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COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

January 10, 1975

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

MEMORANDUM FOR THE PRESIDENT

Subject: Monetary and Financial Conditions

The reduction in member bank borrowings from the Federal Reserve System mentioned in the two previous weekly memos continued through January 8. Expansionary policy actions offset the reduction in borrowing so that total bank reserves remained unchanged from the four weeks ending December 10 to the four weeks ending January 8. The lack of growth in bank reserves was mainly responsible for the decline in  $M_1$  and unusually slow growth in  $M_2$  during recent weeks as reported in the last row of the attached Table. In the most recent week interest rates declined as a result of declining loan demand. Stock market prices rose somewhat.

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 <sub>1</sub> (currency plus demand deposits)	M <sub>2</sub> (currency plus all commercial bank deposits except large CD's)	Credit (adjusted bank credit proxy)
Past 52 weeks (from average of four weeks ending Jan. 2, 1974 to average of four weeks ending Jan. 1, 1975)	4.4	7.2	10.0
Past 26 weeks (from average of four weeks ending July 3, 1974 to average of four weeks ending Jan. 1, 1975)	2.6	5.6	5.3
Past 13 weeks (from average of four weeks ending Oct. 2, 1974 to average of four weeks ending Jan. 1, 1975)	4.3	7.0	4.4
Past 4 weeks (from average of four weeks ending Dec. 4, 1974 to average of four weeks ending Jan. 1, 1974)	-1.8	1.1	6.0

Interest Rates  
 (average of daily figures)  
 (percent)

Period	U.S. Government 3-month bills	U.S. Government 3-5 year issues	long term bonds	Prime commercial paper 4-6 months	Moody's Aaa bond rate
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	7.26	6.77	8.84	8.93
Jan. 10 <sup>P</sup>	6.70	7.23	6.68	7.91	8.92