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**(CONFIDENTIAL FR)**

December 14, 1973

# **MONETARY AGGREGATES AND MONEY MARKET CONDITIONS**

**Prepared for the Federal Open Market Committee**

**By the Staff**

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

MONETARY AGGREGATES AND  
MONEY MARKET CONDITIONS

Recent developments

(1) During November, growth of  $M_1$  was more rapid than anticipated, rising at an annual rate of nearly 11 per cent, but  $M_1$  has changed little on balance in recent weeks. For the two-month target period as a whole, the annual growth rate appears to be running at around 6-1/2 per cent, close to the upper limit of the Committee's range of tolerance, as the table shows. With recent expansion of time deposits other than large CD's slowing a little more than expected, growth in  $M_2$  appears to be only a little above the mid-point of its two-month range of tolerance. The flattening of  $M_1$  in early December lends some credence to the view that the November upsurge reflected essentially temporary influences, including a rise in foreign commercial and central bank deposits and increased precautionary holdings by the public stemming from the energy crisis and the associated stock market decline.

Table 1

Growth of Monetary Aggregates and RPD's  
in November-December Target Period

| Reserve and Monetary Aggregates<br>(Growth at SAAR in per cent) | <u>Range of<br/>Tolerance</u> | <u>Latest<br/>Estimates</u>               |
|---|-------------------------------|---|
| RPD's   | -1 -- -3                      | -5.0                                      |
| $M_1$   | 4-1/2--6-1/2                  | 6.4                                       |
| $M_2$   | 6-1/2--8-1/2                  | 7.9                                       |
| <u>Memo:</u>  |                               | <u>Avg. for Statement<br/>Week Ending</u> |
| Fed funds rate<br>(per cent per annum)                          | 9--10-1/2                     | 12.5      10.17<br>12/12      10.04       |

(2) RPD's appear to have contracted during the November-December target period at about a 5.0 per cent annual rate. This shortfall was greater than allowed for by the Committee's range of tolerance. As shown in Table 2, most of the shortfall in RPD's was attributable to a weaker than expected performance of large CD's (subject over most of the period to a reserve requirement of 11 per cent). Relatively more reserves than anticipated were absorbed by private demand deposits.

Table 2

Comparison of Projected Changes in RPD's by Use  
November-December 1973

(In millions of dollars)

|  | <u>Projection as of</u><br><u>November 20, 1973</u><br><u>FOMC Meeting</u> | <u>Current</u><br><u>Projection</u> |
|--|--|-------------------------------------|
| Change in Total RPD's <u>1/</u>        | - 58   | -232 <sup>2/</sup>                  |
| <u>Change by Category of Use:</u>      | :  |                                     |
| Private demand deposits                | 21   | 134                                 |
| Time deposits other than<br>large CD's | 150  | 157                                 |
| CD's and nondeposit funds              | -165   | -371 <sup>2/</sup>                  |
| Excess                                 | - 64   | -152                                |

1/ Change from October 1973 to December level consistent with mid-point of Committee's range of tolerance for RPD growth.

2/ Excludes \$60 million decline in required reserves resulting from December 7 change in marginal reserve requirement.

(3) Early in the inter-meeting period incoming data indicated that growth of  $M_1$  appeared to be above, and  $M_2$  about equal to, the upper limits of the ranges specified by the Committee. In such circumstances, the Desk would ordinarily have become somewhat more restrictive in its reserve-supplying operations, expecting the weekly average federal funds

rate to rise toward the 10-1/2 per cent upper limit of its range of tolerance. Because of the uncertainties in the economic outlook stemming from the mid-East oil embargo and the sensitive state of financial market psychology, however, the Committee directed the Account Manager to continue aiming for a weekly average Federal funds rate around 10-1/4 per cent. In the first two statement weeks of December the funds rate actually averaged 10.17 and 10.04 per cent respectively, with the rate dropping sharply on the last day of both weeks. Member bank borrowing at the Federal Reserve amounted to \$1.5 billion in the first week of December, with excess reserves rising to \$375 million, but in the following week excess reserves were negative, by \$244 million, and borrowing dropped back to \$1.3 billion.

(4) Since the last Committee meeting, most short- and long-term market interest rates have fluctuated in response to changing expectations with regard to monetary policy and the impact of the energy crisis on the economy. On balance since the last Committee meeting, most short-term rates have declined somewhat. For the most part, the decline in these rates occurred following announcement of the reduction in marginal reserve requirements on December 7. The declines ranged generally from 1/8 to 3/8 of a percentage point. Most recently the 3-month Treasury bill rate was bid at 7.53 per cent. A few large banks have raised their prime lending rate to 10 per cent, but the higher rate has shown no tendency to spread through the banking system.

(5) The table on the next page shows (in percentage annual rates of change) selected monetary and financial flows over various recent

time periods; figures in parentheses are preliminary revised growth rates based on new benchmarks and seasonal factor review. Appendix Table III compares money supply growth rates computed on a quarterly-average basis with those computed on a last-month-of-quarter basis, and includes both old and revised figures. Appendix Table IV compares old and revised money supply growth rates over various other time intervals. All revised figures are preliminary.

|   | Past 3<br>Calendar<br>Years  | Past<br>12<br>Months         | Past<br>6<br>Months         | Past<br>3<br>Months          | Past<br>Month                |
|---|------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|
|   | Dec. '72<br>over<br>Dec. '69 | Nov. '73<br>over<br>Nov. '72 | Nov. '73<br>over<br>May '73 | Nov. '73<br>over<br>Aug. '73 | Nov. '73<br>over<br>Oct. '73 |
| Total reserves  | 8.4<br>(8.5)                 | 7.3<br>(7.4)                 | 6.3<br>(6.6)                | 4.9<br>(5.4)                 | -8.1<br>(-5.3)               |
| Nonborrowed reserves  | 8.8<br>(9.2)                 | 5.5<br>(5.2)                 | 13.3<br>(9.9)               | 13.2<br>(15.2)               | -2.9<br>(-3.5)               |
| Reserves available to<br>support private non-<br>bank deposits  | 9.0<br>(9.3)                 | 8.4<br>(8.4)                 | 8.1<br>(8.8)                | 1.4<br>(2.1)                 | -9.6<br>(-7.9)               |
| <u>Concepts of Money</u>  |                              |                              |                             |                              |                              |
| M <sub>1</sub> (currency plus<br>demand deposits) <u>1/</u>   | 7.5<br>(7.5)                 | 5.6<br>(6.8)                 | 4.8<br>(5.6)                | 4.4<br>(4.5)                 | 10.9<br>(10.8)               |
| M <sub>2</sub> (M <sub>1</sub> plus time deposits<br>at commercial banks<br>other than large<br>CD's) | 11.3<br>(11.4)               | 8.2<br>(9.2)                 | 8.1<br>(9.1)                | 8.7<br>(9.0)                 | 11.6<br>(11.5)               |
| M <sub>3</sub> (M <sub>2</sub> plus deposits at<br>thrift institu-<br>tions)                          | 12.8                         | 8.5                          | 7.2                         | 7.4                          | 9.9                          |
| <u>Bank Credit</u>  |                              |                              |                             |                              |                              |
| Total member banks<br>deposits (bank credit<br>proxy adj.)  | 10.7<br>(10.7)               | 11.1<br>(11.1)               | 7.5<br>(7.9)                | 2.5<br>(3.4)                 | 0.5<br>(3.0)                 |
| Loans and investments<br>of commercial banks <u>2/</u>  | 12.4                         | 13.8                         | 9.1                         | 5.3                          | 5.0                          |
| <u>Short-term market paper</u><br>(Monthly avg. change in<br>billions)                                |                              |                              |                             |                              |                              |
| Large CD's  | .9<br>(.9)                   | 1.7<br>(1.7)                 | -0.1<br>(0.1)               | -2.0<br>(-1.4)               | -2.3<br>(-1.8)               |
| Nonbank commercial paper <u>3/</u>  | 0.1                          | 0.4                          | 1.1                         | 1.6                          | 1.1                          |

1/ Other than interbank and U.S. Government.

2/ Based on month-end figures. Includes loans sold to affiliates and branches.

3/ November data not available. Data based on October 1973.

NOTE: All items are based on averages of daily figures, except for data on total loans and investments of commercial banks, commercial paper, and thrift institutions--which are derived from either end-of-month or last Wednesday-of-month figures. Growth rates for reserve measures in this and subsequent tables are adjusted to remove the effect of discontinuities from breaks in the series when reserve requirements are changed.

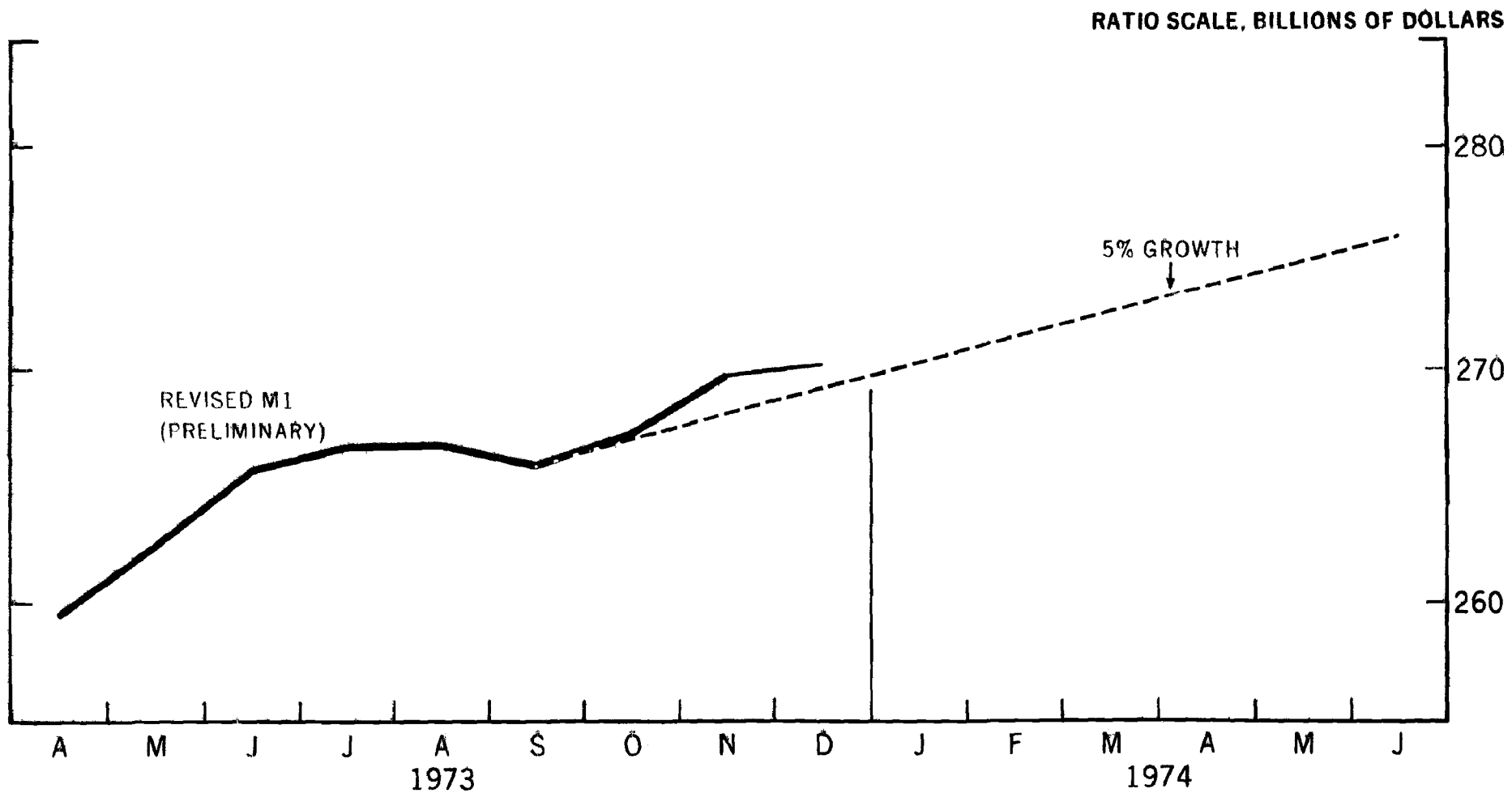
Prospective developments

(6) Of the three alternatives summarized below for Committee consideration, alternative B includes a growth rate for  $M_1$  over the first half of 1974 that is consistent with the extension to mid-year of the 5 per cent growth path adopted by the Committee at its previous meeting. This growth path starts from the revised September 1973 base (which is about \$2-1/2 billion above the old series, as was indicated in the previous bluebook). In alternative B,  $M_1$  is targeted to increase at a 4-1/2 per cent annual rate from December '73 to June '74. This growth rate is lower than 5 per cent to compensate for the overshoot in  $M_1$  growth in the fourth quarter. As shown in the chart on the next page, the estimated level of the money stock in December is about \$1 billion above the path level for that month. Alternatives A and C involve more and less rapid growth in the aggregates, respectively. (Detailed figures for the alternatives are shown on page 6a; all figures for the aggregates are based on revised data, though revisions are still in a preliminary stage).

