

Appendix A
REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 2000

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 2000.

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 2000 in accordance with the requirements of the Congress, as set forth in section 10(d) of the Employment Act of 1946 as amended by the Full Employment and Balanced Growth Act of 1978.

Sincerely,

Martin N. Baily, *Chairman*
Robert Z. Lawrence, *Member*
Kathryn L. Shaw, *Member*

Council Members and Their Dates of Service

Name	Position	Oath of office date	Separation date
Edwin G. Nourse	Chairman	August 9, 1946	November 1, 1949.
Leon H. Keyserling	Vice Chairman	August 9, 1946	
	Acting Chairman.....	November 2, 1949	
	Chairman	May 10, 1950	January 20, 1953.
John D. Clark	Member.....	August 9, 1946	
	Vice Chairman.....	May 10, 1950	February 11, 1953.
Roy Blough	Member.....	June 29, 1950	August 20, 1952.
Robert C. Turner	Member.....	September 8, 1952	January 20, 1953.
Arthur F. Burns	Chairman	March 19, 1953	December 1, 1956.
Neil H. Jacoby.....	Member.....	September 15, 1953	February 9, 1955.
Walter W. Stewart.....	Member.....	December 2, 1953	April 29, 1955.
Raymond J. Saulnier	Member.....	April 4, 1955	
	Chairman	December 3, 1956	January 20, 1961.
Joseph S. Davis	Member.....	May 2, 1955	October 31, 1958.
Paul W. McCracken.....	Member.....	December 3, 1956	January 31, 1959.
Karl Brandt	Member.....	November 1, 1958	January 20, 1961.
Henry C. Wallich.....	Member.....	May 7, 1959	January 20, 1961.
Walter W. Heller	Chairman	January 29, 1961	November 15, 1964.
James Tobin	Member.....	January 29, 1961	July 31, 1962.
Kermit Gordon.....	Member.....	January 29, 1961	December 27, 1962.
Gardner Ackley.....	Member.....	August 3, 1962	
	Chairman	November 16, 1964	February 15, 1968.
John P. Lewis.....	Member.....	May 17, 1963	August 31, 1964.
Otto Eckstein.....	Member.....	September 2, 1964	February 1, 1966.
Arthur M. Okun.....	Member.....	November 16, 1964	
	Chairman	February 15, 1968	January 20, 1969.
James S. Duesenberry.....	Member.....	February 2, 1966	June 30, 1968.
Merton J. Peck.....	Member.....	February 15, 1968	January 20, 1969.
Warren L. Smith	Member.....	July 1, 1968	January 20, 1969.
Paul W. McCracken.....	Chairman	February 4, 1969	December 31, 1971.
Hendrik S. Houthakker.....	Member.....	February 4, 1969	July 15, 1971.
Herbert Stein.....	Member.....	February 4, 1969	
	Chairman	January 1, 1972	August 31, 1974.
Ezra Solomon	Member.....	September 9, 1971	March 26, 1973.
Marina v.N. Whitman	Member.....	March 13, 1972	August 15, 1973.
Gary L. Seevers	Member.....	July 23, 1973	April 15, 1975.
William J. Fellner.....	Member.....	October 31, 1973	February 25, 1975.
Alan Greenspan.....	Chairman	September 4, 1974	January 20, 1977.
Paul W. MacAvoy.....	Member.....	June 13, 1975	November 15, 1976.
Burton G. Malkiel.....	Member.....	July 22, 1975	January 20, 1977.
Charles L. Schultze	Chairman	January 22, 1977	January 20, 1981.
William D. Nordhaus	Member.....	March 18, 1977	February 4, 1979.
Lyle E. Gramley	Member.....	March 18, 1977	May 27, 1980.
George C. Eads.....	Member.....	June 6, 1979	January 20, 1981.
Stephen M. Goldfeld.....	Member.....	August 20, 1980	January 20, 1981.
Murray L. Weidenbaum.....	Chairman	February 27, 1981	August 25, 1982.
William A. Niskanen.....	Member.....	June 12, 1981	March 30, 1985.
Jerry L. Jordan.....	Member.....	July 14, 1981	July 31, 1982.
Martin Feldstein.....	Chairman	October 14, 1982	July 10, 1984.
William Poole	Member.....	December 10, 1982	January 20, 1985.
Beryl W. Sprinkel.....	Chairman	April 18, 1985	January 20, 1989.
Thomas Gale Moore	Member.....	July 1, 1985	May 1, 1989.
Michael L. Mussa	Member.....	August 18, 1986	September 19, 1988.
Michael J. Boskin	Chairman	February 2, 1989	January 12, 1993.
John B. Taylor.....	Member.....	June 9, 1989	August 2, 1991.
Richard L. Schmalensee	Member.....	October 3, 1989	June 21, 1991.
David F. Bradford.....	Member.....	November 13, 1991	January 20, 1993.
Paul Wonnacott.....	Member.....	November 13, 1991	January 20, 1993.
Laura D'Andrea Tyson.....	Chair	February 5, 1993	April 22, 1995.
Alan S. Blinder.....	Member.....	July 27, 1993	June 26, 1994.
Joseph E. Stiglitz.....	Member.....	July 27, 1993	
	Chairman	June 28, 1995	February 10, 1997.
Martin N. Baily.....	Member.....	June 30, 1995	August 30, 1996.
Alicia H. Munnell.....	Member.....	January 29, 1996	August 1, 1997.
Janet L. Yellen.....	Chair	February 18, 1997	August 3, 1999.
Jeffrey A. Frankel.....	Member.....	April 23, 1997	March 2, 1999.
Rebecca M. Blank	Member.....	October 22, 1998	July 9, 1999.
Martin N. Baily.....	Chairman	August 12, 1999	
Robert Z. Lawrence.....	Member.....	August 12, 1999	
Kathryn L. Shaw.....	Member.....	May 31, 2000	

