Appendix A

REPORT TO THE PRESIDENT ON THE ACTIVITIES OF THE COUNCIL OF ECONOMIC ADVISERS DURING 2002

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 2002.

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,

Robert Glenn Hubbard, *Chairman*
Randall S. Kroszner, *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	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	
Mark B. McClellan	Member	July 25, 2001	November 13, 2002
Randall S. Kroszner	Member	November 30, 2001	

Report to the President on the Activities of the Council of Economic Advisers During 2002

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

R. Glenn Hubbard continued to chair the Council during 2002. Dr. Hubbard is on a leave of absence from 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. He is a Research Associate at the National Bureau of Economic Research. He also served as Senior Vice Dean of the Graduate School of Business at Columbia University.

Dr. Hubbard 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. Hubbard 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

Randall S. Kroszner is the other current Member of the Council of Economic Advisers. Dr. Kroszner is on leave from the University of Chicago's Graduate School of Business, where he is Professor of Economics. He is also on leave from his positions as Editor of the *Journal of Law & Economics* and Associate Director of the George J. Stigler Center for the Study of the Economy and the State at the University of Chicago. Dr. Kroszner is also a Faculty Research Fellow at the National Bureau of Economic Research. He represents the Administration at a variety of international and domestic meetings. The Council's third Member, Mark B. McClellan, left the Council in November 2002 upon his appointment by the President to be Commissioner of the Food and Drug Administration.

The Chairman and the Members work as a team on most economic policy issues. Dr. Hubbard was primarily responsible for the Administration's economic forecast, macroeconomic analysis, budget and taxation policy, and retirement security. Dr. Kroszner's responsibilities included international finance and trade issues for both emerging markets and developed economies, macroeconomic forecasting, and a number of microeconomic issues, including those relating to corporate governance, financial markets, energy, environment, transportation, and the costs of regulation.

Macroeconomic Policies

As is its tradition, the Council devoted much time during 2002 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 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 memoranda for the Vice President and senior White House staff.

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 2002 the Council took part in discussions on a range of macroeconomic issues, with a particular focus on issues relating to tax policy. The Council provided analytical support for major fiscal initiatives such as the Job Creation and Worker Assistance Act of 2002 and the President's January 2003 proposal to strengthen the economy. The Council worked closely with the Office of Management and Budget, the Treasury, the Federal Reserve, and the National Economic Council, as well as other government agencies, in providing analyses to the rest of the Administration.

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

International Economic Policies

The Council was involved in a range of international economic issues. Discussions on trade policy matters involved a number of industries as well as broader trade liberalization initiatives in various multilateral, regional, and bilateral forums. The Council participated in the development of U.S. positions during the concluding stages of free trade agreements with Chile and Singapore as well as in ongoing negotiations under the auspices of the World Trade Organization and with regard to the proposed Free Trade Agreement of the Americas. The Council participated in international finance discussions involving a number of emerging market economies. A particular focus of the Council was in developing an analytical framework for a pro-growth agenda for emerging markets. The Council participated in the development of the President's Millennium Challenge Account, which will increase aid to low- and middle-income countries that have a demonstrated commitment to pro-growth policies and institutions.

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 as well as Chairman of the Ad Hoc Group on Sustainable Development. In 2002 Dr. Kroszner participated in the OECD's Working Party 3 meeting on macroeconomic policy and coordination, and Council staff participated in the OECD's Working Party 1 meeting on microeconomic policies. Dr. Kroszner also participated in the annual OECD review of U.S. economic policy.

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. The Council represented the United States at other international forums as well, including meetings of the Asia-Pacific Economic Cooperation (APEC) forum. The Council played a key role in organizing an APEC-led initiative focused on corporate restructuring, initial results of which were presented at a conference in Singapore.

Microeconomic Policies

A wide variety of microeconomic issues received the Council's attention during 2002. The Council actively participated in the Cabinet-level National Economic Council, dealing with issues related to energy, the environment, homeland security and cybersecurity, technology, telecommunications, and transportation, among others. Dr. McClellan was extensively involved in formulating policy concerning health care and various aspects of welfare policy. Dr. Kroszner participated in a series of discussions on energy and environmental policies, financial market issues, corporate governance reform, regulation, and numerous issues relating to specific industries including lumber, steel, and transportation.

The Council participated in discussion on a range of environmental issues in 2002. A particular focus was on climate change initiatives, including partnerships with other countries and negotiations associated with the Kyoto Protocol. The Council also played an integral role in regulatory discussions, including the revision of the OMB Guidelines for the Conduct of Regulatory Analysis and the Format of Accounting Statements; Dr. Kroszner co-chaired this process with the Director of the Office of Information and Regulatory Affairs. This document establishes guidelines for Federal government agencies on how to undertake economic analysis of proposed regulations.

