

Kevin Warsh: A Background Paper on His Monetary Theory and Monetary Policy Views

Career, intellectual influences, theoretical commitments and record as the 17th Chair of the Federal Reserve

Background Research Paper · 3 July 2026

1. Executive Summary

Kevin Warsh assumed office as the 17th Chair of the Federal Reserve in May 2026 following a career that spans Wall Street, the White House, the Federal Reserve Board during the Global Financial Crisis, and more than a decade as an influential external critic of post-crisis monetary policy. Unlike many modern central bankers, Warsh is neither identified with a single academic school of economics nor defined by a formal policy rule. His record instead reflects a consistent preference for institutional restraint, skepticism toward discretionary activism, and a belief that sound monetary policy depends more on judgment and real-time assessment than on forecasts or model-driven decision-making.

The central theme running through Warsh's public record is not opposition to an active Federal Reserve per se, but opposition to forms of policy intervention that he believes blur the distinction between monetary policy, fiscal policy and financial-market support. While supportive of the Federal Reserve's role in maintaining financial stability, he has repeatedly questioned whether large-scale balance-sheet interventions create financial vulnerabilities of their own through their effects on asset prices, leverage and market behaviour. More broadly, he has argued that the Federal Reserve should remain focused on its core responsibilities of price stability, maximum employment and financial stability while avoiding broader policy ambitions that risk diluting institutional effectiveness and independence.

Warsh is best known for his skepticism of quantitative easing and large-scale balance-sheet expansion. Although he supported key crisis-era interventions as a Federal Reserve governor, he later argued that repeated rounds of asset purchases delivered uncertain economic benefits while creating potentially significant long-term risks, including distorted asset prices, excessive market dependence on central-bank support and a blurring of the distinction between monetary and fiscal policy. His concerns have become a recurring feature of his commentary since leaving the Fed in 2011 and remain visible in his early approach as Chair.

Another defining characteristic of Warsh's framework is distrust of excessive forward guidance and economic forecasting. He has argued that central banks devote too much effort to predicting future economic conditions and too little attention to evaluating conditions as they exist in real time. In his view, detailed projections, dot plots and extensive policy signalling can leave policymakers constrained by expectations they have themselves created. As a result, he has advocated for fewer communications, less reliance on forecasts and greater emphasis on deliberation and discretion within the policy process.

Warsh's views do not fit neatly within any of the major monetary traditions examined in this paper. He shares some of the monetarist tradition's skepticism of activist policy but does not advocate money-supply targeting. He sees value in the Taylor Rule as a benchmark but rejects mechanical rule-following. His repeated emphasis on maintaining clear boundaries between monetary and fiscal policy places him in direct opposition to many of the practical implications associated with Modern Monetary Theory. His views are most accurately described as those of a market-oriented pragmatist concerned with preserving central-bank credibility, institutional independence and policy flexibility.

The paper argues that Warsh's policy framework can ultimately be understood as a response to three developments he believes have weakened monetary policymaking over recent decades: the expansion of central-bank balance sheets, growing reliance on forward guidance and an increasingly blurred boundary between fiscal and monetary policy. At the same time, his focus on asset-price dynamics and financial conditions reflects a belief that financial-stability risks can emerge long before they become visible in conventional inflation statistics. Whether this diagnosis proves correct will be one of the defining questions of his chairmanship. Supporters view his appointment as a return to a more disciplined and institutionally restrained Federal Reserve; critics argue that his record contains important inconsistencies and that some of his concerns overstate the role of monetary policy in shaping economic outcomes. Both interpretations find support in the public record.

For investors, the most important conclusion is that Warsh should not be viewed as a doctrinaire hawk or dove. Rather, he appears likely to favour a Federal Reserve that communicates less, relies more heavily on judgment than predetermined rules, pays closer attention to financial stability risks arising from asset prices and leverage, and is structurally more cautious about using the balance sheet as a policy instrument. If sustained, these preferences would represent the most significant shift in the Federal Reserve's operating philosophy since the post-2008 period of quantitative easing and increasingly explicit forward guidance.

Investment Implications

What Kevin Warsh's Appointment Could Mean for Markets

1. Greater policy uncertainty, fewer explicit signals

Warsh has repeatedly questioned the value of extensive forward guidance and individual rate projections, suggesting markets may receive less advance notice of future policy decisions than markets became accustomed to under previous Federal Reserve leadership. A reduction in policy signalling could increase short-term volatility around FOMC meetings and major economic releases. [\[Kevin Wars... Paper \(3\) | Word\]](#)

2. Higher threshold for balance-sheet intervention

Warsh's long-standing skepticism toward quantitative easing suggests he is likely to view balance-sheet expansion as an extraordinary tool rather than a routine policy instrument. In periods of market stress, investors should therefore expect greater initial reliance on conventional interest-rate policy and liquidity operations before large-scale asset purchases are considered. [\[Kevin Wars... Paper \(3\) | Word\]](#)

3. Increased focus on inflation credibility

Although not a mechanical policy hawk, Warsh has consistently emphasised the importance of price stability and central-bank credibility. His public statements suggest a willingness to tolerate short-term market discomfort if required to preserve confidence in the Federal Reserve's inflation-fighting mandate. [\[Kevin Wars... Paper \(3\) | Word\]](#)

4. Greater emphasis on financial stability risks arising from asset prices

Warsh has repeatedly argued that periods of unusually strong asset-price appreciation can signal emerging financial vulnerabilities that are not captured by conventional inflation measures. While consumer-price inflation remained subdued through much of the post-2008 period, he has suggested that rapid increases in equity, housing and other asset valuations may nevertheless represent a form of monetary excess with implications for future financial stability. Investors should therefore expect greater attention under his leadership to asset valuations, leverage and broader financial conditions alongside traditional inflation indicators. [\[Kevin Wars... Paper \(3\) | Word\]](#)

5. Closer scrutiny of fiscal-monetary interactions

Warsh has repeatedly warned against blurring the distinction between monetary policy and government financing. As federal deficits remain elevated, investors should expect heightened discussion under his leadership regarding Treasury issuance, balance-sheet policy and the long-term independence of the Federal Reserve.

[\[Kevin Wars... Paper \(3\) | Word\]](#)

Bottom Line

For investors, Warsh's arrival is best viewed not as a decisive shift toward either a permanently hawkish or dovish Federal Reserve, but as a shift toward a more discretionary, less communicative and more institutionally conservative policy framework. Alongside its traditional focus on inflation, employment and financial stability, the Federal Reserve under Warsh may place greater emphasis on identifying financial-stability risks arising from elevated asset prices, leverage and liquidity conditions. If sustained, this would represent a meaningful evolution from the post-2008 model characterised by extensive forward guidance, repeated quantitative easing programmes and increasingly explicit policy signalling. [\[Kevin Wars... Paper \(3\) | Word\]](#)

Key Risks to Watch

Theme	Market Sensitivity
Inflation reacceleration	High
Treasury issuance and liquidity conditions	High
Asset-price excesses and financial stability risks	High
Balance-sheet reduction (QT)	Medium-High
Changes to Fed communications framework	Medium
Energy-price shocks	Medium-High

Important distinction: Warsh's concerns regarding quantitative easing should not be interpreted as opposition to the Federal Reserve's financial-stability responsibilities. Rather, his argument is that sustained balance-sheet expansion may itself become a source of financial instability by encouraging excessive risk-taking, leverage and asset-price inflation.

