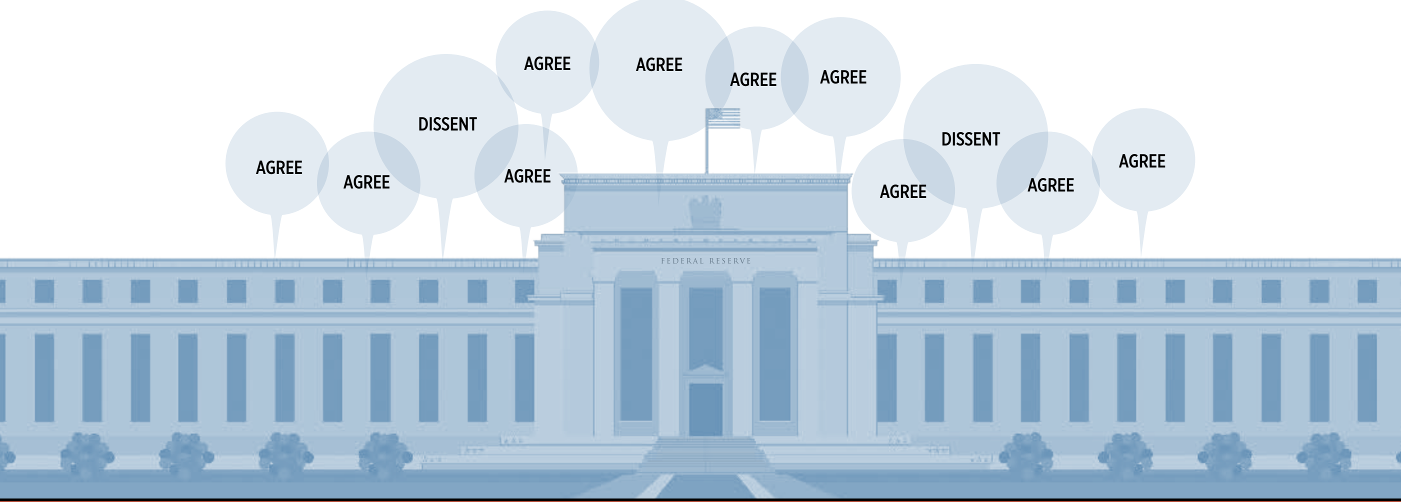
Version 2.0*

Dissent: No Stranger in the History of the FOMC

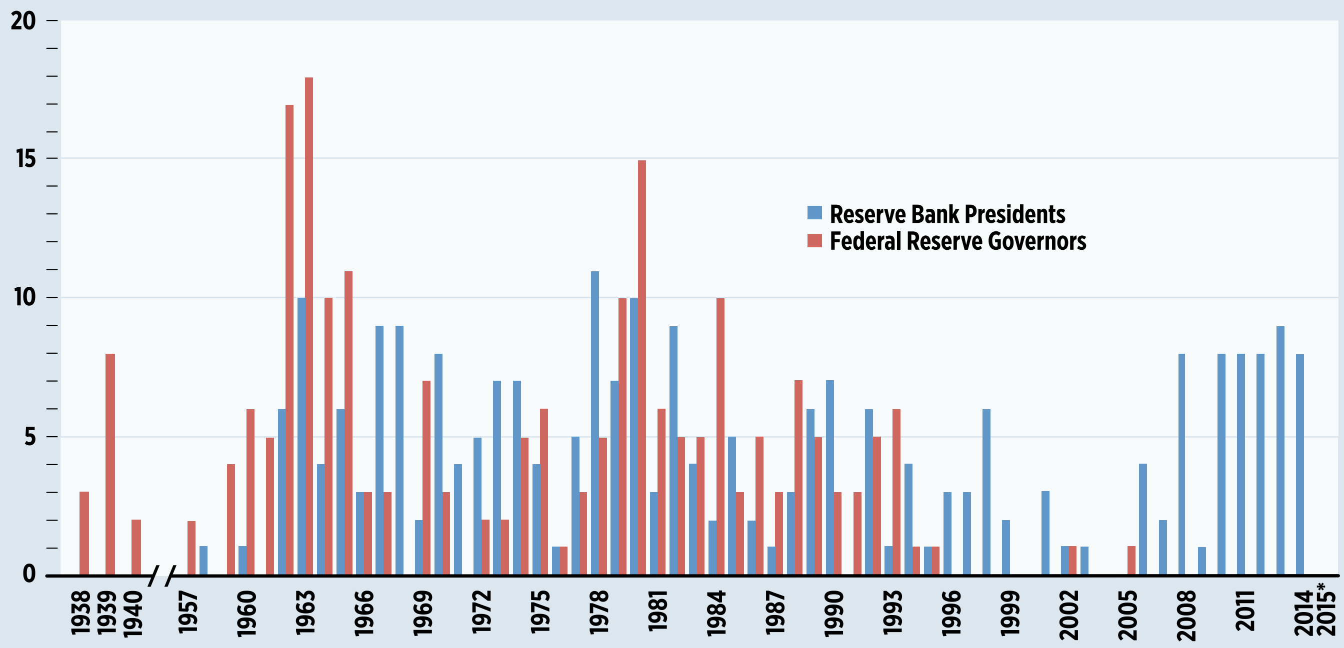


The Federal Reserve's Federal Open Market Committee (FOMC) is our nation's chief monetary policymaking body. It is made up of Federal Reserve governors (in Washington) and Federal Reserve bank presidents (across the country). The FOMC uses a variety of tools to influence financial conditions in the economy.

