Dissent Statement by Jeff Schmid

by: Jeffrey Schmid

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The following statement is from Jeff Schmid, president and CEO of the Federal Reserve Bank of Kansas City, regarding his vote at the Federal Open Market Committee's October 28-29, 2025, meeting.

At this week's FOMC meeting I dissented against lowering the target range for the federal funds rate by 25 basis points. My preference would have been to leave the target range unchanged.

By my assessment, the labor market is largely in balance, the economy shows continued momentum, and inflation remains too high. I view the stance of policy as only modestly restrictive. In this context, I judged it appropriate to maintain the policy rate at this week's meeting.

Talking to contacts in the Kansas City Fed's district, I hear widespread concern over continued cost increases and inflation. Rising healthcare costs and insurance premiums are top of mind. In the data, inflation is spreading across categories, both goods and services.[1] Inflation has been running above the Fed's 2 percent objective for more than four years. As I have said before, I take small comfort in most measures of inflation expectations having not moved up. I view inflation expectations not as an input into Fed's decisions, but as the outcome of the policy decisions that the Fed makes.

As it is, I see the stance of policy as being only modestly restrictive. Financial market conditions appear to be easy across many metrics. Equity markets are near record highs, corporate bond spreads are very narrow, and high-yield bond issuance is high. None of this suggests that financial conditions are particularly tight or that the stance of policy is restrictive. Likewise, the economy is showing continued momentum. Consumption remains solid, and data for July and August suggest an acceleration through the summer.

Fixed capital investment, an interest sensitive component of growth, has shown some of the strongest increases. The contribution of software spending to GDP growth was the largest on record in the second quarter. And the contribution of investment in information technology to GDP growth in the first quarter was the highest on record with the exception of the first quarter of 2000.

With inflation still too high, monetary policy should lean against demand growth to allow the space for supply to expand and relieve price pressures in the economy.[2] With the dual mandate, Congress has directed the Federal Reserve to manage the trade-offs that arise from the economy-wide constraint that ties inflation to unemployment. Constraints lead to difficult decisions over how to balance competing objectives.

In certain circumstances the Fed's actions might have disproportionate effects on the two sides of the mandate. Now, for example, I do not think a 25-basis point reduction in the policy rate will do much to address stresses in the labor market that more likely than not arise from structural changes in technology and demographics. However, a cut could have longer-lasting effects on inflation if the Fed's commitment to its 2 percent inflation objective comes into question. In the end, inflation is the Federal Reserve's responsibility and within its control, and as I balance the mandate—and the effectiveness of the Fed's actions in meeting that mandate—my preference was to hold the policy rate steady at this week's meeting.

Endnotes

[1] See "The Federal Reserve, Economic Outlook and Monetary Policy," remarks to the CFA Society Kansas City. October 6, 2025.

[2] See "The Federal Reserve and the Outlook for the Economy and Monetary Policy," remarks to the Southern Economic Development Council Annual Conference. August 12, 2025.

Author

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Jeff Schmid is president and chief executive officer of the Federal Reserve Bank of Kansas City. He represents the Tenth Federal Reserve District on the Federal Open Market Committee, which sets monetary policy for the United States.Schmid leads a workforce of nearly 2,000 professionals engaged in the work of the central bank, including monitoring economic conditions, supervising banking institutions, and providing financial services to banks and the United States government. Through offices in Kansas City, Denver, Oklahoma City and Omaha, the Bank serves a seven-state region that includes western Missouri, Kansas, Nebraska, Oklahoma, Colorado, Wyoming, and northern New Mexico. As Bank president, he hosts the annual Jackson Hole Economic Policy Symposium, bringing together international central bankers, academics, and policymakers to discuss economic and financial policy issues.Among the Bank's accomplishments under his leadership is the implementation of a five-year strategy aligning the Bank's efforts in serving the Tenth District. It is focused on deepening and expanding talent investments, leveraging expertise in technology and artificial intelligence, maximizing regional connections and communications, and advancing value-added analytics.Schmid has more than 40 years of experience in banking and bank supervision. Prior to joining the Kansas City Fed in August 2023, he served as the president and CEO of the Southwestern Graduate School of Banking Foundation at Southern Methodist University's Cox School of Business, which focuses on bank leadership and strategic planning for community banks.Among his banking experience, he led Mutual of Omaha's entry into banking sector, serving as chairman and CEO of Mutual of Omaha Bank which served depositors and borrowers nationwide.Jeff is a graduate of both the University of Nebraska-Lincoln and the Southwestern Graduate School of Banking at SMU. He is a native of Nebraska.Explore his latest speeches, outreach and more on the Office of the President page.See Jeff Schmid's 2024 financial disclosure form here.See Jeff Schmid's updated 2023 financial disclosure form here (updated Oct. 21, 2024).See Jeff Schmid's 2023 financial disclosure form here.See Jeff Schmid's previous financial disclosure form here.