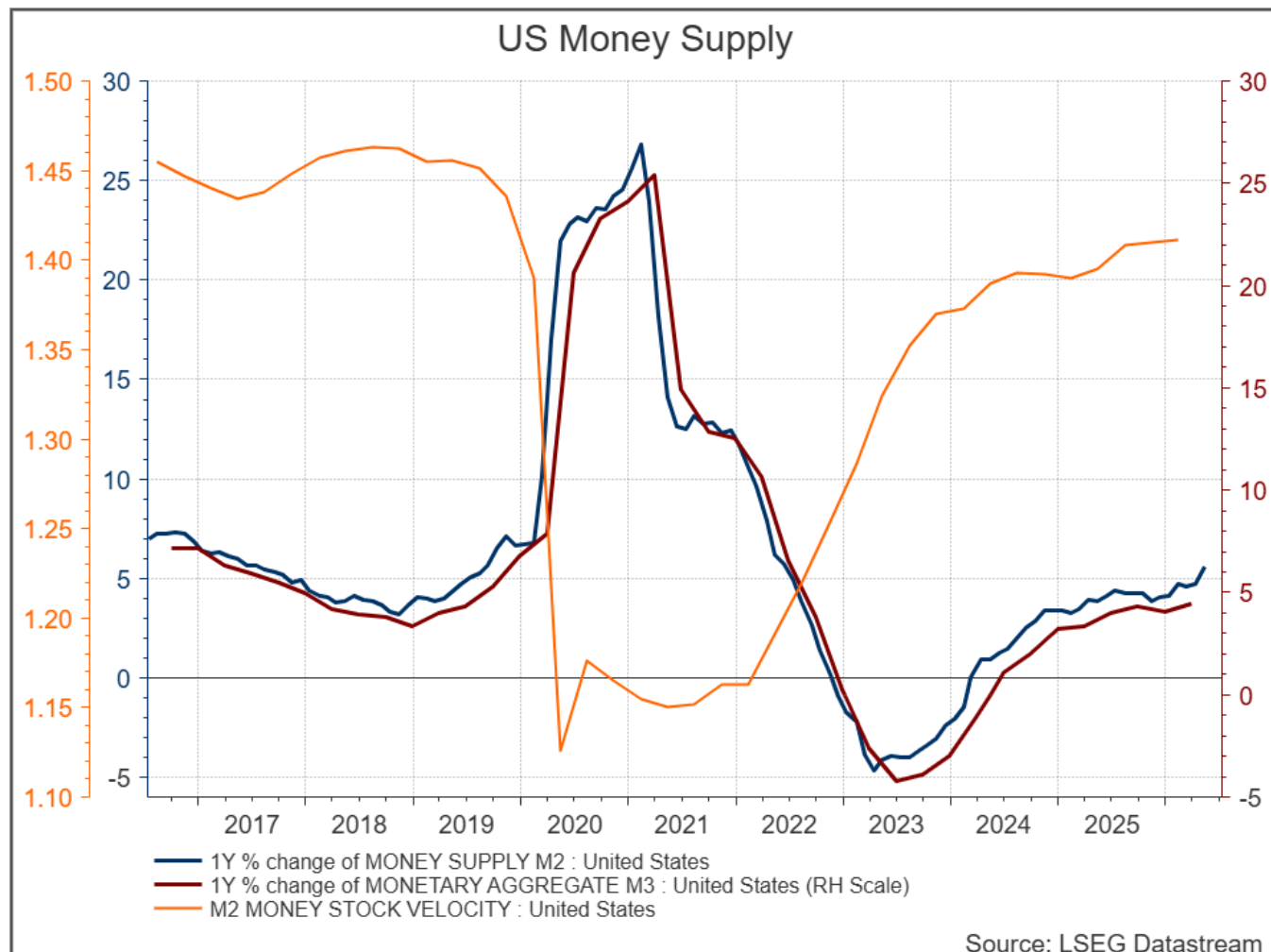
Portfolio-manager takeaway: Warsh should be viewed less as a conventional hawk and more as a Chair focused on institutional credibility, financial stability, and the long-run consequences of monetary intervention. The key risk for markets is not necessarily higher policy rates, but a Federal Reserve that is less willing to use its balance sheet to support asset markets during periods of stress.

Understanding the Economic Context Warsh Has Inherited

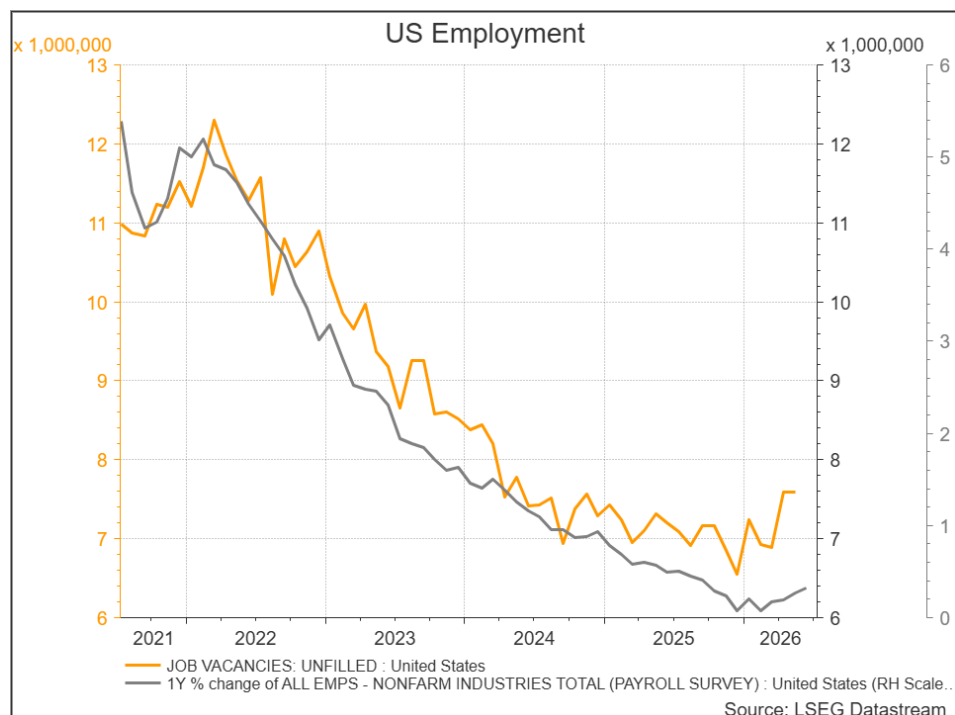
Throughout this document there are many points and examples of where Warsh has disagreed with the economic policy path and where he has been worried. It is clear in hindsight that in 2008 to 2020 period the Federal Reserve had the luxury of not having to be concerned about inflation because it was being effectively exported with the movement of US manufacturing to China and lesser Asia. Since the re-emergence of inflation, however, the Federal reserve no longer has this luxury and has been forced to refocus on its primary mandate of keeping inflation at its target 2%.

The following charts set out a summary of the monetary theory prescribed outcomes and the New Keynesians expected outcomes.

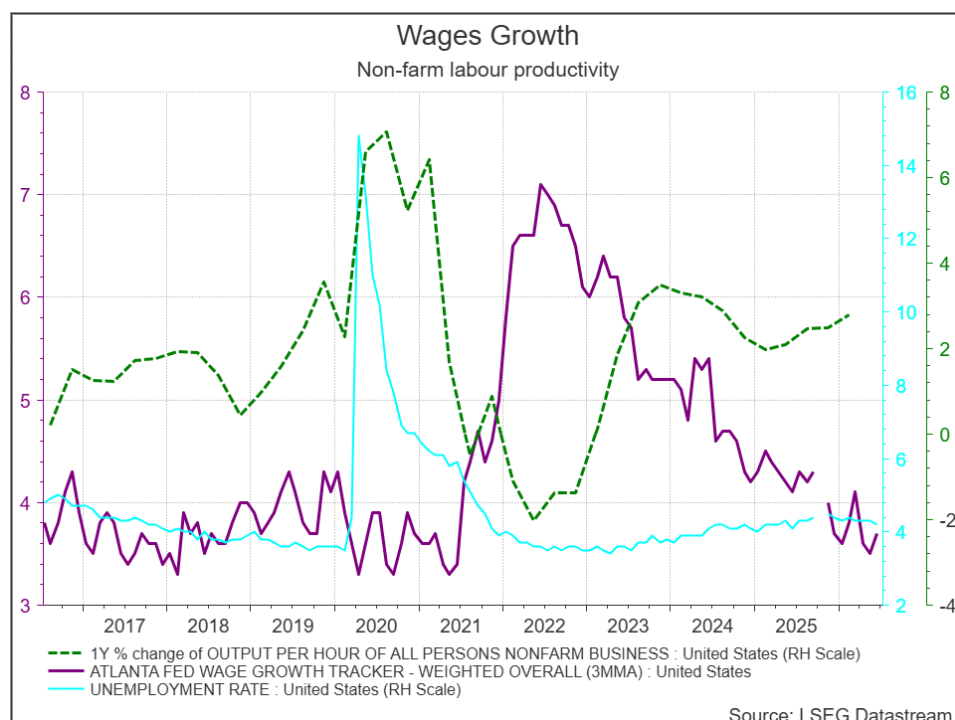
Monetary Theory points to higher inflation and growth in the months ahead. M2 growth has just increased to over 6% and money velocity has nearly returned to its pre-pandemic levels. It is important to understand that now that inflation is well above the 2% target it will take a period of negative money supply growth (Like seen in late 2022, all of 2023 and early 2024). Money growth above 4%pa with velocity strong is not consistent with the FOMC achieving its 2% inflation target. The 2009 – 2020 period was an anomaly made possible by the movement of US manufacturing to China (see MMT below).



