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Dr. Laurence H. Meyer

Former Governor on the Federal Reserve Board

Dr. Laurence Meyer was a co-founder of and is now a Senior Managing Director of Macroeconomic Advisers, a firm that specializes in forecasting and policy analysis. He is the director of Monetary Policy Insights. Before becoming a member of the Federal Reserve Board, he was President of Laurence H. Meyer and Associates, a St. Louis-based economic consulting firm.

He was also a professor of economics and a former chairman of the economics department at Washington University. During that period, he spent a year as a visiting scholar at both the Federal Reserve Bank of New York and the Federal Reserve Bank of St. Louis. He is the author of *A Term at the Fed: An Insider's View*, published by Harper Business in July 2004.

Subject Area/Topic: How the Federal Reserve System Really Works

Highlights: The Board consists of seven members who are nominated by the President and confirmed by the Senate, plus one member each from the 12 Federal Reserve banks located throughout the country. Within this assemblage is the Federal Open Market Committee (FOMC), which consists of twelve members: the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC is the committee responsible for setting monetary policy and consists of all seven members of the Board of Governors and the twelve regional bank presidents.

Dr. Meyer observed that in a perfect world - economic heaven - there would be full employment at a maximum sustainable level and price stability with no more than a 2 percent fluctuation in inflation rates. However, when things turn sour, buying goes down, people are let off, and the economy tumbles. It's at this point that the Fed usually takes action to stimulate the economy.

He went on to explain how the FOMC operated under Chairman Greenspan. Greenspan virtually dominated the decision-making process. Then came the Bernanke era, which was much more collegial. Under Chairman Bernanke, the work of the FOMC has been a more democratic process.

Dr. Meyer closed by summarizing "the secret rules of voting." There shouldn't be any more than two dissents among the seven voting members. Three dissents would create unease. Four dissents and the market would go nuts.