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But his successor will face pressure to bring interest rates down, as have many previous Fed chairmen.

President Trump and Fed Chairman Jerome Powell in 2017. CARLOS BARRIA/ REUTERS

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Trump Probably Won't Try to Fire Powell

By Thomas Hoenig

President Trump's election has reignited the debate over whether he might attempt to fire Federal Reserve Chairman Jerome Powell. Yet firing Mr. Powell is unlikely to be on the president-elect's immediate priority list unless inflation suddenly spikes and forces the Fed to reverse course. Even then, such a standoff would involve a great deal of legal wrangling that would likely take up most of the chairman's remaining term, which ends in May 2026.

Why would Mr. Trump rush to fire someone who's in the midst of lowering interest rates, which is the very thing the president-elect seeks? Mr. Powell likely won't face a serious confrontation over rates. His successor may not be so fortunate.

Conflict between the White House and the Federal Reserve is hardly new. It dates at least as far back as Harry S. Truman's administration. During World War II, the Fed held down interest rates to limit the financing costs of the war. With the war's end and the removal of price controls, and with the outbreak of the Korean War, inflation accelerated, and the Fed needed to raise rates to keep it under control. A furious Truman slowed the effort. He summoned the entire Federal Open Market Committee to the White House in January 1951 to settle matters. Eventually—following the resignation of Chairman Thomas Mc-Cabe, the appointment of Chairman William McChesney Martin Jr. and the Treasury-Fed Accord of 1951—the FOMC was able to set rates independent of direct Treasury influence.

In 1965, as Lyndon B. Johnson was launching his Great Society welfare program and the Vietnam War was accelerating, inflation again became a problem. Martin attempted to raise rates but was soon called to Johnson's ranch, where he received one of the president's infamous scoldings. Although some historians say Martin held his ground, it wasn't until 1968, after Johnson announced he wasn't seeking re-election, that Martin's FOMC raised rates by 100 basis points.

Richard Nixon, during his campaign for re-election, similarly managed to convince Chairman Arthur F. Burns to delay raising rates. From the Nixon telephone tapes, it's evident that he cajoled Burns into keeping rates low, adding stimulus to the economy, which contributed to the Great Inflation.

Each president was successful to varying degrees at using his influence to postpone rate hikes even when inflation was knocking at the door. While the Fed is technically independent, its chairmen have long faced pressure similar to what Mr. Powell experienced during Mr. Trump's first term. An independent Fed is a relative concept.

For the moment, the Fed is in the process of lowering interest rates, albeit gradually. I can think of no instance when the agency's independence has been seriously challenged during such conditions, and I doubt that Mr. Trump will interfere, at least in an institutional sense, so long as the Fed stays on this path.

Given the economy's current strength and the new administration's fiscal plans, it's more likely that inflation will again be a problem around the time Mr. Powell leaves office in 2026. While we don't know who the next chairman will be, we can be confident that the president won't want interest rates to go up much. Yet even if the president nominates a new chairman based on the president's inclination to keep rates low, there may be strong headwinds against doing so.

Interfering with the Fed's ability to hold rates down is the growing national debt, which exceeds $35 trillion, and an annual deficit near $2 trillion. The Congressional Budget Office projects that under current law, the debt will exceed $50 trillion in a decade. The 2017 tax cuts are scheduled to expire in 2025, and if they're renewed as promised, the CBO estimates this would add $4 trillion to the deficit over a decade.

About two-thirds of federal spending is mandatory. This includes Social Security, Medicare, other entitlement programs and interest on the debt. Spending cuts might provide some deficit reduction, but given Democrats' and Republicans' promises not to cut most benefit programs, this won't solve the problem.

With these impediments, funding the debt will most likely involve higher interest rates to entice people to purchase bonds, drawing savings from the private sector. Redirecting money away from investment, entrepreneurship or payroll purposes will slow the economy and increase unemployment.

The upward pressure on interest rates will lead to political calls for the Fed to fill the gap by buying an ever-larger share of the debt to keep interest rates from rising. The result will be higher inflation, unless an independent Fed chairman says no.

No matter who is chairman when circumstances require the Fed to increase interest rates, there will likely be pressure from the administration to delay such action and instead to engage quantitative easing and debt monetization to stimulate the economy. The Fed's independence will be threatened either directly, as Mr. Trump did in his first term, or more discreetly but effectively, as Johnson and Nixon did.

Mr. Powell may not have to wrestle with the question of Fed independence. But when inflation gets out of hand again, whoever is chairman will likely have to do just that.

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