|   | <u>Alt. A</u> | <u>Alt. B</u> | <u>Alt. C</u> |
|---|---------------|---------------|---------------|
| <b>Targets (1st &amp; 2nd qtrs. combined)</b>   |               |               |               |
| $M_1$   | 5-3/4         | 4-1/2         | 3-1/4         |
| $M_2$   | 8-3/4         | 7             | 5-1/4         |
| Credit Proxy                                    | 10-1/2        | 8             | 5-1/2         |
| <b>Associated ranges for December-January</b>   |               |               |               |
| RPD   | 9--11         | 8-1/4--10-1/4 | 7-1/4--9-1/4  |
| $M_1$   | 3-1/2--5-1/2  | 3--5          | 2-1/2--4-1/2  |
| $M_2$   | 5-1/2--7-1/2  | 5--7          | 4-1/2--6-1/2  |
| Federal funds rate range (inter-meeting period) | 8-1/4--10     | 9--10-1/4     | 9-3/4--10-1/2 |



# MONEY SUPPLY AND LONGER RUN TARGET PATH



Alternative Longer-Run Targets for Key Monetary Aggregates

|           |        | <u>M<sub>1</sub></u>         |               |               | <u>M<sub>2</sub></u>  |               |               | <u>M<sub>3</sub></u> |               |               |
|-----------|--------|------------------------------|---------------|---------------|-----------------------|---------------|---------------|----------------------|---------------|---------------|
|           |        | <u>Alt. A</u>                | <u>Alt. B</u> | <u>Alt. C</u> | <u>Alt. A</u>         | <u>Alt. B</u> | <u>Alt. C</u> | <u>Alt. A</u>        | <u>Alt. B</u> | <u>Alt. C</u> |
| 1973      | Nov.   | 269.7                        | 269.7         | 269.7         | 568.1                 | 568.1         | 568.1         | 888.2                | 888.2         | 888.2         |
|           | Dec.   | 270.3                        | 270.3         | 270.2         | 570.5                 | 570.5         | 570.4         | 892.8                | 892.7         | 892.6         |
| 1974      | Jan.   | 271.6                        | 271.4         | 271.2         | 574.1                 | 573.8         | 573.1         | 899.0                | 898.4         | 897.6         |
|           | Mar.   | 273.7                        | 273.0         | 272.3         | 582.2                 | 580.1         | 577.8         | 912.2                | 909.3         | 906.3         |
| Quarters: |        | <u>Rates of Growth</u>       |               |               |                       |               |               |                      |               |               |
| 1973      | 4th Q. | 6.6                          | 6.6           | 6.5           | 9.3                   | 9.3           | 9.3           | 8.6                  | 8.5           | 8.5           |
| 1974      | 1st Q. | 5.0                          | 4.0           | 3.1           | 8.2                   | 6.7           | 5.2           | 8.7                  | 7.4           | 6.1           |
| Months:   |        |                              |               |               |                       |               |               |                      |               |               |
|           | Dec.   | 2.7                          | 2.7           | 2.2           | 5.1                   | 5.1           | 4.9           | 6.2                  | 6.1           | 5.9           |
|           | Jan.   | 5.8                          | 4.9           | 4.4           | 7.6                   | 6.9           | 5.7           | 8.3                  | 7.7           | 6.7           |
|           |        | <u>Adjusted Credit Proxy</u> |               |               | <u>Total Reserves</u> |               |               | <u>RPD</u>           |               |               |
|           |        | <u>Alt. A</u>                | <u>Alt. B</u> | <u>Alt. C</u> | <u>Alt. A</u>         | <u>Alt. B</u> | <u>Alt. C</u> | <u>Alt. A</u>        | <u>Alt. B</u> | <u>Alt. C</u> |
| 1973      | Nov.   | 477.6                        | 447.6         | 447.6         | 34,830                | 34,830        | 34,830        | 32,652               | 32,652        | 32,652        |
|           | Dec.   | 447.2                        | 447.2         | 447.2         | 34,876                | 34,872        | 34,862        | 32,739               | 32,725        | 32,725        |
| 1974      | Jan.   | 450.6                        | 450.2         | 449.6         | 35,561                | 35,521        | 35,471        | 32,819               | 32,780        | 32,731        |
|           | Mar.   | 456.7                        | 454.6         | 453.2         | 34,756                | 34,614        | 34,467        | 33,654               | 32,911        | 32,765        |
| Quarters: |        |                              |               |               |                       |               |               |                      |               |               |
| 1973      | 4th Q. | 1.2                          | 1.2           | 1.2           | 2.9                   | 2.7           | 2.6           | -1.2                 | -1.3          | -1.3          |
| 1974      | 1st Q. | 8.5                          | 6.6           | 4.5           | 2.2                   | 0.7           | -0.9          | 7.7                  | 6.0           | 4.3           |
| Months:   |        |                              |               |               |                       |               |               |                      |               |               |
|           | Dec.   | -1.1                         | -1.1          | -1.1          | 3.6                   | 3.5           | 3.2           | 5.4                  | 5.2           | 4.9           |
|           | Jan.   | 9.1                          | 8.0           | 6.4           | 34.3                  | 33.1          | 31.7          | 14.5                 | 13.2          | 11.7          |

(7) With regard to money market conditions, the staff would expect some decline in the Federal funds rate between now and mid-January if the Committee chooses to provide the reserves consistent with alternative B. A funds rate range of 9--10-1/4 per cent is shown for that alternative. If the rate were to drop toward the lower end of the range over the next few weeks, the staff would not anticipate that any significant further reductions would be needed in the first few months of 1974 to be consistent with the targeted growth rates for money.

(8) The decline in the funds rate expected under alternative B (and the greater decline expected under alternative A) essentially reflects the substantial downward revision in the staff's projection of growth in nominal GNP and the associated weakening in the demand for money and credit. At the time of the last meeting the staff was projecting about a 9 and 8 per cent rate of growth in nominal GNP in the first and second quarters of 1974 respectively; currently, the projected rates of growth are about 6 and 5 per cent for the two quarters.

(9) If the Committee wishes to maintain money market conditions close to those currently prevailing, the staff would expect growth in the aggregates to slow to alternative C dimensions. With the Federal funds rate unchanged, it is likely that market interest rates--particularly short-term rates--would adjust upward from current levels in the process of re-establishing a more normal relationship to the funds rate. Current levels of market rates are low relative to the funds rate--in part, apparently, because market participants are anticipating an economic slowdown and the money market easing that has accompanied slowdowns in the past.

(10) Market interest rates, however, do not appear to have fully discounted future declines in the funds rate. Thus, an actual drop in the funds rate, such as would be likely to occur under alternative B, might trigger sizable further declines in short-term interest rates and also some decline in long rates. Expectational forces probably would carry market rates down in the short run by more than is sustainable over the longer run, however, assuming the funds rate in the early months of next year remained in the 9 per cent plus range. On balance, over the next few weeks the 3-month bill rate is likely to decline into a 6-1/2--7 per cent if the funds rate drops to 9-1/2 per cent or somewhat below. This assumes no substantial central bank sales of Treasury securities as a result of reflows of dollars from abroad.

(11) The greater decline in the funds rate under alternative A, as compared with B, would intensify market expectations of declining interest rates. If the funds rate were to drop rapidly and to fall below 9 per cent, the 3-month bill rate might well go to 6 per cent, and perhaps a little lower, at least temporarily. Market expectations of a decline in the discount rate would become much more prevalent.

(12) Among the assumptions we have made in working out the various monetary and interest rate relationships are: (1) moderate growth in large negotiable CD's, in some part reflecting the lower cost of those funds resulting from the recent reduction in marginal reserve requirements; (2) continued fairly strong short-term credit demands by business (at least in the early part of next year when inventory accumulation is expected to be strong), but only moderate business loan growth at banks unless the prime loan rate drops relative to the commercial paper rate; (3) no Treasury

cash borrowing until March (unless foreign central banks find it necessary to redeem sizable amounts of Treasury specials) and sharply diminished Federal agency borrowing; and (4) moderate growth in consumer-type time deposits at banks (under alternative C) and more rapid growth as market interest rates decline (under alternatives B and A) as banks reduce time deposit offering rates only with a lag.

Proposed directive language

(13) Presented below are three alternative formulations for the operational paragraph of the directive, which are intended to correspond to the similarly lettered policy alternatives discussed in the preceding section. As will be noted, alternatives A and C refer to growth rates in the aggregates "so far this year." For the period through November, these are as follows in terms of the revised series:  $M_1$ , 6.0 per cent;  $M_2$ , 8.8 per cent; and the bank credit proxy, 11.1 per cent.

Alternative A

To implement this policy, while taking account of international and domestic financial market developments, the Committee seeks to achieve bank reserve and money market conditions consistent with moderate growth in monetary aggregates over the months ahead AT ABOUT THE RATES PREVAILING SO FAR THIS YEAR.

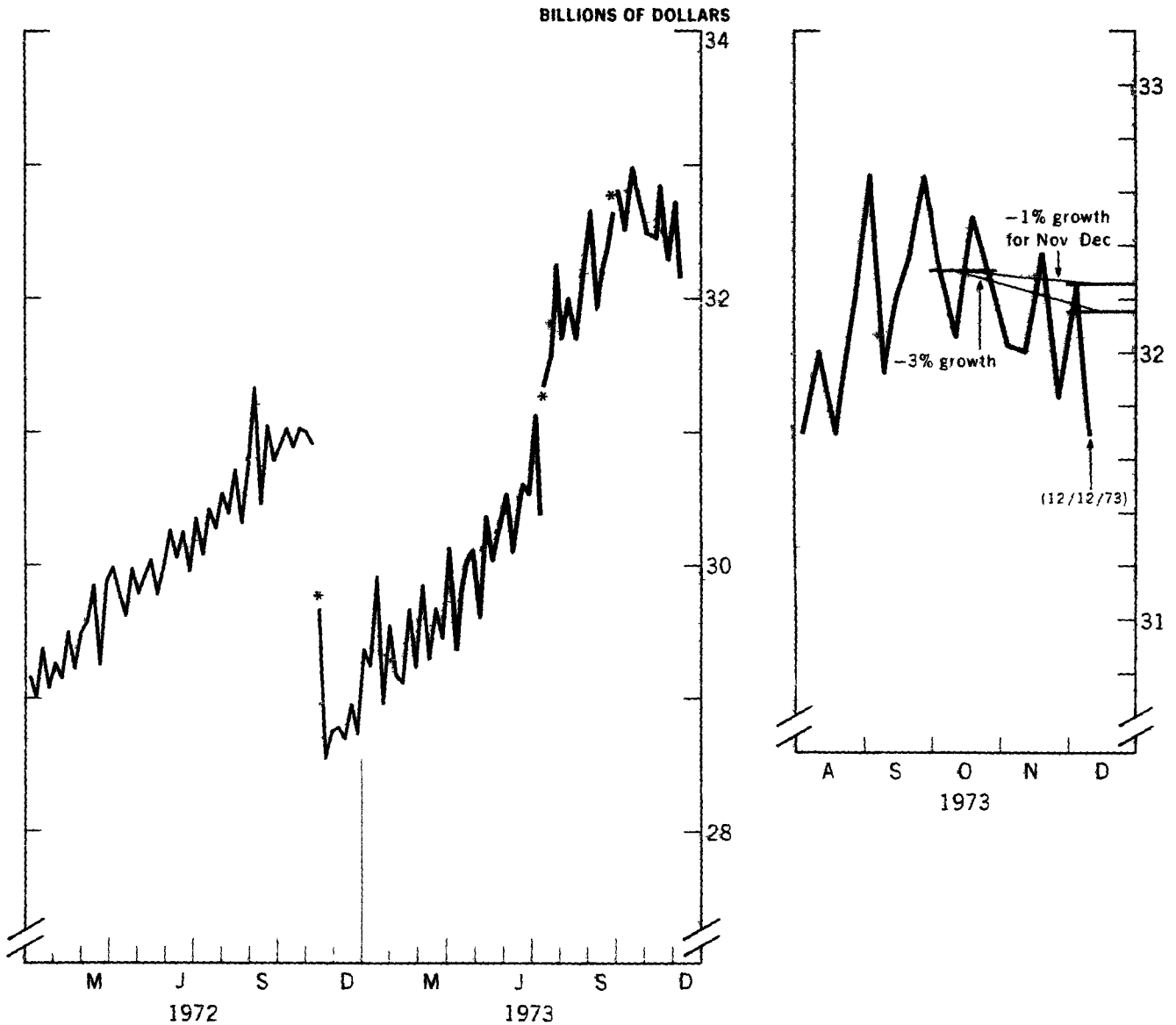
Alternative B

To implement this policy, while taking account of international and domestic financial market developments, the Committee seeks to achieve bank reserve and money market conditions consistent with SOMEWHAT SLOWER growth in monetary aggregates over the months ahead THAN HAS OCCURRED SO FAR THIS YEAR.

