

Appendix A
REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 2004

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 30, 2004.

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 2004 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	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	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	
Kristin J. Forbes	Member	November 21, 2003	
Harvey S. Rosen	Member	November 21, 2003	

Report to the President on the Activities of the Council of Economic Advisers During 2004

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 continued to chair the Council during 2004. 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 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, and other formal and informal meetings. 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 and Harvey S. Rosen are Members 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. Dr. Rosen is on leave from Princeton University, where he is the John L. Weinberg Professor of Economics and Business Policy. Dr. Randall Kroszner was previously a Member of the Council and has returned to the University of Chicago's Graduate School of Business where he is a Professor of Economics, Associate Director of the Stigler Center for the Study of the Economy and the State, and Research Consultant to the Federal Reserve Bank of Chicago.

The Chairman and the Members work as a team on most economic policy issues. Dr. Mankiw is responsible for the Council's macroeconomic analysis including the Administration's economic forecast. Dr. Forbes's 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 fiscal policy and microeconomic issues including labor and financial markets, health care, and regulation.

Macroeconomic Policies

As is its tradition, the Council devoted much time during 2004 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 2004, the Council took part in discussions on a range of macroeconomic issues. An important part of the Council's ongoing work involved monitoring economic data, including assessing the response of the economy, and the labor market in particular, to fiscal and monetary policies. Council staff analyzed economic conditions at the state level, with a particular focus on labor market developments. The Council also provided analysis relating to the macroeconomic impact of natural disasters such as hurricanes.

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. The Council continued to work closely in 2004 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 participated in the development and analysis of policies relating to domestic and international tax reform and reform of Social Security.

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 Members continued to give public addresses on economic developments, with a focus on the role of policies and the implications of increased international economic integration. The Chairman also regularly exchanged views on the economy with the Chairman and Governors of the Federal Reserve System. Council staff provided regular assistance with economic data to other offices of the Executive Office of the President, including the Office of Communications and the Offices of Speechwriting for the President and Vice President.

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 participated in deliberations concerning trade policy in a number of industries, and provided analysis related to U.S. economic interaction with China and the impact of trade on the domestic economy. Dr. Forbes and Council staff participated in dialogues with the Chinese government, including the National Development and Reform Committee and the Joint Economic Committee. Council staff participated in the Beijing working group talks of the Joint Commission on Commerce and Trade in July.

The Council participated in discussions concerning international financial policy involving relations with both advanced and emerging market economies. 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 the development of U.S. proposals for the G-8 Summit held at Sea Island, Georgia, which Dr. Forbes attended. Dr. Forbes and Council staff also participated in sub Cabinet-level discussions with Japan.

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. Forbes also participated in meetings of the Economic Policy Committee, as well as meetings of the OECD's Working Party 3 on macroeconomic policy and coordination. Dr. Rosen participated in the OECD's Working Party 1 on microeconomic policy and in the annual OECD review of U.S. economic policy, as did CEA chief economists Andrew Samwick and Donald Marron.

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.

Microeconomic Policies

A wide variety of microeconomic issues received Council attention during 2004. The Council actively participated in the Cabinet-level National Economic Council, dealing with issues including energy policy, the environment, health care, homeland security, pensions, transportation, technology, tort reform, and financial markets.

The Council participated in Administration efforts to improve the supervisory regime for government-sponsored enterprises in the home mortgage system. The Council also participated in ongoing policy discussions relating to terrorism risk insurance.

The Council was involved in a variety of issues related to health care. These included analyses of the sources of rising health care costs, the design and impact of health savings accounts, and a number of issues related to the Medicare and Medicaid programs. The Council also participated in discussions related to pharmaceutical products and helped evaluate the impacts of disease management and information technology in health care.

On labor and education programs, the Council was involved in the development of the President's proposal for a temporary worker program, as well as evaluations of other proposed immigration reforms. The Council assisted in Administration efforts to review education policies, as well as to evaluate the effectiveness of the Head Start program. The Council also participated in discussions related to reauthorization of the Workforce Investment Act, evaluation and reform of job training programs, and consideration of education and other benefits for Veterans.

