

On the Optimal Supply of Reserves

Monetary Policy Implementation Workshop: Unwinding Large Central Bank Balance Sheets

May 22, 2025

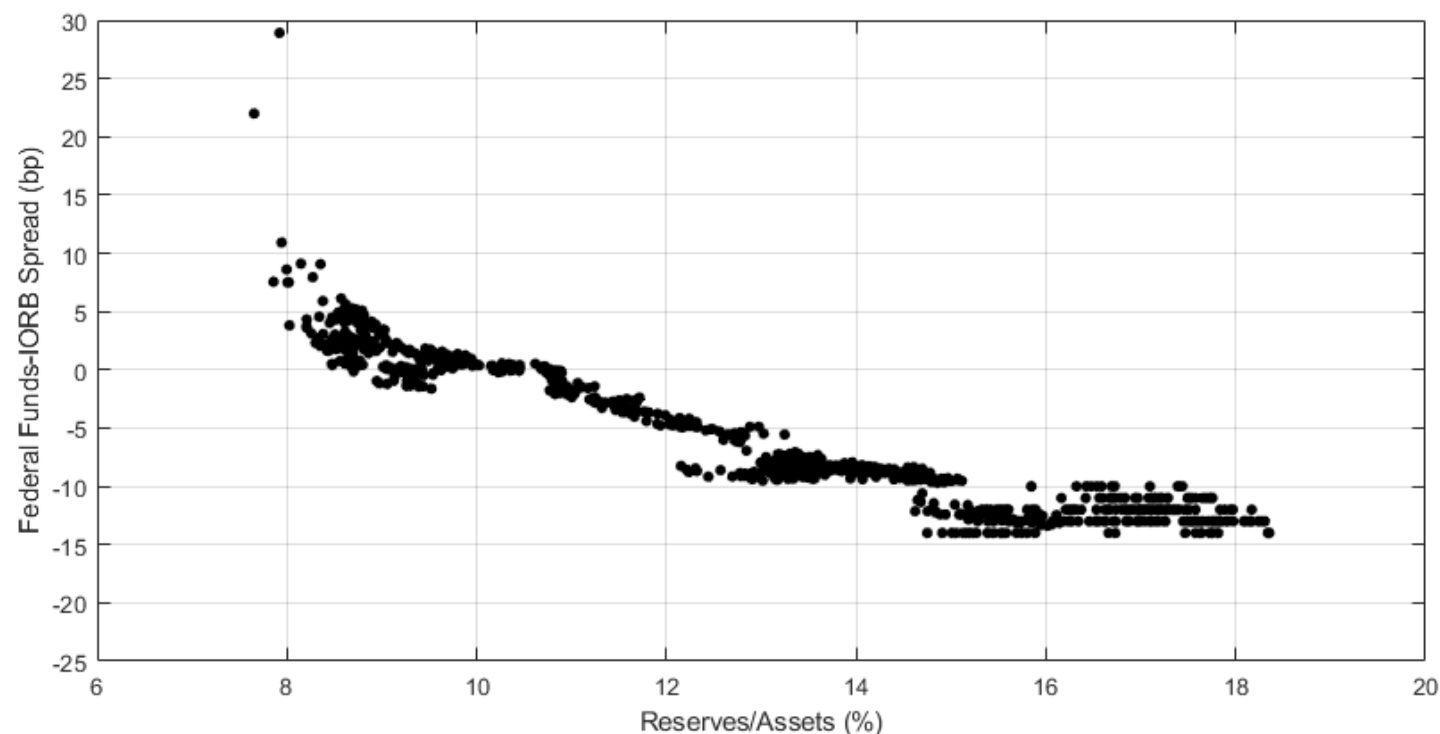
John C. Williams

President and Chief Executive Officer

Federal Reserve Bank of New York

This presentation represents the views of the author and not necessarily those of the Federal Open Market Committee (FOMC) or anyone else in the Federal Reserve System.

