

With the Lisa Cook sacking Trump steps up drive to take over Federal Reserve

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US President Trump has taken an unprecedented step in his campaign to bring the US Federal Reserve under his control and subordinate it to the policies of his administration with his decision late Monday evening to sack Fed governor Lisa Cook “effective immediately.”

The announcement came in a letter to Cook, posted on social media, in which Trump said that he had “sufficient reason” to order her removal over claims she had made false statements in applications for mortgages on properties she purchased in 2021, before being appointed to the position.

“The Federal Reserve Act provides that you may be removed, at my discretion, for cause,” Trump wrote.

Cook has said she will not resign and has initiated legal action. “President Trump purported to fire me ‘for cause’ when no such cause exists under the law, and he has no authority to do so,” she said.

In a statement yesterday, the Fed reaffirmed its independence and that it would abide by any court decision.

The attack on Cook was initiated last week by Bill Pulte, the head of the Federal Housing Finance Agency, and a prominent attack dog in Trump’s war against Fed Chair Jerome Powell over interest rates. He alleged that Cook had “falsified bank documents and property records to acquire more favorable loan terms” and referred the issue to the Justice Department.

Her sacking comes after continuous attacks by Trump on Fed Chair Jerome Powell, labeling him a “numbskull” and a “moron,” over his refusal since last December to accede to Trump’s demands for major cuts in interest rates, by as much as 3 percentage points, as he has cast about for ways to remove him.

Now Trump has opened a new front in this war, sending a shockwave through the financial establishment.

In the words of the *Financial Times*: “Trump’s late-night putsch represents one of the gravest challenges to

the Fed since it became independent 74 years ago, and marks a stunning escalation in the president’s attack on the US economic establishment.”

The ousting of Cook comes in the wake of Trump’s sacking of the head of the Bureau of Labor Statistics, Erika McEntarfer, at the beginning of the month, following claims by Trump that data showing a significant weakening of the labor market had been “rigged.”

Because of considerable legal obstacles to the direct sacking of Powell and the turmoil this would have undoubtedly set off in financial markets, Trump has sought another route to bring the Fed under his domination.

It is centered on changing the composition of the seven-member board of governors, which forms Powell’s base.

The interest rate-setting body of the Fed is the Federal Open Market Committee (FOMC). It comprises seven members appointed by the president for a fixed term and 12 others nominated by the regional Fed banks. Only five of the 12 get to vote at any one time on a rotational basis.

The board of governors is where the power lies, and Trump is working to place his supporters in control. Following the resignation of Adriana Kugler earlier this month, Trump announced that one of the key architects of his economic agenda, Stephen Miran, the chair of his Council of Economic Advisers, would temporarily fill the vacancy, pending Senate confirmation.

He already has the support of two governors, Michelle Bowman and Christopher Waller, both of whom are in the running to replace Powell when his term ends next May. Bowman and Waller were appointed by Trump in his first term and at the July meeting of the Fed registered their dissent from the decision to keep interest rates on hold, the first time there have been two dissents by governors since 1993.

The sacking of Cook opens the way for another Trump

appointee, and he is already considering candidates. Miran may be shifted up from the temporary post while others include former World Bank president David Malpass, a close ally of Trump who has criticized the Fed for not lowering rates.

In an opinion piece published in the Wall Street Journal earlier this month, Malpass said Trump was right in his criticisms of Powell and that a larger-than-expected interest rate cut combined with what he called “foundational changes at the Fed would be major pro-growth innovations in US economic policy.”

What those “foundational changes” could look like has come into clearer focus with the sacking of Cook.

As Trump commented yesterday: “We’ll have a majority very shortly.” By this, he meant that Trump supporters would hold four of the seven positions on the board of governors.

And this would open the way for a complete takeover of the Fed. As the Wall Street Journal noted in an editorial, if Trump prevails, “he will essentially control the FOMC because he will then be able to fire other board members, and the board can fire Fed regional bank presidents on the committee.”

Anyone naïve enough to believe the reason for the sacking of Cook has anything to do with her alleged improprieties in seeking a loan need only look at the case of Charles Kushner, the father of Trump’s son-in-law, Jared Kushner, who was appointed by Trump as US ambassador to France, a top diplomatic post.

Kushner is a convicted felon and a disbarred attorney, and has been involved in tax evasion, making illegal campaign contributions and witness tampering.

The Trump war on the Powell-led Fed and its independence from direct political control has exposed significant divisions and conflicts within the financial elite. Trump’s opponents fear that, together with the tariff war against the rest of the world and the worsening debt position of the US, the scrapping of Fed independence will undermine the global position of the US and weaken the dollar.

Stephen Brown of Capital Economics told the FT it was clear “we are heading back to a world in which the Fed is far more politicized. That risks greater uncertainty about the interest rate outlook and, by extension, higher long-term interest rates.”

Blake Gwinn, of RBC Capital Markets, commented: “We are only a small handful of further developments away from a complete paradigm shift where the president essentially sets monetary policy.

“Markets have to start seriously considering the consequences for longer-run inflation expectations, future rate volatility, term premium, foreign demand for US assets.”

The ratings institutions have yet to comment on the Cook sacking, but an indication of the direction they may take was contained in a note by S&P Global Ratings earlier this month in which it affirmed the rating of the US at AA+.

It said that rating could “come under pressure if political developments weigh on the strength of American institutions and the effectiveness of long-term policymaking or the independence of the Federal Reserve.”

The full significance of the attempt to oust Cook and take control of the Fed emerges when it is placed in its broader context.

It is not merely an economic measure, significant as that is, but is part of the drive to establish a presidential dictatorship on the basis that there is an “emergency” that requires the president to assume sole authority.

There is an “emergency” in the cities that requires military rule under his direction.

The trade deficits constitute a “national security emergency” necessitating presidential action in the form of the imposition of sweeping tariffs, now at their highest levels since the disastrous days of the 1930s.

And constitutional or legal barriers cannot be allowed to stand in the way of this “emergency” because the president, and only the president, embodies the “will of the people,” the justification always invoked by dictatorial regimes.

The “foundational” changes now being undertaken with regard to the Fed are part of this agenda. It will not be defeated through the courts or legal action but only by the political struggle of the working class in the defense of democratic rights, which can only be taken forward on the basis of a socialist program.



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