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**Appendix B**

**REPORT TO THE PRESIDENT ON THE ACTIVITIES OF  
THE COUNCIL OF ECONOMIC ADVISERS DURING 1963**

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## LETTER OF TRANSMITTAL

DECEMBER 31, 1963.

The PRESIDENT.

SIR: The Council of Economic Advisers submits this report on its activities during the calendar year 1963 in accordance with the requirements of Congress, as set forth in Section 4(d) of the Employment Act of 1946.

Respectfully,

WALTER W. HELLER, *Chairman.*  
GARDNER ACKLEY  
JOHN P. LEWIS

# Report to the President on the Activities of the Council of Economic Advisers During 1963

## COUNCIL MEMBERSHIP

During 1963 the Council remained under the direction of Walter W. Heller, who has served as Chairman since the change of Administration in January 1961. Gardner Ackley, who joined the Council in August 1962, continued as a member throughout 1963, and John P. Lewis, the third Council member, took office on May 17, 1963. All three were asked by President Johnson to continue in office following the assassination of President Kennedy.

Mr. Heller is on leave from his post as Professor and Chairman of the Department of Economics at the University of Minnesota; Mr. Ackley from his post as Professor of Economics at the University of Michigan; and Mr. Lewis from his post as Professor and Chairman of the Department of Business Economics and Public Policy in the Graduate School of Business at Indiana University.

Following is a list of all past 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.....	November 1, 1949.
	Acting Chairman.....	November 2, 1949.....	May 9, 1950.
	Chairman.....	May 10, 1950.....	January 20, 1953.
John D. Clark.....	Member.....	August 9, 1946.....	May 9, 1950.
	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.
Joseph S. Davis.....	Member.....	May 2, 1955.....	October 31, 1958.
Raymond J. Saulnier.....	Member.....	April 4, 1955.....	December 2, 1958.
	Chairman.....	December 3, 1956.....	January 20, 1961.
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.
James Tobin.....	Member.....	January 27, 1961.....	July 31, 1962.
Kermit Gordon.....	Member.....	January 27, 1961.....	December 27, 1962.

## COUNCIL STAFF

The Council members are currently assisted by a professional staff of 18. These staff members are W. H. Locke Anderson, Richard M. Bailey, Eugene A. Birnbaum, James T. Bonnen, William M. Capron, Frances M.

James, Myron L. Joseph, Edward D. Kalachek, Marshall A. Kaplan, Susan J. Lepper, David W. Lusher, Timothy W. McGuire, Fredric Q. Raines, Robert Solomon, Penelope H. Thunberg, Joseph J. Walka, Burton A. Weisbrod, and Betty J. Willis.

In addition, the Council draws on the expertise of leading members of the economics profession by making frequent use of outside consultants. During 1963 the following served the Council in this capacity: Kenneth J. Arrow, Robert E. Asher, E. Cary Brown, Richard E. Caves, Charles A. Cooper, Richard N. Cooper, Robert Dorfman, James Duesenberry, Otto Eckstein, Rashi Fein, W. Lee Hansen, Robert J. Lampman, David D. Martin, John R. Meyer, Richard A. Musgrave, Richard R. Nelson, Arthur M. Okun, Joseph A. Pechman, George L. Perry, Lee E. Preston, Jr., Paul A. Samuelson, Warren L. Smith, Robert M. Solow, Charles A. Taff, James Tobin, Robert Triffin, and Lloyd Ulman.

Every year a number of staff members who have joined the Council on a leave-of-absence basis return to their posts in private life or in government. Those leaving the Council in 1963 were: Michael F. Brewer, Charles A. Cooper, Richard N. Cooper, Rashi Fein, Robert J. Lampman, Richard R. Nelson, George L. Perry, Vernon W. Ruttan, Paul S. Sarbanes, Norman J. Simler, Warren L. Smith, and Nancy H. Teeters.

Each summer, for the last three years, the Council has conducted a student intern program. Those selected in 1963 were Leslie Aspin, Peter A. Diamond, Donald A. Nichols, and Robert N. Stearns.

In addition, under an arrangement with the Great Lakes College Association, a group of 12 liberal arts colleges, the Council in 1963 also had a summer faculty intern, Maurice L. Branch, Professor of Economics at Albion College.