Alternative C

To implement this policy, while taking account of international and domestic financial market developments, the Committee seeks to achieve bank reserve and money market conditions consistent with moderate SLOWER growth in monetary aggregates over the months ahead THAN HAS OCCURRED SO FAR THIS YEAR.

# RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS

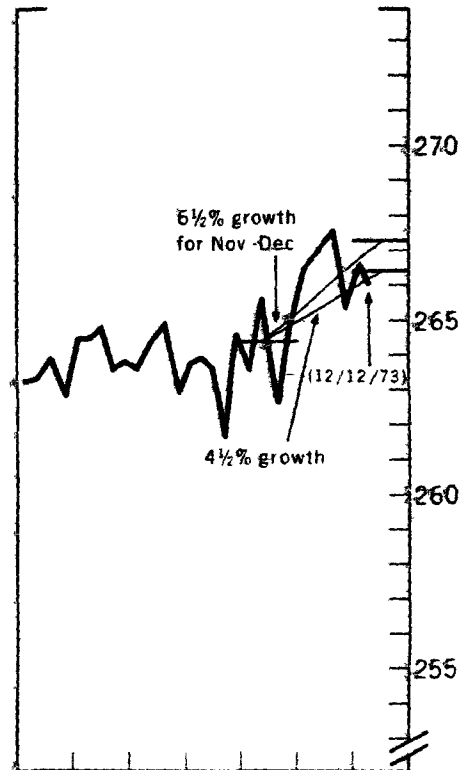
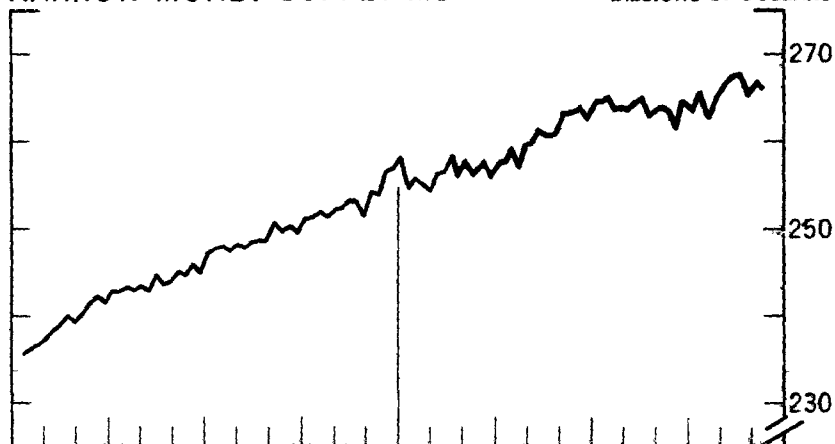


\* Break in Series Actual Level of RPD After Changes in Reserve Requirements Effective November 9, 1972, July 19, 1973, and October 4, 1973

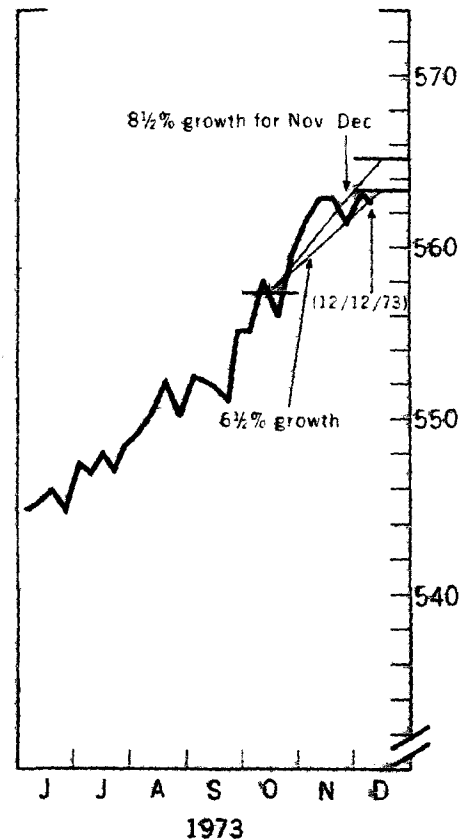
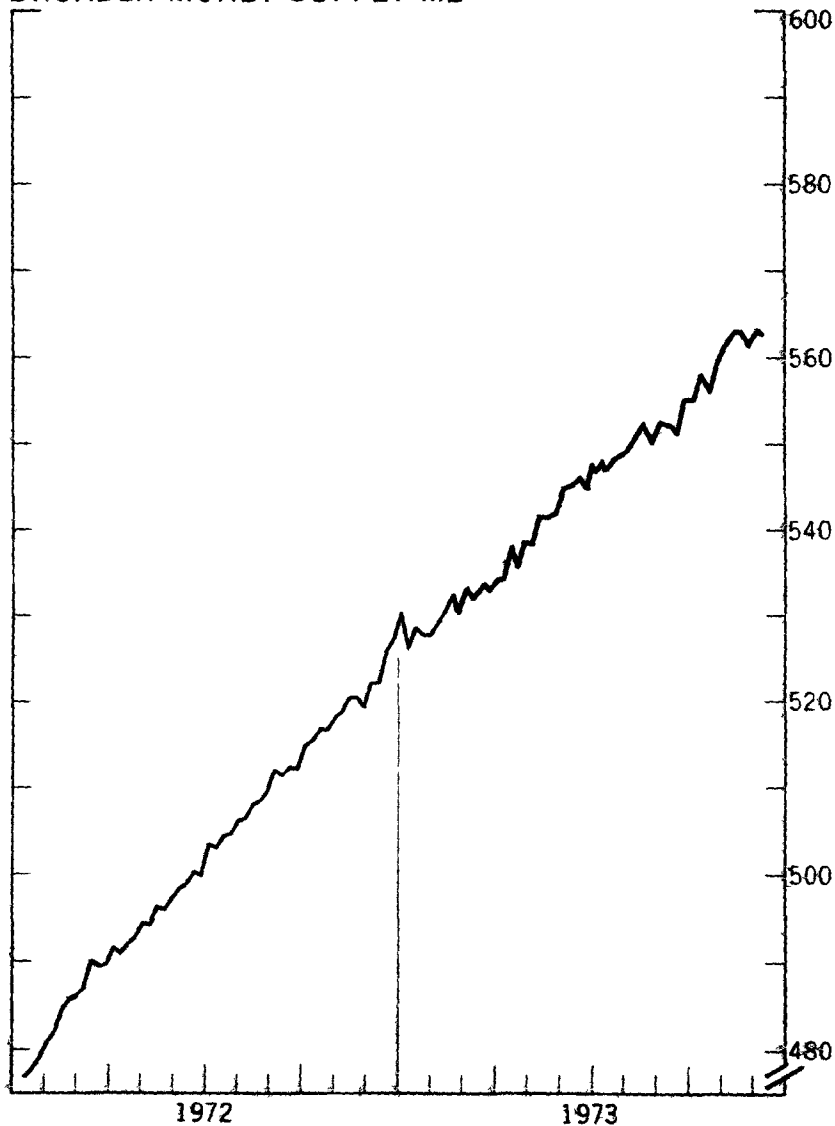
# MONETARY AGGREGATES

NARROW MONEY SUPPLY M1

BILLIONS OF DOLLARS



BROADER MONEY SUPPLY M2

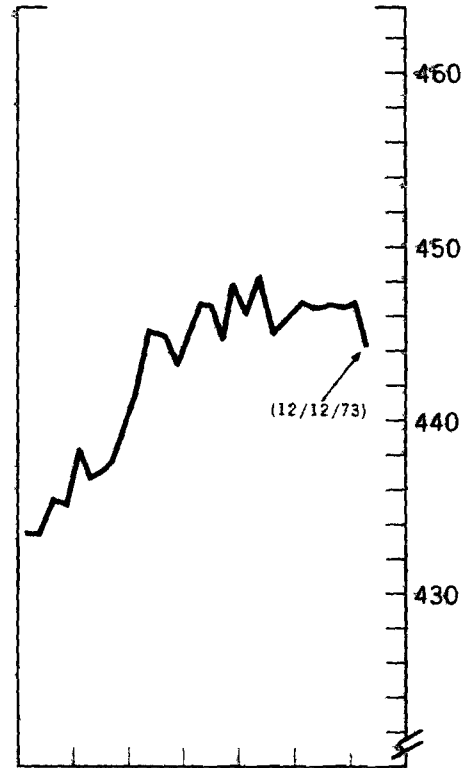
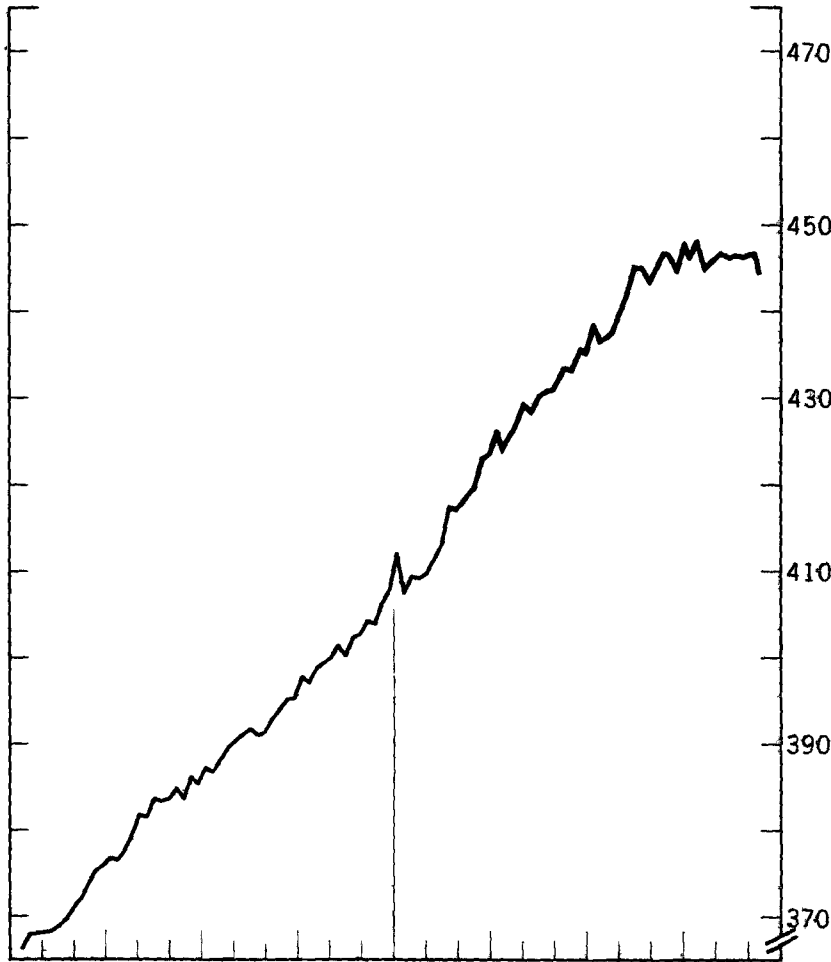




