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Warsh's Five Tasks

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Shortly after being appointed head of the Federal Reserve, the U.S. central bank, new Chairman Kevin Warsh established five working groups and appointed their members. These working groups are intended to help rebuild the foundations upon which the central bank's departments operate and to enable a monetary policy decision-making process adapted to the circumstances prevailing now and in the 21st century. Without prejudging the conclusions these working groups will reach, this initiative sheds light on the principles that will guide the new Federal Reserve Chairman during his term.

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Kevin Warsh became Chairman of the Federal Reserve[1] on May 22, 2026, after the U.S. Senate confirmed President Donald Trump's nomination in January 2026, following a political battle over his predecessor, Jerome Powell,[2] that was as intense as it was distasteful in its conduct. Barely three weeks later, on June 17, 2026, the new chairman announced at a press conference following the Monetary Policy Committee meeting that he was establishing five task forces to address five issues he deemed important for monetary policy. Implicitly, he was expressing dissatisfaction with the way the Federal Reserve operated and conducted U.S. monetary policy—a sentiment evident in his statements prior to his appointment.[3] The ambition he set for these task forces was no small matter. At the press conference where he announced the creation of these task forces, Chairman Warsh asked them "to start from first principles, ask the tough questions, examine the Federal Reserve's current practices, consider alternative approaches, and ultimately propose the next steps in the deliberations to be undertaken by monetary policy makers".[4]

If these words are to be taken at face value, the new chairman appears implicitly critical of the framework within which U.S. monetary policy has been conceived and conducted for several years, and unconvinced by its results. So much so that he is calling for an examination of the foundations of monetary policy and seeking to have substantial

[1] Formally, the Chairman of the Board of Governors of the Federal Reserve System and, in that capacity, Chairman of the Federal Reserve's monetary policy committee.

[2] See M. Haberman and J. Swan, *Regime Change. Inside the imperial presidency of Donald Trump*, Simon & Schuster, 2026, chapter 22.

[3] See for example Kevin Warsh, "Priorities on the path to normalization", *Cato Journal*, 38(2), 423-428.

[4] Transcript of Chairman Warsh's Press Conference June 17, 2026

reforms considered regarding the Federal Reserve's working methods and decision-making processes.

Kevin Warsh has selected five topics, without specifying whether this selection was his own initiative or was made in consultation with the Federal Reserve governors.

- The first topic—which is clearly close to Kevin Warsh's heart—is the Federal Reserve's **communication policy**. The members of the relevant working group are tasked with "proposing improvements to the form and objectives of communication, including the 'Summary of Economic Projections'[5]."
- The second topic is the **Fed's balance sheet**, and implicitly the aftermath of unconventional policy. The relevant working group is tasked with "reviewing the benefits and risks of the current regime of ample reserve availability and the composition of the Federal Reserve's balance sheet." It is also charged with "evaluating alternative frameworks for the conduct and procedures of monetary policy."
- The third topic is **information and data collection**. The relevant working group will be tasked with "evaluating new sources of information and considering the methodological changes needed to improve data collection, with a view to providing monetary policy makers with more accurate and relevant information as quickly as possible—and, above all, information on the state of the economy that facilitates decision-making."
- The fourth topic is **productivity and employment**. The working group is tasked with studying "the pace, scope, and economic impact of new technologies, including artificial intelligence, and exploring their implications for the Federal Reserve in achieving its goals of controlling inflation and supporting employment."
- Finally, the fifth theme is none other than **inflation**. The objectives assigned to the working group responsible for this are remarkably ambitious. They involve nothing less than "examining the determinants of inflation and its underlying principles, and evaluating the full range of ideas for achieving price stability in a changing economy." Behind this standard statement, it is important to understand that Kevin Warsh believes the inflationary process in the United States is poorly understood and is likely more complex than is commonly acknowledged.
- The members of these working groups—three per group—include academics renowned for their work in monetary economics,[6] including a Nobel laureate (Thomas Sargent), former central bankers,[7] and executives from major corporations.[8]

Warsh was more explicit about the reasons that led him to select these five topics for

[5]The *Summary of Economic Projections* is a document appended to the minutes of the meetings of the Federal Open Market Committee (FOMC), which compiles the short-term forecasts made by committee members for the main macroeconomic variables.

