Appendix A

REPORT TO THE PRESIDENT ON THE ACTIVITIES OF THE COUNCIL OF ECONOMIC ADVISERS DURING 1964
LETTER OF TRANSMITTAL

DECEMBER 31, 1964.

The President.

Sir: The Council of Economic Advisers submits this report on its activities during the calendar year 1964 in accordance with the requirements of Congress, as set forth in section 4 (d) of the Employment Act of 1946.

Respectfully,

GARDNER ACKLEY, Chairman

OTTO ECKSTEIN

ARTHUR M. OKUN
Report to the President on the Activities of the Council of Economic Advisers During 1964

COUNCIL MEMBERSHIP

Gardner Ackley, a member of the Council since August 1962, became its Chairman on November 16, replacing Walter W. Heller, who had been Chairman since January 1961. Mr. Ackley is on leave from the University of Michigan, where he is Professor of Economics. Mr. Heller has returned to the University of Minnesota as Professor of Economics but remains a consultant to the Council.

Two new members joined the Council in 1964. Otto Eckstein, Professor of Economics at Harvard University, replaced John P. Lewis on September 2. Mr. Lewis is now Director of the Mission to India of the U.S. Agency for International Development (AID). Arthur M. Okun, on leave from his post as Professor of Economics at Yale University, was sworn in as a member on November 16.

Following is a list of all past Council members and their dates of service:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Oath of office date</th>
<th>Separation date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edwin G. Nourse</td>
<td>Chairman</td>
<td>August 9, 1946</td>
<td>November 1, 1949</td>
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<tr>
<td>Leon H. Keyserling</td>
<td>Vice Chairman</td>
<td>August 9, 1946</td>
<td>January 20, 1933</td>
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<tr>
<td>John D. Clark</td>
<td>Member</td>
<td>May 10, 1950</td>
<td>February 11, 1953</td>
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<tr>
<td>Roy Blough</td>
<td>Member</td>
<td>June 29, 1950</td>
<td>August 20, 1952</td>
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<tr>
<td>Robert C. Turner</td>
<td>Member</td>
<td>September 8, 1952</td>
<td>January 20, 1953</td>
</tr>
<tr>
<td>Arthur F. Burns</td>
<td>Chairman</td>
<td>March 10, 1953</td>
<td>December 1, 1956</td>
</tr>
<tr>
<td>Neil H. Jacoby</td>
<td>Member</td>
<td>September 15, 1953</td>
<td>February 9, 1956</td>
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<tr>
<td>Walter W. Stewart</td>
<td>Member</td>
<td>December 2, 1953</td>
<td>April 20, 1955</td>
</tr>
<tr>
<td>Joseph S. Davis</td>
<td>Member</td>
<td>May 2, 1955</td>
<td>October 31, 1958</td>
</tr>
<tr>
<td>Raymond J. Saulnier</td>
<td>Member</td>
<td>April 4, 1955</td>
<td>January 20, 1961</td>
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<tr>
<td>Paul W. McCracken</td>
<td>Member</td>
<td>December 3, 1955</td>
<td>January 31, 1959</td>
</tr>
<tr>
<td>Karl Brandt</td>
<td>Member</td>
<td>November 4, 1958</td>
<td>January 20, 1961</td>
</tr>
<tr>
<td>Henry C. Wallich</td>
<td>Member</td>
<td>May 7, 1959</td>
<td>July 31, 1962</td>
</tr>
<tr>
<td>James Tobin</td>
<td>Member</td>
<td>January 20, 1961</td>
<td>December 27, 1962</td>
</tr>
<tr>
<td>Kermit Gordon</td>
<td>Member</td>
<td>January 29, 1961</td>
<td>November 15, 1964</td>
</tr>
<tr>
<td>Walter W. Heller</td>
<td>Chairman</td>
<td>January 29, 1961</td>
<td>August 31, 1964</td>
</tr>
<tr>
<td>John P. Lewis</td>
<td>Member</td>
<td>May 17, 1965</td>
<td>August 31, 1964</td>
</tr>
</tbody>
</table>

COUNCIL STAFF

At the end of 1964, the Council members were assisted by a professional staff of 15: Jarvis M. Babcock, James T. Bonnen, W. Lee Hansen, Frances M. James, Susan J. Lepper, David W. Lusher, Edwin S. Mills, Theodore K. Osgood, Melvin Rothbaum, Fredric Q. Raines, Frank W. Schiff, Lester D. Taylor, Lester C. Thurow, Joseph J. Walka, and Ramsay Wood.