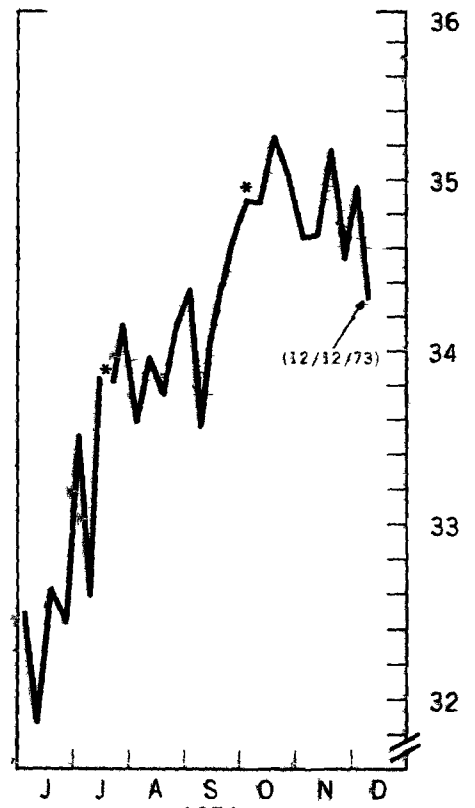
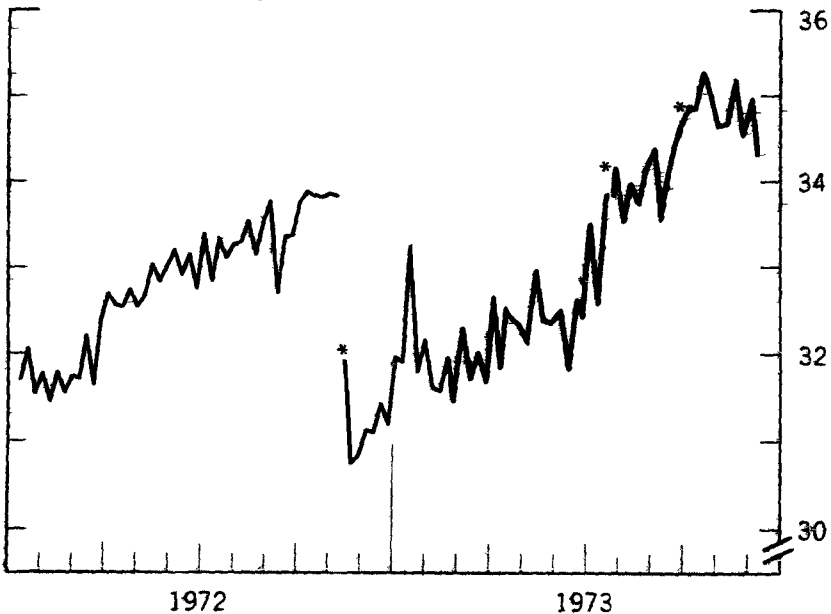
# MONETARY AGGREGATES

### ADJUSTED CREDIT PROXY

BILLIONS OF DOLLARS



### TOTAL RESERVES



\* Break in series, Actual Level of Total Reserves After Changes in Reserve Requirements Effective November 9, 1972, July 19, 1973, and October 4, 1973

CHART 4

# MONEY MARKET CONDITIONS AND INTEREST RATES

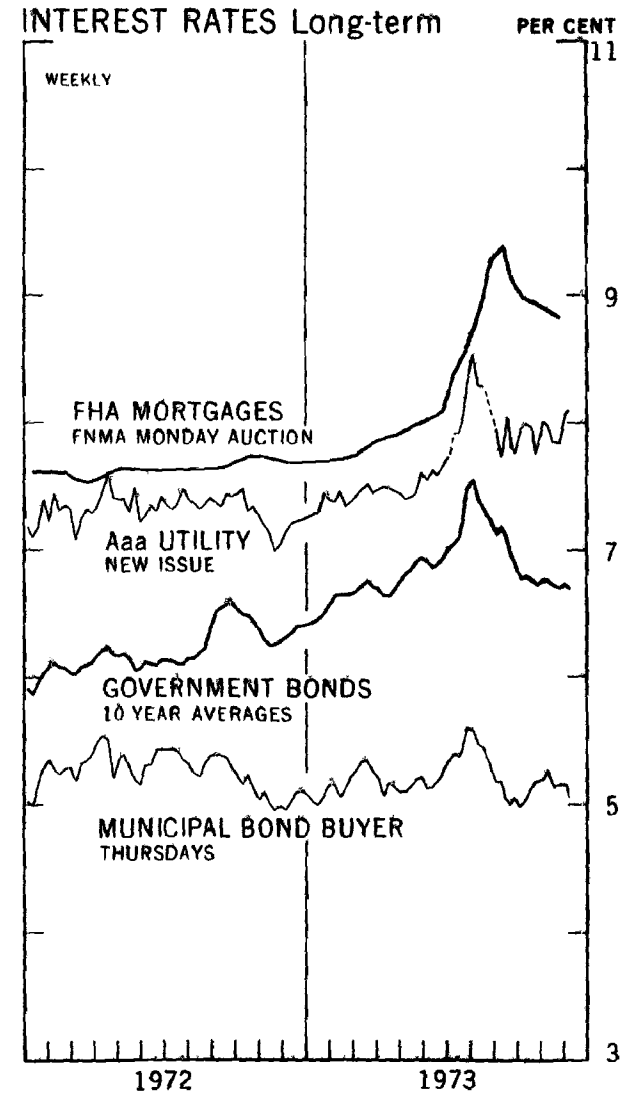
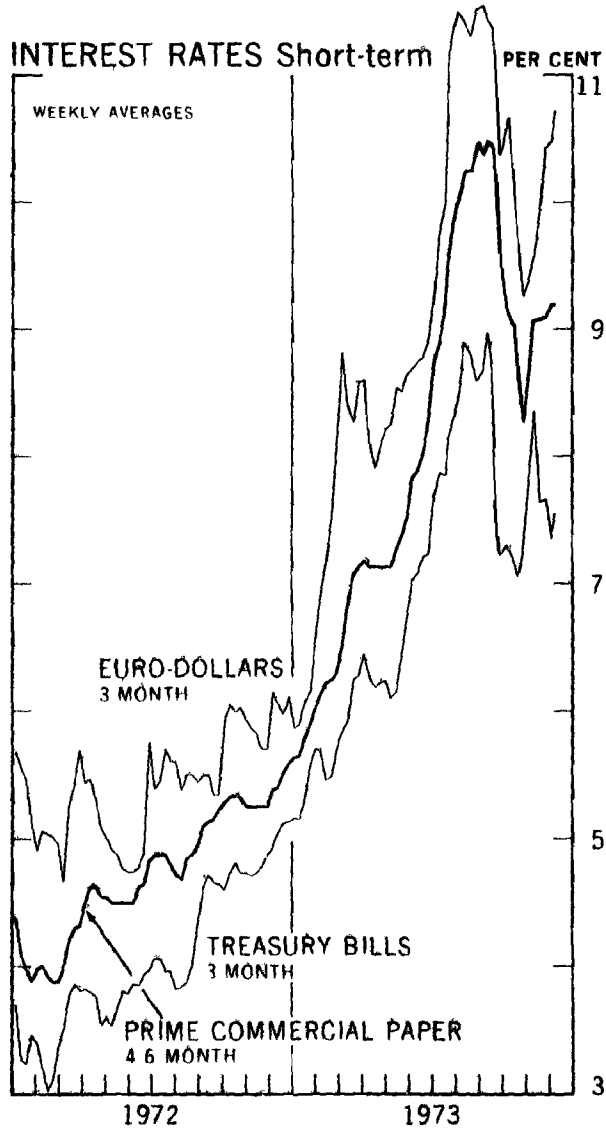
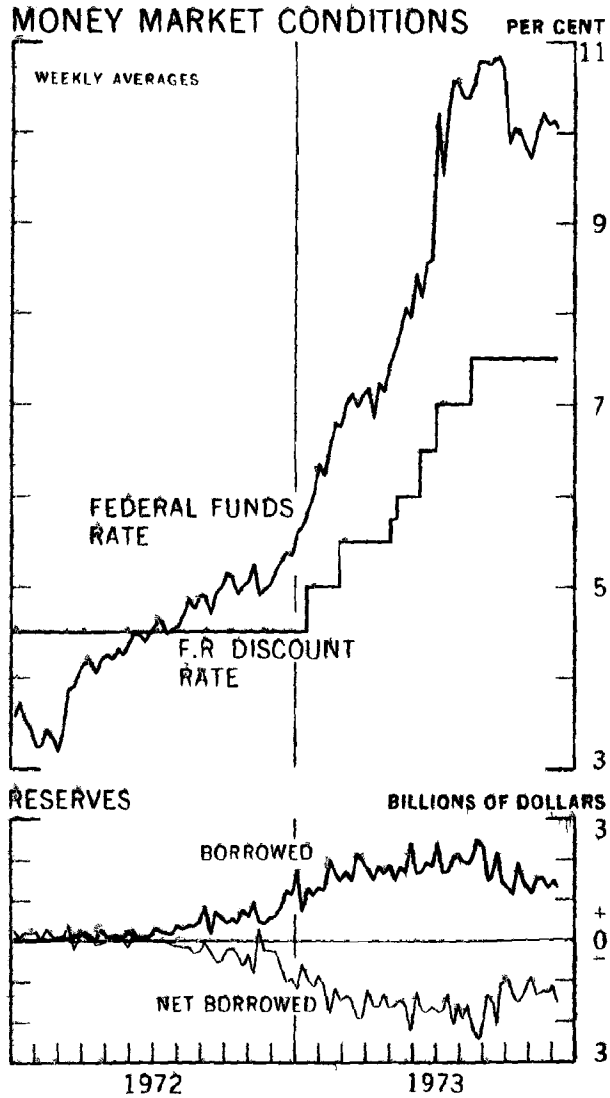


TABLE 1

STRICTLY CONFIDENTIAL

BANK RESERVES  
(ACTUAL AND CURRENT PROJECTIONS)

DECEMBER 14, 1973

| PERIOD                            | RESERVES AVAILABLE FOR PRIVATE NONBANK DEPOSITS |              | AGGREGATE RESERVES |                      | REQUIRED RESERVES   |                |                  |                     |
|-----------------------------------|---|--------------|--------------------|----------------------|---------------------|----------------|------------------|---------------------|
|                                   | SEAS ADJ  | NON SEAS ADJ | TOTAL RESERVES     | NONBORROWED RESERVES | SEASONALLY ADJUSTED |                |                  |                     |
|                                   |   |              |                    |                      | PRIVATE DEMAND      | OTHER TIME DEP | CD'S AND NON DEP | GOV'T AND INTERBANK |
|                                   | (1)   | (2)          | (3)                | (4)                  | (5)                 | (6)            | (7)              | (8)                 |
| <b>MONTHLY LEVELS--\$MILLIONS</b> |   |              |                    |                      |                     |                |                  |                     |
| 1973--OCT.                        | 32,759  | 32,661       | 34,971             | 33,553               | 19,899              | 8,299          | 4,304            | 2,212               |
| NOV.                              | 32,540  | 32,620       | 34,777             | 33,513               | 19,889              | 8,428          | 4,026            | 2,238               |
| DEC.                              | (32,527)  | (32,952)     | (34,745)           | (32,840)             | (20,033)            | ( 8,456)       | ( 3,933)         | ( 2,218)            |
| <b>ANNUAL RATES OF CHANGE</b>     |   |              |                    |                      |                     |                |                  |                     |
| <b>QUARTERLY:</b>                 |   |              |                    |                      |                     |                |                  |                     |
| 1973--1ST QTR.                    | 10.5  |              | 8.8                | -7.1                 | 2.9                 | 7.7            | 90.2             |                     |
| 2ND QTR.                          | 17.0  |              | 5.8                | 17.3                 | 2.2                 | 9.9            | 85.4             |                     |
| 3RD QTR.                          | 17.6  |              | 10.3               | 12.4                 | 1.4                 | 14.5           | 92.5             |                     |
| 4TH QTR.                          | ( -3.1)   |              | ( 1.6)             | ( -2.8)              | ( 3.2)              | ( 13.2)        | ( -59.0)         |                     |
| <b>MONTHLY:</b>                   |   |              |                    |                      |                     |                |                  |                     |
| 1973--OCT.                        | 0.9   |              | 14.1               | 19.3                 | 1.6                 | 16.7           | -55.8            |                     |
| NOV.                              | -9.6  |              | -8.1               | -2.9                 | -0.6                | 18.7           | -98.4            |                     |
| DEC.                              | ( -0.5)   |              | ( -1.1)            | ( -24.1)             | ( 8.7)              | ( 4.0)         | ( -27.7)         |                     |
| NOV.-DEC.                         | ( -5.0)   |              | ( -4.6)            | ( -13.6)             | ( 4.0)              | ( 11.4)        | ( -63.6)         |                     |
| <b>WEEKLY LEVELS--\$MILLIONS</b>  |   |              |                    |                      |                     |                |                  |                     |
| OCT. 3                            | 32,674  | 32,715       | 34,644             | 33,224               | 19,980              | 8,196          | 4,096            | 1,970               |
| 10                                | 32,808  | 32,558       | 34,876             | 33,438               | 19,595              | 8,262          | 4,500            | 2,067               |
| 17                                | 32,524  | 32,481       | 34,867             | 33,672               | 20,065              | 8,298          | 4,336            | 2,343               |
| 24                                | 32,978  | 32,785       | 35,258             | 33,571               | 19,828              | 8,326          | 4,283            | 2,281               |
| 31                                | 32,764  | 32,798       | 35,023             | 33,725               | 20,071              | 8,354          | 4,186            | 2,259               |
| NOV. 7                            | 32,496  | 32,553       | 34,658             | 33,235               | 19,681              | 8,379          | 4,165            | 2,162               |
| 14                                | 32,464  | 32,672       | 34,675             | 32,943               | 19,914              | 8,433          | 4,111            | 2,211               |
| 21                                | 32,844  | 32,836       | 35,180             | 33,841               | 20,011              | 8,432          | 3,973            | 2,336               |
| 28                                | 32,301  | 32,374       | 34,544             | 33,715               | 19,905              | 8,467          | 3,892            | 2,243               |
| DEC. 5                            | 32,729  | 32,782       | 34,958             | 33,164               | 20,044              | 8,430          | 3,900            | 2,229               |
| 12                                | 32,156  | 32,274       | 34,300             | 31,729               | 20,040              | 8,454          | 3,927            | 2,144               |

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS. ANNUAL RATES OF GROWTH HAVE BEEN ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS EFFECTIVE JULY 19, AND OCT 4, 1973. AT THE FOMC MEETING OF NOVEMBER 20, 1973 THE COMMITTEE AGREED ON A RPD RANGE OF -3 TO -1 PER CENT.

