Chair Warsh Press Conference Q&A

Summary – October 28, 2026

The following summary restates the content of the press conference – Prepared remarks and Q&A session.

Prepared by Philip Chao

https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20261028.pdf

https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm

- **FOMC Discussion**

  The Committee held the target range steady at 3-3/4 to 4 percent, six weeks after removing a dose of accommodation in September. The discussion over the two-day meeting focused mainly on the price-stability side of the mandate. The Committee also reviewed three changes in the economic and financial landscape during the intermeeting period:

  1. **Geopolitics.** The Committee discussed developments around the world. Energy and related prices have moved higher again in recent weeks, and oil futures prices have risen over the past several weeks.
  2. **Technology.** The Committee discussed fast-moving changes in technology, including the surge in capital investment tied to the new technology wave.
  3. **Market volatility.** Financial markets showed bouts of volatility and shifting correlations, which the Committee observed but was not surprised by.

  Why Hold Rather Than Hike

  - **Not about a date on the calendar -** Asked why the Committee did not raise rates given essentially no progress toward 2 percent, a stable labor market, and colleagues who appear inclined to hike in December, Chair Warsh said that quashing inflation is not about a fixed date on a calendar, any more than it is about an isolated data point. If it were, the job would be easier and the country would not have suffered nearly six years of inflation above target.
  - **No firm conclusions yet -** The overwhelming judgment in the room was that the medicine administered so far is starting to work some, but there are no firm conclusions. Had the Committee reached a firm conclusion about the conduct of policy, it would have announced it. Instead, the Committee took stock and judged that the information-rich period ahead is likely to provide more clarity on the appropriate policy protocol. Asked whether the current funds rate might already be the right level, Chair Warsh did not say; the Committee must still determine the appropriate protocol.
  - **A candid admission -** Chair Warsh acknowledged that the Committee has not yet achieved price stability: on that point the questioner is right, and the Committee is working on it. He is nonetheless encouraged by the progress made in a short period of time.
  - **Dissents -** The vote was 10 to 2, with Lisa D. Cook and Beth M. Hammack preferring a 1/4 percentage point increase. Chair Warsh described the meeting as a serious, sober discussion and, in his words, "a heck of a family fight," and said the Committee reached the right decision for this moment.

- **Politics -** With the midterm elections six days away, Chair Warsh said politics played no role in the decision. In two days of deliberations he did not hear a single reference to politics or the elections, and he does not believe they influenced him or any of his colleagues.

The "New Monetary Medicine"

Chair Warsh described the package of policies he and his colleagues have put in place in his five months as Chair:

1. **Recommitting to 2 percent.** The Committee doubled down on the 2 percent target. It owns that target, and anyone who believes the Fed is tolerating inflation "somewhere in the twos" should be disabused of that idea.
2. **Taking responsibility.** There is no "anguish of central banking" and no blaming others; the Fed bears responsibility for inflation.
3. **Publishing a framework.** At Jackson Hole, Chair Warsh laid out how monetary policy should work, the transmission mechanisms involved, and how the Fed will deliver. Many colleagues share that framework.
4. **Interrogating reality.** The Committee periodically looks out the window to assess what is actually happening.
5. **Acting.** The Committee does not just talk. In September it acted, removing a dose of accommodation.

As signposts that the strategy is working, Chair Warsh cited inflation compensation, as measured by inflation swaps and many other measures, which is moving in the right direction. Inflation expectations have also moved in the right direction despite an unsettled world, when absent the Fed they might have moved the wrong way.

Communication & Commitment

- **No forward guidance -** Chair Warsh does not believe in forward guidance absent exigent circumstances. He noted that during the darkest days of the 2008 financial crisis, forward guidance, informed in part by the work of a recent Nobel laureate, was quite helpful. In normal times, and especially when the underlying real economy is this strong, he does not favor it. He also does not believe in prejudging meetings and declined to say whether support remains widespread for the additional 2026 increase that participants penciled into the September projections. Colleagues may address that once the blackout period ends.
- **An independent Committee -** Asked whether he coordinated pre-meeting comments by several policymakers that more time was needed, Chair Warsh said he has 18 quite independent colleagues. He does not submit a dot and does not plan to, while all 18 of them do. The suggestion that he is sending messages through colleagues does not reflect the FOMC he knows; they are serious, sober, and responsible people.
- **Public officials -** Asked about the President's October 7 remarks characterizing the Board, Chair Warsh said he will not respond to quotes from public officials. He said he is honored to chair the Committee. Asked whether he or the Fed would be involved in next week's White House hearing concerning Governor Cook, he answered, "Not to my knowledge."
- **The mandate -** Congress gave the Fed a mandate to deliver stable prices and full employment in the context of financial stability, along with responsibilities in supervision, regulation, and payments. The best thing the Fed can do now is ensure

stable prices. Allowing six years of above-target inflation to continue would do the most harm to the least well off among us.

