total deferred income	<u>334,104</u>	<u>265,935</u>	<u>372,588</u>
Total liabilities and deferred income	447,802	399,477	443,847
Unrestricted fund balance	<u>15,892</u>	<u>(31,860)</u>	<u>(28,498)</u>
Total liabilities, deferred income and fund balance	<u>\$463,694</u>	<u>\$367,617</u>	<u>\$415,349</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

EXHIBIT B**Balance Sheet, Endowment Fund, for the Years Ended January 31, 1991, 1990 and 1989**

	<u>1991</u>	<u>1990</u>	<u>1989</u>
ASSETS			
Current			
Cash and equivalents	\$ 68,183	\$ 42,502	\$124,426
Investments	447,591	472,622	392,420
Interest receivable	<u>10,426</u>	<u>11,076</u>	<u>9,354</u>
Total assets	<u>\$526,200</u>	<u>\$526,200</u>	<u>\$526,200</u>
FUND BALANCE	<u>\$526,200</u>	<u>\$526,200</u>	<u>\$526,200</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

EXHIBIT C**Statement of Income and Expense, General Fund, for the Years Ended January 31, 1991, 1990 and 1989**

	<u>1991</u>	<u>1990</u>	<u>1989</u>
INCOME			
Project and committee contributions	\$1,016,556	\$1,123,299	\$1,083,737
Membership	480,126	177,788	97,463
Rental income	17,450	13,800	23,150
Publications	37,643	26,092	14,727
Interest	20,768	23,455	16,743
Royalties	—	—	2,552
Miscellaneous	<u>6,561</u>	<u>33,160</u>	<u>1,901</u>
Total income	<u>1,579,104</u>	<u>1,397,594</u>	<u>1,240,273</u>
EXPENSE			
Staff salaries and fringe benefits	747,549	750,012	658,429
Outside authors and consultants	47,057	73,284	30,952
Meetings and conferences	301,921	152,921	176,845
Office and rental expense	243,552	217,679	186,462
Printing and reproduction expense	102,886	86,368	66,861
Travel	49,388	75,410	62,522
Telephone and postage	45,303	37,244	38,684
All other	<u>44,151</u>	<u>63,192</u>	<u>28,869</u>
Total expense	<u>1,581,807</u>	<u>1,456,110</u>	<u>1,249,624</u>
Net income (loss) before transfer from endowment fund	(2,703)	(58,516)	(9,351)
Transfer from endowment fund	<u>50,455</u>	<u>48,167</u>	<u>41,834</u>
Net income (loss)	<u>\$ 47,752</u>	<u>\$ (10,349)</u>	<u>\$ 32,483</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

Notes to Financial Statements, January 31, 1991

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

National Planning Association maintains its books on the accrual basis of accounting. Revenue is recognized when earned, and expenses are realized when incurred.

Fixed Assets

Fixed assets are valued at cost, net of accumulated depreciation. Depreciation is calculated at cost less salvage value and on the straight line basis over the estimated useful life of the asset. Equipment acquired under capital lease agreement is amortized in a manner consistent with the association's depreciation policy for similar purchased assets.

Endowment Fund

The funds functioning as endowment represent otherwise spendable restricted and unrestricted funds that the Board has chosen to invest for the production of income. The Endowment Fund represents the net proceeds from the sale of the property at 1606 New Hampshire Avenue, N.W., Washington, D.C. The principal portion of the fund is restricted. The income generated by the fund is unrestricted and used for operations by the General Fund. Endowment Fund assets include that of the British-North American Committee Special Fund to the extent of its fund balance. The committee's fund balance at January 31, 1991, 1990 and 1989 is \$117,616, \$124,359 and \$107,942, respectively.

NOTE 2—NOTE RECEIVABLE

A promissory note was established with NPA Data Services, Inc., for the amount of \$64,891. The note represents reimbursements for services performed by the association and facilities used by NPA Data Services, Inc. The note shall be paid in forty-one (41) equal installments due on the first of the month, including an interest at the rate of nine percent (9%) on the remaining balance. As of January 31, 1991, the note balance is \$4,039.

