



The Daily Dish

Federal Reserve Independence

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Financial markets have gyrated recently in response to the “Liberation Day” tariff announcements and President Trump’s [pronouncement](#) that Federal Reserve Chair Jerome Powell’s “termination cannot come fast enough.” (He later insisted that he had “no intention of firing” Powell, which puts an ominous spin on “termination.”) The fallout from the dangerous launch of a 10-percent universal tariff and ill-conceived reciprocal tariffs was simply proportionate to the magnitude of this policy error. Even with the “pause” of the reciprocal tariffs, the United States is in uncharted waters. These are the largest tariffs in 100 years. Markets have every reason to be wary.

On the other hand, concerns over the independence of the Federal Reserve may be slightly hyperbolic. Most experts agree that the president does not have the authority to remove the chairman of the Board of Governors. It would take time, but the legal system would back Powell. And there are other guardrails that would kick in even more quickly.

The first is, obviously, the financial markets. We have seen their power already. The second is the structure of the Federal Reserve. Even if Powell were removed, he would still be on the Board of Governors of the Fed. As such, he would have a seat on the Federal Open Market Committee (FOMC), the Fed’s monetary policy body. As it turns out, the members of the FOMC (governors of the Fed and five regional Federal Reserve Bank presidents) elect the chair of the FOMC. Powell would undoubtedly retain the reins on monetary policy.

A third is the Senate. The Federal Reserve is a creation of Congress, and there are enough Senators who value the independence built into monetary policy that they would be unlikely to confirm any replacement nominated to replace Powell. Moreover, knowing that replacing the Fed chair is a futile venture, the president has no incentive to initiate action to begin with.

Don’t be mistaken: There is nothing about the president’s behavior or comments toward the

Fed, and Powell in particular, that is even remotely defensible. But at this juncture it is important to sort the policy problems by their magnitude and certainty. The tariffs are large, certain, and dangerous. Replacing the Fed chair is pointless and unlikely.