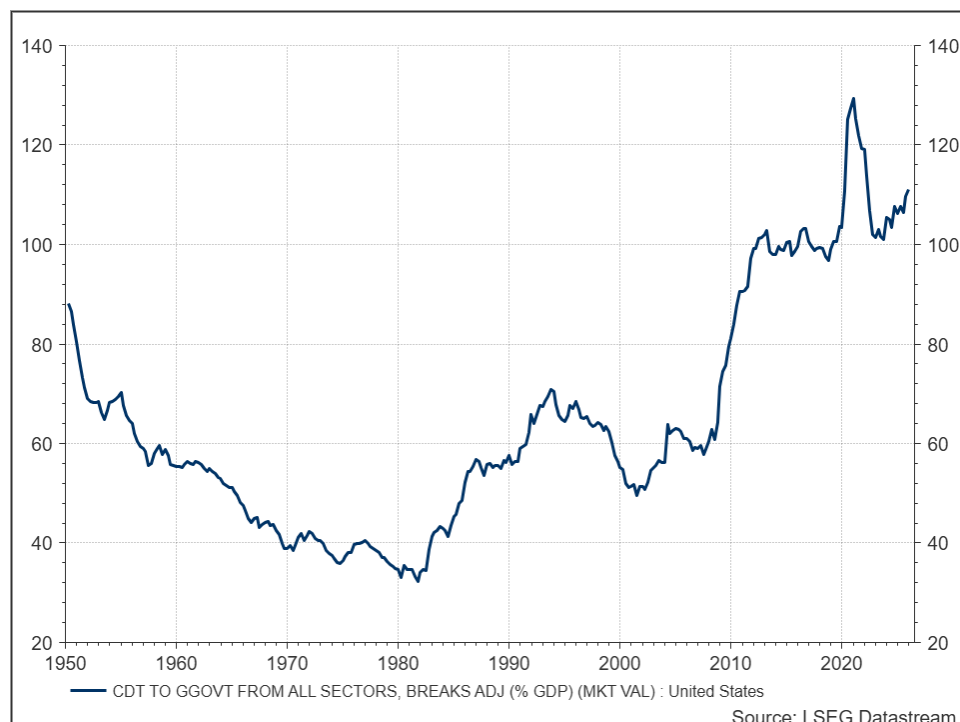
The Non Farm Payrolls data has been very difficult to comprehend over the past 12 months, however, in recent months employment appears to be growing and there has been a lift in unfilled job vacancies that suggest an increase in economic activity will occur over the next 6 months.



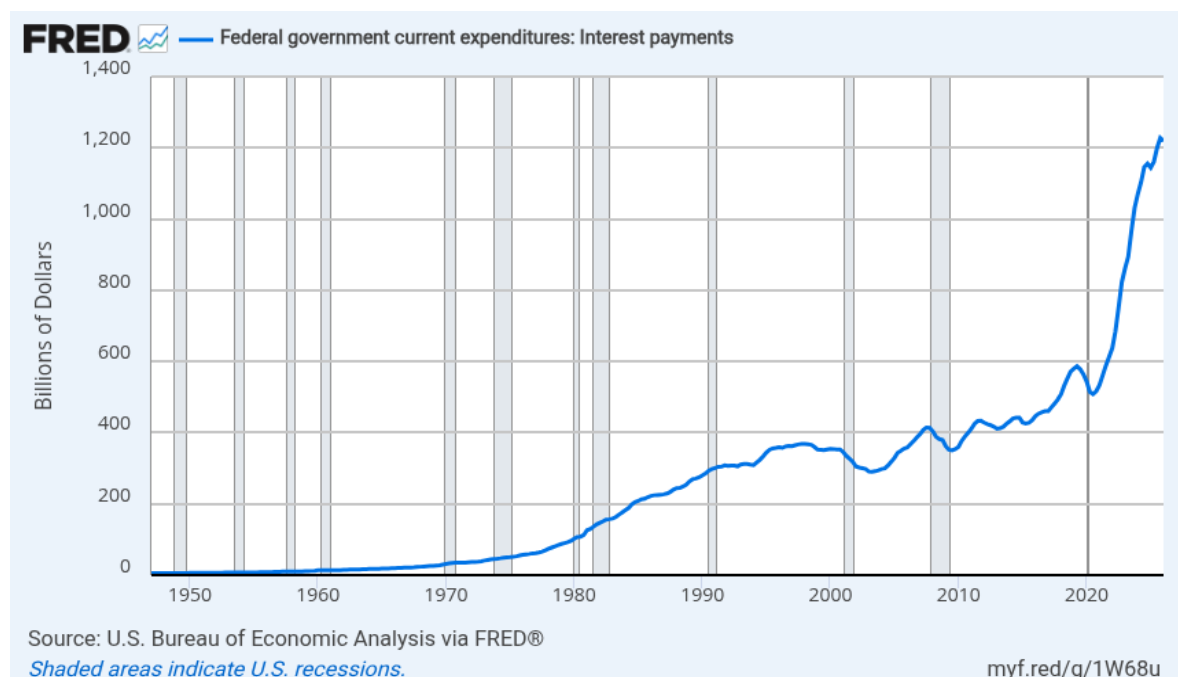
The economy is operating at full employment but rising labour productivity has enabled a fall in wages growth that in the medium to long term is supportive of inflation falling.



The US government debt to GDP ratio did, sensibly, decline post the pandemic, but in the US this is a reflection of sharper GDP growth rather a decline in debt. Under Trump US government debt is rising because of the burden of higher interest rates. The US is now borrowing to meet interest rate payments.



The problem here is that the US government and economy could afford the rise in government debt while inflation and interest rates were low but now the cost of meeting interest payments is rising rapidly. This is best displayed by the sharp rise in Federal Government interest payments in the following chart.



2. Career background

Warsh graduated from Stanford University with a bachelor's degree in public policy in 1992 and from Harvard Law School with a JD in 1995, and worked at Morgan Stanley from 1995 to 2002 in mergers and acquisitions, rising to vice president and executive director (Wikipedia 2026; Britannica Money 2026). He joined the George W. Bush White House in 2002 as special assistant to the president for economic policy and executive secretary of the National Economic Council, where his portfolio included the regulatory response to the Sarbanes-Oxley-era accounting scandals (Britannica Money 2026).

Bush nominated Warsh to the Federal Reserve Board of Governors in January 2006; at 35 he became the youngest governor in the Board's history (Federal Reserve History 2026). He served until March 2011, a period spanning the 2008 global financial crisis. As the governor with the closest Wall Street ties, Warsh became the Board's principal liaison to financial markets during the crisis, working alongside Chair Ben Bernanke and New York Fed President Timothy Geithner; David Wessel's contemporaneous account of the crisis, "In FED We Trust," names Warsh as one of the crisis-era "Four Musketeers" alongside Bernanke, Vice Chairman Donald Kohn and Geithner (Wikipedia 2026, citing Wessel 2010). He was closely involved in the sale of Bear Stearns to JPMorgan Chase, the Lehman Brothers bankruptcy, and the AIG rescue.

Warsh resigned from the Board in February 2011, effective 31 March, roughly three months after voting in favour of the Fed's second large-scale asset purchase program ("QE2"). He had privately told the Committee that if he were chair he "would not be leading the Committee in this direction" and that he would personally dissent, but he ultimately voted for the program out of stated respect for Bernanke, before resigning shortly afterward (Cryptopolitan 2026, citing Bernanke's memoir; FOMC Insight Engine 2026). He set out his reservations publicly in a Wall Street Journal op-ed and an accompanying speech, "Rejecting the Requiem," in November 2010 (Yahoo Finance/AOL 2026; EmployAmerica 2026).

Between 2011 and his return to the Fed in 2026, Warsh held the Shepard Family Distinguished Visiting Fellowship in Economics at Stanford's Hoover Institution and lectured at the Stanford Graduate School of Business; was a partner at Duquesne Family Office, the investment firm of Stanley Druckenmiller; sat on the boards of UPS and the South Korean e-commerce company Coupang; and was a member of the Group of Thirty and the Congressional Budget Office's Panel of Economic Advisers (Hoover Institution 2026; Georgetown McDonough 2023). In December 2014 he authored an independent review for the Bank of England, "Transparency and the Bank of England's Monetary Policy Committee," whose recommendations Parliament substantially adopted (Warsh 2014; Bank of England 2026).

Warsh was interviewed for the Fed chair role in 2017 but lost out to Powell, and was again discussed as a possible Treasury Secretary in the second Trump administration before that role went to Scott Bessent. Trump named Warsh his nominee for Fed chair on 30 January 2026; after a contested confirmation process — complicated in part by Senator Elizabeth Warren's questions about Warsh's presence in released Jeffrey Epstein-related Justice Department files, to which Warsh responded — the Senate confirmed him 54-45 on 13 May 2026, and he was sworn in on 22 May 2026 for a four-year term as chair and a term on the Board running to January 2040 (Federal Reserve Board 2026; Britannica Money 2026; Baidu Baike 2026).

3. Intellectual influences and theoretical orientation

Warsh does not hold a doctorate in economics — he is, after Powell, the second consecutive Fed chair to have a legal rather than academic economics background — and his public remarks invoke Milton Friedman and Bernanke as touchstones and name former Secretary of State George Shultz and Condoleezza Rice, both Hoover Institution colleagues, as mentors (EmployAmerica 2026). His theoretical commitments are best described as an eclectic, market-oriented skepticism of discretionary central-bank activism, rather than adherence to a single formal doctrine such as strict Taylor-rule targeting or a monetary aggregate rule.

