

**Analysis - There's a reason Trump is the only one talking about 1% rates**

Story by Howard Schneider and Jacob Bogage 2026-9-23

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WASHINGTON, Sept 23 (Reuters) - As a lifelong real estate investor whose businesses relied on debt and interest rates, President Donald Trump might be expected to know better: The 1% rate he keeps demanding from the US Federal Reserve is impractical and would likely backfire, according to analysts.

A policy rate slashed that low, from its current range of 3.75% to 4%, would likely touch off massive dislocation in the global financial system and end up with the US government paying more to borrow than it does now in bond markets. - Note

Some figures close to the president say his interest rate demands should be seen less as a prescription and more as a way to deflect from issues like high consumer prices ahead of midterm elections in November.

But in practical terms, a 3-percentage-point cut by the Fed "seems cataclysmic," said J. Benson Durham, founder of DASM investment research firm.

Treasury rates would climb as investors priced higher inflation, countries like Germany could soak up capital by offering just a bit more to lenders than the US, and the dollar would plummet," he said. - Note

Yet despite the bond market math and concerns about Fed credibility, Trump has repeatedly called for ultra-low borrowing costs, which he says the US deserves as the world's largest economy with, he argues, the safest credit.

#### TRUMP'S DEMANDS

After the Fed under its relatively new chair, Kevin Warsh, hiked rates last week, Trump criticized the decision and repeated the 1% figure.

"The president in his own way is saying, 'I don't like the pain of this,' but he should be clear that it's not the fault of the Fed" for having to raise rates, said Grover Norquist, head of the conservative group Americans for Tax Reform, and an outside Trump economic adviser.

Given the importance of controlling inflation ahead of the vote, some allies of the administration privately praised Warsh after the rate decision, according to one person involved in the exchanges, who requested anonymity to discuss them.

*Note*  
A White House ally who liaises with Warsh told Reuters the calls for 1% are unrealistic given the workings of global bond markets.

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"Can everybody just wake up? If you mess up the bond market, it's good for the bond investor and no one else," said the person.

The White House did not respond to requests for comment. The Fed did not comment on Trump's remarks.

## HIGH INFLATION AHEAD OF VOTE

Trump's pressure on the Fed goes beyond the 1% rate request.

He aims to oust Governor Lisa Cook, an appointee of former President Joe Biden, and is awaiting results of an inspector general's probe of former Chair Jerome Powell's oversight of a Fed construction project. Powell remains a Fed governor, denying Trump a new appointee at the central bank.

Some analysts say the Fed remains a useful scapegoat for Trump, who heads into the midterms with mortgage rates nearing 7% and prices for staples like ground beef and gasoline also rising, underlining the issue of affordability.

Inflation has increased since early in Trump's term from the combined shocks of his tariffs and energy costs from the US war with Iran, among other things.

*PCI*  
The Fed's preferred inflation measure was 3.7% in July and the bank doesn't expect that rate to fall to a 2% target before 2029, suggesting inflation could remain elevated for Trump's entire term.

## TONE SHIFT

The president's public comments have mostly spared Warsh, his handpicked successor to Powell, and focused more on the Fed's other policymakers.

When Powell as chair ignored Trump's various calls to cut rates or not raise them, the president called him an "enemy," a "numb skull" and other epithets.

By contrast last week, Trump characterized Warsh as being boxed in by a "political" board. After the Fed lifted rates for the first time in three years, in a unanimous vote, Trump said that he had told Warsh in a phone call beforehand to go along with the majority if necessary.

Warsh has said he won't discuss conversations with Trump.

Long considered an inflation hawk, Warsh had weeks ago laid out the case for higher rates, surprising some analysts who had questioned his independence from Trump.

Warsh "has repeatedly said the Fed will deliver price stability. Wednesday's rate hike shows that he means it," Apollo Global Chief Economist Torsten Slok said after the Fed's Sept. 16 decision.

#### KEEPING AN OPEN LINE

The relative leeway Trump is giving Warsh may reflect their warmer ties early in the new Fed chief's term.

Trump started chiding Powell early in his first presidency for raising rates, and the relationship remained tense. Powell did not openly push back against the rhetoric until early this year, when the administration sent a grand jury subpoena over the construction project.

Warsh appears to have a more congenial relationship, fielding the president's phone calls while maintaining he'll remain an independent broker when it comes to monetary policy.

That policy now includes a hardening stance against inflation.

Polls show that pocketbook issues including record diesel fuel prices are hitting red state rural economies and small businesses, and that Trump's record-low approval rating is dragging down Republican congressional candidates. *Note*

A Reuters/IPSOS poll published Monday showed just 17% of respondents approve of the president's handling of the cost-of-living, the top issue Americans say will influence how they vote in six weeks.

(Reporting by Howard Schneider; Editing by Dan Burns and Jonathan Spicer)

