

The Economic Club of New York

Steven Terner Mnuchin
United States Secretary of the Treasury

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Interviewer: Maria Bartiromo
Anchor and Global Markets Editor
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Introduction

Vice Chairman Peter Henry

I'm Peter Henry, Vice Chairman of the Club and Dean of New York University's Leonard N. Stern School of Business. The Economic Club of New York is the nation's leading nonpartisan forum for speeches on economic, social and political issues. More than 1,000 prominent guest speakers have appeared before the Club over the last century and have established a strong tradition of excellence. I'd like to take a moment to recognize the now 252 Club members of the Centennial Society who are seated at the Centennial tables up front. Each of these individuals has made a one-time donation of \$10,000 to the Centennial Fund, which serves as the financial backbone of the Club. Thank you for your support of the Club. (Applause) And a special welcome to the members of the 2017 ECNY pilot class of fellows who are here with us today. We are also pleased to welcome the students from the New York University Stern School of Business who are present as well.

And now, it's an honor for me to introduce Secretary Steven Terner Mnuchin, who was sworn in as the 77th Secretary of the Treasury on February 13, 2017. As Secretary of the Treasury, Mr. Mnuchin is responsible for the Executive Branch Agency, whose mission is to maintain a strong economy, foster economic growth, and create job opportunities by promoting the conditions that enable prosperity and stability at home and abroad. He's also responsible for strengthening national security by combating economic threats and protecting the integrity of our financial system as well as managing the U.S. government's finances.

Prior to his confirmation, Secretary Mnuchin was Finance Chairman for Donald J. Trump for President. In this role, he spent the last year traveling with the President. He met with hundreds of business leaders. He also served as a Senior Economic Advisor to the President and crafted his economic positions and economic speeches. Prior to his confirmation, he also served as Founder, Chairman, and Chief Executive Officer of Dune Capital Management. He also founded OneWest Bank Group, LLC and served as its Chairman and Chief Executive Officer until its sale to CIT Group, Inc., which was the first bank merger, over \$50 billion, post-financial crisis.

Earlier in his career, Secretary Mnuchin worked at the Goldman Sachs Group, Inc., where he was a partner and served as Chief Information Officer. He has extensive experience in global financial markets and oversaw trading in U.S. government securities, mortgages, money markets, and municipal bonds. Secretary Mnuchin is committed to philanthropic activities and previously served as a member of the boards of the Museum of Contemporary Art, Los Angeles, the Whitney Museum of Art, the Hirshhorn Museum and Sculpture Garden in the Mall, the UCLA Health System Board, the New York Presbyterian Hospital Board, and the Los Angeles Police Foundation. He was born and raised right here in New York City and holds a bachelor's degree from Yale.

Today's format will be a Fireside Chat, and Club board member and Fox Business Network Anchor and Global Markets Editor, Maria Bartiromo, will be the interviewer today. As a

reminder, this event is on the record for the media and is being live-streamed. Secretary Mnuchin and Maria, the floor is yours. Please welcome them. (Applause)

FIRESIDE CHAT

MARIA BARTIROMO: It's great to see everybody. Thank you so much, Secretary, for sitting down with us.

SECRETARY STEVEN MNUCHIN: Thank you.

MARIA BARTIROMO: Congratulations to you first off. You said you wanted to have a major piece of legislation in year one, and it looks like you are doing that. Here we are watching tax reform getting worked on. Can you give us a status track? Where is the tax package at this point?

SECRETARY STEVEN MNUCHIN: Sure. Well, first of all, thank you for inviting me to be here today, and thank you for interviewing me. This is obviously an iconic place to come and talk about tax reform. It was 1962 that President Kennedy was here talking about tax reform at the New York Economic Club. And it was a little bit over a year ago that I was here where John Paulson interviewed then candidate Trump, now President Trump, on one of his major two speeches on economic policy. So, it's absolutely great to be here with you. We're excited about where we are. The House has released its bill. It's going through the process, through committee

and down to the floor. And later today, I expect the Senate to release its bill. I had the opportunity to meet with the Finance Committee last night, go through some of their final thinking. I think that fundamentally the two bills are very similar. There are some differences to the bill, but I think this is a terrific process. They'll be released at committee, they'll be going through a committee process. And our objective is to get this to the president to sign in December.

MARIA BARTIROMO: Would you be comfortable with phasing in the 20% corporate rate over a year, which is what is being talked about out of the Senate bill?