3.1 Rules, discretion and the limits of forecasting

Warsh has argued that the Federal Reserve spends too much effort trying to forecast the economy and should instead build a policy process around judgment applied to observed, contemporaneous conditions. This is where his references to the Taylor Rule are most relevant. At the 2026 ECB Forum in Sintra he said central bankers as a group should "go back to first principles" and questioned the practice of publicly speculating about the economy's future path, a position echoed on the same panel by ECB President Christine Lagarde, Bank of England Governor Andrew Bailey and Bank of Canada Governor Tiff Macklem (CNN 2026). This is consistent with earlier writing in which he credited the Taylor rule with having "largely been proved accurate" as a description of good policy while noting that it, like every other rule available at the time, failed to anticipate the 2008 crisis (Wikipedia 2026) — a position that treats policy rules as useful benchmarks rather than binding constraints.

3.2 Scope of the Fed's mandate — opposition to "mission creep"

A consistent theme across Warsh's post-2011 writing is that the Fed should confine itself to its statutory dual mandate of price stability and maximum employment and resist what he calls mission creep into climate policy, financial-regulation questions unrelated to safety and soundness, and social-equity debates (Yahoo Finance 2026; Council on Foreign Relations 2026). The Council on Foreign Relations' assessment of his early priorities as chair notes that this critique, while resonant with the Trump administration's own framing, is contestable on its own terms: the Fed's climate-related work has generally been confined to how banks price climate risk in lending and counterparty exposure — ordinary prudential supervision — rather than freestanding climate policy, and its consumer-protection and mortgage-disclosure roles derive from congressional statute rather than self-directed expansion (Ferguson and Hippold, CFR 2026).

3.3 Skepticism of balance-sheet activism and quantitative easing

Warsh's best-documented and most consistent position is skepticism of large-scale asset purchases as a monetary tool. At the Fed in 2010 he argued the likely benefits of QE2 were "small and fleeting" while the risks were "unknown, uncertain, and potentially large," and he attributed the weak recovery instead to "fiscal, regulatory and trade policies" that he judged unfriendly to growth (AOL/Fed Record 2026). He has argued the Fed's balance sheet became "bloated" through repeated rounds of QE and should be reduced significantly, reiterating this in a November 2025 Wall Street Journal op-ed (AOL/Fed Record 2026). As Fed chair, he has signalled an intent to shrink the balance sheet but has been explicit that this must be gradual, deliberate and agreed collectively by the FOMC rather than imposed unilaterally, given how long it took to build (Invesco 2026). His underlying critique of large asset purchases has a fiscal dimension as well: he has argued that Treasury-heavy purchase programs can create the appearance the Fed is helping finance government deficits, blurring the line between monetary and fiscal policy that the 1951 Treasury-Fed Accord was designed to draw (Fidelity 2026; UK Economic Affairs Committee evidence 2026).

3.4 Communication doctrine: less forward guidance, more deliberation, fewer scheduled meetings

Warsh has argued that the Fed's post-crisis move toward greater transparency — press conferences from 2011, the "dot plot" of individual rate projections from 2012, and routine forward guidance through the 2010s — has left markets overly dependent on, and central banks overly bound by, their own prior communications. "Market participants can place undue weight on Federal Reserve communications," he told the Senate during his confirmation process, arguing that projecting a future path can box the institution into fulfilling expectations it has itself created (Fidelity 2026). He has said the Fed would be "well-served to skip opportunities to share their latest musings," warning that policymakers "can become prisoners of their own words" (AOL/Fed Record 2026, reporting an April 2025 speech).

This position is not simply a preference for silence; Warsh has separately argued for richer internal deliberation. His 2015 Hoover Institution conference presentation on the FOMC highlighted what he described as an absence of genuine debate inside the Committee — characterised by other participants as a "groupthink" critique — and he has published on the idea that transcript-release practices can constrain officials from speaking candidly in real time (Economics One 2015; Cochrane, ed., Monetary Policy Reform, Hoover Institution Press, citing Warsh 2014, 2017). His 2014 review of the Bank of England's Monetary Policy Committee reflects the same underlying theory in institutional-design form: he recommended publishing the MPC's decision, minutes and voting record simultaneously (removing the prior multi-day lag) to sharpen accountability, while also recommending that the Committee meet eight times a year rather than monthly, on the grounds that economic judgements are unlikely to change materially over a four-week interval and that less frequent meetings would give members more time for reflection (Warsh 2014; House of Commons Library 2026; LSE British Politics and Policy blog, Schonhardt-Bailey 2015). Commentators have summarised the report's underlying thesis as being that too much real-time transparency can itself undermine the quality of deliberation (LSE blog 2015). As Fed chair he has set up five internal task forces, one of which is explicitly focused on how the Fed communicates the reasoning behind its policy moves, and has indicated the dot plot could effectively become a thing of the past under his leadership (CFR 2026; CNBC 2026).

3.5 Data philosophy: skepticism of backward-looking indicators, interest in real-time and alternative measures

Warsh has argued that headline CPI and PCE inflation are backward-looking by construction, and that because monetary policy operates with long transmission lags, a Fed that reacts mechanically to these indicators is "perpetually behind the ball" (Fidelity 2026). He has expressed a preference for measures such as median CPI (which tracks the single middle price-change observation across the consumption basket) and trimmed-mean CPI (which discards the largest outlying price moves at both ends) over the conventional headline and core measures, a preference Invesco's post-hearing analysis read as a plausible response to an environment complicated simultaneously by AI-driven productivity gains, tariffs and oil-related shocks, while noting that critics could characterise the same shift as "moving the goalposts" (Invesco 2026). As chair, he has said he hopes that within nine to twelve months the Fed will be using new technologies to read the real economy "in a contemporaneous real-time way," describing "the conventional wisdom" as his least favourite data point (CNBC 2026).

3.6 Financial stability, asset prices and "inflation is a choice"

In evidence to a UK parliamentary committee, Warsh argued that inflation outcomes are not simply a function of a benign external environment but reflect deliberate policy choices, crediting central-bank independence as a necessary — though not sufficient — ingredient of the low-inflation "Great Moderation" era, while cautioning that independence alone does not guarantee good outcomes (UK Economic Affairs Committee evidence 2026). In the same evidence he pointed to pre-crisis and post-pandemic asset-price run-ups as warning signs that were not adequately reflected in conventional inflation measures, arguing this should have signalled "trouble coming to a basket of goods and services" before it appeared in headline data — a financial-stability-as-leading-indicator framing consistent with his broader skepticism of relying solely on lagging price statistics (UK Economic Affairs Committee evidence 2026).

3.7 The shifting monetary backdrop: Treasury bill issuance and post-pandemic liquidity

Taken together, the positions in Sections 3.1-3.6 support a summary judgement worth stating plainly before turning to Section 4's more formal theoretical comparisons: the best reading of Warsh is not that he offers a coherent grand theory of money, but that he embodies a pragmatic, anti-activist stance — skepticism of QE, caution about forward guidance, and resistance to an expanded central-bank mandate. That stance is coherent within a framework built on institutional restraint and a clean separation between monetary and fiscal functions,

but two post-pandemic developments arguably narrow its practical relevance relative to when he first set these positions out.

The first concerns the Fed's own pandemic-era track record. One reading, consistent with the velocity data discussed in Section 4.1, is that the Fed's initial 2020-21 response was broadly defensible — extraordinary money growth met an extraordinary collapse in velocity, largely offsetting each other as the $MV = PQ$ relationship would predict — but that the Fed was subsequently slow to recognise how quickly velocity was recovering as reopening progressed and financial conditions eased, contributing to the delayed 2022 tightening. On this reading, the policy error was less a failure to tighten enough after the fact than a failure to read the speed at which nominal spending conditions were normalising in real time — a critique that, notably, tracks Warsh's own stated preference (Section 3.5) for faster, more contemporaneous data over backward-looking indicators.

The second, more structural development concerns the interaction between Treasury issuance and the transmission of monetary policy. After the 2023 debt-ceiling resolution, Treasury issued an unusually large volume of bills to rebuild its cash balance, a rebuild the New York Fed itself has described as "large and quick" by historical standards (Perli, Federal Reserve Bank of New York, 5 March 2025). That issuance was absorbed largely by money-market funds shifting cash out of the Fed's overnight reverse repo facility (ON RRP), which fell from a 2023 peak above \$2.5 trillion to below \$600 billion by early 2025, rather than by draining bank reserves directly — a mechanism Federal Reserve staff research has linked to reduced repo-market sensitivity to Treasury issuance over this period (Federal Reserve Board, FDS Notes, 12 February 2025; BNY 2025), and one some analysts read as Treasury bill issuance now large enough to partly offset the stance of monetary policy in its own right (Savvy Wealth 2025). On the strongest version of this argument, Warsh's own QE critique (Section 3.3) is no longer the central issue; the more relevant question is whether Treasury bill issuance is now doing some of the liquidity management that monetary policy alone used to dominate. Monetary policy has not become irrelevant, but its transmission mechanism is now more crowded and less direct than in the post-2008 QE debate.

