

Appendix A
REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 1980

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 1980.

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 1980 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.

Cordially,

CHARLES L. SCHULTZE, *Chairman*
GEORGE C. EADS
STEPHEN M. GOLDFELD

Report to the President on the Activities of the Council of Economic Advisers during 1980

The Council of Economic Advisers was established by the Employment Act of 1946 to provide economic analysis and advice to the President and thus to assist in the development and implementation of national economic policies. The Council also advises the President with regard to decisions on other matters that affect the health and operations of the Nation's economy.

The enactment of the Full Employment and Balanced Growth Act of 1978—the Humphrey-Hawkins Act—substantially revised the chartering legislation of the Council of Economic Advisers for the first time since 1946. This revision left unchanged the basic mission of the Council of Economic Advisers but created a new framework for the government's pursuit of its economic policies. This act and its requirements were discussed in detail in the 1979 *Economic Report*.

Charles L. Schultze, Chairman, and George C. Eads, Member, continued to serve in these positions throughout 1980. On May 27, 1980, Lyle E. Gramley resigned to become a Governor on the Board of the Federal Reserve System. On August 20, 1980, Stephen M. Goldfeld became a Member of the Council. Mr. Goldfeld was formerly Professor of Economics at Princeton University.

RESPONSIBILITIES

The responsibilities of the Council of Economic Advisers have grown steadily as new economic problems have placed new demands on the Council and its staff. Over the last decade especially, the growing recognition that many “noneconomic” decisions have major consequences for our economy has led to a broadening of the Council's activities. Today, the Council is responsible for advising the President not only on Federal fiscal policies but also on policies affecting specific sectors of the economy, on regulation and regulatory reform, on energy policies, and on international economic policies.

Past Council Members and their dates of service are listed below:

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	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.
Kernit Gordon	Member	January 29, 1961	December 27, 1962.
Gardner Ackley	Member	August 3, 1962	
	Chairman	November 15, 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.
William D. Nordhaus	Member	March 18, 1977	February 4, 1979.
Lyle E. Gramley	Member	March 18, 1977	May 27, 1980.

MACROECONOMIC POLICIES

From the outset, the Council's fundamental role has been to advise the President on comprehensive economic policies designed to achieve the government's objectives for price stability, employment, and output. To fulfill this responsibility the Council develops economic forecasts several times each year with the assistance of an Interagency Forecasting Committee. The members of this Committee include, in addition to the Council, representatives from the Office of Management and Budget and the Departments of the Treasury, Commerce, and Labor. This group, which is chaired by a Member of the Council, meets to analyze the outlook for individual sectors of the economy and to develop detailed economic forecasts for the period immediately ahead. The Chairman of the Council presents these forecasts to the Economic Policy Group (EPG), which is made up of the President's principal economic advisers and meets each week to discuss and develop the Administration's proposals touching on economic policy. The Chairman of the Council of Economic Advisers is a member of the EPG and of its steering group.

In the final months of each year, during the preparation of the President's annual budget, the Council works with other members of the EPG to develop and present to the President proposals for both the stance and the design of Federal fiscal policies during the coming fiscal year. The Council monitors the progress of the economy and offers advice on when changes in fiscal policies are in order. Advising the President on macroeconomic policy has remained one of the Council's major responsibilities.

The Chairman of the Council took an active role in the March budget revisions, in the decision to invoke the Credit Control Act, and in the design of other steps taken at that time to halt inflationary expectations.

In addition, the Council continued its involvement in the program of voluntary pay and price standards, including monitoring the progress of the second program year. On November 12 the Chairman of the Council of Economic Advisers resumed the position of Chairman of the Council on Wage and Price Stability.

During the late spring and summer, the Council actively participated in the development and presentation of the Administration's Economic Revitalization Program.

The Chairman of the Council also chairs the Interagency Committee on Housing and Housing Finance. In 1980 the Council again coordinated special surveys of the conditions in housing markets.

The Council co-chaired with the Office of Management and Budget a congressionally mandated study on the indexing of Federal programs. The Council chaired the subgroup on issues involved in the choice of an index. This report will be presented to the Congress at the beginning of 1981.

MICROECONOMIC POLICIES

The Council of Economic Advisers has become increasingly involved in the analysis of microeconomic issues—the economic developments and the policy actions that affect individual industries, markets, or sectors of the economy. In 1980 the Council took part in formulating and articulating the Administration's policies on agriculture, energy, hospital cost containment, industrial adjustment, regulation, regulatory reform, and international trade.