Figure 1: Reserve Balances and the Interest Rate Spread



Sample: January 2015 – February 2020

Source: Afonso, G., Giannone, D., La Spada, G., and Williams, J. C. (2024). *Scarce, Abundant, or Ample? A Time-Varying Model of the Reserve Demand Curve*.

Figure 2: Demand for Reserves

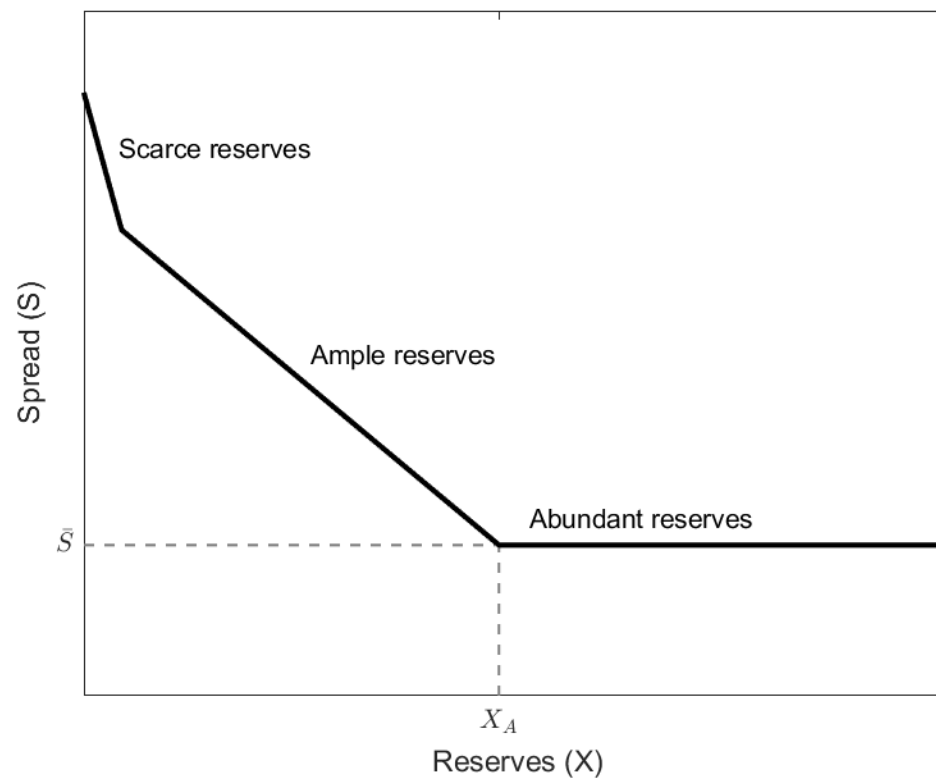


Figure 3: Shocks to the Demand for Reserves

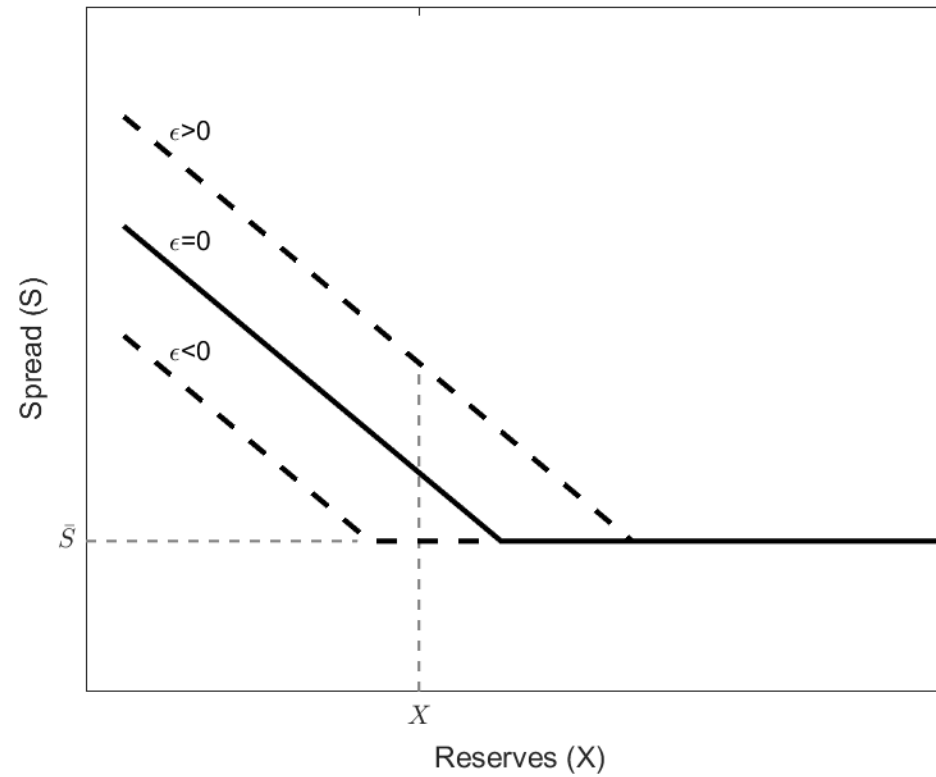


Figure 4: Deterministic and Stochastic Mean Spreads

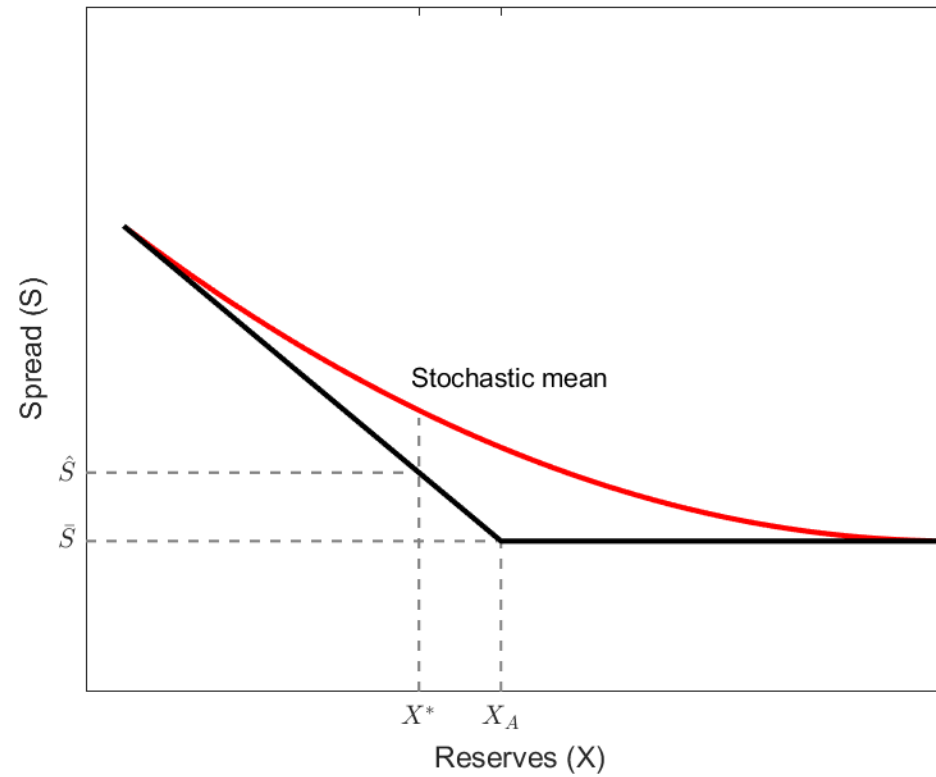


Figure 5: Lending Facility

