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WEALTH

**MARCH 2026  
CLIENT QUESTION  
OF THE MONTH:**

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# **THE NEW FED CHAIR**

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## **Overview**

The Federal Reserve, more commonly referred to as the Fed, serves as the central bank of the United States. Established in 1913 to promote a stable and resilient financial system, the Fed is responsible for conducting monetary policy in pursuit of its dual mandate: maximum employment and price stability. For a deeper dive into its structure and functions, please refer to our [Fed Client Question](#).

At the helm of this institution is the Chair of the Board of Governors of the Federal Reserve System, or Fed Chair, who serves as the public face of US monetary policy. While monetary decisions are made collectively by a Federal Open Market Committee (FOMC) vote, the Fed Chair plays a critical role in agenda setting, policy framing, and market signaling.

The Fed Chair is appointed by the President and confirmed by the Senate, serves a 4-year term, and may be reappointed. Importantly, the Chair must already be a confirmed member of the Board of Governors, whose underlying terms last 14 years, providing structural continuity beyond any single chairmanship.

The current Chair, Jerome Powell, has led the Fed since February 2018, after being nominated by President Trump and later reappointed by President Biden for a second 4-year term. Powell's current tenure is scheduled to conclude in May 2026, setting the stage for a leadership transition that markets are monitoring closely.

On January 30, 2026, President Trump formally announced the nomination of Kevin M. Warsh to serve as the next Federal Reserve Chair. Warsh's nomination arrives during a pivotal moment for global markets, and his philosophical views on monetary policy are already shaping investor expectations and debate.

## **Who Is Kevin Warsh?**

Kevin Maxwell Warsh is an economist and former investment banker. Born in 1970 in Albany, New York, Warsh graduated from Stanford University and Harvard Law School, where he focused on economics, public policy, and financial markets.

Warsh first entered the Federal Reserve system in 2006, when President George W. Bush appointed him to the Fed's Board of Governors. At 35, he was the youngest person ever confirmed to the board. During his tenure through 2011, Warsh played a key role in coordinating the Fed's response to the 2008 financial crisis.

Prior to his time at the Fed, Warsh worked at Morgan Stanley in mergers and acquisitions and served in senior economic policy roles at the White House. Since leaving the Fed, Warsh has remained active in academia, economic policy, and corporate leadership. He is a distinguished fellow in economics at the Hoover Institution, a lecturer at the Stanford Graduate School of Business, and a member of the Panel of Economic Advisers of the Congressional Budget Office. Warsh is also a partner at Stanley Druckenmiller's Duquesne Family Office and serves on the board of directors of UPS. His background blends crisis-era policymaking experience with comprehensive exposure to global financial markets.<sup>1</sup>

## **Policy Stances: A Blend of Dovish and Hawkish Views**

As monetary policy decisions are determined collectively by the FOMC, the Fed Chair governs by persuasion, not decree. Still, Warsh's views are closely scrutinized because they offer clues about how policy might evolve under his leadership.