Report to the President on the Activities of the Council of Economic Advisers During 2000

The Council of Economic Advisers was established by the Employment Act of 1946 to provide the President with objective economic analysis and advice on the development and implementation of a wide range of domestic and international economic policy issues.

The Chairman of the Council

Martin N. Baily continued to chair the Council during 2000. Before joining the Council, Dr. Baily was a Principal at McKinsey & Company, Inc., at the McKinsey Global Institute in Washington.

Dr. Baily is responsible for communicating the Council's views on economic matters directly to the President through personal discussions and written reports. He also represents the Council at Cabinet meetings, meetings of the National Economic Council (NEC), daily White House senior staff meetings, budget team meetings with the President, and other formal and informal meetings with the President, senior White House staff, and other senior government officials. Dr. Baily is the Council's chief public spokesperson. He directs the work of the Council and exercises ultimate responsibility for the work of the professional staff.

The Members of the Council

Robert Z. Lawrence is a Member of the Council of Economic Advisers. Dr. Lawrence is on leave from the John F. Kennedy School of Government at Harvard University, where he is the Albert L. Williams Professor of International Trade and Investment at the Center for Business and Government.

Kathryn L. Shaw is also a Member of the Council of Economic Advisers. Dr. Shaw is on leave from Carnegie Mellon University, where she is Professor of Economics in the Graduate School of Industrial Administration.

The Chairman and the Members work as a team on most economic policy issues. Dr. Lawrence was primarily responsible for the Administration's economic forecast, macroeconomic analysis, international economic issues, and certain microeconomic issues, including those relating to natural resources, the environment, and industrial organization. Dr. Shaw was primarily responsible for policy analysis relating to the budget and taxation, labor, retirement security, health care, welfare reform, and child and family issues. The Chairman and the Members participate in the deliberations of the NEC, and Dr. Baily is a member of the NEC Principals Committee.

Weekly Economic Briefings

Dr. Baily and the Members continued to prepare the *Weekly Economic Briefing of the President of the United States* for the President, the Vice President, and the President's other senior economic and policy advisers. The Council, in cooperation with the Office of the Vice President, prepares a written briefing, which provides analysis of current economic developments, more extended discussions of a wide range of economic issues and problems, and summaries of economic developments in different regions and sectors of the economy.

