

Trump's war against the Fed intensifies

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Despite warnings from the financial establishment that any lessening of the independence of the US Federal Reserve would have major consequences for the financial position of the US and undermine the dominant role of the dollar, there is a continuing push by US President Donald Trump and sections of his supporters to have Fed chair Jerome Powell removed from his position.

While Trump has said he has “no plans” to remove Powell, having received legal advice that an attempt to do so would likely fail if it went to the Supreme Court, he has maintained a virtual daily barrage against the Fed chair over his refusal to lower interest rates.

The Fed reduced its base interest rate by one percentage point between September and December last year, but since then has kept rates on hold, citing uncertainty over the direction of inflation and the impact of Trump’s tariffs on prices.

On Tuesday, Trump claimed Powell’s refusal to make cuts was “political.”

He said Powell had cut rates “just before the election to try to help Kamala [Harris], or whoever he was trying to help, he probably didn’t know.”

Speaking at an event with Philippine President Ferdinand Marcos Jr., Trump said the economy was strong, blowing through everything and setting records, but people were unable to buy a house because Powell was a “numbskull” and was keeping rates too high.

Trump’s professed concern for homebuyers is a cover for the real reasons for his demand for rate cuts, which lie not in the supposed strength of the US economy, but rather the developing crisis within its financial system.

The maintenance of relatively high rates over a sustained period is impacting on the highly leveraged financial system as well as the commercial real estate market, and is adding to the interest bill on the US government debt of \$36 trillion, now at around \$1

trillion and rising. Trump has claimed high rates are costing the government hundreds of billions of dollars.

In a handwritten note to Powell earlier this month, he wrote: “You are as, as usual, ‘Too Late.’ You have cost the USA a fortune and continue to do so.”

Plucking figures from the air, as is his usual practice, Trump claimed that reducing the Fed rate by three percentage points would save the government \$900 billion on the interest bill. At the same time, independent analysis has estimated that his “big, beautiful budget,” with its tax cuts for corporations and the wealthy, would add \$3.3 trillion to government debt.

The persistence of the conflict, and the intensity with which it is being fought from the Trump side, indicates that it is not merely some kind of spat but has its roots in real financial issues, centring on the rise and rise of US debt.

With the door to an outright removal of Powell appearing to be closed, and with opposition to that course within the top levels of the administration—Treasury Secretary Scott Bessent is against it because of the turbulence it would cause—attention has been directed to finding another route.

This was suggested by Trump last week when he suggested that major overruns on the \$2.5 billion renovation of the Fed headquarters could provide a “cause” for Powell’s removal.

This course of action is also on shaky ground because having “cause” is generally regarded to pertain to malfeasance—that is, intentional wrongdoing by a public official. It might well be argued that if a cost overrun is “cause” for removal, then no public official is safe.

But such is the intensity of the opposition to Powell, and the insistence that interest rates must come down, that the campaign over the Fed renovations has been stepped up.

Today, the Fed is allowing top aides to Trump—including his Deputy Chief of Staff James Blair—to tour the construction site.

An article in the *New York Times* noted: “Mr Blair was recently appointed to a little-known planning board responsible for reviewing the Fed’s renovation plans, suggesting the administration sees the central bank’s project as a potential avenue to undermine Mr Powell.”

Others are going further. Florida House Representative Anna Paulina Luna has formally referred Powell to the Justice Department for criminal investigation for allegedly misleading Congress over the Fed building renovation project.

Luna, who last week following a meeting with Trump said the firing of Powell was “imminent” and she had heard this from a “very serious source,” said Powell had made “materially false claims” during testimony on June 25.

“Chairman Powell knowingly misled both Congress and executive branch officials about the true nature of a taxpayer-funded project. Lying under oath is a serious offense—especially from someone tasked with overseeing our monetary system and public trust,” she said on social media platform X.

The request for the investigation was set out in a letter to Attorney General Pam Bondi. How far it might go remains to be seen—it depends on whether Trump decides that he should override opposition within his administration and seize on it.

But the ongoing issue of the Fed renovations and the efforts to find “cause” against Powell point to the tensions and divisions within the ruling class.

On Tuesday, the Murdoch-owned *Wall Street Journal* intervened with an editorial titled “The Lunacy of Lawfare Against the Fed.” It noted that for weeks agitators within the Trump administration had flogged the Fed over office renovation as a pretext to harass Powell.

“Now comes the lawfare, with a criminal perjury referral against Mr Powell to the Department of Justice from a Member of Congress. How low can this crowd go?”

The editorial went on to reference the wider issues of concern within powerful sections of the ruling class—that removing the independence of the Fed and making its chair subject to the dictates of the president would undermine the stability of the US financial

system.

“Whatever Mr Powell’s rhetorical inexactitude, it’s madness to create a new precedent for prosecuting officials for policy disagreements. Doing so is the road to the hyper-politicized monetary policy you’d expect in Argentina.”

The *Journal*’s intervention is significant, as it is another indication of the divisions within the ruling class that are being fought out on a number of fronts.

It has opposed Trump’s tariff war against the world because it undermines the capacity of the US to form an alliance directed against the main enemy—China.

And it has played a key role in reigniting the Jeffrey Epstein affair publishing, against Trump’s intervention and a threatened \$10 billion lawsuit, details of his close relationship with Epstein.

The splits and conflicts within the ruling class, not least over the role of the Fed, are not personal disputes. They are an expression of the deepening crisis of American capitalism and the global capitalist system as a whole, posing the necessity and opportunity for the working class to intervene politically in the fight for a socialist program.



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