MARKET SIGHT|LINES

The Warsh Fed's Five Task Forces: A Balanced Review and Debate

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The Federal Reserve is stepping back to examine how it operates. At his first meeting as Chair last month, Kevin Warsh signaled a change in style – a shorter policy statement, no forward guidance, and no personal interest rate projection in the committee's forecasts. He also launched five task forces to review core aspects of the Fed's work, and last week he named the outside advisers leading them. The reviews span productivity and jobs, data, the balance sheet, communications, and inflation. In this Sight|Lines, we walk through the mission of each task force, what we expect it may recommend, and why communication may be the area that changes most.

THE TAKEAWAY: THE WARSH FED PUTS ITS OWN PRACTICES UNDER REVIEW

Chair Warsh has asked five groups of outside experts to review how the Fed measures the economy, manages its balance sheet, communicates, and thinks about inflation and growth. In summary:

- At his first meeting, Warsh adopted a plainer style – a brief statement, no forward guidance, and no personal rate projection – and launched the five task forces, with public findings due by year-end.
- The Productivity and Jobs task force will assess how artificial intelligence and automation are reshaping the economy's growth and employment potential.
- The Data task force will study how the Fed can measure the economy closer to real time, rather than relying on lagged data series.
- The Balance Sheet task force will weigh the costs and benefits of the Fed's roughly $6.7 trillion portfolio and how it is managed.
- The Communications task force will reconsider how the Fed conveys its decisions and intentions to the public and to markets.
- The Inflation task force will rework how the Fed models inflation, including supply shocks, tariffs, and rising energy demand tied to AI.
- The advisers span academics, former central bankers, and market practitioners with a range of views (Exhibit 1), suggesting a genuine review and debate rather than a preordained result.
- With Warsh's first congressional testimony as Chair passing quietly this week, we expect shorter statements and less forward guidance over time – a shift toward real-time interpretation that argues for a modestly higher risk premium, without reducing the Fed's overall transparency.

IN-DEPTH: THE FIVE TASK FORCES WILL OFFER REVIEWS AND DEBATES THIS YEAR (AND BEYOND)

Each task force will be led by outside experts and supported by Fed staff, with findings coming by year-end. Going deeper:

- Warsh set the tone at his first meeting and then opened the reviews:
  - The June policy statement ran to 129 words, down from 282 a year earlier; the Chair dropped forward guidance and left his own rate projection out of the Summary of Economic Projections (SEP), the Fed's quarterly forecast.
  - He announced five task forces, each led by external advisers with Fed staff support, and last week named their members; each panel is expected to deliver a succinct, public report by year-end to anchor the debate over reform.
- Productivity and Jobs will study how new technology is changing the economy's potential:
  - The focus includes the impact of AI and automation on the economy's capacity to grow and employ – questions that feed directly into the Fed's view of potential growth and the neutral interest rate.
- The Data task force will modernize how the Fed sees the economy:
  - The aim is to fold in higher-frequency, real-time information rather than leaning on lagged weeks-old "official data;" its private-sector leader is a former Walmart CEO accustomed to real-time reads on demand, prices, and supply chains.
- Balance Sheet Policy will revisit the size, role, and management of the Fed's roughly $6.7 trillion portfolio:
  - The group will weigh the costs and benefits of the current regime, and its members are set up to debate both sides – some have written on the practical challenges of shrinking the balance sheet, others more favorably about a larger one.
  - The future shape of the Fed's balance sheet will have a direct effect on the supply of Treasuries and longer-term yields.
- Communications is the area we expect to change the most, as it is already happening:
  - We expect the Fed statements to remain short and free of forward guidance under Warsh's leadership.
  - We expect the SEP to survive and press conferences to continue, with the Fed saying less but remaining transparent.
- Inflation Frameworks will rebuild how the Fed models price pressures:
  - The task force is charged with better capturing supply shocks, tariffs, and the growing electricity demand tied to AI – forces that a demand-focused framework can miss.
- The membership of these task forces signals a serious review rather than a rubber stamp approach (Exhibit 1):
  - The advisers include leading academic economists, former central bank governors, and seasoned market practitioners, who hold genuinely different views.
  - We expect the panels to lean toward reform and restraint, making sweeping recommendations less likely.
- Warsh's first appearance as Chair before Congress this week seemed deliberately low-key, reflecting his less-is-more style:
  - Less Fed forward guidance means investors must refocus on real-time data, which may lift near-term volatility and support a modestly higher term and risk premium – consistent with a higher-for-longer rate environment.

WHAT WE THINK

Chair Warsh has done something unusual – turning the Fed's focus on the Fed itself. Five reviews – spanning productivity and jobs, data, the balance sheet, communications, and inflation – will run through year-end, led by a credible and deliberately varied group of outside advisers, with each panel due to publish its findings. We would not expect sweeping change from every panel, and we see the more likely outcome to be thoughtful, incremental reform shaped by public debate. Communication may be the exception, as meaningful change is already visible – shorter statements, less forward guidance, and more emphasis on letting the data speak. This means many investors will now look to interpret conditions in real time. And we believe a Fed that says less while remaining transparent should, over time, improve market structure and further strengthen the Fed's credibility.

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EXHIBIT 1: THE FEDERAL RESERVE'S FIVE REVIEW TASK FORCES

Task Force	Focus	External Advisers
Productivity and Jobs	How AI, automation, and emerging technologies affect productivity, employment, and growth	Marc Andreessen (Co-Founder, Andreessen Horowitz); Asha Sharma (CEO, Xbox/Microsoft Gaming); Charles I. Jones (Stanford University)
Data	Improving economic measurement with high-frequency, real-time data	Raj Chetty (Harvard University); Doug McMillon (former CEO, Walmart); Kevin Murphy (University of Chicago)
Balance Sheet Policy	Costs and benefits of the Fed's balance sheet framework and portfolio management regime	Jeremy Stein (Harvard University; former Fed Governor); Raghuram Rajan (University of Chicago; former Governor, Reserve Bank of India); Karen Dynan (Harvard University; former U.S. Treasury Chief Economist)
Communications	How the Fed communicates policy decisions and uncertainty to markets and the public	Mervyn King (former Governor, Bank of England); Arminio Fraga (Founder, Gávea; former Governor, Central Bank of Brazil); Peter R. Fisher (University of Washington; former U.S. Treasury Under Secretary)
Inflation Frameworks	Drivers of inflation and the policy implications of structural economic change	N. Gregory Mankiw (Harvard University; former CEA Chair); Thomas J. Sargent (New York University); William White (C.D. Howe Institute; former BIS Economic Adviser)

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