3.8 Financial regulation

On regulatory policy, Warsh has argued for greater market discipline and simplification of the rules enacted after 2008, called in 2006 for intensified regulation of hedge funds, and in February 2010 called for international coordination on regulatory reform (Wikipedia 2026). In a 2011 essay co-authored with former Florida governor Jeb Bush, he criticised trade protectionism as inconsistent with pro-growth policy (Wikipedia 2026).

4. Warsh in the context of formal monetary theory: the quantity theory ($MV=PQ$), the Taylor rule, and MMT in a US setting

Section 3 described Warsh's positions as an eclectic, practitioner's skepticism of discretionary activism rather than adherence to a named school of monetary thought. This section places that positioning against three specific theoretical reference points that recur in commentary on him and in the broader US monetary-policy debate: the classical quantity theory of money, the Taylor rule, and Modern Monetary Theory (MMT). A general caution applies throughout: these are three different kinds of things — a foundational identity and theory (quantity theory), an operational policy benchmark (Taylor rule), and a heterodox school of thought about fiscal capacity that happens to carry "monetary" in its name (MMT) — and Warsh's relationship to each is correspondingly different in kind, not just degree.

4.1 The quantity theory of money ($MV = PQ$)

The quantity theory of money rests on the equation of exchange, $MV = PQ$, where M is the money supply, V is the velocity of money (how many times a unit of currency is spent in a given period), P is the price level, and Q is real output. As an accounting identity it is definitionally true; it becomes a substantive theory — associated above all

with Irving Fisher and, in its "monetarist" 20th-century revival, with Milton Friedman — when V and Q are assumed to be relatively stable or independently determined, in which case changes in the money supply M translate fairly directly into changes in the price level P . Friedman's monetarism, built on this framework, held that central banks should target a steady, rules-based growth rate of the money supply rather than manage interest rates discretionarily, famously summarised in his claim that "inflation is always and everywhere a monetary phenomenon" (Friedman 1970).

Warsh invokes Friedman as an intellectual touchstone (EmployAmerica 2026), but he is not a monetarist in the strict quantity-theory sense, and nothing in his public record proposes targeting a money-supply aggregate ($M1$, $M2$, or the monetary base) as the Fed's operating instrument. This is not unusual: the Federal Reserve itself moved away from formal monetary-aggregate targeting between the early 1980s and 1993. The documented, primary-source rationale was empirical rather than doctrinal — Chairman Alan Greenspan told Congress in July 1993 that "financial innovation and deregulation in the 1980s have altered the structure of deposits, lessened the predictability of the demands for the aggregates, and made the velocities of $M1$ and probably $M2$... more sensitive to movements in market interest rates," and separately that the historical relationships between money and income and between money and the price level had "largely broken down" (Greenspan 1993). That is, the Fed's own stated reason was that V had become empirically unstable and unpredictable following the proliferation of NOW accounts, money market deposit accounts and money market mutual funds — not a declared rejection of quantity-theoretic reasoning as such. A separate, more critical reading — associated with some monetarist and post-Keynesian economists alike — holds that the profession's shift away from monetary aggregates reflected as much a change in analytical fashion and modelling convenience (toward interest-rate-based New Keynesian frameworks) as it did a data-forced retreat, and that more work on modelling the sources of velocity instability, rather than abandoning the aggregates as a guide, was available and arguably preferable; this paper notes that view without adjudicating it, since the primary-source record supports the empirical-instability account as the Fed's own stated justification at the time. Warsh's debt to Friedman is better read as inherited from the broader monetarist tradition's skepticism of discretionary fine-tuning and its distrust of central-bank activism, rather than as a commitment to the quantity-theory mechanism itself. His preferred alternative — judgment applied to a wide set of contemporaneous, partly non-monetary indicators, including asset prices and financial-stability signals (Section 3.6) — sits closer to a financial-conditions-based approach than to a strict monetarist one.

A further perspective worth noting, associated with open-economy models of monetary transmission (Mundell-Fleming; Dornbusch's overshooting model), is that the Fed's 1990s account of the $M2$ breakdown was framed almost entirely in domestic terms — deposit substitution, deregulation, financial innovation — and did not foreground the exchange-rate channel through which monetary policy operates under a floating-rate regime with open capital markets: a policy easing or tightening can transmit to the real economy substantially via currency depreciation or appreciation and the resulting trade and capital-flow effects, rather than solely through the traditional bank-lending and domestic money-holding channels the $M2/GDP$ relationship was designed to capture. This paper does not take a position on how much weight that channel deserves relative to the domestic-instability account Greenspan gave at the time, but flags it as a distinct, additional explanation in the literature for why a purely domestic monetary aggregate proved a less reliable guide to U.S. inflation and output from the 1980s onward, as global capital mobility increased.

The $MV = PQ$ framework also supplies the standard explanation for a puzzle directly relevant to assessing Warsh's own record: why the large-scale asset purchases from 2008 onward did not produce the inflation surge he and other QE skeptics warned of. $M2$ velocity fell sharply and persistently through the 2010s — commonly cited estimates put it near 1.9-2.0 before the crisis and below 1.4 by the end of the decade — as banks accumulated excess reserves rather than lending them out, a tendency reinforced once the Fed began paying interest on excess reserves in October 2008; the money multiplier (the ratio linking base money to broader money aggregates) fell correspondingly, from roughly 9 in 2008 to under 4 by the mid-2020s (Financer 2026; Discovery

Alert 2025; Fraser Institute 2022). Holding the $MV = PQ$ identity, a large rise in M offset by a comparable fall in V need not move PQ (nominal output and prices) very much — which is exactly the pattern observed: $M2$ and the monetary base expanded enormously between 2008 and the mid-2010s while core inflation remained subdued. This bears directly on Warsh's 2010 dissent, in which he judged QE2's risks "unknown, uncertain, and potentially large": the inflationary risk he flagged did not materialise over the following decade, and the velocity-based explanation is the most widely cited account of why, rather than any failure of the quantity-theoretic framework itself. The same dynamic did not repeat after 2020: pandemic-era $M2$ growth exceeded 23 percent in 2020 and velocity subsequently recovered alongside reopening demand rather than continuing to fall, and the 2021-2022 inflation surge followed (Financer 2026; Fraser Institute 2022) — a combination some economists read as confirming, rather than refuting, the $MV = PQ$ relationship once both M and V were rising together.

Confining the assessment to consumer prices, however, understates where a significant share of the newly created liquidity is generally understood to have gone. Krishnamurthy and Vissing-Jorgensen's influential account of QE's transmission channels (2011) identifies a portfolio-balance mechanism through which asset purchases reduce the supply of long-duration safe securities available to private investors, compressing term premia and risk premia and mechanically raising the prices of the financial assets that absorb the resulting portfolio reallocation — equities, corporate bonds and, via lower mortgage rates, housing. Equity valuations and house prices both rose substantially across the QE era on measures such as the cyclically-adjusted price-earnings ratio and national house-price indices, alongside a multi-year compression in corporate-bond spreads to historically low levels. Whether this constitutes "inflation" that the Fed failed to prevent is partly a definitional question — conventional CPI and PCE measures exclude asset prices by design — but it is also substantively the same point Warsh himself has made in a different context (Section 3.6): that pre-crisis and post-pandemic asset-price run-ups were warning signs not captured in headline inflation data. Read this way, the claim that "QE did not cause inflation" is more precisely stated as "QE did not cause the specific, CPI-measured inflation that conventional monetary theory predicts" — the liquidity instead showed up predominantly in asset prices, which is a different, and for financial-stability purposes not obviously less consequential, channel than the one his 2010 dissent was framed around.

4.2 The Taylor rule as an operational benchmark

Where the quantity theory offers a long-run causal story about money and prices, the Taylor rule (Taylor 1993) is a short-run operational formula for setting the policy interest rate: $i = r^* + \pi + 0.5(\pi - \pi^*) + 0.5(y - y^*)$, where i is the prescribed nominal policy rate, r^* the assumed neutral real rate, π current inflation against target π^* , and $(y - y^*)$ the output gap — actual output relative to an estimated "potential" level. Because r^* , π^* , and especially potential output y^* are themselves unobservable and have to be estimated (via production-function methods, statistical trend filters, or Okun's-Law-style inference from the unemployment gap), the rule's real-time prescriptions are sensitive to estimation error in ways later data revisions can mask; Orphanides (2001) showed that Taylor-rule prescriptions computed with only the output-gap data available in real time diverge materially from those computed with revised, after-the-fact data, and argued this divergence helps explain some historical U.S. policy mistakes, including in the 1970s.

Warsh's own statements place him deliberately between the rule's two camps — strict rules-based advocates who would have the Fed mechanically follow a formula, and pure discretion advocates who reject numerical rules altogether. He has credited the Taylor rule with having "largely been proved accurate" as a real-world description of good policy, while also noting that it, like every rule available at the time, failed to anticipate the 2008 financial crisis (Wikipedia 2026). This is consistent with, and likely reinforced by, the Orphanides-style critique above: a rule built on an unobservable, revision-prone input like potential GDP is most useful as a cross-check on judgment, and least trustworthy exactly when relied upon most mechanically in real time — which maps onto Warsh's general preference (Section 3.1) for treating rules as benchmarks rather than binding constraints, and his stated discomfort with policy anchored too heavily on model-derived, backward-looking, or hard-to-observe inputs.

