

**Federal Reserve****Trump says he would replace 'political' Jay Powell as Fed chair**

Former president revives his criticism of the central bank leader



Donald Trump nominated Jay Powell to lead the Fed in 2018 © Getty Images

**James Politi** in Washington and **Jennifer Hughes** in New York FEBRUARY 2 2024

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Donald Trump said he wanted to replace Jay Powell as chair of the Federal Reserve, accusing him of being “political” and predicting that he would cut interest rates to “help the Democrats” this year.

Trump was fiercely critical of Powell while he was president from 2017 to 2021, and his latest comments point to serious friction between the Fed and the White House that could erupt next year if he defeats Joe Biden in November.

“I think he’s going to do something to probably help the Democrats,” Trump told Fox Business Network, according to excerpts of an interview to be aired on Sunday. “It looks to me like he’s trying to lower interest rates for the sake of maybe getting people elected, I don’t know.”

When asked if he would offer another four-year term to Powell in 2026, Trump, who is the frontrunner for the Republican presidential nomination, answered: “I wouldn’t do that”.

Although Trump nominated Powell to Fed chair in 2018, he eventually turned against the US central bank, accusing it of keeping interest rates too high at the time of the trade wars with China and Europe in a brazen challenge to the US central bank’s independence.

In an August 2019 tweet, Trump wrote his “only question is, who is our biggest enemy” — Powell or Xi Jinping, the Chinese president.

Speaking to reporters after this week’s meeting of the Federal Open Market Committee, Powell, who was reappointed to a second term by Biden, brushed off a question about whether he would want a third term as Fed chair.

“I don’t have a stance on that,” Powell said. “It’s not something I’m focused on . . . This year is going to be a highly consequential year for the Fed and for monetary policy, and we’re all of us very buckled down, focused on doing our jobs.”

The Fed has raised the benchmark interest rate from near zero to a target range between 5.25 and 5.5 per cent over the past two years to fight inflation. It has signalled that later in 2024 it may start lowering rates.

Powell is due to speak to CBS in an interview on Sunday. Although his term as chair of the Fed ends in 2026, his term on the board of the central bank lasts until 2028.

In addition to bashing Powell for being “political”, Trump also said in the Fox Business interview that the Fed chair had missed the surge in inflation, and warned that the war in the Middle East would trigger “tremendous spikes in the price of oil”.

“You’re going to have big inflation. He’s not going to be able to do anything,” Trump said, referring to Powell.

Eswar Prasad, a professor at Cornell University, said Trump’s remarks were “a symbol of the dire and extremely worrying threats made by Republican candidates to the independence of the Fed”.

Financial markets have been following the US presidential race closely but investors have been wary of building strategies so early in the contest, choosing instead to focus more on Powell's policies than his chances of keeping his job after the election.

"Everyone is talking about the election," said Monica Defend, head of European fund giant Amundi's Investment Institute after visiting US clients last week. "But the market is not yet worried — it has still been focused on central banks."

In past election years investors have typically waited to move money until at least early summer as victorious candidates emerge and policies can be assessed along with each side's chance of success.

Trump has been quick to claim credit for stock markets' recent strong performance, telling supporters that the market "goes crazy" every time he does well in polls.

The former president would not be drawn on who he might tap as a successor to Powell, but possible candidates include Kevin Warsh, a former Fed governor, and Judy Shelton. Trump had nominated Shelton to the central bank's board when he was president, but she ran into strong opposition in the Senate and her candidacy was later withdrawn by Biden when he took office.

"I would have a couple of choices. I can't tell you now," Trump said.

*Additional reporting by Claire Jones*

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