

Comments at the Release of the Economic Report of the President
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I am here to discuss this year's Economic Report of the President. As is always the case, the purpose of the Report is not to propose new policy initiatives but to analyze the state of the economy, looking back at where the economy has been and looking ahead to where the economy is likely to go and what issues are likely to arise.

This year's Economic Report features eight chapters. The first chapter in this year's Report reviews the strong economic growth that we enjoyed in 2004 and describes the Administration's forecast for coming year. The second chapter takes a longer look at business cycle, reviewing the current recovery and comparing it to past ones. The other six chapters cover more specific topics—background information on the options of tax reform, the economics of immigration, the role of property rights and ownership in expanding individual choice and control, the importance of innovation in our increasingly information-driven economy, the global HIV/AIDS crisis, and the role of free international trade in raising living standards around the world. I encourage you all to read it.

One purpose of the Economic Report is to provide background material for upcoming debates over economic policy. Last year, we had a chapter on Social Security, which was aimed at educating the public about the need for reforming the system. Several of this year's chapters are similarly aimed at educating the public about the economic challenges we are likely to face in the months and years to come.

Let me say a few words about the current state of the economy. As you know, the Administration forecast discussed in the Report was put to bed and released in December. But the macroeconomic picture has not changed substantially since then. Looking at all the data, there is no doubt that the economy has been growing robustly since the summer of 2003, and there is every reason to expect robust growth to continue this year.

When I was a professor at Harvard, I used to tell students in my macroeconomics classes to keep an eye on three indicators: GDP growth, inflation, and unemployment. By all three measures, the economy is doing well. GDP growth was 3.7 percent over the past four quarters—well above

the historical average. Core inflation is running about 2 percent. And the unemployment rate of 5.2 percent is below the average of each of the past three decades.

Finally, let me note, as you may have heard, that I will be leaving my position as chairman of the Council of Economic Advisers. My two years of leave from Harvard is over, and it is time for me to return to my family, my students, and my books. It has been a great honor to work with President Bush and the impressive economics team he has assembled. I look forward to watching his second-term accomplishments from the quiet of my Cambridge office.

I am happy to take a few questions.