



By: Tomorrow's Affairs Staff

Trump, the Federal Reserve and the question of independence – a legal precedent that could change the world



At a time when the global economy is facing instability – from energy disruptions and waves of inflation to the fragmentation of global trade – a legal issue in Washington raises the possibility of a tectonic shift in the way monetary policy is conducted.

Donald Trump's decision to **remove** Federal Reserve Governor Lisa Cook and her decision to **sue** the president is not just a domestic political drama.

This decision is challenging the boundaries of executive power, the autonomy of central banks, and the future confidence in global financial institutions.

A precedent that has never been set before

For decades, the Federal Reserve has been regarded as the "independent pillar" of the American system. Its power derives from its mandate to conduct monetary policy independently of daily politics and election cycles.

Although there have been repeated attempts to exert pressure, there has never been an overt attempt by the president to remove a governor mid-term on legally shaky grounds.

Cook pointed out that she was not afforded the right to a hearing or evidence, which violates both the law and constitutional due process

Lisa Cook, who was **appointed** by the Joe Biden administration in 2022 and confirmed by the Senate, has a term ending in 2038. Her legitimacy is unquestioned, but the attempt to replace her comes amid allegations that she made false **statements** about her residency in housing records prior to her appointment.

That's a formal statement, but it's basically an attempt to impose executive power on the Federal Reserve and take control of its policies.

Cook immediately responded with a **lawsuit**, pointing out that she was not afforded the right to a hearing or evidence, which violates both the law and constitutional due process.

Why this case is more than a personal conflict

What makes this situation unique is that it is not just about a position or a personal career. It's about whether the president can use unproven and frivolous allegations to remove the governor and thereby change the composition of the body that decides interest rates.

If Trump **succeeds**, control of the Federal Reserve will pass to the White House, blurring the line between fiscal and monetary authority. If he fails, the central bank's independence will be reaffirmed, but it will also open a new chapter in American constitutional law.

There will be global consequences – from a weakening of the dollar to an increase in risks and fluctuations in the global stock markets

The Fed's institutional weight lies in trust. The markets rely on the fact that decisions on interest rates, bond purchases or bank regulation do not depend on current political requirements but on the assessment of macroeconomic trends.

If this confidence wanes, even if only temporarily, there will be global consequences – from a weakening of the dollar to an increase in risks and fluctuations in the global stock markets.

Trump's motivation and broader strategy

Donald Trump's motivation is multi-layered.

On the one hand, the **removal** of Cook provides him the opportunity to appoint a loyal governor and secure a majority on the Federal Reserve Board.

This presents him the opportunity to aggressively push for a policy of lower interest rates, which is in line with his long-standing criticism of the Fed's "too restrictive" policy. Lower interest rates facilitate borrowing, spur short-term growth and send a political message that his administration is acting quickly to help "ordinary Americans".

This would turn the American institutional framework into a system in which everything is subordinate to the current political majority

On the other hand, this is also a question of power. If the president can remove the Fed governor, it sets a precedent for future attempts to do the same with other independent bodies – market regulators, judicial authorities and even national security agencies.

This would turn the American institutional framework into something previously associated with weaker democracies – a system in which everything is subordinate to the current political majority.

Risks and possible outcomes

If the **court** upholds Cook's appeal and sends her back to the board, it would send a clear signal that even the president cannot arbitrarily fire governors and that the Fed's independence is strongly protected under constitutional law.

This scenario would likely stabilise markets, but it would strain relations between the White House and the central bank, as Trump would continue to exert pressure through public statements and political campaigning.

Should Trump win the legal battle, the markets will **face** serious uncertainty. Monetary policy will then no longer be a defence mechanism against political populism but rather its instrument.

Emerging markets would suffer the most, as any disruptions in US policy could lead to significant capital outflows

Investors would then have to factor in not only economic indicators but also political cycles, government statements and campaign needs. This implies the potential permanent damage to confidence in the dollar, US bonds, and the stability of the global financial system.

Such a scenario would provide scope for other countries to question the Fed's neutrality. China and Russia would use it as an argument for weakening US influence in international finance.

The European Union would be forced to strengthen its own instruments – from the European Central Bank to dollar-independent payment systems.

Emerging markets would suffer the most, as any disruptions in US policy could lead to significant capital outflows.

American democracy and the global consequences

Cook against Trump is not just a technical legal dispute. It is a reflection of the state of American democracy. If it is confirmed that the president can change the composition of the Fed as he sees fit, it means that the lines between the branches of government will be blurred and democracy will be transformed into a system without institutional brakes.

On the other hand, if the court protects Cook's position, it would signal that institutions still have the power to rein in political ambitions.

The question is not only what will happen to US interest rates, but also whether the dollar is still a trusted currency

For global investors and partners, the most important message is that the US institutional framework is no longer as predictable as it once was.

The very fact that such a dispute has arisen is enough to undermine confidence and encourage consideration of alternative models.

The question is not only what will happen to US interest rates, but also whether the dollar is still a trusted currency.

Long-term predictions

Regardless of the outcome, this episode will permanently alter the relationship between the executive branch and the Federal Reserve.

If Trump loses, no president will be able to dismiss the governors so easily, as the ruling will serve as a firm precedent.



If Trump wins, he creates a path for future presidents to follow, thereby transforming the Federal Reserve into an extension of politics

If Trump wins, he creates a path for future presidents to follow, thereby transforming the Federal Reserve into an extension of politics.

This means that decisions on interest rates, liquidity and banking regulations will become

part of the political arena and no longer the result of economic analysis.

For Europe, Asia and other regions, this is also an incentive to accelerate the development of their own financial mechanisms.

The independence of the ECB, the development of the Chinese payment system CIPS (Cross-Border Interbank Payment System - the Chinese international payment system **established** by the People's Bank of China in 2015) and the plans for digital currencies are now gaining additional weight.

As confidence in the American system wanes, the world will look for an alternative – perhaps slowly, but inevitably.

This case, while formally legal, is essentially political and geopolitical – global. It reflects issues of power and trust, as well as the future of the global financial system.

It should therefore be seen not just as a court case in Washington but as a moment that will determine whether the dollar remains the mainstay of the global economy or whether, for the first time since the Second World War, its irreplaceability will be seriously called into question.