
Appendix A

**REPORT TO THE PRESIDENT ON THE
ACTIVITIES OF THE COUNCIL
OF ECONOMIC ADVISERS
DURING 1961**

LETTER OF TRANSMITTAL

DECEMBER 31, 1961.

The PRESIDENT.

SIR: The Council of Economic Advisers submits this report on its activities during the calendar year 1961 in accordance with the requirements of Congress, as set forth in Section 4(d) of the Employment Act of 1946.

Respectfully,

WALTER W. HELLER, *Chairman*
KERMIT GORDON
JAMES TOBIN

Report to the President on the Activities of the Council of Economic Advisers During 1961

The Council of Economic Advisers was established nearly 16 years ago under the Employment Act of 1946. In 1961, for only the second time since the passage of the Act, a change of Administration took place, and the membership of the Council was entirely reconstituted.

COUNCIL MEMBERSHIP

Walter W. Heller took office as Chairman of the Council on January 27, 1961. He is on leave of absence from the University of Minnesota where he served as Professor of Economics and Chairman of the Department of Economics in the School of Business Administration. He succeeded Raymond J. Saulnier, Professor of Economics at Barnard College, Columbia University, who had served as a member of the Council from April 4, 1955 and as Chairman from December 3, 1956 until his resignation on January 20, 1961.

Kermit Gordon took office as a member of the Council on January 27, 1961. He is on leave of absence from Williams College where he is David A. Wells Professor of Political Economy. James Tobin took office as a member of the Council on January 27, 1961. He is on leave of absence from Yale University where he is Sterling Professor of Economics. Messrs. Gordon and Tobin succeeded Messrs. Karl Brandt and Henry C. Wallich who resigned on January 20, 1961. Mr. Brandt resumed his duties as Professor of Economic Policy and Associate Director of the Food Research Institute at Stanford University. Mr. Wallich returned to his position as Professor of Economics at Yale University.

Following is a list of all past Council members, together with their dates of service:

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	November 1, 1949.
	Acting Chairman	November 2, 1949	May 9, 1950.
	Chairman	May 10, 1950	January 20, 1953.
John D. Clark	Member	August 9, 1946	May 9, 1950.
	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.
Joseph S. Davis	Member	May 2, 1955	October 31, 1958.
Raymond J. Saulnier	Member	April 4, 1955	December 2, 1956.
	Chairman	December 3, 1956	January 20, 1961.
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.

COUNCIL STAFF

The Council is currently assisted by a senior professional staff of 19 economists and statisticians. The full-time professional staff members are Richard E. Attiyeh, Barbara R. Berman, Charles A. Cooper, Richard N. Cooper, Rashi Fein, Catherine H. Furlong, Frances M. James, Marshall A. Kaplan, David W. Lusher, Richard R. Nelson, Arthur M. Okun, George L. Perry, Lee E. Preston, Vernon W. Ruttan, Robert M. Solow, Walter F. Stettner, Lloyd Ulman, Leroy S. Wehrle, and Sidney G. Winter, Jr.

In addition, Kenneth J. Arrow, Henry W. Briefs, Martin Bronfenbrenner, Richard E. Caves, James Duesenberry, Otto Eckstein, Dale E. Hathaway, Peter B. Kenen, Burton H. Klein, Robert J. Lampman, John R. Meyer, James R. Nelson, Joseph A. Pechman, William A. Salant, Paul A. Samuelson, Charles L. Schultze, Warren L. Smith, Charles A. Taff, and Robert Triffin served the Council during 1961 as Consultants.

Bernard S. Beckler, Harold F. Breimyer, Samuel L. Brown, and Robert C. Colwell resigned from the Council during 1961 to accept positions elsewhere in government. Special mention should be made of the retirement of Collis Stocking on September 15, 1961. Mr. Stocking served the Council with distinction for 8 years as Administrative Officer and a Senior Economist.

COUNCIL ACTIVITIES

The economic problems which confront the Council today are perhaps more complex than ever before. The Council has the unique responsibility and opportunity to view a wide variety of specific developments, policies, and proposals in the broad perspective of their combined effects on the national economy. Its central concern under the Employment Act is the stability, growth, and efficiency of the U.S. economy. Especially now, this concern compels the Council to consider the interconnections between domestic economic developments and policies and the international economic relations of the United States.

