

9-11-25

A quarter-point rate cut at next week's meeting is widely expected.



Fed Chair Jerome Powell next to governor Lisa Cook during an open Fed meeting in Washington in June. AL DRAGO/
BLOOMBERG NEWS

Fed Veers Toward A Meeting With Cast Barely Set

BY NICK TIMIRAOS

President Trump's unprecedented bid to wrest greater control of the Federal Reserve barreled toward a suspense-filled conclusion Wednesday amid two parallel efforts to decide who will be able to participate at next week's interest-rate meeting.

Late Tuesday, a federal judge granted Fed governor Lisa Cook an injunction that temporarily halted Trump's attempt to remove her. The decision was a crucial legal victory for Cook—and the central bank's independence more broadly—because it allows her to remain in her job for now. It clears the path for her to vote at a consequential Fed meeting next week, when officials are expected to make their first interest-rate cut of the year.

On Wednesday morning, attention shifted to the Senate Banking Committee, where Republicans rushed to confirm a Trump adviser, Stephen Miran, to fill a separate vacancy on the Fed's board, setting up the possibility of a Senate floor vote as soon as this week that would allow him to join the same meeting.

A quarter-point rate cut at next week's meeting is widely expected after a string of lackluster employment readings this summer. The ratesetting Federal Open Market Committee consists of 12 members: the seven Fed governors and five regional Fed bank presidents.

Cook's legal challenge has quickly become the defining battle in Trump's effort to reshape the relationship between the White House and the Fed. Congress restructured the central bank in the 1930s to insulate presidentially appointed governors from political pressure, giving them 14-year terms and protection from removal except "for cause."

Trump has repeatedly criticized the Fed's interest-rate decisions and upbraided Chair Jerome Powell. The administration said in a court filing Wednesday that it was appealing the decision to let Cook remain on the board.

To circumvent removal protections that Fed governors have long enjoyed, Trump last month cited alleged mortgage fraud as justification for firing Cook. Lawyers for Cook, who hasn't been charged with a crime, said she had no opportunity to defend herself against the allegations. They deny she committed fraud and argued any alleged wrongdoing didn't meet the legal standard for removal.

U.S. District Judge Jia Cobb largely embraced Cook's legal arguments. Cobb ruled that Cook is "substantially likely" to succeed on her claim that Trump violated the Federal Reserve Act because her purported termination didn't comply with the requirement that officials can only be removed for cause.

The case could quickly reach the Supreme Court. The court is expected to weaken job protections at independent federal agencies in other cases that are headed its way, but it went out of its way in a ruling this past May to suggest the Fed might be treated differently from other agencies by highlighting its unique historical role.

Analysts said the ruling highlighted how the president's hasty dismissal—days after another administration official alleged that Cook had made false representations on mortgage loan applications in 2021 to secure better terms—enabled her to retain her job for now.

Cook's position would be "untenable" if she had been unable to rebut allegations of wrongdoing after having been given time to do so in a process that was not "selective and partisan," said Krishna Guha, vice chairman at Evercore ISI.

Cook's lawyers haven't provided a detailed explanation of the circumstances around the mortgages. Experts have said almost any reputable lawyers wouldn't allow their client to publicly disclose that information now that the Justice Department has opened a separate criminal investigation.

Because no president has ever attempted to remove a Fed governor, the "for cause" language in the Federal Reserve Act hasn't ever been interpreted by a court. Cobb said the removal standard only applied to concerns about a Fed official's "ability to effectively and faithfully execute" their job "in light of events that have occurred while they are in office."

Cobb said the arguments Trump's lawyers had provided to support his attempted firing of Cook would so neuter the removal protections as to provide no functional limitation on the ability to remove a Fed governor.

Several Republicans on the Senate Banking Committee have declined to say whether Trump was right to attempt to fire Cook. Several signaled no desire last week to confirm a Cook replacement so long as a court allows Cook to remain.

Separately, the committee voted 13-11 to advance Miran's nomination on Wednesday, a notable step given how Miran has agreed to a never-beforeseen arrangement that would allow him to take an unpaid leave from his current White House job so that he can return after his time on the Fed's board concludes.

Miran, who in March was confirmed as the chairman of the Council of Economic Advisers, would fill a Fed seat that expires on Jan. 31; governors can stay on the board for longer if a successor hasn't been confirmed by then.

Democrats have said the dual-hatted role would make a mockery of the Fed's independence from the executive branch. Miran has pledged to act independently in the job.

Republicans have barely flinched at the arrangement. In fact, they are advancing Miran's nomination at nearbreakneck speed, making him eligible for a Senate vote just eight days after his nomination was received from the White House.