Corporate governance reform was an important focus of the Council's efforts in 2002. Members and staff analyzed various underlying problems in corporate governance and engaged in discussions within the Administration and with outside organizations in the United States and other countries about policies to enhance accountability, disclosure, and enforcement. The Council was also involved in discussions relating to the Postal Service, Amtrak, the airlines, government-sponsored enterprises, bankruptcy reform, and a host of technology-related issues such as cybersecurity, fusion energy initiatives, computer reservation systems, and issues related to broadband.

The Council participated extensively in discussions related to labor market and social policies. Issues included prescription drug benefits, reform of the Medicare system, medical malpractice liability, unemployment insurance, and the President's proposal to offer reemployment accounts to certain unemployed individuals. The Council was also involved in discussions relating to financial institutions, agriculture, and the economic effects of ports disputes.

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, the Senior Statistician, eight senior economists, five staff economists, and five research assistants. The professional staff and their areas of concentration at the end of 2002 were:

Chief of Staff
Phillip L. Swagel

Chief Economist
Douglas J. Holtz-Eakin

Director of Macroeconomic Forecasting
Steven N. Braun

Senior Statistician
Catherine H. Furlong

Senior Economists

Cindy R. Alexander	Industrial Organization, Corporate Finance, and Regulation
S. Brock Blomberg	International Finance
Robert J. Carroll	Public Finance
Robert N. Collender	Regulation, Energy, Finance, and Agriculture
Christopher L. Foote	Macroeconomics
Thomas C. DeLeire	Labor, Health, and Education
John A. List	Environment and Regulation
Michael O. Moore	International Trade

Staff Economists

D. Clay Ackerly	Health Care and Labor
Anne L. Berry	Regulation and Industrial Organization
Catherine L. Downard	International Finance
Brian H. Jenn	Labor, Regulation, and Public Finance
Peter H. Woodward	International Finance and Financial Markets

Research Assistants

Shelley D. de Alth	International Trade
Leandra T. DeSilva	Environment and Regulation
Christine L. Dobridge	Macroeconomics
Paul S. Landefeld	Macroeconomics and Public Finance
Adam R. Saunders	Macroeconomics, Public Finance, and Regulation

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	Statistical Assistant
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.

Catherine Fibich	Administrative Officer
Rosemary M. Rogers	Administrative Assistant
John W. Arnold	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
Lisa D. Branch	Executive Assistant to Dr. Kroszner
Stephen M. Lineberry.	Executive Assistant to Dr. McClellan

Staff Support

Mary E. Jones	Executive Assistant for International Economics, Labor, Health, Environment, and Regulation
Mary A. Thomas-Parker	Program Assistant for Macroeconomics, Industrial Organization, and Agriculture

Diana E. Furchtgott-Roth served as Chief of Staff for the first half of 2002 and subsequently as Special Advisor to the Council.

Michael Treadway provided editorial assistance in the preparation of the 2003 *Economic Report of the President*.

Katherine Baicker, Rex W. Cowdry, John G. Matsusaka, and William B. Vogt provided consulting services to the Council during 2002.

Student interns during the year were M. Caroline Beasley, Jason P. Brinton, Alexander Chan, Carol L. Cohen, Brian C. Grech, Laura C. Hanlon, Clarette S. Kim, David Y. Lin, Matthew Nestorick, Samuel C. Roddenberry, Douglas A. Smith, Kevin P. Sweeney, Thomas B. Valuk, Peter H. Woodward, and Aimee C. Zullo. Sarah R. Darley, Evan M. Newman, and Adam R. Sorkin joined the staff of the Council in January as student interns.

Departures

Diana E. Furchtgott-Roth accepted a position as Chief Economist at the Department of Labor in early 2003. Douglas J. Holtz-Eakin left the Council at the end of January 2003 to become the Director of the Congressional Budget Office.

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 Katherine Baicker (Dartmouth College), Peter M. Feather (U.S. Department of Agriculture, Economic Research Service), William R. Melick (Kenyon College), and William A. Pizer (Resources for the Future). Others went on to new positions. They are Jeffrey R. Brown (University of Illinois at Urbana-Champaign), Carolyn L. Evans (Board of Governors of the Federal Reserve System), Andrew J. Filardo (Bank for International Settlements), and Wallace P. Mullin (George Washington 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 2002 are Irena I. Asmundson (Stanford University) and Katherine R. Baylis (University of California, Berkeley). Judson L. Jaffe accepted a position at Analysis Group/Economics. Those who served as research assistants at the Council and resigned during 2002 are M. Marit Rehavi (London School of Economics), Heather C. McNaught (Department of Justice), and Jason M. Zhao. Mary A. Thomas-Parker, Program Assistant, retired after nearly 26 years of Federal service, the last 13 years of which were with the Council.

During 2002 the Council lost a valued colleague. Susan P. Clements, who served as a Statistician in the Statistical Office, passed away in August 2002; she had retired in June 2002 for health reasons.

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 both 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/cea/index.html.