

ECONOMIC  
REPORT  
OF THE  
PRESIDENT



TRANSMITTED TO THE CONGRESS  
MARCH 2013

TOGETHER WITH  
THE ANNUAL REPORT  
OF THE  
COUNCIL OF ECONOMIC ADVISERS

UNITED STATES GOVERNMENT PRINTING OFFICE  
WASHINGTON : 2013

---

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Internet: [bookstore.gpo.gov](http://bookstore.gpo.gov) Phone: toll free (866) 512-1800; DC area (202) 512-1800  
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

ISBN





## C O N T E N T S

ECONOMIC REPORT OF THE PRESIDENT .....	1
ANNUAL REPORT OF THE COUNCIL OF ECONOMIC ADVISERS* ..	7
CHAPTER 1. RECOVERING FROM THE PAST AND PREPARING FOR THE FUTURE .....	21
CHAPTER 2. THE YEAR IN REVIEW AND THE YEARS AHEAD.....	41
CHAPTER 3. FISCAL POLICY .....	91
CHAPTER 4. JOBS, WORKERS AND SKILLS .....	119
CHAPTER 5. REDUCING COSTS AND IMPROVING THE QUALITY OF HEALTH CARE .....	161
CHAPTER 6. CLIMATE CHANGE AND THE PATH TOWARD SUSTAINABLE ENERGY SOURCES.....	185
CHAPTER 7. INTERNATIONAL TRADE AND COMPETITIVENESS .....	209
CHAPTER 8. CHALLENGES AND OPPORTUNITIES IN U.S. AGRICULTURE.....	237
REFERENCES .....	265
APPENDIX A REPORT TO THE PRESIDENT ON THE ACTIVITIES OF THE COUNCIL OF ECONOMIC ADVISERS DURING 2012 .....	299
APPENDIX B. STATISTICAL TABLES RELATING TO INCOME, EMPLOYMENT, AND PRODUCTION .....	313

---

\*For a detailed table of contents of the Council's Report, see page 11.



ECONOMIC REPORT  
OF THE  
PRESIDENT



## ECONOMIC REPORT OF THE PRESIDENT

TO THE CONGRESS OF THE UNITED STATES:

This year's *Economic Report of the President* describes the progress we have made recovering from the worst economic crisis since the Great Depression. After years of grueling recession, our businesses have created over six million new jobs. As a nation, we now buy more American cars than we have in 5 years, and less foreign oil than we have in 20 years. Our housing market is healing, and consumers, patients, and homeowners enjoy stronger protections than ever before.

But there are still millions of Americans whose hard work and dedication have not yet been rewarded. Our economy is adding jobs, but too many of our fellow citizens still can't find full-time employment. Corporate profits have reached all-time highs, but for more than a decade, wages and incomes for working Americans have barely budged.

Our top priority must be to do everything we can to grow our economy and create good, middle-class jobs. That has to be our North Star. That has to drive every decision we make in Washington. Every day, we should ask ourselves three questions: How do we attract more jobs to our shores? How do we equip our people with the skills needed to do those jobs? And how do we make sure that hard work leads to a decent living?

We can begin by making America a magnet for new jobs and manufacturing. After shedding jobs for more than a decade, our manufacturers have added about half a million new jobs over the past 3 years. We need to accelerate that trend, by launching more manufacturing hubs that transform hard-hit regions of the country into global centers of high-tech jobs and manufacturing. We need to make our tax code more competitive, by ending tax breaks for companies that ship jobs overseas, and rewarding companies that create jobs here at home. And we need to invest in the research and technology that will allow us to harness more of our own energy and put more people back to work repairing our crumbling roads and bridges.

These steps will help entrepreneurs and small business owners expand and create new jobs. But we also need to provide every American with the skills and training they need to fill those jobs. We should start in the earliest years by offering high-quality preschool to every child in America, because we know kids in programs like these do better throughout their academic lives. We should redesign America's high schools to better prepare our students with skills that employers are looking for right now. And because taxpayers can't continue subsidizing the soaring cost of higher education, we should take affordability and value into account when determining which colleges receive certain types of Federal aid.

We also need to reward hard work and declare that no one who works full-time should have to live in poverty by raising the minimum wage so that it's a wage you can live on. And it's time to harness the talents and ingenuity of hardworking immigrants by finally passing common-sense immigration reform—continuing to strengthen border security, holding employers accountable, establishing a responsible path to earned citizenship, reuniting families, and attracting the highly-skilled entrepreneurs, engineers, and scientists that will help create jobs.

As we continue to grow our economy, we must also take further action to shrink our deficits. We don't have to choose between these two important priorities—we just have to make smart choices.

Over the last few years, both parties have worked together to reduce the deficit by more than \$2.5 trillion, which puts us more than halfway towards the goal of \$4 trillion in deficit reduction that economists say we need to stabilize our finances. Now we need to finish the job. But we shouldn't do it by making harsh and arbitrary cuts that jeopardize our military readiness, devastate priorities like education and energy, and cost jobs. That's not how you grow the economy. We shouldn't ask senior citizens and working families to pay down the rest of our deficit while the wealthiest are asked for nothing more. That doesn't grow our middle class.

Most Americans—Democrats, Republicans, and Independents—understand that we can't just cut our way to prosperity. That's why I have put forward a balanced approach to deficit reduction that makes responsible reforms to bring down the cost of health care for an aging generation—the single biggest driver of our long-term debt—and saves hundreds of billions of dollars by getting rid of tax loopholes and deductions for the well-off and well-connected. And we should finally pursue bipartisan, comprehensive tax reform that encourages job creation and helps bring down the deficit.

The American people don't expect their government to solve every problem. They don't expect those of us in Washington to agree on every issue. But they do expect us to put the Nation's interests before party interests. They do expect us to forge reasonable compromise where we can. Our work will not be easy. But America only moves forward when we do so together—when we accept certain obligations to one another and to future generations. That's the American story. And that's how we will write the next great chapter—together.

A handwritten signature in black ink, appearing to read "Barack Obama". The signature is fluid and cursive, with a large initial "B" and "O".

THE WHITE HOUSE  
MARCH 2013





THE ANNUAL REPORT  
OF THE  
COUNCIL OF ECONOMIC ADVISERS



LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS  
Washington, D.C., March 15, 2013

MR. PRESIDENT:

The Council of Economic Advisers herewith submits its 2013 Annual Report in accordance of the Employment Act of 1946 as amended by the Full Employment and Balanced Growth Act of 1978.

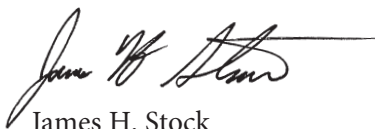
Sincerely yours,



Alan B. Krueger  
*Chairman*



Katharine G. Abraham  
*Member*



James H. Stock  
*Member*