Taylor's own rule has also been used, by Taylor himself, to mount a direct "excess money" argument about the cause of the 2008 crisis — a more rigorous, properly attributable version of the view that the Fed's pre-crisis policy under Greenspan created the conditions for the crisis. In *Getting Off Track* (Taylor 2009) and related work, Taylor showed that the federal funds rate from 2002 to 2006 ran persistently below what his own rule would have prescribed given the inflation and output data of the time, and argued this sustained gap between actual and rule-implied rates was the primary driver of the housing boom and the excess credit and money growth that preceded its bust, calling the result "monetary excesses" (Taylor 2009; Wikipedia, John B. Taylor, 2026). This is a substantive, data-based argument that Fed policy accommodated more monetary and credit growth than underlying conditions warranted, made by the same economist whose rule anchors this section, and it is one of the most-cited monetary-policy-centred explanations of the crisis alongside competing accounts that emphasise subprime lending and securitisation, shadow-banking leverage, and regulatory and ratings-agency failures.

That argument has been directly disputed, including by the person it targets. Bernanke (2015) reconstructed Taylor's counterfactual using a modified version of the rule — substituting core PCE inflation for the GDP deflator and raising the weight on the output gap — and found the resulting gap between actual and prescribed rates during 2002–2006 was far smaller than Taylor's version implied, disputing that policy was as far off track as Taylor claimed. Greenspan himself responded to Taylor directly in a March 2009 Wall Street Journal article, arguing first that the Fed controls only short-term rates and that the long-term mortgage rates driving the housing boom did not track the federal funds rate over this period, and second that a global excess of saving — his and Bernanke's shared "saving glut" explanation (Section 4.3) — was the more plausible cause of the decline in long-term rates (Sornette and Cauwels 2009, citing Greenspan's Wall Street Journal response). This paper does not adjudicate between these positions; it notes that the specific, rigorous version of the "the Fed allowed excess money and credit growth before 2008" argument exists in the literature, is associated principally with Taylor, and remains contested by Bernanke and by Greenspan's own account, rather than being a settled causal finding.

4.3 Modern Monetary Theory (MMT) in a US context

MMT is best understood, despite its name, as a theory of fiscal capacity rather than a competing theory of monetary policy in the conventional sense. Its central claims (Kelton 2020; associated originally with practitioners such as Warren Mosler) are that a sovereign government issuing its own free-floating, non-convertible currency is not financially constrained the way a household, a firm, or a government borrowing in a foreign currency is — it cannot involuntarily default in its own currency — and that the meaningful constraint on government spending is real-resource capacity and inflation, not solvency or the availability of tax revenue or bond-market financing. Under MMT, taxes function primarily to create demand for the currency and to withdraw purchasing power when needed to manage inflation, rather than to "fund" spending in the way conventional public finance describes. Its policy proposals — most prominently a federal job guarantee and a general permissiveness toward deficit-financed spending so long as inflation remains contained — are fiscal-policy prescriptions; interest-rate policy occupies a comparatively minor role in the framework, with some MMT proponents arguing for a permanently low or zero policy rate, which is more a de-prioritisation of conventional monetary policy than a theory of how to conduct it.

MMT has been a live reference point in US policy debate since the 2010s, cited in Democratic-aligned discussions of financing large fiscal programs (e.g., proposals associated with the Green New Deal and pandemic-era relief spending) and contested sharply after 2021–2022, when the fastest US inflation in four decades followed the largest peacetime deficit spending on record — a sequence critics of MMT read as a natural experiment against its claim that deficits are safe so long as "real resources" are available, and that MMT proponents countered was better explained by pandemic-specific supply constraints than by the deficit spending itself.

One frequently cited (and contested) part of the answer to why large, sustained US deficit spending after 2008 did not produce the bond-market or inflation stress a conventional public-finance view might have predicted — an empirical backdrop that arguably made MMT-style arguments more politically plausible during that period — is

the recycling of foreign, and especially Chinese, official reserves into US Treasuries. Bernanke's "global saving glut" thesis (Bernanke 2005) argued that a surge in developing-economy saving, substantially channelled through official foreign-exchange reserve accumulation by China and other emerging economies as they managed their currencies against the dollar, was directed heavily into US Treasury and agency securities, helping to hold down US long-term interest rates even as US current-account and fiscal deficits widened; by 2010 China alone held roughly \$2.6 trillion of the more than \$5 trillion in reserves accumulated by major emerging economies, according to Bernanke's own later account (Brookings 2018, citing Bernanke 2010). Because China's currency management over much of this period limited renminbi appreciation, it also kept Chinese export prices to the US low, which is one contributing explanation (among several, alongside the velocity effects discussed in Section 4.1) for why loose US monetary and fiscal policy did not show up more forcefully in US domestic goods-price inflation — some of the adjustment was absorbed through the exchange rate and the trade channel rather than the domestic price level. This mechanism is genuinely contested: other economists (including, reportedly, former Fed Chair Janet Yellen) have argued the causality partly ran the other way — that accommodative US monetary policy itself generated some of the capital flows later described as a foreign "saving glut" — and the hypothesis has been criticised for not fitting the data cleanly after 2005 (Bruegel 2011). This paper presents the mechanism as one documented, non-consensus contributor to the post-2008 environment in which MMT-style arguments gained a wider hearing, not as an established causal account.

A related, and more pointed, version of this argument concerns not just the savings channel but the trade and currency channel through which it operated. Michael Pettis's account of Chinese economic policy (The Great Rebalancing, 2013; with Matthew C. Klein, Trade Wars Are Class Wars, 2020) argues that China's currency undervaluation and suppressed household consumption functioned as an effective subsidy to its export sector, which both displaced US manufacturing and produced the trade surplus and dollar reserves that China then reinvested in US Treasuries — in Pettis's framing, the same policy that hollowed out US tradable-goods production was also the policy that financed the US government's ability to run larger deficits at lower yields than it otherwise could have. On this view, a portion of the demand pressure created by loose US monetary and fiscal policy was effectively absorbed abroad — showing up as Chinese manufacturing capacity, employment and, at times, asset-price and property-sector inflation in China rather than as US consumer-price inflation — while the resulting reserve recycling helped sustain US deficit financing on favourable terms. This is a genuinely contested claim rather than a consensus one: critics (surveyed in Pettis's own extensive published exchanges, and including economists such as Paul Krugman) argue that persistent trade imbalances are a normal feature of differing national savings and investment rates rather than evidence of a deliberate subsidy, that US manufacturing employment losses owe substantially to automation rather than trade alone, and that the US's own early-2000s housing bubble and tax cuts were at least as important a source of its twin deficits as any Chinese policy choice. This paper does not adjudicate between these positions, and it stops short of the stronger counterfactual claim that sustained US deficit spending would have been unaffordable without Chinese reserve recycling specifically — Treasury debt has also been absorbed by domestic institutions, the Federal Reserve's own balance sheet, and other foreign buyers, and the precise effect on yields of one buyer's absence is not established in this literature with the certainty the strongest version of the claim would require. What the Pettis framework does provide, on any reading, is a second, more specific mechanism — alongside the general saving-glut account above — by which the relationship between US monetary and fiscal expansion and China's own economic structure is argued to have kept US consumer-price inflation lower than a closed-economy analysis would predict.

Warsh's public record runs counter to MMT's operating premises at almost every point examined in this paper, though he has not, in the sources reviewed, engaged with MMT by name. His consistent warnings against blurring monetary and fiscal policy, his invocation of the 1951 Treasury-Fed Accord as the proper dividing line between the two, and his critique that large-scale Treasury purchase programs create the appearance the Fed is helping finance government deficits (Section 3.3) are all, in substance, arguments against the kind of close fiscal-monetary coordination that MMT treats as unproblematic. There is a surface-level echo between his Parliamentary evidence that "inflation is a choice" — not simply an automatic function of a benign environment (Section 3.6) —

and MMT's own framing of inflation as the true operative constraint on spending; both statements assign inflation a central, non-automatic role in disciplining policy. But the underlying theories diverge sharply on where that discipline should be imposed: MMT locates the constraint primarily in fiscal policy design (spend up to the point resources are fully utilised, then stop), monitored and corrected mainly through the tax system, whereas Warsh's framework locates it in independent, judgment-driven central-bank action insulated from fiscal considerations altogether. On the specific, narrow question of whether Warsh "believes in" MMT, the documented record supports a negative answer with reasonable confidence; on the broader question of his relationship to monetary theory as a field, the more accurate characterisation remains that of Section 3 — a set of consistent operating priors (rules as benchmarks, a narrow Fed mandate, aversion to balance-sheet activism, distrust of forward guidance) rather than adherence to any single named theoretical school, quantity-theoretic, Taylor-rule-orthodox, or MMT alike.

