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

**Existing rates maintained.**
**September 3, 2002.**

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Bank of Boston had voted on August 22, 2002, to establish a basic discount rate of 1 percent (a reduction from 1-1/4 percent). The directors of the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco had voted on August 22, and the directors of the Federal Reserve Banks of New York and Minneapolis had voted on August 29, 2002, to maintain the rates in their existing schedules. At its meeting on August 12, 2002, the Board had considered, but had taken no action on, a similar request by the Federal Reserve Bank of Boston to lower the discount rate.

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

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

**Background:** Office of the Secretary memorandum, August 30, 2002.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, September 3, 2002.

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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.**
**September 3, 2002.**

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 August 22, and by the Federal Reserve Banks of New York and Minneapolis on August 29, 2002, of the formulas for calculating the flexible rates for extended and seasonal credit.

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

**Background:** Office of the Secretary memorandum, August 30, 2002.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, September 3, 2002.

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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.**
**September 9, 2002.**

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Bank of Boston had voted on September 5, 2002, to establish a basic discount rate of 1 percent (a reduction from 1-1/4 percent). The directors of the Federal Reserve Bank of Minneapolis had voted on August 29, and the directors of the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco had voted on September 5, 2002, to maintain the rates in their existing schedules. At its meeting on September 3, 2002, the Board had considered, but had taken no action on, a similar request by the Federal Reserve Bank of Boston to lower the discount rate.

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

**Participating in this determination: Governors Gramlich, Bies, Olson, Bernanke, and Kohn.**

**Background:** Office of the Secretary memorandum, September 6, 2002.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, September 9, 2002.

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

**Approved.**
**September 9, 2002.**

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 September 5, 2002, of the formulas for calculating the flexible rates for extended and seasonal credit.

**Voting for this action: Governors Gramlich, Bies, Olson, Bernanke, and Kohn.**

**Background:** Office of the Secretary memorandum, September 6, 2002.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, September 9, 2002.

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**DISCOUNT RATES -- Establishment without change by twelve Reserve Banks of the existing discount rate.**

**Existing rates maintained.**
**September 23, 2002.**

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, Dallas, and San Francisco had voted on September 12, and the directors of the Federal Reserve Banks of New York, Philadelphia, Chicago, and Kansas City had voted on September 19, 2002, to maintain the rates on advances and discounts in their existing schedules.

At today's meeting, the Board discussed recent economic developments and their implications for the discount rate. Board members cited a number of factors as contributing to economic weakness and potential further declines in inflation, including considerable uncertainty among households and businesses about economic prospects, which was being magnified by geopolitical risks and corporate governance issues and a continuing lack of business pricing power.

Governor Gramlich noted the persistence of low inflation and a relatively high level of unemployment. In his view, the Federal Reserve's long-run goals of maximum employment and price stability made a reduction in the discount rate appropriate at this time. He stated that he was strongly leaning toward a reduction in the discount rate.

Chairman Greenspan shared Governor Gramlich's concerns about economic weakness, but he observed that available data left many unanswered questions about the direction of the economy. He referred to the anomaly of increased productivity and simultaneous pressure on profit margins. In light of considerable economic uncertainty, he believed it was preferable to wait for additional data before deciding whether action was appropriate.

Vice Chairman Ferguson commented that there were considerable uncertainties surrounding recent economic forecasts. Although he believed the decision was a close one, he preferred to monitor developments carefully rather than support a reduction in the discount rate at this time.

Governor Bies expressed concern about current economic weakness, both in the United States and the Eurozone. She said she was leaning toward a reduction in the discount rate, but she would be willing to await additional economic information.

Governor Olson was not in favor of a reduction in the discount rate. He recognized the factors indicating weakness in the economy, but he believed the timing was not right for a reduction without additional evidence of weakness.

Governor Bernanke suggested that the available economic evidence made the decision a close call, but, noting that the Board had the flexibility to act promptly at the appropriate time, he did not favor an immediate reduction in the discount rate.

Governor Kohn expressed concern about the current outlook, but he preferred to await additional economic data before deciding whether a reduction in the discount rate was appropriate.

At the conclusion of this discussion, no member of the Board was in favor of changing 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 Gramlich, Bies, Olson, Bernanke, and Kohn.**

**Background:** Office of the Secretary memorandum, September 20, 2002.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, September 23, 2002.

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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.**
**September 23, 2002.**

The Board approved renewal by the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, Dallas, and San Francisco on September 12, and by the Federal Reserve Banks of New York, Philadelphia, Chicago, and Kansas City on September 19, 2002, of the formulas for calculating the flexible rates for extended and seasonal credit.

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

**Background:** Office of the Secretary memorandum, September 20, 2002.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, September 23, 2002.