

Appendix A
REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 1979

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 1979.

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 1979 in accordance with the requirements of the Congress, as set forth in section 10(d) of the Employment Act of 1946 as amended by the Full Employment and Balanced Growth Act of 1978.

Cordially,

CHARLES L. SCHULTZE, *Chairman*
LYLE E. GRAMLEY
GEORGE C. EADS

Report to the President on the Activities of the Council of Economic Advisers during 1979

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 in the development and implementation of national economic policies. The Council also advises the President with regard to decisions on other matters that affect the health and operations of the Nation's economy.

With the enactment of the Full Employment and Balanced Growth Act of 1978—the Humphrey-Hawkins Act—the chartering legislation of the Council of Economic Advisers was substantially revised for the first time since 1946. This revision left unchanged the basic mission of the Council of Economic Advisers but created a new framework for the government's pursuit of its economic policies. This act was discussed in detail in the 1979 *Report* of the Council.

Charles L. Schultze, Chairman, and Lyle E. Gramley, Member, continued to serve in these positions throughout 1979. On February 4, 1979, William D. Nordhaus, Member, resigned to return to Yale University, where he is Professor of Economics and a member of the Cowles Foundation for Research in Economics. On June 6, 1979, George C. Eads became a Member of the Council. He was formerly Director of the Regulatory Policies and Institutions Program of the Rand Corporation.

RESPONSIBILITIES

Since its creation the responsibilities of the Council of Economic Advisers have grown steadily as new economic problems placed new demands on the Council and its staff. Over the last decade the Council's activities have broadened with the growing recognition that many "noneconomic" decisions have major consequences for our economy. Today the Council is responsible for advising the President not only on Federal fiscal policies but also on regulation and regulatory reform, energy policies, and international economic policies.

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, 1949	
	Acting Chairman	November 2, 1949	
	Chairman	May 10, 1950	January 20, 1953.
John D. Clark	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.
Paul W. McCracken	Chairman	February 4, 1969	December 31, 1971.
Hendrik S. Houthakker	Member	February 4, 1969	July 15, 1971.
Herbert Stein	Member	February 4, 1969	
	Chairman	January 1, 1972	August 31, 1974.
Ezra Solomon	Member	September 9, 1971	March 26, 1973.
Marina v.N. Whitman	Member	March 13, 1972	August 15, 1973.
Gary L. Seevers	Member	July 23, 1973	April 15, 1975.
William J. Felner	Member	October 31, 1973	February 25, 1975.
Alan Greenspan	Chairman	September 4, 1974	January 20, 1977.
Paul W. MacAvoy	Member	June 13, 1975	November 15, 1976.
Burton G. Malkiel	Member	July 22, 1975	January 20, 1977.
William D. Nordhaus	Member	March 18, 1977	February 4, 1979.

MACROECONOMIC POLICIES

From the outset the Council's fundamental role has been to advise the President on comprehensive economic policies designed to achieve the government's objectives for employment, output, and price stability. To fulfill this responsibility the Council develops economic forecasts several times each year with the assistance of an Interagency Forecasting Committee. The members of this Committee include, in addition to the Council, representatives from the Office of Management and Budget and the Departments of the Treasury, Commerce, and Labor. This group, which is chaired by a Member of the Council, meets to analyze the outlook for individual sectors of the economy and to develop detailed economic forecasts for the period immediately ahead. The Chairman of the Council presents these forecasts to the Economic Policy Group (EPG), which is made up of the President's principal economic advisers and meets each week to discuss and develop the Administration's proposals touching on economic policy. The Chairman of the Council of Economic Advisers is a member of the EPG and of its steering group.

In the final months of each year, during the preparation of the President's annual budget, the Council works with other members of the EPG to develop and present to the President proposals for the stance and structure of Federal fiscal policies during the coming fiscal year. The Council monitors the progress of the economy and offers advice on when changes in fiscal policies are in order. Advising the President on macroeconomic policy has remained one of the Council's major responsibilities.

In addition, the Council has been heavily involved in the anti-inflation program, including the design of the second-year standards and the discussions with organized labor concerning the National Accord.

The Chairman of the Council also chairs the Interagency Committee on Housing and Housing Finance. In 1979 the Council coordinated efforts to ascertain the impact of the October change in monetary policy on the housing market and prepared a report to the EPG and the President on the available means for dealing with problems of housing finance.

