



Withering Dissents

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The Federal Open Market Committee (FOMC) meets periodically to determine the course of monetary policy for the United States. At each of these meetings the members vote on a policy directive, which is a statement about the desired course of monetary policy in the period between meetings. When a member disagrees with the policy directive being proposed, he or she is free to dissent in favor of an alternative course for policy. Dissents are typically accompanied by a statement indicating why the member is opposed to the policy directive and what language or other direction for policy the member would have preferred.

The accompanying chart shows the total number of dissents annually since 1983. It indicates that, while dissents have always been infrequent, there has been a decline in the number of dissents in recent years. The data suggest that there was a significant change in the number of dissents around 1993 or 1994.¹ From 1983 through 1994, dissents averaged 8.0 per year. Since 1994 the average number of dissents has been only 2.7 per year. This pattern appears to be continuing: There have been no dissents during the first four meetings of 2002.

It is important to note that relatively few FOMC members account for a large share of dissents. Former Governor Martha Seger holds the record during this period, dissenting 17 times during her tenure as a member of the FOMC—July 2, 1984, to March 11, 1991. But even if Governor Seger's dissents are deleted, the average yearly number of dissents before 1995 is 6.6, more than twice the average number of dissents since 1994.

There are a number of possible explanations for the decline in the frequency of dissents. Two of these explanations appear to be in line with the timing of this decline. One is the observation that the economy has been more stable since the early 1990s. Inflation has been relatively low and stable and economic growth has been generally strong and also more stable. When economic times are more stable, it seems likely that there will be less reason for disagreement and, hence, fewer dissents.

A second possible explanation occurred in the fall of 1993. On October 19, 1993, then chairman of the House Banking Committee, Henry Gonzalez, took the unprecedented step

of calling all Federal Reserve governors and Bank presidents to testify before that committee. Many of the questions he and other committee members asked dealt with Federal Reserve secrecy. The issue of secrecy per se is not likely to have affected the number of dissents, since dissents at one FOMC meeting were made known shortly after the next meeting. The experience may have caused some FOMC members to believe that it was important for the FOMC to speak "with one voice," however, which may have made members more reluctant to dissent.

Whatever the reason, and whether for good or ill, the practice of dissenting appears to be withering. On March 19, 2002, the FOMC stated that it would publicly announce the roll call of the vote on the federal funds rate target, including the preferred policy choice of any dissenters. Whether this new practice will affect the number of dissents remains to be seen. ■

¹The break year was determined by comparing the average number of dissents before and after each year from 1987 to 1997 and finding the largest mean difference. The mean difference was 5.27 after 1993 and 5.29 after 1994. The results are qualitatively the same when Governor Seger's dissents are deleted. The difference between the means is statistically significant at the 1 percent significance level for both the 1993 and 1994 break dates, with or without Governor Seger's dissents.

