

Appendix A
REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 2003

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 2003.

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 2002 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,

N. Gregory Mankiw, *Chairman*
Kristin J. Forbes, *Member*
Harvey S. Rosen, *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	
John D. Clark	Chairman	May 10, 1950	January 20, 1953.
	Member	August 9, 1946	
	Vice Chairman	May 10, 1950	
Roy Blough	Member	June 29, 1950	February 11, 1953.
Robert C. Turner	Member	September 8, 1952	August 20, 1952.
Arthur F. Burns	Chairman	March 19, 1953	January 20, 1953.
Neil H. Jacoby	Member	September 15, 1953	December 1, 1956.
Walter W. Stewart	Member	December 2, 1953	February 9, 1955.
Raymond J. Saulnier	Member	April 4, 1955	April 29, 1955.
	Chairman	December 3, 1956	January 20, 1961.
Joseph S. Davis	Member	May 2, 1955	
Paul W. McCracken	Member	December 3, 1956	
Karl Brandt	Member	November 1, 1958	October 31, 1958.
Henry C. Wallich	Member	May 7, 1959	January 31, 1959.
Walter W. Heller	Chairman	January 29, 1961	January 20, 1961.
James Tobin	Member	January 29, 1961	November 15, 1964.
Kermit Gordon	Member	January 29, 1961	July 31, 1962.
Gardner Ackley	Member	August 3, 1962	December 27, 1962.
	Chairman	November 16, 1964	February 15, 1968.
John P. Lewis	Member	May 17, 1963	
Otto Eckstein	Member	September 2, 1964	
Arthur M. Okun	Member	November 16, 1964	August 31, 1964.
	Chairman	February 15, 1968	February 1, 1966.
James S. Duesenberry	Member	February 2, 1966	January 20, 1969.
Merton J. Peck	Member	February 15, 1968	
Warren L. Smith	Member	July 1, 1968	
Paul W. McCracken	Chairman	February 4, 1969	June 30, 1968.
Hendrik S. Houthakker	Member	February 4, 1969	January 20, 1969.
Herbert Stein	Member	February 4, 1969	January 20, 1969.
	Chairman	January 1, 1972	December 31, 1971.
Ezra Solomon	Member	September 9, 1971	August 31, 1974.
Marina v.N. Whitman	Member	March 13, 1972	
Gary L. Seevers	Member	July 23, 1973	
William J. Fellner	Member	October 31, 1973	March 26, 1973.
Alan Greenspan	Chairman	September 4, 1974	August 15, 1973.
Paul W. MacAvoy	Member	June 13, 1975	April 15, 1975.
Burton G. Malkiel	Member	July 22, 1975	February 25, 1975.
Charles L. Schultze	Chairman	January 22, 1977	January 20, 1977.
William D. Nordhaus	Member	March 18, 1977	November 15, 1976.
Lyle E. Gramley	Member	March 18, 1977	January 20, 1977.
George C. Eads	Member	June 6, 1979	January 20, 1981.
Stephen M. Goldfeld	Member	August 20, 1980	May 27, 1980.
Murray L. Weidenbaum	Chairman	February 27, 1981	January 20, 1981.
William A. Niskanen	Member	June 12, 1981	August 25, 1982.
Jerry L. Jordan	Member	July 14, 1981	March 30, 1985.
Martin Feldstein	Chairman	October 14, 1982	July 31, 1982.
William Poole	Member	December 10, 1982	July 10, 1984.
Beryl W. Sprinkel	Chairman	April 18, 1985	January 20, 1985.
Thomas Gale Moore	Member	July 1, 1985	January 20, 1989.
Michael L. Mussa	Member	August 18, 1986	May 1, 1989.
Michael J. Boskin	Chairman	February 2, 1989	September 19, 1988.
John B. Taylor	Member	June 9, 1989	January 12, 1993.
Richard L. Schmalensee	Member	October 3, 1989	August 2, 1991.
David F. Bradford	Member	November 13, 1991	June 21, 1991.
Paul Wonnacott	Member	November 13, 1991	January 20, 1993.
Laura D'Andrea Tyson	Chair	February 5, 1993	January 20, 1993.
Alan S. Blinder	Member	July 27, 1993	April 22, 1995.
Joseph E. Stiglitz	Member	July 27, 1993	June 26, 1994.
	Chairman	June 28, 1995	February 10, 1997.
Martin N. Baily	Member	June 30, 1995	
Alicia H. Munnell	Member	January 29, 1996	
Janet L. Yellen	Chair	February 18, 1997	August 30, 1996.
Jeffrey A. Frankel	Member	April 23, 1997	August 1, 1997.
Rebecca M. Blank	Member	October 22, 1998	August 3, 1999.
Martin N. Baily	Chairman	August 12, 1999	March 2, 1999.
Robert Z. Lawrence	Member	August 12, 1999	July 9, 1999.
Kathryn L. Shaw	Member	May 31, 2000	January 19, 2001.
R. Glenn Hubbard	Chairman	May 11, 2001	January 12, 2001.
Mark B. McClellan	Member	July 25, 2001	January 19, 2001.
Randall S. Kroszner	Member	November 30, 2001	February 28, 2003.
N. Gregory Mankiw	Chairman	May 29, 2003	November 13, 2002.
Kristin J. Forbes	Member	November 21, 2003	July 1, 2003.
Harvey S. Rosen	Member	November 21, 2003	