SECRETARY STEVEN MNUCHIN: So, I think a lot of this has to do with the math of reconciliation. So, as I like to say, there's a lot of things that are much more similar in business and Washington than Washington wants you to believe. But, the budget process is something that is quite different. And we obviously have a trillion and a half dollars to use in reconciliation. Now, as I've kind of described the math, there's \$500 billion difference between policy and baseline, so we think that we should be comparing this to the policy, not the baseline. That takes it down to a trillion. And if you've heard me say, we think we're going to pay for this with \$2 trillion of growth. Some people have questioned my growth assumptions, but even if you get to 40 basis points of additional GDP growth, you break even. So, the phase-in, I mean I'm giving you the longer answer to this, the president would like this to go into effect right away. I think the sooner we get this – the 20% rate – the better it is for the economy. But, the House and

Senate are having to look at how we pay for all of this, including a major focus of the president, his middle-income tax cuts. So, these are things that are still being discussed. Obviously right away is better than a year, but a year is better than obviously a longer phase-in.

MARIA BARTIROMO: Because, I mean, would that have an impact on business if it's a year phase-in? Maybe that year, people can plan what's to come in 2019. I mean obviously the speculation initially was that it would be phased in over five years, so this is a real improvement if it's actually one year.

SECRETARY STEVEN MNUCHIN: Well, Maria, one of the incentives, even if there is a year phase-in is if we have the automatic expensing right away, and particularly if there's a higher tax rate, that's going to be a huge incentive for businesses to invest right away. So, I'm confident wherever we get on the exact, the most important thing is that we end up with a competitive business tax system. I think, as you now know, we have one of the highest tax rates in the world. We tax on worldwide income. We have this crazy concept of deferral. If you leave your profits offshore, you don't pay taxes so it's not a surprise we have a trillion dollars offshore. So the most important issue is that we convert from a worldwide to a territorial system and we get a competitive rate.

MARIA BARTIROMO: There was a lot of discussion, debate, upset frankly, about the House's bill and this so-called bubble rate, 45.6% for a portion of people's income. People say that that

means some people – many people – are getting a tax increase out of this plan.

SECRETARY STEVEN MNUCHIN: Well, for this group, in New York, and I've heard this from plenty of people, including the president, he will have a tax increase. So, for people who make over a million dollars in the high-tax states, there will be a tax increase. Now the bubble rate, you know, is a technicality we're trying to work through. But the president's focus is this is on a middle-income tax cut. This is about businesses being competitive. Obviously people in this room will benefit from the business tax, but, this is not about tax cuts for the rich.

MARIA BARTIROMO: Let me ask you about that because you bring up New York and, of course, the elimination of the deduction – the state and local income deduction. People in this room are saying, you know what, New York is a donor state. They pay \$48 billion more than what they get back. Why are you raising taxes by eliminating this deduction on a donor state that's actually paying more than it should anyway?

SECRETARY STEVEN MNUCHIN: It's a good question, Maria, and obviously I just, I just came back from California where there were very similar comments. So, first let me comment on the concept of a donor state. We have a tax system where the rich people pay higher tax rates and a majority of the tax is collected from high earners. So, to the extent that a state has more wealthy people – which New York and California does – there's a lot more tax revenues coming from the state. So, I don't think this is a question about whether it's a donor state or not a donor

state. I think fundamentally we believe the federal government should get out of the business of subsidizing state taxes and that's the reason to do it. We're getting rid of the AMT for a lot of people in New York. They do pay the AMT so that is an offset. And, you know, we've run a lot of numbers. We're very sensitive to people who make \$200,000 and \$300,000, that they're going to get a tax cut in New York. You know, as I said, in this room people have done very well for the last eight years. This is really focused on the American worker who has had no wage increases for the last eight years.

MARIA BARTIROMO: Is there any wiggle room on that, in your view, in terms of putting a cap on income? So, those people who make \$300,000, \$400,000 a year, maybe they can still deduct that state and local, but maybe over a million you can't. Are you still working on that? And is there room for wiggle?

SECRETARY STEVEN MNUCHIN: You know, the House has a version. My expectation is the House version will get passed. We'll see what the Senate comes out with. There's still discussion. But, again, I'd say on the House version they added a deduction for real estate taxes. That was something we were very focused on for the middle class. But I can assure you, I've had a lot of conversations with people. I specifically went to California to talk about tax reform. I was at the Reagan Library on Sunday night, which was again another iconic location to talk about taxes. They got me on the road going to New Jersey next week, which is another one of these states. So we continue to have these conversations.

MARIA BARTIROMO: So you're hearing it from all these states, that's for sure. Let me ask you, do you expect behavior to change as a result of this elimination in the deduction? You know, a real estate developer that I was speaking with recently said he's expecting a mass exodus out of New York, that people are going to say to themselves, look, when I count local, state, I'm at 53% – my tax rate, why shouldn't I go to Florida and be at 25%? So, will we see movement, people moving out of New York if they're losing that deduction and the local and state taxes stay the same?

