

March 15, 1946.

PERSONAL AND CONFIDENTIAL

My dear Mr. President:

Because the objectives of the Employment Act of 1946 are so interwoven with credit and monetary responsibilities of the Reserve System and we wish, of course, to do anything we can to make that measure a success, I am taking the liberty of enclosing a memorandum I prepared to emphasize why it seems of primary importance that the Director of the Budget be made Chairman of the Council of Economic Advisers if the act is to be effectively administered. If it is presumptuous to make this organizational suggestion, let me say in extenuation that after twelve years in Washington of intimate dealing with credit, monetary, fiscal and other intertwined problems of government, I think I have learned the hard way some valuable lessons about organization, and also that I can approach these matters objectively.

Congress has gone a long way in this legislation in recognizing that the Government has definite economic responsibilities and in stating as a mandate the objectives toward which public policy and action should be directed. That is a tremendous step in itself, as you are well aware. Naturally, I would hate to see this much liberal progress discredited through any administrative or organizational impasse. Hence my effort to put down in memorandum form some suggestions that I feel I need not apologize for forwarding to you for whatever aid, if any, they might be to you in dealing with what I realize is a relatively subordinate problem compared with the many tremendous ones with which you are burdened.

Respectfully yours,

M. S. Eccles,
Chairman.

The President,
The White House.

Enclosure

ET:b

IMPLEMENTATION OF THE EMPLOYMENT ACT OF 1946

1. According to the Act the Council of Economic Advisers is created in the Executive Office of the President. It is the duty and function of the Council to assist and advise the President in the preparation of the Economic Report, to gather timely and authoritative information concerning economic developments and trends, to appraise the various programs and activities of the Federal Government with respect to the declared policy of the Employment Act, and to develop and recommend to the President national economic policies designed to maintain employment, production, and purchasing power. The Council, being created in the Executive Office of the President, is designed as an aid to the President in meeting his responsibility in the formulation of an overall integrated economic program as required under the Act.

2. Since the Economic Council is set up in the Executive Office of the President for the purposes enumerated above, it is important that the chief coordinating agency of the Government, the Bureau of the Budget, should be intimately integrated with the Council. To achieve this end it would seem to be expedient and indeed necessary that the Director of the Bureau of the Budget should serve as the Chairman of the Council of Economic Advisers. There is nothing in the language of the Act that would prevent the President from appointing the Director of the Budget to membership in the Council of Economic Advisers, subject to confirmation by the Senate. Under

this arrangement the Director of the Bureau of the Budget would, of course, draw a salary in one official capacity only, serving in the other without pay.

Unless the Director of the Bureau of the Budget is also a member of and Chairman of the Council of Economic Advisers, there would in effect be two coordinating agencies in the Executive Office of the President -- the Bureau of the Budget and the Council. Such a condition would violate the principles of good government administration and would lead to continued conflict within the Administration. It would render it difficult, if not impossible, for the President to present a coordinated program with respect to the Federal budget and the various overall national economic policies, activities, and programs of the Federal Government.

3. The Act provides that the Council shall to the fullest possible extent utilize the services and facilities of existing Government agencies. In order to accomplish this effectively it would appear desirable for the President to issue an Executive Order establishing an Inter-departmental Economic Staff consisting of a technically qualified representative of high standing from each of the Government departments (except War, Navy, and Post Office) and from the Bureau of the Budget, the Federal Reserve Board, the National Housing Agency, the Federal Works Agency, the Federal Security Agency, and, for the present, the Office of War Mobilization, and the Office of Economic Stabilization. Each of these

representatives should be responsible to the head of his agency. Such representatives should devote full time to the work of the Inter-departmental Economic Staff. They would thus be in a position to serve as liaison officers between their respective agencies and the Council of Economic Advisers with respect to research and policy formulation. With regard to special problems -- monetary and fiscal matters, for example -- sub-committees of the Inter-departmental Staff might well be established.

4. Necessarily in the Economic Report of the President to the Congress recommendations will be made on various matters of policy which concern the responsibilities of various agencies of the Government. In the preparation of this Report the President will, of course, consult Cabinet Members and heads of agencies responsible for policy formulation. These high-ranking officials will, moreover, have had an opportunity continuously to assist in the early formulation of policy recommendations through their representatives in the Inter-departmental Economic Staff, as well as through direct contact with the President and the Council.