Every year a number of staff members who have joined the Council on a temporary basis return to posts in private life or in government. Those leaving the Council in 1964 were W. H. Locke Anderson, Richard M. Bailey, Eugene A. Birnbaum, William M. Capron, Myron L. Joseph, Edward D. Kalachek, Marshall A. Kaplan, Timothy W. McGuire, Robert Solomon, Penelope H. Thunberg, and Burton A. Weisbrod.

Each summer, for the past four years, the Council has conducted a student intern program. Those selected in 1964 were Charles W. Bischoff, John E. Koehler, William D. Nordhaus, Stuart O. Schweitzer, and Frank A. Sloan.

In addition, under an arrangement with the Great Lakes College Association, a group of 12 liberal arts colleges, the Council in 1964 had a summer faculty intern, Carl T. Brehm, Jr., Associate Professor of Economics at Kenyon College.

COUNCIL ACTIVITIES

Under the Employment Act of 1946, the Council is responsible for analyzing and interpreting current and prospective economic developments and trends and for developing and recommending economic policies that will promote the goals of "maximum employment, production, and purchasing power." This charge, and the increased responsibilities that have been assigned to it in recent years by the President, require the Council to consider a wide range of policy problems and areas. As a consequence, the Council consults and works closely with other members of the Executive Office and the White House staff and with numerous Government departments and agencies in analyzing domestic and international economic issues and in formulating appropriate recommendations.

Participation in Interagency Activities

The Council discharges most of its advisory duties through informal consultations with other Government agencies; however, it also participates formally in a number of interagency activities:

1. The Chairman regularly attends meetings of the Cabinet, where he frequently briefs the President and Cabinet members on the current economic situation.
2. He is Chairman of the Cabinet Committee on Economic Growth.
3. He is a member of the Cabinet Committee on the Balance of Payments.
4. He is Vice-Chairman of the Interdepartmental Energy Study, undertaken by a group of nine agencies to study the development and use of our total energy resources, in order to help to determine the most effective allocation of research and development efforts.
5. He is a member of the Economic Opportunity Council, an interagency group established by the Economic Opportunity Act of 1964. This Council consults with, and advises, the Director of the Office of Economic Opportunity in carrying out his functions, including the coordination of anti-poverty efforts by all segments of the Federal Government.
6. He is a member of a Federal interagency committee to advise and maintain liaison with the newly appointed National Commission on Technology, Automation, and Economic Progress.
7. He is a member of the Interagency Committee on Corporate Pension Funds and Other Private Retirement and Welfare Programs, which has recently completed its report to the President.
8. He represents the Council at meetings of the Interagency Committee on Export Expansion.
9. He is an observer on the Trade Expansion Act Advisory Committee.
10. The Secretary of the Treasury, the Director of the Bureau of the Budget, and the Chairman of the Council form a coordinating committee on economic, budgetary, and revenue developments and forecasts; this committee reports its findings to the President.
11. The Chairman of the Board of Governors of the Federal Reserve System joins the above officials and their associates to form an advisory group which meets periodically with the President to discuss domestic and international monetary matters.
12. Mr. Ackley continues to serve as Chairman of the Interagency Committee on the Economic Impact of Defense and Disarmament, which also includes representatives of the Departments of Defense, Commerce, and Labor, and of the Arms Control and Disarmament Agency, the Atomic Energy Commission, the National Aeronautics and Space Administration, the General Services Administration, the Small Business Administration, the Bureau of the Budget, the Office of Emergency Planning, and the Office of Science and Technology.
13. Mr. Eckstein serves as Chairman of an interagency committee which includes representatives of the Departments of Labor and Commerce and the Bureau of the Budget and is responsible for developing and supervising an integrated program of studies and projections of U.S. economic growth.
14. Mr. Eckstein served as Chairman of the Study of the Federal Helium Program conducted by the Council with the cooperation of the Department
of the Interior, the Office of Science and Technology, and the Bureau of the Budget.

15. Mr. Okun serves as a member of the Interagency Committee on Transportation Mergers, which advises the President concerning appropriate Government policies with respect to merger proposals submitted to Federal regulatory agencies by transportation companies.

