

Major financial oligarchs helped Kevin Warsh secure Trump's nomination for Fed chair

Nick Beams
2 February 2026

US President Trump's decision to nominate Kevin Warsh for the post of chairman of the US Federal Reserve, announced on Friday, is the outcome of a protracted balancing act.

After denouncing the current Fed chair, Jerome Powell, who steps down in May, as a "knucklehead" and a "moron" for not cutting interest rates fast enough, Trump wanted his new appointee to be more supportive of his demands, if not to carry them out completely.

At the same time, he needed someone who would at least be regarded as a "safe pair of hands" by the traditional financial establishment and be well regarded by the financial oligarchs on Wall Street.

In the end, the other contender for the top job, Kevin Hassett, a close Trump adviser and the director of the National Economic Council, and who considered he had the position lined up at the beginning of December, was considered too close to Trump and would not have credibility with the all-important bond market.

But the outstanding issue with Warsh was whether he would support lower rates, the central demand made of Powell, whom Trump had appointed in 2017, overlooking Warsh who was also a contender at that time.

A turning point appears to have come in December when Trump asked Warsh whether he would support lower rates. In an interview with the *Wall Street Journal*, Trump said: "I asked him what he thinks. He thinks you have to lower interest rates."

Of course, Hassett would have said the same thing and there were concerns about how much Warsh was promoting himself, with one administration official reportedly likening him to a used-car salesman.

An article in the WSJ on how Warsh obtained the position cast some light on the mechanisms and operations, carried on behind the scenes, which determine how such things are decided.

The article noted that Warsh had something which Hassett lacked. It was "an extensive network of CEOs, finance bigwigs and creatures of the GOP establishment that he had cultivated over decades. He relied on that network to stay solidly in the conversation. It didn't hurt that his father-in-law, Estée Lauder

heir Ronald Lauder, is a major Republican donor and longtime Trump acquaintance."

He also had the backing of JP Morgan chief Jamie Dimon and longtime hedge fund chief Stanley Druckenmiller, whose estimated wealth is around \$11 billion, and is described as the mentor of Trump's treasury secretary Scott Bessent. Warsh is a partner in Druckenmiller's family company.

According to the WSJ article, in December, "Wall Street insiders began calling administration officials to make the case for Warsh, with the explicit goal of edging Hassett out of contention."

Warsh began his career as an investment banker with Morgan Stanley in 1995. In 2002 he left Wall Street to join the George W. Bush administration as an economic adviser. There he made an impression on Ben Bernanke, who was chairman of Bush's Council of Economic Advisers. In 2006, after he had been appointed Fed chair, Bernanke opened the way for Warsh to become a Fed governor, the youngest person ever to achieve that position.

In the financial crisis which erupted in 2008 and its aftermath Warsh worked very much under Bernanke's direction and played a key role in establishing connections between the Fed and Wall Street as the central bank launched its quantitative easing program – the massive purchases of government debt – after cutting rates to zero had failed to stem the crisis.

Warsh continues to defend those measures, saying they were essential in a time of emergency. But he developed criticisms of the subsequent extension of the QE program and in 2011 resigned from his position as a Fed governor.

Since then, his career centered on academic posts at the Hoover Institution and at the Stanford Graduate School of Business while maintaining his contacts with Wall Street. In 2011 he became a partner in Druckenmiller's Duquesne Family Office working as an investor to manage the Druckenmiller personal fortune.

When Warsh quit the Fed, he was known as a "hard money hawk."

But a shift was underway and in December 2016 he joined a business forum organized by then president-elect Trump. By

the next year he was being described by some commentators as a “chameleon” whose views on monetary policy shifted according to the political climate. He clearly won favor with Trump who seriously considered him for the position of Fed chair before deciding in favor of Powell on the recommendation of his treasury secretary Steven Mnuchin.

In 2025 as the second Trump administration began and the attacks on Powell intensified, Warsh began to advance his candidacy for the position of Fed chair, increasingly adopting the themes of Trump ideology on the economy and intensifying his attacks on Fed policy.

In April last year in the immediate wake of the turbulence set off by Trump’s liberation day tariff hikes, he delivered a major address to an International Monetary Fund forum which he claimed was a “love letter” to the Fed but in reality was a message to Trump that he was fully aligned with his attacks.

In that speech Warsh claimed that major economic problems came from “inside the four walls of our most important institutions.”

As *Financial Times* economic commentator Chris Giles noted at the time, the speech was a “job application.”

But even so under conditions where a “US president is blowing up the postwar rules-based economic system and the world has just suffered a once-in-a-century pandemic it is just weird to say the main problems come from within the economic institutions such as the Fed.”

But the “weirdness” served a definite purpose. It was an overture, if not a “love letter,” to Trump.

At center of Trump’s attempts to take control of monetary policy and his battle against the more traditional financial establishment has been his attack on so-called Fed independence from political control. Back in 2011 Warsh made a speech he called an “ode” to Fed independence in which he warned that its loss would among other things lead to inflation and threaten the position of the dollar as the global reserve currency.

The April 2025 speech contained a subtle, but nonetheless significant shift on the issue of Fed independence. He said Fed independence was “important and worthy” but then added a qualification.

“Our constitutional republic accepts an independent central bank only if it sticks closely to its congressionally-directed duty and successfully performs its tasks.”

That raises the question: who determines whether that is being achieved? Under the Trump doctrine that power lies in the hands of the president and Warsh, echoing Trump, has called for “regime change” at the Fed.

Trump’s clear objective to take control has been exemplified in his attempt to have Fed governor Lisa Cook sacked “for cause” over allegations that she provided misleading information on her 2021 mortgage applications for two homes. This prompted the issuing of a statement by former Fed chairs and a group of former treasury secretaries that independence

from the White House would be lost if the sacking of Cook went ahead.

In a pointed comment on the issue to the financial magazine *Barron’s*, Warsh said: “I did not know that senior economic officials’ at the Treasury and the Federal Reserve expertise went all the way to constitutional jurisprudence.”

Warsh has backed the Trump tariff hikes saying they are not inflationary, despite evidence to the contrary. He has also maintained that major cuts in interest rates—Trump wants them reduced to 1 percent in order to counter the growing interest bill on US government debt of \$38 trillion—will not be inflationary because the unleashing of American economic power not least through AI, will boost productivity.

It remains to be seen how Warsh’s nomination will proceed in Senate confirmation hearings under conditions where there is clearly a conflict between sections of the financial oligarchy which Trump represents—those more directly based on speculative operations depending on lower interest rates—and those advancing more traditional Wall Street views that the orthodoxies of the past must be continued to maintain the stability of the US financial system.

This issue has assumed concrete expression with the judicial investigation into the laying of criminal charges against Powell over testimony he gave to Congress over the cost of renovations to the Fed building. Powell has denounced the investigation as an attempt to subordinate the Fed to the president.

Republican Senator Thom Tillis, who sits on the Senate Banking Committee, has said no nomination by Trump will go through until the charges against Powell are withdrawn or adjudicated.

But beyond the immediate issues of Trump and Warsh and their maneuvers, there is the objective crisis of US capitalism.

Trump may consider that having got his man in charge at the Fed he will be able to proceed with his agenda.

But there are more powerful objective forces at work than these individuals. The appointment of Warsh and his call for “regime change” does not change economic facts: the crisis of US debt which daily threatens the stability of the financial system; the real prospect that the AI boom could be a bubble and burst and set off a crisis; and the growing lack of confidence in the US dollar expressed in the spectacular rise in the price of gold, to name but a few.



To contact the WSWWS and the Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)