

**Appendix A**  
**REPORT TO THE PRESIDENT ON THE ACTIVITIES**  
**OF THE**  
**COUNCIL OF ECONOMIC ADVISERS DURING 1975**



## LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,  
*Washington, D.C., December 31, 1975.*

THE PRESIDENT:

Sir: The Council of Economic Advisers submits this report on its activities during the calendar year 1975 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.*  
PAUL W. MACAVOY.  
BURTON G. MALKIEL.



# Report to the President on the Activities of the Council of Economic Advisers During 1975

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 him in the development and evaluation of economic policies.

Alan Greenspan served as Chairman of the Council during 1975. On June 13, 1975, Paul W. MacAvoy became a Member of the Council, succeeding Gary L. Seevers, who left the Council on April 15, 1975. Mr. Seevers, who became a Member in July 1973, is at present a Commissioner of the Commodity Futures Trading Commission. Mr. MacAvoy is on leave of absence from the Massachusetts Institute of Technology, where he is Henry R. Luce Professor of Public Policy.

On July 22, 1975, Burton G. Malkiel became a Member of the Council, filling a vacancy created by the departure of William J. Fellner, who left

*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	
Joseph S. Davis	Chairman	December 3, 1956	January 20, 1961.
Paul W. McCracken	Member	May 2, 1955	October 31, 1958.
Karl Brandt	Member	December 3, 1956	January 31, 1959.
Henry C. Wallich	Member	November 1, 1958	January 20, 1961.
Walter W. Heller	Member	May 7, 1959	January 20, 1961.
James Tobin	Chairman	January 29, 1961	November 15, 1964.
Kermit Gordon	Member	January 29, 1961	July 31, 1962.
Gardner Ackley	Member	January 29, 1961	December 27, 1962.
	Chairman	August 3, 1962	
John P. Lewis	Member	November 16, 1964	February 15, 1968.
Otto Eckstein	Member	May 17, 1963	August 31, 1964.
Arthur M. Okun	Member	September 2, 1964	February 1, 1966.
	Member	November 16, 1964	
James S. Duesenberry	Chairman	February 15, 1968	January 20, 1969.
Merton J. Peck	Member	February 2, 1966	June 30, 1968.
Warren L. Smith	Member	February 15, 1968	January 20, 1969.
Paul W. McCracken	Member	July 1, 1968	January 20, 1969.
Hendrik S. Houthakker	Chairman	February 4, 1969	December 31, 1971.
Herbert Stein	Member	February 4, 1969	July 15, 1971.
	Member	February 4, 1969	
Ezra Solomon	Chairman	January 1, 1972	August 31, 1974.
Marina v.N. Whitman	Member	September 9, 1971	March 26, 1973.
Gary L. Seevers	Member	March 13, 1972	August 15, 1973.
William J. Fellner	Member	July 23, 1973	April 15, 1975.
	Member	October 31, 1973	February 25, 1975.

the Council on February 25 to return to the American Enterprise Institute, where he is Resident Scholar. Mr. Malkiel is on leave of absence from Princeton University, where he is Gordon S. Rentschler Memorial Professor of Economics.

## 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 of economic problems and the interpretation of trends and changes in the economy to assist the President in the development and evaluation of national economic policies. The Council prepares regular reports on current economic conditions and forecasts of future economic developments, and its recommendations are considered in the formulation of economic policy.

The Council also performs a direct advisory role both within the Executive Office of the President and through participation in interagency groups in which representatives of various departments, agencies, and offices in the executive branch evaluate current programs and consider and develop new ones. The scope of its efforts covers a wide range of economic problems which come before the Office of the President.

During 1975 the Council and its staff contributed to the study of many different economic issues. The analysis of current developments in business activity and the evaluation of alternative macroeconomic and energy policies were an important part of the Council's work last year. The Council also participated in the analysis of future capital requirements; foreign economic conditions, and international financial developments; issues and proposals regarding agriculture and food policy, agricultural exports, and commodity trade policies; measures to improve the functioning of the labor markets and to alleviate the impact of the recession; measures and programs to support housing construction and to stimulate investment in the public utility industry; alternative proposals to deal with a wide range of energy issues and problems; transportation problems and policies; policy proposals in regulatory reform; proposals for more effective health insurance, income maintenance, and social insurance systems; and measures to improve the Government's economic statistics.

