

Sharp tensions lodged within Jackson Hole central bankers' conclave

Nick Beams**22 August 2025**

The official theme of the discussion at the annual conclave of central bankers, academics and financial officials at Jackson Hole, Wyoming, which kicks off with a keynote address by Federal Reserve chair Jerome Powell today, is “Markets in Transition, Productivity and Macroeconomic Policy.”

But the central issue will be the interest policy of the Fed, if and when it will start to cut rates. And the related question will be the drive by US President Trump to bring the Fed under his direct control, part of his broader push to establish a personalised dictatorial regime.

On the eve of the meeting the Trump administration exploded a bomb under the Fed with the demand that one of its board of seven governors, Lisa Cook, resign over alleged false information she gave in applying for a housing mortgage prior to her appointment by President Biden in 2022.

It was set off by Bill Pulte, head of the Federal Housing Finance Agency (FHFA), who made the claim in a social media post on Wednesday and stated that he would submit it to the Justice Department in a criminal referral.

The department responded within a day through a letter from an official to Trump saying “I encourage you to remove Ms Cook from your board. Do it today before it is too late!”

Cook has said she has no intention of being bullied to step down from her position. Trump has declared on social media that “Cook must resign, now!!!” and is reported to be considering action to have her fired “for cause” if she refuses to step down.

The move against Cook, whatever the truth or otherwise of the allegations, is intimately bound up with the political war against Powell. Trump has targeted the Fed chair over his refusal to accede to demands for interest rate cuts, by as much as three percentage points. Trump’s offensive is also part of his longer-term objective to do away with the so-called independence of the Fed and make it a compliant instrument of his economic agenda.

Pulte, whose official role in the administration has little or nothing to do with the Fed, has been one of the attack dogs in the war against Powell. He has thrown his support behind Trump’s denunciations of Powell as a “numbskull” and a “moron” for his refusal to lower rates, claiming the Fed chair was “hallucinating” by pointing to a link between tariffs and inflation. Pulte has continually denounced Powell on social media and in television interviews.

He also joined the campaign by Trump and his supporters over the cost over-runs on the \$2.5 billion renovation of the Fed

building, which was launched as a means of putting further pressure on Powell or even establishing grounds for his sacking.

The moves against Cook come in the wake of Trump’s sacking of the head of the Bureau of Labor Statistics, Erika McEnterfar, at the beginning of the month after a downbeat jobs report, and her replacement by Trump acolyte E.J. Antoni, who has no experience in the field of statistics and whose only qualification was his ardent support of the MAGA agenda.

If Cook is removed, either because she steps down or is sacked, it will provide another opening for Trump to try to take control of the Fed.

The interest rate setting body of the Fed is the Federal Open Market Committee (FOMC). It is made up of seven governors, appointed by the president and approved by the Senate, with fixed terms and five regional Fed presidents. Because there are 12 Fed presidents, the five who get to vote at any meeting is determined on a rotational basis.

With the sudden and, as yet unexplained, resignation of Fed governor Adriana Kugler earlier this month, Trump appointed the chair of his Council of Economic Advisors Stephen Miran to fill the position on a temporary basis.

If his appointment is confirmed by the Senate in time for the September 16-17 meeting of the Fed, this would mean Powell would face at least three dissenters out of the seven governors if he decided to maintain interest rates on hold in light of data which show that tariffs are putting upward pressure on inflation.

At the last Fed meeting in July, two governors Christopher Waller and Michelle Bowman, dissented from the decision in the first such move by governors since 1993. Both are reported to be on Trump’s list for the position of Fed chair when Powell steps down in May next year. If others join them, then Powell’s position will be weakened.

The minutes of that meeting, released this week, noted that a “majority of participants judged the upside risk to inflation” was larger than that posed by a slowdown in the labour market.

Since then, the jobs report has shown a slowdown in the labour market with a downward revision in the number of jobs created in May and June or more than 250,000. But a report on producer prices has shown a significant upward movement.

