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Central Files

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

December 14, 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Monetary and Financial Conditions

WJF

Average short-term interest rates for the week ending December 13th were down sharply from the previous week's average. This was preceded by an extraordinary expansion in M_1 and M_2 that was influenced by the reduction in the required reserves member banks must hold per dollar of deposits. Monetary policy has definitely shifted away from the restrictiveness that was evident from about June to about November. With the recent expansionary policies, growth rates for M_1 and M_2 will be about 5 percent and 8 percent for 1974 as a whole and probably not very different for the second half of the year at an annual rate. Only if the very recent large increases reflect strictly temporary measures, aiming for offsetting the very small size of the June to November increases, are these recent money growth rates compatible with an anti-inflationary policy.

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 Dec. 5, 1973 to average of four weeks ending Dec. 4, 1974)	5.2	8.0	10.1
Past 26 weeks (from average of four weeks ending June 5, 1974 to average of four weeks ending Dec. 4, 1974)	4.2	7.1	6.5
Past 13 weeks (from average of four weeks ending Sept. 4, 1974 to average of four weeks ending Dec. 4, 1974)	4.3	7.2	3.7
Past 4 weeks (from average of four weeks ending Nov. 6, 1974 to average of four weeks ending Dec. 4, 1974)	9.1	10.0	10.9

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:					
Dec. 6	7.52	7.46	6.89	9.05	8.90
Dec. 13	7.17	7.16	6.75	8.72	8.87