News

Powell plans to remain on Fed board, cites legal actions by Trump administration



President Donald Trump listens to Federal Reserve Chairman Jerome Powell speak during a visit to the Federal Reserve, July 24, 2025, in Washington. PHOTO COURTESY OF AP PHOTO/JULIA DEMAREE NIKHINSON

Jerome Powell said Wednesday he plans to remain on the board of the Federal Reserve after his term as chair ends next month "for a period of time, to be determined," saying the "unprecedented" legal attacks by the Trump administration have put the independence of the nation's central bank at risk.

"I worry these attacks are battering this institution and putting at risk the things that really matter to the public," Powell said in remarks at a press conference after the Fed announced its decision to keep its benchmark interest rate unchanged.

Powell's decision to stay — the first time a Fed chair will remain on the board as a governor since 1948 — denies President Donald Trump a chance to fill a seat on the central bank's seven-member governing board with his own appointee. The Senate Banking Committee earlier approved Powell's successor as chair, Trump appointee Kevin Warsh, on a party-line vote. Powell will continue as a Fed governor, possibly until January 2028. Warsh, if confirmed, will take a seat currently held by Stephen Miran, a previous Trump appointee, whose term ended in January.

Powell's move could make it a bit harder for Warsh to engineer the rate cuts that Trump has demanded, and Warsh advocated for last year, economists say.

"It probably means it will take Warsh a little bit longer to build the consensus he is trying to build," said David Seif, chief economist for developed markets at Nomura, an investment bank.

U.S. Attorney for the District of Columbia Jeanine Pirro said on X Friday that her office was ending its probe into the Fed's extensive building renovations because the Fed's inspector general would scrutinize them instead. But she added that her office could reopen the investigation if "the facts warrant doing so." And Pirro had said previously that she would appeal a court ruling that threw out subpoenas her office had issued.

Powell said Wednesday he had been assured by the Justice Department that the appeal wouldn't result in a reopening of the probe unless a separate investigation by the Fed's inspector general finds evidence of criminal activity.

Apparently, that didn't bring Powell the closure he felt is needed.

"I'm waiting for the investigation to be well and truly over with finality and transparency," he said. "I'm waiting for that and I will leave when I think it appropriate to do so."

The Fed Wednesday left its benchmark interest rate unchanged for the third straight meeting but signaled it could still cut rates in the coming months, moves that attracted the most dissents since October 1992. Three officials dissented in favor of removing the reference to a future cut, while a fourth, Miran, dissented in favor of an immediate rate cut.

The dissents underscore the level of division on the Fed's 12-member rate-setting committee ahead of the end of Powell's term as chair on May 15.

"Developments in the Middle East are contributing to a high level of uncertainty about the economic outlook," the Fed said in a statement after its two-day meeting. "Inflation is elevated, in part reflecting the recent increase in global energy prices."

Trump responded to Powell's decision late Wednesday on his social media website: "Jerome 'Too Late' Powell wants to stay at the Fed because he can't get a job anywhere else — Nobody wants him," Trump posted, using his nickname for the Fed chair.

Warsh has promised "regime change" at the central bank and may make sweeping changes to its economic models, communications strategies, and balance sheet. He has argued in favor of rate cuts, as Trump has demanded, but he will likely find it harder to implement them with inflation topping 3%, above the Fed's target of 2%.

When asked if he believed Warsh would stand up to political pressure from Trump, Powell answered, "He testified very strongly at his hearing, and I take him at his word."

The three officials who dissented against hinting that the Fed may reduce borrowing costs were Beth Hammack, president of the Federal Reserve Bank of Cleveland; Neel Kashkari, president of the Minneapolis Fed; and Lorie Logan, president of the Dallas Fed. The regional Fed bank presidents have historically been more likely to dissent, while the Washington-based governors more often support the chair.

The dissents could renew tension between the Trump administration and the bank presidents, who White House officials have previously criticized.

Beth Ann Bovino, chief economist at US Bank, said the dissents demonstrated that Fed policymakers are "very independent" and will likely be on hold for months longer. She has forecast a rate cut in December but now isn't sure. Wall Street investors on average don't expect a reduction until well into next year, according to futures pricing.

Powell's decision to stay on could worsen tensions with the Trump administration and would create what some analysts refer to as a "two Popes" scenario, with a chair and former chair both on the Fed's board. In that case, divisions among policymakers could increase, if some decided to follow Powell's lead rather than Warsh's.

Powell dismissed the notion that his staying on could cause dissension, saying, "My intention is not to interfere," later adding that, "I'm not looking to be a high profile dissident or anything like that."

Still, Powell said he remained concerned about the Fed's independence from the White House, which he said is essential to its ability to set rates to benefit the public, rather than in response to political pressure. When the Fed raises or cuts its short-term rate, over time it affects the cost of mortgages, auto loans, and business borrowing.

Fed independence remains "at risk," he said. "We're having to resort to the courts to enforce our ... ability to make monetary policy without political considerations. We've had to do that and we've been successful so far, but that's not over, none of that has concluded yet."

The unusual situation comes while the economic picture remains unusually murky, putting the Fed in a difficult spot. Inflation has jumped to 3.3%, a two-year high, as the war has sharply raised gas prices. That makes it harder for the central bank to reduce rates. The Fed typically leaves rates unchanged, or even raises them, if inflation is worsening.

At the same time, hiring has ground almost to a halt, leaving those without jobs frustrated by the difficulty of finding new ones. Typically, the Fed cuts rates when the job market is weak, to spur more spending and job gains.

But layoffs also remain low, as employers appear to be following a " low-hire, low-fire " strategy. Many Fed officials have suggested that as long as the unemployment rate is low, the central bank doesn't need to cut rates to spur more spending and hiring. Unemployment declined to 4.3% in March, from 4.4%.

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