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THE PRESIDENT HAS SEEN *[Handwritten initials]*

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

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

February 22, 1975 *[Handwritten initials]*

MEMORANDUM FOR THE PRESIDENT

Subject: Weekly Report on Monetary and Financial Conditions

During the week ending February 12, M_1 and M_2 rose over the previous week's levels, although for the past quarter M_1 growth is still negative and M_2 growth is very low. The net effect of recent policy actions, including reserve-ratio changes as well as open market operations, and of the reaction of the commercial banks to these moves, has been to hold the growth rates of monetary aggregates at levels from which they will now have to rise appreciably to attain the economic recovery projected for the second half of 1975. Recent experience confirms the view that a downward trend in interest rates may in circumstances such as the present express weakness on the demand side of the credit market rather than the stimulating effect of a rising money supply. The Fed has for some time been faced with an exceedingly difficult problem of balancing objectives and it should be stressed that its unwillingness to "accommodate" the steep rates of inflation of 1974 has played a very major role in getting us on the road to price-deceleration which has been a prerequisite of a healthy and sustainable recovery. Last week's rise in the money aggregates has, we believe, been expected by the Fed; it is to be welcomed, though the period is, of course, too short for arriving at a judgment as to impending money growth 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 Feb. 13, 1974 to average of four weeks ending Feb. 12, 1975)	4.1	6.9	9.1
Past 26 weeks (from average of four weeks ending Aug. 14, 1974 to average of four weeks ending Feb. 12, 1975)	1.2	5.5	3.5
Past 13 weeks (from average of four weeks ending Nov. 13, 1974 to average of four weeks ending Feb. 12, 1975)	-.4	4.7	4.8
Past 4 weeks (from average of four weeks ending Jan. 15, 1975 to average of four weeks ending Feb. 12, 1975)	-2.7	5.2	-0.3

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
October	7.24	7.98	7.22	9.36	9.27
November	7.59	7.65	6.93	8.81	8.90
December	7.18	7.22	6.78	8.98	8.89
January	6.49	7.29	6.68	7.30	8.83
Week ending:					
Jan. 24	6.37	7.36	6.69	6.85	8.78
Jan. 31	5.61	7.23	6.67	6.48	8.74
Feb. 7	5.67	6.91	6.59	6.45	8.68
Feb. 14	5.80	6.92	6.58	6.34	8.63
Feb. 21 ^P	5.41	6.72	6.63	6.29	8.59