

Appendix A
REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 2005

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 30, 2005.

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 2005 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,

Ben S. Bernanke, *Chairman*
Katherine Baicker, *Member*
Matthew J. Slaughter, *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.

Council Members and Their Dates of Service

Name	Position	Oath of office date	Separation date
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.....	January 19, 2001.
Robert Z. Lawrence.....	Member.....	August 12, 1999.....	January 12, 2001.
Kathryn L. Shaw.....	Member.....	May 31, 2000.....	January 19, 2001.
R. Glenn Hubbard.....	Chairman.....	May 11, 2001.....	February 28, 2003.
Mark B. McClellan.....	Member.....	July 25, 2001.....	November 13, 2002.
Randall S. Kroszner.....	Member.....	November 30, 2001.....	July 1, 2003.
N. Gregory Mankiw.....	Chairman.....	May 29, 2003.....	February 18, 2005.
Kristin J. Forbes.....	Member.....	November 21, 2003.....	June 3, 2005.
Harvey S. Rosen.....	Member.....	November 21, 2003.....	
	Chairman.....	February 23, 2005.....	June 10, 2005.
Ben S. Bernanke.....	Chairman.....	June 21, 2005.....	
Katherine Baicker.....	Member.....	November 18, 2005.....	
Matthew J. Slaughter.....	Member.....	November 18, 2005.....	

Report to the President on the Activities of the Council of Economic Advisers During 2005

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

Ben S. Bernanke was appointed by the President on June 21, 2005 as Chairman of the President's Council of Economic Advisers. Dr. Bernanke succeeded Harvey S. Rosen, who returned to Princeton University, where he is the John L. Weinberg Professor of Economics and Business Policy. Dr. Rosen succeeded N. Gregory Mankiw, who returned to Harvard University, where he is the Robert M. Beren Professor of Economics.

Prior to his appointment to the Council, Dr. Bernanke served as a Member of the Board of Governors of the Federal Reserve System. Before becoming a Member of the Board, Dr. Bernanke was the Howard Harrison and Gabrielle Snyder Beck Professor of Economics and Public Affairs and Chair of the Economics Department at Princeton University (1996-2002). Dr. Bernanke had served as a Professor of Economics and Public Affairs at Princeton since 1985.

Dr. Bernanke was nominated by the President on October 24, 2005 to be Chairman of the Federal Reserve System for a term to begin on February 1, 2006. Dr. Bernanke subsequently recused himself from the development of the Administration's economic forecast for the fiscal year 2007 budget.

The Chairman of the Council 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. The Chairman 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

Katherine Baicker was appointed by the President as a Member of the Council of Economic Advisers on November 8, 2005. She succeeds Dr. Rosen, who had served as a Member prior to being appointed Chairman. Dr. Baicker is on leave from the University of California in Los Angeles, where she is an Associate Professor in the Department of Public Policy. At the Council Dr. Baicker's responsibilities include work on public finance, labor, and health issues.

Matthew J. Slaughter was appointed by the President as a Member of the Council of Economic Advisers on November 8, 2005. He succeeds Kristin J. Forbes, who returned to 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. Dr. Slaughter is on leave from the Tuck School of Business at Dartmouth College where he is an Associate Professor of Business Administration. At the Council Dr. Slaughter's responsibilities include work on international finance and trade, and industrial organization issues.

Macroeconomic Policies

As is its tradition, the Council devoted much time during 2005 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 regular 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 (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 2005, the Council took part in discussions on a range of macroeconomic issues. An important concern in the second half of the year was providing analysis related to hurricanes Katrina and Rita. 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. It also works 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.

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. This involvement included extensive analysis of alternative liberalization scenarios, participation in deliberations concerning trade policy in a number of industries, and analysis related to U.S. economic interaction with China. In international finance, the Council provided extensive analysis of the implications of changes in the U.S. external position and developments in foreign-exchange markets. The Council participated in discussions concerning international financial relations with both advanced and emerging market economies. 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. In recent months, meetings have been held with the ministers of finance from countries including Great Britain, Japan, and India as well as officials from the European Commission and international financial institutions such as the International Monetary Fund.

Council staff were part of the U.S. delegation that participated in Joint Economic Committee discussions in Beijing, focused on banking reform and capital market development in China. In addition, the Council participated in discussions with Chinese officials in the U.S.-China Joint Commission on Commerce and Trade. The Council participated in the development of U.S. proposals for providing additional debt relief to the world's poorest countries (Highly Indebted Poor Countries, or HIPC's) that were agreed to at the G-8 Summit held at Gleneagles, Scotland, and prepared analyses for the summits involving the countries of the Asia Pacific Economic Cooperation (APEC). The Council is also 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. Rosen, Dr. Forbes, and Dr. Slaughter participated in meetings of the Economic Policy Committee, as well as meetings of the OECD's Working Party 3 on macroeconomic policy and coordination. Council staff participated in additional OECD meetings.

