

# Inflation first, reforms ahead: breaking down Kevin Warsh's Fed Chair hearing



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Kevin Warsh's Senate Banking Committee confirmation hearing yesterday (21 April 2026) was the big event—he's President Trump's nominee to replace Jerome Powell as Fed Chair. It was a fiery, high-stakes session focused on independence, inflation, his personal finances, and his vision for overhauling how the Fed operates.

## Short highlight recap from his testimony

### Fed independence on rates

Warsh repeatedly (and under oath) said Trump never once asked him to commit to any specific interest-rate path or cuts—"nor would I ever agree" if he had. He called himself an "independent actor" and rejected being anyone's "sock puppet." He noted Fed independence "has to be earned" by delivering results, especially on price stability.

### Inflation is priority #1

He insisted that "inflation is a choice, and the Fed must take responsibility for it" with "no excuse or equivocation." Current inflation (around 3.3% headline, core PCE ~3%) still has "more work to do" to get sustainably back to 2%. He criticised past Fed errors, especially 2020-era policy that let inflation "take hold".

### "Regime change" / reforms at the Fed

This was the most interesting part. He wants a broad overhaul:

- ▶ new inflation framework/measurement approach
- ▶ overhauled communications—less forward guidance (he called it "unhelpful"), more open debate, "messier" FOMC meetings with real dissent instead of scripted consensus
- ▶ narrower remit: Fed should "stay in its lane" on monetary policy and avoid fiscal/social policy overreach
- ▶ smaller balance sheet over time, a long-held Warsh view
- ▶ less reliance on academic models/groupthink.

### Bullish on growth/productivity

He highlighted the AI and tech boom as potentially raising the economy's potential growth rate and neutral interest rate, similar to the 1990s productivity surge, which could create room for lower rates without reigniting inflation. Some senators pushed back hard on this, citing economists who doubt AI will deliver that big of a near-term disinflationary punch.

### Other notes

He said he wouldn't fire regional Fed presidents.

Democrats grilled him relentlessly on his substantial personal wealth (~\$100M+ in complex investments/funds) and divestiture plans; Republicans largely defended him.

### Market reaction was muted

A mild stock dip, slight rise in some Treasury yields, nothing dramatic.

## Our thoughts

Warsh came across as prepared, battle-tested—he was a Fed governor 2006–2011, and refreshingly direct. The independence pledge was strong and credible given the political heat—President Trump has been vocal about wanting lower rates, but Warsh drew a clear line. His "inflation is a choice" framing is blunt and correct; central banks that treat 2% as optional lose credibility fast. The regime-change agenda feels substantive rather than performative—he's long criticised Fed overreach and groupthink, so this isn't new rhetoric.

That said, the hearing had plenty of partisan theatre, such as: 2020 election questions, wealth scrutiny, Epstein mentions in some coverage.

While Kevin Warsh's hearing didn't reveal any strong roadblocks on the path toward the Chair nomination, the confirmation process is de facto due to the Department of Justice's ongoing investigation into Jerome Powell. Indeed, Republican Senator Tillis reiterated his position that he'd vote against any Fed nominees until the investigation into Powell is over. With Republicans having only a 13-11 majority on the Committee, an opposition by Senator Tillis combined with that of all Democrats currently prevents Kevin Warsh's nomination.

With Powell's term as Chair expiring on 15 May, this situation could lead to an interim Chair being appointed until the formal confirmation of Kevin Warsh can go through the Senate Banking Committee.

## What could this mean for Fed monetary policy going forward (if he's confirmed)?

Assuming he finally gets through, Warsh would likely steer the Fed in a meaningfully different direction than the Powell era, but not a wild lurch:

- ▶ More hawkish tilt on inflation control initially, with a stronger "no excuses" accountability culture. He won't tolerate mission creep or excuses like "transitory" or tariffs.
- ▶ Different policy framework and communication: less predictable forward guidance could make markets a bit more volatile (good for reducing speculation on every dot plot). More open FOMC debate might produce better decisions over time by surfacing dissent earlier.
- ▶ Potentially more room for cuts if his AI/productivity optimism plays out—he sees the economy's potential growing "quite quickly," which could justify a lower neutral rate than the current consensus implies.
- ▶ Narrower Fed focus and balance-sheet normalisation: faster or more aggressive QT, less involvement in non-monetary issues (climate, inequality, etc.). This could restore some credibility with critics who see the Fed as too activist.

Overall stance: data-dependent but with a reformed “reaction function.” Historically Warsh has leaned hawkish, but his growth optimism gives him a dovish channel on rates if productivity data cooperates. Markets would need to adjust to a less scripted, more rules-oriented Fed.

**Bottom line:** A Kevin Warsh confirmation as Fed Chair wouldn’t be revolutionary overnight, but it would point

to a cleaner, more focused, and potentially more credible institution on the core mandate of price stability.

Whether it actually delivers lower and steadier inflation and thus sustainably lower rates will depend on execution and the data. Worth watching closely—his views on AI-driven productivity could be the wildcard for the rate path in 2026–2027.

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