### **Interest Rates**

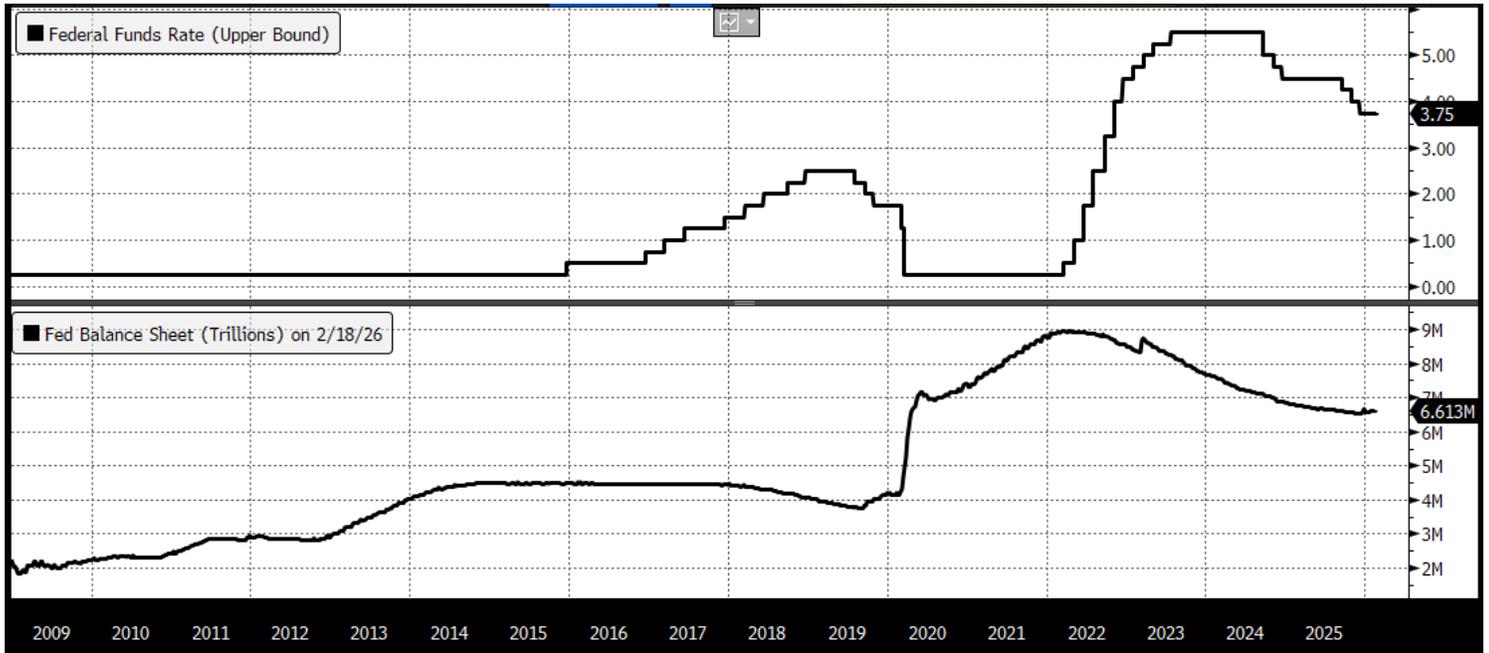
One of the most consequential aspects of Warsh's policy orientation is his stance on interest rates. The FOMC influences short-term interest rates by setting the Federal Funds Rate, currently at 3.75%. When the Fed shifts to accommodative monetary policy and reduces the Federal Funds Rate, lower interest rates stimulate spending on goods and services. While President Trump has emphasized clear desire for a Fed that supports lower borrowing costs, Warsh's record and commentary suggest a nuanced view on rates.

Warsh was once characterized as an inflation hawk, meaning someone who prioritizes controlling inflation, often with restrictive monetary policy. In recent op-eds and public remarks, however, he has argued that productivity gains from artificial intelligence, deregulation, and capital investment could push prices lower without an economic downturn. Warsh could use this model to justify a more dovish posture and support reducing the Fed Funds Rate. Market pricing currently reflects expectations for approximately two 0.25% rate cuts in 2026.<sup>2,3,4</sup>

## The Fed Balance Sheet

The size of the Fed's balance sheet is another monetary policy tool at its disposal: accommodative policy generally results in a larger balance sheet, while restrictive policy generally means a smaller one. Warsh has openly expressed his preference for reducing the Fed's balance sheet, which has expanded significantly in the aftermath of the financial crisis and pandemic-era quantitative easing, currently over \$6.6 trillion. He has described the current size of the balance sheet as distortionary to markets and supportive of asset price inflation, also noting that shrinking the balance sheet would make it easier to maintain lower rates.<sup>2</sup>

The charts below show how the Fed Funds Rate and balance sheet have evolved over the past two decades.



Source: Bloomberg

## Institutional Independence

Warsh has publicly emphasized the importance of preserving the independence of the Federal Reserve, arguing that monetary policy decisions must remain insulated from short-term political pressures in order to maintain credibility and anchor inflation expectations. Despite President Trump's explicit preference for more accommodative monetary policy, Warsh has consistently underscored that the Fed's effectiveness depends on public confidence that its decisions are driven by economic fundamentals rather than partisan considerations — a principle he views as essential to long-term financial stability.

