

Appendix B
REPORT TO THE PRESIDENT ON THE ACTIVITIES
of the
COUNCIL OF ECONOMIC ADVISERS DURING 1973

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 1973.

THE PRESIDENT:

SIR: The Council of Economic Advisers submits this report on its activities during the calendar year 1973 in accordance with the requirements of the Congress, as set forth in Section 4(d) of the Employment Act of 1946.

Respectfully,

HERBERT STEIN, *Chairman.*
WILLIAM J. FELLNER.
GARY L. SEEVERS.

Report to the President on the Activities of the Council of Economic Advisers During 1973

The Council of Economic Advisers was established by the Employment Act of 1946 to advise and assist the President in discharging his responsibilities under the act. During 1973 a wide range of economic policy-making issues arose. As the economy approached full employment, the pace of inflation accelerated and a shortfall in farm product supplies sent food prices sharply upward. Late in the year the embargo of petroleum supplies by the Arabian producers precipitated the onset of a major energy crisis.

Herbert Stein served as Council Chairman during 1973, his second year in that capacity. Mr. Stein is on leave of absence from the University of Virginia, where he is A. Willis Robertson Professor of Economics.

Several changes in the membership of the Council took place during 1973. On July 18, Gary L. Seevers succeeded Ezra Solomon, who had left the Council on March 26 to return to the Graduate School of Business at Stanford University, where he is Dean Witter Professor of Finance. Mr. Seevers was formerly Special Assistant to the Chairman of the Council.

On October 31, 1973, William J. Fellner became a Member of the Council, filling a vacancy created by the return of Marina v.N. Whitman to the University of Pittsburgh, where she is Professor of Economics. Mr. Fellner is Sterling Professor of Economics Emeritus at Yale University and Resident Scholar from the American Enterprise Institute, now on leave.

ECONOMIC POLICY MAKING AND THE COUNCIL OF ECONOMIC ADVISERS

RESPONSIBILITIES OF THE COUNCIL

The principal directive of the Employment Act of 1946 is "to promote maximum employment, production, and purchasing power." The basic responsibility of the Council is the analysis and interpretation of economic trends and developments to assist the President in reaching that goal. The Council also provides analysis and recommendations on other economic policy problems that warrant the attention of the Executive Office of the President. The Council prepares regular reports on current economic conditions and forecasts of the economic outlook. Its recommendations are an integral part of economic policy making.

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.
Kermit Gordon	Member	January 29, 1961	December 27, 1962.
Gardner Ackley	Member	August 3, 1962	
	Chairman	November 16, 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.
Hendrik S. Houthakker	Member	February 4, 1969	July 15, 1971.
Paul W. McCracken	Chairman	February 4, 1969	December 31, 1971.
Ezra Solomon	Member	September 9, 1971	March 26, 1973.
Marina v.N. Whitman	Member	March 13, 1972	August 15, 1973.

Under the Employment Act it is also the duty of the Council "to appraise the various programs and functions of the Federal Government" and "to make recommendations to the President" as to how economic policy might be better adjusted toward the achievement of employment, production, and price level objectives. This has involved the Council with an increasingly wide range of problems and has expanded the Council's direct advisory role within the Executive Office of the President. It has also created close working relationships with the departments, agencies, and offices in the executive branch both in evaluating current programs and in developing new ones. The Council also reviews legislation proposed by Congress and submits recommendations based upon the economic implications of these prospective programs and actions.

In addition to its duties in the analysis and forecasting of economic trends and developments, the Council and its staff in 1973 also participated in the examination of a wide range of economic issues incident to the formulation of programs and policies by the Administration. These included: the restructuring and modification of domestic farm programs in order to facilitate the further expansion of farm production and food supplies and the development of new farm legislation; measures to improve the efficiency, structure, and functioning of the Nation's financial markets and programs affecting environmental quality, transportation, and housing; the analysis of various aspects of the energy problem, including oil import policies and the impact of the oil embargo upon the economy; policies to

govern the exploitation of the resources of the seas; study of the lumber and plywood industry and the management of the Nation's timber resources; supply problems of minerals and materials, and the disposition of stockpiles of strategic materials; and the sale and lease of Government-financed technology. During 1972 the President requested the Chairman of the Council to organize an Advisory Committee on the Economic Role of Women; this is discussed separately in Appendix A. The Council also contributed to analysis of a number of other questions, including: youth unemployment problems and the effects of social legislation upon youth employment opportunities; ways in which the workmen's compensation system might be improved; proposals to improve health insurance; and many of the specific problems arising in the operation of the price and wage control system.

