What is 'taylor rule' in Economics?

This refers to a rule used by central banks to determine the right interest rate for the economy based on changes in price inflation and other economic conditions. It was proposed by American economist John Taylor as a tool to conduct rules-based monetary policy. The Taylor rule is often proposed as a solution to the problem of discretion involved in the framing of monetary policy due to the influence of political populism. It provides a formula to determine how much a central bank should target an increase or decrease in interest rates depending on the economy’s health.

The new U.S. Fed Chairman is unlikely to opt for policies that might upset the President’s plan

END

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