4.4 Fiscal dominance and the Fiscal Theory of the Price Level

A distinct, formally developed literature — separate from both the quantity theory and MMT — offers the most rigorous, properly citable version of the claim that monetary policy can end up structurally accommodating government financing needs, without requiring any claim about what a given central banker privately believed or intended. Sargent and Wallace's "Some Unpleasant Monetarist Arithmetic" (1981) showed formally that if a government runs deficits that are not backed by credible future primary surpluses, tighter money today can force looser money — and higher inflation — later, because the same real deficit still has to be financed one way or another; monetary policy can only choose the timing of the resulting inflation, not avoid it once the fiscal path is set. Leeper (1991) generalised this into a regime classification: monetary and fiscal policy cannot both be set independently of the price level ("active") at the same time; if fiscal policy is active — deficits are set without regard to the debt's sustainability — monetary policy is mathematically forced into a "passive" role of accommodating whatever price level keeps the government's debt valued correctly, regardless of the central bank's own stated independence or inflation-fighting intentions. Cochrane's Fiscal Theory of the Price Level (2023) develops this into a general account in which the price level is determined by a valuation equation — the real value of outstanding government debt must equal the present value of expected future primary surpluses — with inflation the mechanism that reconciles the two when they are out of line; Cochrane and others have applied this framework specifically to argue that the fiscal expansions of 2020-21 are a significant part of the explanation for the inflation that followed (Cochrane 2022, 2023).

This literature is directly relevant to, and more rigorous than, the general claim that persistent developed-world deficits since the 1990s obliged central banks to permit more monetary growth than an inflation-targeting mandate alone would prescribe. It differs from MMT in an important respect worth flagging precisely because the two are easily conflated: MMT rejects the conventional government solvency constraint outright for a sovereign currency issuer, whereas fiscal-dominance and fiscal-theory models retain that constraint — debt still has to be backed by expected surpluses in present-value terms — and derive inflation risk from a failure to satisfy it, rather than from denying the constraint exists. It is also explicitly positioned by its proponents as a rival to, not a variant of, New Keynesian economics: Leeper has described Cochrane's book as offering "a much-needed alternative to the unquestioned dominance of the New Keynesian paradigm" (Princeton University Press 2023, cover endorsement), which is the opposite relationship to the claim that MMT is simply what New Keynesian economics evolved into — the fiscal theory, MMT and the New Keynesian mainstream are three distinct research programmes with different, often incompatible starting assumptions about the government budget constraint.

Whether this is what actually happened in the US and other developed economies since the 1990s, or since 2008 specifically, is contested even among specialists in the framework, and this paper does not adjudicate it; critics (e.g., Buiter 2002, and other contributions collected in the FvS Research Institute's 2025 critique) dispute whether the fiscal theory's price-level determination mechanism is empirically distinguishable from conventional monetary explanations at all. What the framework does provide is a channel by which "the Fed allowed monetary growth to run ahead of the real economy in order to accommodate rising government debt" can be stated as a formal,

testable proposition about the interaction of fiscal and monetary regimes, rather than as a claim about what Greenspan or Bernanke personally intended or understood. On that basis, it is also the piece of this paper's discussion most consonant with Warsh's own stated concerns: his repeated invocation of the 1951 Treasury-Fed Accord as the proper dividing line between monetary and fiscal policy, and his critique that large Treasury purchase programmes risk making the Fed look like it is financing deficits (Section 3.3), are, in substance, warnings against exactly the kind of fiscal-dominance dynamic this literature formalises — even though Warsh has not, in the sources reviewed for this paper, engaged with Sargent-Wallace, Leeper or Cochrane by name.

5. Track record as a policymaker: consistency and contested characterisations

Assessments of how consistent Warsh's monetary-policy views have been over two decades diverge sharply, and both readings are represented in the public record.

The favourable reading, articulated by sell-side and asset-manager commentary around his 2026 confirmation hearings, describes a broadly dovish, pragmatic nominee respectful of institutional independence, whose openness to alternative inflation measures reflects a considered response to a genuinely unusual macroeconomic environment shaped by AI productivity gains, tariffs and energy shocks, and whose balance-sheet ambitions are explicitly gradualist and committee-based rather than unilateral (Invesco 2026).

A more critical reading, set out at length by the progressive research group EmployAmerica, argues that Warsh's positions have moved together with the party controlling the White House. Hawkish on inflation and skeptical of stimulus during the Obama-era recovery when unemployment was near 10%, then arguing in a 2018 Wall Street Journal piece for holding off further tightening when the economy was near full employment and inflation at target under Trump, and — this critique argues — voting for QE2 in 2010 while simultaneously criticising it in the press the same week, rather than dissenting outright (EmployAmerica 2026). This reading also highlights an October 2010 FOMC conference-call transcript, released years later under standard Fed disclosure practice, in which Warsh told colleagues "none of us are all that comfortable with our level of understanding of the dynamics between changes in the balance sheet and resulting changes in economic performance" — a private admission of uncertainty about the mechanism he was nonetheless voting to deploy (FOMC Insight Engine 2026, citing the FOMC conference call of 15 October 2010).

Reporting from the time of his nomination captures the same tension in more neutral terms. The New York Times described Warsh's views on inflation and rates as "uncertain" heading into the confirmation process, noting he was considered hawkish during his 2006-2011 Board tenure but later argued the Fed had been too slow to increase rates after the pandemic-era inflation surge, which he has attributed to Biden-administration regulation and high-employment government spending rather than to monetary policy itself (Wikipedia 2026, citing Ember and Casselman, New York Times, 30 January 2026).

6. Application since taking office (May-July 2026)

Warsh's early record as chair has broadly tracked the positions above, while showing some real-time recalibration in response to circumstances — notably the inflationary effects of the 2026 Iran war and Strait of Hormuz disruption, which pushed US PCE inflation to a three-year high and left most FOMC participants, in their most recent projections, pencilling in either a hike or a hold rather than a cut. At his first post-meeting press conference he emphasised returning inflation to the 2% target in terms some investors read as more hawkish than expected, before striking a more emollient tone in Sintra a month later while still saying "we're going to deliver price stability in the US" (CNN 2026). Allianz Research's March 2026 analysis, published shortly after his

nomination, had already flagged this as the central tension of his likely tenure — a chair with a demonstrated preference for smaller balance sheets and fewer emergency interventions taking office just as an energy-and-war shock raised the probability that exactly those tools might be needed (Allianz Research, Subran et al., 16 March 2026).

Consistent with his stated communications philosophy, Warsh has established five internal task forces to review aspects of Fed policymaking, including productivity, financial stability, communications and the Fed's payment infrastructure, and has said he does not intend to pursue a central bank digital currency (CFR 2026). He has continued to suggest the dot plot could be phased out and has emphasised that any near-term policy signal should not be read as a fixed commitment, in line with his long-standing case against forward guidance (Fidelity 2026; CFR 2026).

7. Assessment

Across more than two decades of public record, three commitments recur with reasonable consistency in Warsh's stated views on monetary theory and policy:

- a preference for judgement over mechanical rules or model-driven forecasting;
- a preference for a smaller, less activist Fed balance sheet and a narrower interpretation of the Fed's statutory mandate; and
- a preference for less explicit forward guidance in favour of case-by-case, less predictable decision-making.

Where his record is more contested is on the calibration of interest-rate policy itself — how hawkish or dovish he has been at a given moment — which critics argue has tracked the political environment more closely than a consistent reading of economic conditions would predict, and which supporters argue instead reflects legitimate, data-driven recalibration across two very different economic cycles (2008-2011 versus 2025-2026). Both readings draw on the same public record. This paper has attempted to represent each fairly rather than resolve the disagreement, which is ultimately a judgement about motive that the documentary record alone cannot settle.

References

BNY (2025) "Treasury Road Trip," bny.com/investments, 21 November 2025.

Federal Reserve Board (2025) "Repo Rate Sensitivity to Treasury Issuance and Quantitative Tightening," FEDS Notes, federalreserve.gov/econres/notes, 12 February 2025.

Perli, R. (2025) Remarks on current issues in monetary policy implementation, Federal Reserve Bank of New York, newyorkfed.org/newsevents/speeches, 5 March 2025.

Savvy Wealth (2025) "The Reverse Repo Collapse: Why Liquidity Risks Are Rising in 2025," savvywealth.com/blog-posts, 9 October 2025.

Bernanke, B. S. (2015) "Federal Reserve Policy in the Great Recession: A Review," Brookings blog, Ben Bernanke's Blog, March 2015 (response to Taylor 2009).

Bernanke, B. S. (2005) "The Global Saving Glut and the U.S. Current Account Deficit," remarks at the Sandridge Lecture, Virginia Association of Economics, Richmond, Virginia, 10 March 2005.

Brookings Institution (Guo, S. and Xu, H.) (2018) "Global Saving Glut, Monetary Policy, and Housing Bubble: Further Evidence," brookings.edu/articles, 22 November 2018, citing Bernanke (2010b, 2010c).

Bruegel (2011) "The Global Savings Glut Revisited," bruegel.org/blog-post, 25 February 2011.

