

Appendix B

REPORT TO THE PRESIDENT ON THE ACTIVITIES OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 1969

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 1969.

THE PRESIDENT:

SIR: The Council of Economic Advisers submits this report on its activities during the calendar year 1969 in accordance with the requirements of the Congress, as set forth in Section 4(d) of the Employment Act of 1946.

Respectfully,

PAUL W. McCracken,
Chairman.
HENDRIK S. HOUTHAKKER.
HERBERT STEIN.

Report to the President on the Activities of the Council of Economic Advisers During 1969

In 1969, for the third time in its history, the Council of Economic Advisers was entirely reconstituted as the result of a change of Administration. Paul W. McCracken took office as Chairman of the Council on February 4, 1969, replacing Arthur M. Okun, who became a Senior Research Fellow at the Brookings Institution, Washington, D.C. Mr. McCracken, who had previously served as a Council Member for 2 years during 1957 and 1958, is on leave of absence from the University of Michigan where he is Edmund Ezra Day University Professor of Business Administration.

Herbert Stein and Hendrik S. Houthakker also became Members on February 4, 1969. They succeeded Merton J. Peck, of Yale University, and Warren L. Smith, of the University of Michigan. Mr. Houthakker is on leave of absence from Harvard University where he is Professor of Economics. Mr. Stein is on leave from his post as Senior Research Fellow at the Brookings Institution.

Below is a list of all past Council Members and their dates of service:

Name	Position	Oath of office date	Separation date
Edwin G. Nourse	Chairman	August 9, 1946	November 1, 1949.
Leon H. Keysarling	Vice Chairman	August 9, 1946	
	Acting Chairman	November 2, 1949	
John D. Clark	Chairman	May 10, 1950	January 20, 1953.
	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.
James Tobin	Member	January 29, 1961	July 31, 1962.
Kermit Gordon	Member	January 29, 1961	December 27, 1962.
Walter W. Heller	Chairman	January 29, 1961	November 15, 1964.
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.

ECONOMIC POLICYMAKING AND THE COUNCIL OF ECONOMIC ADVISERS

RESPONSIBILITIES OF THE COUNCIL

The Employment Act of 1946 describes explicitly the objectives of economic policy as "creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power." The foremost duty of the Council of Economic Advisers (CEA) is to give the President advice, based on economic analysis, which will assist him in assuring that this responsibility of the Federal Government is met.

A variety of analytical techniques is used, ranging from economic models incorporating complex equation systems to the careful judgment and appraisal that must finally temper the answers from formal systems. Statistical analyses of many aspects of economic conditions and stabilization policies are a continuing part of Council work. Final output of this analysis is reflected in personal consultations with the President and in memoranda from the Chairman of the Council to the President and others in the Administration.

Although the Employment Act of 1946 specifically directs the Council "to appraise the various programs and activities of the Federal Government," this function of the Agency is less familiar to the general public because it is largely internal. The Council works with other agencies to assist the Administration in formulating proposals for new programs and policies and in reappraising existing ones. It also recommends positions on bills proposed in Congress. Since January 20 the Council has made formal recommendations on 190 bills that have been either in the early stages of consideration by the Administration or the Congress or have come to the President's desk to be signed or vetoed. The Council brings to its appraisal the analytical methods of economics, and it seeks to take the viewpoint of the public at large, or the economy as a whole.

During 1969, the Council participated in formulating a number of new Administration programs, including programs for manpower training, transportation, social security, unemployment compensation, welfare, and agriculture. In each case, following background analysis by the staff, the Council's position was defined in memoranda to the President. The CEA also played a role in drafting some proposed legislation.

Analysis by the Council and its staff also helped reexamine a number of existing Federal Government programs, policies, and procedures. Among these was the CEA's participation in interagency efforts directed at such matters as interest rate ceilings on bank deposits, minority business enter-

prise, international monetary reform and trade policy, meat and oil imports, wheat exports, and a wide range of other programs and policies.

Much attention was devoted to the pressing problems in the construction and housing sectors of the economy during 1969. The Council played an active role in interagency groups dealing with lumber prices, housing prospects in the seventies, and the cutback in new contracts for direct Federal construction. The Council also participated in the Cabinet Committee on Construction appointed by the President, and the Chairman of the Council was directed by the President to serve as Chairman of this Committee. The Chairman of the Council also chaired a committee to study policies for handling the Government's uranium enrichment plants.

The CEA assists the President in the preparation of his *Economic Report* and also prepares its own *Annual Report*.