The Council worked on a variety of environmental issues in 2004. The Council played a role in the development of a suite of proposed air quality rules, including the Clean Air Mercury Rule and the Clean Air Interstate Rule, which seek to regulate mercury, sulfur dioxide, and nitrogen oxide emissions from power plants. The Council was involved in the development of regulations concerning fine particles and emissions coming from diesel engines. The Council was a member of the Interagency Ocean Policy Group and helped to formulate the Administration's response to the U.S. Commission on Ocean Policy's recommendations for national ocean policy.

Energy policy continued to be an important focus of the Council's efforts in 2004, with analysis on the impact of oil prices on the economy and the impact of various policy proposals regarding energy supplies. The Council also played a role in the analysis of policy for telecommunications, broadband, and spectrum allocation. The Council participated in discussions concerning Federal prison industries, the Postal Service, tort reform, and transportation issues, including the state of the airline industry. Council staff also provided analyses related to agricultural issues, including the economic impacts of "mad cow" disease.

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, one economist, four staff economists, and five research assistants. The professional staff and their areas of concentration at the end of 2004 were:

Chief of Staff
Phillip L. Swagel

Chief Economist
Donald B. Marron

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

Senior Economists

Gerald E. Auten	Public Finance
William D. Block.....	International Finance and Development
John C. Driscoll.....	Macroeconomics and Public Finance
R. Richard Geddes	Regulation and Finance
Joshua Graff Zivin.....	Environment, Health Care, and Regulation
Philip I. Levy	International Trade
Pia M. Orrenius	Labor, Health Care, and Education
Alexander Raskovich	Regulation, Energy, and Technology

Economist

Anne L. Berry	Finance, Regulation, and Technology
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Staff Economists

Carol L. Cohen.....	International Trade and Finance
Maria Damon	Environment and Regulation
Rebecca J. Kalmus	Health Care and Labor
Peter R. Kingston.....	Macroeconomics and Finance

Research Assistants

Derek A. Haas	Finance, Regulation, and Technology
Namita K. Kalyan	Macroeconomics
Daniel L. Ramsey.....	Public Finance
Therese C. Scharlemann	Macroeconomics
James W. Soldano	International 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	Administrative Officer
Brenda Compton	Financial Manager

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 2005 *Economic Report of the President*.

Scott E. Carrell served as a senior economist for labor and public finance during the summer of 2004 and then returned to his position on the faculty of the Air Force Academy. Gerald F. Zukowski and Roger E. Stanley also served at the Council in 2004 on detail from other government agencies.

John List and Ted Gayer provided consulting services to the Council during 2004.

Student Interns during the year were Sarah E. Anders, Mary B. Anderson, Christian M. Bonilla, Eric C. Breitenstein, Matthew J. Burton, Deepa Dhume, Michael M. Furchtgott, Sabah M. Khan, Susan J. Li, Joshua S. Meltzer, Barbara J. Merry, Amol S. Navathe, Kirsten D. Powers, Brian K. Smedley, Dagmara K. Tchalakov, and Sean M. Zimmerman. Alexander P. Ryan joined the staff of the Council in January as a student intern.

Departures

The Council's senior staff, in most cases, are on leave of absence from faculty positions at academic institutions or from other government agencies or research institutions. Chief Economist Andrew Samwick returned to Dartmouth College, where he is a Professor of Economics and Director of the Rockefeller Center for Public Policy. The senior economists who resigned during the year returned to their previous affiliations. They are Karen Dynan (Federal Reserve Board), Ted Gayer (Georgetown University), Eric Helland (Claremont McKenna College), David Meyer (Federal Trade Commission), Mark Showalter (Brigham Young University), Beth Anne Wilson (Federal Reserve Board), and Alan Viard (Federal Reserve Bank of Dallas).

Staff economists are generally graduate students who spend one year with the Council and then return to complete their dissertations. Those who returned to graduate studies in economics in 2004 are: William Congdon (Princeton University), Brent Neiman (Harvard University), and Matthew Weinzierl (Harvard University).

Research assistants who resigned during 2004 and went on to further employment or graduate studies were Christine Dobridge (Deutsche Bank), Amanda Kowalski (MIT economics), and Julia Stahl (New York University Law School).

Brandon Schwartz, Information Management Assistant, resigned to pursue graduate studies.

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. The *Report* is available on the Internet, where it is accessible at www.gpoaccess.gov/eop, and for purchase as a bound volume from the Government Printing Office. 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.