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 and of its Executive Committee. This Board was formed in October 1974 to direct the formulation, coordination, and implementation of economic policy. The Executive Committee, which serves as the focal point for economic policy making, meets daily to address current issues of economic policy. It is chaired by the Secretary of the Treasury and consists of the Chairman of the Council of Economic Advisers, the Director of the Office of Management and Budget, the Secretary of State, the Secretary of Commerce, the Secretary of Labor, 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 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, makes recommendations, and discusses possible changes in economic policy.

The Chairman of the Council is a member of the Executive Committee of the President's Energy Resources Council, which was instituted in October 1974 to formulate and coordinate energy policy. The Chairman also heads the U.S. delegation to the Economic Policy Committee of the Organization for Economic Cooperation and Development and serves as vice chairman of the Committee. Council Members and staff economists attend meetings of various working parties of the Committee during the year.

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. 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 a representative of the Treasury and the Office of Management and Budget. The analysis and projections are finally reviewed and cleared through the Chairman of the Council for presentation and consideration by the Executive Committee of the Economic Policy Board.

The Council has initiated a series of quarterly meetings at which leading economists are invited to present their views on the economy and economic policy to the Executive Committee of the Economic Policy Board. Three of these meetings were held in 1975. The economists who attended included Gardner Ackley (University of Michigan), Henry L. Duncombe (General Motors), Otto Eckstein (Harvard University), Robert E. Hall (Massachusetts Institute of Technology), Walter W. Heller (University of Minnesota), Hendrik S. Houthakker (Harvard University), Albert G. Matamoros (Armstrong Cork Company), Paul W. McCracken (University of Michigan), James Meigs (Claremont College), Allan H. Meltzer (Carnegie-Mellon University), William D. Nordhaus (Yale University), Arthur M. Okun

(The Brookings Institution), Leif Olsen (First National City Bank, New York), William Poole (Brown University), Albert E. Rees (Princeton University), Paul Samuelson (Massachusetts Institute of Technology), Herbert Stein (University of Virginia), James Tobin (Yale University), and Marina v.N. Whitman (University of Pittsburgh).

"A Study of Fixed Capital Requirements of the U.S. Business Economy, 1971-1980" was prepared for the Council of Economic Advisers under the direction of Beatrice N. Vaccara, Associate Director for National Analysis and Projections of the Department of Commerce. The results of this study are used in this *Report*, and the entire study is available from the Bureau of Economic Analysis of the Department of Commerce.

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 economy and to submit its own report and recommendations to the Congress. During 1975 the Chairman and Council Members appeared before the JEC five times. The Chairman and the Council also presented testimony before the Budget Committees of the House and Senate on a number of occasions during the year and appeared before a number of other committees of the Congress to discuss budgetary, energy, and other related issues.

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 presents its views on 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 also assumes primary responsibility for the monthly publication *Economic Indicators*. It 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.

## 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 discussions with the President and through regular 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.



## COUNCIL MEMBERS

The 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. Malkiel is responsible for analysis of business conditions, short-term forecasting, and matters related to monetary and fiscal policy; international trade and finance; manpower employment and developments in the labor market; financial markets; housing; taxation; and social security. Mr. Malkiel is the Chairman of the second-level Troika group and also of the Economic Policy Board's subcommittee on improving economic statistics. Mr. MacAvoy's responsibility encompasses energy; natural resources and commodity trade issues; food and agriculture; health, education, and welfare; environmental problems; transportation; regulated industries; and antitrust questions. He is Chairman of the Economic Policy Board's Food Deputies Group and co-Chairman of the Domestic Council Group on Regulatory Reform.

