A Guide to the Fed: Whose Words Carry the Most Weight

Barron’s tells you who's who at the central bank and how to decipher what they say.

Megan Cassella   Updated Jan. 16, 2023 / Original Jan. 13, 2023

For close watchers of the Federal Reserve, trying to make sense of the flood of speeches, interviews, and other remarks emerging from the central bank in any given week can feel akin to a game of Whac-A-Mole. You’ve just begun to digest one official's commentary when up pops another one to offer a different—and sometimes conflicting—take.

Given its unmatched sway over the economy, it's tempting to view the Fed as a single-minded force. But in reality, the bank isn't a monolith. Rather, it's an organization where policy is shaped by a group of 19 very human individuals, and it's structured in a way that encourages its power dynamics to shift from year to year. Chairman Jerome Powell may be first among equals, but each of those 19 participants on the Federal Open Market Committee has a voice—if not always a vote—and anyone who uses it publicly has the potential to move markets and change the financial weather.

The central bank's onslaught of communiqués has a purpose: Fed speeches are meant to share its thinking with the public, certainly, but also to shape market expectations and encourage economic actors to take steps that will support its policy aims.

"In some ways, [Fed members] view it as one of their most powerful policy tools—which is why they communicate so often," says Ed Yardeni, a former Fed official and investment strategist who founded Yardeni Research.

The current volume of public commentary is a relatively new phenomenon, one that has grown as one chair after the next has worked to increase transparency. Powell has taken a "more is more" approach to communications, and raised the bar in 2019 when he committed to holding a press conference after each of the Fed's eight annual policy meetings, twice as many as his recent predecessors held.

The new flow of information came just in time for the pandemic and the perplexing, inflation-ridden recovery that followed. Last year, after decades of relatively modest moves, the Fed began hiking interest rates at levels not seen since 1994, thrusting the central bank into the spotlight and turning even average Americans into anxious Fed watchers.

Reading the bank's tea leaves is likely to get even trickier in the coming months, as the bank approaches an inflection point, with officials debating whether and when to pause, or even reverse, its march toward higher rates. The path forward is both delicate and uncharted: There is no agreed-upon road map for how to cool labor demand and inflation without driving up unemployment or triggering a recession. And given that one former Fed official told *Barron's* that the committee has sometimes been described internally as unable to "agree on the color of an orange," that's likely to mean policy disagreements, some of which will undoubtedly be aired in public.

"We are going to have an emerging debate around how far is far enough," says Ellen Meade, an economist who spent 25 years at the Fed before joining Duke University's economics department in July. "As the landscape changes over time, that strong consensus you have right now will start to fray a little bit, because people begin to see the risks somewhat differently."

Already, minutes from the Fed's most recent meetings suggest some participants are beginning to warn that the central bank may be going too far, while others still see plenty of room to run.

Thursday provided a preview of what such disagreement can look like, when Philadelphia Fed President Patrick Harker kicked off the day suggesting the bank was open to slowing the pace of rate hikes. Hours later, St. Louis Fed President James Bullard swung in the opposite direction, saying he believed the Fed should push to reach its peak rate "as soon as possible."

When differences of opinion surface, it is usually the markets that bear the brunt, critics say. "Every time they speak, the markets move on it, and they create gyrations during the day," says Claudia Sahm, a former Fed official and the founder of Sahm Consulting. "That's really disruptive. Financial markets are in a fragile place. There's a lot of uncertainty in the world. The Fed does not need to inject more uncertainty—but that’s what they’re doing.”

But as long as Fed officials continue to speak their minds, knowing how to make sense of their sometimes mixed messages is vital for investors trying to understand where monetary policy is headed. The key, insiders say, is to learn whose words carry the most weight, and whose can be more readily discounted. That means understanding the intricacies of how the bank operates, the histories and expertise of various officials, and the relationships that carry influence behind the scenes.

To assemble a guide to navigating the bank’s public communications, *Barron’s* spoke to former Fed officials, economists, and Wall Street analysts who closely track the central bank. We also reached out to the Fed, which pointed us toward Powell’s long history of committing to open communication.

“I, frankly, think it’s our obligation to be as transparent and explain ourselves as clearly as possible because what we do affects all Americans,” Powell said in a *60 Minutes* interview in 2019. “And any American who wants to understand what we do should be able to do so straightforwardly.”

The Troika

No surprise: If you only listen to one person at the Federal

Reserve, make it Jerome Powell. First appointed chairman in 2018 and expected to serve until May 2026, he’s not only the chief spokesperson for the policy-making committee but also the one responsible for creating agreement.

His public speeches and postmeeting press conferences are paramount in any ranking of Fed communications, and are closely analyzed. Powell will at times share his personal views—with a disclaimer—though he more often is looking to communicate the consensus opinion.

“It’s important to know where the center of the committee is, and obviously, Jay Powell is the very definition of the center,” says Joseph Gagnon, a macroeconomist and senior fellow with the Peterson Institute for International Economics who spent more than two decades at the Fed.

Bloomberg (3)

Powell is a lawyer by training, and his lack of a formal economics background is part of what some former Fed officials say has fueled his close relationship with Lael

Brainard, vice chair of the Board of Governors and perhaps the next most influential voice.

A Harvard-trained Ph.D. economist, Brainard has traditionally been on the more dovish side of the committee, meaning she has often favored looser monetary policy and placed a priority on maximizing employment.

In her role as vice chair, Brainard's public remarks are typically meant to reinforce Powell's message. Case in point: After his remarkably direct speech in Jackson Hole in late August emphasizing the Fed's commitment to reining in inflation no matter how painful the consequences, Brainard followed up a couple of weeks later to say the bank would keep policy restrictive for "as long as it takes."

