



Warsh Calls for Fed Reform After Powell's Departure

Description

The Senate Banking Committee has chosen Kevin Warsh as the likely next chair of the Federal Reserve (Fed). This decision is important because Warsh has different views on inflation compared to the current chair, Jerome Powell, whose term ends on May 15. If confirmed, Warsh may change the Fed's approach significantly.

Warsh wants to focus on controlling inflation. He believes that inflation is a serious problem, suggesting that people should not be talking about rising prices. Currently, the Fed aims for a 2% inflation rate. However, inflation rose as high as 9.1% in June 2022. Warsh thinks that the Fed waited too long to respond to rising prices.

Warsh also wants to reduce the Fed's balance sheet, which is currently about \$6.8 trillion. He feels that the Fed has become too involved in financial markets and that this has made wealth inequality worse. If Warsh's plans go ahead, the financial markets may experience more challenges as the support businesses have relied on could shrink.

Overall, Warsh's approach prioritises fighting inflation more than supporting businesses. This change could lead to slower economic growth but may help protect everyday consumers from rising costs.

Vocabulary List:

1. **inflation** //ɪnˈfleɪʃən// (noun): when prices for goods and services rise
2. **confirmed** //kənˈfɜːmd// (adjective): officially accepted or approved as true
3. **approach** //əˈprəʊtʃ// (noun): a way of dealing with a problem
4. **balance** //ˈbæləns// (noun): amount of money in an account or total
5. **inequality** //,ɪnɪˈkwɒlɪti// (noun): when some people have much more money
6. **prioritises** //praɪˈɔːrɪtə,zaɪzɪz// (verb): gives something more importance than other things

Comprehension Questions

Multiple Choice

1. Who has been chosen as the likely next chair of the Federal Reserve?



- Option: Jerome Powell
- Option: Kevin Warsh
- Option: Janet Yellen
- Option: Ben Bernanke

2. What is the current inflation rate target set by the Fed?

- Option: 1%
- Option: 2%
- Option: 3%
- Option: 5%

3. As of June 2022, what was the highest inflation rate recorded?

- Option: 7.5%
- Option: 8.0%
- Option: 8.5%
- Option: 9.1%

4. What does Warsh believe about the Fed's response to rising prices?

- Option: They acted quickly
- Option: They wasted resources
- Option: They waited too long
- Option: They followed orders

5. What is the current balance sheet of the Fed?

- Option: \$5 trillion
- Option: \$6.5 trillion
- Option: \$6.8 trillion
- Option: \$7 trillion

6. What aspect does Warsh prioritize more in his approach?

- Option: Financial growth
- Option: Fighting inflation
- Option: Increasing employment
- Option: Supporting businesses

True-False

7. Warsh believes that inflation is not a serious problem.



8. Warsh's term as chair of the Federal Reserve has already begun.
9. Warsh's plans, if implemented, may support businesses more than the current Fed policies.
10. The Fed currently aims for an inflation rate of 2%.
11. Warsh believes reducing the Fed's balance sheet could worsen wealth inequality.
12. The financial markets may face challenges with Warsh's approach.

Gap-Fill

13. Warsh has different views on inflation compared to the current chair, _____.
14. If confirmed, Warsh may change the Fed's approach _____.
15. Currently, the Fed aims for a _____ % inflation rate.
16. The Fed's balance sheet is currently about \$ _____ trillion.
17. Warsh prioritizes fighting inflation over _____ businesses.
18. Inflation rose as high as _____ % in June 2022.

Answer

Multiple Choice: 1. Kevin Warsh 2. 2% 3. 9.1% 4. They waited too long 5. \$6.8 trillion 6. Fighting inflation

True-False: 7. False 8. False 9. False 10. True 11. False 12. True

Gap-Fill: 13. Jerome Powell 14. significantly 15. 2 16. 6.8 17. supporting 18. 9.1

CATEGORY

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Author

aimeeyoung99

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