Reforming the FOMC Meeting Schedule

- **The new format -** Eight meetings per year remains the right number. Starting next fall, in 2027 one meeting will focus exclusively on broad monetary policy strategy, with neither a vote on the federal funds rate nor a policy statement anticipated; the remaining seven will be regular policy-setting meetings. In 2028, Chair Warsh expects two strategy meetings and six policy-setting meetings.
- **Rationale -** Getting policy right requires assessing near-term developments at timely, regular, and information-rich intervals. It is equally important to reserve time and space, as an intellectually diverse group, to think anew about big questions over longer horizons, focusing on "the left side of the decimal point."
- **An institutional choice -** Chair Warsh described the meeting schedule and agenda as more than an administrative detail. It is an institutional choice affecting the nature and quality of deliberations and, ultimately, the wisdom of decisions, and another step to put the conduct of monetary policy on the right track.
- **Public disclosure -** No policy decision or policy statement is anticipated at the strategy meetings. What the Committee will publish from those meetings has not yet been decided. The format decision followed a robust discussion over a couple of meetings, and details will be shared as they are settled.

Financial Conditions

- **Tighter, not tight -** Since the September action, financial and credit conditions have tightened for some businesses and households, much as expected, and market participants have become somewhat more discerning in allocating capital. Overall conditions are tighter, but Chair Warsh is "unwilling and unable" to call them tight.
- **September action as expected -** The Fed lacks perfect foresight about how markets will respond, but the effects of the September increase on financial conditions were broadly consistent with Chair Warsh's expectations.
- **Policy is working -** Tightening financial conditions is the dominant channel through which policy will work. They have tightened a bit since the last meeting, which the Committee is not uncomfortable with because it shows policy is working. The goal is not to throw sand in the gears of the economy or put people out of work; the Fed can make the expansion more durable and still achieve stable prices.

Oil, Interest Rates & Inflation

Asked whether oil prices and U.S. inflation are directly linked and how quickly inflation would respond to lower oil prices, Chair Warsh declined to engage in hypotheticals but described what he has observed. Oil prices and market interest rates, not the rates the Fed sets, had moved together in a stable and strong correlation this year until very recently. Oil prices have continued to rise, largely because of geopolitical events, and crack spreads between crude and refined products have stayed elevated, yet market interest rates have rolled over to the downside. If oil prices were to fall, the Committee would assess the effects on the dual mandate and on financial market prices. He also noted that oil futures prices have moved up over the past several weeks.

AI, Investment & Interest-Rate Sensitivity

- **Rates get in the cracks -** Chair Warsh was skeptical of the view that rate increases would not affect AI investment because expected returns are so high. Interest rates "get in the cracks" and affect almost everything, directly or indirectly. Since early September, both inside and outside the technology complex, market participants have become more discriminating, credit spreads have widened for certain assets, and financial conditions have tightened, though not significantly. Interest rates matter for this investment surge and are not divorced from the rest of the economy.
- **Broadening capital expenditure -** It is convenient but incomplete to attribute the economy's strength to the new technology wave. Data through the latest intermeeting period show capital spending that is not only robust but broadening, making it much harder than several quarters ago to argue that strength is confined to narrow pockets.
- **Demand and productivity -** Asked how much demand is adding to inflation, Chair Warsh said measures of the size and shape of the aggregate demand curve are imperfect. The economy is strong and its growth has been marked up for the first three quarters, but most colleagues do not judge it to be running too hot. Potential growth is never known precisely. Productivity has been improving for a couple of years, however imperfectly measured, and most of that improvement predates the current discussion of superintelligence. Higher growth does not by itself indicate that growth is causing inflation.