Report to the President on the Activities of the Council of Economic Advisers During 2003

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

N. Gregory Mankiw was appointed by the President as Chairman on May 29, 2003. Dr. Mankiw replaced R. Glenn Hubbard, who returned to Columbia University where he is the Russell L. Carson Professor of Economics and Finance and Co-Director of the Entrepreneurship Program in the Graduate School of Business and Professor of Economics in the Faculty of Arts and Sciences. Dr. Mankiw is on leave from Harvard University, where he is the Allie S. Freed Professor of Economics.

Dr. Mankiw is responsible for communicating the Council's views on economic matters directly to the President through personal discussions and written reports. He represents the Council at Cabinet meetings, meetings of the National Economic Council, daily White House senior staff meetings, budget team meetings with the President, and other formal and informal meetings with the President. He also travels within the United States and overseas to present the Administration's views on the economy. Dr. Mankiw 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

Kristin J. Forbes is a Member of the Council of Economic Advisers. Dr. Forbes is on leave from the Massachusetts Institute of Technology Sloan School of Management where she is the Mitsubishi Career Development Chair of International Management and Associate Professor of International Management in the Applied Economics Group. She previously served as Deputy Assistant Secretary for Quantitative Policy Analysis and Latin American and Caribbean Nations at the U.S. Department of the Treasury.

Harvey S. Rosen is also a Member of the Council of Economic Advisers. Dr. Rosen is on leave from Princeton University, where he is the John L. Weinberg Professor of Economics and Business Policy. Dr. Rosen previously served as Deputy Assistant Secretary for Tax Analysis at the U.S. Department of the Treasury.

The Chairman and the Members work as a team on most economic policy issues. Dr. Mankiw is primarily responsible for the Council's macroeconomic analysis including the Administration's economic forecast. Dr. Forbes' responsibilities include international finance and trade issues, with a particular focus on emerging markets and developing economies. Dr. Rosen's responsibilities include policy analysis relating to taxation and microeconomic issues including labor markets, health care, and regulation.

Macroeconomic Policies

As is its tradition, the Council devoted much time during 2003 to assisting the President in formulating economic policy objectives and designing programs to implement them. In this regard the Chairman kept the President informed, on a continuing basis, of important macroeconomic developments and other major policy issues through regular macroeconomic briefings. 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. In addition, they prepare weekly discussion and data memos for the President, Vice President and senior White House staff.

