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Trump Fires Labor Official and Gains Unexpected Opportunity to Reshape Federal Reserve

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President Donald Trump made headlines on Friday with two significant developments in economic policy that further stoked market volatility. First, Trump dismissed Erika McEntarfer, a key Labor Department official appointed by President Joe Biden, over accusations—without evidence—that she had manipulated U.S. employment data. This followed a disappointing July jobs report from the Bureau of Labor Statistics (BLS), which showed a mere 73,000 jobs added in July, far below expectations. More troubling, however, were the downward revisions of earlier job data, indicating 258,000 fewer jobs created in May and June than initially reported.

Trump responded forcefully, using his Truth Social platform to express frustration, stating, “We need accurate Jobs Numbers. I have directed my Team to fire this Biden Political Appointee, IMMEDIATELY.” He continued, pledging to replace McEntarfer with someone he deemed more “competent and qualified.” The firing was fueled by growing concerns from the White House and market observers about the quality of U.S. economic data, particularly after recent revisions revealed larger-than-expected changes to the employment figures. A Trump administration official, speaking anonymously, noted that the issue had been festering since the COVID-19 pandemic, with inconsistent data undermining confidence in economic statistics.

The BLS has also faced criticism for scaling back its data collection efforts due to budget constraints. As a result, response rates for critical surveys, such as the consumer and producer price indices, have dropped significantly. In July, the BLS response rate stood at just 67.1%, down from 80.3% in October 2020. A Reuters poll last month revealed that 89 out of 100 top policy experts expressed concern about the integrity of U.S. economic data, with many calling for urgent reforms.

While the firing of McEntarfer has raised concerns about the politicization of economic data, some analysts argue that credibility is essential for maintaining the strength of the U.S. economy. Michael Madowitz, a principal economist at the Roosevelt Institute, warned that politicizing economic statistics “is a self-defeating act,” cautioning that the credibility of U.S. economic data is foundational to its global economic standing.

In a separate development, Federal Reserve Governor Adriana Kugler announced her resignation, creating an unexpected vacancy on the Federal Reserve Board. This move provides Trump with an earlier-than-expected opportunity to influence the central bank’s direction. Trump has long criticized Fed Chair Jerome Powell for not cutting interest rates to his satisfaction, and Kugler’s resignation allows Trump to select a new governor who may align more closely with his economic agenda. The resignation has raised speculation about possible candidates to replace Powell, with figures such as Trump economic adviser Kevin Hassett, Treasury Secretary Steven Mnuchin, and current Fed Governor Chris Waller emerging as potential contenders.

As Trump prepares to fill this important vacancy, analysts suggest that Kugler's resignation may be seen as a strategic move, effectively "calling Trump's bluff" regarding his demands for more control over Federal Reserve appointments. Derek Tang, an analyst at LH Meyer, remarked that Kugler's departure "puts the ball in court," forcing him to act on his longstanding pressure for greater influence over the Fed's policymaking.