

# PALOS

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### The Palos Perspective

Issue No. 2 | February 2, 2026

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## Kevin Warsh as Chair of the Federal Reserve

After a highly contested audition fit for reality TV, President Trump nominated Kevin Warsh, a former Fed Governor, as Chair of the Federal Reserve. History shows that its leader should be economically brilliant, politically astute, savvy about financial markets, and good looking; Warsh has it all. Because Republicans enjoy a 53-47 majority in the Senate, Warsh's ultimate confirmation appears certain and, therefore, succeeds Powell when his term ends in May.

### Who is Kevin Warsh?

Bloomberg wrote: "Warsh, 55 years old, is a veteran of both Wall Street and public service whom Trump nearly picked as Fed chair in 2017 before selecting Powell instead, a choice the President has said he regrets.

"After graduating from Harvard Law School, Warsh worked at Morgan Stanley for 7 years before joining George W. Bush's White House as an economic adviser in 2002. Four years later, under Bush, he became, at age 35, the youngest person named to the Fed's Board of Governors. Since then, he's served as an adviser to the Duquenne Family Office and on various corporate boards and has been a fellow at the conservative Hoover Institute think tank and a lecturer at Stanford Business School. He has also advised Trump on economic matters for years.

"Warsh is married to Jane Lauder, the daughter of prominent Republican donor Ronald Lauder, who was a classmate of Trump at the Wharton School. Lauder donated \$5 million in March to MAGA Inc., Trump's super political action committee."

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### **Why Trump Chose Warsh?**

Warsh has a big network of CEOs and financial bigwigs, strong connections to the GOP establishment, and knows many global players who regard him as a sensible technocrat - a needed voice of reason, who at the same time advocates lower interest rates, like Trump does. For example, Mark Carney, the Canadian Prime Minister and former central banker, called Warsh "a fantastic choice to lead the world's most important central bank at this crucial time."

### **What is Warsh's Economic Philosophy?**

Facing opposition for central bank clerisy, Warsh is a monetary economist, believing that the best way to manage the economy is through the money supply and price signals, rather than complicated economic models used by the Fed, while leaving fiscal policy to the Treasury and Congress and keeping the Fed independent. His objective is to change how the Fed thinks about inflation, and economic forecasts and uses Keynesian models to guide policy decisions in favour of advocating a Neofischerian monetary model.

Although he's a stone-cold hard money guy who wants to upweight the inflation mandate relative to the employment mandate, he will push for lower interest rates. He's of the opinion that by lowering the Fed's balance sheet, especially at a time when the economy is in the midst of a productivity boom, these 2 deflationary factors are good reasons to reduce its policy rate.

### **Conclusion**

While Warsh's rational is absorbing, it is not going to be an easy task to find a way to shrink the balance sheet to reduce inflation and lower interest rate at the same time as Trump needs to run the economy hot to improve the odds for the Republicans to win the mid-term election set this November. Trump's popularity has waned to record lows with declines in consumer sentiment and business confidence.

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