Macroeconomic Policies

A primary function of the Council is to advise the President on all major macroeconomic issues and developments. The Council prepares for the President, the Vice President, and the White House senior staff almost daily memoranda that report key economic data and analyze current economic events.

The Council, the Department of the Treasury, and the Office of Management and Budget—the Administration's economic "troika"—are responsible for producing the economic forecasts that underlie the Administration's budget proposals. The Council, under the leadership of the Chairman and the Members, initiates the forecasting process twice each year. In preparing these forecasts, the Council consults with a variety of outside sources, including leading private sector forecasters.

In 2000 the Council took part in discussions on a range of macroeconomic issues, with particular focus on the markets for energy and capital. The Council engaged in discussions with other agencies concerning pressures in the market for oil and quantifying possible effects on the U.S. economy. The Council continued to participate in the President's Working Group on Financial Markets, an interagency group that monitors developments related to financial markets and the banking sector. In 2000 this

group emphasized continuing deregulation of capital markets, increasing international harmonization across markets, and regulation of new financial instruments. The Council continued to study a range of budget and tax issues, including the positive effects of continued fiscal discipline for the economy. The Council works closely with the Office of Management and Budget, the Treasury, the Federal Reserve, and the NEC, as well as other government agencies, in providing analyses to the Administration on these topics of concern.

The Council continued its efforts to improve the public's understanding of economic issues and of the Administration's economic agenda through regular briefings with the economic and financial press, frequent discussions with outside economists, and presentations to outside organizations. The Chairman and the Members also regularly exchanged views on the macroeconomy with the Chairman and Members of the Board of Governors of the Federal Reserve System.

International Economic Policies

The Council continued its role as an active participant in international economic policymaking during 2000, providing both analytical support and policy guidance. The Council played an important role in evaluating and explaining the case for trade liberalization and increased U.S. participation in the multilateral trading system. Its involvement included active participation in the Administration's successful efforts to grant permanent normal trade relations (PNTR) to China. For example, the Council contributed to Administration discussions of the benefits to the United States of PNTR and of China's accession to the World Trade Organization.

The Council was also involved in a range of other international trade issues, including evaluation of trade disputes, the state of the steel industry, and the negotiation of free-trade agreements with Singapore and Chile.

The Council is a leading participant in the Organization for Economic Cooperation and Development (OECD), the principal forum for economic cooperation among the high-income industrial countries. The Chairman heads the U.S. delegation to the semiannual meetings of the OECD's Economic Policy Committee (EPC) and serves as the EPC Chairman. Dr. Shaw led the U.S. delegation to the OECD's Working Party 1, which focused on economic growth, structural adjustment, sustainable growth, and climate change issues. In 2000 Dr. Lawrence participated in the OECD's Working Party 3 meeting on macroeconomic policy and coordination. He also participated in a meeting of subcabinet officials from the United States and Japan.

Council members regularly met with representatives of the Council's counterpart agencies in foreign countries, as well as with foreign trade ministers, other government officials, and members of the private sector. During the year the Council continued its dialogue with the State Development Planning Commission—the Council's counterpart in China—and initiated a new dialogue with economic officials in Ukraine. The Council also continued its annual meetings with the Economic Planning Agency of Japan. The Council represented the United States at other international forums as well, including meetings of the Economic Committee of the Asia-Pacific Economic Cooperation forum.

Council members were active in helping to formulate Administration policymaking on international climate change. Robert Lawrence participated in the OECD's High Level Working Group on Sustainable Development and was a member of the U.S. delegation to the Convention of the Parties (COP6) negotiations under the Kyoto Protocol, which were held in The Hague in November 2000.

Microeconomic Policies

During 2000 the Council was an active participant in policy discussions on an extensive range of microeconomic issues, including Medicare, the minimum wage, financial privacy, reform of the Federal Aviation Administration, energy supply, the digital divide, and the digital economy. In addition to providing economic policy guidance on these issues, the Council released several research papers on policy issues in the forefront of current affairs.

