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Warsh, if confirmed, to inherit a central bank divided over future path on rates

BY NICK TIMIRAOS

WASHINGTON—President Trump said Friday he would nominate Kevin Warsh to be the next chairman of the Federal Reserve, choosing a former Fed official who has aligned himself with the president's criticism of the central bank.

"I have known Kevin for a long period of time, and have no doubt that he will go down as one of the GREAT Fed Chairmen, maybe the best. On top of everything else, he is 'central casting,' and he will never let you down," Trump said in a social- media post.

Warsh, 55 years old, served on the Fed's board of governors from 2006 to 2011, playing crucial behind-the-scenes roles in Washington's rescue of Wall Street during the financial cri- *Please turn to page A4*

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chair of the Federal Reserve, capping one of the most public personnel contests of Trump's second term.

But first, Warsh would have to overcome the other Kevin, Kevin Hassett, the director of the National Economic Council. By late November 2025, Hassett, one of Trump's most trusted economic advisers, also thought he had the job wrapped up.

The president had told a cabinet meeting he had narrowed his list to one. Interviews with other contenders were suddenly canceled. While Warsh vacationed in the Bahamas over the year-end holidays, Trump held court with Hassett at Mar-a-Lago. Everything pointed to Hassett.

"I know who I am going to pick," Trump told reporters. Asked if Hassett was the selection, Trump grinned but said little.

Extensive network

Inside the White House, some officials had written off Warsh entirely. One senior administration official told The Wall Street Journal in early December that Warsh was finished, comparing him to a Venezuelan drug smuggler trying to cling to a boat after U.S. forces had fired on him.

The problem, this official explained, was that Trump thought Warsh wanted the job too much. Another administration official compared him to a used-car salesman.

But Warsh had something Hassett didn't: an extensive network of CEOs, finance bigwigs, and creatures of the GOP establishment that he had cultivated over decades in Washington and on Wall Street. He relied on that network—and to seize on underlying concerns that Hassett might be insufficiently independent—to stay solidly in the conversation.

At a conference in New York in December, JPMorgan Chase CEO Jamie Dimon said Warsh would make a great chair, according to people familiar with his remarks. Legendary investor Stanley Druckenmiller, Warsh's business partner, made clear to his allies on Wall Street that he wanted Warsh to be next in the job.

Treasury Secretary Scott Bessent, who was running the Fed chair search, was also a protégé of Druckenmiller. Warsh's father-in-law, Estée Lauder heir Ronald Lauder, is a major Republican donor.

Wall Street insiders began calling administration officials to make the case for Warsh, with the explicit goal of edging Hassett out of contention, according to people familiar with the outreach. The campaign focused on the argument that Hassett was too close to Trump to have credibility with bond markets as an independent Fed chair. The gambit unnerved some Trump allies who favored both men.

Some administration officials helped erode Hassett's candidacy by voicing concern about his credentials on Wall Street. Adding to the doubts: Hassett had indicated he was open to serving for less than a full four-year term, which some people inside and outside the administration seized on to question how badly he wanted the job.

For his part, Hassett had long stated publicly that his current position was his "dream job" and that he was happy to serve Trump however the president wanted.

Warsh secured a meeting with Trump on Dec. 10, hours after the Fed approved a quarter- point rate cut, and he told the president exactly what he wanted to hear.

Powell regrets

The president had long regretted choosing Powell as Fed chair in his first term, and people close to him said he was fixated on finding a successor who would take a less rigid approach to dealing with the White House.

Trump asked Warsh whether he could trust him to support interest-rate cuts if he were chosen to lead the central bank, according to people familiar with the matter. Warsh indicated to the president that he would support lowering rates.

"I asked him what he thinks. He thinks you have to lower interest rates," Trump said in a December interview with the Journal when asked whether he pressed Warsh to commit to lowering rates. The interview marked a turning point, with Trump suggesting Warsh was the new favorite.