#### COUNCIL ACTIVITIES

The Council is charged by the Employment Act of 1946 with responsibility for analyzing and interpreting current and prospective economic developments and trends and for developing and recommending economic policies that will promote the goals of "maximum employment, production, and purchasing power." This charge, and the increased responsibilities as an economic staff agency that have been assigned to it in recent years by the President, require the Council to consider a wide range of policy problems and areas. As a consequence, the Council consults and works closely with other members of the Executive Office and White House staff and with numerous other Government departments and agencies in analyzing domestic and international economic issues and in formulating appropriate recommendations.

##### *Participation in Interagency Activities*

In addition to discharging its advisory duties through informal consultations with other Government agencies, the Council also participates on a formal basis in a number of interagency activities:

1. The Chairman regularly attends meetings of the Cabinet, where he frequently briefs the President and Cabinet members on the current economic situation.

2. He is Chairman of the Cabinet Committee on Economic Growth. This Committee was established in August 1962 to coordinate Federal activities and policies in this field and to advise the President on steps to accelerate the growth of the U.S. economy. Other members are the Secretaries of the Treasury, Commerce, and Labor, and the Director of the Bureau of the Budget.

3. He is a member of the Cabinet Committee on the Balance of Payments.

4. He is Vice-Chairman of the Interdepartmental Energy Study, undertaken by a group of 9 agencies organized in February to study the development and use of our total energy resources in order to help determine the most effective allocation of research and development efforts.

5. The Secretary of the Treasury, the Director of the Bureau of the Budget, and the Chairman of the Council form a coordinating committee on economic, budgetary, and revenue developments and forecasts, which reports its findings to the President from time to time.

6. The Chairman of the Board of Governors of the Federal Reserve System joins the above officials and their associates to form an advisory group which meets periodically with the President to discuss domestic and international monetary matters.

7. Mr. Ackley serves as Chairman of the Interagency Committee on the Economic Impact of Defense and Disarmament, which also includes representatives of the Departments of Defense, Commerce, and Labor; the Arms Control and Disarmament Agency, the Atomic Energy Commission, the National Aeronautics and Space Administration, the Bureau of the Budget, and the Office of Emergency Planning. This Committee, which functioned on an informal basis for most of the year, was formally established by President Johnson on December 21. In his memorandum the President stated: "The Committee will be responsible for the review and coordination of activities in the various departments and agencies designed to improve our understanding of the economic impact of defense expenditures and of changes either in the composition or in the total level of such expenditures."

8. Mr. Lewis serves as a member of the Interagency Committee on Transportation Mergers, which advises the President as to positions the Government should take with respect to merger proposals that transportation companies have submitted to Federal regulatory agencies.

9. Mr. Ackley serves as Chairman of an interagency committee, including representatives of the Department of Labor and Commerce and the Bureau of the Budget, which is responsible for developing and supervising an integrated program of studies and projections of United States economic growth.

10. Members or staff of the Council served on a number of other inter-agency committees dealing with a wide variety of domestic economic matters:

- a. the Advisory Committee on Domestic Federal Credit Programs;
- b. the Interagency Committee to Review the Civil Aeronautics Board Local Airline Subsidy Reduction Program;
- c. the Interagency Committee on Air User Charges;
- d. the Natural Resources Committees of both the Federal Council for Science and Technology and the National Academy of Sciences;
- e. the Water Resources Research Committee of the Federal Council for Science and Technology;
- f. the Army-Interior Advisory Board on Passamaquoddy and Upper St. John River;
- g. the Committee on Federal Mental Health Programs;
- h. the Interdepartmental Advisory Committee on the U.S. National Health Survey.

11. The Council continued its work with the President's Advisory Committee on Labor-Management Policy, attending meetings of the Committee and participating in planning a study of automation as part of its agenda for the coming year.

12. Along with the Bureau of the Budget and members of the White House staff, the Council reviewed measures proposed for inclusion in the President's 1964 legislative program. The Council had primary responsibility for analysis and coordination of proposals for an assault on the problem of poverty in the United States.

### *Consumer Advisory Council*

Acting for the President, the Council of Economic Advisers was advised on consumer matters by the Consumer Advisory Council. It had been established by the Chairman in July 1962 pursuant to the Presidential Message on Consumers' Protection and Interest Programs. The Consumer Advisory Council made its First Report on September 30, 1963. It reviewed the history of Federal activities on behalf of the consumer, noted recent progress in Federal consumer protection programs, and made numerous recommendations on behalf of consumers.

Dr. Helen G. Canoyer, Dean of the New York State College of Home Economics at Cornell University, was the first Chairman of the Consumer Advisory Council from its inception in July 1962 until November 1963. Mrs. John G. Lee, Past President of the League of Women Voters, then served as Acting Chairman.

