



## The Daily Dish

# Up, Down, or Sideways at the Fed?

DOUGLAS HOLTZ-EAKIN | JUNE 8, 2026

Eakinomics was going to discuss the notion shared by the [Trump Administration](#) and [Bernie Sanders](#) that the federal government should have an equity stake in artificial intelligence (AI) firms. But there isn't enough Prilosec to get through the drafting process and the idea is so stupid it even kills brain cells in the reader.

Instead, let's consider the president's views on interest rate policy. Right on schedule, as [reported](#) by the *Financial Times*, the president pressured new Fed Chair Kevin Warsh to lower interest rates:

*Donald Trump has piled pressure on Kevin Warsh ahead of his first meeting as chair of the Federal Reserve by demanding lower interest rates days after a strong US jobs report fuelled bets on higher borrowing costs.*

*In an interview aired on Sunday, the president warned that the country should not be "penalised by immediately raising interest rates" as investor expectations rose that the Fed would increase them by the end of the year.*

*"There's no reason to raise interest rates," Trump told NBC's Meet the Press.*

*"We built the country by doing great and having rates low. What they do is when they raise interest rates, they try and kill success. I don't want to kill success. We should actually lower interest rates."*

"We should actually lower interest rates." Is that right? There are circumstances where that is the right answer. If there is a dramatic, positive supply shock – think a rapid rise in productivity or a sudden rise in the labor force – the economy will experience an uptick in growth. In the absence of a commensurate rise in demand, there will be downward pressure on inflation. To restore balance, lower rates would raise demand.

But there are other situations, as well. Suppose the growth comes from a rapid increase in demand – an investment boom associated with the infrastructure for AI firms, for example. In that case, there is no corresponding supply shock – any productivity effect is in the future when the AI is actually broadly in place – so there will be upward pressure on inflation. If anything, the right answer is to raise rates.

To complicate matters, the rise in global oil prices simultaneously acts as a tax on the U.S. consumer via higher energy costs and a negative supply shock by raising input costs across the economy. The former calls for lower rates, while the latter is a judgment call.

So, the president is allowed his opinion, but the reality is that this is a complicated, difficult call. Unlike taking equity stakes in AI (no, No, NO) there is no simple, right answer.