Trump told associates over the holidays that he had been struck by Warsh's acumen and good looks. It was a change from 2017, when Trump told aides that Warsh looked too young and instead picked the silver-haired Powell, who is 17 years older.

The whisper campaign was a slow burn. But it was about to get an accelerant. On Jan. 11, Powell disclosed the Justice Department's criminal investigation of his congressio nal testimony in a startling video, setting off a firestorm that would reshape the Fed chair race.

The probe prompted bipartisan backlash. Social-media posts attacking the Fed chair were one thing; the use of the legal system to target the central bank was a bridge too far—even for many Republicans. Sen. Thom Tillis, a Republican who sits on the Banking Committee that handles Fed nominations, vowed to block any nominee until the investigation was resolved.

Hassett bore the brunt of that fallout. He had spent months on television attacking Powell and trumpeting the administration's pressure campaign against the Fed. Pressed about the investigation by reporters, Hassett delicately defended it. With lawmakers now concerned that the next Fed chair would face extreme pressure to lower rates, Hassett's closeness to Trump— once his greatest asset—had become a liability.

On Jan. 16, Trump delivered a mortal blow to Hassett's candidacy. Speaking at a White House event with Hassett seated in the front row, the president praised his economic adviser's recent television appearance.

"I actually want to keep you where you are if you want to know the truth," Trump told his NEC director.

Warsh, meanwhile, had taken a different approach. He gave a handful of speeches laying out his vision for the Fed last spring, and then appeared on television through the summer and early fall before stepping back from public view. The other finalists gave the process a veneer of careful deliberation, but it isn't clear that they ever had a chance against the "two Kevins."

Fed governor Christopher Waller's candidacy depended on wowing Trump during an in-person interview, something he had done in 2019 when he secured his nomination to the Fed's board.

But this time, the meeting didn't go as well, according to people familiar with the matter. It lasted just 30 minutes— shorter than Warsh's or Black-Rock executive Rick Rieder's— and Trump was 2½ hours late, having come from a dignified transfer ceremony of American soldiers killed in Syria. The president hosted Waller at the White House residence after having changed out of his tie and suit jacket.

Rieder came out of his interview with the president unsure where he stood, people familiar with the matter said. The conversation lasted over an hour, during which Rieder pitched Trump on a "3-4-5" plan for interest rates: targeting a 3% fed-funds rate, a 4% rate for the 10-year Treasury, and a mid-5% rate on 30-year mortgages.

Rieder's past political donations to Democrats and Republican rivals such as Nikki Haley were a black mark among some White House officials.

Early days

Bessent began curating a formal search process last summer after the president started telling others of his desire to announce a Fed chair as soon as possible. Bessent invited 11 candidates to interview with him before narrowing down a shortlist for consideration by Trump.

The process appears to have accomplished several objectives for Bessent. It created a mechanism to slow things down. A premature selection could have put the chair-designate in an unenviable position, forced to either amplify the administration's frustration with the Fed and risk his credibility, or defend the Fed's decisions and risk losing Trump's confidence.

But for all its strategic utility, the process also served a more personal purpose for Bessent: insulation.

Note

He had watched what happened to his predecessor. In 2017, Treasury Secretary Steven Mnuchin recommended Powell over Warsh for Fed chair. Trump took his advice— and spent years attacking Mnuchin for it after he soured on Powell. The president still blames Mnuchin for the recommendation.

Inside the White House, some officials had written off Warsh entirely.

Kevin Warsh speaking at the International Monetary Fund meetings in Washington last April. TIERNEY L. CROSS/ BLOOMBERG NEWS

Kevin Warsh ANN SAPHIR/ REUTERS

Trump's Fed Pick Faces Big Hurdles

Whisper campaign by Wall Street insiders undermined Hassett's chances

BY NICK TIMIRAOS AND BRIAN SCHWARTZ

WASHINGTON— When Kevin Warsh showed up at Mar-a-Lago to interview with Donald Trump shortly after the president-elect's campaign victory in November 2024, Trump expressed surprise that Warsh was being considered for Treasury secretary.

