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Slide 1: Cover

A History of the Fed's Discount Window: 1913-2000

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Disclaimer: The views I will express today are my own and not necessarily those of the Federal Open Market Committee (FOMC) or the Federal Reserve System.

Slide 2: Roadmap of Talk

- Economic Outlook
- Historical Perspective on Discount Window
- Request for Information

Slide 3, Figure 1: PCE and Core PCE Inflation

Percent

Date	PCE	Core PCE
1/31/2020	1.697918492	1.552324112
2/29/2020	1.642005794	1.65599899
3/31/2020	1.146949231	1.49152345
4/30/2020	0.411140455	0.932470903
5/31/2020	0.448629938	0.950851704
6/30/2020	0.705525326	0.908423918
7/31/2020	0.900509613	1.163867086
8/31/2020	1.165337012	1.365943879
9/30/2020	1.247180832	1.444811289
10/31/2020	1.118688739	1.366676918
11/30/2020	1.153879439	1.427939961
12/31/2020	1.366487026	1.553524679
1/31/2021	1.615003159	1.715242881
2/28/2021	1.88520435	1.753229382
3/31/2021	2.713022122	2.255560018
4/30/2021	3.724613665	3.220545488
5/31/2021	4.155356627	3.64397685
6/30/2021	4.372402806	3.949218862
7/31/2021	4.533149673	4.009989229
8/31/2021	4.644842613	4.018854118
9/30/2021	4.805422283	4.07439036
10/31/2021	5.406947985	4.500805916
11/30/2021	5.985912146	4.951114143
12/31/2021	6.180290804	5.238009802
1/31/2022	6.297046493	5.369493822

Date	PCE	Core PCE
2/28/2022	6.547004375	5.574700232
3/31/2022	6.892944539	5.549581561
4/30/2022	6.61979157	5.254939867
5/31/2022	6.689955363	5.074560633
6/30/2022	7.116914165	5.192582026
7/31/2022	6.616947291	4.961510264
8/31/2022	6.515400036	5.20747684
9/30/2022	6.556096498	5.47208344
10/31/2022	6.347917118	5.325857173
11/30/2022	5.928570147	5.090360902
12/31/2022	5.441910192	4.865136479
1/31/2023	5.479087823	4.901181535
2/28/2023	5.189610207	4.844533779
3/31/2023	4.442269717	4.782955351
4/30/2023	4.446419082	4.762998022
5/31/2023	3.962025536	4.687829943
6/30/2023	3.198420533	4.280077342
7/31/2023	3.314708482	4.189149074
8/31/2023	3.347591753	3.726184894
9/30/2023	3.369589307	3.592483101
10/31/2023	2.942074982	3.383669145
11/30/2023	2.702702703	3.182524889
12/31/2023	2.619393653	2.940924804
1/31/2024	2.48296376	2.938847788
2/29/2024	2.49694269	2.83416608
3/31/2024	2.720655902	2.832286374
4/30/2024	2.671537431	2.772315843
5/31/2024	2.5452917	2.552694954
6/30/2024	2.457590127	2.56742662
7/31/2024	2.497831209	2.621993649
8/31/2024	2.237667021	2.669172241

Note: Percent change in the personal consumption expenditures (PCE) price index from 12 months ago. Core refers to the price index excluding food and energy. The gray shaded bar indicates a period of business recession as defined by the National Bureau of Economic Research. The shaded recession period extends from February 2020 through April 2020.

Source: Bureau of Economic Analysis, Personal Consumption Expenditures Price Index.

Slide 4, Figure 2: Unemployment Rate

Percent

Monthly	Unemployment Rate
1/1/2019	4
2/1/2019	3.8
3/1/2019	3.8
4/1/2019	3.7
5/1/2019	3.6
6/1/2019	3.6
7/1/2019	3.7
8/1/2019	3.6
9/1/2019	3.5
10/1/2019	3.6
11/1/2019	3.6

