Remarks from “The Council of Economic Advisers: 70 years of advising the president”

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Two years after the creation of the Council of Economic Advisers in 1946, Rexford Guy Tugwell, who was one of the New Deal's most prominent enthusiasts and a very experienced Washington observer, concluded that the CEA did not “possess very great survival value,” and that it “was vulnerable to its natural enemies and possesses no great strength of its own.” He viewed it as an “experiment” that would finally be “liquidated.”

Well, the “experiment” survived. Of the more than four dozen entities that have been lodged at one time or another in the executive office of the president, there are only 11 which remain today. Given the nature of its roles and resources, it is interesting that the CEA has shown such resilience and staying power. This is an entity that was created by Congressional initiative.

The Truman Administration was decidedly lukewarm to the idea. The president permitted his treasury secretary, Fred Vinson, publicly to argue against the creation of a new entity, and instead, to suggest a cabinet committee which he would chair to perform the functions of the proposed council. Well, Congress charged ahead and created a council of three members: A chairman, a vice chairman and a member, all of whom had equal authority over hiring personnel and expenditures.

Truman ultimately signed the legislation, and waited about six months before appointing anyone. He nominated three individuals who did not know one another well, came from decidedly different perspectives, and who did not share a common vision of how the council would function.

Well, the combination was toxic. After three frustrating years, Edmund Nourse, the chairman, resigned. Leon Keyserling, 25 years younger, the vice chairman, was appointed acting chairman and six months later, nominated as chairman. But there's little evidence that the president made much use of the council. Congressional support waned. The council's modest appropriation was reduced twice, and the first Hoover commission recommended abolishing the council and replacing it with an office of the economic advisor.

The new president, Dwight Eisenhower, on the advice of his administrative assistant for domestic and economic affairs, Gabriel Hauge, invited Arthur Burns, whom he had known while serving as a president of Columbia University, to serve as his economic advisor and to make recommendations on the fate of the council.

Eisenhower was inclined to have Burns as his economic advisor, but said he wanted Burns' best advice. After extensive consultations on the Hill and in the administration, Burns recommended, and Eisenhower approved, reorganizing the council -- presidents had reorganization authority back in those days -- and making the chairman preeminent. It was Arthur Burns, more than anyone else, who established the link of the council to academia, with a staff who came to the council for a year or two years and then returned to their academic pursuits.

The members, as well as the staff, were senior established economists. The list, over the last 70 years, is truly impressive. Staff appointments are made without reference to party affiliation; they don't have to go through clearance with the White House Office of Presidential Personnel. Given the timing of presidential elections that are not linked, amazingly enough, to the academic calendar, large numbers of staff serve in administrations of different political parties. This has proven to be a great strength of the council in establishing itself as an entity of high quality, objective and non-partisan analysis.

It's important to remember how unique as an entity the Council of Economic Advisers remains. There's nothing quite like it in the executive branch of the U.S. government, and moreover, the Council of Economic Advisers is a distinctly American invention that's not been replicated elsewhere.

During the last 70 years, Republicans have occupied the White House for 36 years, and Democrats for 34 years. They have appointed 28 chairs of the council, 14 by Republican presidents, 14 by Democratic presidents. Why has the Council of Economic Advisers survived and thrived? Well, the reasons are several and inter-related.

First, it has remained small even as the number of issues on which it provides advice has expanded with the growth of government activity. Small organizations tend to concentrate on the things that matter most to keep those who work there energized, busy and motivated, and to create opportunities to build a culture of collaboration.

Secondly, the CEA has wisely resisted taking on operational responsibilities, with the exception of the wage-price guidelines during a brief period of the Johnson administration. A key to the CEA's success has been that it has focused on the things that it does best.

Third, for the most part it has avoided taking a high public profile and the inevitable controversies that accompany enhanced visibility. The Brownlow Committee report, which led to the creation of the executive office of the president in 1939, urged that the president surround himself with individuals who have a passion for anonymity, and in eschewing a high public profile, the CEA has avoided the damage to its reputation that it suffered during the final years of the Truman administration.

Fourth, it has not recruited a partisan staff. Instead, it has focused on excellence, intense commitment, and those who would bring with them fresh thinking, who would maintain a steady flow of ideas from the best work in the academic community. As a former White House chief of staff observed approvingly to me, most of the CEA members and chairs are on sabbatical, and do not provide a bureaucratic or institutionally self-serving response.

Fifth, the CEA is not viewed by its administration colleagues as a threat, nor is it filled with individuals who are seeking other positions. Serving on the CEA is not viewed as a stepping stone. It does, however, provide visibility at the highest levels. The last three chairs of the Federal Reserve Board, Alan Greenspan, Ben Bernanke and Janet Yellen, each previously served as CEA chairs.

The CEA has benefited enormously from carefully cultivating relationships with other administration officials. Before interviewing Walter Heller, with the help of a research assistant, I went through what is called the President's Daily Diary, a log of all meetings involving the president, with who is with him and the number of minutes the meetings last.

I was curious regarding with whom among his economic advisors President Kennedy spent the most time. I reported to Arthur Heller a striking finding: During his second year in office, President Kennedy had spent twice as much time with Arthur Heller as he did during the first year. What could explain this?

Heller was fascinated with this statistic that was new to him. He explained that he barely knew President Kennedy when first appointed, and was relentless in his efforts to engage the president on economic policy issues. Heller suggested the creation of what he named the Troika--the Treasury Secretary, Budget Director and CEA Chair--and the Quadriad, those three officials plus the chair of the Federal Reserve Board, and urged that it hold regular meetings with the president. Ultimately, Kennedy relented and came to enjoy the sessions.