"You're my Fed chair," Trump told him, Warsh later recounted to an associate. For months, Warsh had been making similar comments to new acquaintances and longtime confidants alike: The job would eventually be his.

It would take 14 months, a reality-television-style public audition, a bitter behind-thescenes campaign, and a criminal investigation of the sitting Fed chair before that prediction came true. On Friday morning, Trump announced he would nominate Warsh to succeed Jerome Powell as

sis. If confirmed by the Senate, he would succeed Jerome Powell, whose term as chair expires in mid-May.

Trump's selection of Warsh brings to an end a monthslong internal deliberation among the president and his top advisers over who should lead the central bank.

Warsh would inherit a central bank divided over whether to cut interest rates further. Several Fed officials are uneasy about cutting when inflation remains above the central bank's 2% target. Warsh gained a reputation for being an inflation "hawk" during and after leaving the Fed because he spent years warning that easy monetary policy would fuel rising prices. More recently, he has said the Fed should cut rates faster.

Warsh will also have to satisfy a president who has made clear he expects rates to fall— and has shown no patience for Fed chairs who disappoint him. Trump, a Republican, showered praise on Powell after nominating him in 2017, only to lash out regularly when the Fed bucked his demands for lower rates.

Warsh will have to be confirmed by the Senate, a process that has been complicated by a Justice Department probe of the central bank. Sen. Thom Tillis (R., N.C.), who sits on the Banking Committee, wrote on social media Friday that Warsh is a "qualified nominee with a deep understanding of monetary policy." But he said he would oppose the nomination until the investigation is resolved, citing the importance of protecting the Fed from "political interference or legal intimidation."

Beyond managing Trump's expectations, Warsh will face challenges with few modern precedents: managing any trade-offs from tariff-related price increases after several years of above-target inflation; assessing how AI is reshaping productivity and labor markets; and responding to the rise of digital currencies that could disrupt the banking industry.

Mark Carney, the prime minister of Canada, called Warsh "a fantastic choice" to lead the Fed. The praise was notable given Carney's recent sharp criticism of Trump's geopolitical leadership—though Carney, a former central banker, and

Warsh have long moved in the same circles.

The Fed cut interest rates three times last year to guard against the risk of a sharperthan- expected slowdown in the labor market, but the central bank held rates steady this past week, in a range between 3.5% and 3.75%.

Trump told The Wall Street Journal in December he thought rates should be at 1% or even lower.

Warsh has spent much of the 15 years since he left the Fed cataloging how he thought the institution was going astray. His steady drumbeat of criticism of Powell—never a liability with Trump—kept his name in the conversation after the president's return to the White House.

Note

The transition could mark the most significant changing of the guard at the Fed since 1979, when Paul Volcker took over and dramatically reoriented the approach to inflation. Every chair since Alan Greenspan replaced Volcker in 1987 has emphasized continuity with his or her predecessor. Warsh has promised a clear rupture— a wholesale rethinking of the Fed's asset holdings, policy framework, role in the economy and relationship with the executive branch.

Former colleagues said Warsh's sharp criticisms of the Fed shouldn't obscure his abilities. "He is very smart— both intellectually and in his ability to read the room," said Donald Kohn, a former Fed vice chair who worked closely with Warsh.

Kohn said he disagreed with many of Warsh's critiques and "especially with the caustic tone with which they have been delivered." But he said, "He knows he will need to use his considerable skills to marshal evidence and analysis to support the direction he wants to take policy."

