

## Kevin Warsh: a disaster in the making

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As Chris Giles [notes in the FT](#) today with regard to the nomination of Kevin Warsh as the new Chair of the Federal Reserve (which is the US equivalent to the Bank of England):

*Warsh has long believed that central banks became addicted to printing money, encouraging recklessly large public deficits. He thinks they should stick to their knitting on inflation and not get distracted by environmental concerns or the distribution of income. He is certain that inflation is as much driven by profligate governments as by rapid economic expansion. He also worries that mission creep by central banks erodes their ability to act independently in their core functions and ultimately undermines their credibility and legitimacy in a democracy.*

What could go wrong?

This is a man who clearly believes in balanced budgets and the household analogy, is completely unconcerned about the realities of life beyond a bank's walls, and is utterly indifferent to the future of our planet. He is about as far from having a modern monetary theory approach to life as it is possible to get, and crucially, his policy is bound to conflict with that of Donald Trump, whose desire is for low interest rates, come what may, which will almost certainly conflict directly with what Kevin Warsh will want.

What could go wrong when US economic policy is likely to have massive consequences for the rest of the world, most especially if we have a crash, and Kevin Warsh is noted for opposing state intervention in such situations? Well, actually, a very great deal.

On a scale of 1 to 10 for a potential disaster in the making, this seems to come in somewhere around 11.