NOTE 3—OPERATING LEASE

The association has entered into an agreement to lease office space in Washington, D.C. through November 1994. The lease agreement contains an escalation clause whereby the annual rental is subject to an escalation clause whereby the annual rental is subject to a cost of living adjustment. Rental expense for leasing the office space for the years ended January 31, 1991, 1990 and 1989 totaled \$103,518, \$122,926 and \$120,860, respectively.

Future minimum lease payments, by year and in the aggregate, for the four years subsequent to the balance sheet date are as follows:

1991	\$120,604
1992	120,604
1993	120,604
1994	<u>100,503</u>
Total future lease payments	<u>\$462,315</u>

NOTE 5—CAPITAL LEASE OBLIGATIONS

National Planning Association is committed under lease/purchase agreements, expiring in 1993, for certain equipment. Such agreements constitute capital leases; accordingly, the aggregate lease payments discounted at

appropriate rates are recorded as liabilities, and the estimated market value of the related assets is capitalized. Such asset costs are amortized over the life of the asset ranging from 5 to 10 years. The future minimum payments to be made under the capital leases, together with the present value of the net minimum lease payments as of January 31, 1991 are as follows:

1991	\$ 9,210
1992	<u>8,632</u>
Total minimum future lease payments	17,842
Less: Amount representing interest	<u>(2,009)</u>
Present value of net minimum payments	<u>\$15,833</u>

NOTE 6—INVESTMENTS

Investments consist primarily of U.S. Treasury Notes, Federal National Mortgage Association Notes and Federal Home Loan Bank Board Notes. Investments are valued at lower of cost or market:

	<u>1991</u>	<u>1990</u>	<u>1989</u>
Cost	\$447,591	\$472,622	\$392,420
Market value	457,172	475,343	389,781

NOTE 7—PRIOR PERIOD ADJUSTMENT

Prior period adjustment at January 31, 1990 represents transfer of unrestricted funds from project fund balances.

NOTE 8—DEFERRED CREDITS

Deferred credits represent unamortized balance of free rent, applicable to the current period.

NOTE 9—TAX STATUS

The organization is exempt under Code Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal income tax.

NPA ORGANIZATIONAL SUPPORT

*NPA is grateful to the following organizations and individuals
for their financial support of \$500 or more during 1990.*

Abel, Daft & Earley
AFL-CIO
AFL-CIO, Department for
Professional Employees
AFL-CIO, Industrial Union
Department
AKZO America
Alexander & Alexander
Services Inc.
Amalgamated Clothing &
Textile Workers' Union
Amalgamated Transit
Union
AMCENA
Amerada Hess
Corporation
American Cyanamid
Company
American Farm Bureau
Federation
American International
Group, Inc.
American Re-Insurance
Company
American Telephone &
Telegraph Company
Arthur Andersen &
Company

Bank of New York
Company, Inc.
BE&K, Inc.
Bechtel Group, Inc.
BellSouth Corporation
Robert Blair
Boeing Company
Boise Cascade
Corporation
BP America, Inc.
Bridgestone/Firestone, Inc.
Bristol-Myers Squibb
Company
British Aerospace, Inc.
Burlington Northern Inc.

C.A.I. Advisors
Carolina Power & Light
Company
Caron International, Inc.
Chase Manhattan Bank,
N.A.
Chemical Bank
Chevron Corporation
Citibank N.A.
Coca-Cola Company
Communications Workers
of America
Consultants International
Group, Inc.
Corning Glass Works
Hugh Cullman

Deere & Company
William H. Donner
Foundation, Inc.
Dow Chemical Company
Dresdner Bank AG
E.I. du Pont de Nemours
& Company, Inc.

Eastman Kodak Company
Friedrich-Ebert
Foundation
Ernst & Young
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