

TRENDMACRO LIVE!

## On the Powell/Trump Deal Memo

Tuesday, February 5, 2019

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**A dinner. A done deal. A dove. The system works.**

If anyone still doubts that Fed Chair Jerome Powell cut a deal on Christmas Eve weekend with President Donald J. Trump (see [“Did Powell Just Cut a Deal?”](#) December 23, 2018), then doubt no more. If Powell’s apologetic performance at the January FOMC wasn’t enough for you (see [“Next Stop on the Jay Powell Apology Tour”](#) January 28, 2019), then take a look at this: [here is the “deal memo.”](#) released last night by the Fed.

### Update to strategic view

**US FED:** Powell and Clarida dined at the White House last night with Trump and Mnuchin. A Fed press release documents the event, and reads like a “deal memo” for the Christmas Eve accord we believe Trump and Mnuchin reached with Powell. Just as the Supreme Court changed its policy stance to ward off FDR’s 1937 threats to its independence, so the Fed has agreed to come off “automatic pilot” and commit to decisions made “entirely on incoming economic information.” The memo masterfully preserves everyone’s dignity. But it memorializes Powell’s promise of “patience” and “caution” in exchange for Trump’s forbearance, and confirms that a major economic risk really is off the table.

[\[Strategy dashboard\]](#)

**1** Everyone’s dignity is preserved. Powell gets to write the press release, but the first phrase admits this was a command performance.

**2** We’ve been to this kind of meeting in Washington. The principals always bring a “second” to act later as a friendly witness if need be.

February 04, 2019

### Statement on Chair Powell's and Vice Chair Clarida's meeting with the President and Treasury Secretary

For release at 8:20 p.m. EST

At the President's invitation, Chair Powell and Vice Chair Clarida joined the President and the Treasury Secretary for an informal dinner tonight in the White House residence, to discuss recent economic developments and the outlook for growth, employment and inflation.

Chair Powell's comments in this setting were consistent with his remarks at his press conference of last week. He did not discuss his expectations for monetary policy, except to stress that the path of policy will depend entirely on incoming economic information and what that means for the outlook.

Finally, Chair Powell said that he and his colleagues on the FOMC will set monetary policy in order to support maximum employment and stable prices and will make those decisions based solely on careful, objective and non-political analysis.

**3** *Here's Trump's win.* Powell affirms the promise of caution and patience in the [minutes of the November FOMC](#), which he broke in December by not putting it in the post-meeting statement...

**4** ...but Trump let Powell pretend he had already handled it all on his own (never mind by then it was six volatile weeks too late).

**5** Everyone’s dignity is preserved. Powell promises to be “careful, objective” as opposed to “on automatic pilot.” Trump agrees to turn off the pressure. It’s a replay of FDR’s 1937 stratagem to threaten to stack the Supreme Court. The “independent agency” decides (all on its own) to start seeing things the president’s way, and the president agrees to honor the agency’s “independence.”