Klein, M. C. and Pettis, M. (2020) Trade Wars Are Class Wars: How Rising Inequality Distorts the Global Economy and Threatens International Peace, New Haven: Yale University Press.

Krishnamurthy, A. and Vissing-Jorgensen, A. (2011) "The Effects of Quantitative Easing on Interest Rates: Channels and Implications for Policy," NBER Working Paper 17555; Brookings Papers on Economic Activity, Fall 2011.

Pettis, M. (2013) *The Great Rebalancing: Trade, Conflict, and the Perilous Road Ahead for the World Economy*, Princeton: Princeton University Press.

Buiter, W. H. (2002) "The Fiscal Theory of the Price Level: A Critique," *Economic Journal*, 112(481), pp. 459-480.

Cochrane, J. H. (2023) *The Fiscal Theory of the Price Level*, Princeton: Princeton University Press.

Cochrane, J. H. (2022) "Fiscal Inflation," essay for the Cato Institute, February 2022, and "Inflation Past, Present and Future: Fiscal Shocks, Fed Response, and Fiscal Limits," Hoover Institution Monetary Policy Conference, May 2022.

FvS Research Institute (Mayer, T. et al.) (2025) "A Constructive Critique of 'The Fiscal Theory of the Price Level'," flossbachvonstorch-researchinstitute.com/en/studies, 4 February 2025.

Leeper, E. M. (1991) "Equilibria Under 'Active' and 'Passive' Monetary and Fiscal Policies," *Journal of Monetary Economics*, 27(1), pp. 129-147.

Sargent, T. J. and Wallace, N. (1981) "Some Unpleasant Monetarist Arithmetic," *Federal Reserve Bank of Minneapolis Quarterly Review*, 5(3), pp. 1-17.

Discovery Alert (2025) "Understanding Velocity of Money: Why It Matters to Your Finances," discoveryalert.com.au, 2 September 2025.

Financer (2026) "Velocity of M2 Money Stock: What It Means in 2026," financer.com/invest, 18 March 2026.

Fraser Institute (2022) "Inflation — Why Now and Not Post-2008?," fraserinstitute.org/commentary, 21 May 2022.

Friedman, M. (1970) *The Counter-Revolution in Monetary Theory*, IEA Occasional Paper No. 33, Institute of Economic Affairs, London.

Greenspan, A. (1993) Statement to Congress, Semiannual Monetary Policy Report to the Congress, Federal Reserve Bulletin 79, September, pp. 849-855; and Testimony before the Subcommittee on Economic Growth and Credit Formation, U.S. House of Representatives, July 1993 (FRASER, Federal Reserve Bank of St. Louis).

Kelton, S. (2020) *The Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy*, New York: PublicAffairs.

Orphanides, A. (2001) "Monetary Policy Rules Based on Real-Time Data," *American Economic Review*, 91(4), pp. 964-985.

Taylor, J. B. (1993) "Discretion versus Policy Rules in Practice," *Carnegie-Rochester Conference Series on Public Policy*, 39, pp. 195-214.

Taylor, J. B. (2009) *Getting Off Track: How Government Actions and Interventions Caused, Prolonged, and Worsened the Financial Crisis*, Stanford, California: Hoover Institution Press.

Allianz Research (Subran, L., Darmet, M., Krizan, P. and Simon, D.) (2026) "Warsh's Double Dilemma: When the Middle East Rewrites the Fed's Playbook," *Allianz SE*, 16 March 2026.

Bank of England (2026) "Forecasting for Monetary Policy Making and Communication at the Bank of England: A Review," bankofengland.co.uk.

Britannica Money (2026) "Kevin Warsh | Federal Reserve Chair & Former Fed Governor," britannica.com/money/Kevin-Warsh.

Cochrane, J. H. (ed.) *Monetary Policy Reform*, Hoover Institution Press, citing Warsh, K. (2014) "Transparency and the Bank of England's Monetary Policy Committee" and Warsh, K. (2017) "America Needs a Steady, Strategic Fed," *Wall Street Journal*, 30 January 2017.

CNBC (2026) "Fed Chief Kevin Warsh Declines to Hint at July Rate Decision, but Says Inflation 'Too High'," cnbc.com, 1 July 2026.

CNN Business (2026) "Kevin Warsh's Reform-Focused Approach Is Already Winning Support on the Global Stage," cnn.com, 1 July 2026.

Cryptopolitan (2026) "Everything You Need to Know About Fed's New Chairman Kevin Warsh," cryptopolitan.com, 30 January 2026.

EmployAmerica (2026) "Kevin Warsh: The Words of Today or the Deeds Over Decades?," employamerica.org, 21 April 2026.

Federal Reserve Board (2026) "Kevin Warsh, Chairman," federalreserve.gov/aboutthefed/bios/board/warsh.htm.

Federal Reserve History (2026) "Kevin M. Warsh," federalreservehistory.org/people/kevin-m-warsh.

FOMC Insight Engine (2026) "The Dissenter," causalityineconomics.com/blog/the-dissenter, 17 January 2026, citing FOMC Conference Call transcript, 15 October 2010.

Ferguson, R. W. and Hippold, M. (2026) "What to Expect From Kevin Warsh's Fed in the First 100 Days," Council on Foreign Relations, cfr.org, 26 May 2026 (updated 30 June 2026).

Fidelity Viewpoints (2026) "Kevin Warsh Says He Wants to Remake the Fed," fidelity.com/learning-center, 12 May 2026.

Georgetown University McDonough School of Business (2023) "Kevin Warsh," msb.georgetown.edu/profiles/kevin-warsh.

Hoover Institution (2026) "Kevin Warsh," hoover.org/profiles/kevin-warsh.

House of Commons Library (2026) "Improvements to Monetary Policy Committee Transparency," commonslibrary.parliament.uk/research-briefings/cbp-7289.

Invesco US (2026) "Three Takeaways From Kevin Warsh's Fed Chair Hearings," invesco.com/us/en/insights, 24 April 2026.

Schonhardt-Bailey, C. (2015) "Why Too Much Transparency Is a Bad Thing: The Warsh Review on Transparency in the BoE's Monetary Policy Committee," British Politics and Policy at LSE, blogs.lse.ac.uk, 7 January 2015.

Sornette, D. and Cauwels, P. (2009) "Financial Bubbles, Real Estate Bubbles, Derivative Bubbles, and the Financial and Economic Crisis," arXiv:0905.0220, citing Greenspan's response to Taylor, Wall Street Journal, 11 March 2009.

Warsh, K. (2014) "Transparency and the Bank of England's Monetary Policy Committee," independent report commissioned by the Bank of England, bankofengland.co.uk, December 2014.

Wessel, D. (2010) In *FED We Trust: Ben Bernanke's War on the Great Panic*, New York: Crown Business.

Wikipedia (2026) "Kevin Warsh," en.wikipedia.org/wiki/Kevin_Warsh, accessed 3 July 2026.

Yahoo Finance / AOL (2026) "Meet Kevin Warsh, the 56-Year-Old Stanford and Harvard Law Grad Who Was Just Named the Next Fed Chair," finance.yahoo.com, 13 May 2026 (also published aol.com).

AOL Finance (2026) "Kevin Warsh's Fed Record: What It Signals for Interest Rates," aol.com/articles, 2 June 2026.

Baidu Baike (2026) "Kevin Warsh - Chair of the Federal Reserve Board," baike.baidu.com/en/item/Kevin%20Warsh.

Economics One (Taylor, J., blog) (2015) "A Reawakening of Monetary Policy Research," economicsone.com, 24 May 2015.

UK Parliament, Economic Affairs Committee (2026) "Corrected Oral Evidence: Bank of England," committees.parliament.uk/oralevidence/13561.

Note on sources and limitations

This paper draws on Federal Reserve institutional biographies, Warsh's own published review and op-eds, contemporaneous financial and political press coverage, sell-side commentary, a critical assessment from an advocacy research organisation (EmployAmerica), and secondary compilations (Wikipedia, Britannica). Direct quotations are drawn from secondary reporting rather than primary transcripts in most cases and should be verified against original sources (FOMC transcripts, Senate testimony, and Warsh's own speeches and op-eds) before use in any context requiring precise attribution. Characterisations of Warsh's motives and consistency are contested; this paper attributes such characterisations to their sources rather than presenting them as settled fact.

Arculus Funds Management Disclaimer

This document has been prepared by Arculus Funds Management for internal research and discussion purposes only, in connection with the management of the Arculus Fixed Income Fund (APIR DDH8305AU) and Arculus Preferred Income Fund (APIR DDH0001AU). It is not intended for external distribution and does not constitute financial product advice. The views and characterisations of Chair Warsh's record set out in this paper are Arculus Funds Management's own assessment, drawn from public statements and third-party reporting cited in the References section, and do not represent the views of the Federal Reserve or of Chair Warsh himself. Past policy positions and public statements are not indicative of future policy decisions. Arculus Funds Management, its officers, and related entities accept no liability for any loss arising from reliance on this document.