[6]The academics in question are Raj Chetty, Harvard University, Karen Dynan, Harvard University, Peter R. Fisher, University of Washington, Charles I. Jones, Stanford University, Greg Mankiw, Harvard University, Kevin Murphy, University of Chicago, Raghuram Rajan, University of Chicago (former Governor of the Reserve Bank of India), Jeremy Stein, Harvard University (former Governor, Federal Reserve Board), Thomas Sargent, New York University.

[7]Arminio Fraga, former President of the Central Bank of Brazil, Mervyn King, former Governor of the Bank of England, William White, former Economic Adviser at the BIS.

[8]Marc Andreessen, co-founder of Andreessen Horowitz, Doug McMillon, former President and CEO of Walmart Inc., Asha Sharma, Executive Vice President and XBOX CEO, Microsoft Corp.

discussion in his remarks at the Jackson Hole symposium in late August.[9] On the one hand, he cited developments in AI as evidence that the uncertainty within which a central bank operates has increased, but also that new sources of productivity are at work, which will have an impact on economic dynamics and, in particular, price dynamics. On the other hand, he argued that "forward guidance"[10] had as many flaws in normal times as it was useful in times of crisis. The problem posed by forward guidance is symptomatic of the difficulties in managing a central bank's communication, but it is also an example of the need to rethink the conduct of monetary policy on a new basis.

It is interesting to note that in this speech—the first delivered at this important forum for the international community of central bankers—Kevin Warsh addressed each of these issues more or less directly. Regarding the Federal Reserve's balance sheet, he stated that "the short-term interest rate is the predominant tool for achieving the dual mandate. Unconventional policies to stimulate economic activity may be appropriate during genuine crises but should otherwise be used sparingly, if at all." Improving the quality of the statistical data available to the central bank seems to him to be a priority because "we make decisions under uncertainty, and the data we rely on must be as relevant, timely, accurate, and actionable as possible." He reaffirmed that "the Fed's 2% price stability target, as measured by the Personal Consumption Expenditures (PCE) price index, is a firm and fixed target." He believes research into new sources of productivity is necessary because "we never see—and can only infer—what is actually happening on the supply side." On the subject of communication, he stated that "a Federal Reserve that is calmer and more deliberate in its communications is better able to achieve its objectives." These remarks, made at a conference bringing together central bankers, academics, and experts on monetary and financial issues—a setting conducive to less measured discourse than monetary policy decision statements—reveal Warsh's convictions on various topics, informed by his experience with central banks and his reflections on the conduct of monetary policy. They are clearly intended to guide the discussions of working group members and, more broadly, future debates on the future of monetary policy, both within central banking circles and in the academic community proper.

These views are all the more significant given that they do not come from a novice in monetary policy—someone whose lack of experience and temperament might lead him to seek to mark his tenure by breaking with his predecessors. Kevin Warsh, a lawyer by training, was appointed by G. W. Bush in 2002 as Executive Secretary of the Council of Economic Advisers, and then in 2006 as a member of the Federal Reserve Board of Governors, a position from which he resigned in 2011 after publicly expressing his disagreement with then-Federal Reserve Chairman Ben Bernanke, to continue the unconventional monetary policy by purchasing $500 billion in Treasury bonds.[11] He subsequently maintained his interest in monetary policy, publishing regularly on the subject and being commissioned by the Bank of England to write a report on its communication policy.[12] Although Kevin Warsh does not come from the ranks of academic economists,

[9] Kevin Warsh, "In Our Time", remarks at the Federal Reserve Bank of Kansas City symposium "Financial Innovation: Implications for Payments and Policy", August 2026.

[10] Forward guidance consists of the central bank communicating, at a given point in time, the sequence of monetary policy decisions it intends to follow in the coming months.

[11] "Fed's Warsh Skeptical Bond Purchases Can Boost Economy", *Wall Street Journal*, November 8, 2010.

