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

Approved.
October 15, 2001.

The Board approved the establishment without change by the Federal Reserve Bank of New York on October 4, and by the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco on October 11, 2001, of the rates on advances and discounts in their existing schedules. The Board also approved renewal by those Banks and by the Federal Reserve Bank of Philadelphia on October 4, 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 and Gramlich.

Background: Office of the Secretary memorandum, October 12, 2001.

Implementation: Wire from Ms. Johnson to the Reserve Banks, October 15, 2001.

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

Existing rates maintained.
October 29, 2001.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Philadelphia, and Minneapolis had voted on October 18, and the directors of the Federal Reserve Banks of Boston, Chicago, Dallas, and San Francisco had voted on October 25, 2001, to establish a basic discount rate of 1-3/4 percent (a reduction from 2 percent), with appropriate changes in related rates. The directors of the other five Reserve Banks had voted to maintain the rates in their existing schedules.

Reserve Bank directors in favor of reducing the discount rate pointed out that the ongoing economic slowdown showed few signs of abating, particularly in the manufacturing sector, and that it had spread to the retail and other sectors of the economy. Against the backdrop of widespread uncertainty about the future course of the economy and downside risks stemming from the possibility of more erosion in consumer and business confidence, these directors concluded that a further easing of monetary policy was needed.

Reserve Bank directors in favor of maintaining existing rates noted that monetary policy was already stimulative, with lagged effects yet to be felt. It also was noted that automobile sales were strong, though this was due importantly to incentives like zero-percent financing, and that some dealers anticipated exhausting their inventories by year-end. Directors also commented that residential housing activity was holding up. However, some thought that maintaining rates was a close call in view of the continuing downside risk in the near-term outlook.

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 and Meyer.

Background: Office of the Secretary memorandum, October 26, 2001.

Implementation: Wire from Ms. Johnson to the Reserve Banks, October 29, 2001.

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

Approved.
October 29, 2001.

The Board approved renewal by the Federal Reserve Banks of New York, Philadelphia, and Minneapolis on October 18, and by the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco on October 25, 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 and Meyer.

Background: Office of the Secretary memorandum, October 26, 2001.

Implementation: Wire from Ms. Johnson to the Reserve Banks, October 29, 2001.

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

Existing rates maintained.
November 5, 2001.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, Chicago, Dallas, and San Francisco had voted on October 25, and the directors of the Federal Reserve Banks of New York, Philadelphia, and Minneapolis had voted on November 1, 2001, to establish a basic discount rate of 1-3/4 percent (a reduction from 2 percent), with appropriate changes in related rates. The directors of the Federal Reserve Bank of Richmond had voted on November 5, 2001, to establish a basic discount rate of 1-1/2 percent, with appropriate changes in related rates. The directors of the other four Reserve Banks had voted to maintain the rates in their existing schedules.

At its meeting on October 29, 2001, the Board had considered, but had taken no action on, requests by the Federal Reserve Banks of Boston, New York, Philadelphia, Chicago, Minneapolis, Dallas, and San Francisco to reduce the discount rate.

Directors requesting that the interest rate be lowered expressed their concerns about the near-term outlook for the economy, in view of reports of further weakening in business and consumer confidence and in labor markets against the backdrop of the effects of the events of September 11, 2001. They also noted that inflation remained low and showed no signs of reemerging. Directors in favor of a half-point reduction supported more aggressive action in view of the increase in downside risks to an already weak economic situation. The views of directors in favor of maintaining existing rates were substantially similar to the views they submitted for the Board's consideration at the meeting on October 29.

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 Kelley, Meyer, and Gramlich.

Background: Office of the Secretary memorandum, November 5, 2001.

Implementation: Wire from Ms. Johnson to the Reserve Banks, November 5, 2001.

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

Approved.
November 5, 2001.

The Board approved renewal by the Federal Reserve Banks of New York, Philadelphia, and Minneapolis on November 1, 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 5, 2001.

Implementation: Wire from Ms. Johnson to the Reserve Banks, November 5, 2001.

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

Approved.
November 6, 2001.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, Chicago, Dallas, and San Francisco had voted on October 25, and the directors of the Federal Reserve Banks of New York, Philadelphia, and Minneapolis had voted on November 1, 2001, to establish a basic discount rate of 1-3/4 percent (a reduction from 2 percent), with appropriate changes in related rates. The directors of the Federal Reserve Bank of Richmond had voted on November 5, 2001, to establish a basic discount rate of 1-1/2 percent, with appropriate changes in related rates. The directors of the other four Reserve Banks had voted to maintain the rates in their existing schedules. At its meeting on November 5, 2001, the Board had considered, but had taken no action on, requests by the eight Reserve Banks to reduce the discount rate.

At today's meeting, there was a consensus in favor of a 50-basis-point reduction in the discount rate, and the Board approved the pending request for a reduction in the discount rate from 2 percent to 1-1/2 percent, effective immediately for the Federal Reserve Bank of Richmond. At an earlier meeting today, the Federal Open Market Committee had decided to lower its target for the federal funds rate by 50 basis points to 2 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 1-1/2 percent, along with appropriate related rates, of the Board's approval of that schedule of rates. (NOTE: Subsequently, the remaining eleven Reserve Banks established that schedule of rates and were informed of the Board's approval, effective November 6 for the Federal Reserve Banks of New York and San Francisco; November 7 for the Federal Reserve Banks of Philadelphia, Chicago, St. Louis, and Minneapolis, and November 8, 2001, for the Federal Reserve Banks of Boston, Cleveland, Atlanta, Kansas City, and Dallas.)

Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and

Governors Kelley, Meyer, and Gramlich.

Background: Office of the Secretary memorandum, November 5, 2001.

Implementation: Press releases and wires to the Reserve Banks from Ms. Johnson dated November 6 and 7, and from Ms. Shanks dated November 11, 2001.