MICROECONOMIC POLICIES

Over the years the Council of Economic Advisers has become increasingly involved in the analysis of microeconomic issues—those economic developments and policy actions that affect individual industries, markets, or sectors of the economy. In 1979 the Council took part in formulating and articulating the Administration's policies on agriculture, energy, health insurance, hospital cost containment, youth employment, welfare reform, regulatory reform, and international trade.

In 1979 the Council continued to chair the interagency Regulatory Analysis Review Group (RARG) created late in 1977 to review selected analyses of the economic effects of major regulatory proposals. The President has ordered that each major regulatory proposal issued by a nonindependent regulatory agency must be accompanied by a regulatory analysis. The analysis is to be developed by the agency originating the proposal and made available in draft form for public comment before the final regulation takes effect. During the period for public comment the Regulatory Analysis Review Group evaluates a select few of these regulatory analyses, and its appraisal is filed in the agency's record of public comment.

In 1979 five regulations were reviewed by RARG: the Environmental Protection Agency's hazardous waste standards and new source performance standards for electric utility plants; the Department of Energy's proposed and interim final coal conversion regulations for utilities and industrial boilers; and the Department of Health, Education, and Welfare's proposal for labeling to accompany prescription

drugs. At year's end reports were being prepared reviewing the Environmental Protection Agency's air carcinogen policy; its guidelines for water effluents in the leather-tanning industry; and the Department of Energy's building-energy performance standards. The Council's staff served as part of the analytic staff for the RARG and prepared a number of the review group's comments. The Council and the staff also actively contributed to the continuing progress of the Administration's legislative proposals for regulation reform.

The Council had a strong role in the development and presentation of the Administration's energy policy initiatives, especially these: phased decontrol, the windfall profits tax, low-income energy assistance, and the Energy Security Corporation. The Chairman serves as a member of the Executive Committee of the Energy Coordinating Committee.

INTERNATIONAL ECONOMIC POLICIES

During 1979 the Council of Economic Advisers continued to take an active part in international economic affairs. The Chairman of the Council was elected to serve another year as Chairman of the Economic Policy Committee of the Organization for Economic Cooperation and Development (OECD). As such, he chaired two meetings of the Committee, which consists of senior economic officials from OECD member governments. The Chairman also coordinated the work of a group of senior officials from other countries in drafting a common position paper on economic policy issues for the Tokyo Summit.

The Council is active in the OECD Economic Policy Committee's working parties on inflation, balance of payments adjustment, and medium-term growth. A Member of the Council chairs a task force of the special high-level group on positive adjustment policies. Council Members or staff economists represent the U.S. Government at periodic meetings of these working parties during the year.

Economic developments in most Western nations were strongly affected in 1979 by the continued sharp rise in energy prices and the uncertainty of supplies. Analysis of the impacts of, and appropriate responses to, the energy price and supply situation dominated many OECD meetings. The Council assisted in developing the United States position on energy issues for the Tokyo Summit and in preparing for the International Energy Agency Ministerial Meeting, including the setting of an oil import quota.

PUBLIC INFORMATION

The annual *Economic Report* is the principal medium through which the Council informs the public of its work and its views. It is also an important vehicle for presenting and explaining the Administration's

economic policies, both domestic and international. Distribution of the *Report* in recent years has averaged about 50,000 copies. The Council also assumes primary responsibility for the monthly *Economic Indicators*, a publication prepared by the Council's Statistical Office, under the supervision of Catherine H. Furlong. The Joint Economic Committee issues the *Indicators*, which has a distribution of approximately 10,000 copies. Information is also provided to members of the public through speeches and other public appearances by the Chairman, Members, and staff economists of the Council. In 1979 the Chairman and Members made 25 appearances before Committees of the Congress to testify on the Administration's economic policies.

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 discussions with the President and written 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 two Council Members directly supervise the work of the Council's professional staff and are responsible for all subject matter covered by the Council. They represent the Council at numerous meetings of public and private groups, and they assume major responsibility for the Council's involvement in the activities of the government that affect the economy.

The Chairman and the Council Members work as a team on most policy issues. Operationally, however, responsibility over major topics of concern is divided between the two Members. Mr. Gramley has continued to take primary responsibility for macroeconomic analysis, including international monetary developments and the preparation of economic forecasts; and for labor market policies. Mr. Eads has supervised microeconomic analysis, including analysis of policies related to such matters as energy, agriculture, social welfare, and international trade; and the overseeing of regulatory reform activities.

