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The White House's attack on the Fed should galvanise the GOP

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Thom Tillis, a Republican member of the Senate Banking Committee, showed his colleagues the proper response to the Department of Justice's investigation of Federal Reserve chair Jay Powell when he promised to oppose the confirmation of Powell's successor until the "legal matter is fully resolved".

Powell is facing a criminal investigation over the testimony he delivered to the Banking Committee about renovations to the central bank's headquarters. This probe is clearly a thin pretext for pressuring the Fed to lower interest rates in accordance with the president's wishes and for intimidating current and future members of the rate-setting committee into bending the knee to Trump.

There is a direct line leading from Powell's potential prosecution to the rate of inflation. If investors and businesses believe that the central bank is making decisions about interest rates based on the president's preferences, they will doubt the Fed's willingness to raise rates when the economy is generating inflationary pressure. Their concern that inflation could be persistently higher than the Fed's 2 per cent target in the future would put upward pressure on today's prices.

Increases in expected future inflation would also put upward pressure on longer-term interest rates. Longer rates could also rise if Powell is prosecuted due to concern about the stability and integrity of America's institutions.

Congress has recognised that low and stable inflation is best managed by a central bank that is independent of the political desires of elected officials to juice the economy. Because of this longstanding bipartisan consensus, the Senate should exercise its constitutional role to approve Fed nominations more aggressively than it would for nominees to the president's cabinet.

Encouragingly, other Republican senators — including some who are not stepping down from office like Tillis — have spoken out about the Powell investigation. John Kennedy, a Louisiana Republican who sits on the Banking Committee, said last Monday "we need this like we need a hole in the head." John Thune, the Senate majority leader, called for the matter to "be resolved quickly" and affirmed his support for Fed independence.

Alaska's Lisa Murkowski has gone the furthest, releasing a statement that Tillis "is right in blocking any Federal Reserve nominees until this is resolved". Powell's term as chair expires in May, but he would remain in office until his successor is confirmed.

These public statements have been promising. The world just learned how far those around Trump are willing to go to capture the Fed. Once the legal threat to Powell has been resolved, this episode makes it even more vital that the Senate ensure Powell's eventual successor is widely perceived to be independent.

There are a few broader lessons from last week. For one, the administration's use of lawfare is rapidly wearing thin among Republicans. Thune captured the sentiment on Capitol Hill in his comments last Tuesday: "If the justice department is pursuing something," he said with a hint of weariness, "I hope they have a smoking gun."

The disorganised frenzy of activity by and around the president is also wearing thin. To name a few recent examples: Trump collaborating with hard-left progressive Senator Elizabeth Warren to seek caps on credit card interest rates, pronouncing wildly oscillating tariffs, and opportunistically shaking down private companies, along with aggressive immigration enforcement and an unclear plan for Venezuela.

I have been surprised over the past few months by how much more common it is to hear Republicans in private conversations express deep frustration with the White House — and with the president himself — than at most points in Trump's first term prior to the pandemic. When the 2028 GOP presidential campaign picks up steam later this year, I expect this trend to accelerate.

King Henry II may not have ordered the assassination of Thomas Becket — but those around the king were taking their cues from him when they killed the archbishop in Canterbury Cathedral. If Trump did not direct the justice department to open this investigation, then he needs to re-evaluate his cues and the people around him.

When the dust settles from this shocking episode, the Senate could emerge stronger by asserting itself and forcing an end to the Powell investigation — and by ensuring that Powell's successor is independent of the preferences, whims, and incursions of a hyper-active and unchecked president.