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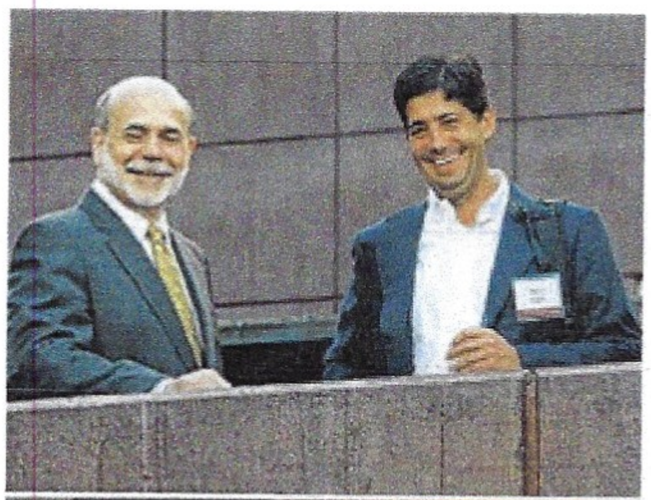

Top, Kevin Warsh with then-Fed Chairman Ben Bernanke in 2010, and above with his wife, Jane Lauder, in 2016. FROM TOP: REED SAXON/ ASSOCIATED PRESS, PAUL BRUINOOGE/ PATRICK MCMULLAN/ GETTY IMAGES

Warsh Traveled Long Path to Fed Chair

Trump's choice has in the past defended the independence of the central bank

BY NICK TIMIRAOS

Kevin Warsh has been preparing to lead the Federal Reserve for more than a decade.

If confirmed by the Senate, Warsh would succeed Jerome Powell, who has been the target of sustained attacks from the president for not slashing interest rates. Powell's term as chair expires in mid-May.

Warsh served for five years on the Fed's board of governors, helping navigate the central bank's response to the 2008-09 financial crisis. Since leaving 15 years ago, he has in essays, speeches and interviews highlighted how he thinks the institution has fallen short.

Former colleagues say Warsh's rhetoric shouldn't be mistaken for rigidity. "He's not an ideologue," said Randall Kroszner, who served on the Fed's board with Warsh from 2006 to 2009. "Since I've known him, he was someone who tried to get things done. His approach is, 'Let's articulate goals as clearly as we can, and then find the best path to get as close to those goals as we can.'" The Fed lowered rates three times at the end of 2025, but officials were unusually divided over whether that was the best course of action. Powell led the central bank to cut last year despite divisions

Note

because of concerns the labor market might be more fragile than it appeared on the surface. Others think the Fed shouldn't be cutting because asset markets are buoyant and businesses are pushing along tariff-driven cost increases.

Warsh, in television interviews and public appearances, has avoided specifying how he would handle these trade-offs. Instead, he has more generically invoked the example of former Fed Chairman Alan Greenspan, who in the mid-1990s held off on raising interest rates as the economy expanded steadily because inflation pressures were mild. The Greenspan Fed subsequently raised interest rates as the dot-com bubble inflated at the end of that decade.

Note

Warsh warned in 2021, presciently, that the Fed was sowing the seeds of a bigger inflation problem by continuing to buy large quantities of Treasurys and mortgage-backed securities.

Warsh has put at the center of his candidacy a wholesale revamp of the Fed's $6.6 trillion asset portfolio, which he has said is too large and should be part of a new accord with the Treasury Department that reduces the central bank's footprint in money markets. In recent years, Warsh has also called for tougher regulation of private cryptocurrencies.

Caustic criticism

Several people who have spoken with Warsh said they have been taken aback by what they view as the caustic nature of his criticisms of Fed leaders. Former Fed officials have suggested Warsh could face suspicion from his new colleagues given how he waved off Trump's attacks on the central bank.

"That's going to be a real issue," said Richard Fisher, who was president of the Dallas Fed during Warsh's tenure on the board. "Kevin's going to have to work very hard to overcome what I sense is a feeling amongst Federal Reserve Board staff of his attacking the Fed and almost turning his back immediately after he left."

In 2010, when Warsh was still a Fed governor and some Republicans were unhappy that low interest rates were helping the Obama administration finance larger deficits, Warsh didn't just defend Fed independence in passing—he devoted an entire speech to the subject, titled "An Ode to Independence."

