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The FRED® Blog

The continuity of the discount rate

FRED data provide a window into financial history

Posted on July 28, 2022



CPI +3.2 % Chg. from Yr.
Ago on Feb 2024

Civ. Unemploy. Rate 3.9 % on Feb 2024

10-Yr. Treas. Rate 4.27 % on 2024-03-21

Real GDP +3.2 %, Comp.
Annual Rate of Chg.
on Q4 2023

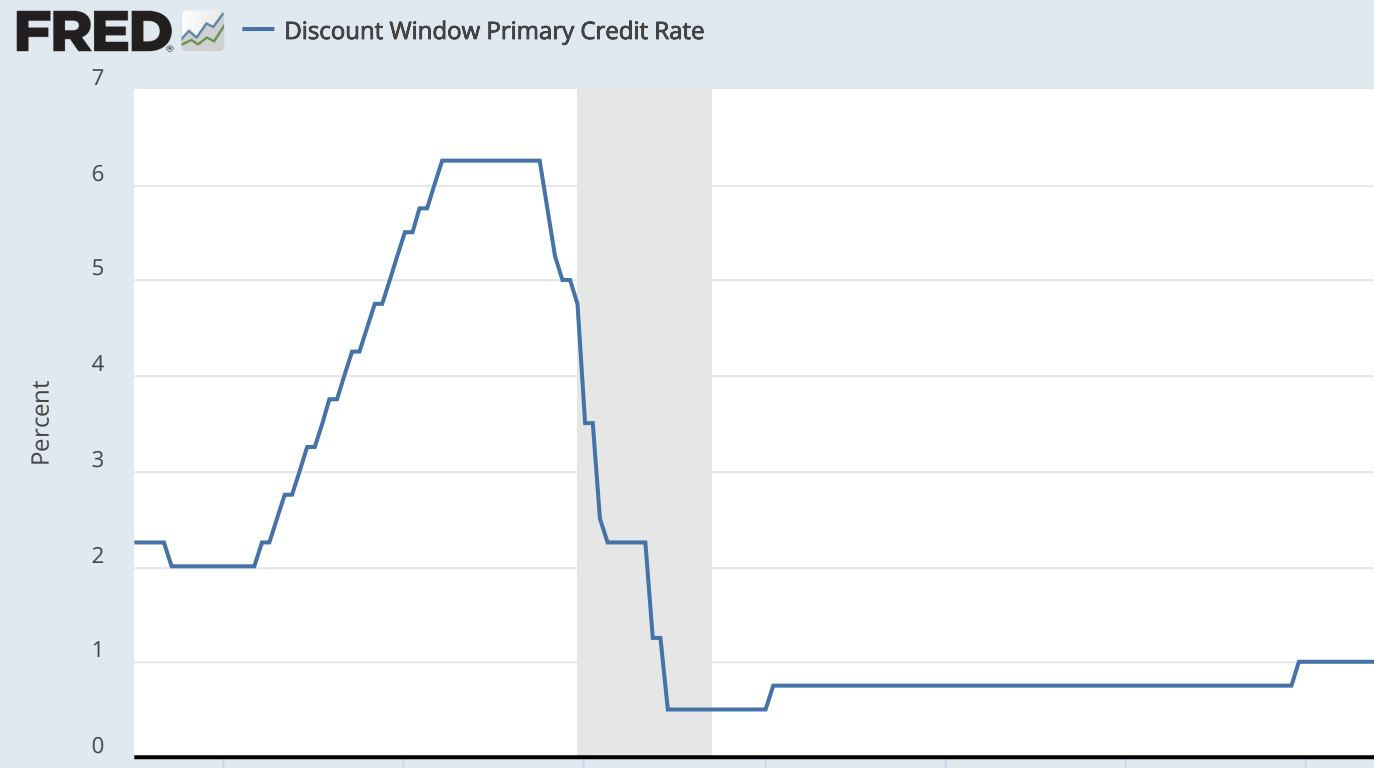
IP +0.1 % Chg.
on Feb 2024

Payroll Employment +275 Chg., Thous. of
Persons on Feb 2024

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When a commercial bank borrows from its District Federal Reserve Bank, it is using the Fed's *discount window*. As described by the Board of Governors, this lending program provides commercial banks with short-term liquidity to support the smooth flow of credit to households and businesses. The operation of the discount window has evolved in response to the changing needs of the economy and financial system, and this FRED Blog post looks at its history through the lens of data.

