

How Much Does a New Fed Chair Matter?

Speculation over the next chair of the Federal Reserve (Fed) is dominating headlines and keeping markets on edge. A more dovish leader could mean a big shift in monetary policy and raise concerns about the Fed's independence.

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Key takeaways

- **Structure of influence:** The Fed's committee-based structure ensures decisions are made collectively, reducing the chair's absolute power over monetary policy.
- **Impact of leadership:** Although the chair sets the tone through communication, policy shifts reflect the composition of the committee and members' votes.
- **Institutional stability:** The Fed's framework safeguards independence, ensuring incremental policy adjustments rather than drastic changes, even under new leadership.

Speculation over who will succeed Jerome Powell as the next chair of the Federal Reserve (Fed) continues to dominate headlines as investors increasingly weigh the implications of a more dovish chair and the potential for a less-independent central bank. To consider the possible scenarios, it's essential to assess the institutional structure of the Fed, voting members, and influence of the chair.

Legal structure of the FOMC

The Federal Open Market Committee (FOMC) was formally created by the Banking Act of 1933, restructured by the Banking Act of 1935, and codified in the Federal Reserve Act. Importantly, to change the FOMC's structure, powers, or operations, Congress must amend the Federal Reserve Act, which includes drafting legislation, review by committee, congressional approval (both the House and Senate), and presidential signature. Thus, any change is no small feat—nor is it without extensive oversight.

Composition of the FOMC

There are 12 voting members of the FOMC, including appointed and rotating members:

- Seven members are nominated by the president of the United States and then approved by Congress and have extended terms (full appointments are approximately 14 years).
- The president of the Federal Reserve Bank of New York is a permanent voting member and is appointed by the New York Fed.
- The remaining 4 voting members rotate annually among the other 11 regional Fed bank presidents, who are appointed by their respective regional boards and approved by the Board of Governors of the Federal Reserve System.

The current voting members are:

Name	Role/region	Voting member (2025)	Term end	Nominated by
Jerome Powell	Chair, Board of Governors	Yes	31-Jan-28 <i>23-May-26</i>	Barack Obama <i>Donald Trump</i>
Michael Barr	Governor, Board of Governors	Yes	31-Jan-32	Joe Biden
Michelle Bowman	Vice Chair for Supervision, Board of Governors	Yes	31-Jan-34 <i>9-June-29</i>	Donald Trump
Lisa Cook	Governor, Board of Governors	Yes	31-Jan-38	Joe Biden
Philip Jefferson	Vice Chair, Board of Governors	Yes	31-Jan-36 <i>13-Sept-27</i>	Joe Biden
Adriana Kugler	Governor, Board of Governors	Yes	31-Jan-26	Joe Biden
Christopher Waller	Governor, Board of Governors	Yes	31-Jan-30	Donald Trump
John Williams	President, New York Fed	Yes (permanent)	Ongoing	Appointed by NY Fed Board
Austan Goolsbee	President, Chicago Fed	Yes (2025 rotation)	Ongoing	Appointed by Chicago Fed Board
Susan Collins	President, Boston Fed	Yes (2025 rotation)	Ongoing	Appointed by Boston Fed Board
Alberto Musalem	President, St. Louis Fed	Yes (2025 rotation)	Ongoing	Appointed by St. Louis Fed Board
Jeffrey Schmid	President, Kansas City Fed	Yes (2025 rotation)	Ongoing	Appointed by Kansas City Fed Board

Italics represent the term of the member's leadership position.

Source: [Federal Reserve Board](#)

It's important to highlight two changes for nominated members that will occur next year: Chair Powell's leadership term ends and Governor Kugler's term expires. While most likely not continuing as the chair, then-Governor Powell could stay on the FOMC until the end of his term in 2028. Notably, both of these positions are nominated by the U.S. president and must be confirmed by Congress. The rotating seats will also transition to new voting members, but these appointments are voted on by regional Fed boards.

Leadership of the FOMC

The FOMC has three leadership positions:

- Chair of the Board: The Federal Reserve Reform Act of 1977 requires the U.S. president to designate one of the appointed governors chairman of the Board, by and with the advice and consent of the Senate.
- Vice chair of the Board: The 1977 Act also requires the U.S. president to designate one of the appointed governors vice chairman of the Board, by and with the advice and consent of the Senate.
- Vice chair for Supervision: The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires the U.S. president to designate, by and with the advice and consent of the Senate, a new vice chairman for Supervision, who “shall develop policy recommendations for the Board regarding supervision and regulation of depository institution holding companies and other financial firms supervised by the Board and shall oversee the supervision and regulation of such firms.”

When Governor Kugler’s seat opens in January before the new chair takes the reins, President Trump can nominate his candidate of choice to be the next chair (with the advice and consent of the Senate).

Influence of the next chair

The Fed is designed to operate with a high degree of independence, relying on a committee-based approach that balances diverse viewpoints. This structure helps insulate monetary policy from short-term political pressures and ensures that decisions are grounded in economic data and long-term stability goals. With 12 voting members (each having one vote) and the majority deciding the FOMC’s policy, we believe it’s difficult to see how a new chair could fully dictate policy outcomes. Despite the role of leading discussion and building consensus on monetary policy action, the chair has only one vote.

While the new Fed chair is expected to adopt a dovish tone, the extent to which that sentiment influences the FOMC will depend on several factors, including whether Chair Powell stays on as a governor, the orientation of the four rotating voting members, and whether any other FOMC members step down. Assuming Powell and the other nominated members maintain their positions, a modestly more dovish Fed is a likely result. However, if there is greater turnover or President Trump nominates a more aggressive dove as the next Fed chair, the implications for monetary policy could be more significant.

Regardless of the FOMC’s composition, the new Fed chair’s most immediate and influential impact may come through their communication strategy, particularly post-meeting press conferences and public remarks. These appearances shape market expectations, influence sentiment, and often carry more weight than the policy decision itself in the short term. A chair with a consistently dovish tone could reinforce expectations for easier monetary policy, even if the committee remains divided.

If the next Fed chair is singularly focused on lowering interest rates—instead of the FOMC’s mandate to promote maximum employment, stable prices, and moderate long-term interest rates—this could introduce risks to the economy and financial markets. As we saw in the post-“Liberation Day” rate sell-off, markets ultimately assess the credibility of policy decisions. Further, if the Fed was perceived to be politically motivated or sufficiently out of sync with economic fundamentals, market yields could diverge from the policy rate, signaling a loss of confidence.

While surprises and unexpected developments are always possible, we view the Fed’s institutional structure as sound; any shift in the FOMC’s stance is likely to be incremental rather than transformational. Based on current and projected macroeconomic data, as well as the

Fed's existing dovish bias, we believe there is a high probability that the federal funds rate will be lower in 2026. A lower fed funds rate should stimulate growth while weighing on the U.S. dollar and driving a steeper yield curve, but any emerging macroeconomic weakness could create a backdrop for deeper-than-expected rate cuts.

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