Dissent: No Stranger in the History of the FOMC

The Federal Reserve's Federal Open Market Committee (FOMC) is our nation’s chief monetary policymaking body. It is made up of Federal Reserve governors (in Washington) and Federal Reserve bank presidents (across the country). The FOMC uses a variety of tools to influence financial conditions in the economy. The goals are maximum employment, stable prices and moderate long-term interest rates for the country. Often, the members of the committee are unanimous in their support for a policy. But dissenting votes are cast—more than 450 over three-quarters of a century, with an uptick in the past several years.

What prompts a dissent? Have such votes been more common in one era or another? Is one type of member more likely than another to dissent?

Analysis of FOMC dissents has only just begun. Although some patterns can readily be seen, explanations of those patterns will require further research. One pattern shows that Reserve bank presidents have tended historically to dissent more often for tighter policies (lower inflation) and governors for easier policies (lower unemployment). This could reflect differences in how presidents and governors are chosen. Presidents are appointed by their local boards of directors (with Board of Governors approval), whereas governors are appointed by the president of the U.S. and approved by the Senate. Some researchers argue that governors are, thus, more responsive to the desires of politicians (who must consider re-election) and, thus, favor lower interest rates and unemployment rates in the short run even at the cost of higher inflation (and perhaps higher interest rates and unemployment) over the longer run. In contrast, Reserve bank presidents may have stronger preferences for low inflation and, thus, generally tighter monetary policy than do governors.

Dissents by Reserve Bank Presidents and by Fed Governors

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Number and Frequency of Dissents under FOMC Chairs, 1936-2015*

Chairs | Tenure | Total Dissents | Dissents per Meeting
--- | --- | --- | ---
Marriner Eccles | Nov. 15, 1934 - April 15, 1948 | 13 | 0.23
William McChesney Martin Jr. | April 15, 1948 - March 31, 1951 | 0 | 0.00
William McChesney Martin Jr. | April 2, 1951 - Jan. 31, 1970 | 137 | 0.51
Arthur Burns | Feb. 1, 1970 - March 7, 1978 | 63 | 0.62
G. William Miller | March 8, 1978 - Aug. 6, 1979 | 27 | 1.42
Paul Volcker | Aug. 6, 1979 - Aug. 11, 1987 | 92 | 1.23
Alan Greenspan | Aug 11, 1987 - Jan 31, 2006 | 82 | 0.54
Janet Yellen | Feb. 1, 2014 - * | 48 | 0.73

Only one person ever dissented while serving as chair. Marriner Eccles dissented three times in the late 1930s.

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Direction of Dissents by Member Type, 1936-2015*

In addition to the dissents shown above, there were 59 others that couldn’t be classified as being for either tighter or easier policy. Records either provide no reason for the dissent or indicate that the dissent was cast because of disagreement with language in the FOMC directive or statement concerning possible future policy actions. For example, sometimes a president or governor would dissent because he or she didn’t believe the directive would have the intended effect.

Between 1932 and 2015, the number of dissents per meeting was somewhat higher during years with unusually high inflation or unemployment rates, but the relationship between economic conditions at the time and dissents was not strong. See article in the 2014-Q3 issue of the Review at http://research.stlouisfed.org/publications/review.

The zero lower bound is not for the federal funds rate target. Unconventional monetary policy statements that set a target for some FOMC members.

For the first time, press conferences became a regular part of the FOMC meeting. The Board of Governors met twice a year, where it stood today. FOMC begins to include information in its monetary policy directive about the likely direction of future changes in policy.

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