International trade and investment continued to be topics of major concern to the Council. The Council helps formulate the Administration's policies on overall international trade policy, and it also works on the resolution of specific trade problems. In 1973 the Council contributed to decisions relating to the easing of restrictions on imports of meats and dairy products, the reassessment of quota limitations on imports of other farm products, including wheat and cotton, the preparation of the U.S. negotiating position in the trade talks which are scheduled for 1974, and the legislation that would provide authority for the reciprocal reduction of trade barriers and improvement of Presidential authority for the day-to-day management of trade policy.

Early each year the President submits the *Economic Report of the President* to the Congress as required by the Employment Act. The Council assumes major responsibility for the preparation of this *Report*, which together with the Annual Report of the Council of Economic Advisers reviews the progress of the economy over the past year and outlines the Administration's policies and programs to achieve the goals of the act.

The Council works closely with the economic policy-making units of the Administration. The review and analysis of the overall performance of the economy is coordinated within the series of "Troika" working groups which are composed of representatives of the Council, the Treasury, and the Office of Management and Budget (OMB). At regular intervals senior staff economists from each of these agencies evaluate recent economic performance and formulate economic forecasts. These studies are then submitted to a second group, which is composed of a Council Member, the Assistant Secretary of the Treasury for Economic Policy, and the Economist for OMB. The analysis and projections are reviewed and cleared for consideration by the Troika, which includes the Chairman of the Council, the Secretary of the Treasury, and the Director of OMB. The Directors of the Council on International Economic Policy and the Cost of Living Council (CLC) commonly meet with the Troika, thus providing a means of coordinating international and domestic economic policy with the direct controls on prices and wages. The Troika, usually augmented by the Chairman of the Board of

Governors of the Federal Reserve System to form the Quadriad, meets with the President from time to time to review the performance of the economy and discuss possible changes in economic policy.

The Chairman of the Council is a member of the Council on Economic Policy which was formed in January 1973 to provide for general coordination of all aspects of economic policy. The Council works closely with the Cost of Living Council, which supervises the operation of price and wage controls under the Economic Stabilization Program. Mr. Stein is Vice Chairman of this group and is a member of its committees on food and health. Mr. SeEVERS is a member of the CLC Deputies Group and also serves on the Committee on Food. Senior staff economists participate in a number of formal and informal CLC study and review groups. The Chairman is also a member of the Domestic Council, the Council on International Economic Policy, and the Federal Property Council. He and the Council Members serve on a number of subcommittees of these agencies in the Executive Office of the President.

In addition the Council and its professional staff served on more than 35 interagency study groups for analysis and review of economic problems and the coordination of policy.

The Joint Economic Committee (JEC), like the Council, was created by the Employment Act of 1946 to make a continuing study of matters relating to the *Economic Report* and to submit its own report and recommendations to the Congress. Since its inception, the Council has made itself readily available to the JEC. During 1973 the Chairman and Council Members appeared before the JEC or its subcommittees six times. On February 6 the Council presented testimony before the JEC on the *Economic Report*, and appeared again on August 1 to review economic developments during the first half of 1973. Mr. Stein appeared before the JEC Subcommittee on Consumer Economics on March 21, as did Mr. SeEVERS on September 25. On July 10 Mr. Stein presented testimony with Mrs. Whitman in connection with the economic role of women in the economy, and on December 4 he appeared before the JEC Subcommittee on International Economics to present testimony in connection with the effects of the oil embargo upon the economy. In addition to the Council's appearances before the JEC, on February 5 Mr. Stein testified on the Federal budget before the House Committee on Appropriations and presented testimony on the economic effects of the oil embargo on December 14 before the Senate Permanent Investigations Subcommittee.

