

Appendix A

REPORT TO THE PRESIDENT ON THE ACTIVITIES OF THE COUNCIL OF ECONOMIC ADVISERS DURING 1968

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 1968.

THE PRESIDENT.

SIR: The Council of Economic Advisers submits this report on its activities during the calendar year 1968 in accordance with the requirements of the Congress, as set forth in section 4 (d) of the Employment Act of 1946.

Respectfully,

Arthur M. Okun,
Chairman.
Merton J. Peck.
Warren L. Smith.

Report to the President on the Activities of the Council of Economic Advisers During 1968

During the year 1968, the activities of the Council of Economic Advisers were dominated by the urgent need to preserve the enormous benefits of prosperity and to head off the threats of serious inflation and international monetary instability.

It was clear, as the year began, that the delay in enacting your fiscal proposals was contributing to inflationary pressures and jeopardizing the foundations of prosperity. The Council devoted much of its energy during the first half of the year toward the enactment of the Revenue and Expenditure Control Act, which you signed on June 28. The Council's efforts in the area of fiscal policy continued to be carried out with the closest coordination and cooperation of the Treasury Department and the Bureau of the Budget. The uncertain fiscal situation created a major problem for monetary policy, and the Council engaged in frequent consultations and exchanges of information with the Board of Governors of the Federal Reserve System.

Much of the Council's work to meet the challenge of price stability focused on the fundamental long-run aspect of inflationary tendencies in a high employment economy. The newly established Cabinet Committee on Price Stability and its staff studied inflationary tendencies in individual sectors of the economy and ways these could be modified by the structural improvement of freely operating markets. The Cabinet Committee also proved to be an excellent institution for intensifying, coordinating, and broadening the base of the Administration's efforts to improve price performance—both by structural efforts and by enlisting cooperation for voluntary restraint in price and wage decisions. Particularly in the second half of the year, after an appropriate fiscal policy was implemented, the Council and the other agencies of the Committee intensified these efforts, both publicly and privately.

The progress and the strains in the international financial system during 1968 placed a high premium on studies in this area. The Council conducted analyses and evaluations of a variety of proposals which have been advanced as ways to strengthen the system.

Throughout the year, the Council continued to conduct studies and evaluate programs and proposals on a wide range of economic and social issues. The most important of these efforts were centered on the challenge of reducing poverty and drawing disadvantaged groups into the mainstream of economic life.

Another significant activity was the study of preparations for achieving a smooth economic transition to peace after hostilities cease in Vietnam. Other important efforts dealt with the analysis of domestic financial markets, industrial markets, housing, collective bargaining, agricultural policy, manpower training and development, and various social insurance and income maintenance programs.

COUNCIL MEMBERSHIP

On February 15, 1968, Merton J. Peck from Yale University joined the Council, replacing Gardner Ackley, who became Ambassador to Italy; and Arthur M. Okun, who had served as a Member since November 16, 1964, was designated to succeed to the Chairmanship previously held by Mr. Ackley. On July 1, Warren L. Smith from the University of Michigan replaced James Duesenberry, who returned to his duties at Harvard 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.....	
John D. Clark.....	Acting Chairman.....	November 2, 1949.....	
John D. Clark.....	Chairman.....	May 10, 1950.....	
Roy Blough.....	Member.....	August 9, 1946.....	
Robert C. Turner.....	Vice Chairman.....	May 10, 1950.....	
Arthur F. Burns.....	Member.....	June 29, 1950.....	February 11, 1953.
Neil H. Jacoby.....	Chairman.....	September 8, 1952.....	August 20, 1952.
Walter W. Stewart.....	Member.....	March 19, 1953.....	January 20, 1953.
Joseph S. Davis.....	Member.....	September 15, 1953.....	December 1, 1956.
Raymond J. Saulnier.....	Member.....	December 2, 1953.....	February 9, 1955.
Paul W. McCracken.....	Chairman.....	May 2, 1955.....	April 29, 1955.
Karl Brandt.....	Member.....	April 4, 1955.....	October 31, 1958.
Henry C. Wallich.....	Member.....	December 3, 1956.....	January 20, 1961.
James Tobin.....	Member.....	December 3, 1956.....	January 31, 1959.
Kermit Gordon.....	Member.....	November 1, 1958.....	January 20, 1961.
Walter W. Heller.....	Member.....	May 7, 1959.....	January 20, 1961.
Gardner Ackley.....	Chairman.....	January 29, 1961.....	July 31, 1962.
John P. Lewis.....	Member.....	January 29, 1961.....	December 27, 1962.
Otto Eckstein.....	Member.....	August 3, 1962.....	November 15, 1964.
James S. Duesenberry.....	Member.....	November 16, 1964.....	February 15, 1968.
		May 17, 1963.....	August 31, 1964.
		September 2, 1964.....	February 1, 1966.
		February 2, 1966.....	June 30, 1968.

COUNCIL STAFF

At the end of 1968, members of the Council's professional staff were Susan R. Ackerman, F. Gerard Adams, Barry P. Bosworth, Frederick W. Deming, Marten S. Estey, Catherine H. Furlong, Frances M. James, Lawrence B. Krause, James W. Kuhn, David W. Lusher, Thomas G. Moore, Saul Nelson, Roger G. Noll, David J. Ott, Courtenay M. Slater, Luther T. Wallace, Charles B. Warden, Jr., and G. Paul Wonnacott.