The Council, the Department of the Treasury, and the Office of Management and Budget (OMB)—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 Chief Economist, 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 2003, the Council took part in discussions on a range of macroeconomic issues. An important concern in the first half of the year was in providing analysis related to the President's Jobs and Growth proposal, which took effect in midyear. An important subsequent interest was then in assessing the response of the economy, and the labor market in particular, to fiscal and monetary policies. The Council works closely with the Treasury, the Federal Reserve, and other government agencies in providing analyses to the Administration on these topics of concern. In 2003, the Council worked closely with the National Economic Council, the Office of Management and Budget, and other offices within the Executive Office of the President in assessing the economy and economic policy proposals.

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 also regularly exchanged views on the economy with the Chairman and Governors of the Federal Reserve System.

International Economic Policies

The Council was involved in a range of international trade issues, including discussions on trade liberalization at the global, regional, and bilateral levels. The Council contributed to the development of U.S. positions in talks on free trade agreements with Australia, Central America, Morocco, the Southern African Customs Union, and to the development of positions for the ongoing negotiations on the Doha Development Agenda at the World Trade Organization and for the Free Trade Agreement of the Americas. The Council participated in deliberations concerning trade policy in a number of industries, including steel and softwood lumber. The Council also provided analysis related to U.S. economic interaction with China and the impact of trade on the manufacturing sector.

The Council participated in discussions concerning international financial policy involving many countries, including Argentina, Bolivia, Brazil, China, the Dominican Republic, Iraq, Japan, the Philippines, and Turkey. The Council participated in the development of U.S. proposals for a number of heads of state summits, including the leaders of the G8 nations and the Special Summit of the Americas in early 2004. The Council also provided analysis in support of efforts to promote economic stability and growth in Iraq.

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. Kroszner and Dr. Forbes participated in meetings of the OECD's Working Party 3 on macroeconomic policy and coordination. Council staff participated in the OECD's Working Party 1 on microeconomic policy, in the annual OECD review of U.S. economic policy, and in the OECD Ad Hoc Group on Sustainable Development.

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 represented the United States at other international forums as well, including meetings of the Asian-Pacific Economic Cooperation forum (APEC).

Microeconomic Policies

A wide variety of microeconomic issues received Council attention during 2003. The Council actively participated in the Cabinet-level National Economic Council, dealing with issues including energy policy, the environment, international tax policy, reform of Medicare, pensions, transportation, homeland security, technology, and financial markets. Dr. Rosen was involved in formulating policy concerning the supervisory regime for government-sponsored enterprises in the home mortgage system.

The Council worked on a variety of environmental issues in 2003. The Council played a role in the development of proposed mercury standards, as well as in the proposed Inter-State Air Quality Rule, which seeks to regulate sulfur dioxide and nitrogen oxides emissions from power plants. The Council participated in discussions on the final rule to clarify the routine maintenance, repair and replacement exclusion under EPA's New Source Review program. The Council also helped in the revision of the OMB *Guidelines for the Conduct of Regulatory Analysis and the Format of Accounting Statements*. The Council analyzed proposed revisions to the voluntary registry for greenhouse gases, and aided in the review and updating of models concerning the Administration's Clear Skies legislative proposal.

Energy policy was an important focus of the Council's efforts in 2003, with analysis on topics including the impact of high natural gas prices and problems with the electricity transmission grid. The Council also played a role in the deregulation of computer reservation systems, as well as a number of other technology issues including the exploration of space, telecommunications and broadband, spectrum allocation, and spam. The Council also participated in discussions concerning reforms to corporate governance, government-sponsored enterprises, financial privacy rules, pensions, the Postal Service, and tort reform.

During 2003, the Council participated in discussions on a number of issues related to labor markets and social policies. These issues included Medicare reform and the provision of prescription drug benefits within Medicare, health information technology, medical malpractice liability, unemployment insurance, workers' compensation, immigration, college financial aid, and the President's proposal for re-employment accounts. The Council was also involved in discussions on agriculture, transportation, and homeland security.

