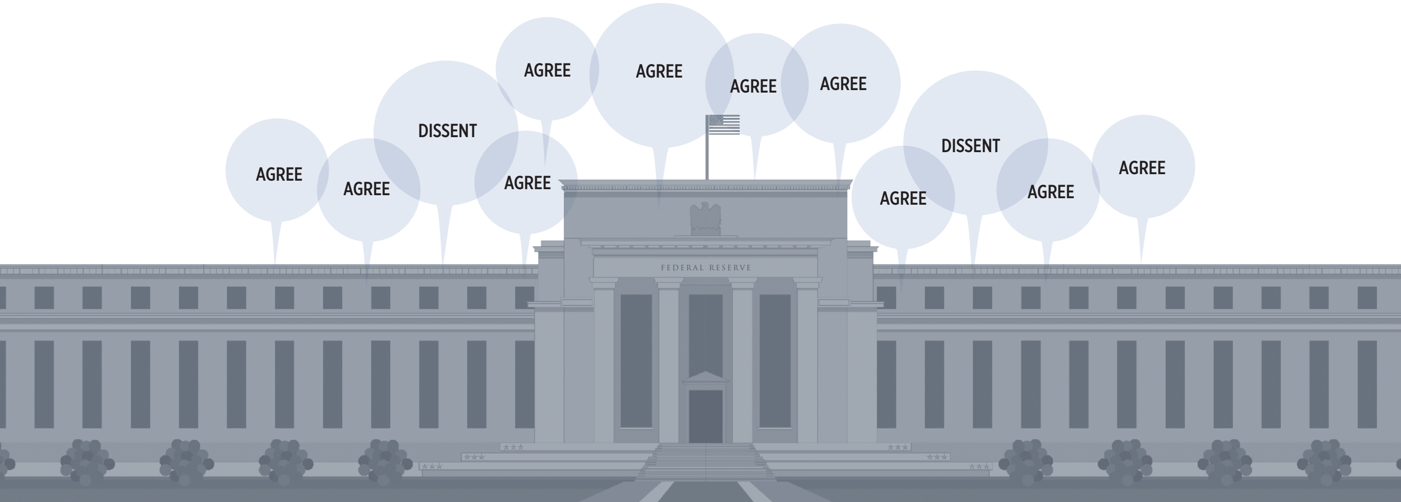
Updated Feb. 24, 2017

Dissent: No Stranger in the History of the FOMC

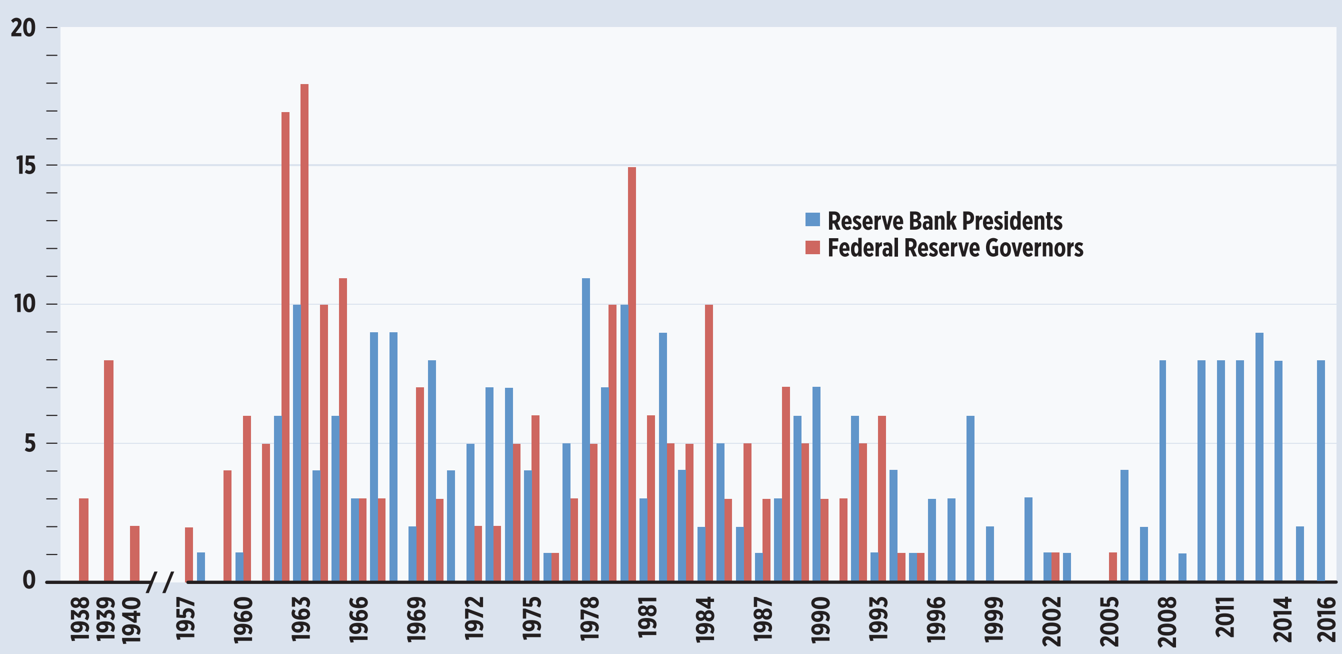


The Federal Reserve's Federal Open Market Committee (FOMC) is our nation's chief monetary policymaking body. It is made up of Federal Reserve governors (in Washington) and Federal Reserve bank presidents (across the country). The FOMC uses a variety of tools to influence financial conditions in the economy.

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.

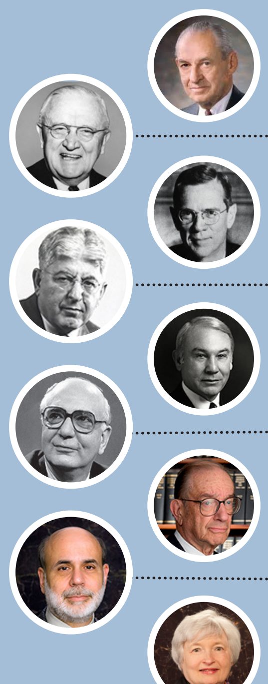
What prompts a dissent? Have such votes been more common in one era or another? Is one type of member more likely than another to dissent?

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.

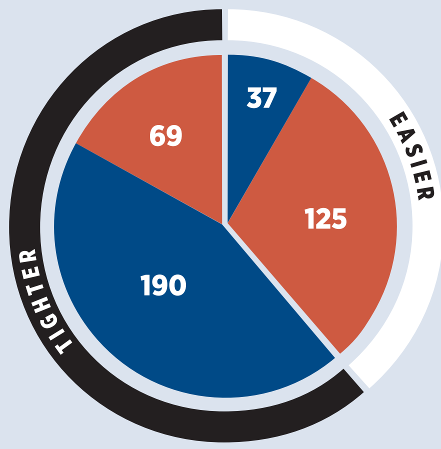
Number and Frequency of Dissents under FOMC Chairs, 1936-2016



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-	18	0.78

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

Direction of Dissents by Member Type, 1936-2016



Tighter 62% | Easier 38%

President 54% | Governor 46%

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.

FEDERAL RESERVE BANK OF ST. LOUIS

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

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 operations 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
- 11 — 1970 — **1970s**—St. Louis Fed cements its reputation as a maverick, which it acquired for supporting policy based on monetary aggregates.
- 4 — 1971
- 7 — 1972
- 9 — 1973 — U.S. pulls out of Vietnam.
- 12 — 1974
- 10 — 1975
- 2 — 1976 — FOMC inaugurates annual targets for the growth rates of money stock measures.
- 8 — 1977 — Congress amends the Federal Reserve Act to spell out the "dual mandate" for the Fed.
- 16 — 1978
- 17 — 1979
- 25 — 1980
- 9 — 1981 — **Early 1980s**—FOMC's schedule changes to eight meetings a year, where it stands today.
- 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 — The zero lower bound is met for the federal funds rate target. Unconventional monetary policies draw criticism from some FOMC members.
- 4 — 2006
- 2 — 2007 — Financial crisis and Great Recession begin.
- 8 — 2008
- 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
- 2 — 2015
- 8 — 2016

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.

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