POLICY COORDINATION

The Council and its staff are in daily contact with other Government officials. There is especially close coordination among the Treasury, the Budget Bureau, and the CEA. At least weekly the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Chairman of the Council meet. Known as the "Troika," this coordinating group has two other "tiers." The second tier consists of one of the other two Council Members, the Assistant Director of the Budget for Economic Policy, and the Assistant Secretary of the Treasury for Economic Policy. A third tier, consisting of senior staff economists from the three agencies, meets frequently to appraise the economic situation and its policy implications. Outlook memoranda are prepared and cleared through the second tier of the Troika for use by the principals. The Troika meets with the President frequently. From time to time the Chairman of the Board of Governors of the Federal Reserve System participates in these meetings also.

The new Cabinet Committee on Economic Policy, established by Executive Order of the President on January 24, 1969, serves as a major forum for broader policy discussion and coordination. Members include the President, the Vice President, the Secretaries of the Treasury, Agriculture, Commerce, Labor, and Housing and Urban Development, the Counselors to the President (Mr. Burns and Mr. Moynihan), the Director of the Bureau of the Budget, the Deputy Under Secretary of State for Economic Affairs, and the Chairman of the Council of Economic Advisers (who coordinates the work of the Committee).

This Cabinet Committee considers the broad spectrum of economic program and policy issues. During 1969, the President appointed subcommittees to study such problems as post-Vietnam planning, agricultural trade, economic aspects of antitrust laws, legal ceilings on interest rates, Federal lending policies and procedures, establishment of a commission to review

Federal statistics, and the availability and prices of softwood lumber and plywood.

The Cabinet Committee on Construction was established by the President on September 4, 1969, in response to the growing problems in this industry. Its purpose is to study the impact of Federal activities on the industry and to appraise the Nation's needs for construction and housing and to devise ways to meet these needs. Formerly under the Cabinet Committee on Economic Policy, the interagency Task Force on Requirements for the Housing Program became a part of this Cabinet Committee. Members of the Cabinet Committee on Construction are the Secretaries of Commerce, Labor, Housing and Urban Development, and Transportation, the Postmaster General, the Administrator of the General Services Administration, and the Chairman of the Council of Economic Advisers.

The Council participates in a variety of other activities of interagency concern. Reflecting this wider role, the Chairman of the Council serves as a member of the Rural Affairs Council, the Urban Affairs Council, and the National Defense Review Committee; he meets with the National Security Council and the Environmental Quality Council when agenda items make this relevant. The other two Council Members as well as senior staff economists also participate in the task forces and study groups designated by these councils. The Chairman of the Council regularly attends Cabinet meetings.

There is a particularly close association between the Council and the Joint Economic Committee (JEC) of the Congress, a Committee which was also created by the Employment Act of 1946 "to make a continuing study of matters relating to the *Economic Report*" and generally for the purposes of furthering the objectives of the Act. Each year, soon after the President has submitted his *Economic Report* to Congress, the Council testifies before the JEC, which itself is required by the Act to file a report to the Senate and House by March 1 of each year, presenting its findings on the recommendations and content of the *Economic Report*. Testimony may also be presented to the JEC at other times throughout the year. During 1969, the Council testified four times before the JEC. On February 17, the Council testified on the economic thinking of the new Administration. On April 30, the Chairman testified before the Subcommittee on Economic Statistics of the JEC in support of the decennial census. On June 12, the Chairman testified before the JEC's Subcommittee on Economy in Government on defense spending and national priorities in the years ahead. And on October 23, the Council reviewed economic conditions and the outlook with the Subcommittee on Fiscal Policy of the JEC.

Although Council testimony in the past has largely been limited to the Joint Economic Committee, three exceptions arose in 1969. On March 25, the Chairman testified before the Senate Committee on Banking and Cur-

rency with regard to interest rates and monetary policy. On May 20, the Chairman appeared with the Secretary of the Treasury and the Director of the Bureau of the Budget before the Committee on Ways and Means of the House on behalf of the Administration recommendations for extending the income tax surcharge. And on September 23, the Council testified before the Committee on Government Operations of the House of Representatives on a bill that sought to formalize the apparatus of wage-price guideposts.

At the international level, the Council Members and staff are active participants in meetings of the Economic Policy Committee (EPC) of the Organization for Economic Cooperation and Development (OECD). The Chairman of the Council heads the U.S. delegation to the EPC. This Committee is part of the international machinery by which nations strive for better mutual understanding and coordination of their domestic economic policies. A Member and senior staff economists also participated in the subcommittees of the EPC on balance of payments and international financial problems (Working Party III), and Council staff have been active in OECD studies of the short-term outlook (Working Group on Short-Term Economic Prospects), of long-term economic growth (Working Party II), and of manpower policies pursued in the member countries (Manpower and Social Affairs Committee). In 1969, Council personnel attended seven of these international meetings.

