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Kugler's Early Exit from Federal Reserve Opens Key Vacancy for Trump Appointment

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Federal Reserve (Fed) Governor Adriana Kugler will resign on August 8, nearly 18 months before her term ends, creating an unexpected vacancy that allows former President

Donald Trump to nominate a replacement. Kugler, the first Latina appointed to the Fed Board in 2023, is stepping down to return to Georgetown University, according to a statement from the central bank. She did not participate in this week's Federal Open Market Committee (FOMC) meeting, which left interest rates unchanged amid ongoing economic uncertainties.

Kugler's early departure is notable as it coincides with growing tensions between Trump and the Fed, especially regarding interest rate policy. With Fed Chair Jerome Powell's term ending in May 2026, the vacancy gives Trump a chance to influence the Board's direction ahead of a possible leadership change. Trump has frequently criticized Powell for keeping rates elevated and has called for aggressive rate cuts to stimulate economic growth.

Economist Derek Tang of LH Meyer commented, "I would not read any political motivation into what she's doing, although the consequence of what she's doing is she's calling Trump's bluff." Trump may pursue a Senate-confirmed nominee or a temporary recess appointment if the Senate is out of session.

In her resignation letter, Kugler stated she was proud to have approached her role with integrity and a data-driven focus on labor markets and inflation. Her tenure at the Fed coincided with stubborn inflation and multiple rate hikes aimed at stabilizing prices.

At the latest FOMC meeting, the Fed held the benchmark rate steady at 4.25% to 4.5%, pending more data on inflation and labor markets. Two members dissented, advocating for a rate cut due to concerns over a weakening labor market and the short-term inflationary impact of Trump's recent tariff policies.

Those concerns intensified after Friday's release of weaker-than-expected job numbers, including sharp downward revisions to previous employment reports. Trump responded by accusing the Bureau of Labor Statistics (BLS) of data manipulation and ordered the firing of BLS Commissioner Erika McEntarfer, a Biden appointee, an action that drew scrutiny.

With Kugler's exit, Trump now has a pivotal chance to reshape Fed policy by nominating a candidate aligned with his economic vision, particularly on interest rates and institutional control. Markets and policymakers are expected to closely monitor the selection process.