

White House advisor Larry Kudlow says Fed should 'immediately' cut rates

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Adam Jeffery | CNBC

Larry Kudlow, Director of the United States National Economic Council.

Top White House economic advisor Larry Kudlow wants the Federal Reserve to "immediately" cut interest rates by 50 basis points.

"I am echoing the president's view — he's not been bashful about that view — he would also like the Fed to cease shrinking its balance sheet. And I concur with that view," Kudlow told CNBC on Friday.

"Looking at some of the indicators — I mean the economy looks fundamentally quite healthy, we just don't want that threat," he added. "There's no inflation out there, so I think the Fed's actions were probably overdone."

The comments from President Donald Trump's director of the National Economic Council follow the central bank's decision to hold off on raising rates last week. The Fed also suggested at its most recent meeting that a hike in borrowing costs may not be needed for the rest of the year.

Though Fed Chairman Jerome Powell highlighted slowdowns in overseas economic growth, the Fed did not indicate at its March meeting that rate cuts would be necessary. Trump has criticized the central bank's plans to increase borrowing costs, but the recommendation from Kudlow marks one of the most explicit directives from the White House to date.

Kudlow reiterated that the president has no plans to try to replace Powell as head of the Fed.

"Globally, there's a lot of weakness out there. Europe — euro zone virtually in a recession. China — very, very, very soft as we negotiate on trade," Kudlow continued. "In the absence of inflation, with some of these global threats, our view is at some point ... I wouldn't mind seeing the Fed drop their target rate."

The rhetoric from the White House also signals a shift from historic norms. Prior Fed chiefs — ranging from Alan Greenspan to Janet Yellen — have stressed the importance of the Fed's independence from political agendas when setting monetary policy.

The idea is that the Fed's independence allows it to make sometimes unpopular decisions, such as raising interest rates, without pressure from politicians looking to goose the economy in the short term.

Trump said last year that the [central bank has "gone crazy"](#) with rate hikes, blamed Powell for [declines in the stock market](#) and announced he was "not happy" with [Powell's "loco" decision](#) to continue hiking throughout 2018.

In response to the president's "loco" comment last October, Kudlow told CNBC that "we all know the Fed is independent. The president is not dictating policy to the Fed. He didn't say anything remotely like that."

WATCH: [Kudlow says he doesn't believe economy is slowing](#)