

Macro Roundup Article

Headline: [Why the Fed Should Cut Rates Now—Not Wait Until September](#)

Article Link: <https://www.wsj.com/economy/central-banking/why-the-fed-should-cut-rates-now-not-wait-until-september-806b8ddf>

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Tweet: [@greg_ip](#) notes that the current Fed funds rate is above levels implied by most versions of the Taylor Rule and argues despite a shifting balance of risks towards a weak labor market, the “Fed seems reluctant to take the win” and begin cutting,

Summary: The Federal Reserve pushed interest rates above 5% a year ago, determined to achieve two things: much lower inflation and a cooler labor market. It has succeeded. Inflation, by its preferred gauge, has fallen from 4.3% then to an estimated 2.6% now, the steepest decline since 1984, and within shouting distance of the Fed’s 2% target. Meanwhile, the unemployment rate has risen to 4.1% from 3.6%, an increase seldom seen outside recessions. The Fed seems reluctant to take the win. The Fed’s reticence is understandable. It likes to telegraph its plans well in advance and, having blown its forecasts on inflation so badly before, is doubly cautious. Interest rates that looked appropriate a year ago now look too high. Economists have devised several simple formulas, such as the “Taylor Rule,” as monetary policy guidelines, and they suggest rates ought to be lower.

Related Articles: [Inflection Point and Is the Market Repeating the Mistake It Made in January?](#) and [The Fed Can Take Its Time Taming Inflation](#)

Primary Topic: Inflation

Topics: Business Cycle, GDP, Inflation, Op-Ed/Blog Post

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