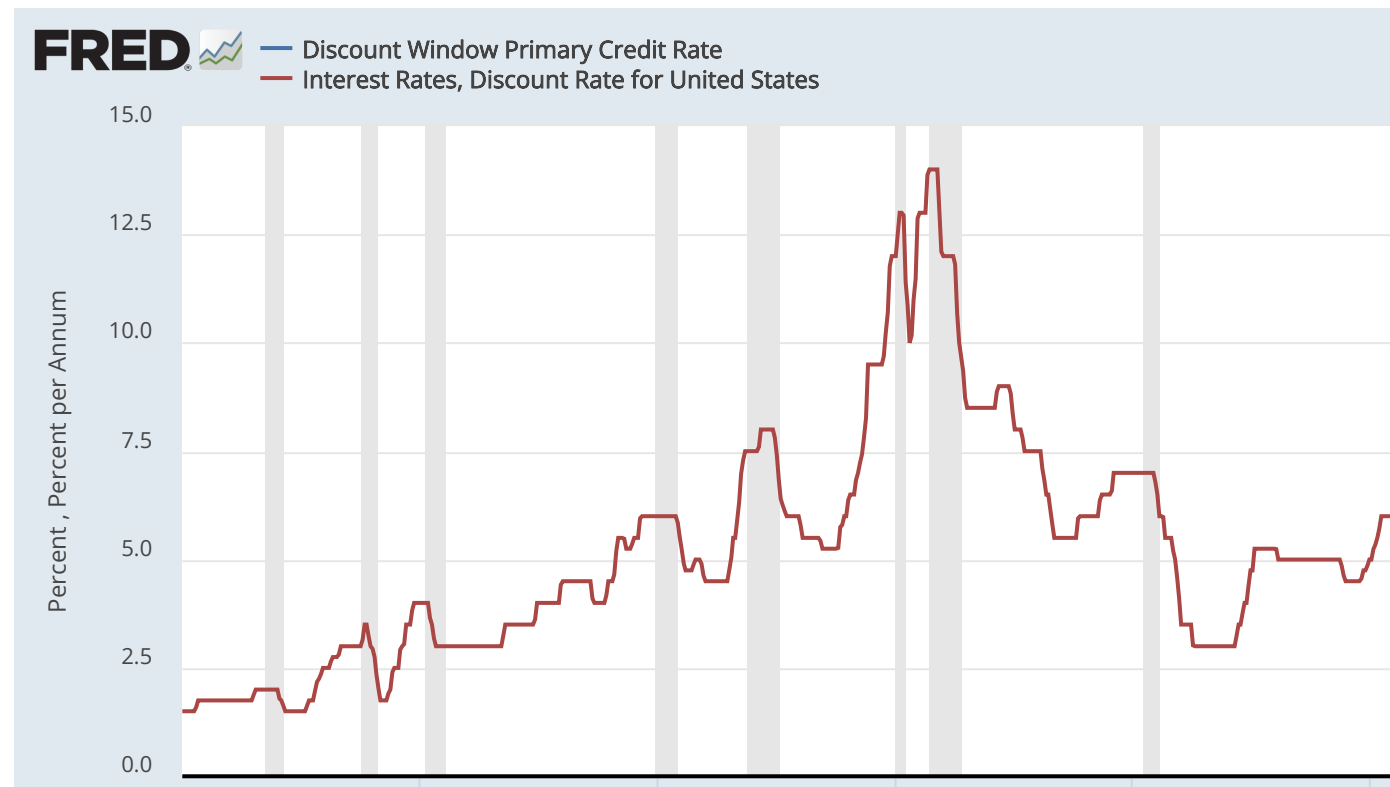
The FRED graph above shows the interest rate that financially sound commercial banks pay when borrowing from the Federal Reserve. It is called the "discount window primary credit rate" because it offers the best credit terms to qualifying depository institutions. The daily data series starts on January 9, 2003, when the *primary and secondary discount window program* started making liquidity available to more commercial banks under different terms and at different costs. The source of the data is the Board of Governors.