PUBLICATIONS

The Council's *Annual Report* remains a major communication between the Council and citizens generally. About 54,000 copies of the January 1969 *Economic Report* have been distributed. The Council also prepares *Economic Indicators*, a monthly publication of the Joint Economic Committee. The current circulation of *Economic Indicators* is approximately 10,000.

PUBLIC CONTACTS

The Council arranged periodic meetings during the year with groups of leading academic, business, and labor union economists, in order to keep informed about their views on the major economic questions of the day. There is a constant stream of visitors to the Council from outside of Government, among them business and labor leaders, students, educators, foreign visitors, the press, and interested citizens generally. Informal interviews and discussions are also held on a wide range of economic policy problems and issues. Finally, to explain economic conditions and policies during the year, Council Members made a number of public speeches and granted interviews to newspapers and magazines.

ORGANIZATION AND STAFF OF THE COUNCIL

OFFICE OF THE CHAIRMAN

Under authority of the Employment Act, as amended by Reorganization Plan No. 9 in 1953, the Chairman of the Council bears full responsibility for employing the Agency's staff, and he is officially charged with reporting the Council's views to the President.

OTHER COUNCIL MEMBERS

The day-to-day direction of the professional staff is the general responsibility of the other two Council Members. While the Council has no departments, there is an informal division of responsibilities by subject area. Mr. Houthakker's responsibilities include economic analyses by the Council's staff in such areas as the balance of payments and international financial matters, trade policy, foreign aid and economic development, agriculture, transportation, industrial organization and antitrust, labor relations, long-term economic growth, consumer affairs, natural resources, technology, and environmental problems.

Mr. Stein's responsibilities include forecasting and analyses of economic conditions, fiscal policy and taxation, monetary policy and financial institutions, housing and urban affairs, welfare and social security problems, education, manpower and human resources, national defense matters, and post-Vietnam planning generally.

In addition to these responsibilities, Mr. Houthakker and Mr. Stein represent the Council in a wide variety of official capacities, including meetings of the Cabinet Committee on Economic Policy and the Cabinet Committee on Construction. One of these two Members is always designated as Acting Chairman when the Chairman is absent from Washington.

PROFESSIONAL STAFF

At the end of 1969, the Council's senior professional staff included 16 economists and one statistician. Assisting the Chairman in carrying out his numerous official responsibilities is the Special Assistant to the Chairman, Albert H. Cox, Jr. Mr. Cox also handles press relations for the Council, acts as staff secretary for the Cabinet Committee on Economic Policy, and performs professional duties, including work in his primary fields of specialty (financial markets and monetary conditions).

Senior Staff Economists William H. Branson, Murray F. Foss, and Frank C. Ripley work primarily on analyses and forecasting of economic conditions. Mr. Branson, who along with Mr. Foss represents the CEA in the third tier of the Troika (discussed earlier), also did extensive work during the year on the Administration's proposed welfare program and on the review of economic aspects of the defense program. Mr. Ripley's primary responsibility has been in the development and refinement of the Troika

forecasting models, the analysis of price-making forces, and other econometric studies.

Senior Staff Economist Phillip D. Cagan and Staff Economist Robert René de Cotret cover monetary policy and financial institutions and the influence of developments in this area on economic activity. Senior Staff Economist Charles E. McLure, Jr., has been concerned with matters of fiscal policy and public finance, including tax policy, problems of measuring the Federal budget, cost-benefit analyses of expenditure programs, social security, and economic and budgetary aspects of Federal credit programs.

The fields of human resource development and labor market analysis are assigned to Marvin H. Kusters and Michael H. Moskow, both Senior Staff Economists. Mr. Kusters and Mr. Moskow are primarily concerned with labor market conditions, manpower programs and problems, industrial relations, labor union developments, and wage trends and prospects.

Housing and construction problems, and the problems of small business and minority business enterprise are the primary focus of Sidney L. Jones, Senior Staff Economist. Mr. Jones also serves as the staff secretary for the Cabinet Committee on Construction. Staff Economist Irene Lurie works in the field of welfare and income maintenance and on other economic aspects of poverty problems.

Three Senior Staff Economists specialize in economic analysis of particular programs and activities of the Federal Government. During 1969, Thomas G. Moore participated in a wide variety of interagency studies, including those concerned with the uranium enrichment facilities of the Atomic Energy Commission, urban mass transit, the supersonic transport, pollution problems, domestic satellite communications, antitrust policy, airports and airways, economics of marine resources, electric power reliability, and international aviation policy. Studies relating to oil import quotas, tariff preferences for less developed countries, and foreign aid were among those to which Senior Staff Economist Edward J. Mitchell contributed. Senior Staff Economist Harold O. Carter is concerned with the economics of agriculture and the many aspects of agricultural and rural development programs and policies.

