

**Appendix A**  
**REPORT TO THE PRESIDENT ON THE ACTIVITIES**  
**OF THE**  
**COUNCIL OF ECONOMIC ADVISERS DURING 2007**



LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS  
*Washington, D.C., December 31, 2007*

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during calendar year 2007 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,

Edward P. Lazear, *Chairman*

## *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 .....	January 31, 2006
Katherine Baicker	Member .....	November 18, 2005 .....	July 11, 2007
Matthew J. Slaughter	Member .....	November 18, 2005 .....	March 1, 2007
Edward P. Lazear	Chairman .....	February 27, 2006 .....	



# Report to the President on the Activities of the Council of Economic Advisers During 2007

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

Edward P. Lazear continued to chair the Council during 2007. Dr. Lazear is on a leave of absence from the Stanford Graduate School of Business where he is the Jack Steele Parker Professor of Human Resources Management and Economics. He also served as the Morris Arnold Cox Senior Fellow at the Hoover Institution.

Dr. Lazear 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 daily White House senior staff meetings, a variety of inter-agency meetings, Cabinet meetings, 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. Lazear 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

The Council's two other Members were Katherine Baicker who left the Council in July 2007 to become Professor of Health Economics in the Department of Health Policy and Management at Harvard School of Public Health, and Matthew J. Slaughter who left the Council in March 2007 to return to the Tuck School of Business at Dartmouth College as Associate Professor of Business Administration.

The President nominated Dennis W. Carlton and Donald B. Marron to fill these two vacancies.

## Macroeconomic Policies

As is its tradition, the Council devoted much time during 2007 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. Council staff also regularly provides assistance with economic data to other offices within the Executive Office of the President.

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 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 2007, the Council took part in discussions on a range of macroeconomic issues. The Council contributed significantly to discussions on the macroeconomic impact of this year’s housing and credit market disruptions, and provided analysis and support for the Administration’s economic growth package.

The Council works closely with the Department of 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 Domestic Policy 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 and finance issues, and was an active participant in discussions at the global, regional, and bilateral levels, including the U.S. Trade Policy Review, conducted by the World Trade Organization. On the international trade front, the Council provided empirical analysis of forthcoming free trade agreements and met with policymakers and business leaders in support of the Peru, Colombia, Panama, and South Korea free trade agreements.

Further involvement included extensive analysis related to U.S. economic interaction with China. The Council provided analysis for the Department of the Treasury-led Strategic Economic Dialogue in Beijing, where a host of bilateral economic issues with China were discussed, ranging from financial liberalization, to energy and the environment, to bilateral trade relations.



The Council also prepared in-depth analyses for the President's international itinerary, including travel to the Middle East and Europe, as well as the annual Asia Pacific Economic Cooperation (APEC) summit in Australia.

In the area of investment and security, the Council took part in discussions on the implementation of the Foreign Investment and National Security Act of 2007, which clarified and improved the operations of the Committee on Foreign Investment in the United States (CFIUS). The Council also participated in discussions of individual cases before CFIUS.

The Council participated in discussions concerning the need for greater international financial and trade liberalization with both advanced and emerging market economies. Council Members regularly met with economists and policy officials of foreign countries, finance ministers, other government officials, and members of the private sector to discuss prevailing issues relating to the global economy.

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 economies. Chairman Lazear, along with other senior Council members, participated in the OECD's Economic Policy Committee (EPC) meeting, as well as the Working Party meetings on macroeconomic policy and coordination.

## Microeconomic Policies

A wide variety of microeconomic issues received Council attention during 2007. The Council actively participated in the Cabinet-level National Economic Council and Domestic Policy Council meetings, dealing with issues including health care, labor, energy policy, legal reform, the environment, education, pensions, transportation, and technology.

The Council was active in the examination of health care policy related to the tax treatment of health insurance, health information technology adoption, health insurance for children, veterans health, potential reforms to Medicare, and the promotion of transparency in health price and quality. The Council examined the causes and consequences of rising health care costs and reviewed potential remedies including greater consumer involvement in health care, opening access to insurance across state lines, and improving the connection between health care expenditure and positive health outcomes.

The Council was also active in energy and environmental policy discussions, where it analyzed energy markets, fuel economy issues, and alternatives to oil. This included issues such as the President's Advanced Energy Initiative, bio-energy, the Renewable Fuels Standard, Corporate Average Fuel Economy (CAFE), the Strategic Petroleum Reserve, regulatory reforms, global climate change, and the international trade of energy.

The Council examined transportation policies relating to airports, hybrid vehicles, and congestion pricing. The Council also played a role in the analysis of policy for telecommunications, broadband, and spectrum allocation. Council staff also examined agricultural issues and patent reform.

The Council participated in discussions related to catastrophic risk insurance relating to natural disasters and attacks. The Council also participated in ongoing policy discussions relating to the government's role in terrorism risk insurance.

