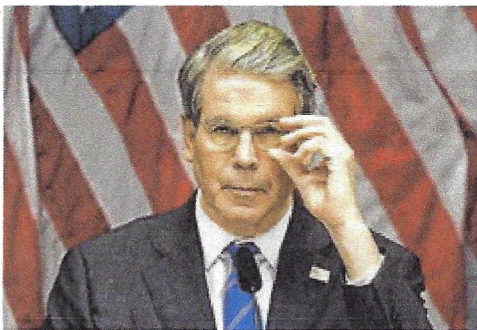




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Treasury Secretary Scott Bessent was ruled out for the Fed job. MAGNUS LEJHALL/ EPA/ SHUTTERSTOCK

Trump Gets Path To Boost Influence At the Fed

An early exit gives the president more leverage on rate cuts; Bessent is ruled out

BY NICK TIMIRAOS AND BRIAN SCHWARTZ

In the chess game over bending the Federal Reserve to his will and sidelining Chair Jerome Powell, a significant piece just fell into President Trump's hands.

Fed governor Adriana Kugler said unexpectedly last week that she will leave the central bank this Friday, about six months before her term was set to end. That gives the president the chance to install his own pick on the rate-setting committee earlier than he had expected, adding pressure on Powell with a new ally who can push for rate cuts.

Trump could also use that selection to position someone as the heir apparent to Powell, creating a competing voice that markets listen to for signals about the Fed's future direction.

Trump said Tuesday he would make his decision later this week, including whether to nominate to the post his choice to succeed Powell next year or whether to instead pick someone who could simply serve out the last few months in Kugler's term.

Earlier Tuesday in a CNBC interview, Trump ruled out choosing Treasury Secretary Scott Bessent as the successor to Powell, whose term ends next May.

"The bonus for Trump is he can spend less time complaining about Powell because he can spend time focusing on who he wants," said Stephen Myrow, managing partner at Beacon Policy Advisors, a research firm.

Kugler didn't offer any reason for resigning last week. The Fed said she was returning to the faculty at Georgetown University, where she taught before then-President Joe Biden nominated her to the Fed post in 2023. Kugler has been an advocate for holding rates steady this year.

Trump has been seriously considering tapping Kugler's successor to be his next Fed chair, a senior administration official said. As of late Monday, Trump was still hearing out allies for who should succeed Kugler and had yet to make a decision on the person he will nominate, a person with direct knowledge of the matter said.

It is a potentially consequential decision because while his pick will be just one of seven Fed governors, it might be his only chance to install his choice to succeed Powell as chair next spring.

The president chooses the Fed chair from among the members of the Fed's board of governors. Trump can't count on having another vacancy with which to freely choose Powell's successor. Powell's term on the board doesn't end until 2028. No other current governor's term expires during Trump's time in office.

Note

"If they want to elevate someone to be chairman who's not on the board now, this has to be the pick," said Andy Laperriere, head of U.S. policy research at Piper Sandler.

It is a twist to a saga that has already featured unusual plotlines. Frustrated over Powell's reluctance to lower interest rates, Trump has badgered the Fed leader with insults on social media and a White House campaign to draw attention to cost overruns on the central bank's renovation of two historic buildings. Now, Trump can mold the Fed to his liking without donning a hard hat for a surprise visit at the Fed, as he did two weeks ago.

People close to the administration see Kevin Hassett, Trump's longtime economic adviser, as the clear front-runner if the president decides to fill the job soon with the person he intends to select as the next chair. "He is the most confirmable person that is also the most loyal," said Mark Spindel, an investment manager who co-wrote a book about the Fed's independence.

Trump said on CNBC that Hassett and former Fed governor Kevin Warsh are among the four final candidates to succeed Powell. Warsh, the runner-up for the job when Trump selected Powell eight years ago, has also been campaigning aggressively for the post.

Trump's pick would need to be confirmed by the Senate, which isn't set to return to Washington until September.

To become chair next May, that person would need a second confirmation for the chairmanship and a third for a new 14-year governor term—though both could happen simultaneously. (While the term of a Kugler successor expires on Jan. 31, governors who haven't served a full 14-year term can stay on the board if a successor hasn't been nominated and confirmed.)

Some analysts say winning the job of prospective chair—waiting could be a poisoned chalice. To stay in Trump's favor, the pick might need to publicly challenge Powell and his colleagues—particularly those who have been more hesitant to lower rates because of worries about elevated inflation. Doing so risks alienating the very committee whose support would be crucial once they become chair.

The upshot is that anyone --nominated to fill Kugler's seat who is auditioning for the chairmanship risks compromising their perceived independence, or willingness to make unpopular decisions to contain inflation, by demonstrating loyalty to Trump's preference for lower rates.

"This pick, whoever it is, is damaged goods," Laperriere said.

Eventually, the central bank will find itself in a spot where there is a close call over whether to lower rates, he said. If the public begins to think the Fed is making decisions based on political loyalties rather than sound analysis, the Fed could lose credibility. "That day is coming, almost no matter what. Do you really want a Fed chair who is hampered by this?" Laperriere said.

Alternatively, Trump could decide to temporarily fill the post with an outspoken Fed critic who will take to the airwaves, then swap that person out next spring with someone else as his choice for chair. Trump could also leave the seat vacant for now.

Another option would be to tap an existing governor for the chair. The most likely internal candidate is Christopher Waller, a Trump appointee who interviewed with Bessent for the job two weeks ago, people familiar with the matter said.