

Appendix B

**REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 1974**

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 1974.

THE PRESIDENT:

Sir: The Council of Economic Advisers submits this report on its activities during the calendar year 1974 in accordance with the requirements of the Congress, as set forth in Section 4(d) of the Employment Act of 1946.

Respectfully,

ALAN GREENSPAN, *Chairman.*

WILLIAM J. FELLNER.

GARY L. SEEVERS.

Report to the President on the Activities of the Council of Economic Advisers During 1974

The Council of Economic Advisers was created by the Employment Act of 1946 to provide economic analysis and advice to the President and thus assist him in establishing and maintaining conditions under which the objectives of the act can be secured.

Alan Greenspan became Chairman of the Council on September 4, 1974, succeeding Herbert Stein, who had served as Council Chairman since January 1, 1972. Mr. Stein has taken up his duties as A. Willis Robertson Professor of Economics at the University of Virginia. William J. Fellner and Gary L. Seavers served as Council Members throughout 1974.

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.....	
	Member.....	August 9, 1946.....	January 20, 1953.
Roy Blough.....	Vice Chairman.....	May 10, 1950.....	February 11, 1953.
Robert C. Turner.....	Member.....	June 29, 1950.....	August 20, 1952.
Arthur F. Burns.....	Member.....	September 8, 1952.....	January 20, 1953.
Neil H. Jacoby.....	Chairman.....	March 19, 1953.....	December 1, 1956.
Walter W. Stewart.....	Member.....	September 15, 1953.....	February 9, 1955.
Raymond J. Saulnier.....	Member.....	December 2, 1953.....	April 29, 1955.
Joseph S. Davis.....	Chairman.....	April 4, 1955.....	
Paul W. McCracken.....	Member.....	December 3, 1956.....	January 20, 1961.
Karl Brandt.....	Member.....	May 2, 1955.....	October 31, 1958.
Henry C. Wallace.....	Member.....	December 3, 1956.....	January 31, 1959.
Walter W. Heller.....	Member.....	November 1, 1958.....	January 20, 1961.
James Tobin.....	Chairman.....	May 7, 1959.....	January 29, 1961.
Kermit Gordon.....	Member.....	January 29, 1961.....	November 15, 1964.
Gardner Ackley.....	Member.....	January 29, 1961.....	July 31, 1962.
John P. Lewis.....	Chairman.....	August 3, 1962.....	December 27, 1962.
Otto Eckstein.....	Member.....	November 16, 1964.....	
Arthur M. Okun.....	Member.....	May 17, 1963.....	February 15, 1968.
James S. Duesenberry.....	Chairman.....	September 2, 1964.....	August 31, 1964.
Merton J. Peck.....	Member.....	November 16, 1964.....	February 1, 1966.
Warren L. Smith.....	Member.....	February 15, 1968.....	January 20, 1969.
Hendrik S. Houthakker.....	Member.....	February 2, 1966.....	January 20, 1969.
Paul W. McCracken.....	Member.....	July 1, 1968.....	July 15, 1971.
Herbert Stein.....	Chairman.....	February 4, 1969.....	December 31, 1971.
Ezra Solomon.....	Member.....	February 4, 1969.....	
Marina v.N. Whitman.....	Chairman.....	January 1, 1972.....	August 31, 1974.
	Member.....	September 9, 1971.....	March 26, 1973.
	Member.....	March 13, 1972.....	August 15, 1973.

RESPONSIBILITIES OF THE COUNCIL

The principal directive of the Employment Act is that the Federal Government "use all practicable means consistent with its needs and obligations . . . for the purpose of creating and maintaining . . . conditions . . . to promote maximum employment, production, and purchasing power."

The basic responsibility of the Council of Economic Advisers is the analysis and interpretation of trends and changes in the economy and the development and evaluation of national economic policies to assist the President in reaching the goals specified in the act. The Council prepares regular reports on current economic conditions and forecasts of future economic developments, and its recommendations are an integral part of economic policy making.

The Council also has a responsibility "to appraise the various programs and functions of the Federal Government." The Council thus performs a direct advisory role involving a wide range of economic problems both within the Executive Office of the President and through participation in interagency study groups in which representatives of various departments, agencies, and offices in the executive branch evaluate current programs and consider and develop new ones.

During 1974 the Council and its staff shared in the analysis and examination of many different economic issues incident to the formulating of programs and policies. These included policy issues and proposals regarding agricultural and food policy; measures and programs to support housing construction; a wide range of programs and measures affecting environmental quality; alternative means of dealing with the energy problem; the evaluation of future supplies of strategic materials; exploitation of the resources of the seas; management of the Nation's timber resources; transportation problems and policies; measures to improve the functioning of the labor market and to alleviate the impact of the recession upon the unemployed; proposals for more effective health insurance and income maintenance; and needed improvements in the Government's economic statistics.

