
DISCOUNT RATES -- Requests by two Federal Reserve Banks to lower the discount rate.

**Existing rates maintained.
September 24, 2001.**

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York and Philadelphia had voted on September 20, 2001, to establish a basic discount rate of 2-1/4 percent (a reduction from 2-1/2 percent), with appropriate changes in related rates.

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, September 21, 2001.

Implementation: Wire from Ms. Johnson to the Reserve Banks, September 24, 2001.

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

**Approved.
September 24, 2001.**

The Board approved renewal by the Federal Reserve Banks of Cleveland, Atlanta, and Kansas City on September 17, and by the Federal Reserve Banks of New York and Philadelphia on September 20, 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, September 21, 2001.

Implementation: Wire from Ms. Johnson to the Reserve Banks, September 24, 2001.

DISCOUNT RATES -- Requests by twelve Reserve Banks to lower the discount rate.

**Existing rates maintained.
October 1, 2001.**

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, St. Louis, Kansas City, and San Francisco had voted on September 27, and the directors of the Federal Reserve Bank of New York had voted on September 28, 2001, to establish a basic discount rate of 2 percent (a reduction from 2-1/2 percent), with appropriate changes in related rates. The directors of the Federal Reserve Bank of Philadelphia had voted on September 20, and the directors of the Federal Reserve Banks of Chicago, Minneapolis, and Dallas had voted on September 27, 2001, to establish a basic discount rate of 2-1/4 percent, with appropriate changes in related rates. At its meeting on September 24, 2001, the Board had considered, but had taken no action on, requests by the New York and Philadelphia Reserve Banks to lower the discount rate.

Reserve Bank directors generally perceived an unusual degree of uncertainty about future economic performance and downside risks in the aftermath of the events of September 11, 2001. Directors in favor of a 50-basis-point reduction were especially concerned about the risk of contracting economic activity in the context of declining business and household confidence. They believed that a reduction of 50 basis points was needed to bolster the economy and reassure businesses and consumers that the Federal Reserve was taking strong action to limit the downside risk.

Directors in favor of a 25-basis-point reduction also recognized that the events of September 11 were likely to have some adverse effect on an economic performance that was already lackluster, particularly in the near term. Even so, it seemed more evident now than two weeks ago that businesses, consumers, and markets had begun to move toward more normal activity. In light of the stimulative monetary and fiscal policy actions taken to date, these directors recommended a smaller reduction in the discount rate to retain flexibility if circumstances supported further easings.

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, September 28, 2001.

Implementation: Wire from Ms. Johnson to the Reserve Banks, October 1, 2001.

DISCOUNT RATES -- Renewal by ten Reserve Banks of the formulas for

calculating the flexible rates for extended and seasonal credit.

Approved.
October 1, 2001.

The Board approved renewal by the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco on September 27, 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, September 28, 2001.

Implementation: Wire from Ms. Johnson to the Reserve Banks, October 1, 2001.

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

Approved.
October 2, 2001.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, St. Louis, Kansas City, and San Francisco had voted on September 27, and the directors of the Federal Reserve Bank of New York had voted on September 28, 2001, to establish a basic discount rate of 2 percent (a reduction from 2-1/2 percent), with appropriate changes in related rates. The directors of the Federal Reserve Bank of Philadelphia had voted on September 20, and the directors of the Federal Reserve Banks of Chicago, Minneapolis, and Dallas had voted on September 27, 2001, to establish a basic discount rate of 2-1/4 percent, with appropriate changes in related rates. At its meeting on October 1, 2001, the Board had considered, but had taken no action on, requests by the twelve Reserve Banks to lower 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 requests for reductions in the discount rate from 2-1/2 percent to 2 percent, effective immediately for the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Kansas City, and San Francisco, and effective October 3, 2001, for the Federal Reserve Bank of St. Louis. 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 2-1/2 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 2 percent, along with appropriate related rates, of the Board's approval of that schedule of rates. (NOTE: Subsequently, the remaining four Reserve Banks established that schedule of rates and were informed of the Board's approval, effective October 2 for the Federal Reserve Banks of Chicago and Dallas, October 3 for the Federal Reserve Bank of Minneapolis, and October 4, 2001, for the Federal Reserve Bank of Philadelphia.)

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

Background: Office of the Secretary memorandum, September 28, 2001.

Implementation: Press releases and wires from Ms. Johnson to the Reserve Banks, October 2, 3, and 4, 2001.