Each year a number of staff members who have joined the Council on a temporary basis return to their posts in private life or in Government. Those leaving the Council in 1968 were John F. Burton, Jack W. Carlson, Christopher K. Clague, Thomas F. Dernburg, Peter P. Dorner, Raymond W. Goldsmith, Hendrik S. Houthakker, Saul H. Hymans, Carey P. Modlin, Joseph D. Mooney, and Frank W. Schiff.

Continuing its practice of asking leading members of the economics profession to assist in the analysis of economic problems, the Council in 1968 called on the following consultants: Henry J. Aaron, James T. Bonnen, William H. Branson, William Capron, Richard N. Cooper, John T. Dunlop, Otto Eckstein, Stephen M. Goldfeld, Kermit Gordon, Walter W. Heller, Allen H. Lerman, Paul MacAvoy, Edwin S. Mills, Joseph Pechman, George L. Perry, Paul Samuelson, Charles A. Taff, James Tobin, and Lloyd Ulman.

The Council continued its graduate student intern program, which was started in 1961. Those working with the Council for various periods in 1968 were Robert E. Anderson, Lucy A. Cardwell, Albert J. Eckstein, Morris Goldstein, Stephen P. Magee, Richard W. Nelson, David M. Nienhaus, David F. J. Piachaud, Charles G. Plourde, Craig E. Swan, C. Daniel Vencill, and William D. Watson, Jr. Research assistants included Rosanna M. Coffey, Katherine Champe, Charles E. Kurlansky, Rosemary D. Marcuss, Roselee N. Roberts, Joanne C. Turner, and Carolyn T. Welch.

As in the past, the Council received loyal and energetic assistance from its nonprofessional staff. Members of this staff at the end of 1968 were Teresa D. Bradburn, Judson A. Byrd, II, Gladys R. Durkin, Mary C. Fibich, James W. Gatling, Elizabeth F. Gray, Laura B. Hoffman, Christine L. Johnson, Roberta R. Kirk, Helen H. Knox, Bessie M. Lafakis, Betty Lu Lowry, V. Madge McMahon, Eleanor A. McStay, A. Keith Miles, Joyce A. Pilker-ton, Dorothy L. Reid, Earnestine Reid, Lucille F. Saverino, Bettye T. Siegel, Nancy F. Skidmore, Barbara E. Skolnik, Margaret L. Snyder, and Elizabeth A. Zea.

In preparing its Annual Report, the Council relied upon the editorial skills of Robin Elliott.

COUNCIL ACTIVITIES

The Council of Economic Advisers was established as an agency of the Federal Government nearly 22 years ago by the Employment Act of 1946. Under the Act the Council is charged with the responsibility of analyzing and interpreting economic developments and of recommending economic policies that will promote the goals of "maximum employment, production, and purchasing power."

The Council's chief responsibility is to keep the President fully informed of economic developments and emerging problems which may affect the Nation's economy. To meet this responsibility, the Council continuously reviews economic conditions, undertakes special studies of particular problem areas, and makes recommendations concerning Government programs and policies. The Council confers regularly with all major Government agencies having responsibilities in the economic field.

The Secretary of the Treasury, the Director of the Bureau of the Budget, and the Chairman of the Council and their respective staffs (the "Troika")

provide the President with a continuous joint assessment of the economic and budgetary outlook for the current and subsequent fiscal years. The heads of the "Troika" agencies and their associates, together with the Chairman of the Board of Governors of the Federal Reserve System, meet as the "Quadri-*riad*" with the President to discuss domestic and international monetary problems.

In addition to its regular and informal consultations with other Government agencies, the Council and its staff in 1968 participated with other agencies in a large variety of more formal committees, task forces, and studies.

The Council and its staff represent the United States in a number of important international conferences. The Council Chairman heads the U.S. delegation to the meetings of the Economic Policy Committee of the Organization for Economic Cooperation and Development (OECD), and members of the Council and its staff this year participated in many other international meetings under the auspices of the OECD. The Chairman also met with the Chairman and staff of the Economic Council of Canada in Ottawa, and the Council was involved in activities of the United Nations Economic Commission for Europe.

An important responsibility of the Council is to explain and clarify the Administration's economic policies, both within the Government and to the public at large. This is done through numerous speeches, articles, press briefings, statements, Congressional testimony, its Annual Report, and by assisting the President in the preparation of his Economic Report. The Council meets frequently and informally with many individuals and groups, both from the United States and abroad, including businessmen, bankers, labor leaders, government officials, university scholars and students, members of the press corps, and interested private citizens, and more formally with a number of advisory groups, including the President's Advisory Committee on Labor-Management Policy and the Business Council's Liaison Committee with the Council of Economic Advisers.

The Council prepares two documents for publication. One is the *Economic Report of the President*, together with the *Annual Report of the Council of Economic Advisers*. Over 66,000 copies of the 1968 Report were distributed to Members of the Congress, Government officials, the press, and depository libraries, or sold to the public by the Superintendent of Documents. The second is the monthly *Economic Indicators*. This important compilation of current economic statistics has been prepared since 1948 at the Council under the direction of Miss Frances M. James, and is published by the Joint Economic Committee of the Congress. More than 12,000 copies are furnished to Members of the Congress and depository libraries or sold to the public every month.