Microeconomic Policies

A wide variety of microeconomic issues received Council attention during 2005. The Council actively participated in the Cabinet-level National Economic Council, dealing with such diverse issues as health care policy, energy policy, environment, Social Security, tax policy, immigration, education reform, asbestos litigation, and financial markets and institutions. The Council was particularly active in the area of health care policy, conducting analyses of the sources and impact of rising health care costs, the use of health savings accounts, and a number of issues related to the Medicare and Medicaid programs. The Council also participated in discussions related to market-based health care reforms and the tax treatment of health care spending. Energy policy was also an important focus of the Council, with analysis on the impact of hurricanes Katrina and Rita on energy markets, increasing world demand for oil, and the impact of various policy proposals regarding both energy efficiency and energy supply.

The Staff of the Council of Economic Advisers

The professional staff of the Council consists of the Chief of Staff, the Chief Economist, the Director of Macroeconomic Forecasting and Statistics, nine senior economists, four staff economists, and five research assistants. The professional staff and their areas of concentration at the end of 2005 were:

Chief of Staff

Gary D. Blank

Chief Economist

H. Keith Hall

Director

of

Macroeconomic Forecasting and Statistics

Steven N. Braun

Senior Economists

John E. Anderson.....	Public Finance
William D. Block.....	International Finance and Development
Joseph C. Cooper.....	Agriculture and Natural Resources
Daniel M. Covitz.....	Macroeconomics and Finance
William H. Dow.....	Health
Wayne R. Dunham.....	Regulation, Technology, and Transportation
Dino D. Falaschetti.....	Regulation and Finance
Christine A. McDaniel.....	International Trade
Richard G. Newell.....	Energy and Environment

Economist

Rebecca J. Kalmus.....	Labor
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Staff Economists

Faisal Z. Ahmed.....	International Finance and Trade, and Macroeconomics
Soren T. Anderson.....	Regulation
Andrew R. Hanson.....	Public Finance

Research Assistants

Jeffrey P. Clemens	Public Finance and Regulation
Sarena F. Goodman.....	Macroeconomics and Labor
Dagmara K. Tchalakov	International Trade and Finance
Diana C. Wielocha	Macroeconomics, Finance, and Regulation
Jonathan A. Wolfson.....	Health and Regulation

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

Catherine Furlong retired from Federal service on September 2, 2005. She had worked in the CEA Statistical Office for 54 years, and had been its Senior Statistician since 1977. A retirement ceremony was held on September 30, where she was honored in comments by present and former Council Chairmen, Ben Bernanke, Alan Greenspan, and Charles Schultz. Chairman Raymond Saulinier was also in attendance. Her untiring dedication to accuracy, detail and the reputation of the Council will indeed be missed. All future Councils will benefit from that wisdom.

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	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. Slaughter
Mary E. Jones Executive Assistant to Dr. Baicker

Staff Support

Sharon K. Thomas..... Administrative Support Assistant

Jane Tufts and Barbara Pendergast provided editorial assistance in the preparation of the 2006 Economic Report of the President.

Student Interns during the year were: Matthew B. Adler, Taylor W. Buley, Sean D. Clifford, Andrew M. Dietrich, Alan Y. Gu, Brett W. Hollenbeck, Rebecca L. Homkes, Thomas R. Johnson, Aaron W. Kletzing, Edwin H. Lee, Stephanie Mak, Andrew Park, Sean X. Qin, Elizabeth M. Schultz, Brian C. Tucci, and Joseph S. Vavra.

Fellows during the year were: Courtney Biesecker, Kenneth Gillingham, and Neal Rappaport.

Departures

Phillip P. Swagel left the Council as Chief of Staff in February of 2005 to join the American Enterprise Institute as a resident scholar.

Donald B. Marron left the Council as Chief Economist in October of 2005 to join the Congressional Budget Office where he is currently the Acting Director.

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 one or two years. Some of the senior economists who resigned during the year returned to their previous affiliations. They are: Raymond R. Geddes (Cornell University), Pia M. Orrenius (Federal Reserve Bank of Dallas), John C. Driscoll (Federal Reserve Board), Joshua S. Graff Zivin (Columbia University), Gerald Auten (Department of the Treasury), Alexander Raskovich (Department of Justice), Philip Levy (State Department)

Staff economists are generally graduate students who spend one year with the Council and then return to complete their dissertations. Those who departed the Council in 2005 are: Maria Damon, Peter R. Kingston, Anne Berry, and Carol Cohen.

Those who served as research assistants at the Council and resigned during 2005 were: Namita K. Kalyan, Therese C. Scharlemann, Derek A. Haas, James Soldano, and Daniel Ramsey.

Brenda Compton, Finance Manager, accepted a position with the Census Bureau.

Satiah Pee, Information Management Assistant accepted a position with the Discovery Channel.

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 available on the Internet at www.gpoaccess.gov/eop. The Council also has responsibility for compiling the monthly *Economic Indicators*. The Internet address for the *Economic Indicators* is www.gpoaccess.gov/indicators. The Council's home page is located at www.whitehouse.gov/cea.