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**DISCOUNT AND ADVANCE RATES -- Requests by three Reserve Banks to increase the primary credit rate; requests by nine Reserve Banks to maintain the existing rate.**

**Existing rate maintained.  
July 19, 2004.**

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Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Atlanta and San Francisco had voted on July 8, 2004, and the directors of the Federal Reserve Bank of Minneapolis had voted on July 15 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 2-1/2 percent (an increase from 2-1/4 percent). The directors of the Federal Reserve Banks of Boston, Cleveland, Richmond, Chicago, St. Louis, Kansas City, and Dallas had voted on July 8, and the directors of the Federal Reserve Banks of New York and Philadelphia had voted on July 15 to maintain the existing rate.

Reserve Bank directors requesting an increase in the primary credit rate acknowledged recent indications of some slowing in the expansion of economic activity, but they viewed the moderation as likely to be a temporary lull rather than a substantial downward shift in the economy's growth trajectory. They also noted that on the whole, recent price data suggested some increase in inflation. Against this background, they saw a tightening of monetary policy from its currently quite accommodative stance to a more neutral setting as inevitable, and they believed it was desirable to accomplish the necessary adjustment in a series of gradual, measured steps.

Directors in favor of maintaining the existing rate also pointed to indications of some slowing in the expansion of economic activity. These directors thought that the current accommodative monetary policy should remain in place pending confirmation of whether the slowdown was temporary. They, too, generally concluded that a reduction in policy accommodation would likely be necessary in the coming months.

At today's meeting, no sentiment was expressed in favor of a change in the primary credit rate, and the existing rate was maintained.

**Participating in this determination: Chairman Greenspan, Vice Chairman Ferguson, and Governors Bies, Olson, Bernanke, and Kohn.**

**Background:** Office of the Secretary memorandum, July 16, 2004.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, July 19, 2004.

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**DISCOUNT AND ADVANCE RATES -- Renewal by twelve Reserve Banks of the formulas for calculating the secondary and seasonal credit rates.**

**Approved.**  
**July 19, 2004.**

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The Board approved renewal by the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco on July 8, 2004, and by the Federal Reserve Banks of New York, Philadelphia, and Minneapolis on July 15 of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs.

**Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Bies, Olson, Bernanke, and Kohn.**

**Background:** Office of the Secretary memorandum, July 16, 2004.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, July 19, 2004.

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**DISCOUNT AND ADVANCE RATES -- Requests by six Reserve Banks to increase the primary credit rate; requests by six Reserve Banks to maintain the existing rate.**

**Existing rate maintained.**  
**August 2, 2004.**

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Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Cleveland, Atlanta, Chicago, Kansas City, and San Francisco had voted on July 22, 2004, and the directors of the Federal Reserve Bank of Minneapolis had voted on July 29 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 2-1/2 percent (an increase from 2-1/4 percent). The directors of the Federal Reserve Banks of Boston, Philadelphia, Richmond, St. Louis, and Dallas had voted on July 22, and the directors of the Federal Reserve Bank of New York had voted on July 29 to maintain the existing rate. At its meeting on July 19, the Board had considered, but had taken no action on, similar requests by the Federal Reserve Banks of Atlanta, Minneapolis, and San Francisco to increase the primary credit rate.

Reserve Bank directors requesting an increase in the primary credit rate generally cited a need to avert rising inflation in the future, with some noting that the core Consumer Price Index showed an increase in inflation relative to last year. They also regarded the recent slowdown in economic growth as a temporary lull. In their view, the outlook for economic activity supported removing monetary policy accommodation at a measured pace.

The views of the directors in favor of maintaining the current rate were substantially similar to those submitted for the Board's consideration at the July 19 meeting.

At today's meeting, no sentiment was expressed in favor of a change in the primary credit rate, and the existing rate was maintained.

**Participating in this determination: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.**

**Background:** Office of the Secretary memorandum, July 30, 2004.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, August 2, 2004.

**DISCOUNT AND ADVANCE RATES -- Renewal by twelve Reserve Banks of the formulas for calculating the secondary and seasonal credit rates.**

**Approved.  
August 2, 2004.**

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The Board approved renewal by the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco on July 22, 2004, and by the Federal Reserve Banks of New York and Minneapolis on July 29 of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs.

**Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.**

**Background:** Office of the Secretary memorandum, July 30, 2004.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, August 2, 2004.

**DISCOUNT AND ADVANCE RATES -- Requests by twelve Reserve Banks to increase the primary credit rate.**

**Existing rate maintained.  
August 9, 2004.**

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Subject to review and determination by the Board of Governors, the directors of

the Federal Reserve Bank of Minneapolis had voted on July 29, 2004, and the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco had voted on August 5 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 2-1/2 percent (an increase from 2-1/4 percent). At its meeting on August 2, the Board had considered, but had taken no action on, similar requests by the Federal Reserve Banks of Cleveland, Atlanta, Chicago, Minneapolis, Kansas City, and San Francisco to increase the primary credit rate.

Reserve Bank directors generally argued that, notwithstanding the recent soft patch in economic activity, monetary policy was more accommodative than was warranted by current economic conditions. In this light, they believed that policy should be gradually returned to a more neutral stance.

Today, Board members considered the primary credit rate and discussed, on a preliminary basis, their individual assessments of appropriate monetary policy and its communication, which would be the principal subjects of tomorrow's meeting of the Federal Open Market Committee. Against the background of recent and prospective economic developments, Board members tentatively favored a further step in the process of removing policy accommodation. No sentiment was expressed for changing the primary credit rate before the Committee's meeting, and the existing rate was maintained.

**Participating in this determination: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.**

**Background:** Office of the Secretary memorandum, August 6, 2004.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, August 9, 2004.

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**DISCOUNT AND ADVANCE RATES -- Renewal by eleven Reserve Banks of the formulas for calculating the secondary and seasonal credit rates.**

**Approved.**  
**August 9, 2004.**

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The Board approved renewal by the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco on August 5, 2004, of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs.

**Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.**

**Background:** Office of the Secretary memorandum, August 6, 2004.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, August 9, 2004.

**DISCOUNT AND ADVANCE RATES -- Increase in the primary credit rate from 2-1/4 percent to 2-1/2 percent.**

**Approved.  
August 10, 2004.**

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Bank of Minneapolis had voted on July 29, 2004, and the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco had voted on August 5 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 2-1/2 percent (an increase from 2-1/4 percent). At its meeting on August 9, the Board had considered, but had taken no action on, similar requests by the twelve Reserve Banks.

At today's meeting, there was a consensus in favor of an increase in the primary credit rate of 25 basis points, and the Board approved an increase in the primary credit rate from 2-1/4 percent to 2-1/2 percent, effective immediately for the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco, and effective August 11 for the Federal Reserve Bank of St. Louis. At an earlier meeting today, the Federal Open Market Committee had decided to increase its target for the federal funds rate by 25 basis points to 1-1/2 percent. It was understood that a press release announcing the increases in the two rates would be issued.

**Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.**

**Background:** Office of the Secretary memorandum, August 6, 2004.

**Implementation:** Press release and wires from Ms. Johnson to the Reserve Banks, August 10, and Federal Register document, August 11, 2004.