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**DISCOUNT RATES -- Establishment without change by eight Reserve Banks and renewal by twelve Reserve Banks of the formulas for calculating the flexible rates for extended and seasonal credit.**

**Approved.  
November 19, 2001.**

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The Board approved the establishment without change by the Federal Reserve Banks of Richmond, St. Louis, and San Francisco on November 8, and by the Federal Reserve Banks of New York, Philadelphia, Chicago, Minneapolis, and Kansas City on November 15, 2001, of the rates on advances and discounts in their existing schedules. The Board also approved renewal by those Reserve Banks on the dates indicated and by the Federal Reserve Banks of Boston, Cleveland, Atlanta, and Dallas on November 8, 2001, of the formulas for calculating the flexible rates for extended and seasonal credit.

**Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Meyer and Gramlich.**

**Background:** Office of the Secretary memorandum, November 16, 2001.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, November 19, 2001.

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**DISCOUNT RATES -- Request by one Reserve Bank to lower the discount rate; requests by eleven Reserve Banks to maintain existing rates.**

**Existing rates maintained.  
December 3, 2001.**

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Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Bank of Chicago had voted on November 29, 2001, to establish a basic discount rate of 1-1/4 percent (a reduction from 1-1/2 percent), with appropriate changes in related rates. The directors of the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, St. Louis, Dallas, and San Francisco had voted on November 21; the directors of the Federal Reserve Banks of New York, Minneapolis, and Kansas City had voted on November 29; and the directors of the Federal Reserve Bank of Atlanta had voted on November 30, 2001, to maintain the rates in their existing schedules.

At today's meeting, no sentiment was expressed in favor of a reduction in the discount rate, and existing rates were maintained.

**Participating in this determination: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.**

**Background:** Office of the Secretary memorandum, November 30, 2001.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, December 3, 2001.

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**DISCOUNT RATES -- Renewal by twelve Reserve Banks of the formulas for calculating the flexible rates for extended and seasonal credit.**

**Approved.**  
**December 3, 2001.**

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The Board approved renewal by the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, St. Louis, Dallas, and San Francisco on November 21; by the Federal Reserve Banks of New York, Chicago, Minneapolis, and Kansas City on November 29; and by the Federal Reserve Bank of Atlanta on November 30, 2001, of the formulas for calculating the flexible rates for extended and seasonal credit.

**Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.**

**Background:** Office of the Secretary memorandum, November 30, 2001.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, December 3, 2001.

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**DISCOUNT RATES -- Requests by six Reserve Banks to lower the discount rate; requests by six Reserve Banks to maintain existing rates.**

**Existing rates maintained.**  
**December 10, 2001.**

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Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Bank of Chicago had voted on November 29, and the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, and San Francisco had voted on December 6, 2001, to establish a basic discount rate of 1-1/4 percent (a reduction from 1-1/2 percent), with appropriate changes in related rates. The directors of the Federal Reserve Bank of Richmond had voted on December 5, 2001, to establish a basic discount rate of 1 percent. The directors of the Federal Reserve Banks of Minneapolis and Kansas City had voted on November 29, the directors of the Federal Reserve Bank of Atlanta had voted on November 30, the directors of the Federal Reserve Bank of St. Louis had voted on December 5, and the directors of the Federal

Reserve Banks of Cleveland and Dallas had voted on December 6, 2001, to maintain existing rates. At its meeting on December 3, 2001, the Board had considered, but had taken no action on, the request by the Federal Reserve Bank of Chicago to lower the discount rate.

Directors requesting that the discount rate be lowered by one-quarter of a percentage point generally agreed that recent economic reports were mixed. Some noted that consumer spending and housing continued to be more resilient than expected, while the manufacturing sector showed few signs of recovery. On balance, they thought that the economy was beginning to show signs of stabilizing, but the outlook remained uncertain, with downside risks continuing to predominate. In this light, they believed that a quarter-point reduction in the discount rate was needed to support emerging indications of a recovery. Directors requesting a one-half percentage point reduction emphasized that there were continuing downside risks in the outlook, notwithstanding some recent indicators of increased business investment in equipment. Citing anecdotal information on business capital spending, these directors believed that it was premature to conclude that the overall decline in investment was ending.

Directors in favor of maintaining existing rates were encouraged by recent economic data. They noted that jobless claims, while still at high levels, had dropped well below the September peak levels, and that durable goods orders were at their highest levels since May. Directors also cited other signs of a potential economic rebound, including strengthening personal income and consumption expenditures.

At today's meeting, the Board discussed recent economic developments. No sentiment was expressed in favor of taking action on the discount rate before tomorrow's meeting of the Federal Open Market Committee, and existing rates were maintained.

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

**Background:** Office of the Secretary memorandum, December 7, 2001.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, December 10, 2001.

**DISCOUNT RATES -- Renewal by eight Reserve Banks of the formulas for calculating the flexible rates for extended and seasonal credit.**

**Approved.**  
**December 10, 2001.**

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The Board approved renewal by the Federal Reserve Banks of Richmond and St. Louis on December 5, and by the Federal Reserve Banks of Boston, New York,

Philadelphia, Cleveland, Dallas, and San Francisco on December 6, 2001, of the formulas for calculating the flexible rates for extended and seasonal credit.

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

**Background:** Office of the Secretary memorandum, December 7, 2001.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, December 10, 2001.

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**DISCOUNT RATES -- Reduction in the discount rate from 1-1/2 percent to 1-1/4 percent.**

**Approved.**  
**December 11, 2001.**

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Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Bank of Chicago had voted on November 29, and the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, and San Francisco had voted on December 6, 2001, to establish a basic discount rate of 1-1/4 percent (a reduction from 1-1/2 percent), with appropriate changes in related rates. The directors of the Federal Reserve Bank of Richmond had voted on December 5, 2001, to establish a basic discount rate of 1 percent. The directors of the Federal Reserve Banks of Minneapolis and Kansas City had voted on November 29, the directors of the Federal Reserve Bank of Atlanta had voted on November 30, the directors of the Federal Reserve Bank of St. Louis had voted on December 5, and the directors of the Federal Reserve Banks of Cleveland and Dallas had voted on December 6, 2001, to maintain existing rates. At yesterday's meeting, the Board had considered, but had taken no action on, the requests to lower the discount rate.

At today's meeting, there was a consensus in favor of a reduction in the discount rate of one-quarter percentage point, and the Board approved a reduction in the discount rate from 1-1/2 percent to 1-1/4 percent, with appropriate changes in related rates, effective immediately for the Federal Reserve Banks of Boston, New York, Philadelphia, Chicago, and San Francisco. At an earlier meeting today, the Federal Open Market Committee had decided to lower its target for the federal funds rate by 25 basis points to 1-3/4 percent.

It was understood that a press release announcing the reduction would be issued. In addition, the Secretary was authorized to inform the remaining Reserve Banks, on their establishment of a basic discount rate of 1-1/4 percent, along with appropriate related rates, of the Board's approval of that schedule of rates. (NOTE: Subsequently, the remaining seven Reserve Banks established that schedule of rates and were informed of the Board's approval, effective December 12 for the

Federal Reserve Bank of St. Louis and effective December 13, 2001, for the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Minneapolis, Kansas City, and Dallas.)

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

**Background:** Office of the Secretary memorandum, December 7, 2001.

**Implementation:** Wires from Ms. Johnson and Mr. Frierson to the Reserve Banks, December 11 and 13, 2001.