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United States Senate

WASHINGTON, DC 20510

July 9, 2025

The Honorable Jerome Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

Dear Chair Powell:

Thank you for your response to my June 18th letter regarding the Federal Open Market Committee's (FOMC) decision to keep the target federal funds rate unchanged at 4.25 to 4.5 percent. I write today with further concern that the FOMC's decision making process is severely flawed given the most recent Personal Consumption Expenditures (PCE) index report from the Bureau of Economic Analysis.

PCE inflation for the month of May was almost exactly in line with the FOMC's long-run goal of 2 percent, measuring a very mild 2.3 percent on an annualized basis. The Council of Economic Advisors recently conducted an analysis of the PCE index comparing the prices of imported goods and domestically produced goods. The chart below illustrates that so far this year, prices have barely risen, and inflation is fully under control, while also clearly demonstrating that tariffs are not contributing to inflation as prices for imported goods have actually *fallen* this year.

Monthly Percent Change	PCE – goods*	PCE – goods imports	PCE – core goods*	PCE – core goods imports	CPI – goods*	CPI – goods imports
Jan 2025	+0.50	+0.37	+0.41	+0.19	+0.50	+0.33
Feb 2025	+0.23	+0.11	+0.41	+0.24	+0.10	-0.05
Mar 2025	-0.48	-0.76	-0.27	-0.39	-0.42	-0.77
Apr 2025	+0.11	+0.16	+0.27	+0.24	-0.02	+0.05
May 2025	+0.07	+0.02	+0.24	+0.21	-0.14	-0.32
Cumulative: Dec 2024 to May 2025**	+0.41	-0.11	+1.06	+0.50	+0.00	-0.76

*Note these changes may not quite equal the published versions. For PCE, the published version cannot be exactly replicated given the level of published detail for the component series. The CPI calculation used is an approximation using published relative importance and the seasonally adjusted component indices and does not account for the weight of unsampled categories.
** The aggregate of the monthly changes may not equal the cumulative change due to rounding.

Meanwhile, the data reveal that personal incomes and consumption fell in May. The Federal Reserve's dual mandate requires that monetary policy support both stable prices and maximum employment. Clearly, the correct policy given these data is to cut the target federal funds rate substantially in order to support economic growth.

Yet, the FOMC has repeatedly ignored the data, and is instead choosing to maintain rates at the current high level. The federal funds rate in the U.S. is substantially higher than that of peer, developed economies like Japan, Canada, and the European Union. The federal funds rate is also above the long run neutral rate, which is approximately 3.0 percent according to the median projection of FOMC members. The current target rate of 4.25-4.5 percent represents a highly restrictive monetary policy, which is severely out of step with current economic conditions.

Recently, in testimony before the House Financial Services Committee and the Senate Banking Committee, you admitted that the FOMC would likely be cutting rates by now given declining inflation, if not for your fear of tariffs increasing prices. Yet, as the CEA analysis illustrates, we have several months of data showing that tariffs have not raised prices, which gives me serious concern about your objectivity and neutrality when evaluating the correct course of monetary policy in an environment where tariffs are present. Despite clear data showing that inflation has continued its decline and now sits almost exactly at the FOMC's long-run goal of 2 percent, even with tariffs in place, you continue to use the President's trade policy as a reason to continue restrictive monetary policy. At this point, I firmly believe your economic analysis is clouded by your personal feelings on trade policy.

While you've continued to criticize President Trump's tariffs and argue that they will contribute to inflation, despite you stating clearly on multiple occasions that it is not the Federal Reserve's job to comment on tariff policy, there are several other critical policy errors made by the previous Administration that threw gasoline on the inflationary fire – all of which you chose to ignore. Shutting down the economy during COVID and barring unvaccinated individuals from workplaces contributed massively to inflation, and yet you stayed silent. When President Biden banned the export of liquified natural gas, exacerbating already acute supply chain issues, you had nothing to say. On conversations about the tax code, you've never been willing to admit that higher taxes contribute to inflation. And most egregiously, you supported student loans being forgiven, a policy which is clearly inflationary, not to mention that it is discriminatory and picks one group of people over another group as worthy of debt forgiveness.

You deliberately ignore the harms from these poor policy choices and at the same time fail to acknowledge President Trump's progress at taming inflation. Hiring data just released on July 3rd blew past expectations yet again. Your willful ignorance of these facts and your choice not to lower interest rates despite the Trump Administration's economic progress is costing our country $400 billion per year. Clearly your relationship with the President, your inaction on rates, and your mismanagement of the Federal Reserve balance sheet all lead to an obvious conclusion. You should resign immediately and allow the President the deference to select someone he feels can make the changes needed to restore the credibility of the Federal Reserve System.

Sincerely,

Bernie Moreno

Bernie Moreno
United States Senator