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The project's ballooning costs reflect a familiar pattern in Washington.



The Federal Reserve headquarters renovation is seen under construction late last month. AL DRAGO/ BLOOMBERG NEWS

Powell Pressured Over Fed HQ Cost Overruns

Trump allies' attack over renovation paves potential legal path to oust chair

BY NICK TIMIRAOS

White House advisers are ramping up a pressure campaign against Federal Reserve Chair Jerome Powell by alleging he either lied to Congress about the Fed's headquarters renovation or grossly mismanaged it, potentially creating a new legal avenue to oust him.

The complaints open a new line of attack against Powell as part of a broader push for him to lower interest rates. It follows President Trump's demands that the Fed consider federal debt-service costs when setting rates, something the institution has strongly resisted after securing its independence from the Treasury Department in 1951. *

Trump said Friday he wasn't planning to remove Powell, whom he named as Fed chair during his first term, but said he was doing "a terrible job," and added "he's costing our country a lot of money."

The administration formalized its latest challenge Thursday with a letter from Russell Vought, Trump's budget director. In it, he implied Powell either made false statements to Congress about the \$2.5 billion renovation of three office buildings overlooking the National Mall in

Washington or failed to comply with permitting rules around capital-area construction.

Trump simultaneously stacked the federal commission that must sign off on major construction projects in the capital with three White House advisers, including James Blair, a deputy chief of staff.

On Friday, Vought said that both his office and the new Trump advisers at the National Capital Planning Commission are "going to be asking very, very tough questions" about Powell's recent statements and about cost overruns that are "horrible."

The Wall Street Journal reported two years ago about cost overruns on the building project. The issue gained political traction in June when Sen. Tim Scott (R., S.C.) pressed Powell about the expenses, including luxury features, during a

congressional hearing. Powell disputed media accounts about certain high-gloss finishes, saying they weren't part of the latest design plan.

A Fed official said Powell was honest in his congressional testimony about the building plans. It isn't clear whether the design changes were substantial enough to warrant new plans being filed with the planning board. The Fed's external building manager hadn't advised that any of the planned changes needed to be resubmitted, the Fed official said.

In an interview, Blair said he was "very keen to pry into" the Fed's compliance with submitted building plans from his new perch on the planning commission.

"If it is found out that Chair Powell did lie to Congress, I would think the Board of Governors and the American people — and the U.S. Senate— would have severe concerns about that," he said.

The building allegations take on greater significance given Trump's frequently expressed desire for lower rates and legal constraints on presidential power over the Fed. A recent Supreme Court order suggested Fed officials couldn't be removed from their jobs over a policy dispute, meaning they would have to be removed "for cause," generally interpreted to mean malfeasance or dereliction of duty.

White House advisers sidestepped questions over whether the administration might use any findings to seek Powell's dismissal. "You guys want to make it more about a metaphysical question about the independence of the Fed," Vought said Friday.

In his letter to Powell, Vought asked a series of questions designed to find discrepancies in Powell's testimony or deficiencies in the Fed's submissions to the planning authority.

On Friday evening, the Fed posted on its website a series of answers to addressing questions posed by Vought and other claims critics have lodged in recent weeks about the project and Powell's testimony. Cost increases have partly reflected unforeseen construction conditions such as more asbestos than anticipated, toxic contamination in the soil, and a higher-than-expected water table, the Fed said.

Fed scholars called the latest developments a transparent attempt, at best, to open up a new pressure front on the central bank and, at worst, a dangerous step toward manufacturing a legal justification for Powell's removal.

"We are in a high-stakes moment in the history of the Federal Reserve," said Peter Conti-Brown, a Fed scholar at the University of Pennsylvania. "It seems clear to me that the Trump administration, using various mechanisms, [has] now cooked up a post-hoc explanation for Powell's removal."

Investors have taken note because firing a Fed chair for political reasons would shatter decades of established norms that underpin global confidence in the U.S. dollar. "If President Trump and his allies launch this assault on the Fed, they will introduce profound instability into virtually every aspect of the global economy," Conti-Brown said.

The effort echoes a similar pressure campaign by President Richard Nixon ahead of the 1972 election, when his administration planted false stories about Fed Chair Arthur Burns seeking a pay raise while pushing unpopular economic policies.

The renovation's ballooning costs reflect a familiar pattern in Washington. Like many federal projects constrained by the capital's height or other aesthetic restrictions, the Fed had to build expensive underground space instead of adding floors. The project, which the Fed board approved in 2017, involves retrofitting two historic buildings on Constitution Avenue. It completed the refurbishment of a third adjacent building in 2021.

"No one in office wants to do a major renovation of a historic building during their term in office, let alone two historic buildings that needed a lot of work," Powell said during testimony last month.

The building pressure follows Trump's broader push for lower interest rates. The Fed isn't expected to cut at its meeting later this month, but Powell has signaled a reduction is possible later this year if inflation is well behaved or the labor market weakens.