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They politicized the central bank under Obama and Biden, including by appointing Lisa Cook.



LIFE SCIENCE

Suddenly the Democrats Want an Independent Fed

It's hard not to gag over the dirges in the press for the Federal Reserve's "independence." Or the encomiums to Gov. Lisa Cook, the Biden appointee President Trump fired last week, who has become a martyr for a cause Democrats didn't much care about when they were in charge of Washington.

"How the Future of the Fed Came to Rest on Lisa Cook" was a frontpage New York Times headline on Saturday. Please. Democrats during the Obama and Biden presidencies tried to co-opt the central bank to drive their political agenda. The difference is Mr. Trump is doing so brazenly and with brass knuckles.

Start with the 2010 Dodd-Frank Act, which required the Fed Board of Governors and its regional banks to establish an Office of Minority and Women Inclusion to "assess the diversity policies and practices of entities" they regulate. In short, Democrats required the Fed to examine banks to ensure they were sufficiently woke.

During the 2020 campaign, Joe Biden called for expanding the Fed's dual mandate—that is, supporting "maximum employment" and price stability—to include racial "equity." This would mean the Fed would have to conduct monetary policy with the aim of reducing racial economic disparities.

The central bank adopted a version of such a mandate in the summer of 2020, when it decreed that maximum employment was "a broadbased and inclusive goal." As inflation heated up in 2021, Fed members cited this elusive goal as a reason not to raise interest rates. Democrats in Congress also exhorted the Fed to keep money easy.

"I trust that you will never lose sight of the fact that millions of Americans are dependent on the Fed continuing to support the economy's recovery," South Carolina Rep. James Clyburn, a counselor to Mr. Biden, told Fed Chairman Jerome Powell at a June 2021 hearing.

California Rep. Maxine Waters, who led the House Financial Services Committee, praised Mr. Powell for supporting Congress's big Covid spending packages. "That's quite unusual for a Fed chair, who is usually more cautious and more careful about expenditures," she said. Yes, it was.

Mr. Powell, whose first term as chairman ended in spring 2022, was eager to be reappointed. It's hard to believe politics didn't factor into his decision to keep money loose in 2021. Not until Mr. Biden renominated him that November did Mr. Powell ac-

—knowledge inflation wasn't "transitory" and commit to "use our tools to make sure higher inflation does not become entrenched."

It's also hard to believe politics didn't influence Mr. Powell's December 2020 move to join the Network of Central Banks and Supervisors for Greening the Financial System—a group of 114 central banks and financial regulators whose objective is to use monetary policy to promote the left's climate objectives.

Would he have done so if Democrats hadn't seized control of Washington in November 2020? The answer is evident by the Fed's move to pull out of the climate alliance days before Mr. Trump took office in January.

Mr. Biden sought to influence Fed policy with appointments to the Fed. Sarah Bloom Raskin, whom he nominated in 2022 for vice chairman of bank supervision, had called on the Fed to redirect capital from fossil fuels to green energy by using its regulatory power to influence bank lending decisions. (West Virginia Sen. Joe Manchin scotched her nomination.)

Ms. Cook's appointment was no less political. She lacked monetary expertise, and her academic scholarship focused almost exclusively on racial inequities. In 2020 she joined a Twitter mob pushing for University of Chicago economics professor Harald Uhlig to be removed as editor of the Journal of Political Economy because he criticized the defund-the-police movement. Traducing leftist orthodoxy isn't a legitimate cause for getting fired, but never mind.

House Democrats continued to press their racial obsessions on the Fed by passing a bill in 2022 that would have directed the Federal Open Market Committee to "exercise all duties and functions in a manner that fosters the elimination of disparities across racial and ethnic groups with respect to employment, income, wealth, and access to affordable credit." Mr. Biden endorsed it, though it died in the Senate.

How is this anything but politicizing the Fed? True, Mr. Biden didn't publicly try to dictate monetary policy, unlike Mr. Trump, who has demanded lower interest rates. But some Democrats did. Sen. Elizabeth Warren warned in July 2022, just as the Fed was just starting to lift rates, that the "likelihood that overzealous rate hikes trigger a recession is growing."

She hammered the Fed throughout 2024 to reduce rates. It obliged ahead of last year's election. Given the Fed's record, can anyone blame Mr. Trump for suspecting central bankers were trying to help Democrats?

If courts let Mr. Trump fire Ms. Cook, his appointees (assuming the Senate confirms his replacements) will have a majority on the Fed board. But so did Mr. Biden's appointees for much of his presidency. If the Fed bows to Mr. Trump's whims and inflation revives, voters can hold Republicans accountable. But spare us the crocodile tears over Fed "independence."

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