Do Federal Reserve Bank Presidents Have "For Cause" Protection?
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The core issue

The Federal Reserve's ability to conduct monetary policy one step removed from political control is under the most serious attack since the concept of central bank independence firmly took root in the 1990s, and possibly since the Fed was created in 1913.

Traditionally, the main pillars of Fed independence have been seen as grounded in Washington, D.C., and relating to the design of the Federal Reserve Board in such aspects as the long, overlapping terms served by members of the Board of Governors, the Fed's independence from the Congressional appropriations process, and the "for cause" protection afforded to governors from being removed by the President.

Traditionally, the Reserve Banks have been seen as important but secondary building blocks of the independence structure.

But more recently, a new threat has gained greater prominence -- namely that Section 11(f) of the Federal Reserve Act gives the Federal Reserve Board the power to fire Reserve Bank presidents. To draw the threat as vividly as possible: This provision seems to raise the possibility that the Federal Reserve Act creates a playbook for the president of the United States to gain control not only of the seven-member Board based in D.C. but also the 12 Federal Reserve Banks scattered around the country -- and by extension, the FOMC.

The playbook isn't very complicated: To execute it, the president would nominate to the Board of Governors only people willing to support the removal of any Reserve Bank president deemed insufficiently aligned with the president's economic program.

Using this rubric, a two-term president of the United States might seem guaranteed of eventually being able -- with a minimum of one year left in his or her time in office -- to assemble a majority of the Federal Reserve Board willing to remove any and all insufficiently compliant Reserve Bank presidents.

To be clear, this threat does not appear imminent.

- No current member of the Board of Governors has declared their support for exercising this power.

- Last December, the Board unanimously approved the reappointment of every Reserve Bank president and first vice president seeking another five-year term.

That's significant because the governors voting to approve included Michelle Bowman and Christopher Waller -- Trump appointees from his first term -- and Stephen Miran -- a Trump appointee from his second term who has argued for aggressive rate cuts in line with the President Trump's demands.

- More recently, Waller left the strong impression in a recent Q&A session that he would oppose firing a bank president merely because they didn't have the administration's preferred views on interest rates.

That said, the threat is sufficiently realistic that Chair Powell volunteered at his press conference on April 29, 2026, that "removing Reserve Bank presidents from office over … different views on monetary policy … would be the beginning of the end of the Fed's ability to make monetary policy independently."

All told, the foundation of Fed independence seems like it could be much less solid than conventional wisdom has had it.

But There's a Complication

The Board's power to remove a Reserve Bank president comes with a complication. Section 11(f) -- quoted in its entirety -- gives the Board of Governors the power "to suspend or remove any officer or director of any Federal reserve bank, ***the cause of such removal to be forthwith communicated in writing*** by the Board of Governors of the Federal Reserve System to the removed officer or director and to said bank" [emphasis added].

Over the longer term, I hope to be able to give a more definitive description of what the drafters of this portion of the Federal Reserve Act meant by the phrase "… the cause of such removal…". Most importantly, did they mean to give the bank presidents the same protection as they had for Board members?

The stakes around this issue are high. If the Fed Board ever does attempt to remove a bank president and the courts conclude that Reserve Bank presidents do not have "for cause" protection, the practical meaning of monetary policy independence will have been eviscerated. At that point, the door will be wide open to a four-member majority of the Board of Governors dismissing any or all Reserve Bank presidents for no offense greater than not holding the dominant view about how rates should be set.

Throughout the Fed's 112-year history, Congress has clearly intended to make it possible for the Fed to conduct monetary policy one step removed from political control. An adverse court decision would bring the curtain down on that vision of how monetary policy should be set. Sometimes, laws are internally inconsistent. If the courts find in favor of the Board's ability to remove bank presidents "at will," this could become

another example of exactly that.

Why this issue might seem familiar

This issue might seem familiar because a related power of the Board granted two decades later, in the Banking Act of 1935, briefly came into focus among Fed-watchers late last year -- namely the power of the Board to approve the reappointment of Reserve Bank presidents and first vice presidents every five years.

In the event, on December 10, 2025, the Board of Governors unanimously approved the reappointment of every bank president and first VP seeking reappointment.

The Board's power to approve initial appointments and subsequent reappointments of presidents and first vice presidents clearly is more expansive than its power to subsequently remove someone once they've taken office.

- If the Federal Reserve Board decided to withhold approval of an initial appointment or reappointment, no cause would need to be stated and no communication would need to be sent.

- If the Board later decided to remove a bank president or first vice president, both of those conditions would have to be met.