[12] K. Warsh, "Transparency and the Bank of England's Monetary Policy Committee", 2014.

his expertise—based on practical knowledge of how a central bank operates and how monetary policy is conducted, including during times of crisis—cannot be questioned.

1 Conclusion

Kevin Warsh is an experienced central banker who has given serious thought to the conduct of monetary policy and, more broadly, to what a central bank has become in the 21st century. Upon becoming chairman of the U.S. central bank, he established working groups on topics that were by no means chosen at random but rather stemmed heavily from his own reflections—both on monetary policy in general and on the decisions made by the Federal Reserve since the 2008 crisis. Warsh's evidently very strong conviction that "we are at a turning point in history"[13] explains the need he feels for new tools and new frameworks for analysis.

Other topics could have been selected. One might consider, for example, the impact of the climate crisis on the conduct of monetary policy,[14] the independence of the Federal Reserve and the relationships its chair must forge with the authorities in charge of other macroeconomic policy tools, its interaction with ongoing financial innovations, or the impact of current geostrategic changes on the dollar zone.[15] The list of omissions is just as revealing of the direction Chairman Warsh intends to take the Federal Reserve as the list of selected areas. The latter are exclusively technical and steer as far clear as possible from more directly political issues. This is an indication that Kevin Warsh intends to limit the scope of the Federal Reserve's intervention and return, as much as possible, to a conception of the Fed as a specialized and expert agency, acting in accordance with the strictest possible interpretation of the mandate entrusted to it by law. This is consistent with the vision he has been articulating since 2013:

> "So, in my view, the Fed is a powerful but limited institution. The limits imposed on the Fed in the conduct of monetary policy—that is, the limits on the scope of its governmental powers and on the effectiveness of its actions to facilitate economic growth—are too often forgotten in Washington. We should recognize and understand these limits, not seek to manage or circumvent them."[16]

Whatever the outcome of this five-part project, Chairman Warsh deserves credit for taking the initiative to boldly—and rather unusually in the staid world of central banks—challenge the choices made by his predecessors. He is primarily targeting the communication policy spearheaded by Ben Bernanke, which stemmed from theoretical reflections on credibility and inflation-targeting strategies and was systematized by unconventional policy—particularly through the practice of forward guidance. He also seeks to bring the era of unconventional policy, based on the manipulation of the Federal Reserve's balance sheet, to a close. But he also appears critical of the neo-monetarist framework, which relies on a logic of monetary rules to be followed even though the statistical instruments used are fragile.

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[13] K. Warsh, "We've come to a hinge point in history", in Kevin Warsh, "In Our Time", op. cit.

[14] On this subject, Kevin Warsh likely shares the view of his predecessor Jerome Powell, who considered that it fell outside the Federal Reserve's mandate. See this New York Times article on the subject.

[15] A topic recently addressed by K. Warsh. See Kevin M. Warsh (2022), "Money Matters: The US Dollar, Cryptocurrency, and the National Interest" in Paul Ryan and Angela Rachidi, eds., *American Renewal* (Washington: American Enterprise Institute), pp. 283-303.

[16] Warsh, Kevin M., "The conduct of monetary policy", *Cato Journal*, 2013, vol. 33, p. 359.

One senses that the new chairman wishes to bring to a close the era ushered in by the 2008 crisis and return to a more traditional conception of monetary policy—one that is less ambitious and more pragmatic; in short, more discretionary. The issues raised by Chairman Warsh are by no means specific to the U.S. central bank. The initiative he has launched can serve as inspiration for other central banks, starting with the European Central Bank, which would likely also benefit from an in-depth, collective reflection on its history, its track record, the initiatives it has taken—for example, during the COVID-19 pandemic—the challenges it faces, as well as the principles upon which it is founded.

The fact that the creation of these working groups stems from Kevin Warsh's long-standing reflections on the current framework for monetary policy only reinforces the relevance of the projects now underway. The conclusions reached by the working groups will be closely scrutinized by open-economy specialists, central bankers around the world, and financial markets.

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