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Warsh Call for Fed-Treasury Accord Stirs Debate in \$30 Trillion Bond Market

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February 8, 2026 at 2:00 PM CST

Updated on February 9, 2026 at 2:39 AM CST

Kevin Warsh floated plenty of ideas for how he would run the Federal Reserve during his campaign for the job as chair. For Wall Street, few are as cryptic – or potentially consequential – as his call for a new accord with the Treasury Department.

Warsh has voiced support for overhauling the relationship between the two institutions with a new version of an agreement struck in 1951.

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A revamp could prove to be just a bureaucratic tweak, with little near-term impact for the \$30 trillion Treasuries market. But a more ambitious effort involving a shake-up of the Fed's current, \$6 trillion-plus securities portfolio could see increased volatility and – depending on the scenario – deepening concern over the US central bank's independence.