The Uses of Census Data: An Analytical Review, released in April, provided an overview of the myriad uses of census data by the different segments of society. It stressed the importance of accurate census data in light of its use by government at the Federal, State, and local level as well as by the business and academic communities.

Teenagers and Their Parents in the 21st Century: An Examination of Trends in Teen Behavior and the Role of Parental Involvement was released by the President in May. The report outlined several positive trends among today's teenagers, including increases in student achievement, college access, and participation in community service. It also emphasized the important role played by parents in helping teens confront the many challenges they face on a daily basis.

Opportunities and Gender Pay Equity in New Economy Occupations was also released by the President in May. It reports on women's progress in the New Economy, focusing on information technology fields and the challenges remaining for women to share fully in the benefits of jobs in that sector.

Educational Attainment and Success in the New Economy: An Analysis of Challenges for Improving Hispanic Students' Achievement was released by the President in June. The study focuses on the progress being made by, and the remaining challenges for, Hispanic students in the United States. It looks primarily at the progress of Hispanics in the information technology sector, as a good example of a rapidly expanding, high-paying sector of the economy, and it emphasizes the role of education in achieving success.

Reaching the Uninsured: Alternative Approaches to Expanding Health Insurance Access was released by the President in September. The report studies the lack of health insurance for tens of millions of Americans as a serious policy issue with adverse health and economic consequences. It also evaluates major policy options designed to make health insurance more affordable.

The Economic Impact of Third-Generation Wireless Technology was also released in September. This report documented the expected benefits of a new generation of wireless technologies that provide high-speed mobile access to the Internet and other communications networks, and explained why adequate spectrum is needed to provide these services efficiently. The report was released in conjunction with a Presidential Memorandum directing Federal agencies to work together with the private sector to identify suitable spectrum for these new services.

Philanthropy in the American Economy was released by the President in his weekly radio address on November 25. The report discusses trends in giving over the past several decades and highlights the economic explanations behind the observed increase in donations. The report also discusses possible future directions for philanthropy and how even greater giving might be encouraged.

The Council has also participated actively in interagency discussions on regulation, privatization, and competition policy. Domestically, the Council has been involved in discussions related to mergers, telecommunications policy, air traffic control, airline reservation systems, and the effects of government ownership on competition. The Council has also continued to participate in the Digital Economy Working Group, which discusses such issues as business-to-business electronic commerce and the role of venture capital in fostering innovation.

The Staff of the Council of Economic Advisers

The professional staff of the Council consists of the Chief of Staff, the Senior Statistician, the Chief Economist, the Director of Macroeconomic Forecasting, 8 senior economists, 6 staff economists, and 4 research assistants. The professional staff and their areas of concentration at the end of 2000 were:

Chief of Staff

Audrey Choi

Senior Statistician

Catherine H. Furlong

Chief Economist and Editor of the Weekly Economic Briefing of the President

Charles F. Stone

Director of Macroeconomic Forecasting

Steven N. Braun

Senior Economists

William B. Boning.....	Labor
Menzie D. Chinn.....	International Finance
Andrew G. Keeler	Environment
Peter G. Klein	Industrial Organization
Michael R. LeBlanc.....	Energy and Agriculture
Kathleen M. McGarry ..	Labor
Diane Lim Rogers.....	Macroeconomics, Public Finance, and Editor, <i>Weekly Economic Briefing of the President</i>
Phillip L. Swagel	International Trade

Staff Economists

Daniel W. Elfenbein.....	Industrial Organization
Judson L. Jaffe.....	Microeconomics and Environment
Terry L. Lumish.....	<i>Weekly Economic Briefing of the President</i>
Jason S. Seligman.....	Macroeconomics, Financial Markets, and Energy
Matthew C. Wilson	Labor
Vivian Y. Wu.....	Health and Labor

Research Assistants

Olivier Coibion	<i>Weekly Economic Briefing of the President</i> and International Economics
Kevin F. Erickson.....	Macroeconomics
Nathaniel F. Stankard....	<i>Weekly Economic Briefing of the President</i> and International Economics
Elizabeth A. Weber	<i>Weekly Economic Briefing of the President</i> and Labor

Statistical Office

Mrs. Furlong directs the Statistical Office. The Statistical Office maintains and updates the Council's statistical information, oversees the publication of the monthly *Economic Indicators* and the statistical appendix to the *Economic Report of the President*, and verifies statistics in Presidential and Council memoranda, testimony, and speeches.

