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THE PRESIDENT HAS SEEN *dg.*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 14, 1974

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Monetary and Financial Conditions,
September 13, 1974

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For the 52-week period now ending the growth of the money supply can be described as 8-1/2 or as 5-1/2 percent, depending on whether we do or do not include time deposits in the commercial banks (other than the so-called large Certificates of Deposit). This growth rate of the money supply is intentionally less than one would expect to be needed for continued "financing" of the present rate of price inflation along with a rising (or even a flat) output. For shorter periods now ending -- such as three months -- the growth of the money supply has been even smaller but to some extent at least this could well be a consequence of the incompleteness of the Fed's control over the money supply over shorter periods.

Interest rates have remained high, as they inevitably must when the public expects further steep price increases. In such circumstances borrowers are willing to pay high interest rates and lenders insist on high rates to compensate them for the loss suffered by receiving their money back at a time when it will have lesser purchasing power. Some interest rates have, however, declined slightly during the past weeks.

William J. Fellner

William J. Fellner
Acting Chairman

Attachment



Table 2
MONEY STOCK MEASURES
 PER CENT CHANGE AT SEASONALLY ADJUSTED ANNUAL RATES

Period	M ₁	M ₂	M ₃
	Currency plus demand deposits ^{1/}	M ₁ plus time deposits at commercial banks other than large CD's ^{2/}	M ₂ plus deposits at nonbank thrift institutions ^{3/}
August from:			
May 1974 (3 months previous)	4.3	7.6	5.8
Feb. 1974 (6 months previous)	5.6	7.2	6.2
Aug. 1973 (12 months previous)	5.4	8.5	7.6
Four weeks ending: Sept. 4, 1974 from four weeks ending:			
June 5, 1974 (13 weeks previous)	3.3	6.8	
Mar. 6, 1974 (26 weeks previous)	4.8	6.7	
Sept. 5, 1973 (52 weeks previous)	5.5	8.4	

^{1/} Includes (1) demand deposits at all commercial banks other than those due to domestic commercial banks and the U.S. Government, less cash items in the process of collection and F.R. float.

(2) foreign demand balances at F.R. Banks; and
 (3) currency outside the Treasury, F.R. Banks and vaults of all commercial banks.

^{2/} Includes, in addition to currency and demand deposits, savings deposits, time deposits open account, and time certificates of deposits other than negotiable time certificates of deposit issued in denominations of \$100,000 or more by large weekly reporting commercial banks.

^{3/} Includes M₂ plus the average of the beginning and end of month deposits of mutual savings banks and savings and loan shares.

Note: All rates of change are based on daily average data; rates of change are not compounded.