

**Appendix A**  
**REPORT TO THE PRESIDENT ON THE ACTIVITIES**  
**OF THE**  
**COUNCIL OF ECONOMIC ADVISERS DURING 1981**



## LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,  
*Washington, D.C., December 31, 1981.*

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 1981 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.

Sincerely,

MURRAY L. WEIDENBAUM, *Chairman*

JERRY L. JORDAN

WILLIAM A. NISKANEN



## Report to the President on the Activities of the Council of Economic Advisers during 1981

The Employment Act of 1946 (P.L. 304-79th Congress), as amended, provides the statutory base for the activities of the Council of Economic Advisers. The Council, through the Chairman, provides advice to the President on a wide range of domestic and international economic policy issues, assists in the preparation of the President's Economic Report to the Congress, and conducts analyses and studies on a wide range of economic issues in support of its primary mission.

The membership of the Council of Economic Advisers changed early in 1981, following the inauguration of President Reagan. Murray L. Weidenbaum was designated Chairman of the Council on January 23, and was formally sworn in on February 27, 1981, replacing Charles L. Schultze, who returned to the Brookings Institution. The Chairman is on leave of absence from Washington University (St. Louis), where he holds the Mallinckrodt Distinguished University Professorship.

William A. Niskanen and Jerry L. Jordan became Members on June 12, 1981, and July 14, 1981, respectively. They succeeded George C. Eads, who returned to the Rand Corporation, and Stephen G. Goldfeld, who returned to Princeton University. Mr. Niskanen is on leave of absence from a position as a professor at the University of California, Los Angeles. Mr. Jordan is on leave of absence from the University of New Mexico, where he was the Dean of the Anderson Schools of Management.

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.....	
	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. Fellner.....	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.
Charles L. Schultze.....	Chairman.....	January 22, 1977.....	January 20, 1981.
William D. Nordhaus.....	Member.....	March 18, 1977.....	February 4, 1979.
Lyle E. Gramley.....	Member.....	March 18, 1977.....	May 27, 1980.
George C. Eads.....	Member.....	June 6, 1979.....	January 20, 1981.
Stephen M. Goldfeld.....	Member.....	August 20, 1980.....	January 20, 1981.
Murray L. Weidenbaum.....	Chairman.....	February 27, 1981.....	
William A. Niskanen.....	Member.....	June 12, 1981.....	
Jerry L. Jordan.....	Member.....	July 14, 1981.....	

## MACROECONOMIC POLICIES

As is its tradition, during 1981 the Council devoted much of its time to assisting the President in the formulation of broad economic policy objectives and the programs to carry them out. The development of economic assumptions and monitoring of current developments, under Council Member Jordan, were an area of major interest. Monetary policy developments received especially close attention.

Council Member Jordan chaired the interagency subcabinet "Troika" forecasting group, consisting of representatives from the Department of the Treasury and the Office of Management and Budget, with participation by the Department of Commerce. The Chairman of the Council continued his responsibility for presenting to the President the economic assumptions developed with the Office of Management and Budget and the Department of the Treasury.

Council Members chaired or participated in numerous Cabinet Council working groups dealing with such issues as economic statistics, financial industry deregulation, conditions in the thrift industry, and the balance of payments.

The Chairman actively participated during the early months of the Administration, and then during the late fall budget cycle, in Cabinet level reviews of agency budget requests and appeals.

#### MICROECONOMIC POLICIES

A wide variety of microeconomic issues received Council attention during the year. Council Member Niskanen chaired Cabinet Council working groups dealing with the Alaska National Gas Pipeline and employee pension legislation. Trade issues were an area of continuing attention. Early in the year the Council studied in depth the impact of automobile import quotas on the economy.

The Council assisted in the preparation of agency guidelines for implementing Executive Order 12291 dealing with Executive Office review of agency regulatory proposals, and worked closely with the Office of Management and Budget on selected regulatory issues.

#### INTERNATIONAL ECONOMIC POLICIES

The President's economic recovery program evoked considerable interest on the part of U.S. friends and allies, and the Council devoted considerable effort to explaining the program to interested parties in the United States and abroad. Council Members and staff assisted in the preparations for the Ottawa Economic Summit in June. Members and staff also participated in the various working parties of the Organization for Economic Cooperation and Development (OECD) dealing with economic and financial issues. The Chairman served as Chairman of OECD's Economic Policy Committee.

#### PUBLIC INFORMATION

The Council's *Annual 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 domestic and international economic policies. 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 1981 the Chairman

and Members made 25 appearances before Committees of the Congress to testify on Administration 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 function is carried out through direct consultation with the President, and through written memoranda and reports on economic developments and on particular programs and proposals. The Chairman exercises ultimate responsibility for directing the work of the professional staff. He represents the Council at meetings of the full Cabinet and the various Cabinet Councils, and the Trade Policy Committee. Chairman Weidenbaum also served as a member of the President's Task Force on Regulatory Relief, the congressionally established Gold Commission, and the President's Task Force on Military Manpower.