Another key relationship for the CEA has been with the individual and entity in the White House responsible for coordinating economic policy. The central role of the CEA, as Charlie Schultze reminds us, is to serve as an advocate for economic efficiency. As CEA chair, he wisely resisted Stu Eisenstadt's urging to take an office in the West Wing, and to take on the role of coordinating economic policy, as well, during the Carter years.

For the CEA chair, the relationship with the White House Economic Office is a crucial one. Viewed from outside, it appears like a relationship that could be competitive. In reality, it is far more likely to be one where these two individuals view one another as allies, and often, as trusted confidants. There had been two exchanges between these offices. Laura Tyson, after serving as CEA chair, became assistant to the president and director of the National Economic Council, and more recently, Jason Furman, the current CEA chair, served immediately before his CEA appointment as deputy director of the National Economic Council.

In one sense, the CEA and its chairman have one client and one audience, the president. And this represents a challenge. Not surprisingly, presidents differ markedly in their interest, appetite for, and understanding of economics. Three presidents have majored in economics as undergraduate: Gerald Ford in Michigan, Ronald Reagan at Eureka College, and George H.W. Bush at Yale. Other presidents, like John Kennedy, were curious. Go out to the Kennedy Library and see the number of memos sent to him responding to his requests about, "tell me about French indicative planning," et cetera.

At the same time, according to Walter Heller, Kennedy had a hard time keeping straight fiscal and monetary policy. Heller told me that he offered the president a helpful suggestion. The Federal Reserve was responsible for monetary policy, which begins with an M, as did the last name of its chairman, William McChesney Martin. Kennedy thanked him for the tip, and managed thereafter to keep fiscal and monetary policy straight.

At all times, the CEA has an important role to play in helping the president to make informed decisions that accurately assess the real choices he faces that reflect substantive reality, as well as options that are capable of being implemented efficiently and effectively.

This creation of estimates requires both ability and integrity. Sometimes, one must approach reality carefully. The first cabinet meeting I ever attended was Herb Stein's last. After five-and-a-half years as a member and Chairman of the CEA, he was ready to move on. Alan Greenspan's nomination would be voted on shortly. It was an opportune time to leave; prices were rising sharply at double-digit levels.

The newly-sworn-in President Ford thanked him profusely for his service, and concluded by offering that whenever he wanted to come back, he would be welcome. Herb, without missing a beat graciously thanked him and said, "Well, if it's all the same to you I'll just wait until this inflation thing blows over."

To deal with inflation, President Ford convened a summit conference. Bill Seidman, his Assistant for Economic Policy, was put in charge of organizing it, and worked with the then-newly-appointed CEA Chair, Alan Greenspan, to organize a session of 30 leading economists, most of whom had served in the government, and a majority of whom had served at the CEA. The list of invitees was carefully balanced, 15 Republicans, 15 Democrats.

The session was held in the East Room of the White House; it lasted a full morning, and then the President joined the gathering for an hour to listen to their conclusions. Arthur Okun, Lyndon Johnson's last CEA Chair, was chosen to present the summary. He skillfully outlined the areas where their assessments and prescriptions differed, but also where they were in agreement: Notably, that economic regulation in transportation, energy, communication and financial services, among others, was contributing substantially to the inflation.

As much as any single event, that public agreement helped launch a regulatory reform movement that extended for more than two decades. In Washington, policy is always the product of many hands. Presidents now routinely refer to their economic policy team, and their foreign policy team. Successful teams consist of talented players who work well together; historically the CEA has proven a valuable member of that team.

For the most part, the CEA has maintained its credibility with the Congress, with the outside economic community, and with the President and the others who advise him on economic policy issues. The CEA's task is simple, if challenging. Focus on what it does well, maintain its reputation for sound and objective analysis, steer clear of operational responsibilities, maintain a fresh flow of people and ideas from the world of academia, and provide the President with the best analysis available, and its best economic judgment.

It faces a major challenge. In an era of heightened partisanship, can the CEA maintain its reputation for objective analysis? Can it resist getting dragged into the web of the White House communications machine? To what extent should it play an outside role? The tension that underlay the Nourse-Keyserling relationship, how much to defend and seek to advance the President's policies publicly, will always remain a challenge.

The CEA has survived because it fills a special niche. It brings to bear the tools of economics in a way that has special credibility. It is not tied to a department or bureaucracy or agency or outside constituency, other than economists. Life in government is not a one-way street. The CEA will thrive to the extent that it is valued, and the knowledge that it is valued, needs to come from the President and those who work closely with him.

The quality of any organization is measured in many ways, among them, the ability of the people who are attracted to work there, and the regard with which their work is viewed and used. Organizations succeed when they concentrate on what they do best; more is not better, better is better. The CEA is an organization that has remained modest in size, agile in its willingness and ability to address a myriad of policy issues, and determined to work hard, analyze carefully, and let the chips fall where they may. Those of us privileged to have worked closely with it invariably come to admire it greatly. I'm among those who believe that its contributions are many and substantial, and that those contributions have benefitted the presidents that it has served so well.

Roger Porter was assistant to the President for economic and domestic policy in the George H. W. Bush administration, director of the White House Office of Policy Development in the Reagan administration and executive secretary of the President's Economic Policy Board in the Ford administration. These remarks were delivered on February 11, 2016, at "The Council of Economic Advisers: 70 years of advising the President" held at the Hutchins Center on Fiscal and Monetary Policy at Brookings. [*https://www.brookings.edu/events/the-council-of-economic-advisers-70-years-of-advising-the-president/*](https://www.brookings.edu/events/the-council-of-economic-advisers-70-years-of-advising-the-president/)