A New Era for Interest Rates, Presidential Power, and the FED

December 11, 2025 - The Federal Reserve trimmed interest rates again this week, nudging its benchmark rate down by a quarter point to a range of 3.50 to 3.75 percent. For consumers, the move is the economic equivalent of adjusting the thermostat a couple of degrees: not dramatic, but definitely noticeable. High yield savings accounts are still offering attractive returns, even if they drift down a bit. Mortgage rates are hovering near their lowest point in more than a year. Credit card borrowers may not feel immediate relief, but the direction is at least favorable. And while auto loans remain the stubborn holdouts of the borrowing world, even they eventually respond when the FED keeps tapping the brakes on rates.

Behind the scenes, the rate cut reflects the FED's attempt to balance an economy where inflation has eased but not fully settled, and where hiring has cooled just enough to make policymakers a bit sensitive about keeping job growth on track. Businesses that rely on borrowing, including younger companies and startups, may find hiring a little easier as rates come down. Job seekers will take that signal gladly.
The more surprising part of this rate decision was not the cut, but the lively debate inside the Federal Open Market Committee. Three officials dissented, marking the deepest internal disagreement in six years. One governor wanted a bigger cut, while two regional presidents would have preferred no cut at all. And when you look at the broader set of FED projections, the range of views gets even wider. Officials see everything from a single cut next year to as many as six. In other words, economists everywhere are united on one thing: they are not united.

This spirited debate is unfolding just as the Supreme Court considers cases that could redefine the balance of power between presidents and independent agencies, including the FED. The Court heard arguments this week on whether presidents can remove members of agencies like the Federal Trade Commission without meeting the strict limits that have been in place since the 1930s. The tone of questioning suggested the Court may broaden presidential authority, which would ripple across many agencies.

A separate case involving Federal Reserve Governor Lisa Cook is coming early next year. She has been accused of mortgage fraud. The law says a president can remove a FED governor for cause, but Congress never spelled out what that actually means, leaving the definition in the hands of the President. Depending on how the Court rules, future presidents may have more flexibility to reshape the FED's leadership, and not just at the end of a chair's term.

Those questions matter because Chair Jerome Powell's term is wrapping up soon. A new chair will set the tone for how quickly the FED lowers rates, how it interprets economic risks, and how the committee handles spirited internal debates. A president with a preference for faster rate cuts could choose a chair who shares that view. And if one or two additional seats open the balance of voices on monetary policy could shift.

None of this means the FED is about to become a political tug-of-war. Markets react quickly to anything that looks unstable, and the FED itself is deeply protective of its credibility. The likely outcome is something more modest: a central bank that remains independent, but with a few more levers in the hands of the executive branch than it had before.

For consumers, the story remains straightforward. If the FED becomes more aggressive at loweing interest rates, mortgage rates will begin to fall, along with credit card rates. This will put more money back into the hands of consumers. At the same time, savings yields will stay above their long-term averages even if they drift down. And if the economy stays steady, borrowing may get a little easier across the board.

But the bigger picture is worth watching. This is not just a moment of interest rate adjustments. It is a moment when the relationship between presidents, the courts, and the FED itself may be shifting. For an institution built on stability, that is no small development. And unlike most monetary policy stories, this one promises more than a few plot twists in the year ahead.

by Jim Malmberg
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