16. Mr. Okun serves as a member of the President's Committee on Consumer Interests, established when the President appointed a Special Assistant for Consumer Affairs in 1963.

17. Mr. Okun serves as Chairman of the Advisory Committee on Domestic Federal Credit Programs.

18. Members or staff of the Council served as members or observers on a number of other interagency committees dealing with a wide range of domestic or international economic matters:
   a. President's Committee on Manpower;
   b. Federal Interagency Committee on Education;
   c. Committee on Labor Supply, Employment, and Unemployment Statistics;
   d. Research Committee on Seasonal Adjustment;
   e. Interdepartmental Advisory Panel on the National Center for Health Statistics;
   f. Natural Resources Committee of the Federal Council for Science and Technology;
   g. Interdepartmental Staff Group of the Rural Development Committee;
   h. Army-Interior Advisory Board on Passamaquoddy and Upper St. John River;
   i. Economic Stabilization Task Force of the Federal Reconstruction and Development Commission for Alaska;
   j. Trade Executive Committee;
   k. Trade Staff Committee;
   l. Trade Information Committee;
   m. Committee on Export Financing of the Interagency Committee on Export Expansion;
   n. Interagency Committee on Foreign Trade Statistics;
   o. National Advisory Council on International Monetary and Financial Problems; and

19. The Council continued its work with the President's Advisory Committee on Labor-Management Policy, participating actively in the development of three seminars on Private Adjustments to Automation and Technological Change.

20. The Council participated with the Bureau of the Budget and members of the White House staff in reviewing measures proposed for inclusion
in the President's 1965 legislative program, and provided support for some
of the President's Task Forces helping to develop the program.

Committee on the Economic Impact of Defense and Disarmament

This Committee was formally established by President Johnson on
December 21, 1963. In his memorandum the President stated: "The Com-
mmittee will be responsible for the review and coordination of activities in the
various departments and agencies designed to improve our understanding
of the economic impact of defense expenditures and of changes either in
the composition or in the total level of such expenditures."

Early in 1964, the Committee established three working groups to study
(1) existing machinery for facilitating adjustments to defense changes, (2)
possibilities and policies for defense conversion, and (3) tax and expendi-
ture adjustments to major defense changes. A fourth working group was
appointed later in the year, to study coordination of research and statistics.
A staff member represents the Council on each of these working groups.
Mr. Murray Weidenbaum, on leave from the Stanford Research Institute
and now at Washington University, St. Louis, served the Committee as
Executive Secretary from June through October 1964. Mr. Guy Black
will become Executive Secretary in February 1965.

The Committee is currently completing preparation of its first report to
the President. This report is designed to accomplish four major purposes:
(1) to provide information on the economic impact of changing defense
programs—whether resulting from an over-all reduction in military ex-
penditures or merely from changes in the composition of a relatively stable
defense budget; (2) to describe existing policies and programs to aid em-
ployees, companies, and communities in adjusting to shifts in defense spend-
ing; (3) to suggest and analyze additional policies and programs which
may be needed; and (4) to help to stimulate thinking about the opportuni-
ties which may emerge as defense resources are released.

International Economic Organizations

As the free world's economies have become increasingly interdependent,
international considerations have been of growing importance in the formu-
lation of U.S. economic policies. To exchange views with foreign officials,
to keep abreast of conditions in other countries, and to obtain the necessary
cooperation in economic matters, the Council participates in several inter-
national activities:

1. Mr. Heller was a member of the U.S. delegation to:
   a. The third annual meeting of the Cabinet-level United States-
      Japan Committee on Trade and Economic Affairs, held in Tokyo,
      January 25–29;
   b. The ninth annual meeting of a similar United States-Canada
      Cabinet-level Committee, held in Ottawa, April 29–30.
2. Mr. Ackley was a member of the U.S. delegation to the Annual Meeting in Tokyo, during September, of the International Monetary Fund and the International Bank for Reconstruction and Development and its affiliates.

3. Mr. Okun served as Chairman of the U.S. delegation to the third meeting of Senior Economic Advisers to the United Nations Economic Commission for Europe in Geneva, November 2–6.

