

**The original documents are located in Box C4, folder “Presidential Handwriting, 10/4/1974” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.**

### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

Central File  
THE PRESIDENT HAS SEEN. *WJF*

COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

ALAN GREENSPAN, CHAIRMAN  
WILLIAM J. FELLNER  
GARY L. SEEVERS

October 4, 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Monetary and Financial Conditions

*WJF*

Summary

The reduction in the growth rates of  $M_1$  and  $M_2$  needed for getting an inflationary process under control have historically preceded and in part accompanied pronounced economic slowdowns and/or recessions. There is a time lag between changes in the rate of money growth and the acceleration or deceleration of spending. The  $M_1$  and  $M_2$  growth rates for the past 52 weeks reflect the gradual application of restraint as compared to the preceding period. The 52 weeks money growth is consistent with a policy attempting to reduce the inflation rate gradually, in line with the conception that the growth of the money supply would subsequently have to be lowered further to achieve a further lowering of the inflation rate. So far hardly any reduction of the rate of price increase has as yet taken place; and the more recent (shorter period) money growth rates are significantly smaller than those applying to the past 52 weeks.

Short term interest rates continued to fall this week. The 3-month Treasury Bill rate is now more than two percentage points below its August average. Lower yields on bills and other short term assets should be helpful to the thrift institutions that had suffered sizable outflows of funds. Long term interest rates have remained approximately unchanged.

*William Fellner*

William Fellner  
Member

*[Handwritten signature]*

Alan Greenspan  
Chairman