But the two aren't always in lockstep. At times, she can come off as noticeably more dovish—as in an October speech that appeared to lay the groundwork for the Fed to slow its pace of monetary-policy tightening.

"I always sit up and take note if something like that happens," says Meade, of Brainard's softened tone between the two speeches. "You say to yourself, maybe there's a shift going on for some members of the committee."

The third member of the troika is John Williams, president of the New York Fed and vice chair of the FOMC, which sets bank policy. Given that the New York Fed runs the trading desk, its president has historically been a veteran of financial markets.

Williams doesn’t fit that mold, however, having trained as an economist and advanced through roles at the Fed and the White House. Perhaps for that reason, he appears to be somewhat less engaged in the nitty-gritty of crafting the bank’s policy approach than some of his predecessors, Fed veterans say.

Together, Powell, Brainard, and Williams are the dominant voices on monetary policy and the Fed’s path forward, both internally and externally. The three work closely on writing the committee’s postmeeting policy statement and collaborate to try to find and represent a consensus view.

The Voters

The playing field levels out somewhat among the 16 remaining participants on the policy committee.

The five additional board members and 11 regional bank presidents participate in internal policy discussions and frequently share with the public their personal views about what they feel the Fed should or will do next. But only some of them will actually vote each year on policy.

That makes the distinction between voting and nonvoting participants the clearest way to recognize whose opinions carry more weight inside the committee. And it means that the cast of characters in the spotlight changes each year, as regional bank presidents rotate through voting positions.

Bloomberg (2); Getty Images (2)

“At the end of the day, they all have a voice around the table, but they don’t all count the same,” Sahm says.

The seven members of the Board of Governors always vote. Besides Powell and Brainard, that includes Govs. Michael Barr, Michelle Bowman, Lisa Cook, Philip Jefferson, and Christopher Waller.

Barr, as vice chair of supervision, tends to focus on bank regulation and take a less prominent role on monetary policy. Cook and Jefferson, both of whom President Joe Biden appointed to the board in early 2022, have so far stayed roughly in line with consensus, though observers say they are likely to speak out more this year as they settle into their positions.

Bowman and Waller have a history of holding more hawkish views, meaning they are generally in favor of tighter policy meant to help keep inflation low. Waller in particular is known for his strong voice and economics background, and close Fed watchers say they look to him for insight into what the committee's hawks are thinking.

The 12 regional bank presidents take turns voting—with the exception of Williams, who, as president of the New York Fed, always has a vote; the remaining 11 rotate through in one-year stints. For 2023, the voting regional bank presidents will be Austan Goolsbee of Chicago, Harker of Philadelphia, Neel Kashkari of Minneapolis, and Lorie Logan of Dallas.

Goolsbee and Logan are new to the bank presidency—Goolsbee stepped into the role this month; Logan in August—but both are familiar entities. Goolsbee held a top economist role in the Obama White House and is known as a strong communicator who is expected to have a prominent voice this year. Logan, for her part, has spent decades at the Fed, most recently running the trading desk in New York.

Logan's depth of experience in New York means that she "will be the voice of the financial markets in the meeting," says Bill Nelson, a former Fed official who is now chief economist and executive vice president with the Bank Policy Institute. "And that's a very important role."

Harker tends to be quieter than his peers, though former Fed officials described his views as slightly on the hawkish side of center. Kashkari, meanwhile, is expected to have an outsize voice on the committee. Known as a compelling speaker, he previously had been the bank's most notable dove. During his last voting stint in 2017, for example, he dissented against every rate increase.

But Kashkari has since shifted dramatically to advocate for a more hawkish approach, arguing earlier this month that the Fed should continue raising rates for "at least the next few meetings." His forecast shows interest rates rising another full percentage point to 5.4%—higher than the current median projection.

That willingness to adjust his views in light of changes in the data could make him a central player over the coming year, Fed watchers say, as the bank works to stay nimble and chart its path forward based on the latest information.

“He’s transparent about how he sees the environment,” says Kaleb Nygaard, a former Chicago Fed analyst who studies central banking as a research fellow at the University of Pennsylvania. “You’ll get exactly from him where you think he’s going to go.”

The Nonvoters

Coming in last in Fed watchers’ power rankings: the seven nonvoting regional bank presidents.

That’s not to say that the officials in this category aren’t sometimes newsmakers. St. Louis’ Bullard, for example, is an outspoken outlier, whose generally hawkish views have been known to shake markets. His comments in mid-November that the Fed could raise interest rates to as high as 7% caused a market dip, though he more recently appeared to soften and suggest that the median forecast—in the 5.1% range—could be sufficient.

San Francisco Fed President Mary Daly, on the other hand, has been known to represent more of the dovish wing of the committee, and former Fed officials say she has a close working relationship with Powell that gives her influence internally. When she came out forcefully in December to say the bank still had considerable work to do on inflation, it sent a signal that the whole committee—even those who generally favored looser policy—were on board with an aggressive stance.

Alamy(1); US Federal Reserve(1); Federal Reserve Bank of Dallas (1); Bloomberg (4)

Still, neither will have a vote on this year’s path forward. That should lessen their influence over the markets in the coming months, particularly if their views seem out of line with the rest of the committee.

Overall, while the Fed will work to communicate its expectations and avoid jolting markets unnecessarily, the uncertain nature of the current economy means observers should brace for less clear and specific messaging in the year to come. In other words, sometimes even the Fed doesn’t know in advance what it is about to do.

“The line that we always used was, ‘The committee will communicate as clearly as it can about its policy decisions and its outlook,’ ” says Bill English, a former Fed official who is now a finance professor at Yale. “There’s just a huge amount of uncertainty about where the economy’s going to be in a year’s time, and therefore, what appropriate policy will be in a year’s time.”

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