

Trump's Taylor Rule

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Statistical Analysis

NOTE: THIS SITE IS UNDER CONSTRUCTION

When does Trump criticize the Fed for interest rates too high?

We looked at those days on which Trump criticized Fed policy, as posted on his platform TruthSocial, or Twitter before that. We also looked at his remarks as reported in the media. There were 145 such occasions between January 2013 and June 2025. (No doubt there are other occasions that this source misses.) Of these 145, he viewed interest rates as too high and called for easing on 129 occasions, and interest rates too low, calling for tightening 16 times.

We used a method called Firth penalized logistic regression and OLS with robust standard errors to examine whether Donald Trump's public calls for looser monetary policy follow a macroeconomic logic akin to the Taylor Rule. In addition to including the contemporaneous Fed funds rate, we examined the effects of the unemployment rate and CPI inflation rate on the likelihood of his criticizing monetary policy as too tight. A dummy variable [called InOffice] indicates whether Trump was in office—defined to include the transition period following an election victory—and helps test whether his critiques are institutionally motivated or self-interested. [The penalized log-likelihood model avoids convergence issues due to separation and allows for more reliable inference, while the logistic is more appropriate for a limited dependent variable.]

```
. firthlogit WantsLooser InOffice FEDFUNDS UNEMPLOYMENTRATE CPIYY
```

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Initial: Penalized log likelihood = -49.702802  
Rescale: Penalized log likelihood = -49.702802  
Iteration 0: Penalized log likelihood = -49.702802  
Iteration 1: Penalized log likelihood = -26.216963 (not concave)  
Iteration 2: Penalized log likelihood = -11.21031  
Iteration 3: Penalized log likelihood = -10.37814  
Iteration 4: Penalized log likelihood = -10.122  
Iteration 5: Penalized log likelihood = -10.09773  
Iteration 6: Penalized log likelihood = -10.09723  
Iteration 7: Penalized log likelihood = -10.097229
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Number of obs = 148  
Wald chi2(4) = 21.12  
Prob > chi2 = 0.0003
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Penalized log likelihood = -10.097229
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WantsLooser	Coefficient	Std. err.	z	P> z	[95% conf. interval]	
InOffice	6.617263	2.092146	3.16	0.002	2.516733	10.71779
FEDFUNDS	.7065582	.5149276	1.37	0.170	-.3026813	1.715798
UNEMPLOYMENTRATE	.2325242	.5998496	0.39	0.698	-.9431594	1.408208
CPIYY	-25.25068	43.71595	-0.58	0.564	-110.9324	60.431
_cons	-3.17858	4.407218	-0.72	0.471	-11.81657	5.459408