Susan P. Clements	Statistician
Linda A. Reilly.....	Statistician
Brian A. Amorosi	Statistical Assistant
Heather L. Jambrosic	Research Assistant

Administrative Office

Catherine Fibich	Administrative Officer
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Office of the Chairman

Alice H. Williams	Executive Assistant to the Chairman
Sandra F. Daigle.....	Executive Assistant to the Chairman and Assistant to the Chief of Staff
Lisa D. Branch.....	Executive Assistant to Dr. Lawrence
Francine P. Obermiller ..	Executive Assistant to Dr. Shaw

Staff Support

Mary E. Jones	Executive Assistant for International Economics, Labor, and Health Care
Rosalind V. Rasin.....	Executive Assistant for Environment, Industrial Organization, and Agriculture
Mary A. Thomas.....	Program Assistant for the <i>Weekly Economic</i> <i>Briefing of the President</i> and Macroeconomics

Michael Treadway and Emily Chalmers provided editorial assistance in the preparation of the 2001 *Economic Report of the President*.

Student interns during the year were Sean D. Bernsohn, Aneta K. Binienda, April Botton, Karin A. Braack, Patrick M. Byrne, Carol L. Capece, Zachariah Friend, Avery W. Gardiner, Michael A. Gottfried, Claire E. Gries, Warren A. Herold, Radha K. Iyengar, Julie M. Meyers, Cameron M. Porsandeh, Claudia A. Sitgraves, and Kevin P. Sweeney. Goldie Greenstein joined the staff of the Council in January as a student intern.

Departures

The Council's senior economists, in most cases, are on leave of absence from faculty positions at academic institutions or from other government agencies or research institutions. Their tenure with the Council is usually limited to 1 or 2 years. Some of the senior economists who resigned during the year returned to their previous affiliations. They are Michael J. Brien (University of Virginia), John G. Fernald (Board of Governors of the Federal Reserve System), William H. Gillespie (Department of Justice), Lowell J. Taylor (Carnegie Mellon University), and John C. Williams (Board of Governors of the Federal Reserve System). Victoria A. Greenfield accepted a position with RAND. Joseph E. Aldy is enrolled in a graduate program at Harvard University.

Staff economists are generally graduate students who spend 1 year with the Council and then return to complete their dissertations. Those who returned to their graduate studies in 2000 are Douglas V. Almond (University of California, Berkeley), Yu-chin Chen (Harvard University), Leigh L. Linden (Massachusetts Institute of Technology), and Noah Y. Weisberger (Harvard University). Andrew R. Feldman began graduate studies at Harvard University. Jason A. Bernstein returned to his position at the Department of Agriculture's Economic Research Service, and Christopher W. Snow accepted a position at The Urban Institute. After serving as research assistants at the Council, Stephen F. Lin began graduate studies at Harvard University, John L. Goldie accepted a position at Cornerstone Research, and Sarah L. Rosen accepted a position at the National Bureau of Economic Research.

Public Information

The Council's annual *Economic Report of the President* is an important vehicle for presenting the Administration's domestic and international economic policies. It is now available for distribution as a bound volume and on the Internet, where it is accessible at www.access.gpo.gov/eop. The Council also has primary responsibility for compiling the monthly *Economic Indicators*, which is issued by the Joint Economic Committee of the Congress. The Internet address for the *Economic Indicators* is www.access.gpo.gov/congress/cong002.html. The Council's home page is located at www.whitehouse.gov/WH/EOP/CEA/html/index.html.