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ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE MEETING

AGENDA  
8:30 a.m.  
Roosevelt Room

February 24, 1976

1. International Aviation Policy Statement
2. Report of EPB/NSC Task Force on Commodities Treasury/State

MINUTES OF THE  
ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE MEETING  
February 23, 1976

ATTENDEES: Simon, Lynn, Greenspan, Richardson, Dunn, Zarb,  
Malkiel, MacAvoy, Porter, Perritt, Kasputys,  
Leach, Arena, Butler, Foryst

1. Audit and Reform

The Executive Committee reviewed a memorandum prepared by the Treasury on the need for reform of the Federal Government's audit system. The discussion focused on the current pattern of conducting financial audits of Federal Government programs, the relationship of audits to evaluation of program effectiveness, and a suggestion of transferring certain audit responsibilities to the states.

Decision

The Executive Committee approved establishment of a task force to more precisely define the problem and objectives of audit reform and to develop options on the issue for consideration by the Executive Committee. The task force will include representatives of the Department of the Treasury, OMB, CEA, and the Domestic Council.

2. Report of Subcommittee on Economic Statistics

The Subcommittee on Economic Statistics reported on its deliberations on: (1) fringe benefit statistics and (2) the CPI and cost of living allowances. Mr. Malkiel reported that the Subcommittee had discussed at length the current unavailability of comprehensive statistics on fringe benefits as a proportion of total compensation and believes that the appropriate solution is the development of an Unemployment Cost Index. The comprehensive index including benefits will be available for some sectors of the economy in 1977 and economywide in 1978.

The Subcommittee has also considered the question that use of the CPI for indexing wage payments can contribute to the rate of inflation, especially if the CPI is an upward biased indicator of the cost of living. The Subcommittee identified three particular problems potentially

biasing the CPI: (1) the CPI is not a cost of living index but simply compares what a "market basket" of goods and services cost this month against the cost during some past date. (2) The CPI does not adequately capture quality improvements, especially gains from the introduction of new products. (3) Some items in the CPI are incorrectly measured such as owner-occupied housing.

The Subcommittee is currently working on an alternative method to measure home ownership costs in the CPI and will provide the Executive Committee with its recommendations on this issue in the Subcommittee's March monthly status report.

3. 1975 Defined Benefit Plan Terminations

The Executive Committee reviewed a memorandum prepared by the Department of Labor on "1975 Defined Benefit Plan Terminations," which is attached at Tab A.

Decision

The Department of Labor will continue its investigations of the effects of the Employment Retirement Income Security Act of 1974 (ERISA) on the rate of formation of new pension plans.