

Events & Announcements

With Trump Trade War a Threat, Fed is Set to Cut Rates Again

Feds are unsure what they will do, but think a drop in borrowing costs would provide economic stimulus

By *Martin Crutsinger*
AP Economics Writer

WASHINGTON — For a second straight time, the Federal Reserve is set to cut interest rates this week to try to protect the economy from the consequences of a global slowdown and President Donald Trump's trade war with China.

After that, no one — not even the Fed itself — seems sure what it will do. The economic landscape looks too hazy and vulnerable to unexpected events, like oil price spikes resulting from the weekend attack on Saudi Arabia's oil production facilities.

Among the key questions:

Will Trump achieve at least a truce in his conflict with China and diminish a threat overhanging the U.S. economy?

Will Britain avoid a disruptive exit from the European Union that would destabilize the global economy?

Is U.S. inflation, dormant for years, finally

starting to reach the level the Fed has long targeted? Could a surge in oil prices even send inflation to heights that would make the Fed uncomfortable about cutting rates? Or would higher energy prices make the officials more fearful of a global downturn and so more inclined to cut rates?

The answers to those uncertainties will influence the Fed's decisions in the coming months on whether it needs to keep reducing borrowing rates to try to help sustain the U.S. economic expansion now in its 11th year.

It might not matter much in any case. With rates already ultra-low, few economists think a further modest drop in borrowing costs would provide much economic stimulus. Still, the financial markets are anticipating not only a quarter-point rate cut on Wednesday when the Fed ends its latest policy meeting but one or more additional cuts later this year.

Since the Fed's last



In this July 31 file photo Federal Reserve Chairman Jerome Powell speaks during a news conference following a two-day Federal Open Market Committee meeting in Washington. Federal Reserve Chairman Jerome Powell said Sept. 6 that the Fed is not expecting a U.S. or global recession. But it is monitoring a number of uncertainties, including trade conflicts, and will "act as appropriate to sustain the expansion."

meeting ended July 31, the markets have endured a tumultuous ride. On that day, it announced its first rate cut in more than a decade — since the eruption of the financial crisis in 2008. In explaining its move to cut its key short-term rate to a range of 2% to 2.25%, the Fed cited the weakening international economy, uncertainties heightened by Trump's trade fights and chronically low inflation. It cast its

action as a pre-emptive move to sustain the expansion.

Yet the very next day, Trump sent markets plunging when he announced a new round of penalty tariffs against China. Around the same time, he also stepped up his public attacks on the Fed and on Chairman Jerome Powell personally. By the time Powell addressed an annual Fed conference in Jackson Hole, Wyoming, in

late August, Trump was tweeting that the man he had chosen to lead America's central bank was an "enemy" of the United States to rival China's President Xi Jinping.

Trump's sniping at the Powell Fed hasn't let up. He has demanded larger and larger rate cuts. Last week, he insisted that the Fed should cut its benchmark rate to zero — or below, as the European Central Bank has done.

Nearly all economists outside the administration view that idea as unwise if not reckless. Negative rates tend to reflect severe economic weakness — something not characteristic of the U.S. economy, with its slow but steady growth, solid consumer spending and an unemployment rate near a half-century low.

The most serious threat to the expansion is widely seen as Trump's own trade war. The increased import taxes he has imposed on goods from China and Europe — and the counter-tariffs other nations have imposed on U.S. exports — have hurt

American companies and paralyzed plans for investment and expansion.

And despite Trump's insistence that the Fed aggressively slash what are already historically low interest rates, few businesses feel that borrowing rates are too high or that they can't obtain loans.

"When we talk to our businesses — and it doesn't matter the sector, it doesn't matter the size, it doesn't matter their geographic location — what's driving their concern is uncertainty in the policymaking process, especially with respect to tariffs," said Neil Bradley, executive vice president of the U.S. Chamber of Commerce.

In recent days, the Trump administration and Beijing have acted to de-escalate tensions before a new round of trade talks planned for October in Washington. Yet most analysts foresee no significant agreement emerging this fall in the

See FED on page 9

34TH ANNUAL
MARTIN LUTHER KING JR.
BREAKFAST

back at the **OREGON CONVENTION CENTER!**

Tickets on sale at TheSkanner.com

MONDAY
JAN. 20
2020