

Fed Warsh Meeting Approaches, Clarity Act Faces Hurdles, Senate Races in Spotlight



L. Thomas Block

WASHINGTON POLICY STRATEGIST

Key Takeaways

- FOMC meeting approaches.
- Warsh and Powell should both participate.
- Supreme Court set to rule on Fed firing issue.
- Battle for Senate control continues.
- Crypto Clarity Act

The first meeting of the Federal Open Markets Committee (FOMC) under the new chair, Kevin Warsh, is fast approaching. The meeting dates are June 16/17. Last week's strong jobs numbers likely strengthened the argument for the Fed rate-setting body to hold rates steady, though there are growing rumblings of a rate increase being in the cards for the future. However, on Sunday during his appearance on Meet the Press, President Trump argued against interest rate increases.

For the first time in almost 80 years, the FOMC will meet with both a new chair and the former chair sitting at the table. For both Powell and Warsh, it is likely to be a little awkward, as all the staff will be presenting to both their new boss and their old boss. Having been in corporate settings and reporting to the CEO, I can only imagine how challenging the setting will be. The economic data makes Warsh's job more challenging as he faces a president who appears to remain committed to see the chair he picked lower rates.

Warsh has indicated that he will likely want to change the messaging techniques of the Fed. There is likely to be a great deal of anticipation in the coming days as Chair Warsh faces investors and the press looking for clues as to Fed policy.

Another Fed-related action that should be addressed in the coming days is the much anticipated Supreme Court decision on the legal authority of the president to fire Fed governors.

President Trump fired Fed Governor Lisa Cook, but Gov. Cook fought the action, and the case quickly rose to the Supreme Court. The current Supreme Court session ends in the coming weeks, before July 4, and the Court traditionally announces some of its toughest, most controversial cases in the closing days of its session. The justices will leave DC for their summer break and not be in the building to face tough questions from the press on the Fed decision. The president's views that he is authorized to fire Fed governors is on the line, and if the Court defies the president that will be a big story. However, if the court affirms the authority of the president to fire governors, can the firing of Jerome Powell be far behind?

Senate control

The primary season has continued as both parties chose their candidates for the 2026 U.S. Senate elections. There will be 32 seats on the line, with the Senate partisan lineup currently at 53 Rs and 47 Ds. Democrats believe that they have a chance of gaining control. They have viewed the Maine seat currently held by Republican Sen. Susan Collins as one of their best chances of flipping a seat. However, the likely candidacy of Graham Platner has run into a buzzsaw of bad news with respect to previous actions and statements. The problems for Platner have breathed new hope into Republican hopes of saving the Maine seat.

Democrats believe they have nominated a strong candidate in Iowa who could win the open seat. There has not been a Democratic senator from Iowa since 2015, and President Trump carried Iowa in 2024 by more than 13 points. Nevertheless, Democrats believe they have a chance. There is similar Democratic optimism in Texas, where Republicans had a party split that saw the incumbent senator, John Cornyn, ousted by the scandal-plagued Attorney General Ken Paxton. Texas, like Iowa, went strongly for President Trump in 2024.

Clarity Act for Crypto

The Senate is facing growing pressure from the banking industry to slow action on the Clarity Act, which is designed to improve the regulatory structure for cryptocurrencies. Similar, but not identical, versions have been approved by the Senate Banking and Agricultural Committees. The Senate leadership must now develop a compromise from the two versions. However, growing opposition from the banking industry has added a new level of difficulty to the debate.

Previously it was thought that bank opposition to the so-called rewards provisions in the crypto legislation was focused on smaller banks. Their concern was that rewards appeared like interest on bank instruments but without the regulations banks must face. The debate changed last week when Jamie Dimon, CEO of the nation's largest bank, also expressed concern for the crypto legislation and the need to address the issue of crypto rewards.

Support for the Clarity Act has been bipartisan, and a related bill passed the House with a bipartisan vote. Senate Banking and Agriculture members will need to address the banking industry concerns to move the bill forward. The crypto supporters are anxious to get the bill over the finish line prior to the Congressional August break.

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