## The Confirmation Process: How Warsh Becomes Fed Chair

Nomination by the president is only the first step in the journey to become the Federal Reserve Chair. Under US law, the nominee must be confirmed by the Senate, first through hearings and votes organized by the Senate Banking Committee, and ultimately by the full Senate.

### 1. Presidential Nomination (Completed)

- The President formally nominates a candidate. The nomination is sent to the US Senate.

### 2. Senate Banking Committee Review & Hearing

- The nomination is reviewed by the United States Senate Committee on Banking, Housing, and Urban Affairs, which conducts background checks, reviews financial disclosures, and holds a public confirmation hearing.

### 3. Committee Vote & Full Senate Vote

- The Banking Committee votes on whether to advance the nomination, followed by a confirmation vote by the full Senate. A simple majority is required for both (51 votes if all senators are present).

### 4. Swearing-In & Assumption of Duties

- If confirmed, the new Chair is sworn in and formally assumes leadership of the Federal Reserve, typically when the prior Chair's four-year term concludes.

The process generally takes 4 to 10 weeks, though political dynamics can accelerate or delay the timeline. Warsh's confirmation path has already run into procedural complexities. Republican Senator Thom Tillis has placed a hold on advancing any Fed nominee — including Warsh — until a Justice Department investigation into current Chair Jerome Powell is resolved. Although Tillis supports Warsh's qualifications, his stance could delay committee votes. Treasury Secretary Scott Bessent and other administration officials have pushed forward, signaling continued cooperation with the Senate and emphasizing the importance of continuity at the Fed.<sup>3</sup>

## **What If Warsh Is Not Confirmed?**

If a nominee for Fed Chair is not confirmed by the Senate, the outcome depends on the timing relative to the expiration of the current Chair's term and the status of the Board of Governors. The Federal Reserve Act outlines the succession framework under various scenarios.

### **1. If the Current Chair's Term Has Not Yet Expired**

- The sitting Chair — currently Jerome Powell — remains in office until his term expires, he resigns, or a successor is confirmed and sworn in.

### **2. If the Current Chair's Term Expires**

- The Vice Chair of the Board of Governors typically serves as Acting Chair until a new Chair is confirmed.
- As of now, that position is held by Philip Jefferson.
- The Vice Chair can assume the leadership role on an acting basis, preside over meetings, and guide policy discussions.

### **3. If Both Chair and Vice Chair Roles Are Vacant**

- The Board of Governors can designate one of its members to serve as Acting Chair until the President nominates and the Senate confirms a permanent Chair.

The President cannot under any circumstances appoint an outside individual as Acting Chair without Senate confirmation to the Board of Governors — only confirmed governors may serve as Chair or Acting Chair.

It is important to note that a failed confirmation does not create a monetary policy vacuum at the Fed. During leadership transitions, short-term market volatility may increase due to political uncertainty, but institutional continuity is built into the Fed's structure. Its design prioritizes operational stability and credibility with minimal disruption, even in the event of a contested or unsuccessful nomination.

## **Conclusion**

Kevin Warsh's nomination to lead the Federal Reserve has stimulated the broader economic debate over the future direction of US monetary policy. His blend of market credibility, emphasis on balance sheet normalization, and nuanced views on rates offer both opportunities and challenges for policymakers and investors alike. As the Senate confirmation process unfolds — with hearings, committee votes, and political considerations — market participants should watch closely for how Warsh's philosophy might influence the next chapter of Fed policy and its ripple effects across the global economy.

While uncertainties remain — particularly around Warsh's confirmation timeline and how his theoretical positions translate into action — understanding the process and implications helps position investors to anticipate shifts in the macro policy landscape. At Winthrop Wealth, our goal is to help clients approach developments like this with clarity, discipline, and a long-term strategy aligned with their financial goals.

## SOURCES

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## DISCLOSURES

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