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Trump Urges Fed to Cut Rates as Powell Holds Firm Amid Tariff Effects

August 2, 2025

— Categories: *Politics & Government*



President Donald Trump is intensifying pressure on the Federal Reserve to lower interest rates, calling for immediate action in response to growing economic strain tied to his administration's tariff policies. Despite the push from the White House, Fed Chair Jerome Powell and the central bank's majority maintain their current stance, holding the benchmark rate steady at approximately 4.3 percent.

The rate decision reflects a cautious approach as the Federal Reserve weighs the broader economic impact of Trump's tariffs, which have raised prices on a wide range of imported goods. Powell acknowledged that inflation is showing signs of persistence, particularly as supply chains adjust to higher input costs driven by trade disruptions.

Two members of the Federal Reserve Board, Governors Christopher Waller and Michelle Bowman, dissented from the decision, both favouring an immediate rate cut. Their opposition highlights growing division within the central bank as economic indicators show slowing growth and heightened uncertainty.

At a recent public appearance, Powell defended the Fed's position, stating that monetary policy must remain guided by data rather than political demands. He emphasised the importance of observing trends in inflation, employment, and consumer spending before altering interest rates. Powell also reiterated the central bank's independence, amid what some economists describe as unprecedented executive pressure.

Trump, however, has continued to criticise Powell, calling him "stubborn" and accusing the Fed of inaction in the face of rising costs and weakening job numbers. He has also urged the Board of Governors to override Powell's leadership and move forward with rate reductions, echoing concerns from manufacturing and retail sectors affected by tighter financial conditions.

Market expectations for near-term rate cuts have diminished as inflation data remains above target and the Fed signals a wait-and-see approach. At the same time, Wall Street remains volatile, with investors closely watching for signs of policy shifts in response to economic data.

The clash underscores the broader challenge of balancing monetary policy with political and trade pressures. While the Fed continues to signal restraint, the growing urgency from the administration adds pressure on policymakers navigating an economy marked by tariff related disruptions and slowing growth momentum.