Especially important in 1980 were the interagency studies of the automobile and steel industries. The Council took an active role in these studies and in the development of policy responses to problems in these two industries. In addition, the Council is a major participant in an ongoing study of the potential economic consequences of, and policy responses to, a major oil-supply disruption.

In 1980 the Council continued to chair the Regulatory Analysis Review Group (RARG). This interagency group was created late in

1977 to review selected analyses of the economic effects of major regulatory proposals. The President has ordered that each major regulatory proposal issued by a nonindependent regulatory agency must be accompanied by a regulatory analysis. The agency originating the proposal develops the analysis and makes it available in draft form for public comment before the final regulation is issued. During the period for public comment the Regulatory Analysis Review Group evaluates a select few of these regulatory analyses and files its appraisal in the agency's record of public comment.

In 1980 eight regulations were reviewed by RARG: the Environmental Protection Agency's air carcinogen policy, its guidelines for water effluents in the leather tanning and finishing industry, its visibility regulations for Federal Class I areas, and its ambient air quality standards for carbon monoxide; the Department of Energy's building energy performance standards and its consumer appliance energy efficiency standards; the Department of Education's rules concerning the education of students not proficient in English, and the Department of Housing and Urban Development's revisions of its minimum property standards. At year's end the Environmental Protection Agency's premanufacture notification requirements for new chemical substances were being reviewed. Together with the staff of the Council on Wage and Price Stability, the Council's staff served as the analytic staff for the RARG. In addition, the Council and the staff continued their active involvement in proposed regulatory reform legislation and in the development of administrative means to lessen the burden of regulation.

INTERNATIONAL ECONOMIC POLICIES

During 1980 the Council of Economic Advisers again took an active part in international economic affairs. The Chairman of the Council continued to serve as Chairman of the Economic Policy Committee of the Organization for Economic Cooperation and Development (OECD). As such, he chaired two meetings of senior economic officials from OECD member governments to assess appropriate economic policies following the sharp rise in energy prices and to achieve improved policy coordination among countries.

In consultation with senior officials from other countries, the Chairman also prepared a position paper on economic policy issues for the Venice Summit.

The Council is active in the OECD Economic Policy Committee's working parties on short-term economic prospects, balance of payments adjustment, and macroeconomic structural and policy analysis. Council Members or staff economists represent the U.S. government at periodic meetings of these working parties during the year.

A Member of the Council represents the U.S. government at meetings of the OECD Special High-Level Group on Positive Adjustment Policies, and in 1980 made an extended presentation on U.S. structural policies to this group. He also chairs a task force of the Special Group that has been examining the alternatives used by governments to identify and evaluate subsidies.

PUBLIC INFORMATION

The annual *Economic Report* is the principal medium through which the Council informs the public of its work and its views. It is also an important vehicle for presenting and explaining the Administration's economic policies, both domestic and international. Distribution of the *Report* in recent years has averaged about 50,000 copies. The Council also assumes primary responsibility for the monthly *Economic Indicators*, a publication prepared by the Council's Statistical Office, under the supervision of Catherine H. Furlong. The Joint Economic Committee issues the *Indicators*, which has a distribution of approximately 10,000 copies. Information is also provided to members of the public through speeches and other public appearances by the Chairman, Members, and staff economists of the Council. Finally, in 1980 the Chairman and Members made 13 appearances before Committees of the Congress to testify on the Administration's economic policies.

ORGANIZATION AND STAFF OF THE COUNCIL

OFFICE OF THE CHAIRMAN

The Chairman is responsible for communicating the results of the Council's work and for providing advice to the President. This duty is performed through discussions with the President and in written reports on economic developments. The Chairman also represents the Council at Cabinet meetings and at many other formal and informal meetings of government officials. He exercises ultimate responsibility for directing the work of the professional staff. On November 12, 1980, the Chairman replaced Alfred E. Kahn, who had resigned, as Chairman of the Council on Wage and Price Stability.

COUNCIL MEMBERS

The two Council Members directly supervise the work of the Council's professional staff and are responsible for all subject matter studied by the Council. They represent the Council at numerous meetings of public and private groups, and they assume major responsibility for the Council's involvement in the activities of the government that affect the economy.