TABLE 2

STRICTLY CONFIDENTIAL

MONETARY AGGREGATES  
(ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED)

DECEMBER 14, 1973

| PERIOD                          | MONEY SUPPLY   |               | ADJUSTED<br>CREDIT<br>PROXY | U.S.<br>GOVT.<br>DEPOSITS | TIME AND SAVINGS DEPOSITS |                    |        | NONDEPOSIT<br>SOURCES OF<br>FUNDS |
|---------------------------------|----------------|---------------|-----------------------------|---------------------------|---------------------------|--------------------|--------|-----------------------------------|
|                                 | NARROW<br>(M1) | BROAD<br>(M2) |                             |                           | TOTAL                     | OTHER<br>THAN CD S | CD S   |                                   |
|                                 | (1)            | (2)           | (3)                         | (4)                       | (5)                       | (6)                | (7)    | (8)                               |
| <b>MONTHLY LEVELS--BILLIONS</b> |                |               |                             |                           |                           |                    |        |                                   |
| 1973--OCT.                      | 264.4          | 557.1         | 446.5                       | 6.6                       | 356.1                     | 292.8              | 63.4   | 6.9                               |
| NOV.                            | 266.8          | 562.5         | 446.7                       | 6.0                       | 356.8                     | 295.8              | 61.1   | 7.1                               |
| DEC.                            | (267.2)        | (564.4)       | (446.9)                     | (4.8)                     | (359.5)                   | (297.2)            | (62.4) | (7.2)                             |
| <b>PERCENT ANNUAL GROWTH</b>    |                |               |                             |                           |                           |                    |        |                                   |
| <b>QUARTERLY</b>                |                |               |                             |                           |                           |                    |        |                                   |
| 1973--1ST QTR.                  | 1.7            | 5.7           | 15.0                        |                           | 23.1                      | 9.5                |        |                                   |
| 2ND QTR.                        | 10.3           | 9.5           | 12.2                        |                           | 16.0                      | 8.7                |        |                                   |
| 3RD QTR.                        | 0.3            | 5.1           | 10.5                        |                           | 13.4                      | 9.8                |        |                                   |
| 4TH QTR.                        | (5.8)          | (8.8)         | (0.9)                       |                           | (4.4)                     | (11.5)             |        |                                   |
| <b>MONTHLY</b>                  |                |               |                             |                           |                           |                    |        |                                   |
| 1973--OCT.                      | 4.4            | 10.4          | 1.6                         |                           | 1.7                       | 16.2               |        |                                   |
| NOV.                            | 10.9           | 11.6          | 0.5                         |                           | 2.4                       | 12.3               |        |                                   |
| DEC.                            | (1.8)          | (4.1)         | (0.5)                       |                           | (9.1)                     | (5.7)              |        |                                   |
| NOV.-DEC.                       | (6.4)          | (7.9)         | (0.5)                       |                           | (5.7)                     | (9.0)              |        |                                   |
| <b>WEEKLY LEVELS--BILLIONS</b>  |                |               |                             |                           |                           |                    |        |                                   |
| OCT. 3                          | 264.6          | 555.1         | 447.7                       | 5.9                       | 355.3                     | 290.4              | 64.9   | 7.1                               |
| 10                              | 263.4          | 555.1         | 446.1                       | 6.9                       | 355.4                     | 291.5              | 63.9   | 7.0                               |
| 17                              | 265.4          | 558.0         | 448.3                       | 7.5                       | 355.6                     | 292.5              | 63.1   | 7.2                               |
| 24                              | 262.7          | 556.0         | 445.0                       | 6.8                       | 356.5                     | 293.3              | 63.2   | 6.8                               |
| 31                              | 264.9          | 559.6         | 445.8                       | 5.3                       | 357.2                     | 294.7              | 62.5   | 6.5                               |
| NOV. 7                          | 266.4          | 561.5         | 446.8                       | 6.4                       | 356.8                     | 295.1              | 61.7   | 6.7                               |
| 14                              | 267.0          | 562.9         | 446.4                       | 6.5                       | 356.7                     | 295.9              | 60.8   | 6.7                               |
| 21                              | 267.6          | 562.9         | 446.6                       | 5.7                       | 356.2                     | 295.3              | 60.8   | 7.4                               |
| 28                              | 265.4          | 561.4         | 446.5                       | 5.5                       | 357.1                     | 296.0              | 61.1   | 7.6                               |
| DEC. 5 P                        | 266.6          | 563.2         | 446.8                       | 5.7                       | 357.7                     | 296.6              | 61.1   | 7.2                               |
| 12 PE                           | 266.0          | 562.5         | 444.3                       | 4.8                       | 358.7                     | 296.5              | 62.2   | 7.4                               |

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

P - PRELIMINARY

PE - PARTIALLY ESTIMATED

STRICTLY CONFIDENTIAL (FR)  
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TABLE 3  
RESERVE EFFECTS OF  
OPEN MARKET OPERATIONS AND OTHER RESERVE FACTORS  
(Millions of dollars, not seasonally adjusted)

|                | Open Market Operations 1/ |                   |                   |                 |           | Daily Average Reserve Effect 2/ |                           |                      | Δ in reserve categories                  |   | Target available reserves 5/ (11) |
|----------------|---------------------------|-------------------|-------------------|-----------------|-----------|---------------------------------|---------------------------|----------------------|--|---|-----------------------------------|
|                | Bills & Accept. (1)       | Coupon Issues (2) | Agency Issues (3) | RP's Net 3/ (4) | Total (5) | Open Market Operations (6)      | Member Bank Borrowing (7) | Other 4/ Factors (8) | req. res. against U.S.G. and interb. (9) | available res. 5/ (6)+(7)+(8)-(9) 5/ (10) |                                   |
| <b>Monthly</b> |                           |                   |                   |                 |           |                                 |                           |                      |  |   |                                   |
| 1973 -- May    | -506                      | --                | -21               | -942            | -1,470    | 1,437                           | 66                        | -1,392               | 45                                       | 66  | 200                               |
| June           | 649                       | 228               | 209               | --              | 1,085     | -1,450                          | 1                         | 1,084                | -470                                     | 105                                       | 175                               |
| July           | 1,073                     | 27                | 168               | 1,148           | 2,416     | 2,090                           | 263                       | -890                 | 311                                      | 1,185                                     | 795                               |
| Aug.           | -753                      | --                | -20               | -143            | -915      | -818                            | 93                        | 978                  | -304                                     | 557                                       | 680                               |
| Sept.          | -494                      | --                | -30               | 531             | 7         | -583                            | -282                      | 1,150                | -133                                     | 418                                       | 475                               |
| Oct.           | 1,972                     | --                | 172               | 295             | 2,440     | 1,985                           | -394                      | -668                 | 373                                      | 550                                       | 1,005                             |
| Nov.           | -1,008                    | 533               | 71                | -902            | -1,307    |                                 |                           |                      |  |   | 860                               |
| Dec.           |                           |                   |                   |                 |           |                                 |                           |                      |  |   | 475                               |
| <b>Weekly</b>  |                           |                   |                   |                 |           |                                 |                           |                      |  |   |                                   |
| 1973 -- Oct. 3 | 313                       | --                | --                | 1,567           | 1,880     | 1,491                           | -670                      | -293                 | -5                                       | 593                                       |                                   |
| 10             | 589                       | --                | 20                | -5,668          | -5,059    | -559                            | -168                      | 850                  | 280                                      | -157                                      |                                   |
| 17             | 590                       | --                | --                | 4,648           | 5,238     | 632                             | -182                      | -230                 | 297                                      | -77                                       |                                   |
| 24             | 302                       | --                | 152               | -71             | 383       | 351                             | 743                       | -998                 | -208                                     | 304                                       |                                   |
| 31             | 303                       | --                | --                | 716             | 1,019     | -95                             | -457                      | 389                  | -176                                     | 13  |                                   |
| Nov. 7         | -418                      | --                | --                | -2,811          | -3,229    | -326                            | -285                      | 288                  | -78                                      | -245                                      |                                   |
| 14             | -303                      | --                | --                | 2,571           | 2,268     | -848                            | 351                       | 738                  | 122                                      | 119                                       |                                   |
| 21             | 3                         | 499               | 50                | 907             | 1,458     | 2,562                           | 48                        | -2,422               | 24                                       | 164                                       |                                   |
| 28             | 13                        | 34                | 20                | -1,522          | -1,454    | -827                            | -281                      | 420                  | -226                                     | -462                                      |                                   |
| Dec. 5         | -304                      | --                | --                | 593             | 288       | 710                             | 189                       | -414                 | 77                                       | 408p                                      |                                   |
| 12             | -33                       | --                | -84               | -1,393          | -1,510    | -824                            | -175                      | 382                  | -113                                     | -504                                      |                                   |
| 19             |                           |                   |                   |                 |           |                                 |                           |                      |  |   |                                   |
| 26             |                           |                   |                   |                 |           |                                 |                           |                      |  |   |                                   |

1/ Represents change in System's portfolio from end-of-period to end-of-period; includes redemptions in regular bill auctions.

2/ Represents change in daily average level from preceding period.

3/ Includes matched sale-purchase transactions as well as RP's.

4/ Sum of changes in vault cash, currency in circulation, Treasury operations, F.R. float, gold and foreign accounts, and other F.R. accounts.

5/ Reserves to support private nonbank deposits. Target change for November and December reflects the target adopted at the November 20, 1973 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with target ranges that were adopted during the month.

\* Includes effect of special certificate (i.e., borrowing by Treasury from F.R.).