International trade and investment problems and policies continued to be a major concern of the Council, and during 1974 it examined the strains placed upon the world's international trade and financial mechanism by the large capital flows related to oil payments.

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.

The Chairman is a member of the Economic Policy Board, which directs the formulation, coordination, and implementation of economic policy. The Chairman is also a member of the Executive Committee of the Economic

Policy Board, which serves as the focal point for economic policy decision making and meets daily to address current issues of economic policy.

The Economic Policy Board operates with a high degree of flexibility, requesting analyses of economic problems and recommendations from the various agencies and departments of the executive branch. The Executive Committee, often augmented by the Chairman of the Board of Governors of the Federal Reserve System, meets regularly with the President to review economic conditions, make recommendations, and discuss possible changes in economic policy.

The review and analysis of the overall performance of the economy is conducted and coordinated through a series of "Troika" working groups, comprising representatives of the Council, the Treasury, and the Office of Management and Budget (OMB). At regular intervals economists from these agencies evaluate recent economic performance and formulate economic forecasts which are then reviewed by a second group, chaired by a Council Member and including the Assistant Secretary of the Treasury for Economic Policy and the Economist for OMB. The analysis and projections are then reviewed and cleared through the Chairman of the Council for presentation and consideration by the Executive Committee, which is chaired by the Secretary of the Treasury and consists of the Chairman of the Council of Economic Advisers, the Director of OMB, the Executive Director of the Council on International Economic Policy, and the Assistant to the President for Economic Affairs, who is the Executive Director of both the Economic Policy Board and its Executive Committee.

The Chairman of the Council is a member of the President's Energy Resources Council, which was formed in October 1974 to formulate and coordinate energy policy. The Chairman is the head of the U.S. delegation to the Economic Policy Committee of the Organization for Economic Co-operation and Development, and he also serves as vice chairman of the Committee. Council Members and staff economists attended meetings of various working parties of the Committee during the year. The Chairman of the Council served as Chairman of the Advisory Committee on the Economic Role of Women, which on April 30, 1974, issued its recommendations for advancing women in industry; the Advisory Committee ended its term in August 1974.

In April Mr. Fellner and several staff economists from the Council visited the Economic Planning Agency for Japan to continue the exchange of information on economic problems and policies that was initiated during 1972. In November the Council was host to a delegation of economists from the Economic Planning Agency.

The Chairman and Council Members appeared before the full Joint Economic Committee (JEC) of the Congress three times during 1974. The 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." On Febru-

ary 7 the Council presented testimony before the JEC on the *Economic Report* and appeared again on July 30 to review economic developments during the first half of 1974. The Chairman presented testimony on September 26 regarding developments during the third quarter. The Council also appeared before the JEC Subcommittee on Consumer Economics on May 10. The Chairman presented testimony on the budget before the Senate Appropriations Committee on February 27 and appeared before the Senate Committee on Commerce and Government Operations on May 9. He also presented testimony before the JEC Subcommittee on Economic Growth on June 12, before the House Budget Committee on September 25, and before the Senate Permanent Subcommittee on Investigations on October 16. Mr. Seevers presented testimony on the Federal budget before the House Committee on Appropriations on February 20 and appeared before the Senate Government Operations Committee on November 26 to discuss regulatory reform.

PUBLIC INFORMATION

The Annual Report of the Council of Economic Advisers, contained in the *Economic Report of the President*, is the main vehicle through which the Council informs the public of its work and its views. It presents a comprehensive review and analysis of economic conditions, forecasts, and projections for the coming year, as well as an explanation of the Administration's economic policy. In recent years about 50,000 copies of the *Economic 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 also presents information on and analyses of current economic problems and developments through occasional press briefings, testimony before various congressional committees, and speeches and papers presented by the Chairman and the Members of the Council. The Council answers numerous requests for information from the Congress, the press, and individual citizens, and receives individual visitors as well as 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 both through direct consultation with the President and through regular reports on economic developments. The Chairman also represents the Council at Cabinet meetings, at the Executive Committee of the Economic Policy Board, 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 numerous meetings, where they assume major responsibility for the Council's involvement. Whenever the Chairman is absent from Washington, one of the Council Members becomes Acting Chairman.