Saul Nelson has been the Senior Staff Economist concerned with price and commodity developments, and during the year he participated in various interagency studies in these fields. In October, Mr. Nelson was given a leave of absence to work on a project for the International Bank for Reconstruction and Development.

Analysis of international economic problems is carried forward by G. Paul Wonnacott and Thomas D. Willett, Senior Staff Economists. Mr. Wonnacott has been concerned with such areas as balance of payments and international financial developments, foreign trade policy, and problems concerning the interrelationships of domestic economies. In addition to participating in the coverage of these areas, Mr. Willett has been engaged in the study of longer range aspects of international financial policy.

Frances M. James, Senior Staff Statistician, is in charge of the Council's Statistical Office. Miss James has major responsibility for managing the Council's economic and statistical information system. She also supervises the preparation of *Economic Indicators* for publication, the preparation of tables and charts for a wide variety of meetings throughout the year and for the *Economic Report*, and the fact-checking of memoranda, speeches, and testimony.

Assisting the senior professional staff are four Junior Economists, Leslie J. Barr, Paul N. Courant, Robert A. Kelly, and Rosemary D. Marcuss. Barry M. Levenson and Timothy B. Sivia are research assistants. Assisting Miss James in the Statistical Office are Teresa D. Bradburn, Catherine H. Furlong, Christine L. Johnson, and V. Madge McMahon.

From time to time, leading members of the economics profession have acted as consultants to the Council in various capacities. At the end of 1969, the list of active consultants included Edward F. Denison (Brookings Institution), Marten S. Estey (University of Pennsylvania), Ray C. Fair (Princeton University), Milton Friedman (University of Chicago), Gottfried Haberler (Harvard University), Arnold Harberger (University of Chicago), David J. Ott (Clark University), George Stigler (University of Chicago), and Lloyd Ulman (University of California).

In 1969 the Council continued its student intern program. Under this program the Council employs a limited number of outstanding students in economics, both graduate and undergraduate, for various periods of time, particularly in the summer. Employed under this program in 1969 were Henry E. Cole, W. Donald Dresser, H. Diana Hicks, Neil J. McMullen, Paul B. Manchester, Richard C. Marston, Mary E. Procter, Daniel L. Rubenfeld, and Earl M. Unger. Mr. Dresser, Mr. McMullen, and Miss Procter also returned as consultants during preparation of this *Annual Report*.

SUPPORTING STAFF

The Council's Administrative Officer, James H. Ayres, has responsibility for office management, including general supervision of the secretaries and messengers, duplicating, and the Agency's budget. Mr. Ayres, who reports to the Special Assistant to the Chairman, is assisted by Nancy F. Skidmore, Elizabeth A. Zea, and Bettye T. Siegel.

The secretarial staff includes Daisy S. Babione, Mayme Burnett, Mary C. Fibich, Elizabeth F. Gray, Laura B. Hoffman, Bessie M. Lafakis, Patricia A. Lee, Betty Lu Lowry, Eleanor A. McStay, Joyce A. Pilkerton, Dorothy L. Reid, Earnestine Reid, and Linda A. Reilly. Margaret L. Snyder serves primarily as the Agency's contact for general public information. James W. Gatling, Judson A. Byrd, and A. Keith Miles operate the duplicating and messenger department.

In preparing its *Annual Report*, the Council relied upon the editorial skills of Rosannah C. Steinhoff.

DEPARTURES

Charles B. Warden, Jr., who had served as Special Assistant to the Chairman for more than 3 years, resigned to accept a position with Data Resources, Inc., Lexington, Mass.

The Council's professional staff is drawn primarily from universities, largely on a 1-year basis. Many, therefore, who had served the Council during 1969 were not on the staff at the end of the year. Senior Staff Economists who resigned during the year were Leonall C. Andersen, F. Gerard Adams, Barry P. Bosworth, Frederick W. Deming, Marten S. Estey, Lawrence B. Krause, James W. Kuhn, Roger G. Noll, David J. Ott, Jack Rosen, Courtenay M. Slater, Thomas T. Stout, and Luther T. Wallace. Junior economists who served the Council in 1969, but were not members of the staff at the end of the year, were Susan R. Ackerman and Roselee N. Roberts. Research assistants Elaine R. Goldstein and Joanne C. Turner also served for a part of the year. Secretarial resignations included Frances V. Broderick, Anne G. Donnelly, Gladys R. Durkin, Roberta R. Kirk, Helen H. Knox, Karen J. MacFarland, Lucille F. Saverino, and Joy T. Sindelar.

The Council of Economic Advisers suffered a great loss with the passing of David W. Lusher, June 15, 1969. Mr. Lusher, widely known in this country and abroad as a student of economic developments and policy, joined the staff of the Council in March 1952.