At year-end, acting on recommendations made by the Council of Economic Advisers and concurred in by the other agencies concerned, the President approved the appointment of a White House Special Assistant for Consumer Affairs and the establishment by executive order of the

President's Committee on Consumer Interests. This Committee will consist of (1) high-level representatives of 9 Federal agencies concerned with consumer affairs, including the Council of Economic Advisers; (2) such other governmental representatives as the President may name; and (3) private citizens especially qualified to represent the consumer interest. The third group will retain its identity as the Consumer Advisory Council, serving as the successor to the present group of that title. The Council of Economic Advisers will continue to look to this group for advice from a consumer point of view on broad matters of economic policy.

#### *Committee on Financial Institutions*

President Kennedy established three interagency committees in 1962 to examine the issues raised by the Report of the Commission on Money and Credit. The Council was represented on the two groups that reported to the President late in 1962—the Committee on Federal Credit Programs and the Committee on Corporate Pension Funds and Other Private Retirement and Welfare Programs. The latter committee's report was referred in turn to the President's Advisory Committee on Labor-Management Policy, which reported recently to the President.

The Chairman of the Council chaired the Committee on Financial Institutions, which made its report in April 1963. Other members of the Committee were the Secretaries of the Treasury; Agriculture; and Health, Education, and Welfare; the Attorney General; the Administrator of the Housing and Home Finance Agency; the Chairman of the Board of Governors of the Federal Reserve System; the Chairman of the Federal Home Loan Bank Board; the Chairman of the Federal Deposit Insurance Corporation; the Comptroller of the Currency; and the Director of the Bureau of the Budget.

The Committee on Financial Institutions formulated goals and objectives of Federal policy designed to enable private financial institutions to function more effectively. It thereby indicated desirable directions of legislative action, but did not attempt to lay out a specific legislative program. The topics covered were reserve requirements, interest rate and portfolio regulations, Federal charters for financial institutions, deposit insurance, structural changes and competition, conflicts of interest, and supervision and examination of institutions.

A number of bills have been introduced in the Congress this year which would implement some of the conclusions of the Committee.

#### *International Economic Activities*

Economic policy decisions in the United States must be made increasingly in an international context. The Council participates in a number of international activities in order to exchange views with foreign officials and to obtain the necessary cooperation in economic matters among the countries of the free world:

1. The Chairman was a member of the U.S. delegation to:
  - a. The eighth annual meeting of the Cabinet-level United States-Canada Joint Committee on Trade and Economic Affairs, which met in Washington on September 20-21;
  - b. The third annual meeting of a similar United States-Japan Cabinet-level Committee, whose scheduled meeting in Japan in late November was postponed until January 1964 because of the death of President Kennedy;
  - c. The September-October meetings in Washington of the International Monetary Fund and the International Bank for Reconstruction and Development.
2. The Council participated actively in the work of the Organization for Economic Cooperation and Development (OECD) :
  - a. Mr. Heller continued to serve as Chairman of the U.S. delegation to meetings of the Economic Policy Committee of the OECD;
  - b. Mr. Ackley and Messrs. Robert Solomon, Richard Cooper, and Warren Smith of the Council staff were members of the U.S. delegation to the Committee's Working Party on Balance-of-Payments Equilibrium;
  - c. Mr. Lewis was Chairman of the U.S. delegation to the Committee's Working Party on Costs of Production and Prices;
  - d. Mr. Ackley served as Chairman of the U.S. delegation to the Committee's Working Party on Policies for the Promotion of Economic Growth;
  - e. Mr. Ackley headed the U.S. delegation for the review of the U.S. economy carried on annually by the Economic Development and Review Committee of the OECD.
3. In addition to its participation in the work of the Cabinet Committee on Balance of Payments, the Council was represented on the Committee on Balance-of-Payments Information, the Interagency Committee on Foreign Trade Statistics, the National Advisory Council on International Monetary and Financial Problems and other groups concerned with our foreign trade, our balance of payments, and international monetary reform.
4. In January the Brookings Institution transmitted to the Council its five-year outlook for the U.S. basic balance of payments. This report was financed in 1962 by the Council, in conjunction with the Treasury Department and the Bureau of the Budget. The Report provides a detailed five-year outlook on factors that will affect the U.S. balance of payments and was the subject of hearings by the Joint Economic Committee of the Congress this year.

