

Fed takes fresh steps to defend renovations

BY COLBY SMITH

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The Federal Reserve took additional steps Monday to defend the renovations underway at its headquarters in Washington, as top Trump administration officials show little sign of backing down from allegations that the roughly \$2.5 billion project has been mismanaged.

The central bank published a virtual tour of the active construction site, including footage of asbestos caulking being removed and blast resistant windows being installed. The Fed, which has said it has scaled back its initial plans, highlighted changes made to a 2021 proposal submitted to a little-known planning board.

The Fed's renovation has become central to the administration's attempts to undermine and potentially oust Jerome Powell, the chair of the central bank.

The White House has fixated on the project's cost overruns, as well as what it described as luxury features included in the initial plan submitted to the National Capital Planning Commission. Those had included new water fountains and a roof terrace for staff, neither of which is part of the latest proposal. The Fed has also clarified that its headquarters will not have a VIP dining room or private elevators, both of which had previously garnered criticism from the White House.

Top administration officials, including James Blair, the White House's deputy chief of staff, have demanded a tour of the construction site. On Friday, Blair, newly appointed to the National Capital Planning Commission, rejected an offer by the Fed to visit at 7 that evening and said he did not want to see the site after-hours. "We want to see what's going on," he told reporters. "We want to see what the construction is like."

Blair has referred to the Fed's headquarters as the "Taj Mahal on the National Mall." He also has gone after Powell directly, posting a meme on social media of the central bank chair dressed as Marie Antoinette that read, "Let them eat basis points."

The renovations, which have been happening since 2021 and are around \$700 million over budget, have become the administration's latest attack line against Powell, whose hesitancy to lower interest rates has made him a frequent target of President Donald Trump.

Trump has called for borrowing costs, which are in range of 4.25% to 4.5%, to be roughly 3 percentage points lower. He has argued, incorrectly, that there is no inflation, and has said that by maintaining interest rates, the Fed is costing the country trillions of dollars in expenses associated with the government covering interest payments on its debts.

The president, who has repeatedly insulted Powell, has advanced his pressure campaign. Last week, Trump more openly toyed with trying to fire Powell despite protections granted by the Supreme Court that limit Trump's ability to do so, and he brandished a draft letter firing Powell to House Republicans in the Oval Office.

Powell can be removed from his post only if there is "cause," an ambiguous term that legal experts have often interpreted to mean gross misconduct or a violation of the law. That has caused the administration to try to build a case against Powell, alleging that he mismanaged the renovations. Trump has even gone so far as to question if Powell had committed "fraud."

"I mean it's possible there's fraud involved with the \$2.5 billion renovation," Trump said last week.

Despite the pressure campaign, the Fed is widely expected to again hold interest rates steady when its officials gather for their July meeting next week.

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