The Economy

Economic activity is expanding at a strong pace. Uncertainty remains, partly because of geopolitical developments, yet domestic spending has been resilient, productivity growth is strong, and capital investment is robust. First-half GDP growth was revised up from 1.8 percent to 2.4 percent. The third quarter appears to have brought an even more rapid advance, led by healthy consumer spending, likely running above 3 percent growth, and business investment, likely rising at about a double-digit pace. Capital expenditures are at a historically high share of GDP; high-tech investment is leading the acceleration, but other categories are broadening as well, and these trends bear watching. Real activity is pointing in the right direction.

The Labor Market

Job gains have kept pace with the workforce, and the unemployment rate has changed little. The jobless rate is lower than a year ago, payroll growth is noticeably above last year's pace, and the four-week moving average of unemployment insurance claims continues to run at the lowest level in generations. Conditions on the employment side of the dual mandate are quite positive.

Inflation

- Inflation has run above the Committee's objective for close to six years, and it is the Fed's responsibility to bring it down. Inflation is too high.
- Energy and related prices have moved higher again in recent weeks. The Fed's job is to ensure that relative price changes in some sectors do not broaden out across the economy and that inflation expectations remain anchored.
- There is no soft or implicit inflation target. The target is price stability, defined as 2 percent inflation as measured by the PCE price index.

- Near-term household inflation expectations have risen because consumers, like the Fed, are interrogating reality: they see higher prices at the gas station, and Chair Warsh will not deny that oil prices have risen. Over the longer horizon, however, most but not all measures show that households, businesses, and financial markets have confidence that the Fed will deliver price stability.
- The number of times Chair Warsh expressed his/Committee's commitment to bring inflation back down to 2%:
    1. The Committee believes the accumulation of more information will help it determine the policy stance appropriate to ensure a timely return of inflation to the 2 percent goal.
    2. The Committee will deliver price stability.
    3. Inflation has run above the objective for close to six years, and it is the Fed's responsibility to get it down.
    4. Chair Warsh has been honored to work with FOMC policymakers who are unambiguous in their commitment to stable prices; the Committee has made clear its readiness to act and has shown its willingness to act.
    5. The Committee doubled down on the 2 percent target and owns it; it is not tolerating inflation somewhere in the twos.
    6. There is no soft inflation target and no implicit inflation target; the target is 2 percent as measured by PCE.
    7. The Fed will deliver price stability, "no ifs, ands or buts."
    8. Over the horizon, households, businesses, and financial markets have the confidence they should have that the Fed will deliver price stability.

Task Forces

The five task forces are hard at work, and Chair Warsh has been impressed by the rigor of their discussions. He gave them a year-end deadline, which some, but not all, are likely to meet. Their reports will begin a process of rethinking productivity and jobs, the inflation framework, the best data for policymaking, and the balance sheet. He expects these investments to bear fruit in the next policy conjuncture rather than this one. The productivity and jobs task force will hold a public field hearing on November 16, lasting three to four hours, with participants who hold strong views on whether AI will bring a rapid or gradual productivity gain and what it means for jobs in the near, medium, and long term. Chair Warsh plans to attend, may offer brief opening remarks, and will mainly listen, including to views on whether the new technology will make price stability easier or harder to achieve.

Balance Sheet & Global Spillovers

Asked how a further reduction in the balance sheet could avoid disrupting foreign official holders of Treasuries and dollar funding markets in economies such as South Korea and Japan, Chair Warsh said he follows the Korean economy closely because Japan, Korea, and Singapore supply many of the inputs for the current technology surge. He noted a 20-year friendship with the new Bank of Korea governor. The balance sheet question currently rests solely with the balance sheet task force, whose recommendations will likely reach the FOMC early in the first quarter, though he did not commit to that timing. Any changes would follow serious consideration of those recommendations and are unlikely to have a material effect on the current policy

conjuncture. He did not directly address the specific spillover mechanisms raised in the question.

- **Fed Funds Rates**
  The Committee decided by a vote of 10 to 2 to maintain the target range for the federal funds rate at 3-3/4 to 4 percent. Lisa D. Cook and Beth M. Hammack dissented, preferring to raise the target range by 1/4 percentage point. (In September, the Committee voted unanimously to raise the range by 1/4 percentage point to 3-3/4 to 4 percent.)

- **Balance Sheet**
  The Committee is continuing its policy of maintaining ample reserves in the banking system.