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By far the most powerful independent agency created by Congress.

President Escalates His Bid To Control The Fed

Attempt to fire Cook threatens central bank's independence to set interest rates

BY MATT GROSSMAN AND GREG IP

President Trump's attempt to fire Federal Reserve governor Lisa Cook is the most dramatic step yet in his effort to take control of the independent central bank and its vast authority over interest rates.

Trump has for months demanded the Federal Reserve lower rates to boost the economy, make housing more affordable, and lower the cost of servicing the national debt. He has castigated Fed Chair Jerome Powell for not moving sooner to cut them. By replacing Cook, he could add enough voices to the seven-member board of governors to potentially outvote Powell and move interest rates in his preferred direction. Not

"To the extent that Fed independence stands for anything, it stands for the idea that monetary policy should not be made by the whims of the sitting president," said Peter Conti-Brown, a financial and legal scholar at the University of Pennsylvania. "If we allow this to become the norm, then this is the end of Federal Reserve independence as we know it."

based on data, economic analysis, and the long-term interests of the American people."

The statement said the Fed would obey any court decision concerning Cook's "ability to continue to fulfill her responsibilities as a Senate-confirmed member."

Robert Post, a law professor at Yale, said the stakes could hardly be higher.

"Everyone agrees that if a Fed governor is taking a bribe, they should be removed. It's not controversial. So the question is, What is cause?" he said.

If courts permit Trump to remove Cook based only on his say-so, rather than requiring proof of wrongdoing, then the for-cause protection is meaningless, Post said. Not

In Cook's case, Bill Pulte, a Trump appointee who heads the Federal Housing Finance Agency, publicized the mortgage allegations and referred them to the Justice Department. But Cook hasn't been charged with any civil or criminal violation.

The Federal Reserve Act, first adopted in 1913, now provides 14-year terms for Fed governors, "unless sooner removed for cause by the President." The statute doesn't define cause, but laws establishing other independent agencies typically refer to neglect of duty, inefficiency or malfeasance as grounds for removal.

In 1912, President William Howard Taft dismissed two members of a federal board after an investigatory committee he appointed determined the officials had engaged in self-dealing, according to a 2018 law review article by University of Virginia law professor Aditya Bamzai.

Only one other president has removed a tenure-protected official for cause, Bamzai wrote: Richard Nixon who in 1969 cited unspecified reasons to dismiss Fannie Mae head Raymond Lapin, a Lyndon Johnson appointee. Lapin didn't pursue a legal challenge.

Behind today's fight is Trump's frustration at the Fed's reluctance to cut interest rates, which could provide a temporary jolt to an economy that has seen little improvement under the president's hand. Cook's removal would create a vacancy allowing Trump to appoint a majority of governors.

Several other officials fired by Trump have sued to challenge their dismissals, quickly winning a series of early court orders allowing them to keep their jobs, at least in the interim.

Judges cited longstanding Supreme Court precedent limiting the executive's authority to remove independent agency officials without good cause. But in a pair of orders this spring, the high court has allowed Trump to dismiss the officials for now and suggested a readiness to reconsider a 90-year-old decision that limits presidential removal authority.

A May order approved the removal of Biden appointees to the National Labor Relations Board and the Merit Systems Protection Board. But the unsigned opinion from the court's conservative majority signaled it would apply a different test for the Fed, by far the most powerful independent agency created by Congress. "The Federal Reserve is a uniquely structured, quasi-private entity" with a "distinct historical tradition," the court said.

In dissent, Justice Elena Kagan suggested the majority had crafted "a bespoke Federal Reserve exception" to its likely expansion of presidential authority.

The central bank's "independence rests on the same constitutional and analytic foundations as that of the NLRB, MSPB, FTC, FCC, and so on," Kagan wrote, joined by fellow liberal justices Sonia Sotomayor and Ketanji Brown Jackson. Some scholars agree the court will have a tough time finding a clear distinction that shields the Fed from presidential interference while granting Trump nearly unfettered power to dismiss all other federal officers.

"The Federal Reserve is not just a bank. It has tremendous regulatory authority," said Ilan Wurman, a law professor at the University of Minnesota. "There is no executive power exception for financial regulators, and never has been."

Independent agencies date from the 1880s, when the complexities of an expanding industrial economy led Congress to create a nonpartisan civil service and a class of expert bureaus characterized by a degree of bipartisanship and a measure of autonomy from each presidential administration.

A 1935 Supreme Court decision known as Humphrey's Executor upheld that structure, which supporters argue promotes the public interest by partially insulating some policy decisions from political pressure and assuring some continuity regardless of shifting partisan majorities.

Some conservatives, however, have argued that the Constitution places an indivisible executive power in the president himself—and that Congress has no right to abridge that authority by shielding appointed officials from removal at the president's pleasure.

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