

## The Federal Open Market Committee

**A**s the central bank, the Federal Reserve has a unique set of responsibilities focused on providing a firm foundation for the nation's financial system. We are a regulator and supervisor of banks, helping to ensure consumers are able to conduct business with sound and secure financial institutions. We provide financial services to depository institutions, including the processing of cash and checks, and play a major role in operating the nation's payments system.

Our operations in these areas are crucial components of the Federal Reserve's ability to fulfill its mission. Congress created the central bank in 1913 after a series of panics caused consumers to lose trust in the nation's financial system. Well-regulated banks and a secure payments system that functions smoothly even in times of national crisis or tragedy, provide consumers and businesses with the confidence that is a necessary cornerstone for a strong economy.

Another component in providing conditions for economic stability is the most publicly watched of all the Federal Reserve's operations: the Federal Open Market Committee. The FOMC is responsible for the Federal Reserve's open market operations, which are the most often used of the Federal Reserve's monetary policy tools. The FOMC's decisions about its target for the federal funds rate, which is the interest rate depository institutions lend balances at the

Federal Reserve to other depository institutions overnight, are closely followed by the markets and financial media. In recent years, changes in the fed funds rate target have received increasing attention from the mainstream media and the public.

The FOMC consists of 19 participants, 12 of whom vote on policy action. The seven members of the Board of Governors of the Federal Reserve System and the presidents of the 12 regional Reserve Banks comprise the full committee. The seven governors and the president of the Federal Reserve Bank of New York, which conducts the open market operations on behalf of the entire Federal Reserve System, are permanent voting members of the committee.

The four remaining voting seats rotate annually among the other 11 presidents of the regional Federal Reserve Banks, which are divided into four groups. In my position as the president of the Federal Reserve Bank of Kansas City, I rotate FOMC voting status with the presidents of the Federal Reserve Banks of Minneapolis and San Francisco.

The FOMC's design is reflective of the Federal Reserve's unique structure that blends aspects of government and the private sector. The seven members of the Board



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of Governors, including Chairman Ben S. Bernanke, are presidential appointees who have been confirmed by the U. S. Senate. The presidents of the regional Reserve Banks, meanwhile, are selected by the Boards of Directors of their respective Banks, subject to review by the Board of Governors.

This year, for the sixth time since I became president of the Federal Reserve Bank of Kansas City in 1991, I am a voting member of the FOMC. Occasionally, media coverage of the Federal Reserve will note the voting status of a particular Reserve Bank

president as either a “voter” or “non-voter.” In terms of the FOMC’s policy deliberations, however, the distinction between the two is less significant than you might assume, because all members are included in all discussion until the vote is actually taken.

Perhaps most significantly, the Federal Reserve Bank presidents provide the committee with information about business activity within their Federal Reserve Districts. During the first of two go-arounds that are the key elements of each FOMC meeting, the presidents each provide the full

## FOMC 2007

### Voting members:

**Ben S. Bernanke**, *Chairman, Board of Governors*  
**Timothy F. Geithner**, *Vice Chairman, Federal Reserve Bank of New York*  
**Thomas M. Hoenig**, *President, Federal Reserve Bank of Kansas City*  
**Donald L. Kohn**, *Board of Governors*  
**Randall S. Kroszner**, *Board of Governors*  
**Cathy E. Minehan**, *President, Federal Reserve Bank of Boston*  
**Frederic S. Mishkin**, *Board of Governors*  
**Michael H. Moskow**, *President, Federal Reserve Bank of Chicago*  
**William Poole**, *President, Federal Reserve Bank of St. Louis*  
**Kevin M. Warsh**, *Board of Governors*

### Non-voting members:

**Richard W. Fisher**, *President, Federal Reserve Bank of Dallas*  
**Jeffrey M. Lacker**, *President, Federal Reserve Bank of Richmond*  
**Dennis P. Lockhart**, *President, Federal Reserve Bank of Atlanta*  
**Sandra Pianalto**, *President, Federal Reserve Bank of Cleveland*  
**Charles I. Plosser**, *President, Federal Reserve Bank of Philadelphia*  
**Gary H. Stern**, *President, Federal Reserve Bank of Minneapolis*  
**Janet L. Yellen**, *President, Federal Reserve Bank of San Francisco*

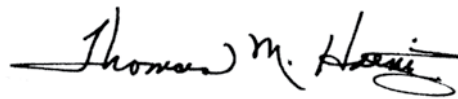
*Two seats held by the Board of Governors are vacant.*

# Policy

committee with a brief but important report on regional economic conditions. These reports are based on firsthand accounts that the regional Reserve Banks receive from business and banking contacts within their Districts. When woven together, the comments provide the FOMC with an insightful picture of the total U.S. economy that is often more timely and complete than what can be determined from surveys and other reports. Because of the delays involved with gathering and processing data, the information gained through these firsthand accounts may offer the first suggestion of changing economic conditions, for example.

The regional Bank presidents, of course, offer much more to the monetary policy process than reports about their own Districts. All members, again, regardless of voting status, analyze national trends and offer comments on the national outlook. They ask questions of other Reserve Bank presidents and governors, or the Board's staff. And during a second go-around, each president discusses possible policy action and has ample opportunity to offer their insights and opinions to the full committee prior to the vote.

The deliberations of the entire committee are an exceptionally important part of the monetary policy process. Although the markets and some members of the financial press may give increased significance to comments from the FOMC's voting members, the Federal Reserve's monetary policy actions are the product of deliberations by the entire committee. Each member, regardless of voting status, is a crucial part of that process.



THOMAS M. HOENIG, PRESIDENT  
FEDERAL RESERVE BANK OF KANSAS CITY

To see how the committee members work together and transcripts of all FOMC meetings posted after a five-year lag, visit [www.FederalReserve.gov/fomc/transcripts/](http://www.FederalReserve.gov/fomc/transcripts/).

To learn more about the Federal Reserve's role in setting and implementing national monetary policy, visit [www.FederalReserve.gov/policy.htm](http://www.FederalReserve.gov/policy.htm) and [www.FederalReserveEducation.org/fed101/policy/](http://www.FederalReserveEducation.org/fed101/policy/).

## FOMC Meeting Dates

Jan. 30-31 | March 20-21 | May 9 | June 27-28 | Aug. 7 | Sept. 18 | Oct. 30-31 | Dec. 11