The Chairman and the Council Members work together on most policy issues. Operationally, however, responsibility over major topics of concern is divided between the two Members. Mr. Eads has supervised microeconomic analysis, including analysis of policies related to such matters as energy, agriculture, social welfare, and international trade. Mr. Eads also oversees regulatory reform activities. Mr. Goldfeld has the primary responsibility for macroeconomic analysis, including international monetary developments and the preparation of economic forecasts, and for labor market policies.

PROFESSIONAL STAFF

At the end of 1980 the professional staff consisted of the Special Assistant to the Chairman, the Senior Statistician, 12 senior and staff economists, and 5 junior staff economists.

The professional staff and their special fields at the end of the year were:

Susan J. Irving Special Assistant to the Chairman

Senior and Staff Economists

William T. Boehm	Agriculture and Food Policy
Stephen H. Brooks	Macroeconomic Analysis and Forecasting, and Fiscal Policy
Geoffrey O. Carliner	Labor Market Policies and Pension Issues
Jose A. Gomez-Ibanez	Regulation, Natural Resources, and Transportation
Val L. Koromzay	International Financial and Economic Developments
Robert A. Leone	Industrial Policy Issues and Energy
Michael J. McKee	Macroeconomic Analysis and Forecasting, Productivity, Prices, Anti-Inflation Policies, and Energy
David C. Munro	Macroeconomic Analysis and Forecasting
Susan C. Nelson	Public Finance, Taxes, Social Security, Health and Welfare
Perry D. Quick	Finance, Money, Housing, and Economic Development
Elinor Y. Sachse	International Financial Developments and Trade
Andrew J. Strenio	Regulation

Statistician

Catherine H. Furlong Senior Statistician

Junior Economists

Martin A. Asher Labor Market Policies

Elizabeth J. Jensen.....	Regulation
Stephen A. O'Connell	International Economic Developments and Trade
David H. Romer	Macroeconomic Analysis and Forecasting
Robert W. Turner	Public Finance

Catherine H. Furlong, Senior Statistician, continued to be in charge of the Council's Statistical Office. Mrs. Furlong has primary responsibility for managing the Council's statistical information system. She supervises the publication of *Economic Indicators* and the preparation of all statistical matter in the *Economic Report*. She also oversees the verification of statistics in memoranda, testimony, and speeches. Natalie V. Rentfro, Earnestine Reid, and Barbara L. Sibel assist Mrs. Furlong.

In preparing the *Economic Report* the Council relied upon the editorial assistance of John Phillip Sawicki. Also called on for special assistance in connection with the *Report* was Dorothy Bagovich.

SUPPORTING STAFF

The Administrative Office of the Council of Economic Advisers provides general support for the Council's activities. Nancy F. Skidmore, Administrative Officer, prepares and analyzes the Council's budget and provides general administrative services.

Elizabeth A. Kaminski, Staff Assistant to the Council, handles general personnel management, coordinates the schedule for the *Economic Report*, and provides general assistance to the Council and the Special Assistant in the management of the Council's activities.

Members of the secretarial staff for the Chairman and Council Members during 1980 were Patricia A. Lee, Linda A. Reilly, Lisa A. Stockdale, and Alice H. Williams. Secretaries for the professional staff were Catherine Fibich, Bessie M. Lafakis, Joyce A. Pilkerton, Margaret L. Snyder, and Lillie M. Sturniolo. Elizabeth A. Cralle provided secretarial assistance during the summer months and during the preparation of the *Report*. Joseph Henley served as a clerk during the preparation of the *Report*.

DEPARTURES

The Council's professional staff members are in most cases on leave from universities, other government agencies, or research institutions. Their tenure with the Council is usually limited to 1 or 2 years. Senior staff economists who resigned during the year were Paul N. Courant (University of Michigan), K. Burke Dillon (International Monetary Fund), David Harrison, Jr. (Harvard University), David S. McClain (Boston University), V. Vance Roley (Federal Reserve Bank of Kansas City), Daniel H. Saks (National Commission for Employment Policy), and Charles L. Trozzo (George Washington

University). Kate Stith Pressman, staff economist, resigned to accept a position with the Department of Justice.

Junior economists who resigned in 1980 were David W. Berson (University of Michigan), Lisa L. Blum (Department of Commerce), Stephen G. Cecchetti (University of California, Berkeley), Judith R. Gelman (Federal Trade Commission), and Matthew D. Shapiro (Massachusetts Institute of Technology).