4. The Council participated actively in the work of the Organization for Economic Cooperation and Development (OECD):
   a. The Chairman continued to serve as Chairman of the U.S. delegation to meetings of the Economic Policy Committee of the OECD.
   b. Mr. Ackley and Messrs. Robert Solomon and Frank Schiff of the Council staff were, at various times, members of the U.S. delegation to the Committee’s Working Party on Balance-of-Payments Equilibrium.
   c. Mr. Lewis, and later Mr. Eckstein, was Chairman of the U.S. delegation to the Committee’s Working Party on Costs of Production and Prices.
   d. Mr. Ackley, and later Mr. David Lusher of the staff, served as Chairman of the U.S. delegation to the Committee’s Working Party on Policies for the Promotion of Economic Growth.
   e. Mr. Lusher was the U.S. representative to the Committee’s Working Group on short-term forecasts and a member of the U.S. delegation for the review of the U.S. economy carried on annually by the Economic Development and Review Committee of the OECD.
   f. Mr. Eckstein was a member of the U.S. delegation to the meeting of the Ministerial Council.
   g. Mr. Joseph of the staff was a member of the U.S. delegation to the Manpower and Social Affairs Committee.
   h. At the request of the OECD Secretariat, Mr. William Capron of the staff served as an expert adviser to the Scientific Affairs Directorate.

**Congressional Testimony**

In addition to its testimony before Appropriations Committees in support of its own budget request, the Council appeared before Congressional Committees as follows during 1964:

1. On January 23, Mr. Heller, accompanied by Mr. Ackley and Mr. Lewis, opened testimony before the Joint Economic Committee on the 1964 *Economic Report of the President.*
2. On March 17, Mr. Heller testified before the House Committee on Education and Labor in support of the Economic Opportunity Act of 1964.

3. On June 22, Mr. Ackley testified before the Senate Commerce Committee on a bill to establish a National Conversion Commission.

**Nongovernmental Meetings and Activities**

Informed public opinion is essential in understanding the complex economic issues facing the country today, and the Council attempts to contribute to such public understanding. During 1964, the Council members and staff spoke before a number of private and public organizations and institutes, appeared on radio and television programs, and wrote articles for popular and professional publications.

The Employment Act of 1946 explicitly provides for consultation with “representatives of industry, agriculture, labor, consumers, State and local governments, and other groups...” The Council has frequent informal interchanges with such representatives and also meets from time to time with four advisory groups:

1. The Liaison Committee of the Business Council, consisting in 1964 of the following: Chairman of the Liaison Committee, Donald K. David, Vice Chairman, Ford Foundation; Roger M. Blough, Chairman, United States Steel Corporation; Paul C. Cabot, Chairman, State Street Investment Corporation; Joseph B. Hall, Chairman, Kroger Company; Frederick R. Kappel, Chairman, American Telephone and Telegraph Company; W. B. Murphy, President, Campbell Soup Company; and J. Ward Keener, President, B. F. Goodrich Company;

2. The Economic Policy Committee of the AFL-CIO, including—in addition to George Meany, President, and William F. Schnitzler, Secretary-Treasurer of the AFL-CIO—the following: Walter P. Reuther, Chairman; James B. Carey; David Dubinsky; George Harrison; A. J. Hayes; Joseph Keenan; O. A. Knight; David J. McDonald; Paul L. Phillips; Emil Rieve; Paul Hall; Peter T. Shoemann; and James Suffridge;

3. The AFL-CIO economists and research directors;


**Publications**

*The Economic Report of the President*, together with *The Annual Report of the Council of Economic Advisers*, was transmitted to the Congress in January 1964. The usual distribution of copies of the *Report* was made to members of the Congress, government officials, the press, and depository libraries. The Superintendent of Documents sold an additional 49,412
copies to the public, a 38-percent increase over the previous record sale of 35,784 copies of the 1963 Report.

The monthly Economic Indicators, an important compilation of current economic statistics, has been prepared since 1948 at the Council under the direction of Miss Frances M. James, and is published by the Joint Economic Committee of the Congress. Under authority of a Joint Resolution of the Congress, copies are furnished to Members of the Congress and to depository libraries. The Superintendent of Documents sells more than 8,000 copies a month to the public.

Appropriations

The Council received an appropriation of $645,000 for the fiscal year 1965, and contemplates a supplemental appropriation to cover increased costs resulting from the Federal Employees Salary Act of 1964. The Council's request for 1966 provides for a minor increase in the Council's staff, in addition to further necessary adjustments resulting from the Salary Act.