

FED SHADOW

Warsh's Confirmation Hearing, and His Way Forward

Tuesday, April 21, 2026

Donald Luskin

Kafka would be right at home at this hearing. The next steps are clear, but very uncertain.

Kevin Maxwell Warsh went before the [Senate Committee on Banking, Housing and Urban Affairs](#) as President Donald J. Trump's nominee for an almost 14-year term as a member of the Board of Governors of the Federal Reserve, and a four-year term as chair (see ["Our Hot Take: It's Warsh"](#) January 30, 2026).

- Attacks on Warsh began yesterday. It was [widely reported](#) when [his prepared opening statement](#) was leaked, that "Missing from Warsh's prepared remarks was any mention of the labor market." The idea was to vilify him as a single-minded inflation fighter without sympathy for working people. But it's simply a lie. In the sixth paragraph Warsh says:

"To the President, Congress, and the nation, I owe my best judgment and most faithful efforts in serving the mission Congress assigned to the Fed, including price stability and full employment. The American people are counting on the Fed to deliver on its commitments."

- In the hearing, of course, Democrats blasted Warsh for wanting to cut interest rates because doing so, they claim, would invite the very inflation they vilify him for fighting.
- The most fraught moments in the hearing were right at the beginning, when Democrats led by Senator Elizabeth Warren (D-MA) mercilessly questioned Warsh about his financial assets and his agreement with government ethics officials to divest them within 90 days of taking office. [Warsh's assets have been exhaustively disclosed](#), yet question after question was phrased to include the word "undisclosed," and to claim that Warsh would be "out of compliance" if he took office without *previously* having divested them.
- Good on Senator Tom Tillis (R-NC) – who has said he would block any Fed nominee as a protest against the Department of Justice criminal probe of the Fed's building renovation costs (see ["On the January FOMC, and Trump in Check"](#) January 28, 2026) – for calling BS on it. He told Warsh the Democrats would "beat you until you bleed and then blame you for bleeding." [That's the T-shirt](#).

Update to strategic view

FEDERAL RESERVE:

Democrats on the Senate Banking Committee brutalized Warsh over ethics concerns regarding his financial assets, despite full disclosure of them and an agreement to divest. Warsh erred by engaging Warren substantively, and got flustered under her hectoring and innuendo. We take that as a token of his integrity. Tillis, who says he will vote against Warsh as a protest against Trump's DOJ probe, nevertheless defended him robustly. If Tillis votes no, the Committee will tie 12-12. The Senate could still vote on the nomination with a resolution to discharge the Committee, but doing so would take a filibuster-proof supermajority of 60 votes. If Warsh is approved and takes office, Powell says he will stay on as governor until the probe is resolved, in which case Trump says he will fire him, and Powell would likely not comply. That would be a distraction for Warsh, but it would not be procedurally incumbent on him to either fire Powell on Trump's behalf nor to shield him.

[\[Strategy dashboard\]](#)

- We must say, in our subjective view Warsh allowed himself to get a little flustered, and made the error of trying to give sincere and substantive answers. Good on him, too. Only a psychopath like Governor Stephen Miran – whose seat Warsh will assume, if confirmed – could remain unflapped by such Kafkaesque treatment and endlessly repeat anodyne talking points (see [“On Miran’s Senate Banking Hearing: Triumph of the Weasel”](#) September 5, 2025).
- Other than that, the hearing was without any substantive interest.

GETTING THROUGH THE COMMITTEE The Senate Banking Committee has 24 members, comprised of 13 Republicans and 11 Democrats. All Tillis can do to “block” Warsh is to vote against him. That would likely result in a 12-12 tie (assuming no Democratic support), and Warsh’s nomination would be defeated in Committee.

GETTING THROUGH THE SENATE If Warsh’s nomination were approved in the Committee, there is no doubt he would be confirmed by the full Senate. But what if the Committee deadlocks?

- Republicans could file a motion to discharge the Committee, and bring the nomination to the floor for a vote.
- But once the motion is filed, a resolution to discharge would be subject to debate and filibuster. Despite the fact that it concerns a nomination, debate could only be ended by cloture requiring 60 votes. Democrats would surely not contribute the votes to get there.
- So if Warsh’s nomination dies in Committee, it stays dead.

WHAT ABOUT POWELL? Fed Chair Jerome Powell said at the March FOMC [post-meeting press conference](#) that he would stay on as chair after his term expires on May 15 if a replacement has not been confirmed (see [“On the March FOMC”](#) March 18, 2026). And he said he would stay on as governor after a new chair is confirmed until the DOJ probe is resolved. President Donald J. Trump [said last week](#) he would fire Powell in that event.

- After many threats to fire Powell in both of Trump’s terms, and despite actually firing Governor Lisa Cook in this term, it remains highly doubtful that Trump has such authority. The Cook case is before the Supreme Court this season – while it remains unresolved as of this writing, [oral arguments in Trump v. Cook](#) did not go well for the president despite his claims of “cause” for the firing. In a [decision last year in Trump v. Wilcox](#), while granting the president broad authority to fire executive branch appointments with or without cause, SCOTUS strongly suggested a special exemption for the Fed.
- Assuming now that Warsh is confirmed, and assuming that Powell stays on as governor, and assuming Trump fires Powell, then Powell would likely continue on the job – as governor – just as Lisa Cook has. *Neither the chair nor the Board has the authority to remove or retain Powell or any other governor – there is no*

**Contact
TrendMacro**

On the web at
trendmacro.com

Donald Luskin
Dallas TX
214 550 2020
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625

tdemas@trendmacro.com
Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

[\[About us\]](#)

AI podcast version



[Click here](#) to listen to an informal podcast version of this report made entirely by artificial intelligence.

Remember – AI can be funky. This is still experimental. Check it out and let us know what you think.

mechanism for it. It would have to work its way through the courts, just like the Cook case.

- With his hands procedurally tied in this event, Warsh could stay above the fray by neither cooperating with Trump nor thwarting him. Nevertheless, Warsh has an important reform agenda (see [“A ‘Fed-Treasury Accord’ Could Work”](#) April 20, 2026). Such things are never easy in entrenched institutions. The last thing he needs is to have the stench of open warfare between Trump and Powell hardening the Fed all the more against reforms.

THE ONE THING THAT UNLOCKS IT ALL It’s simple. All these complications simply evaporate if the DOJ will end its investigation. We are amazed it hasn’t happened already, and the fact that it hasn’t makes us wonder what we don’t understand about it. But it makes so much strategic sense for Trump, we continue to believe that he and Powell will kiss and make up – “it was all a misunderstanding.” We still think that could happen at any moment.

Bottom line

Democrats on the Senate Banking Committee brutalized Warsh over ethics concerns regarding his financial assets, despite full disclosure of them and an agreement to divest. Warsh erred by engaging Warren substantively, and got flustered under her hectoring and innuendo. We take that as a token of his integrity. Tillis, who says he will vote against Warsh as a protest against Trump’s DOJ probe, nevertheless defended him robustly. If Tillis votes no, the Committee will tie 12-12. The Senate could still vote on the nomination with a resolution to discharge the Committee, but doing so would take a filibuster-proof supermajority of 60 votes. If Warsh is approved and takes office, Powell says he will stay on as governor until the probe is resolved, in which case Trump says he will fire him, and Powell would likely not comply. That would be a distraction for Warsh, but it would not be procedurally incumbent on him to either fire Powell on Trump’s behalf nor to shield him.