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?

Dissents by Reserve Bank Presidents and by Fed Governors



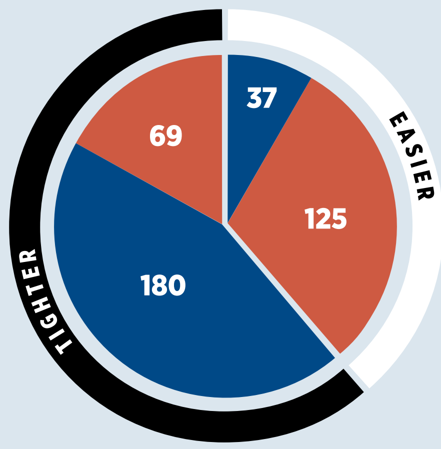
Analysis of FOMC dissents has only just begun. Although some patterns can readily be seen, explanations of those patterns will require further research. One pattern shows that Reserve bank presidents have tended historically to dissent more often for tighter policies (lower inflation) and governors for 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.

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
Thomas McCabe	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
Ben Bernanke	Feb. 1, 2006-Jan. 31, 2014	48	0.73
Janet Yellen	Feb. 3, 2014-	8*	0.73*

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

Direction of Dissents by Member Type, 1936-2015*



Tighter 61% | Easier 39%
President 53% | Governor 47%

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.

* Updated June 19, 2015.

To read more about FOMC dissents, see the 2014: Q3 issue of the *Review* at http://research.stlouisfed.org/publications/review.

FEDERAL RESERVE BANK OF ST. LOUIS

A Timeline of "No" Votes

And Significant Events in U.S. and Federal Reserve History

Number of Dissents by Year | Unemployment hits at least 7% | Inflation hits at least 10%

Unemployment and inflation shown since the late 1940s.

	1933	Congress establishes the FOMC, to be made up of representatives from all 12 Federal Reserve banks.
	1934	
	1935	Congress adds the Fed's Board of Governors to the FOMC.
	1936	
	1937	
3	1938	
8	1939	Great Depression, which started in 1929, ends. World War II begins.
2	1940	
	1941	
	1942	The Federal Reserve pledged to cooperate fully with the Treasury Department to finance the war effort.
	1943	
	1944	
	1945	WW II ends.
	1946	
	1947	
	1948	
	1949	
	1950	Korean War begins.
	1951	Fed-Treasury Accord is drawn up, enabling the Fed to redirect open market policy toward macro goals, such as low inflation and maximum employment.
	1952	
	1953	Armistice declared in Korean War.
	1954	
	1955	FOMC starts to meet every three to four weeks instead of just four times per year.
	1956	The full committee starts voting on the operating directive to the manager of the open market account.
2	1957	
1	1958	
4	1959	
7	1960	**Early 1960s**—FOMC drops its policy of conducting open market operations solely in Treasury bills.
5	1961	Vietnam War begins for the U.S.
23	1962	
28	1963	**1960s and 1970s**—More and more, there is disagreement on the committee about the causes and costs of inflation, as well as whether there really is a tradeoff between inflation and unemployment. Some members begin to press for policy to be based not on short-term interest rates, as had been the case, but on monetary aggregates.
14	1964	
17	1965	
6	1966	
12	1967	
9	1968	
9	1969	**1970s**—St. Louis Fed cements its reputation as a maverick, which it acquired for supporting policy based on monetary aggregates.
11	1970	
4	1971	
7	1972	
9	1973	U.S. pulls out of Vietnam.
12	1974	
10	1975	
2	1976	
8	1977	FOMC inaugurates annual targets for the growth rates of money stock measures. Congress amends the Federal Reserve Act to spell out the "dual mandate" for the Fed.
16	1978	
17	1979	
25	1980	**Early 1980s**—FOMC's schedule changes to eight meetings a year, where it stands today.
9	1981	
14	1982	
9	1983	FOMC begins to include information in its monetary policy directive about the likely direction of future changes in policy.
12	1984	
8	1985	
7	1986	Great Moderation begins in mid-1980s.
4	1987	
10	1988	
11	1989	
10	1990	
3	1991	Gulf War
11	1992	
7	1993	
5	1994	
2	1995	
3	1996	
3	1997	
6	1998	
2	1999	
0	2000	
3	2001	
2	2002	
1	2003	
0	2004	
1	2005	
4	2006	
2	2007	Financial crisis and Great Recession begin.
8	2008	The zero lower bound is met for the federal funds rate target. Unconventional monetary policies draw criticism from some FOMC members.
1	2009	Great Recession officially ends.
8	2010	
8	2011	For the first time, press conferences become a regular event after some FOMC meetings.
8	2012	FOMC sets inflation target.
9	2013	
8	2014	
0	2015*	

Between 1957 and 2013, 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.