- [Accounting for the Effects of Fiscal Policy Shocks on Exchange Rates through Markup Dynamics](#)
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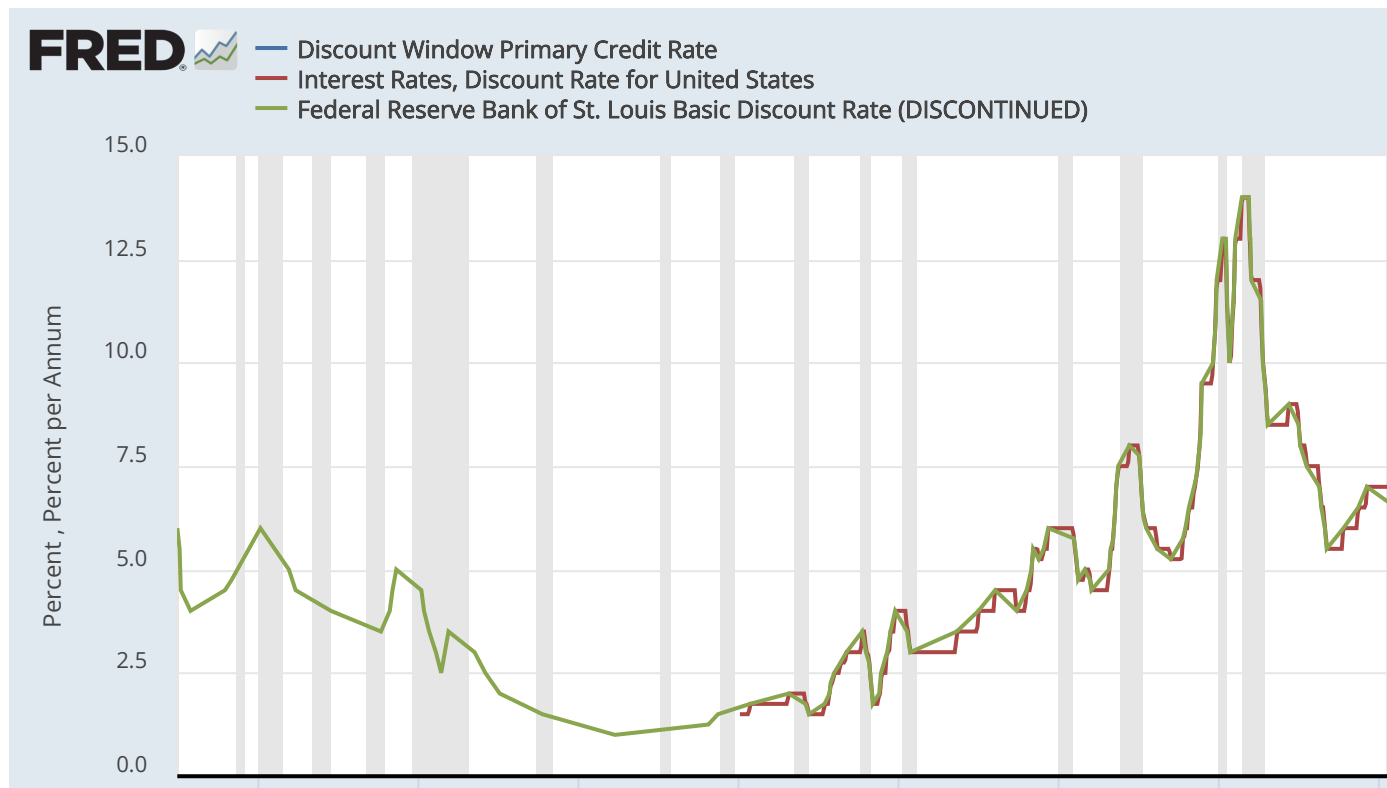
- [March 2024](#)
- [February 2024](#)
- [January 2024](#)
- [December 2023](#)
- [November 2023](#)
- [October 2023](#)
- [September 2023](#)
- [August 2023](#)
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- [December 2021](#)
- [November 2021](#)
- [October 2021](#)
- [September 2021](#)

But the discount window has been in operation since 1914, when the Federal Reserve System was established. Do you want to know how this tool of monetary policy operated further back in time? Keep on reading.



Before the *primary and secondary credit programs* were put in place, the Fed determined access to short-term liquidity for commercial banks through the *adjustment and extended credit programs*. There was and still is a third, seasonal credit program not discussed here. The FRED graph above adds a second line (in red) to our initial graph. It shows the monthly average discount rate on loans to member banks and it extends the data back in time to January 1950. Note that the data source is listed as the International Monetary Fund, but the original data are reported by the Board of Governors through the [Data Download Program](#).

- August 2021
- July 2021
- June 2021
- May 2021
- April 2021
- March 2021
- February 2021
- January 2021
- December 2020
- November 2020
- October 2020
- September 2020
- August 2020
- July 2020
- June 2020
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- July 2018
- June 2018



Between 1914, when the Federal Reserve System was established, and the first half of 1922, when Federal Reserve District banks started buying large amounts of government securities in the open market, [management of the discount window](#) was intended as the principal instrument of central banking operations.

The FRED graph above adds a third line (in green) to our second graph. It shows the values of the basic discount rate that the Federal Reserve Bank of St. Louis charged to its member banks between November 16, 1914, and the launch of the *primary and secondary discount window program* in 2003. Notice that the data have no consistent frequency, as they were recorded only when the interest rate changed. Subject to approval by the Board of Governors, each of the 12 Reserve Banks in the Federal Reserve System can set its own discount rate. In practice, since the 1930s, the rates of the 12 Reserve Banks have rarely differed, and then only for a day or two. However, before 1933, there were more often differences in the rates across the Banks.

- [May 2018](#)
- [April 2018](#)
- [March 2018](#)
- [February 2018](#)
- [January 2018](#)
- [December 2017](#)
- [November 2017](#)
- [October 2017](#)
- [September 2017](#)
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- [May 2015](#)
- [April 2015](#)
- [March 2015](#)

How these graphs were created: To create the first graph, search for and select “Discount Window Primary Credit Rate.” To create the second graph, from the “Edit Graph” panel, use the “Add Line” tab to search for and select “Interest Rates, Discount Rate for United States.” To create the third graph, repeat the last step to add “Federal Reserve Bank of St. Louis Basic Discount Rate (DISCONTINUED)” to the graph.

Suggested by [Diego Mendez-Carbajo](#).
