The original documents are located in Box C4, folder "Presidential Handwriting, 10/4/1974" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Central Files

THE PRESIDENT HAS SEEN.

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

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

October 4, 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Monetary and Financial Conditions

Summary

The reduction in the growth rates of M_1 and M_2 needed for getting an inflationary process under control have historically preceded and in part accompanied pronounced economic slowdowns and/or recessions. There is a time lag between changes in the rate of money growth and the acceleration or deceleration of spending. The M_1 and M_2 growth rates for the past 52 weeks reflect the gradual application of restraint as compared to the preceding period. The 52 weeks money growth is consistent with a policy attempting to reduce the inflation rate gradually, in line with the conception that the growth of the money supply would subsequently have to be lowered further to achieve a further lowering of the inflation rate. So far hardly any reduction of the rate of price increase has as yet taken place; and the more recent (shorter period) money growth rates are significantly smaller than those applying to the past 52 weeks.

Short term interest rates continued to fall this week. The 3-month Treasury Bill rate is now more than two percentage points below its August average. Lower yields on bills and other short term assets should be helpful to the thrift institutions that had suffered sizable outflows of funds. Long term interest rates have remained approximately unchanged.

William Fellner

William Fellner
Member

Alan Greenspan
Chairman

AMERICAN REVOLUTION BICENTENNIAL 1776-1976