The Council continued its active role in the exchange of information and views on international economic developments and policies. The Chairman is the head of the U.S. delegation to the Economic Policy Committee of the Organization for Economic Cooperation and Development (OECD) and also serves as vice chairman of the committee. Council Members and staff economists attended several working party meetings of the committee during the year. The Council also participated in a working group of the

Manpower and Social Affairs Committee of the OECD on the economic role of women in the economy, and in this regard the Council's staff coordinated the U.S. report and headed the U.S. delegation to an experts' meeting with 10 other countries.

In April Mrs. Whitman and a delegation of senior staff economists from the Council visited Tokyo to continue the semiannual exchange of information on economic problems and policies with the Economic Planning Agency for Japan, an exchange that was initiated during 1972. In October the Council was host to a delegation of economists from the Economic Planning Agency who visited Washington to continue these discussions. In October Mr. Stein, with Mr. Foss, a member of the CEA staff, visited Romania to continue the dialogue on economic planning that was also initiated in 1972.

PUBLIC INFORMATION

The annual *Economic Report* is the main vehicle through which the Council informs the public of its work and its views. The *Report* presents a comprehensive review of economic conditions as well as forecasts for the coming year and an explanation of the Administration's overall economic policy. In recent years about 50,000 copies of the *Report* have been distributed. The Council also assumes primary responsibility for the monthly publication *Economic Indicators*, which is prepared by the Council's Statistical Office under the direction of Frances M. James and issued by the Joint Economic Committee with a distribution of about 10,000 copies.

The Council holds monthly press briefings at which it presents information and analysis of current economic problems and developments. Information is also provided through frequent speeches by the Chairman and Members of the Council and through participation in seminars and panels. The Council answers numerous requests for information from the Congress, the press, and individual citizens; it also receives individual visitors and representatives from business, academic, and other groups as often as is possible without interfering with other duties.

ORGANIZATION AND STAFF OF THE COUNCIL

OFFICE OF THE CHAIRMAN

The Chairman is responsible for communicating the Council's views to the President. This duty is performed through direct consultation with the President and regular reports on economic developments. The Chairman represents the Council at Cabinet meetings and at many other formal and informal meetings of Government officials. He also exercises ultimate responsibility for directing the work of the professional staff.

COUNCIL MEMBERS

The two Council Members directly supervise the work of the staff, are responsible for all subject matter covered by the Council, and represent the

Council at a wide range of meetings, where they assume major responsibility for the Council's involvement. Whenever the Chairman is absent from Washington, one of the Council Members automatically becomes Acting Chairman.

In practice the Chairman and the Council Members work as a team. For operational reasons, however, subject matter is divided among them informally. Mr. Seevers is responsible for the areas encompassing the Economic Stabilization Program, international trade, energy and natural resources, food and agriculture, urban and national growth policy, transportation, regulated industries, environmental problems, and antitrust.

Mr. Fellner's special responsibilities comprise business conditions, short-term forecasting, monetary and fiscal policy, international finance, manpower training and employment, financial markets, housing, the economic role of women, taxation, social security, and health, education, and welfare.

PROFESSIONAL STAFF

At the end of 1973 the professional staff consisted of 14 senior staff economists, two statisticians, and 10 members of the junior research staff. Members of the professional staff were responsible for economic analysis and policy recommendations in major subject areas involving the Council's interests and responsibilities. In addition, staff economists carried out many different Council and interagency assignments requiring the application of their knowledge and analytical skills. The professional staff and their special fields at the end of the year were:

Senior Staff Economists

George A. Akerlof.....	Labor and Manpower
Barry R. Chiswick.....	Labor, Human Resources, and Income Distribution
John D. Darroch.....	Prices and Industry Studies
John M. Davis, Jr.....	Special Assistant to the Chairman
Geza M. Feketekuty.....	International Finance and Trade
Murray F. Foss.....	Business Conditions, Analysis, and Forecasting
George M. von Furstenberg....	Fiscal Policy, Public Finance, and Housing
Mary W. Hook.....	Business Conditions, Analysis, and Forecasting
Benton F. Massell.....	Energy
Leo V. Mayer.....	Agriculture and Food
June A. O'Neill.....	Labor, Human Resources, and Income Distribution
Joel Popkin.....	Price Analysis
Allan G. Pulsipher.....	Regulated Industries, Science, Technology, Environment, and Transportation
Sung W. Son.....	Monetary Policy, Financial Institutions, Housing, and Interest Rates

