



The Daily Dish

Trumponomics

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Eakinomics: Trumponomics

Maybe President Trump really does want the Fed to [cut rates by a full one percentage point](#). First he tried to stack the Fed Board of Governors with his [handpicked cronies](#). No luck.

Next he tried the good, old-fashioned bully pulpit — via the modern medium of Twitter — saying, “China is adding great stimulus to its economy while at the same time keeping interest rates low. Our Federal Reserve has incessantly lifted interest rates, even though inflation is very low, and instituted a very big dose of quantitative tightening. We have the potential to go up like a rocket if we did some lowering of rates, like one point, and some quantitative easing. Yes, we are doing very well at 3.2% GDP, but with our wonderfully low inflation, we could be setting major records &, at the same time, make our National Debt start to look small!”

Finally, he tasked the vice president with [echoing](#) the message. “I think it might be time for us to consider lowering interest rates,” Pence told CNBC on Friday. “We just don’t see any inflation in this economy at all.” (He also suggested moving the Fed away from its dual mandate of managing full employment and price stability in favor of a single, inflation mandate. I understand the appeal of the single mandate in theory, but it seems problematic to go that route at exactly the moment there is no consensus understanding of inflation dynamics.)

As *The Wall Street Journal* noted, [yesterday](#) the president tweeted that tariffs were “partially responsible for our great economic result and said he would ‘shortly’ impose tariffs of 25% on \$325 billion worth of additional Chinese goods. ‘The Trade Deal with China continues, but too slowly, as they attempt to renegotiate. No!’”

That would mean raising the tariff from 10 percent to 25 percent on \$200 billion of Chinese goods — a tax increase of \$30 billion in the second quarter, or \$120 billion at an annual rate. Yes, the top-line growth rate was 3.2 percent in the first quarter, but the underlying [composition of growth](#) was troubling. Hitting a household sector that is growing at a rate of 1.2 percent with a huge tax increase is extremely wrongheaded. It raises the specter of the president trying the same disruptive strategy to pass USMCA (secede from NAFTA) or negotiate with Europe and Japan (auto tariffs). More troubling, it raises the possibility of an enormous self-inflicted wound for an economy that is finally delivering.

Of course, if the president does enough damage, the Fed will finally cut rates. Congratulations.