PROFESSIONAL STAFF

At the end of 1979 the professional staff consisted of the Special Assistant to the Chairman, 10 senior staff economists, 2 staff economists, 1 statistician, and 5 junior staff economists.

The professional staff and their special fields at the end of the year were:

Susan J. Irving Special Assistant to the Chairman

Senior Staff Economists

William T. Boehm Agriculture and Food Policy
 Paul N. Courant..... Public Finance, Taxes, State and Local Finance, Social Security, Health, and Welfare
 K. Burke Dillon..... Finance, Money, Housing, and Urban Policy
 David Harrison, Jr. Regulation and Natural Resources
 Val L. Koromzay..... International Financial and Economic Developments
 David S. McClain Macroeconomic Analysis and Forecasting, Fiscal Policy, and International Trade
 David C. Munro Macroeconomic Analysis and Forecasting, and Energy
 V. Vance Roley Investment, Research and Development, and Potential GNP
 Daniel H. Saks Labor Market and Anti-Inflation Policies, and Education
 Charles L. Trozzo..... Regulation and Energy

Statistician

Catherine H. Furlong Senior Statistician

Staff Economists

Michael J. McKee Macroeconomic Analysis and Forecasting, Productivity, Prices, and Anti-Inflation Policies
 Kate Stith Pressman Regulation and Energy

Junior Economists

David W. Berson Public Finance
 Lisa L. Blum International Economic Developments and Trade
 Stephen G. Cecchetti..... Labor Market Policies
 Judith R. Gelman..... Regulation and Health
 Matthew D. Shapiro..... Macroeconomic Analysis and Forecasting

Catherine H. Furlong, Senior Statistician, continued to be in charge of the Council's Statistical Office. Mrs. Furlong has primary responsibility for managing the Council's statistical information system. She supervises the publication of *Economic Indicators* and the preparation of all statistical matter in the *Economic Report*. She also

oversees the verification of statistics in memoranda, testimony, and speeches. Natalie V. Rentfro and Earnestine Reid assist Mrs. Furlong.

In preparing the *Economic Report* the Council relied upon the editorial assistance of Rosannah C. Steinhoff. Also called on for special assistance in connection with the *Report* were Dorothy L. Reid and Dorothy Bagovich, former members of the Council's staff.

SUPPORTING STAFF

The Administrative Office of the Council of Economic Advisers provides general support for the Council's activities. Nancy F. Skidmore, Administrative Officer, prepares and analyzes the Council's budget and provides general administrative services.

Elizabeth A. Kaminski, Staff Assistant to the Council, handles general personnel management, coordinates the schedule for the *Economic Report*, and provides general assistance to the Council and the Special Assistant in the management of the Council's activities.

Members of the secretarial staff for the Chairman and Council Members during 1979 were Patricia A. Lee, Linda A. Reilly, Lisa A. Stockdale, and Alice H. Williams. Secretaries for the professional staff were Catherine Fibich, Bessie M. Lafakis, Joyce A. Pilkerton, Margaret L. Snyder, and Lillie M. Sturniolo. Bettye T. Siegel provided secretarial assistance in connection with the *Report*. Robert L. Gilliam served as a clerk during the summer months. Michael J. Handel served as an intern during preparation of the *Report*.

DEPARTURES

The Council's professional staff members are in most cases on leave from universities, other government agencies, or research institutions. Their tenure with the Council is usually limited to 1 or 2 years. Senior staff economists who resigned during the year were Thomas C. Earley (Schnittker Associates), Robert J. Flanagan (Stanford University), Steven W. Kohlhagen (University of California, Berkeley), Susan J. Lepper (Senate Budget Committee), David S. Sibley (Civil Aeronautics Board), Lawrence J. White (New York University), David A. Wyss (Data Resources, Inc.), and John M. Yinger (Harvard University). Robert E. Litan, staff economist, resigned to accept a position with Arnold and Porter. Peter G. Gould also resigned from the position of Special Assistant to the Chairman to accept a position with the Department of Commerce.

Junior economists who resigned in 1979 were James P. Luckett (Brookings Institution), Robert S. Lurie (Yale University), Frederick W. McKinney (Yale University), Elizabeth A. Savoca (University of California, Berkeley), and Wanda S. Tseng (International Monetary Fund).

Florence T. Torrison, secretary to the Chairman, also resigned from the Council staff.