In practice the Chairman and the Council Members work as a team. For operational reasons, however, subject matter is divided informally between the Council Members. Mr. Fellner is responsible for analysis of business conditions, short-term forecasting, and matters related to monetary and fiscal policy; international finance; manpower employment and developments in the labor market; financial markets; housing; health, education, and welfare; taxation; and social security. Mr. Seavers is responsible for the areas encompassing international trade; energy and natural resources; food and agriculture; urban and national growth policy; environmental problems; transportation; regulated industries; and antitrust questions.

PROFESSIONAL STAFF

At the end of 1974 the professional staff consisted of 13 senior staff economists, two statisticians, and seven members of the junior research staff. The professional staff and their special fields of economic analysis at the end of the year were:

Senior Staff Economists

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
Murray F. Foss	Business Conditions, Analysis, and Forecasting
Joseph G. Kvasnicka	International Finance and Trade
James C. Miller III	Regulated Industries, Transportation, and Economic Analysis
June A. O'Neill	Labor, Human Resources, and Income Distribution
Allan G. Pulsipher	Economic Analysis, Environment, Science, and Technology
Milton Russell	Energy Analysis and Policy
G. Edward Schuh	Agriculture and Food
George M. von Furstenberg	Fiscal Policy, Public Finance, and Housing
J. Richard Zecher	Monetary Policy, Financial Institutions, Capital Markets, and Interest Rates

Statisticians

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

Staff Economist

David Munro	Business Conditions, Analysis, and Forecasting
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Junior Staff Economists

David B. Crary	Monetary Policy and Financial Markets
Joseph P. Kalt	Fiscal Policy, Housing, and Capital Markets
Leroy O. Laney	International Trade and Finance
Rosemary Quintano	Economic Analysis, Prices, and Forecasting
Robert J. Schanzmeyer	Labor Markets, Manpower, Health, and Education
Robert S. Stillman	Energy and Agriculture

Research Assistant

Mary P. Kane

Frances M. James, Senior Staff Statistician, is in charge of the 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 directs 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 graduate and undergraduate students of economics for temporary periods, particularly during the summer months. Interns who served during 1974 were Robert S. Dohner (Harvard University) and M. Cary Leahey (Clark University).

Consultants who provided services to the Council during 1974 included Richard N. Cooper (Yale University), Sidney Cottle (FRS Associates), Otto Eckstein (Harvard University), Gottfried Haberler (American Enterprise Institute), Gabriel Hauge (Manufacturers Hanover Trust Company), Walter W. Heller (University of Minnesota), Hendrik S. Houthakker (Harvard University), Paul W. McCracken (University of Michigan), Allan Meltzer (Carnegie Mellon University), Robert A. Mundell (Columbia University), Arthur M. Okun (The Brookings Institution), George L. Perry (The Brookings Institution), Paul Samuelson (Massachusetts Institute of Technology), W. Allen Wallis (University of Rochester), Murray L. Weidenbaum (Washington University), and Marina v.N. Whitman (University of Pittsburgh). Joel Popkin and Carl I. Van Duyne provided assistance with the *Economic Report*.

Kenneth J. Fedor served as a senior staff economist during the summer, working on matters relating to food and agriculture.

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, which includes 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, reports, and congressional testimony. During 1974 James H. Ayres

served as Administrative Officer, assisted by Nancy F. Skidmore, Elizabeth A. Kaminski, and Margaret L. Snyder. The duplicating, mail, and messenger department was operated by James W. Gatling, Frank C. Norman, and Jerry W. Gatling.

The secretarial staff for the Chairman and Council Members consisted of Anne V. Jackson, Joyce A. Pilkerton, Patricia A. Lee, and Alice H. Williams. Secretaries for the professional staff included Ruth Ann Butler, Mary C. Fibich, Dorothy L. Green, Bessie M. Lafakis, Earnestine Reid, Linda A. Reilly, and Lillie M. Sturniolo. Special assistance in connection with the *Report* was furnished by Dorothy L. Reid, a former member of the Council staff.

DEPARTURES

The Council's professional staff members are 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 George A. Akerlof (University of California, Berkeley), Geza M. Feketeckuty (Office of the Special Representative for Trade Negotiations), Mary W. Hook (Department of Commerce), Benton F. Massell (Office of Management and Budget), Leo V. Mayer (Library of Congress), Joel Popkin (National Bureau of Economic Research, Washington), and Sung W. Son (Northwestern National Bank, Minneapolis).

Junior economists who resigned in 1974 were Lydia Segal, Eric B. Herr (Data Resources, Inc.), James S. Fackler (Indiana University), Laura B. Peterson (Department of the Treasury), and Carl I. Van Duyne (Stanford University). Other resignations included D. Carolyn Fletcher, secretary, and Kharl A. Williams, student aide. Jean P. Noll, secretary, retired from the Federal service during 1974.

