Extraordinary Fed meeting highlights developing US financial crisis

Nick Beams
21 September 2025

Last week's meeting of the US Federal Reserve was one of the most extraordinary since the central bank was founded in 1913, reflecting the developing crisis in the financial system over which it presides.

Its unprecedented character arose from the strenuous and ongoing efforts by President Trump, using every means at his disposal, to take direct control of the Fed's governing body as he seeks to impose major cuts in interest rates. This is in order, among other things, to reduce the escalating interest bill on the US government debt of $37 trillion.

On the eve of the meeting, Stephen Miran, Trump's chief economic adviser, was sworn in as a member of the Fed's seven-member Board of Governors after his Senate confirmation was rushed through so he could take part in the meeting of the Federal Open Market Committee.

His appointment, which was made possible by the resignation of Fed governor Adriana Kugler before the expiration of her term next January, was a first. Miran did not resign from his position as chair of Trump's Council of Economic Advisers, but merely took a leave of absence. Never before has someone still attached to the administration sat on the Fed's governing body—a major breach in its so-called independence.

Also, on eve of the meeting an appeals court ruled, in a 2-1 decision, to support a lower court ruling against Trump's attempt to have Fed governor Lisa Cook removed for "cause" over claims that she had listed two properties purchased prior to her appointment to the Fed in 2022 as her "primary" residence to obtain a lower mortgage rate.

The issue has been referred to the Justice Department, but no charges have been laid so far. It has also emerged that on at least two documents Cook listed the second property as a "vacation" dwelling, and the interest she paid on it was slightly above the market rate at the time.

Despite these setbacks, the Trump administration is relentlessly pursuing the case and has now lodged an appeal to the Supreme Court to have the lower court decisions overturned.

In its emergency appeal, the administration said that in view of the uniquely important role of the Fed it was in the public's interest that "an ethically compromised member does not continue wielding its vast powers."

Ethics has nothing to do with it, as the case of rabid Trump supporter Supreme Court Justice Clarence Thomas shows. Thomas, among other things, has had expensive trips financed by real estate developer and right-wing activist Harlan Crow. He has also received gifts from ultra-wealthy corporate chiefs.

Trump's motivations were made clear shortly after the action was initiated against Cook in August, when he said, "We'll have a majority very shortly."

In response to the appeal to the Supreme Court, Cook's attorneys wrote that the disruption caused by her removal would "subvert the Federal Reserve's historical independence and disrupt the American economy," and risked "shock waves in the financial markets that could not be easily undone."

The push for lower interest rates—the driving force of Trump's attempt to take control of the Fed—has two motivations.

One of them is to provide a further boost to the stock market and the financial oligarchs who form the base of his regime, as well as providing support for the burgeoning crypto market, which is directly beneficial to Trump and his family. *Forbes* estimates Trump has already raked in $1 billion from this source and could make billions more. While serving the oligarchy, the president takes his cut.

The lowering of interest rates has nothing to do with providing a boost to the real economy or countering a clearly weakening labour market, where one of the chief immediate impediments to economic growth and employment is the elevation of the cost structure due to the Trump tariff hikes.

John Deere, the machinery maker, which has so far taken a $300 million hit from tariffs, expects more and is now starting to sack workers. It is not going to change course because of an interest rate cut. Nor are other major corporations such as Nike, which is reported to have taken a $1 billion hit to its bottom line. Nor are smaller firms that are facing rising input costs.

In his ongoing rants against Fed Chair Jerome Powell, Trump has pointed to another of the motivations for demands for interest rate cuts—the rising interest bill on US government debt, running at close to $1 trillion. It is fast becoming the largest item in the US budget, along with military spending. US finances are approaching a situation where more money must be borrowed just to pay the interest bill on past debts.

The worsening situation is highlighted in an article in the current edition of *Foreign Affairs* headlined “America’s Coming Crash.” The author is former International Monetary Fund chief economist Kenneth Rogoff, now a professor at Harvard.

He begins by noting that for the past quarter of a century the world has “looked in wonder at the United States’ ability to borrow its way out of trouble,” and that “again and again” the US was able to use debt to fight wars, global recessions, pandemics and financial crises.

Interest rates remained ultra-low after the 2008-9 global financial crisis and “many economists” came to believe they would remain so into the distant future. Running deficits, based on fresh borrowing, “seemed a veritable free lunch.” Given the dollar’s reputation as the world’s safest and most liquid asset, global investors “would always be happy to digest another pile of dollar debt.”

But now, he continued, “the past few years have cast serious doubt on those assumptions.”

Long-term interest rates had “risen sharply” on 10- and 30-year Treasury bonds. The US debt at $37 trillion was now as large as that of all the other major advanced economies combined, and an interest rate rise of just one percent translated into an additional payment of $370 billion the government had to make on its interest bill.

There are now very clear indications that confidence in the US dollar—the basis of the ability of the US to lift debt to record heights—is weakening rapidly. It has lost 10 percent of its value against other currencies so far this year, and all indications are that it has further to go.

Last week a note issued by Deutsche Bank said that “foreign investors are removing dollar exposure at an unprecedented rate.”

While they are still pouring money into the rising US stock market—recalling the adage by former Citigroup chief Chuck Prince in 2007 that “as long as the music is playing, you’ve got to get up and dance”—they are hedging their dollar bets in the expectation that the dollar will fall.

The rising price of gold is another indication of a growing lack of confidence in the US dollar as a fiat currency, backed by no real value, but only by the US financial system and its state.

The price of gold is now over $3,600 per ounce, having risen more than 35 percent so far this year. Goldman Sachs has predicted it could reach $4,000 by the middle of next year and has said it could climb to $5,000 if the attacks by Trump on the Fed are seen to damage the Fed’s independence.

Much of the increase in the price of gold is due to increased purchases by central banks—up five-fold in the past three-and-a-half years—to such an extent that gold is now the number two reserve asset after the dollar, overtaking the euro.

Last week’s Fed meeting gave the appearance of calm. As the *Wall Street Journal* put it, it looked like “routine monetary policy,” the markets “largely shrugged,” and Powell “mostly avoided acrimonious dissents over a decision that came amid unprecedented political confrontation.”

But that confrontation indicated that just below the surface there are tensions building up within the financial system that will at some point erupt.