### COUNCIL MEMBERS

The two Council Members are responsible for all subject matter covered by the Council, including direct supervision of the work of the professional staff. Members represent the Council at a wide variety of interagency and international meetings and assume major responsibility for selecting issues for Council attention.

In practice, the small size of the Council permits the Chairman and Council Members to work as a team in most circumstances. There was, however, an informal division of subject matter among them in 1981. Mr. Jordan assumed primary responsibility for domestic and international macroeconomic analysis, economic projections, and monetary and financial issues. He also served, with the Chairman, on the Gold Commission. Mr. Niskanen is primarily responsible for microeconomic and sectoral analysis, international trade questions, and regulatory issues.

### PROFESSIONAL STAFF

At the end of 1981 the professional staff consisted of the Special Assistant to the Chairman, who also acts as staff director, the Senior Statistician, 13 senior staff economists, and 5 junior staff economists.

The professional staff and their special fields at the end of 1981 were:

James B. Burnham..... Special Assistant to the Chairman

#### *Senior Staff Economists*

Geoffrey O. Carliner ..... Labor and Pensions

William D. Dobson ..... Agriculture and Food Policy



Michele U. Fratianni.....	Monetary Economics and International Finance
Steven H. Hanke.....	Natural Resources and Environment
Laurence J. Kotlikoff.....	Taxation and Social Security
Michael J. McKee.....	Macroeconomic Analysis, Productivity, and Prices
David C. Munro.....	Macroeconomic Analysis, Forecasting, and Economic Statistics
Susan C. Nelson.....	Public Finance, Taxes, Social Security, and Health and Welfare
Allen M. Parkman.....	General Microeconomics and Regulation
Paul H. Rubin.....	General Microeconomics and Regulation
Elinor Y. Sachse.....	International Trade
Adrian W. Throop.....	Money, Banking, and Financial Institutions
Benjamin Zycher.....	Energy and Microeconomics

*Statistician*

Catherine H. Furlong.....	Senior Statistician
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*Junior Economists*

Lawrence B. Lindsey.....	Public Finance
Robert G. Murphy.....	International Trade and Finance
Dan C. Roberts.....	Financial Institutions and Markets
Chris P. Varvares.....	Macroeconomic Analysis and Forecasting
F. Katharine Warne.....	Regulation

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 *Annual Report*. She also oversees the verification of statistics in memoranda, testimony, and speeches. Natalie V. Rentfro, Linda A. Reilly, and Barbara L. Sibel assist Mrs. Furlong.

Serving as consultants during the year were Martin J. Bailey (University of Maryland), William L. Breit (University of Virginia), Karl Brunner (University of Rochester), Robert Eisner (Northwestern University), A. Nicholas Filippello (Monsanto Company), Arthur G. Gandolfi (Citibank), Henry P. Korytkowski (Citibank), Marvin H. Kusters (American Enterprise Institute), and James F. Smith (Union Carbide).

In preparing the *Annual Report* the Council relied upon the editorial assistance of John Phillip Sawicki.

## SUPPORTING STAFF

The Administrative Office of the Council of Economic Advisers provides general support for the Council's activities. Serving in the Administrative Office were Elizabeth A. Kaminski, Staff Assistant to the Council, and Catherine Fibich.

Members of the secretarial staff for the Chairman and Council Members during 1981 were Carolyn L. Bazarnick, Patricia A. Lee, Georgia A. O'Connor, and Alice H. Williams. Secretaries for the professional staff were Catherine Fibich, Bessie M. Lafakis, Rosemary M. Rogers, Margaret L. Snyder, and Lillie M. Sturniolo. Elizabeth A. Cralle, Secretary, and Joseph Henley, Clerk, provided assistance during the summer months.

## 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 and their subsequent affiliations were William T. Boehm (the Kroger Company), Marshall L. Casse (Department of State), Stephen H. Brooks (Consultant), Jose A. Gomez-Ibanez (Harvard University), Val L. Koromzay (Organization for Economic Cooperation and Development), Robert A. Leone (Harvard University), Perry D. Quick (staff of Senator Gary Hart), and Andrew J. Strenio (Federal Trade Commission). Susan J. Irving, Special Assistant to the Chairman, joined the International Monetary Fund.

Junior Economists who resigned in 1981 were Martin A. Asher (Joel Popkin and Associates), Elizabeth J. Jensen (Massachusetts Institute of Technology), Stephen A. O'Connell (Massachusetts Institute of Technology), David H. Romer (Massachusetts Institute of Technology), and Robert W. Turner (Massachusetts Institute of Technology).

Retired during the year were Nancy F. Skidmore, Administrative Officer, Joyce A. Pilkerton, Secretary, and Earnestine Reid, Statistical Assistant. Pauline H. Thompson, secretary, resigned from the Council staff.