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, eight senior economists, five staff economists, and five research assistants. The professional staff and their areas of concentration at the end of 2003 were:

Chief of Staff
Phillip L. Swagel

Chief Economist
Andrew A. Samwick

<i>Senior Statistician</i>	<i>Director of Macroeconomic Forecasting</i>
Catherine H. Furlong	Steven N. Braun

Senior Economists

Karen E. Dynan	Macroeconomics
Ted Gayer	Environment and Regulation
Eric A. Helland	Finance, Regulation, and Technology
Philip I. Levy	International Trade
David W. Meyer	Energy, Regulation, and Transportation
Mark H. Showalter	Labor, Health Care, and Education
Alan D. Viard	Public Finance and Macroeconomics
Beth Anne Wilson	International Finance

Staff Economists

Anne L. Berry	Finance, Regulation, and Technology
Carol L. Cohen	International Trade
William J. Congdon	Education and Labor
Brent I. Neiman	International Finance
Matthew C. Weinzierl	Macroeconomics

Research Assistants

Christine L. Dobridge.....	Environment and Regulation
Namita K. Kalyan.....	Macroeconomics and Public Finance
Amanda E. Kowalski.....	Health Care and Labor
Therese C. Scharlemann	Macroeconomics and Public Finance
Julia A. Stahl.....	Public Finance

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.

Linda A. Reilly.....	Statistician
Brian A. Amorosi.....	Program Analyst (Statistical)
Dagmara A. Mocala	Research Assistant

Administrative Office

The Administrative Office provides general support for the Council's activities. This includes financial management, human resource management, and travel, facility, security, information, and telecommunications management support.

Rosemary M. Rogers.....	Acting Administrative Assistant
Brandon L. Schwartz.....	Information Management Assistant

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 and Chief Economist
Lisa D. Branch.....	Executive Assistant to Dr. Forbes
Mary E. Jones	Executive Assistant to Dr. Rosen

Staff Support

Sharon K. Thomas.....	Administrative Support Assistant
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Jane Tufts and Barbara Pendergast provided editorial assistance in the preparation of the 2004 *Economic Report of the President*.

John P. Cogbill, Jamie Hall, Joseph J. Prusacki, and John L. Staub served at the Council in 2003 on detail from other government agencies.

John A. List, Michael Moore, and Peter H. Woodward provided consulting services to the Council during 2003.

Student Interns during the year were Jose G. Asturias, Jeffrey P. Clemens, James B. Hargrave, Angela B. Howard, James R. Larson, Yoon-Ho Lee, Evan M. Newman, Christina A. Norair, Michael K. Price, Nirupama S. Rao, Mark T. Silvestri, Richard R. Townsend, Diane T. Tran and Clint W. Wood. Elaine L. Hill 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 Robert N. Collender, (U.S. Department of Agriculture), John L. List (University of Maryland), Michael O. Moore (George Washington University), Robert J. Carroll returned to the Department of the Treasury as Deputy Assistant Secretary for Tax Analysis after joining the Congressional Budget Office as a Visiting Scholar.

Others went on to new positions. Cindy R. Alexander accepted a position at the Securities and Exchange Commission, S. Brock Blomberg accepted a position at Claremont McKenna College, Thomas C. DeLeire went on to a position at Harvard University, and Christopher L. Foote accepted a position with the Federal Reserve Bank of Boston.

Several staff economists went on to new positions. D. Clay Ackerly accepted a position with the Food and Drug Administration. Catherine L. Downard accepted a position with the Department of the Treasury. Brian H. Jenn accepted a position with the Joint Economic Committee. Those who served as research assistants at the Council and resigned during 2003 are Adam R. Saunders (MIT Sloan School of Management), Leandra T. de Silva (University of Pennsylvania), Shelley D. de Alth (Public Policy Institute of California), Paul Landefeld (Federal Reserve Board), and Jeff Lee.

John W. Arnold, Information Management Assistant, resigned to pursue graduate studies. Stephen M. Lineberry, Confidential Assistant to Dr. McClellan accepted a position with the White House Office of Public Liaison. Administrative Officer, Mary C. Fibich, retired after 37 years of Federal service, most of which were with the Council.

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.gpoaccess.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.gpoaccess.gov/indicators. The Council's home page is located at www.whitehouse.gov/cea.