"Any attempt to influence inappropriately the conduct of Fed policy would yield a strong and forceful rebuke by Fed officials and market participants alike," he told an audience of monetary-policy specialists. "The only popularity central bankers should seek, if at all, is in the history books."

Warsh has more recently suggested that Fed leaders have used independence to shield themselves from appropriate accountability. In a speech last year, Warsh argued that the Fed had forfeited its claim to independence by failing at its core mission. "Central bankers should not be pampered princes," Warsh said.

Last fall, Warsh disparaged a brief to the Supreme Court signed by all former living Fed chairs and a bipartisan group of Treasury secretaries. They warned the Fed's independence from the White House would be lost if the president succeeds in his attempt to fire Fed governor Lisa Cook. "I did not know that senior economic officials' at the Treasury and the Federal Reserve expertise went all the way to constitutional jurisprudence," he told Barron's.

Now, Warsh's success in the job could turn on satisfying a president who expects the Fed to follow his lead and colleagues who have spent years on the receiving end of his criticism. The Fed chair wields enormous influence but can't act alone. Monetary policy is set by committee, and forging consensus among 19 strongwilled policymakers is a core part of the job.

Note

A young governor

Warsh, whose father manufactured school uniforms, was raised in upstate New York. At Stanford University, he developed a knack for networking his way into rooms with people who could help him—and impressing them once he got there. In 2002, when a Bush White House adviser called a Stanford economist looking for a sharp young hire, the professor immediately offered up Warsh: "The most brilliant student I've worked with."

When Ben Bernanke joined the White House in 2005—in what would prove to be an audition to succeed Alan Greenspan as Fed chair—Warsh helped Bernanke prepare for his Senate confirmation hearings, then scored his own appointment to the Fed board in 2006. At 35, Warsh became the youngest to take the job.

His market savvy and political connections proved invaluable during the financial crisis. He became so indispensable to Bernanke as a go--between with Wall Street chieftains and GOP leaders that Fed staffers developed a familiar refrain: "Have you run it by Warsh?"

One former staffer recalled how Warsh, a Fed governor in his own right, would introduce himself to lawmakers as an aide to Bernanke, vastly underselling his role.

—Note

On economic policy, Warsh was usually more concerned about the risks of higher inflation than weaker growth. He worried, incorrectly as it turned out, that ultralow interest rates and high budget deficits in the years immediately after the financial crisis would lead to high inflation.

Note

In 2010, Warsh argued that by trying to push longer-term interest rates down, the Fed was allowing Congress and the White House to duck decisions he believed they needed to make to put the U.S. on a stronger economic footing. "We should put the burden on them," Warsh told his colleagues at a November 2010 policy meeting where he privately argued against a bondbuying program being advocated by Bernanke.

Bernanke didn't follow Warsh's advice. "The reality was that the Fed was the only game in town. It was up to us to do what we could, imperfect as our tools might be," Bernanke wrote in his 2015 memoir.

Warsh voted for the stimulus program, called quantitative easing, out of loyalty to Bernanke while publicly second-guessing it days later in a Wall Street Journal opinion article.

Warsh left the Fed in 2011 and became a fellow at Stanford's Hoover Institution, joined the board of **United Parcel Service** and worked with hedge-fund investor Stanley Druckenmiller. He is married to Jane Lauder, the granddaughter of cosmetics mogul Estée Lauder and the daughter of Ronald Lauder, a major GOP donor.

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The chairman-designate on where the central bank has gone wrong and what independence means.

Kevin Warsh on the Fed's Mistakes and the Consequences

President Trump announced Friday that he will nominate Kevin Warsh as chairman of the Federal Reserve Board. Mr. Warsh served as a Fed governor from 2006 through 2011 and has since written frequently for these pages. These are excerpts from his Journal op-eds. A related editorial appears nearby.

From "The High Cost of the Fed's Mission Creep," April 28, 2025: For about 40 years, Americans scarcely thought about changes in the price level. If the Fed's enviable track record of price stability had continued through this decade, central bankers may have been granted wider berth. But then the Fed foundered on fundamentals and inflation surged.

