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For Years, Powell Avoided Fighting Trump. That's Over.

After receiving grand jury subpoenas Friday, Powell spent the weekend deciding how to respond. By Sunday, he had his answer.

By [Nick Timiraos](#) [Follow](#)

Jan. 12, 2026 at 5:30 am ET



Jerome Powell's response to the threat of criminal charges is wrapped in a directness that he had spent years avoiding. AL DRAGO/BLOOMBERG NEWS

For years, Federal Reserve Chair [Jerome Powell](#) has responded to President [Trump](#)'s broadsides in ways that generally avoided escalation.

That changed on Sunday night. [In an extraordinary two-minute video message](#), Powell accused the administration of using the [threat of criminal prosecution](#) to pressure the Fed into lowering rates. He framed the Justice Department investigation as nothing less than a head-on challenge

to the Fed's ability to operate free of political control.

The subpoenas arrived late Friday. Powell, a lawyer by training, spent the weekend huddled with advisers, weighing how to respond. Powell made clear by releasing the video statement that he wasn't going to let this play out in the shadows.

A criminal investigation of a sitting chair is [without precedent](#). And Powell's message was, too. It was wrapped in a directness that he had spent years avoiding. Powell often chooses his words carefully, and Sunday's unusually stern delivery lacked the diplomatic off-ramp and studied neutrality of his past comments about the White House.

"The threat of criminal charges is a consequence of the Federal Reserve setting interest rates based on our best assessment of what will serve the public, rather than following the preferences of the president," Powell said.

By going public, Powell was making sure that pressure applied in private couldn't stay private. The decision to disclose the investigation appeared to reflect a belief that the public should know what was unfolding: The threat of the prosecution of a sitting Fed chair would be material information for investors or anyone else trying to understand the [forces shaping interest-rate deliberations](#).

The White House referred questions to the Justice Department. A spokesman for Attorney General Pam Bondi declined to comment on the probe but said she "has instructed her U.S. attorneys to prioritize investigating any abuses of taxpayer dollars."

In a brief interview with NBC News Sunday, Trump said that he didn't know about the Justice Department subpoenas and that any criminal investigation wouldn't be related to [disagreements the White House has had with Powell](#) over interest rates.

Some Trump allies have been optimistic that the pressure campaign would get Powell to give up, resigning before his term as chair ends in May. Alternatively, it could ensure he would leave the Fed's board at that point, which would give Trump a second vacancy to fill on the Fed's seven-person board. Powell holds a separate term as a governor that would permit him to stay on the board until early 2028, giving Trump only one vacancy to fill before then.

But if the administration expected Powell to fold, his video remarks Sunday suggested they had misjudged him. Even before news of the investigation, Powell had hired Williams & Connolly, one

of Washington's premier litigation firms, as outside counsel—a precaution given the administration's escalating pressure on the Fed might turn legal. He has also spent years cultivating allies on Capitol Hill.

“Public service sometimes requires standing firm in the face of threats,” Powell said in his statement. “I will continue to do the job the Senate confirmed me to do, with integrity and a commitment to serving the American people.”

People who have worked with him believed he had been looking forward to life after the Fed when his term as chair ended. But walking away now—and handing Trump another vacancy—would be harder to square with what Powell said Sunday night.

Trump [has long pushed for lower interest rates](#), which stimulate growth and tend to lift stock prices. The Fed cut rates three times last year, largely because Powell led the central bank to do so over deepening disagreements over whether stubborn inflation warranted higher rates. Powell has insisted the central bank sets policy based on economic conditions, not political preferences.

Presidents have complained about interest-rate decisions before—Lyndon Johnson reportedly shoved Fed Chairman William McChesney Martin against a wall over interest rates. But the central bank's independence from the White House has been a bedrock principle of economic policy for decades.

The investigation centers on Powell's congressional testimony last June about [a \\$2.5 billion project to renovate](#) historic Fed buildings near the National Mall. White House officials last year alleged Powell either made false statements about the project's costs or failed to comply with permitting requirements. Powell said the building project was just a cover story: The real target was the Fed's independence on rates.

The latest escalation caught analysts off guard because Powell had played a key role in delivering lower interest rates at the Fed's last three meetings, each one facing greater opposition from regional bank presidents who take turns voting at meetings of the rate-setting Federal Open Market Committee.

“Without Powell to act as a shield, it's easy to see Trump quickly turning his ire toward the remaining FOMC participants,” said Tim Duy, chief U.S. economist at research firm SGH Macro

Advisors.

The question now is how Trump responds to Powell's blunt declaration that he won't be intimidated. The administration can back off—or escalate further.

One possibility is that Trump could attempt to fire Powell outright, citing negligence on the Fed's building-renovation project. Trump himself undercut that rationale in July, when he toured the construction site and demurred when reporters asked if it was a fireable offense.

“Look, there's always Monday morning quarterbacks; I don't want to be that,” he said.

Any attempt to fire Powell would likely end up in court, where Trump's [efforts to remove Fed governor](#) Lisa Cook are already being contested. The Supreme Court is set to hear arguments later this month over the scope of the president's power to dismiss Fed officials.

The fallout will extend beyond Powell. Some investors on Sunday reacted to the news with shock, asking how any successor could be seen as independent if defying the president could lead to a criminal investigation.

The [next Fed chair will be confirmed](#) in the shadow of this moment. Whoever it is will face a confirmation hearing in which senators—and markets—will be asking a question that didn't exist before Sunday night: Would this person risk prosecution to do the job the way Powell did?

“Trump has now made it crystal clear that he will accept no less than the Fed bending its knee to him in its decision-making,” said Eswar Prasad, an economist at Cornell University.

Trump's pick could also face more scrutiny from the Senate as a result of the latest escalation. Sen. Thom Tillis (R., N.C.) said Sunday he would block any nominee until the investigation is resolved—a warning that the administration's pressure campaign could create new problems even as it attempts to solve old ones.

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Appeared in the January 13, 2026, print edition as 'Fed Chief Hits Back at Trump'.

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