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Central Files

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

December 6, 1974

JFK

MEMORANDUM FOR THE PRESIDENT

Subject: Weekly Monetary and Financial Conditions

Our comments concerning accelerating monetary growth in last week's memo also hold true for the most recent data. This vigorous expansion in both M1 and M2 has been aided by expansionary monetary policies designed to increase bank reserves. As a result of these policies banks have been able in recent weeks to increase deposits and at the same time to improve their liquidity by reducing their borrowings from the Federal Reserve System. Most interest rates increased slightly during the week ending December 6, after having declined appreciably from the highs reached in August and September. The Dow Jones Industrial declined to 578 on Friday, the lowest level reached since October 1962.

William J. Fellner

William J. Fellner
Acting 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. 28, 1973 to average of four weeks ending Nov. 27, 1974)	5.0	7.9	9.8
Past 26 weeks (from average of four weeks ending May 29, 1974 to average of four weeks ending Nov. 27, 1974)	3.9	7.1	6.5
Past 13 weeks (from average of four weeks ending Aug. 28, 1974 to average of four weeks ending Nov. 27, 1974)	3.2	6.8	2.9
Past 4 weeks (from average of four weeks ending Oct. 30, 1974 to average of four weeks ending Nov. 27, 1974)	6.2	9.8	8.6

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
Week ending:					
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	7.60	7.67	6.92	8.81	8.89
Nov. 22	7.53	7.53	6.87	8.73	8.84
Nov. 29	7.33	7.50	6.88	8.81	8.84
Dec. 6	7.52	7.49	6.91	8.90	9.06