Statisticians

Frances M. James.....	Senior Staff Statistician
Catherine H. Furlong.....	Statistician

Junior Staff Economists

James S. Fackler.....	Labor, Human Resources, and Income Distribution
Eric B. Herr.....	Fiscal Policy, Housing, and Public Finance
David C. Munro.....	Business Conditions, Analysis, and Forecasting
Laura B. Peterson.....	International Finance and Trade
Rosemary Quintano.....	Econometrics and Forecasting
Lydia Segal.....	Price Analysis, Econometrics, and Forecasting
Carl I. Van Duynes.....	Monetary Policy, International Finance, and Trade

Research Assistants and Interns

Mary P. Kane
M. Cary Leahey
Robert O. Mendelsohn

Frances M. James, Senior Staff Statistician, is in charge of the Council's Statistical Office and manages the Council's economic and statistical information system. She supervises the publication of *Economic Indicators* and the preparation of tables and charts for the *Economic Report* and for the Council's work. She also handles the fact checking of memoranda, testimony, and speeches. Catherine H. Furlong, Dorothy Bagovich, Natalie V. Rentfro, and Mary P. Kane assist Miss James.

The Council conducts a student intern program, employing a limited number of promising graduate and undergraduate students of economics for temporary periods, particularly during the summer months. Interns who served during 1973 were Lee J. Alston (Indiana University), Elizabeth L. Bailey (Simmons College), Irwin L. Collier, Jr. (Yale University), Robert S. Dohner (Harvard University), David R. Henderson (University of California, Los Angeles), and Steven B. Robkin (Duke University).

Each year the Council obtains the consulting services of several economists. Consultants who provided services during 1973 included Marion Clawson (Resources for the Future), John L. Cornwall (Southern Illinois University), George C. Eads (George Washington University), Karl A. Fox (Iowa State University), Hendrik S. Houthakker (Harvard University), Paul W. MacAvoy (Massachusetts Institute of Technology), Richard N. Rosett (University of Rochester), and Roger P. Sherman (University of Virginia). James R. Golden (U.S. Military Academy) was a member of the professional staff during the summer.

In preparing the *Economic Report*, the Council relied upon the editorial assistance of Rosannah C. Steinhoff.

SUPPORTING STAFF

The Administrative Office provides administrative support for the entire Council staff including preparation and analysis of the Council's budget; procurement of equipment and supplies; responding to correspondence and inquiries from the general public; and distribution of Council speeches, re-

ports, and congressional testimony. James H. Ayres served as Administrative Officer, assisted by Nancy F. Skidmore, Elizabeth A. Kaminski, Margaret L. Snyder, and Bettye T. Siegel. The duplicating, mail, and messenger department was operated by James W. Gatling, Frank C. Norman, and Kharl A. Williams.

The secretarial staff for the Chairman and Council Members consisted of Joyce A. Pilkerton, Mary C. Fibich, Patricia A. Lee, Alice H. Williams, and Margaret L. Snyder. Secretaries for the professional staff included D. Carolyn Fletcher, Dorothy L. Green, Bessie M. Lafakis, Jean P. Noll, Earnestine Reid, Linda A. Reilly, and Lillie M. Sturniolo. F. Denise Singletary supplemented the secretarial staff during the summer. Special assistance in connection with the *Report* was furnished by Dorothy L. Reid and Eleanor A. McStay, former members of the Council staff.

DEPARTURES

The Council's professional staff is drawn primarily from universities and research institutions, and these economists normally serve for 1 or 2 years. Senior staff economists who resigned during the year were William E. Gibson (Brookings Institution), Ronald F. Hoffman (Department of Health, Education, and Welfare), William A. Johnson (Department of the Treasury), Nicholas S. Perna (Federal Reserve Bank of New York), Robert D. Tollison (Texas A&M), and Robert C. Vogel (Southern Illinois University). Junior economists who resigned in 1973 were Paul W. Boltz, Andrew J. Safir, and Mary E. Sullivan. Other resignations included Zell Berman, research assistant; and Cheryl L. Green and Julie L. Ohner, secretaries. Mayme Burnett, secretary, retired from Federal service during 1973.

The Council suffered a loss in August with the death of V. Madge McMahon, who had been with the Statistical Office since 1968.