

From the desk of Chief Economist Beth Ann Bovino

More fuel for the Fed's fire as Chairs change

The March Federal Open Market Committee (FOMC) decision to keep interest rates unchanged, with a dissent from Fed Governor Stephen Miran, was largely expected. Inflation remains above the Fed's target of 2.0% while the labor market is flat, with monthly job gains around 6,000 on average over the last three months. The war in the Middle East will only add fuel to the fire that the Fed will need to control.

The Chair of the FOMC has always voted with the consensus. And the new Fed Chair, Kevin Warsh, will likely continue the trend. In contrast, FOMC member disagreement has been common throughout history, particularly during times with economic stress.

Underlying disagreements have been, and continue to be, resolved internally. But whether these disagreements become visible in the form of a public dissent (vote against the action) are reflected in institutional norms in governance, credibility, and transparency practices, which have changed over time, rather than direct signals of the Chair's policy stance or the degree of consensus.

Interestingly, outside research from internal text has shown that Arthur Burns often shaped outcomes by stating preferences early and persuading members, which reduced public dissents. After Burns, the FOMC changed how disagreement was managed, documented and communicated in response to credibility failures of the 1970s. Disagreement did not increase from this – but its institutional treatment and eventual visibility did. Now, these disagreements are more visible in the form of public dissents, rather than direct signals of the Chair's policy stance or the degree of consensus.

I expect no difference in the FOMC process for Warsh, both the FOMC internal process and public commentary, as he inherits the most divided FOMC Committee since before the pandemic.

Energy prices complicate things

The U.S.-Israel-Iran war adds another layer of complexity for the Fed by literally adding fuel to the fire. The oil supply shock has pushed WTI crude prices above \$100 with the average price of a gallon of gas up by over a dollar to \$3.84 (gasprices.AAA.com). The jump in energy prices has already weakened household purchasing power, particularly for low-income households. The longer the war lasts and the Strait of Hormuz remains closed, the deeper the damage.

However, the U.S. economy is better positioned to absorb an energy shock than in the 1970s. The U.S. is now the world's largest energy producer and a net exporter of energy. And the economy is simply less dependent on oil (think of your car, which can drive twice as far on a gallon of gas as 45 years ago).

This surge in prices complicates the Fed's job. Conventionally, central banks 'look through' supply-driven price spikes, but that playbook requires a benign starting point. With inflation already sticky and the labor market offering limited offsetting strength, some members may feel compelled to prioritize price stability – highlighting differences within the FOMC. Those differences may become even more relevant as leadership at the Fed changes.

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New Fed Chair

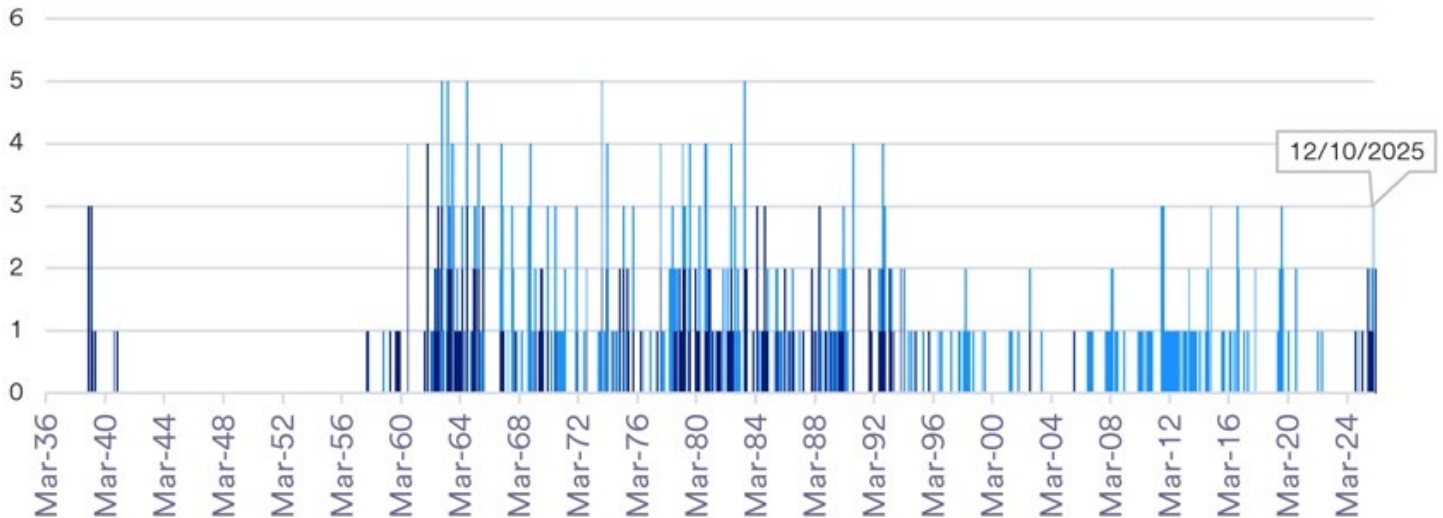
As Jerome's Powell's term ends on May 15, Kevin Warsh has been nominated to be the next FOMC Chairman, raising questions about how monetary policy will be conducted later this year under a new Chair. Based on his early comments as governor and his more recent comments, his confirmation could mark a meaningful shift in how the Fed handles inflation, balance sheet management and market intervention.

