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THE PRESIDENT HAS SIGNED *df*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

March 7, 1974


gma

MEMORANDUM FOR THE PRESIDENT

Subject: Monetary and Financial Conditions

In the most recent week, monetary policy actions have caused bank reserves and the monetary aggregates (M_1 and M_2) to begin expanding more rapidly. This change may mean that the efforts of the Federal Reserve to loosen credit conditions and cause a more rapid increase in the monetary aggregates are finally beginning to produce the desired results. There are, however, considerable variations in the weekly statistics so that the recent figures cannot yet be interpreted as a significant shift.

On Friday the Federal Reserve reduced its discount rate from 6-3/4 to 6-1/4 percent citing the weakness in the economy, the beginning of a moderation in inflationary pressures and the need to keep the discount rate aligned with other market interest rates which have declined more rapidly. The bank prime lending rate continued to fall last week in response to the weakness in the demand for bank loans and previous reductions in the cost of loanable funds to the banking system.


Alan Greenspan



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 Feb. 27, 1974 to average of four weeks ending Feb. 26, 1975)	3.9	6.9	9.2
Past 26 weeks (from average of four weeks ending Aug. 28, 1974 to average of four weeks ending Feb. 26, 1975)	1.9	6.1	3.4
Past 13 weeks (from average of four weeks ending Nov. 27, 1974 to average of four weeks ending Feb. 26, 1975)	0	5.3	3.8
Past 4 weeks (from average of four weeks ending Jan. 29, 1975 to average of four weeks ending Feb. 26, 1975)	7.1	10.4	0



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		
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
January	6.49	7.29	6.68	7.30	8.83
February	5.58	6.85	6.61	6.33	8.62
Week ending:					
Feb. 7	5.67	6.91	6.59	6.45	8.68
Feb. 14	5.80	6.92	6.58	6.34	8.63
Feb. 21	5.41	6.71	6.63	6.28	8.58
Feb. 28	5.46	6.83	6.64	6.25	8.57
Mar. 7 ^P	5.64	6.85	6.67	6.25	8.60

