



## MEMORANDUM

**TO:** Federal Financial Analytics Clients  
**FROM:** Karen Petrou  
**DATE:** July 14, 2025

Due to the din of demands from the Trump Administration, many observers disregarded Thursday's [letter](#) on behalf of the President from OMB Director Vought to Fed Chair Powell. They shouldn't. Mr. Trump is not one to let his enemies off lightly. Even as he continued his anti-Powell [vendetta](#) on Friday, his officials are readying a way to rid the President of his Fed chair in a way they hope the Supreme Court must accept.

The OMB letter built on accusations that first surfaced at a Senate Banking Committee [hearing](#) late last month. These concern renovations at the Fed's Eccles Building, a dump of grim brutalist architecture that never saw better days but was at least once in reasonable repair. Over the last decade or so, one couldn't even say that. It is in fact a prime example of the awful architecture the President wants to blot from the face of the nation's capital.

The Senate GOP inquiry and the OMB letter thus do not question the need for renovation but accused Mr. Powell of allowing gross over-budget spending on luxuries such as "Italian" – not all-American – beehives, "water features", oodles of high-end marble, and a secluded art gallery. Mr. Powell acknowledges over-spending but said it wasn't the Fed's fault and denied any undue expenses for high-end appurtenances. But, questioned in a follow-up GOP letter, Mr. Powell [promised](#) only a staff briefing, doubtless hoping to bury the issue but in fact giving his enemies an open field. Realizing this, the Fed last night [posted](#) a rebuttal to several key Vought allegations.

Still, OMB Director Vought's letter walks by every beehive to demand answers to a series of "what did you know and when did you know it" questions clearly designed to hold Mr. Powell responsible for decisions and expenditures of which he was almost surely largely unaware. Still, if OMB can prove any of its numerous allegations about the renovation regardless of what Mr. Powell may have had to do with it, then it is likely to claim a finding of malfeasance or similar administrative misdeed that will then be deployed to justify a Trump dismissal.

The Federal Reserve Act clearly allows "for-cause" dismissals, not defining what these may encompass. Thus, as long as the "for-cause" assertions don't veer too closely to the policy reasons the Supreme Court cited, the President might well try to force Mr. Powell out.

Could he? If Mr. Powell leaves or is forced to do so when the Senate is in recess, then the President could simply appoint a successor who would remain the chair until Congress reconvenes for the second session in January. However, the law is so replete with the opportunity for such recess appointments that the Senate now never formally leaves town. It remains in pro forma session to ensure that it has a say over key Presidential appointments.

As a result, the more likely scenario after a Powell putsch as required under the Federal Reserve Act gives Vice Chair Jefferson the job until the President appoints a new chair and the Senate confirms him or her. The Federal Reserve Act makes no provision for an acting chair selected from among other officials (e.g., the Treasury Secretary) or Board of Governors.

Mr. Jefferson will be a careful steward of Fed policy, likely doing nothing in terms of dropping rates with which Mr. Powell would disagree. Still, he would be farther from Mr. Trump's line of fire because the public will lose interest in a battle with someone they've never heard of. And Mr. Trump is not without other ways to work his will. For example, Treasury could use authority under the Federal Reserve Act to take charge of Fed decisions it asserts affect fiscal policy. If it does so, change is most likely to do so by hastening a speedy end to the Fed's huge portfolio rather than a sudden rate drop. Secretary Bessent strongly disagrees with much the Fed has done, but he is also very mindful of markets and loath to mess with them.

This gets the President some of the way. To go farther, the President will need to nominate someone who, no matter how aligned with the President's interest-rate goals, is otherwise mostly mainstream. If this occurs, then the Senate is likely to move to speedy confirmation, the FOMC is likely to concur with the new chair, and fixed-income and forex markets will breathe a sigh of relief.

If not, not. And, if not, then who knows? The Fed will surely cease to be the "only game in town," and a good thing too. But blowing the whistle could still lead to one hell of a melee.