## CONGRESSIONAL TESTIMONY

In addition to its testimony before Appropriations Committees in support of its own budget request, the Council appeared before Congressional Committees as follows during 1963:

1. On January 28 Mr. Heller, accompanied by Mr. Ackley, opened testimony on the 1963 *Economic Report of the President* before the Joint Economic Committee.

2. On May 1 Mr. Heller appeared before the Education Subcommittee of the Senate Committee on Labor and Public Welfare as a participant in the discussion on the proposed National Education Improvement Act of 1963.

3. On July 25 Mr. Heller, accompanied by Mr. Ackley and Mr. Lewis, testified before the House Committee on Banking and Currency in their hearings on Recent Changes in Monetary Policy and the Balance-of-Payments Problem.

4. On the same day Mr. Lewis, accompanied by Mr. Capron and Mr. Lusher of the Council's staff, appeared before the Senate Commerce Committee to discuss the economic impact of a possible railroad strike.

5. On October 28 Mr. Heller, accompanied by Mr. Ackley and Mr. Lewis, testified at hearings on the Nation's Manpower Revolution conducted by the Subcommittee on Employment and Manpower of the Senate Committee on Labor and Public Welfare.

6. On November 12 Mr. Heller, accompanied by Mr. Ackley and Mr. Lewis, appeared before the Senate Committee on Finance in support of the tax bill, H.R. 8363.

Also, in response to a request from the Chairman of the Joint Economic Committee, Senator Paul H. Douglas, the Council provided the Committee in October with a Summary Analysis of the Probable Effects of the Proposed Quality Stabilization Act on Prices, Incomes, Employment, and Production.

## NONGOVERNMENTAL MEETINGS AND ACTIVITIES

The Council attempts to contribute to the process of informing public opinion as it bears on current economic issues. The members and staff of the Council spoke during 1963 before a number of private and public organizations and institutes, appeared on radio and television programs, and wrote articles for popular and professional publications.

The Employment Act of 1946 explicitly provides for consultation with "representatives of industry, agriculture, labor, consumers, State and local governments, and other groups . . ." The Council has frequent informal interchanges with such representatives and also meets from time to time with four advisory groups (in addition to the Consumer Advisory Council):

1. The Economic Policy Committee of the AFL-CIO, including—in addition to George Meany, President, and William F. Schnitzler, Secretary—

Treasurer, of the AFL-CIO—the following: Walter P. Reuther, Chairman, James B. Carey, David Dubinsky, George Harrison, A. J. Hayes, Joseph Keenan, O. A. Knight, David J. McDonald, Paul L. Phillips, Emil Rieve, Joseph Rourke, Peter T. Schoemann, and James Suffridge.

2. The Liaison Committee of the Business Council, including—in addition to Roger Blough, past Chairman, and Frederick Kappel, present Chairman, of the Business Council—the following: Chairman of the Liaison Committee, Donald K. David, Vice-Chairman, Ford Foundation; Paul C. Cabot, Chairman, State Street Investment Corporation; John Cowles, President, *Minneapolis Star and Tribune*; Joseph B. Hall, Chairman, Kroger Company; and W. B. Murphy, President, Campbell Soup Company.

3. The Conference of Business Economists, an organization of almost 50 members, chaired in 1963 by Ira T. Ellis of E. I. DuPont de Nemours & Company.

4. The AFL-CIO economists and research directors.

#### PUBLICATIONS

In January the Council transmitted to the Congress its 1963 *Annual Report*, together with the *Economic Report of the President*. As in the past, copies of the Report were distributed to members of the Congress, government officials, the press, and depository libraries. The Superintendent of Documents sold an additional 35,374 copies to the public, a 60 percent increase over the previous record sale of 22,125 copies of the 1962 *Report*.

The monthly *Economic Indicators*, an important source of current economic statistics, has been prepared since 1948 at the Council under the direction of Miss Frances M. James. It is published by the Joint Economic Committee of the Congress, and, under authority of a Joint Resolution of the Congress, copies are furnished to members of the Congress and to depository libraries. The Superintendent of Documents sells about 9,000 copies a month to the public.

#### APPROPRIATIONS

The Council received an appropriation of \$615,000 for fiscal year 1964. The Council's request for 1965, which assumes no increase in staff, is the same as 1964 except for adjustments made necessary by the salary increases resulting from the pay legislation of 1962 and by the increased cost to the Council of overtime, communications, printing, and other services.