On labor policy, the Council was involved in the development of the President's comprehensive immigration policy and other proposed immigration reforms. The Council also assisted in Administration evaluation of higher education policies, as well as in the examination of the No Child Left Behind program.

The Council was active in tax policy discussions relating to individual income tax, business tax credits, and corporate taxation, as well as tax issues related to entitlement programs like Social Security. Many additional tax policy discussions were involved in other microeconomic discussions including labor, insurance, pensions, and health care.

# 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 Director of the Statistical Office, nine senior economists, and seven junior staff of staff economists, analysts and research assistants. The professional staff and their areas of concentration at the end of 2007 were:

*Chief of Staff*  
Pierce E. Scranton

*Chief Economist*  
Keith Hall

*Consultant*  
Donald B. Marron

*Director of*  
*Macroeconomic Forecasting*  
Steven N. Braun

*Director*  
*Statistical Office*  
Adrienne T. Pilot

<i>Senior Economists</i>	
Scott Baier.....	International Finance
Erik Durbin .....	Legal, Transportation, Regulation
Charles Griffiths.....	Agriculture, Environment, Natural Resources
Daniel E. Polsky.....	Health
Korok Ray.....	Public Finance, Technology
Dan Rosenbaum .....	Labor, Immigration, Education, Welfare
Howard Shatz .....	International Trade
Sita Slavov.....	Tax, Budget
John Stevens.....	Macroeconomics, Labor, Small Business

*Staff Economist*  
Elizabeth Akers ..... Labor

*Analyst*  
Kristopher J. Dawsey.. Macroeconomics

### *Research Assistants*

Mark W. Clements ....	International Finance and Trade
Joshua K. Goldman....	Microeconomics and Regulation
Elizabeth M. Schultz..	International Finance and US Finance/Banking
Brian T. Waters .....	Public Finance and Macroeconomics
Chen Zhao.....	Health and Labor

### *Statistical Office*

The Statistical Office administers and updates the Council’s statistical information. Duties include preparing material for and overseeing publication of the monthly *Economic Indicators* and the statistical appendix to the *Economic Report of the President*. Staff verifies statistical content in Presidential memoranda and produces background materials for economic analysis. The Office also serves as the Council’s liaison to the statistical community.

Brian A. Amorosi .....	Program Analyst
Dagmara A. Mocala ...	Program Analyst

### *Administrative Office*

The Administrative Office provides general support for the Council’s activities. This includes financial management, ethics, human resource management, travel, operations of facilities, security, information technology, and telecommunications management support.

Rosemary M. Rogers..	Administrative Officer
Archana A. Snyder .....	Financial Officer
Doris T. Searles .....	Information Management Specialist

### *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 the Member
Mary E. Jones .....	Executive Assistant to the Member

### *Staff Support*

Sharon K. Thomas .....	Administrative Support Assistant and Assistant to the Chief Economist
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Gary Blank, who served as Chief of Staff, left the Council in August of 2007 to accept a position with Fidelity Investments as Vice President, Policy Analysis.

Jane Tufts, Bruce Kaplan, and Anna Paganelli provided editorial assistance in the preparation of the 2008 *Economic Report of the President*.

Student Interns during the year were: Aaron Epstein, Elisabeth E. Fosslien, Marc Held, Jonathan Jardine, Ashley Jelinek, Kyle Jurado, Jessica Levy, Danyank Lok, Robin Lyu, David Marold, Anthony Ng, Ethan Parker, Jeannine Regalia, William Ross, Kyle Smith, and Zachary Watson.

Our Fellow during the year was Deepa Dhume.

## Departures

The Council's senior economists, in most cases, are on leave of absence from academic institutions, government agencies, or private research institutions. Their tenure with the Council is usually limited to 1 or 2 years. The senior economists who resigned during the year were: William Collins (Vanderbilt University), Erik Heitfield (Federal Reserve Board), Bradley Herring (Emory University), Christine McDaniel (Department of the Treasury), Kristin McCue (Census Bureau), Robert Martin (Federal Reserve), David Richardson (TIAA-CREF), and Maryann Wolverton (EPA). The economist who resigned during the year was Benjamin Ho (Cornell University).

The economists are supported by a team of junior staff made up of analysts and research assistants who generally work with the Council for 1 or 2 years before returning to school or other endeavors. The analysts who resigned during 2007 were: Dagmara Tchalakov, Lucas Threinen, Diana Wielocha, and Jonathan Wolfson. Those who served as research assistants at the Council and resigned during 2007 were: Eric Cragun, Nikola Kojucharov, and Gregory Stein.

## 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 for purchase through the Government Printing Office, and is viewable on the Internet at [www.gpoaccess.gov/eop](http://www.gpoaccess.gov/eop). The Council also publishes the monthly *Economic Indicators*, which is available on-line at [www.gpoaccess.gov/indicators](http://www.gpoaccess.gov/indicators). The Council's home page is located at [www.whitehouse.gov/cea](http://www.whitehouse.gov/cea).