TABLE 4  
SECURITY DEALER POSITIONS AND BANK POSITIONS  
Millions of dollars

| Period         | U.S. Govt. Security Dealer Positions |                      | Dealer Positions       |                        | Member Bank Reserves Positions |                    |                 |                       |                  |
|----------------|--------------------------------------|----------------------|------------------------|------------------------|--------------------------------|--------------------|-----------------|-----------------------|------------------|
|                | Bills<br>(1)                         | Coupon Issues<br>(2) | Corporate Bonds<br>(3) | Municipal Bonds<br>(4) | Excess** Reserves<br>(5)       | Borrowing at FRB** |                 | Basic Reserve Deficit |                  |
|                |                                      |                      |                        |                        |                                | Total<br>(6)       | Seasonal<br>(7) | 8 New York<br>(8)     | 38 Others<br>(9) |
| 1972 -- High   | 4,291                                | 1,585                | 235                    | 383                    | 796                            | 1,223              |                 | -5,635                | -5,720           |
| Low            | 1,916                                | -93                  | 0                      | 40                     | -133                           | 12                 |                 | -1,638                | -1,910           |
| 1973 -- High   | 3,737                                | 1,299                | 197                    | 384                    | 631                            | 2,561              |                 | -5,243                | -8,864           |
| Low            | 897                                  | -301                 | 0                      | 36                     | -240                           | 688                |                 | -1,831                | -4,048           |
| 1972 -- Nov.   | 3,096                                | 1,039                | 84                     | 191                    | 314                            | 606                |                 | -4,561                | -3,622           |
| Dec.           | 3,510                                | 953                  | 58                     | 291                    | 219                            | 1,049              |                 | -4,977                | -4,958           |
| 1973 -- Jan.   | 3,407                                | 720                  | 27                     | 177                    | 289                            | 1,161              |                 | -4,550                | -5,469           |
| Feb.           | 2,132                                | 562                  | 77                     | 123                    | 207                            | 1,594              |                 | -4,187                | -5,436           |
| Mar.           | 2,490                                | -50                  | 24                     | 125                    | 177                            | 1,825              |                 | -4,273                | -5,847           |
| Apr.           | 2,457                                | 106                  | 12                     | 60                     | 255                            | 1,688              | 3               | -3,293                | -6,577           |
| May            | 1,894                                | 421                  | 66                     | 151                    | 161                            | 1,843              | 30              | -3,019                | -5,872           |
| June           | 2,281                                | 562                  | 33                     | 120                    | 234                            | 1,851              | 75              | -3,507                | -6,443           |
| July           | 1,425                                | 265                  | 24                     | 139                    | 285                            | 1,953              | 155             | -2,460                | -6,106           |
| Aug.           | 1,690                                | 39                   | 0                      | 70                     | 177                            | 2,165              | 163             | -2,689                | -4,940           |
| Sept.          | 2,745                                | 395                  | 6                      | 80                     | 216                            | 1,801              | 148             | -3,173                | -5,355           |
| Oct.           | 2,565                                | 484                  | 44                     | 226                    | 227                            | 1,476              | 126             | -3,814                | -6,090           |
| Nov.           | *2,804                               | *793                 | 90                     | 148                    | 170p                           | 1,393p             | 84p             | -4,469                | -8,186           |
| 1973 -- Oct. 3 | 2,124                                | 462                  | 60                     | 177                    | 452                            | 1,519              | 144             | -2,910                | -4,612           |
| 10             | 2,743                                | 447                  | 15                     | 155                    | 400                            | 1,351              | 131             | -3,526                | -6,593           |
| 17             | 2,372                                | 416                  | 117                    | 384                    | -91                            | 1,169              | 120             | -4,614                | -6,669           |
| 24             | 2,640                                | 462                  | 18                     | 189                    | 370                            | 1,912              | 125             | -3,906                | -5,877           |
| 31             | 2,823                                | 629                  | 38                     | 185                    | 131                            | 1,455              | 119             | -3,591                | -5,773           |
| Nov. 7         | 2,973                                | 1,299                | 2                      | 154                    | 265                            | 1,170              | 93              | -5,168                | -6,867           |
| 14             | 2,975                                | 859                  | 75                     | 167                    | 163                            | 1,521              | 80              | -5,056                | -8,572           |
| 21             | *2,727                               | *470                 | 86                     | 104                    | 336p                           | 1,569p             | 85p             | -4,157                | -8,757           |
| 28             | *2,357                               | *644                 | 197                    | 168                    | 17p                            | 1,288p             | 84p             | -3,756                | -8,199           |
| Dec. 5         | *3,090                               | *746                 | 100                    | 275                    | 376p                           | 1,477p             | 57p             | -3,628p               | -8,864p          |
| 12             | *3,737                               | *910                 | 180p                   | 225p                   | -240p                          | 1,302p             | 45p             | -5,023p               | -8,523p          |
| 19             |                                      |                      |                        |                        |                                |                    |                 |                       |                  |
| 26             |                                      |                      |                        |                        |                                |                    |                 |                       |                  |

Notes: Government Security dealer trading positions are on a commitment basis. Trading positions, which exclude Treasury bills financed by repurchase agreements maturing in 16 days or more, are indicators of dealer holdings available for sale over the near-term. Other security dealer positions are debt issues still in syndicate, excluding trading positions. The basic reserve deficit is excess reserves less borrowing at Federal Reserve less net Federal funds purchases. Weekly data are daily averages for statement weeks, except for corporate and municipal issues in syndicate which are Friday figures.

\* STRICTLY CONFIDENTIAL

\*\* Beginning with January 1973, monthly averages for excess reserves and borrowings are weighted averages of statement week figures.

CONFIDENTIAL (FR)

DECEMBER 14, 1973

TABLE 5  
SELECTED INTEREST RATES  
Per Cent

| Period         | Short-Term           |                |               |  |                    |                   | Long-Term           |                            |                                |   |                                   |
|----------------|----------------------|----------------|---------------|--|--------------------|-------------------|---------------------|----------------------------|--------------------------------|---|-----------------------------------|
|                | Federal Funds<br>(1) | Treasury Bills |               | 90-119 Day<br>Commercial<br>Paper<br>(4) | CD's New Issue-NYC |                   | Aaa Utility         |                            | Municipal<br>Bond Buyer<br>(9) | U.S. Government<br>(10-yr Constant<br>Maturity)<br>(10) | FNMA<br>Auction<br>Yields<br>(11) |
|                |                      | 90-Day<br>(2)  | 1-Year<br>(3) |  | 60-89 Day<br>(5)   | 90-119 Day<br>(6) | New<br>Issue<br>(7) | Recently<br>Offered<br>(8) |                                |   |                                   |
| 1972 -- High   | 5.38                 | 5.13           | 5.52          | 5.50                                     | 5.38               | 5.50              | 7.60                | 7.46                       | 5.54                           | 6.58  | 7.72                              |
| Low            | 3.18                 | 3.03           | 3.60          | 3.75                                     | 3.13               | 3.50              | 6.99                | 7.12                       | 4.96                           | 5.87  | 7.54                              |
| 1973 -- High   | 10.84                | 8.95           | 8.43          | 10.50                                    | 10.50              | 10.75             | 8.52                | 8.30                       | 5.59                           | 7.54  | 9.37                              |
| Low            | 5.61                 | 5.15           | 5.42          | 5.63                                     | 5.38               | 5.50              | 7.29                | 7.26                       | 4.99                           | 6.42  | 7.69                              |
| 1972 -- Nov.   | 5.06                 | 4.78           | 5.20          | 5.18                                     | 5.00               | 5.13              | 7.09                | 7.18                       | 5.02                           | 6.28  | 7.71                              |
| Dec            | 5.33                 | 5.07           | 5.28          | 5.40                                     | 5.19               | 5.38              | 7.15                | 7.18                       | 5.05                           | 6.36  | 7.68                              |
| 1973 -- Jan    | 5.94                 | 5.41           | 5.58          | 5.76                                     | 5.63               | 5.75              | 7.38                | 7.35                       | 5.05                           | 6.46  | 7.69                              |
| Feb.           | 6.58                 | 5.60           | 5.93          | 6.17                                     | 6.16               | 6.28              | 7.40                | 7.41                       | 5.13                           | 6.64  | 7.72                              |
| Mar            | 7.09                 | 6.09           | 6.53          | 6.76                                     | 6.78               | 6.75              | 7.49                | 7.51                       | 5.29                           | 6.71  | 7.78                              |
| Apr.           | 7.12                 | 6.26           | 6.51          | 7.13                                     | 7.04               | 6.75              | 7.48                | 7.48                       | 5.15                           | 6.67  | 7.89                              |
| May            | 7.84                 | 6.36           | 6.63          | 7.26                                     | 7.44               | 7.41              | 7.51                | 7.50                       | 5.15                           | 6.85  | 7.98                              |
| June           | 8.49                 | 7.19           | 7.05          | 8.00                                     | 7.98               | 8.13              | 7.64                | 7.64                       | 5.18                           | 6.90  | 8.07                              |
| July           | 10.40                | 8.01           | 7.97          | 9.26                                     | 9.09               | 9.19              | 8.01                | 7.97                       | 5.40                           | 7.13  | 8.46                              |
| Aug.           | 10.50                | 8.67           | 8.32          | 10.26                                    | 10.25              | 10.40             | 8.36                | 8.22                       | 5.48                           | 7.40  | 8.83                              |
| Sept.          | 10.78                | 8.29           | 8.07          | 10.31                                    | 10.31              | 10.50             | 7.88                | 7.99                       | 5.10                           | 7.09  | 9.32                              |
| Oct.           | 10.01                | 7.22           | 7.17          | 9.14                                     | 9.15               | 9.08              | 7.90                | 7.94                       | 5.05                           | 6.79  | 9.01                              |
| Nov.           | 10.03                | 7.83           | 7.40          | 9.11                                     | 9.06               | 8.91              | 7.89                | 7.94                       | 5.18                           | 6.73  | 8.84                              |
| 1973 -- Oct. 3 | 10.72                | 7.22           | 7.51          | 9.63                                     | 9.75               | 9.50              | 7.75                | 7.90                       | 5.04                           | 6.89  | 9.11                              |
| 10             | 9.87                 | 7.30           | 7.35          | 9.83                                     | 9.50               | 9.38              | 7.96                | 7.88                       | 4.99                           | 6.77  | --                                |
| 17             | 10.07                | 7.19           | 7.27          | 9.33                                     | 9.25               | 9.25              | 7.99                | 7.98                       | 5.05                           | 6.80  | 8.97                              |
| 24             | 9.98                 | 7.06           | 6.91          | 9.06                                     | 8.75               | 8.75              | 7.97                | 7.98                       | 5.12                           | 6.75  | --                                |
| 31             | 9.90                 | 7.20           | 6.88          | 8.45                                     | 8.50               | 8.50              | 7.76                | 7.97                       | 5.17                           | 6.72  | 8.94                              |
| Nov. 7         | 9.71                 | 7.84           | 7.30          | 8.78                                     | 8.75               | 8.50              | 8.00                | 8.02                       | 5.19                           | 6.76  | --                                |
| 14             | 10.03                | 8.34           | 7.54          | 9.03                                     | 9.00               | 8.88              | 7.98                | 7.99                       | 5.27                           | 6.76  | 8.87                              |
| 21             | 10.23                | 7.64           | 7.47          | 9.28                                     | 9.25               | 9.13              | 7.86                | 7.85                       | 5.13                           | 6.71  | --                                |
| 28             | 10.09                | 7.67           | 7.32          | 9.25                                     | 9.25               | 9.13              | 7.85                | 7.87                       | 5.15                           | 6.70  | 8.81                              |
| Dec. 5         | 10.17                | 7.36           | 7.31          | 9.33                                     | 9.50               | 9.25              | 8.06                | 7.98                       | 5.15                           | 6.72  | --                                |
| 12             | 10.04                | 7.55           | 7.27          | 9.48                                     | 9.50               | 9.13              | 8.09                | 7.97                       | 5.06                           | 6.70p   | --                                |
| 19             |                      |                |               |  |                    |                   |                     |                            |                                |   |                                   |
| 26             |                      |                |               |  |                    |                   |                     |                            |                                |   |                                   |

Notes: Weekly data for columns 1 to 4 are statement week averages of daily data. Columns 5 and 6 are one-day Wednesday quotes. For columns 7, 8 and 10 the weekly date is the mid-point of the calendar week over which data are averaged. Column 9 is a one-day quote for Thursday following the end of the statement week. Column 11 gives FNMA auction data for the Monday preceding the end of the statement week. The FNMA auction yield is the average yield in the bi-weekly auction for short-term forward commitments for Government underwritten mortgages.

