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CENTRAL BANK

Trump to nominate top economic aide to Federal Reserve

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WASHINGTON>> President Donald Trump said Thursday he will nominate a top economic adviser to the Federal Reserve's board of governors for four months, temporarily filling a vacancy while continuing his search for a longer-term appointment.

Trump said he has named Stephen Miran, the chair of the White House's Council of Economic Advisers, to fill a seat vacated by governor Adriana Kugler, a Biden appointee who is stepping down Friday. Miran, if approved by the Senate, will serve until Jan. 31.

The appointment is Trump's first opportunity to exert more control over the Fed, one of the few remaining independent federal agencies. Trump has relentlessly criticized the current chair, Jerome Powell, for keeping short-term interest rates unchanged, calling him "a stubborn MORON" last week on social media.

Miran has been a major defender of Trump's income tax cuts and tariff hikes, arguing that the combination will generate enough economic growth to reduce budget deficits. He also has played down the risk of Trump's tariffs generating higher inflation, a major source of concern for Powell.

The choice of Miran may heighten concerns about political influence over the Fed, which has traditionally been insulated from day-to-day politics.

Fed independence is generally seen as key to ensuring that it can take difficult steps to combat inflation, such as raising interest rates, that politicians might be unwilling to take.

Federal Reserve governors vote on all the central bank's interest-rate decisions, as well as its financial regulatory policies.

Miran's nomination, if approved, would add a near-certain vote in support of lower interest rates. Kugler had echoed Powell's view that the Fed should keep rates unchanged and further evaluate the impact of tariffs on the economy before making any moves.

← Note

Trump has said he will appoint a Fed chair who will cut interest rates, which he says will reduce the borrowing costs of the federal government's huge $36 trillion debt pile. Trump also wants lower rates to boost moribund home sales, which have been held back partly by higher mortgage costs.

Yet the Fed doesn't directly set longer-term interest rates for things like home and car purchases.

At its most recent meeting last week, Fed officials kept their key rate unchanged at 4.3%, where it has stood after three rate cuts late last year. But two Fed governors — Christopher Waller and Michelle Bowman — dissented from that decision. Both were appointed by Trump in his first term.

Still, even with Miran on the board, 12 Fed officials vote on interest rate policy and many remain concerned that Trump's sweeping tariffs could push inflation higher in the coming months.

Miran could be renominated to a longer term on the Fed once his initial appointment is concluded, or replaced by another nominee.

Powell's term as chair ends in May. Yet, Powell could remain on the board of governors until January 2028, even after he steps down as chair. That would deny, or at least delay, an opportunity for Trump to appoint an additional policymaker to the Fed's board.

As a result, one option for Trump is to appoint Powell's eventual replacement as chair to replace Kugler once the remaining four months of her term are completed.

Leading candidates for that position include Kevin Warsh, a former Fed governor from 2006 to 2011 and frequent critic of Powell's chairmanship, and Kevin Hassett, another top Trump economic adviser.

Another option for the White House would be to select Waller, who is already on the board, to replace Powell.

Note

After the July jobs report was released last Friday, Miran criticized the Fed chair for not cutting benchmark interest rates, saying that Trump had been proven correct on inflation during his first term and would be again.

The president has pressured Powell to cut short-term interest rates under the belief that his tariffs will not fuel higher inflationary pressures.

"What we're seeing now in real time is a repetition once again of this pattern where the president will end up having been proven right," Miran said on MSNBC.

"And the Fed will, with a lag and probably quite too late, eventually catch up to the president's view."