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THE PRESIDENT HAS SIGN. *J.*

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

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

January 3, 1975

MR

MEMORANDUM FOR THE PRESIDENT

Subject: Monetary and Financial Conditions

Continued expansionary monetary-policy actions created enough reserves to permit member banks further to reduce their borrowings from the Fed, and to sell additional Certificates of Deposits which belong among the liquid assets not included in the "money supply". The money supply itself changed little in December. When we compare the average of the four-weeks ending on December 25 with the four-week period ending a year earlier, the increase in the narrowly defined money supply comes out at 4.7 percent and that in the broadly defined money supply at 7.5 percent.

Most interest rates changed little during the past week. However, the Federal Fund rate which banks charge to other banks for reserve balances held in the Fed and lent to each other declined from almost 8.5 percent to about 7.4 percent.

William J. Fellner

William J. Fellner
Member

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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 Dec. 26, 1973 to average of four weeks ending Dec. 25, 1974)	4.7	7.5	10.2
Past 26 weeks (from average of four weeks ending June 26, 1974 to average of four weeks ending Dec. 25, 1974)	3.3	6.1	5.7
Past 13 weeks (from average of four weeks ending Sept. 25, 1974 to average of four weeks ending Dec. 25, 1974)	5.1	7.4	4.3
Past 4 weeks (from average of four weeks ending Nov. 27, 1974 to average of four weeks ending Dec. 25, 1974)	5.7	4.6	8.5

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
Week ending:					
Jan. 3	7.11	7.27	6.76	8.96	8.94