Stable prices were the Fed's plot armor. As in the movies, it was protection for the protagonist against those who would dare a challenge. The Fed's roving remit and grand ambitions, however, expanded its surface area and exposed its vulnerability even more.

Central-bank independence is more often cited than defined. Independence isn't a policy goal unto itself. It's a means of achieving important and particular policy outcomes.

Independence is reflexively declared when any Fed policy is criticized. Congress has granted important functions to the Fed in bank regulation and supervision. I don't believe the Fed is owed any particular deference in bank regulatory and supervisory policy. Fed claims of independence in bank matters undermine the case for independence in monetary policy.

And when the Fed turns away from its creed and tradition, exercising powers that are the province of the Treasury Department, or taking positions on societal issues, it further jeopardizes its operational independence in what matters most.

I strongly believe in the operational independence of monetary policy as a wise political economy decision. And I believe that Fed independence is chiefly up to the Fed. That doesn't mean central bankers should be treated as pampered princes. When monetary outcomes are poor, the Fed should be subjected to serious questioning, strong oversight and, when they err, opprobrium.

From "The U.S. Needs Economic Regime Change," March 20, 2023: History will give a full accounting of the grave errors committed in recent years in economic policy. A central lesson is already clear: Nothing is as expensive as free money.

The costs of the Federal Reserve's zero-interest policy are multiplying: The misallocation of capital—goosing the price of the riskiest and least-productive of assets—set the conditions for boom and bust. The financing of the " big state" set the country on an unsustainable fiscal trajectory. The extraordinarily loose financial conditions created herd behavior among market participants and firms and complacency among policy makers, including regulators. The surge in inflation substantially raised the cost of living for citizens and undermined business planning.

From "The Fault Lies in R-Star and in Ourselves," Sept, 26, 2018: Policy makers are currently rejoicing in their good fortune. The U.S. economy is booming: Output is growing more than 50% faster than the Fed forecast a year ago, wages are accelerating, and labor markets are the strongest they've been in at least a generation. Capital investment is strengthening, and productivity shows some improvement. Asset prices are high. Credit is cheap and widely available. And inflation is running at or near the Fed's avowed target.

The Trump administration's reforms in tax and regulatory policy were well-timed. They caused a business and wage-earner expansion to follow on the heels of a consumer- driven, housing-led expansion that was starting to show its age.

The strong trends in the U.S. economy are likely to continue.

Even so, history and hard experience tell us that a boom is not a time for triumphalism, especially for the guardians of financial stability at the Fed. The most consequential period in economic policy is often when the embers of the last fire are gone and the first sparks of the next are not yet visible. Policy makers should not be dismissive of less likely, but more damaging tail events.

From "The Federal Reserve Needs New Thinking," Aug. 25, 2016: The economics guild pushed illconsidered new dogmas into the mainstream of monetary policy. The Fed's mantra of data-dependence causes erratic policy lurches in response to noisy data. Its mediumterm policy objectives are at odds with its compulsion to keep asset prices elevated. Its inflation objectives are far more precise than the residual measurement error. Its output-gap economic models are troublingly unreliable.

The Fed seeks to fix interest rates and control foreign-exchange rates simultaneously—an impossible task with the free flow of capital. Its "forward guidance," promising low interest rates well into the future, offers ambiguity in the name of clarity. It licenses a cacophony of communications in the name of transparency. And it expresses grave concern about income inequality while refusing to acknowledge that its policies unfairly increased asset inequality.

The Fed often treats financial markets as a beast to be tamed, a cub to be coddled, or a market to be manipulated. It appears in thrall to financial markets, and financial markets are in thrall to the Fed, but only one will get the last word.

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He knows where the central bank has gone wrong and how to fix it.

Warsh Is the Right Fed Choice

REVIEW & OUTLOOK

Does Kevin Warsh know what he's getting into as President Trump's nominee to be the next Chairman of the Federal Reserve? Yes, he does, which is only one of the reasons he is the right choice for a central bank that needs reform after a generation of exceeding its proper monetary remit.

