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Cook's suit says Trump 'concocted' a basis for firing her. MARK SCHIEFELBEIN/ ASSOCIATED PRESS

Fed's Cook Files Suit To Block Her Firing By Trump

High-stakes battle will test president's power to control the nation's central bank

BY LYDIA WHEELER AND MATT GROSSMAN

Federal Reserve governor Lisa Cook sued President Trump, seeking to block his move to fire her from the central bank, in an unprecedented legal battle testing the president's power over the independent central bank's sevenmember board.

The lawsuit, filed on Thursday in federal district court in Washington, D.C., alleges that Trump violated the law by attempting to remove Cook from her post without a valid reason.

In announcing his move on Monday to fire Cook, Trump cited allegations that she submitted fraudulent information on mortgage applications. Bill Pulte, a Trump appointee who leads the Federal Housing Finance Agency, publicized the allegations and referred them to the Justice Department. Cook hasn't been charged with any civil or criminal violation.

Cook's lawsuit said Trump, a Republican, "concocted" a basis for her firing in violation of the Federal Reserve Act, which says the president must show cause to remove Fed governors. His move, she alleged, represented an extraordinary attack on the central bank's independence.

"Even if the President had been more careful in obscuring his real justification for targeting Governor Cook, the President's concocted basis for removal—the unsubstantiated

and unproven allegation that Governor Cook 'potentially' erred in filling out a mortgage form prior to her Senate confirmation— does not amount to 'cause' within the meaning of the FRA and is unsupported by caselaw," the lawsuit said. Note

The real reason for the move, Cook's complaint said, was "to effectuate her prompt removal and vacate a seat for President Trump to fill and forward his agenda to undermine the independence of the Federal Reserve."

Cook, an appointee of former President Joe Biden, a Democrat, has vowed to stay in her post. Her term is set to expire in 2038.

On Tuesday, Trump said he was prepared for a legal fight. He has told advisers that he wants to move quickly to name a successor to Cook, The Wall Street Journal has reported.

The lawsuit also names Fed Chairman Jerome Powell and the Fed board as defendants, and it seeks to block them from complying with Trump's order to remove her. A Fed spokesman declined to comment on the suit. The Fed previously said it would abide by any court decision on the matter.

Cook has asked the court to allow her to remain on the board by declaring Trump's attempt to fire her unlawful and void. She is also asking for the court to declare that Fed governors can only be removed for cause—which include instances of misconduct in office, inefficiency or a neglect of duty—and that "an unsubstantiated allegation" of mortgage fraud before a governor's confirmation doesn't qualify.

Cook hasn't addressed or explained the fraud allegations directly. In a statement last week, she said she was reviewing documents.

Cook doesn't discuss in her lawsuit the factual assertions, and many of the details surrounding her mortgage applications are still unclear. It is also an open question whether, if proved true, a court would deem such a violation as meeting the legal bar required to remove her. When creating the Fed, Congress said board members can only be fired "for cause," but didn't define what that meant. Note

Laws establishing other independent agencies typically refer to neglect of duty, inefficiency or malfeasance as grounds for removal. No president has tried to remove a Fed governor before.

Still, if proven, a finding that Cook made false statements in her mortgage documents could cast a cloud over her and the Fed as an institution, as the Fed serves as a top regulator of the U.S. financial system.

Cook has asked for a temporary restraining order against Trump and the other defendants while her case plays out in court. A hearing has been set for Friday morning. The case has been assigned to Judge Jia Cobb, also a Biden appointee.

Any ruling from the court is almost certain to be appealed, given the significance, and likely to ultimately reach the Supreme Court.

Job protection at independent federal agencies has been weakened by recent Supreme Court rulings and has never been tested in the context of the Fed. However, the Supreme Court suggested in May that Fed employees have more protections than those at other agencies. In the unsigned order, the justices called the central bank "a uniquely structured, quasi-private entity." Note

Trump has heaped pressure on the Fed since taking office, urging it to lower interest rates. He has frequently criticized Powell and previously threatened to fire him. With Cook's status on the board uncertain ahead of the central bank's next meeting on Sept. 16-17, the other governors serving under Powell are now split between two officials appointed by Trump during his first term and two appointed by Biden.

Eight times a year, they vote alongside five presidents of the Fed's regional reserve banks on how to set interest rates, aiming to curtail inflation while promoting a strong labor market.

Before Trump's attempt to fire Cook, Powell already signaled that the Fed was moving toward an interest-rate cut next month, after holding rates steady above 4.25% so far this year. Tariffs have lifted inflation, which remains higher than the Fed's 2% annual target. But in a speech last week, Powell discussed a growing conviction that tariffdriven price increases won't become a long-term pattern.

Instead, concern has shifted to the job market, especially after a Labor Department report in early August drastically cut previous estimates of how fast the economy was adding jobs this spring. Hours after the data landed, Trump fired the commissioner of the Bureau of Labor Statistics, which published the report.

No pg 3