Responding to these concerns and to the request of the President that the Council play a broader role as an economic staff agency, the Council in 1961 added new staff members and consultants to strengthen its capabilities in studying problems in the fields of international economics, defense and disarmament economics, economic growth, manpower, consumer economics, natural resources, and the economics of technology and research and development.

By a variety of means, the Council in 1961 carried out its statutory responsibilities as a Presidential staff agency under the Employment Act. Much of its activity took the form of assistance to the President and day-to-day contacts with members of the White House staff and officials of other Executive Agencies. Its responsibilities were also discharged through such formal institutional arrangements as regular attendance of the Chair-

man of the Council at meetings of the Cabinet, and Council participation in the work of a number of interdepartmental committees.

The Council took an active part in the work of several new committees set up in 1961 to deal with special economic problems. A Council member served as chairman of an *ad hoc* committee on housing credit, consisting of representatives of the Federal agencies responsible for housing and its financing. The Council was represented on the White House Committee on Small Business and the Panel on Civilian Technology, and it worked with the President's Advisory Committee on Labor-Management Policy.

Of particular importance was the development of new machinery for interagency cooperation in formulating fiscal estimates and policies. The Chairman of the Council served with the Secretary of the Treasury and the Director of the Bureau of the Budget on a committee charged with coordinating the economic, budgetary, and revenue estimates for which the three agencies have primary responsibility, and of reporting on them to the President. The estimates are developed with the aid of working groups representing the Council, the Treasury Department, and the Bureau of the Budget, and, in the preparation of projections of economic activity, several other agencies as well.

The Chairman of the Council served with the Secretary of the Treasury, the Director of the Budget, and the Chairman of the Board of Governors of the Federal Reserve System in an advisory group which met periodically with the President to review monetary developments, issues, and policies.

The members and staff of the Council served on such interagency groups as the Economic Growth Study Committee, the Advisory Committee on U.S. National Health Survey, the Civil and Defense Mobilization Board, the Committee on the Monthly Business Cycle Report, the Committee on Natural Resources of the Federal Council on Science and Technology, and the Special Advisory Committee on the Statistical Abstract.

The Advisory Board on Economic Growth and Stability, which had been established under Reorganization Plan No. 9 of 1953 and whose Chairman was the Chairman of the Council, was abolished on March 12, 1961 by order of the President. On the same date, the Council on Foreign Economic Policy, established by Presidential letter of December 11, 1954, and on which the Council members had served, was also terminated. The functions of both these groups are now being performed elsewhere within the Government.

In the international sphere, the Council participated in the work of the National Advisory Council on International Monetary and Financial Problems, the National Security Council, the Interdepartmental Committee of Under Secretaries on Foreign Economic Policy, and the Committee on Balance-of-Payments Information.

The Council has increasingly been drawn into economic consultations of international organizations. Mr. Heller served as Chairman of the U.S. delegation to the Economic Policy Committee of the Organization for

European Economic Cooperation (beginning in October, the Organization for Economic Cooperation and Development). Mr. Tobin served on the U.S. delegation to this Committee and to its Working Party on Balance of Payments Equilibrium, and Mr. Robert Solow of the Council staff was Chairman of the U.S. delegation to the Committee's Working Party on Policies for the Promotion of Economic Growth. Mr. Gordon was a member of the U.S. delegation to the first Ministerial Meeting of the Organization for Economic Cooperation and Development.

Mr. Heller and Mr. Tobin were members of the U.S. delegation to the annual meetings of the International Monetary Fund and the International Bank for Reconstruction and Development held in Vienna in September. Mr. Gordon served on the U.S. delegation to the annual meetings of the United Nations Economic and Social Council. Mr. Tobin was Chairman of the U.S. delegation to the meeting of Senior Economic Advisers at the United Nations Economic Commission for Europe.

Mr. Heller was a member of the U.S. delegation to the first meeting of the Cabinet-level United States-Japan Committee on Economics and Trade.

CONGRESSIONAL TESTIMONY

During 1961, the Council testified before the Joint Economic Committee on three occasions. In its initial appearance on March 6 a comprehensive statement on economic conditions and policy, entitled "The American Economy in 1961: Problems and Policies," was submitted.¹ In this document the Council also set forth the following six general principles to govern its policy on testimony before the Committee:

"1. The Council has a responsibility to explain to the Congress and to the public the general economic strategy of the President's program, especially as it relates to the objectives of the Employment Act. This is the same kind of responsibility that other Executive agencies assume in regard to programs in their jurisdictions.

