



The Daily Dish

Ineptitude Thy Name Is Trump Fed Policy

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The Trump Administration's campaign against the monetary policy of the Federal Reserve and its leader, Chairman Jerome Powell, continues unabated but becomes more ludicrous each day. The famous "Have you no sense of decency, sir?" quote (attributed to the chief counsel of the U.S. Army when addressing [Senator Joseph McCarthy](#)) applies equally well to this campaign. What began as a disagreement over interest rate policy has descended into escapades like Bill Pulte – director of the Federal Housing Finance Agency, which has no authority over the Fed – [grandstanding](#) at the corner of 20th and Constitution.

For those who have not followed the blow-by-blow, it began with President Trump's long-standing desire for low interest rates – certainly lower than is currently the policy of the Federal Open Market Committee. About this, there can be principled disagreement among thoughtful observers of monetary policy. A seminar on interest rate policy was not what President Trump had in mind, however. It quickly turned to the usual presidential bag of tricks: personal insults and threats. The threat was to fire Powell, which there is near-universal agreement that the president does not have the authority to do, without cause.

Faced with this, the administration pivoted to the \$2.5 billion, about \$600 million over budget, renovation of the Fed's two headquarters buildings in Washington, D.C. If it could be proved that Chairman Powell had somehow been involved in malfeasance (the president alluded to "fraud"; Director of Comedy Pulte asserted that "something is very bad"), then Powell could be removed for cause. Eakinomics has no idea regarding the substance of the cost overruns. But if anyone thought renovating two buildings on the National Register of Historic Places that were also adjacent to the National Mall was going to be a cakewalk, they've never even re-tiled their bathroom.

But that is literally a sideshow. The key question is whether the Fed has judged the near-term outlook correctly and managed interest-rate policy appropriately. Recall that the

Congress gave the Fed a dual mandate for price stability (which is interpreted as keeping inflation at the 2-percent target) and full employment (interpreted as sustained high employment growth). Coming into 2025, inflation remained stubbornly above the 2-percent target. With the president's imposition of tariffs at a level not seen for 100 years, both mandates became endangered. Tariffs are an upward pressure on the price level - which will temporarily look like inflation to the casual observer - and a huge tax hike on consumers and businesses, which will be a headwind to growth in output and employment.

These are not controversial judgments. The hard part is "how big" will be the inflation and growth effects, and "how fast" will they materialize. These are hard judgments, made harder by the president's mercurial management style. It is also true that even if people agree on the outlook, they may disagree on which is more important: inflation or employment growth.

So, as you watch the spectacle of administration officials parading through the construction site this week, remind yourself that the Fed is a serious institution, engaged in serious (not to be confused with error-free) policymaking on behalf of the American people. It's too bad it does not have a like partner in the administration.