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COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

THE PRESIDENT HAS SEEN *[Handwritten initials]*

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

January 25, 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Monetary and Financial Conditions

*[Handwritten initials]*

Summary

For 1974 as a whole anti-inflationary monetary policies have succeeded in lowering monetary growth to a rate that will accommodate economic expansion only after the impending reduction of the price-inflation. For example, the broadly defined money supply grew by slightly more than 7 percent (the narrowly defined money supply by about 4-1/2 percent), and money growth was supposed to increase somewhat in the near future. However, recently, the increase in reserves created by the Fed has led to very little change in the total money supply, mainly because the commercial banks have been reducing their outstanding borrowings from the Fed. To get back on a reasonable path the Fed presumably needs to "push somewhat harder" for a while, and this is what is being done by the reduction of reserve requirements recently announced.

*[Handwritten signature of Alan Greenspan]*

Alan Greenspan  
Chairman

*[Handwritten signature of William J. Fellner]*

William J. Fellner  
Member



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><br>(currency plus demand deposits) | M <sub>2</sub><br>(currency plus all commercial bank deposits except large CD's) | Credit<br>(adjusted bank credit proxy) |
|---|---|--|--|
| Past 52 weeks (from average of four weeks ending Jan. 16, 1974 to average of four weeks ending Jan. 15, 1975) | 4.1   | 7.0  | 9.6                                    |
| Past 26 weeks (from average of four weeks ending July 17, 1974 to average of four weeks ending Jan. 15, 1975) | 1.6   | 5.4  | 4.9                                    |
| Past 13 weeks (from average of four weeks ending Oct. 16, 1974 to average of four weeks ending Jan. 15, 1975) | 1.9   | 6.1  | 5.8                                    |
| Past 4 weeks (from average of four weeks ending Dec. 18, 1974 to average of four weeks ending Jan. 15, 1975)  | -8.8  | 0.4  | 2.4                                    |

Interest Rates  
(average of daily figures)

(percent)

| Period               | U.S. Government<br>3-month<br>bills | U.S. Government<br>3-5 year<br>issues | long term<br>bonds | Prime commercial<br>paper 4-6 months | Moody's Aaa<br>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              | 6.70                                | 7.23                                  | 6.68               | 7.83                                 | 8.91                     |
| Jan. 17              | 6.68                                | 7.32                                  | 6.66               | 7.53                                 | 8.84                     |
| Jan. 24 <sup>P</sup> | 6.37                                | 7.36                                  | 6.69               | 6.94                                 | 8.78                     |