"2. It is not appropriate or necessary for the Council to go into the details of legislative proposals or of administrative actions which fall primarily in the domain of operating Executive departments or agencies, who can and do testify before the appropriate committees. Our concern is with the over-all pattern of economic policy.

"3. The program of the President is, of course, the outcome of a decision process in which advice, recommendations, and considerations of many kinds, from many sources, inside and outside the Executive, play a part. The professional economic advice of the Council is one element; it is not and should not be the sole consideration in the formulation of Presidential economic policy, or of Congressional policy.

¹ Hearings Before the Joint Economic Committee, Congress of the United States (87th Congress, First Session), *January 1961 Economic Report of the President and the Economic Situation and Outlook*, pp. 310-92.

"4. In Congressional testimony and in other public statements, the Council must protect its advisory relationship to the President. We assume that the Committee does not expect the Council to indicate in what respects its advice has or has not been taken by the President, nor to what extent particular proposals, or omissions of proposals, reflect the advice of the Council.

"5. Subject to the limits mentioned, members of the Council are glad to discuss, to the best of their knowledge and ability as professional economists, the economic situation and problems of the country, and the possible alternative means of achieving the goals of the Employment Act and other commonly held economic objectives. In this undertaking, the Council wishes to cooperate as fully as possible with the Committee and the Congress in achieving a better understanding of our economic problems and approaches to their solutions.

"6. The Council is composed of professional economists. But economic policy, as the Committee well knows, is not an exact science. The Council is, and necessarily must be, in harmony with the general aims and direction of the President and his Administration. A member of the Council who felt otherwise would resign. This general harmony is, of course, consistent with divergencies of views on specific issues."²

On April 11, the Council testified on general economic matters before the full committee; and on June 19, it testified before the Subcommittee on International Exchange and Payments of the Joint Economic Committee.

In addition, Mr. Tobin represented the Council before a Subcommittee of the Senate Committee on Banking and Currency in support of S. 1740—the "Truth-in-Lending" bill.

NONGOVERNMENTAL MEETINGS AND ACTIVITIES

Section 4(e) (1) of the Employment Act directs that in carrying out its statutory responsibilities "the Council may constitute such advisory committees and may consult with such representatives of industry, agriculture, labor, consumers, State and local governments, and other groups as it deems advisable." In accordance with this directive, the Council in 1961 actively sought the counsel and views of representatives of a wide variety of interests.

In the early months of the year, many of the new Council's meetings with nongovernmental representatives were of an informal nature. However, more formal relations were subsequently established with a number of groups, including the Economic Policy Committee of the AFL-CIO, and the Committee on Domestic Economy of the Business Council. Roundtable discussions with business, financial, and academic economists were also organized. It is expected that these activities will be continued and expanded during the coming years.

² *Ibid.* pp. 311-14.

In an effort to stimulate wider understanding and consideration of current economic policy issues, Council members participated during 1961 in a number of public discussions, conferences, and radio and television programs. These included White House Regional Conferences held in 10 cities throughout the Nation.

PUBLICATIONS

In keeping with its responsibilities under the Employment Act, the outgoing Council assisted President Eisenhower in the preparation of the 1961 Economic Report to the Congress. Copies were distributed to members of the Joint Economic Committee, all other members of the Congress, Departments and Agencies of the Government, representatives of the press, and depository libraries throughout the country. The Superintendent of Documents sold 19,086 copies to the general public.

The Council prepares *Economic Indicators*, a monthly compendium of current economic statistics published by the Joint Economic Committee of the Congress. Copies are distributed to all members of the Congress and to depository libraries. In addition, 10,000 copies of each monthly issue are sold by the Superintendent of Documents to subscribers and others.

INCREASE IN APPROPRIATIONS

By direction of the President, the Council during the year undertook broadened responsibilities related to the basic directives of the Employment Act. The Council was also called upon to discharge functions performed in the previous Administration by a Special Assistant to the President with responsibilities for economic policy, a post which has been discontinued.

To carry out these expanded duties, the Council sought amendment of the Employment Act, to eliminate the \$345,000 ceiling on salaries contained in the original 1946 legislation, and an increase in its appropriation for fiscal 1962. The elimination of the salary ceiling, effected by H.R. 6094, was signed into law by the President on June 17. Subsequently, the Council received a supplemental appropriation of \$170,000 for salaries and other purposes for the fiscal year 1962, bringing its total appropriation for that year to \$584,000.