Mr. Warsh is a former Fed Governor whose 2006-2011 tenure overlapped with the 2008 financial panic and recession. He has also worked on Wall Street and in the White House under George W. Bush. Though he wasn't in charge of the Fed at the time, Mr. Warsh's experience in a crisis will be invaluable when the next one arrives, as it inevitably will. He has deep knowledge of global financial markets, and knows most of the global players—from Europe, to the U.K., Japan and China.

More important, Mr. Warsh has been arguably the leading voice in public life for reforming the Fed. He left the board of Governors in 2011 after then Chairman Ben Bernanke made vast bond-buying a permanent part of Fed policy rather than an emergency resort.

Mr. Warsh's critique, which he made public at the time in these pages, has proved prophetic. The Fed in its "quantitative easing" era has presided first over an historically weak economic expansion, and then in round two during and after the pandemic the worst inflation in 50 years.

Note Note

Mr. Warsh is known as an inflation hawk, which makes Mr. Trump's nomination especially notable. Mr. Trump wants lower interest rates, but the paradox of monetary policy is that someone with hawkish inflation credentials has more credibility with financial markets and can often find it easier to keep rates lower than easy-money men.

As readers of these pages know, Mr. Warsh has in recent years offered a searching critique of Fed policy since the financial panic. He has been especially pointed in saying that the central bank has taken on a broader role in economic policy than it should.

Note

"In my view, forays far afield—for all seasons and all reasons—have led to systemic errors in macroeconomic policy," he wrote in April 2025. "The Fed has acted more as a general-purpose agency of government than a narrow central bank."

This "institutional drift," as he put it, has caused the Fed to lose the plot on its essential mandate, which is price stability. The Fed has also wandered into fiscal policy with its bondbuying that has underwritten excessive federal spending and asset purchases that contributed to the misallocation of capital. (See the boom in housing prices.) And that's without its Bidenera political bows to consider climate change in financial regulation and the racial impact of monetary policy. Such political bows compromised the Fed's independence by its own hand, never mind President Trump's social-media posts. Mr. Warsh will steer the Fed away from all that. He will also aim to reduce the Fed's balance sheet that has ballooned into the trillions of dollars from merely some $800 billion when Mr. Warsh first joined the Fed. He has said fiscal policy is the job of Treasury and Congress, while the Fed should stick to money. In this division of priorities, he is looking back to the famous Treasury-Fed Accord of 1951 that angered Harry Truman but restored monetary stability after the post-World War II inflation.

Note

None of this will be easy. He will face opposition from many on the Fed staff and from the central-banking clerisy that includes the recent Fed chairs he has criticized. The Senate should consider the latter a recommendation. He will also have to navigate the man in the White House who thinks interest rates should only go down, but Treasury Secretary Scott Bessent can help on that front.

The dumbest criticism is that Mr. Warsh doesn't have an economics Ph.D. But how well have the hundreds of Fed Ph.D.s done in the last 20 years? They kept rates too low for too long in the 2000s, contributing to the housing boom and bust. They overestimated economic growth under Barack Obama, and underestimated it under Trump I. Then they missed entirely the Biden inflation.

A non-economist can't do any worse. And Mr. Warsh may do much better since he understands the Fed's economic models and how they have been wrong. He doesn't believe, as the Fed does, that stronger economic growth produces inflation and thus interest rates must inevitably rise. He focuses on money and price signals more than the jobless rate.

This insight matters in particular at the present moment of what appears to be the cusp of a productivity boom. This decade, with vast AI investment and the spread of AI applications in business, could be like the internet boom of the 1990s. If it is, productivity will rise and incomes can rise with it without triggering inflation. Note

All of which is to say that Mr. Warsh has an extraordinary opportunity to reform the Fed so it resumes its role as a steward of price stability to underpin stable growth and rising incomes. This is President Trump's best secondterm appointment.

