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November 8, 1974

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MEMORANDUM FOR THE PRESIDENT

Subject: Monetary and Financial Conditions and their
Bearing on the Economic Outlook.

The growth rates of the money supply, expressed as annual rates, were 3.0 or 3.7 percent for narrowly defined money, and 6.2 or 6.6 percent for broadly defined money, depending on whether we measure these rates for the past thirteen or the past twenty six weeks. Numerical relationships between the growth of the money supply and the subsequent growth of the money value of the GNP are much less dependable for short periods than for long-run averages but the numbers given above are compatible with a reasonable degree of anti-inflationary pressure. The result may possibly be a somewhat more pronounced and briefer decline of output than most forecasters had expected. Yet the earlier projected flatter path and longer duration of the adjustment still remain possibilities.

Short-term interest rate movements over the past month have been mixed, with the Treasury bill rate higher than last month's average, and the commercial paper rate lower. Long-term interest rates also continued their decline of the past four or five weeks.

Member bank borrowings from the Fed fell to \$1.127 billion for the week ending November 6, from the earlier level of \$1.638 billion. During the same week the Federal funds rate -- the rate banks charge on loans to other banks -- declined from 9.72 percent to 9.63 percent. On the whole, these changes signal somewhat easier conditions in credit markets.

Alan Greenspan
Chairman

William J. Fellner
Member



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