December 14, 1973

Appendix Table I  
RESERVES AND MONETARY VARIABLES

| Period                            | Reserves  |                 |  | Money Stock Measures |         |         | Bank Credit Measures      |                                 | Other          |                           |                                      |           |                       | U.S. Gov't Demand (14)      |
|-----------------------------------|-----------|-----------------|--|----------------------|---------|---------|---------------------------|---------------------------------|----------------|---------------------------|--------------------------------------|-----------|-----------------------|-----------------------------|
|                                   | Total (1) | Nonborrowed (2) | Available to Support Pvt. Deposits (3) | M 1 (4)              | M 2 (5) | M 3 (6) | Adjusted Credit Proxy (7) | Total Loans and Investments (8) | Total Time (9) | Time Other than CD's (10) | Thrift Institutions Deposits 1/ (11) | CD's (12) | Nondeposit Funds (13) |                             |
| (Per Cent Annual Rates of Growth) |           |                 |  |                      |         |         |                           |                                 |                |                           |                                      |           |                       | (Dollar Change in Billions) |
| <b>Annually</b>                   |           |                 |  |                      |         |         |                           |                                 |                |                           |                                      |           |                       |                             |
| 1968                              | +7.5      | +5.3            | +8.1                                   | +7.8                 | +9.3    | +8.3    | +9.5                      | +10.9                           | +11.5          | +11.2                     | +6.3                                 | +2.9      | +2.6                  | -0.6                        |
| 1969                              | -1.1      | -2.8            | -1.7                                   | +3.6                 | +2.6    | +2.9    | +0.4                      | +2.9                            | -4.8           | +1.4                      | +3.6                                 | -12.4     | +13.0                 | +0.5                        |
| 1970                              | +6.1      | +9.6            | +8.6                                   | +6.0                 | +8.4    | +8.0    | +8.2                      | +8.1                            | +17.9          | +11.1                     | +7.1                                 | +14.4     | -8.4                  | +1.1                        |
| 1971                              | +7.2      | +8.1            | +7.2                                   | +6.6                 | +11.4   | +13.5   | +9.4                      | +11.2                           | +18.2          | +16.7                     | +17.4                                | +7.7      | -7.6                  | -0.3                        |
| 1972                              | +10.6     | +7.1            | +9.7                                   | +8.3                 | +10.8   | +13.0   | +11.6                     | +14.6                           | +15.5          | +13.3                     | +17.0                                | +10.1     | +0.4                  | +0.4                        |
| <b>Semi-Annually</b>              |           |                 |  |                      |         |         |                           |                                 |                |                           |                                      |           |                       |                             |
| 1st Half 1971                     | +9.7      | +9.6            | +10.7                                  | +10.1                | +14.9   | +16.4   | +10.1                     | +12.1                           | +21.6          | +20.0                     | +19.3                                | +4.3      | -7.1                  | -1.4                        |
| 2nd Half 1971                     | +4.4      | +6.3            | +3.4                                   | +1.0                 | +7.4    | +9.8    | +8.4                      | +9.7                            | +13.4          | +12.1                     | +16.3                                | +3.4      | -0.4                  | +1.1                        |
| 1st Half 1972                     | +11.7     | +12.1           | +8.6                                   | +7.7                 | +10.8   | +13.0   | +11.4                     | +13.6                           | +15.4          | +13.7                     | +17.3                                | +4.4      | -0.3                  | --                          |
| 2nd Half 1972                     | +9.0      | +2.0            | +10.4                                  | +8.5                 | +10.3   | +12.1   | +11.1                     | +14.7                           | +14.5          | +12.1                     | +15.4                                | +5.7      | +0.6                  | +0.4                        |
| 1st Half 1973                     | +7.4      | +4.9            | +11.4                                  | +6.0                 | +7.7    | +9.1    | +13.8                     | +16.6                           | +20.0          | +9.2                      | +11.6                                | +18.9     | +1.2                  | -1.4                        |
| <b>Quarterly</b>                  |           |                 |  |                      |         |         |                           |                                 |                |                           |                                      |           |                       |                             |
| 3rd Qtr. 1971                     | +6.5      | +6.6            | +3.2                                   | +4.1                 | +6.0    | +8.9    | +6.7                      | +8.5                            | +9.8           | +8.0                      | +14.5                                | +1.7      | -0.4                  | +1.1                        |
| 4th Qtr. 1971                     | +2.3      | +6.0            | +3.6                                   | +1.9                 | +8.7    | +10.5   | +9.8                      | +10.6                           | +16.6          | +15.9                     | +13.5                                | +1.8      | --                    | --                          |
| 1st Qtr. 1972                     | +10.4     | +10.7           | +10.4                                  | +9.2                 | +12.7   | +14.9   | +11.0                     | +15.7                           | +15.4          | +16.1                     | +19.1                                | +0.8      | -0.3                  | -0.4                        |
| 2nd Qtr. 1972                     | +12.6     | +13.1           | +6.6                                   | +6.1                 | +8.5    | +10.7   | +11.5                     | +11.1                           | +14.8          | +10.8                     | +14.7                                | +3.7      | --                    | +0.5                        |
| 3rd Qtr. 1972                     | +3.6      | -0.8            | +9.9                                   | +8.2                 | +10.3   | +12.4   | +9.8                      | +13.0                           | +14.0          | +12.3                     | +16.2                                | +2.4      | +0.4                  | -1.1                        |
| 4th Qtr. 1972                     | +14.7     | +4.8            | +10.6                                  | +8.6                 | +10.2   | +11.5   | +12.1                     | +15.8                           | +14.4          | +11.6                     | +13.9                                | +3.3      | +0.3                  | +1.4                        |
| 1st Qtr. 1973                     | +8.8      | -7.1            | +10.5                                  | +1.7                 | +5.7    | +8.6    | +15.0                     | +19.9                           | +23.1          | +9.5                      | +13.6                                | +11.7     | +0.5                  | +0.9                        |
| 2nd Qtr. 1973                     | +5.8      | +17.3           | +12.0                                  | +10.3                | +9.5    | +9.4    | +12.2                     | +12.7                           | +16.0          | +8.7                      | +9.4                                 | +7.1      | +0.7                  | -2.4                        |
| 3rd Qtr. 1973                     | +10.3     | +12.4           | +13.6                                  | +0.3                 | +5.1    | +4.4    | +10.5                     | +11.4                           | +13.4          | +9.8                      | +3.1                                 | +4.7      | +1.6                  | --                          |
| 1972: Jan.                        | +21.8     | +26.7           | +11.0                                  | +1.0                 | +10.4   | +13.2   | +9.2                      | +15.3                           | +17.7          | +19.2                     | +18.9                                | +0.1      | -0.1                  | +0.2                        |
| Feb.                              | -5.2      | -5.7            | +6.5                                   | +14.7                | +15.1   | +16.8   | +7.2                      | +13.9                           | +16.2          | +15.4                     | +20.0                                | +0.6      | -0.3                  | -1.7                        |
| Mar.                              | +14.5     | +11.0           | +13.4                                  | +11.5                | +12.4   | +14.2   | +16.2                     | +17.9                           | +11.6          | +13.2                     | +17.4                                | +0.1      | +0.1                  | +1.1                        |
| Apr.                              | +22.1     | +21.7           | +6.8                                   | +8.0                 | +7.9    | +10.7   | +12.2                     | +11.4                           | +12.8          | +7.8                      | +15.8                                | +1.5      | -0.2                  | +1.1                        |
| May                               | +8.8      | +9.4            | +3.9                                   | +4.0                 | +8.3    | +10.1   | +15.6                     | +15.2                           | +18.2          | +13.0                     | +13.4                                | +1.5      | +0.2                  | +0.7                        |
| June                              | +6.4      | +8.0            | +9.0                                   | +6.4                 | +9.2    | +11.1   | +6.6                      | +6.5                            | +12.9          | +11.4                     | +14.5                                | +0.7      | -                     | -1.3                        |
| July                              | +5.2      | +2.9            | +6.9                                   | +12.7                | +17.5   | +13.9   | +10.0                     | +9.9                            | +13.6          | +12.3                     | +17.0                                | +0.8      | +0.1                  | -1.0                        |
| Aug.                              | +7.6      | +0.7            | +9.7                                   | +4.4                 | +9.3    | +11.6   | +9.6                      | +14.4                           | +15.9          | +14.0                     | +15.5                                | +0.8      | +0.3                  | -0.7                        |
| Sept.                             | -1.9      | -6.1            | +12.9                                  | +7.2                 | +8.7    | +11.2   | +9.5                      | +14.2                           | +12.0          | +10.2                     | +15.7                                | +0.8      | -0.1                  | +0.6                        |
| Oct.                              | +18.7     | +15.5           | +3.2                                   | +7.2                 | +10.1   | +12.0   | +11.9                     | +11.2                           | +11.5          | +12.8                     | +15.5                                | +0.2      | +0.2                  | +1.2                        |
| Nov.                              | +11.4     | +9.8            | +20.8                                  | +5.2                 | +7.9    | +9.8    | +10.5                     | +21.4                           | +14.2          | +10.4                     | +17.2                                | +1.2      | --                    | +0.6                        |
| Dec.                              | +12.5     | -10.9           | +7.7                                   | +13.3                | +12.2   | +12.4   | +13.4                     | +14.3                           | +17.1          | +11.2                     | +12.7                                | +1.9      | +0.1                  | -0.4                        |
| 1973: Jan.                        | +35.8     | +31.3           | +22.8                                  | -0.5                 | +6.4    | +9.8    | +8.3                      | +17.8                           | +15.7          | +17.9                     | +15.8                                | +1.2      | +0.1                  | +0.6                        |
| Feb.                              | -22.1     | -41.3           | -4.7                                   | +6.1                 | +5.0    | +0.0    | +6.4                      | +23.7                           | +21.6          | +5.7                      | +14.4                                | +4.5      | --                    | +0.1                        |
| Mar.                              | +13.3     | -10.5           | +13.4                                  | -0.5                 | +4.7    | +6.9    | +19.7                     | +17.2                           | +30.9          | +9.6                      | +10.2                                | +6.1      | +0.4                  | +0.3                        |
| Apr.                              | +12.3     | +26.1           | +9.6                                   | +7.5                 | +8.1    | +8.4    | +13.1                     | +13.1                           | +21.0          | +8.7                      | +9.4                                 | +3.8      | +0.2                  | -1.7                        |
| May                               | +4.4      | +1.1            | +9.4                                   | +10.7                | +9.8    | +9.1    | +12.1                     | +16.6                           | +18.2          | +9.1                      | +7.8                                 | +3.1      | +0.3                  | -1.2                        |
| June                              | +0.6      | +24.0           | +16.6                                  | +12.4                | +10.4   | +10.4   | +11.1                     | +8.2                            | +8.1           | +8.1                      | +10.8                                | +0.3      | +0.2                  | +0.5                        |
| July                              | +26.9     | +44.9           | +18.6                                  | +5.0                 | +5.1    | +5.6    | +8.8                      | +13.3                           | +12.6          | +5.5                      | +6.5                                 | +2.4      | +0.9                  | -1.7                        |
| Aug.                              | -5.1      | -30.3           | +8.4                                   | -1.8                 | +6.4    | +4.2    | +17.0                     | +16.7                           | +20.4          | +14.0                     | --                                   | +2.5      | +0.6                  | +0.8                        |
| Sept.                             | +9.7      | +22.8           | +13.1                                  | -2.3                 | +3.0    | +3.2    | +5.4                      | +6.1                            | +6.8           | +9.6                      | +2.7                                 | -0.2      | +0.1                  | +0.9                        |
| Oct.                              | +14.1     | +19.3           | +0.9                                   | +4.6                 | +10.4   | +9.1    | +1.6                      | +6.7                            | +1.7           | +16.2                     | +6.1                                 | -3.4      | -0.4                  | +1.5                        |
| Nov.                              | -8.1      | -2.9            | -9.6                                   | +10.9                | +11.6   | +9.9    | +0.5                      | +5.0                            | +2.4           | +12.3                     | +6.8                                 | -2.3      | +0.2                  | -0.7                        |

p - Preliminary

NOTE: Reserve Requirements on Federal borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970.

1/ Growth rates are based on estimated monthly average levels derived by averaging end of current month and end of previous month reported data

2/ Series revised to incorporate new seasonal factors and June 30, 1973, benchmark adjustments. Data are preliminary and may be subject to minor changes.



