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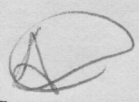
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COUNCIL OF ECONOMIC ADVISERS
WASHINGTONALAN GREENSPAN, CHAIRMAN
WILLIAM J. FELLNER
GARY L. SEEVERSNovember 15, 1974 *WJF*

MEMORANDUM FOR THE PRESIDENT

Subject: Monetary and Financial Conditions and their Bearing
on the Economic Outlook

The moderate increase in the money supply during the past thirteen or the past twenty-six weeks suggests quite a bit of anti-inflationary pressure for the coming six months or so. This and some other considerations suggest that we might get a somewhat more pronounced temporary decline in the real GNP than had been predicted by most forecasters not long ago in which case there would be a chance of earlier price deceleration and also of a stronger rebound of activity after a limited period. However, short-run relations between the money supply and the GNP are not sufficiently dependable to justify firm predictions. Quite recently the money supply rose at a higher rate than was the case before but the effect of the growth rate of the money supply on the money value of the GNP comes with a lag. Interest rates are now distinctly lower than they were in the late part of the summer and, as usual, the tendency shows in a much more pronounced form in the short than in the long rates.

*William J. Fellner*William J. Fellner
Member
Alan Greenspan
Chairman

Some Details
(Optional Reading)

(1) Money Growth. The following figures give numerical content to the statements in the Summary concerning the growth of the money supply.

Percent Changes of Monetary Aggregates,
Seasonally Adjusted Annual Rates

Period	M ₁ (currency plus demand deposits)	M ₂ (currency plus all commercial bank deposits except large CD's)	Credit (adjusted bank credit proxy)
Past 52 weeks (from average of four weeks ending Nov. 7, 1973 to average of four weeks ending Nov. 6, 1974)	5.6	8.1	9.7
Past 26 weeks (from average of four weeks ending May 8, 1974 to average of four weeks ending Nov. 6, 1974)	3.7	6.9	7.0
Past 13 weeks (from average of four weeks ending Aug. 7, 1974 to average of four weeks ending Nov. 6, 1974)	2.7	6.4	2.0

Interest Rates
(average of daily figures)

(percent)

Period	U. S. Government			Prime commercial paper 4-6 months	Moody's Aaa bond rate
	3-month bills	3-5 year issues	long term bonds		
August	8.74	8.64	7.33	11.65	9.00
September	8.36	8.38	7.30	11.23	9.24
Week ending:					
Oct. 11	6.70	7.98	7.26	9.73	9.38
Oct. 18	7.72	7.95	7.22	9.31	9.29
Oct. 25	7.52	7.90	7.18	8.90	9.19
Nov. 1	7.89	7.98	7.12	8.83	9.09
Nov. 8	7.88	7.83	7.04	8.88	8.99
Nov. 15 ^P	7.60	7.70	6.94	8.88	8.90