## PROFESSIONAL STAFF

At the end of 1975 the professional staff and their special fields of economic analysis were:

### *Senior Staff Economists*

Barry R. Chiswick.....	Labor and Human Resources
John D. Darroch.....	Prices and Industry Studies
John M. Davis, Jr.....	Special Assistant to the Chairman
George M. von Furstenberg.....	Fiscal Policy, Public Finance, Housing, and Capital Formation
Bruce L. Gardner.....	Agriculture and Food
R. Jeffery Green.....	Econometrics and Forecasting
Helen B. Junz.....	International Finance and Trade
June A. O'Neill.....	Labor and Human Resources
Frederick M. Peterson.....	Economic Analysis, Environment, and Technology
Milton Russell.....	Energy Analysis and Policy
John L. Scadding.....	Monetary Policy, Financial Institutions, Capital Markets, and Interest Rates

### *Statisticians*

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

### *Staff Economists*

Doral S. Cooper.....	International Trade and Finance
David C. Munro.....	Business Conditions, Analysis, and Forecasting
Rosemary Quintano.....	Economic Analysis, Prices, and Forecasting

### *Junior Staff Economists*

David W. Brazell . . . . .	Monetary Policy and Environment
David B. Crary . . . . .	Monetary Policy and Financial Markets
James W. Moser . . . . .	Labor and Human Resources
Joan M. Porter . . . . .	Econometrics and Forecasting
Valerie Sarris . . . . .	Public Finance and Energy
J. W. Henry Watson . . . . .	Regulated Industries and Transportation
Paul C. Westcott . . . . .	Economic Analysis, Agriculture, and Transportation

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, and Natalie Rentfro assist Miss James.

During the summer James R. Golden (U.S. Military Academy) was a member of the professional staff. Robert S. Dohner (Massachusetts Institute of Technology) assisted the Council in the preparation of the *Report*. The Council conducts a program under which student interns are appointed for temporary periods. The summer intern for 1975 was Robert E. Berry (University of Virginia).

A large number of economists provided professional assistance or served as consultants to the Council. These included Alan S. Blinder (Princeton University), William H. Branson (Princeton University), Murray F. Foss (National Bureau of Economic Research), Roger W. Gray (Stanford University), Hendrik S. Houthakker (Harvard University), Lawrence R. Klein (University of Pennsylvania), Myron S. Scholes (University of Chicago), Herbert Stein (University of Virginia), Susan M. Wachter (University of Pennsylvania), and Marina v.N. Whitman (University of Pittsburgh).

In preparing the *Economic Report* the Council relied upon the editorial assistance of Rosannah C. Steinhoff. Special assistance in connection with the *Report* was also furnished by Dorothy L. Reid, a former member of the Council staff.

### **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 letters and inquiries from the general public; and distribution of Council speeches, reports, and congressional testimony. The Administrative Office consisted of Nancy F. Skidmore, Elizabeth A. Kaminski, and Bettye T. Siegel. The duplicating, mail, and messenger department was operated by James W. Gatling, Frank C. Norman, and Jerry W. Gatling.

Serving on the secretarial staff for the Chairman and Council Members during 1975 were Anne V. Jackson, Joyce A. Pilkerton, Patricia A. Lee,

Alice H. Williams, and Margaret A. Bocek. Secretaries for the professional staff included Mary C. Fibich, Dorothy L. Green, Bessie M. Lafakis, Earnestine Reid, Linda A. Reilly, Margaret L. Snyder, and Lillie M. Sturniolo.

## DEPARTURES

The Council's professional staff members are drawn primarily from universities and research institutions. Murray F. Foss, who served with the Council for 6 years, retired from Government service in 1975 to take up new duties as a Senior Research Associate with the National Bureau of Economic Research, Washington. Other senior staff economists who resigned during the year were Joseph G. Kvasnicka (Federal Reserve Bank, Chicago), James C. Miller III (Council on Wage and Price Stability), Allan G. Pulsipher (Southern Illinois University), G. Edward Schuh (Purdue University), and J. Richard Zecher (Tulane University).

Junior economists who resigned in 1975 were Joseph P. Kalt (University of California, Los Angeles), Leroy O. Laney (Department of the Treasury), Robert J. Schanzmeyer (Rice University), and Robert S. Stillman (University of California, Los Angeles). Other resignations included James H. Ayres, Administrative Officer, Ruth Ann Butler, secretary, and Mary P. Kane, research assistant.