Warsh did not issue any formal FOMC dissents during his tenure as Governor (2006–2011), despite frequent internal and, later, public criticism over the Fed's unconventional monetary policy and large balance sheet. At the January 2007 FOMC meeting, while voting with the majority, he said internally that he was “more concerned about inflation prospects than about growth.” Later in his tenure as governor, he publicly criticized the Fed's second round of quantitative easing (QE2), and after leaving the Fed was a vocal critic of the policy.

Since 2025, he has reiterated his view that the Fed relied too heavily on discretionary policy, raising concerns that inflation could become more persistent and should restore institutional discipline and balance sheet restraint. But he now also says that productivity gains from AI will allow faster economic growth without inflation, allowing the Fed to cut rates. The majority of FOMC committee members currently support a hawkish policy. Once he's the new Chair, will he dissent against the majority on rate action?

Based on the history of Chair votes back to 1936 – and Warsh's own record as FOMC Governor, where he voted with the majority – it's hard to see him breaking from the majority as Chair. So, I suspect that Mr. Warsh will stick with the majority vote, though likely disagree in meetings (a “quiet” disagreement for the transcript to be read five years later). If he does publicly dissent to a policy action, it would be the first time a sitting Chair has done so in the history of the Fed, going back to 1936.

FOMC dissents by type



Sources: David Thorton and David Wheelock, "Making Sense of Dissents: A History of FOMC Dissents," St. Louis Fed Review, U.S. Bank Economics calculations, Data through 2/2026

History of dissents under different FOMC Chairs				
Chair	Tenure	Formal dissents by Chair	Dissent environment	Key takeaway
Arthur Burns	1970–1978		High internal disagreement; no formal dissents despite deep conflict	Consensus engineered despite deep conflict; disagreement visible only ex post
G. William Miller	1978–1979	None	High dissents by other members	Disagreement clustered around the Chair during inflation stress
Paul Volcker	1979–1987	None	Elevated dissents during tightening	Chair-led disinflation sustained majority support
Alan Greenspan	1987–2006	None	Low dissent frequency	Strong consensus and centralized credibility
Ben Bernanke	2006–2014	None	Rising dissents under QE	Unconventional policy without Chair dissent
Janet Yellen	2014–2018	None	Minimal dissents	Consensus-focused normalization
Jerome H. Powell	2018–Present	None	Most divided FOMC since pre-pandemic	Disagreement managed via statements, SEP dispersion, and communication

Sources: FOMC transcripts, statements & minutes, and individual public statements and writings, U.S. Bank Economics analysis

A bigger question is how will Warsh handle dissents?

The FOMC Committee doesn't necessarily take orders from the Chair. Members today are not shy and will dissent when confident in their positions. Dissents happened back to 1936, though increased dramatically starting in the 1960s, correlated with inflation stress. Dissents are also more visible in the form of public dissents, given the change on how consensus is documented and interpreted.

What matters now for the strength and credibility of the Fed Chair's leadership was how the Chair managed disagreements. Will he allow for open dissents or take a page from an earlier Chair? Given the transparency that is institutionalized by the FOMC and hard lessons from the past, it's hard to imagine Warsh will try, or even want to push back on in these established processes.

So, while this time may be different, I'm betting with the odds.

Sources: Federal Reserve statements, minutes, transcripts, fordlibrarymuseum.gov; mises.org; The Persuasive Power of a Committee Chairman: Arthur Burns and the FOMC, Henry W. Chappell, Jr., Rob Roy McGregor and Todd Vermilyea, *Public Choice*, 132(1/2), 103-112

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