Monthly	Unemployment Rate
12/1/2019	3.6
1/1/2020	3.6
2/1/2020	3.5
3/1/2020	4.4
4/1/2020	14.8
5/1/2020	13.2
6/1/2020	11
7/1/2020	10.2
8/1/2020	8.4
9/1/2020	7.8
10/1/2020	6.8
11/1/2020	6.7
12/1/2020	6.7
1/1/2021	6.4
2/1/2021	6.2
3/1/2021	6.1
4/1/2021	6.1
5/1/2021	5.8
6/1/2021	5.9
7/1/2021	5.4
8/1/2021	5.1
9/1/2021	4.7
10/1/2021	4.5
11/1/2021	4.1
12/1/2021	3.9
1/1/2022	4
2/1/2022	3.8
3/1/2022	3.6
4/1/2022	3.7
5/1/2022	3.6
6/1/2022	3.6
7/1/2022	3.5
8/1/2022	3.6
9/1/2022	3.5
10/1/2022	3.6
11/1/2022	3.6
12/1/2022	3.5
1/1/2023	3.4
2/1/2023	3.6
3/1/2023	3.5
4/1/2023	3.4
5/1/2023	3.7
6/1/2023	3.6
7/1/2023	3.5
8/1/2023	3.8
9/1/2023	3.8
10/1/2023	3.8
11/1/2023	3.7
12/1/2023	3.7
1/1/2024	3.7
2/1/2024	3.9
3/1/2024	3.8
4/1/2024	3.9

Monthly	Unemployment Rate
5/1/2024	4
6/1/2024	4.1
7/1/2024	4.3
8/1/2024	4.2

Note: The unemployment rate represents the number of unemployed persons as a percentage of the labor force. The gray shaded bar indicates a period of business recession as defined by the National Bureau of Economic Research. The shaded recession period extends from February 2020 through April 2020.

Source: U.S. Bureau of Labor Statistics, Employment Situation report.

Slide 5, Figure 3: Effective Federal Funds Rate

This is a line chart titled “Effective Federal Funds Rate”. The x-axis ranges from January 2018 to October 2nd, 2024; in daily increments. The y-axis is in percent and ranges from 0% to 6%. In this chart, there is a single variable designated by a solid black line. The series is roughly at 2% from 2018 until early 2020 where it drops to near zero, before beginning to increase in early 2022, increasing in steps of roughly .25%, until reaching a high of roughly 5.5% in late 2023, before decreasing 0.50% in late September.

Note: Average daily effective funds rate.

Source: Board of Governors of the Federal Reserve System

Slide 6, Figure 4: Newspaper Illustration from 1983

Drawing from the “Rocky Mountain Times” circa July 19th, 1893, of a castle on an isolated rocky island, surrounded by turbulent seas crashing waves onto the island’s rocks. However, the castle and island are not being overtaken by the waves, in fact, the castle is well out of reach of the waves, signifying that the island and castle are firm in their position. The castle represents an amalgamation of several banks, City National Bank, Denver National Bank, etc. The rocky island holding the castle is labeled “Public Confidence”. The ocean its waves are labeled panic. This figure seems to be suggesting that panic is swirling around the banks while public confidence is protecting said banks from being swallowed by the panicked ocean. The choice of the author to describe the banks as a castle could be signaling that the banks have a fortress mentality, not lending, isolated.

Slide 7, Table 1. Member Banks Borrowing Continuously for a Year or More from Reserve Banks

As of	Number
August 31, 1925	593
December 31, 1925	517
December 31, 1926	457
December 31, 1927	303

Source: Bernard Shull (1971), “Report on Research Undertaken in Connection with a System Study,” in *Reappraisal of the Federal Reserve Discount Mechanism*, vol. 1 (Washington: Board of Governors of the Federal Reserve System), table 1, p. 34.

Slide 8, In 1926 the Fed Encourages a Reluctance to Borrow from Discount Window

“the funds of the Federal Reserve banks are primarily intended to be used in meeting the seasonal and temporary requirements of members, and continuous borrowing by a member

bank as a general practice would not be consistent with the intent of the Federal Reserve Act.” 1926 Federal Reserve Annual Report, page 4.

Slide 9, Figure 5: Discount Window Borrowing

This is a line chart titled “Discount Window Borrowing”. The x-axis ranges from the date November 1914 to the date March 2024; in one-month increments. The y-axis is in percent and ranges from 0% to 45%. There is a single variable in the chart which is monthly in its frequency. It is monthly because it is a monthly average of previously weekly data. This variable is designated by a solid blue line. The variable rises and falls in a volatile manner from the start until 1934, varying from near 0% to roughly 45%. In 1934, it settles on a value of near zero where it stays until 2008, where it sharply increases to roughly 25% before returning to zero a few years later.

Note: Discount window borrowing as a percent of total assets computed using Federal Reserve of St. Louis FRED weekly total bills discounted (RABDTBD) divided by total assets (TOTRA) times one hundred, and averaged over the month.

Source: The Center for Financial Stability; The Federal Reserve System's Weekly Balance Sheet Since 1914; accessed via Federal Reserve Bank of St. Louis FRED.

Slide 10, Request for Information (RFI)

- RFI published in the Federal Register on September 10, 2024
- You can find the RFI at <https://www.federalregister.gov>
- Comment period is open until December 9, 2024

Last Update: October 08, 2024