At present, markets are pricing in an 85 percent chance of an interest rate cut in September. But if it does not take place, or if it is only by 0.25 percentage points, it will be the subject of furious denunciation from Trump and his administration.

Over the longer term, the appointment of Miran, who is a candidate for the position of Fed chair, has considerable significance. He has advanced a series of policies, particularly in a paper published in November 2024, which would sharply alter the functioning of the US financial system.

Like Trump, he wants lower interest rates. More than this, he is an advocate of a lower dollar, claiming that the overvaluation of the dollar is the main factor in the persistent US trade deficit. At the same time, he insists, together with Trump, that the dollar must remain the basis of the international monetary system.

These contradictory policies—a lower dollar but also a supreme dollar—are connected to changes in the way the Treasury market operates, possibly converting long-term bonds into perpetual bonds on which only interest is paid, and the principal never returned. That action would send financial markets into turmoil because it would be regarded as a default.

Miran has even considered imposing “user fees” on holders of US debt because this would tend to lessen the inflow of money into the US which pushes up the value of the dollar and thereby hits US exports.

Such policies might well be dismissed as the quirks of an individual. But the fact they are being advanced by someone with a leading position among Trump’s economic advisors and a possible head of the Federal Reserve points to the intractable crisis of US capitalism as those in charge thrash about for a solution.

No doubt one of the attractions of Miran for Trump is his support for an authoritarian regime in which all institutions, nominally independent, are subject to the demands of the president.

This is set out in a paper he wrote last March in collaboration with Dan Katz, now chief of staff at the US Treasury on reform of the Fed’s governance.

It is couched in terms of democratic oversight and accountability for Fed officials “imposing reforms that would reduce the incentives for them to pursue partisan political agendas.”

In the Trumpian world view, a decision by any authority with which he disagrees is the result of a partisan agenda because the president, having been elected, has the sole right to determine policy.

On this basis, judges in the courts, many of them of a conservative legal background, who have handed down decisions which contravene Trump’s objectives are branded as “radical leftists,” even “Marxists,” while the Fed has been denounced for pursuing policies to aid the Democrats.

Consequently, according to Miran, members of the Fed’s governing board “and Reserve Bank leaders should be subject to at-will removal by the president to ensure their accountability to the democratic process.” That is, constitutional processes must be overturned on the basis that sole authority is in the hands of the president.

These issues will not, of course, be addressed by Powell when he delivers his keynote address today. But they will be present in the gathering, not least because of Trump’s demands that he be removed and the latest attempt to shift the composition of the Fed governors—Powell’s base.

Attention will largely be focused on what indications Powell gives of the direction of interest rates.

Here there is not only the pressure emanating from Trump but from objective processes arising from the deepening crisis of American and global capitalism resulting from the accumulation of government debt.

A report in the *Financial Times* this week noted that major economies are entering a “new period of ‘fiscal dominance,’ in which central banks are under growing pressure to keep interest rates artificially low to offset record government borrowing.”

Trump’s call for lower rates is no doubt motivated by his drive to juice the stock market, but he has also said that lowering the Fed rate would slash the interest costs of government borrowing by hundreds of billions of dollars.

For a decade and more following the global financial crisis of 2008 when interest rates were kept at historic lows, the interest bill was not a problem.

But with the rise in rates after 2022 it has become an issue of ever-greater concern, above all in the US. The interest bill on the \$36 trillion government debt, growing every day as a result of the budget policies of the Trump administration, is running at around \$1 trillion a year and is becoming the largest expenditure item. A situation is fast developing where more money is needed to be borrowed just to pay the interest bill on past debts.

The US situation is being replicated to one degree or another in major countries around the world where government debt levels have reached record highs—with an increase of \$17 trillion in borrowings for this year, according to the OECD.

According to former IMF chief economist Kenneth Rogoff, as reported in the *Financial Times*, this situation is creating “enormous political incentives” for governments everywhere to pressure central banks to lower rates.

“We have entered a new era of fiscal dominance,” he said.

A more accurate description would be that the US and the world economy has entered a new turn in the deepening crisis of global capitalism.



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