Appendix Table II  
RESERVES AND MONETARY VARIABLES  
(Seasonally adjusted, billions of dollars)

CONFIDENTIAL (FR)  
December 14, 1973

| Period           | RESERVES     |                         |   | MONEY STOCK MEASURES |                  |                       |                       | BANK CREDIT MEASURES               |  |                       | OTHER                              |   |              |                                   |                                 |
|------------------|--------------|-------------------------|---|----------------------|------------------|-----------------------|-----------------------|------------------------------------|--|-----------------------|------------------------------------|---|--------------|-----------------------------------|---------------------------------|
|                  | Total<br>(1) | Non-<br>borrowed<br>(2) | Available to<br>Support Pvt.<br>Deposits<br>(3) | M <sub>1</sub>       |                  | M <sub>2</sub><br>(6) | M <sub>3</sub><br>(7) | Adjusted<br>Credit<br>Proxy<br>(8) | Total<br>Loans and<br>Investments<br>(9) | Total<br>Time<br>(10) | Time<br>Other than<br>CD's<br>(11) | Thrift<br>Institution<br>Deposits <sup>1/</sup><br>(12) | CD's<br>(13) | Non-<br>Deposits<br>Funds<br>(14) | U.S.<br>Gov't<br>Demand<br>(15) |
|                  |              |                         |   | Total<br>(4)         | Pvt. Dep.<br>(5) |                       |                       |                                    |  |                       |                                    |   |              |                                   |                                 |
| <b>ANNUALLY:</b> |              |                         |   |                      |                  |                       |                       |                                    |  |                       |                                    |   |              |                                   |                                 |
| Dec. 1969        | 27,959       | 26,699                  | 25,339  | 208.8                | 162.7            | 392.3                 | 594.0                 | 307.7                              | 405.6                                    | 194.4                 | 183.5                              | 201.7   | 10.9         | 20.0                              | 5.3                             |
| Dec. 1970        | 29,121       | 28,727                  | 26,975  | 221.3                | 172.2            | 425.2                 | 641.3                 | 332.9                              | 438.5                                    | 229.2                 | 203.9                              | 216.1   | 25.3         | 11.6                              | 6.5                             |
| Dec. 1971        | 31,209       | 31,060                  | 28,907  | 236.0                | 183.4            | 473.8                 | 727.7                 | 364.3                              | 487.6                                    | 270.9                 | 237.9                              | 253.8   | 33.0         | 4.0                               | 6.1                             |
| <b>MONTHLY:</b>  |              |                         |   |                      |                  |                       |                       |                                    |  |                       |                                    |   |              |                                   |                                 |
| 1972--July       | 33,171       | 33,018                  | 30,317  | 247.7                | 193.1            | 504.5                 | 784.0                 | 388.3                              | 525.1                                    | 295.0                 | 256.8                              | 279.6   | 38.3         | 3.9                               | 5.2                             |
| Aug.             | 33,381       | 33,038                  | 30,562  | 248.6                | 193.8            | 508.4                 | 791.6                 | 391.4                              | 531.4                                    | 298.9                 | 259.8                              | 283.2   | 39.1         | 4.2                               | 4.5                             |
| Sept.            | 33,327       | 32,870                  | 30,890  | 250.1                | 194.8            | 512.1                 | 799.0                 | 394.5                              | 537.7                                    | 301.9                 | 262.0                              | 286.9   | 39.8         | 4.1                               | 5.1                             |
| Oct.             | 33,832       | 33,295                  | 30,973  | 251.6                | 195.9            | 516.4                 | 807.0                 | 398.4                              | 542.                                     | 304.8                 | 264.8                              | 290.6   | 40.0         | 4.3                               | 6.3                             |
| Nov.             | 31,883       | 31,297                  | 29,496  | 252.7                | 196.5            | 519.8                 | 813.6                 | 401.9                              | 552.4                                    | 308.4                 | 267.1                              | 293.8   | 41.2         | 4.3                               | 6.9                             |
| Dec.             | 31,309       | 30,063                  | 28,862  | 255.5                | 198.7            | 525.1                 | 822.0                 | 406.4                              | 559.0                                    | 312.8                 | 269.6                              | 296.9   | 43.2         | 4.4                               | 6.5                             |
| 1973--Jan.       | 32,242       | 30,848                  | 29,411  | 255.4                | 198.4            | 527.9                 | 828.7                 | 409.2                              | 567.3                                    | 316.9                 | 272.5                              | 300.8   | 44.4         | 4.5                               | 7.1                             |
| Feb.             | 31,649       | 29,787                  | 29,296  | 256.7                | 199.3            | 530.5                 | 834.9                 | 414.8                              | 578.5                                    | 322.6                 | 273.8                              | 304.4   | 48.8         | 4.5                               | 7.2                             |
| Mar.             | 31,999       | 29,526                  | 29,622  | 256.6                | 198.7            | 532.6                 | 839.7                 | 421.6                              | 586.8                                    | 330.9                 | 276.0                              | 307.0   | 54.9         | 4.9                               | 7.5                             |
| Apr.             | 32,326       | 30,167                  | 29,860  | 258.2                | 199.5            | 536.2                 | 845.6                 | 426.2                              | 593.2                                    | 336.7                 | 278.0                              | 309.4   | 58.7         | 5.1                               | 5.8                             |
| May              | 32,445       | 30,195                  | 30,095  | 260.5                | 201.6            | 540.6                 | 852.0                 | 430.5                              | 601.4                                    | 341.8                 | 280.1                              | 311.4   | 61.7         | 5.4                               | 4.6                             |
| June             | 32,460       | 30,800                  | 30,511  | 263.2                | 203.9            | 545.3                 | 859.4                 | 434.5                              | 605.5                                    | 344.1                 | 282.0                              | 314.2   | 62.0         | 5.6                               | 5.1                             |
| July             | 33,569       | 32,332                  | 31,324  | 264.3                | 204.9            | 547.6                 | 863.5                 | 437.7                              | 612.2                                    | 347.7                 | 283.3                              | 315.9   | 64.5         | 6.5                               | 3.4                             |
| Aug.             | 33,898       | 31,996                  | 31,961  | 263.9                | 204.2            | 550.5                 | 866.5                 | 443.9                              | 620.7                                    | 353.6                 | 286.6                              | 315.9   | 67.0         | 7.1                               | 4.2                             |
| Sept.            | 34,145       | 32,604                  | 32,311  | 263.4                | 203.3            | 552.3                 | 868.8                 | 445.9                              | 622.8                                    | 355.6                 | 288.9                              | 316.8   | 66.8         | 7.3                               | 5.1                             |
| Oct.             | 34,971       | 33,553                  | 32,759  | 264.4                | 204.0            | 557.1                 | 875.4                 | 446.5                              | 626.3                                    | 356.1                 | 292.8                              | 318.2   | 63.4         | 6.9                               | 6.6                             |
| Nov. p           | 34,777       | 33,513                  | 32,540  | 266.8                | 205.9            | 562.5                 | 882.6                 | 446.7                              | 628.9                                    | 356.8                 | 295.8                              | 320.0   | 61.1         | 7.1                               | 6.0                             |
| Nov. 7           | 34,658       | 33,235                  | 32,496  | 266.4                | 205.9            | 561.5                 | 882.6                 | 446.8                              | 628.9                                    | 356.8                 | 295.1                              | 320.0   | 61.7         | 6.7                               | 6.4                             |
| 14               | 34,675       | 32,943                  | 32,464  | 267.0                | 206.2            | 562.9                 | 882.6                 | 446.4                              | 628.9                                    | 356.7                 | 295.9                              | 320.0   | 60.8         | 6.7                               | 6.5                             |
| 21 p             | 35,180       | 33,841                  | 32,844  | 267.6                | 206.5            | 562.9                 | 882.6                 | 446.6                              | 628.9                                    | 356.2                 | 295.3                              | 320.0   | 60.8         | 7.4                               | 5.7                             |
| 28 p             | 34,544       | 33,715                  | 32,301  | 265.4                | 204.6            | 561.4                 | 882.6                 | 446.5                              | 628.9                                    | 357.1                 | 296.0                              | 320.0   | 61.1         | 7.6                               | 5.5                             |
| Dec. 5 p         | 34,958       | 33,164                  | 32,729  | 266.6                | 205.8            | 563.2                 | 882.6                 | 446.8                              | 628.9                                    | 357.7                 | 296.6                              | 320.0   | 61.1         | 7.2                               | 5.7                             |

p - Preliminary

NOTE: Reserve requirements on Eurodollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970. Adjusted credit proxy includes mainly total member bank deposits subject to reserve requirements, bank-related commercial paper and Eurodollar borrowings of U.S. banks. Weekly data are daily averages for statement weeks. Monthly data are daily averages except for nonbank commercial paper figures which are for last day of month. Weekly data are not available for M<sub>2</sub>, total loans and investments and thrift institution deposits.

<sup>1/</sup> Estimated monthly average levels derived by averaging end of current month and end of previous month reported data.

<sup>2/</sup> Series revised to incorporate new seasonal factors and June 30, 1973, benchmark adjustments. Data are preliminary and may be subject to minor changes.

Appendix Table III

Growth Rate in Money Supply <sup>1/</sup>  
(Per cent change at an annual rate)

|      |     | <u>M<sub>1</sub></u> |              | <u>M<sub>2</sub></u> |                | <u>M<sub>3</sub></u> |                |
|------|-----|----------------------|--------------|----------------------|----------------|----------------------|----------------|
|      |     | <u>M</u>             | <u>Q</u>     | <u>M</u>             | <u>Q</u>       | <u>M</u>             | <u>Q</u>       |
| 1972 | I   | 9.2<br>(9.0)         | 5.3<br>(5.3) | 12.7<br>(12.3)       | 11.1<br>(11.0) | 14.9<br>(14.6)       | 13.2<br>(13.2) |
|      | II  | 6.1<br>(6.2)         | 8.4<br>(8.2) | 8.5<br>(8.9)         | 10.0<br>(9.8)  | 10.7<br>(10.9)       | 12.1<br>(12.0) |
|      | III | 8.2<br>(8.7)         | 8.0<br>(8.2) | 10.3<br>(10.8)       | 10.3<br>(10.8) | 12.4<br>(12.8)       | 12.2<br>(12.6) |
|      | IV  | 8.6<br>(9.9)         | 7.1<br>(8.4) | 10.2<br>(10.8)       | 9.5<br>(10.2)  | 11.5<br>(11.9)       | 11.4<br>(11.9) |
| 1973 | I   | 1.7<br>(3.6)         | 4.7<br>(7.0) | 5.7<br>(6.5)         | 7.7<br>(8.6)   | 8.6<br>(9.0)         | 10.0<br>(10.6) |
|      | II  | 10.3<br>(11.8)       | 6.9<br>(7.5) | 9.5<br>(11.3)        | 7.8<br>(8.6)   | 9.4<br>(10.6)        | 8.5<br>(9.1)   |
|      | III | 0.3<br>(0.5)         | 5.1<br>(6.1) | 5.1<br>(6.0)         | 7.0<br>(8.5)   | 4.4<br>(5.0)         | 6.6<br>(7.5)   |

M = Annual rates of growth calculated from average levels in the final months of the quarters.

Q = Annual rates calculated from average levels in all three months of the quarters.

<sup>1/</sup> Figures in parentheses are growth rates based on series revised for benchmark and seasonal factor changes.

Appendix Table IV

Comparison of Old and Revised M<sub>1</sub> and M<sub>2</sub> Growth Rates

|                   | M <sub>1</sub> |         | M <sub>2</sub> |         |
|-------------------|----------------|---------|----------------|---------|
|                   | Old            | Revised | Old            | Revised |
| <u>Annual:</u>    |                |         |                |         |
| 1971              | 6.6            | 6.3     | 11.4           | 11.2    |
| 1972              | 8.3            | 8.7     | 10.8           | 11.1    |
| 1973 (est)        | 4.6            | 5.7     | 7.5            | 8.5     |
| <u>Half year:</u> |                |         |                |         |
| 1971 1st Half     | 10.1           | 9.9     | 14.9           | 14.8    |
| 2nd Half          | 3.0            | 2.6     | 7.4            | 7.1     |
| 1972 1st Half     | 7.7            | 7.7     | 10.8           | 10.7    |
| 2nd Half          | 8.5            | 9.4     | 10.3           | 11.0    |
| 1973 1st Half     | 6.0            | 7.7     | 7.7            | 9.0     |
| 2nd Half (est)    | 3.0            | 3.5     | 7.0            | 7.7     |
| <u>Quarterly:</u> |                |         |                |         |
| 1972 I            | 9.2            | 9.0     | 12.7           | 12.3    |
| II                | 6.1            | 6.2     | 8.5            | 8.9     |
| III               | 8.2            | 8.7     | 10.3           | 10.8    |
| IV                | 8.6            | 9.9     | 10.2           | 10.8    |
| 1973 I            | 1.7            | 3.6     | 5.7            | 6.5     |
| II                | 10.3           | 11.8    | 9.5            | 11.3    |
| III               | 0.3            | 0.5     | 5.1            | 6.0     |
| IV (est)          | 5.8            | 6.5     | 8.8            | 9.3     |
| <u>Monthly:</u>   |                |         |                |         |
| 1973 January      | -0.5           | 4.7     | 6.4            | 8.7     |
| February          | 6.1            | 7.0     | 5.9            | 6.8     |
| March             | -0.5           | -0.9    | 4.7            | 3.8     |
| April             | 7.5            | 6.5     | 8.1            | 8.3     |
| May               | 10.7           | 13.4    | 9.8            | 12.3    |
| June              | 12.4           | 15.1    | 10.4           | 13.0    |
| July              | 5.0            | 4.5     | 5.1            | 6.6     |
| August            | -1.8           | 0.4     | 6.4            | 7.2     |
| September         | -2.3           | -3.6    | 3.9            | 4.1     |
| October           | 4.6            | 6.3     | 10.4           | 11.2    |
| November          | 10.9           | 10.8    | 11.6           | 11.5    |
| December (est)    | 1.8            | 2.2     | 4.1            | 4.9     |