Free exchange

A meeting of economists and central bankers was overshadowed by President Donald Trump

But in some ways, he brought them together

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on over $500bn of Chinese imports. But even as stockmarkets reeled, the conference continued serenely. Indeed, Mr Trump even brought the participants together.

Most obviously, they were united in grumbling about the effects of his trade policy on the global economy. Philip Lowe, the governor of the Reserve Bank of Australia, said that business uncertainty was turning political shocks into economic ones. Mark Carney, the governor of the Bank of England, said that trade tensions had raised risk premiums, tightening financial conditions.

The president's twitter tirade could lead to greater policy convergence, too. Though Mr Powell kept mum about the future path of American interest rates, he said that the Fed's doveish shift had helped secure a positive outlook for inflation and employment. As recently as December it was raising rates away from those set by other central banks; now it is moving downwards with them.

Participants seemed united in their scepticism that monetary policy could entirely offset the trade war's ill effects. Although monetary policy could help with consumer and business confidence, said Mr Powell, it could not provide a "settled rulebook for international trade". Mr Lowe questioned how much modest cuts in interest rates would stimulate investment, and noted that countries could not all pep up their economies with currency depreciation, as "we trade with one another, not with Mars".

As the academic presentations started, a second uniting factor became apparent. Mr Trump is a powerful force outside the Fed's control—one it cannot fully offset. In claiming to put America first, he complicates the country's monetary policymaker's task of keeping the domestic economy on an even keel. That difficulty is paralleled by how the Fed, in turn, complicates monetary policy in the rest of the world.

Mr Trump's power is expressed via social media. The Fed's is exerted via the dollar, which has become more important globally in the decade since the financial crisis. America accounts for just 15% of global GDP and 10% of global trade, yet the

That discussion built on earlier work by another participant, Hélène Rey of London Business School, who has argued that Fed policy is an important driver of global financial cycles, and that when it raises interest rates financial conditions tighten in the rest of the world. Şebnem Kalemli-Özcan of the University of Maryland explained how emerging markets could be hit particularly badly as, when the Fed raises rates, some money moves from riskier emerging markets towards America. Investors then worry that emerging markets might run into problems, or that they are riskier bets, which worsens capital flight. Central banks, she added, would be unable to shield their economies fully from the results. In theory they could lean against the wind, raising rates to encourage investors to stay. But the rise in perceived risk tends to be so great that the tightening would need to be extreme enough to throttle the domestic economy. Though allowing the exchange rate to adjust instead also brings pain, it is the less bad option.

The assembled central bankers raised their voices in a chorus of complaints about the powerful forces making their lives harder. Amir Yaron, the governor of the Bank of Israel, spoke of the struggles of the past three years, during which it kept interest rates very low but still saw foreign capital slosh in as the Fed tightened, because investors saw it as an emerging-market safe haven. The Fed's policy shift was only partially offset by Israel's monetary policy, he said. The discontent extended to participants from advanced economies, too: Mr Carney called the dollar "domineering".

Sauce for the central banker

In some ways, then, the Fed's struggles to cope with the consequences of Mr Trump's words and deeds echo the experiences of its counterparts in other countries, for whom it is the Fed itself that is the unruly, unbiddable external force. But in other ways the comparison is unfair. The Fed is, after all, seeking to fulfil a mandate set by Congress and to create the conditions for America's economy to thrive. The more it succeeds, the better for the rest of the world. On occasion it even takes the spillover effects of its actions on other countries into account. Its decision in July to cut interest rates, for example, was motivated in part by concerns over "weak global growth". The Fed does create problems for the world's monetary policymakers. But, unlike Mr Trump, it is not trying to.

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