What isn't clear is whether the 1913 drafters intended to restrict the Board's removal power over Reserve Bank presidents to the same extent as they restricted the President of the United States's removal power over Board members. This question is the motivation for this project.

The Board has never exercised its Section 11(f) authority to remove a Reserve Bank president or first vice president, so there's no caselaw that I'm aware of to serve as a guide. In the absence of caselaw, an excavation of Congressional intent may be the best tool we have for investigating the matter.

Employment-related powers enumerated in the Federal Reserve Act

Arrangements for employment, approval of employment, and termination of employment appear multiple times in the Federal Reserve Act. This slide and the next two list three of these instances.

- The first covers the president's ability to fire a member of the Board of Governors. This authority is limited by the phrase "for cause."

- The second covers the Fed Boards' ability to fire a Reserve Bank president. This authority is limited by a similar but slightly different phrase -- "the cause of which."

- The third covers the Fed Board's ability to withhold approval of the initial appointment of a Reserve Bank president. This authority is not restricted.

The table makes abundantly clear that the wordsmiths in 1913 were familiar with the concept of "at will" dismissal (here expressed as "at pleasure"). And yet they chose not to set that as the basis for the relationship between the Federal Reserve Board and Reserve Bank presidents and first vice presidents despite having used that standard to structure other employment relationships.

A goal that remains unmet for now is to shed greater light on why the wordsmiths didn't come closer to copying and pasting from Section 10(2) (item #1) to Section 11(f) (item #2).

<u>The earliest versions of the language authorizing the Board to remove Bank officials and directors</u>

The first versions of what would become the Federal Reserve Act were introduced on June 26, 1913 -- in the House of Representatives by Carter Glass as H.R. 6454, and in the Senate by Robert Latham Owen as S. 2639.

The language introduced on June 26 specified the following as the only permissible grounds for the Federal Reserve Board to dismiss a bank president: "incompetency, dereliction of duty, fraud, or deceit."

By the time the bill passed the House, the protection conferred by this section against removal by the Federal Reserve Board was strengthened. In addition to requiring one of the causes I just listed, the final House version also gave opportunity of a hearing -- presumably for the person being removed to defend him- or herself -- and also required the approval of the president of the United States.

The bill moves to the Senate

After the House approved its version of the bill, it moved to the Senate Committee on Banking and Currency, chaired by Senator Robert Owen. In the Senate, the protections afforded to Reserve Bank officers and directors in the Senate version were watered down relative to what had been provided in the House version.

The Senate version removed the specified permissible grounds for dismissal; it dropped the requirement for an "opportunity of hearing," and it omitted the requirement of Presidential approval.

This became the language signed into law by Woodrow Wilson on December 23, 1913.

Discussion of the removal standard in the Senate

Eventually, I intend to conduct a thorough search of the Congressional Record from late 1913, to gain as complete an understanding as possible of why Section 11(f) was modified so drastically in the Senate, stripping away most of the protections afforded to Reserve Bank officials in the House version.

The preliminary investigation that I've been able to do suggests that the amendment in the Senate was not undertaken in secret. It was discussed at length on the Senate floor, and it may even have been the price of securing the crucial support of one or more of the Democratic members of the Senate Banking Committee. Without that support, the bill might have died in committee or been modified in a way President Wilson would have objected to strongly. Carter Glass was appointed to the conference committee that reconciled the House and Senate versions of the legislation, and yet Section 11(f) survived in the form the Senate had given it.

All that said, there's much more to be done in investigating the trajectory of the bill through the Banking Committee and on the Senate floor.

Conclusion

Important questions and uncertainties remain, but what I can state with reasonable confidence at this point is the following:

- Reserve Bank presidents enjoy less protection from being removed by the Federal Reserve Board today than they would have under the House version. That result appears to have been dictated by the narrow support for Glass/Owen version of the bill in the Senate Banking committee.

  I don't yet know if Owen himself favored the dilution of the protections afforded in the

House version, or if he merely acceded to it as the price of moving the bill forward.

- Although the protections afforded Bank officials from being fired by the Federal Reserve Board were weakened, the word “cause” remained in the version signed into law. In other cases, Congress chose to make employment contingent on the “pleasure” of the supervisor. They didn’t make that choice here, and surely that is significant.

- Whether Congress meant the protection afforded to Bank presidents to be equivalent to full “for cause” protection is not definitively established -- and may never be entirely clear.

At this preliminary stage, it strikes me as possible their intent may have been to land the Bank presidents in an ambiguous, unsatisfactory middle ground. The saga is to be continued.