SECRETARY STEVEN MNUCHIN: Maria, I've heard these issues for a long period of time. So, as you know, I've lived in New York most of my life. I never thought I could move anywhere outside New York City and have a higher tax rate and I did that by going to California. I know, in New York, when I was at Goldman Sachs, we had lots of discussions about New York versus New Jersey in tax rates. I've heard this in California. I've heard this here. Look, I'm surprised, some businesses move and a lot don't. I do hope that this sends a message to the state governments that perhaps they should try to get their budgets in line. And the question is, why do you need 13 or 14% state taxes?

MARIA BARTIROMO: I'm going to ask you about spending on the federal level as well, but let me stay on this idea that we're going to see some moderate changes coming out of the Senate bill. There's an expectation that the highest rate goes from 39.6% to 37%. Would you be

comfortable with something like that?

SECRETARY STEVEN MNUCHIN: I'm not going to comment on the specifics because it hasn't been released yet. So, you know, again, there's discussions about the top rate. Again, I prefer not to comment on that until after the Senate comes out with their plan.

MARIA BARTIROMO: The corporate move down to 20% from 35% seems to be one of the pieces of this plan that you believe will really move the needle on economic growth. Talk to us about that. Why do you think that's going to dictate behavior on the part of managers and CEOs, that they're going to take that extra savings and create jobs? Connect the dots. How do you expect them to change behavior? Maybe they'll just take that extra money and buy back stock and do dividends.

SECRETARY STEVEN MNUCHIN: Well, Maria, as you know, I had the opportunity to travel on the campaign with the president last year and literally met with hundreds, if not thousands, of business people – big business, small business. And the two things we heard on the campaign were regulations and taxes. And the president is 100% convinced, as am I, that if we give U.S. business a fair, level playing field that we can compete better than anybody in the world. And when you have a tax system that incentivizes moving jobs offshore, that's not consistent with what we want to do. And this is all about bringing jobs back here and making this competitive. I think, as you know, on the campaign the president wanted to have a 15% rate. We started at 15%

rate. The president got comfortable that 20% was the right balance of what we could afford in an incentive, but we're sticking with the 20%. That's critical.

MARIA BARTIROMO: Okay, the 20% rate is critical even if it's a year later?

SECRETARY STEVEN MNUCHIN: Again, we'd rather it sooner, but we'll work with the House and Senate on the rollout of that.

MARIA BARTIROMO: So, when you look at what's going on in terms of business right now, we've seen a real recession in terms of business. They've been sitting on cash. And you think that they will use this extra money from the tax cut plan and say, okay, now I can actually put this money to work in terms of buying, you know, investing, as well as creating jobs? That's what I'm trying to understand, how you get to job creation.

SECRETARY STEVEN MNUCHIN: Sure. Well, I mean there's no question there's trillions of dollars sitting offshore on the international system. So when we have deemed repatriation, and they pay a one-time fee, they're going to bring back the cash. That, there's no question about. When we create a level playing field that our tax system makes sense and is competitive with the rest of the world, we think – combined with expensing – that money will be invested here. And let me just also comment on, you know, we're going to have tax relief for pass-throughs. Most small and medium-sized businesses are structured as S-corps, partnerships, LLCs, and this is

about creating tax relief for small business as well.

MARIA BARTIROMO: Why was it important to do a 25% rate on pass-throughs but a 20% rate on corporate? Why not the same?

SECRETARY STEVEN MNUCHIN: Well, if you're a corporation and you dividend-out your money, there's a dividend tax. So they're not exactly equivalent in looking at pass-throughs which doesn't have double taxation.

MARIA BARTIROMO: You've said in the past you think the repatriation part of this needs to be permanent. You want to see companies know that they will be able to bring that money back and have an attractive rate and then not pay double taxation which has been the case. Will all of this be permanent?

SECRETARY STEVEN MNUCHIN: There's no question it is our intention that the business side has to be permanent. And, again, this is if we do it under reconciliation, there's something called the Byrd Rule in the Senate to make it permanent and that's how you look at the, what happens after the 10th year. So, yes, it's absolutely critical. You can't have a system where you change from a worldwide to a territorial and then ten years later you say we're going to change back. So, the House has phased out some of the middle-income issues. Again, my expectation is that those get extended and that's the way we're looking at it. But, again, some of that is just for

scoring purposes.

MARIA BARTIROMO: The rules around reconciliation are complex in terms of what you need to be, where you need to be. It's \$1.5 trillion that you're sort of confined, and that's what you have to make the numbers, correct?

SECRETARY STEVEN MNUCHIN: That is correct.

MARIA BARTIROMO: Okay, so in terms of where the money comes from to pay for it, you've said in the past that one move, one percentage move in GDP is equivalent to \$2.5 trillion. Remember the president said that, but you agree...\$2.5 trillion. So where would you see the best case scenario in terms of growth? You're talking about \$2.5 trillion equivalent to one point in GDP, could we go see a move in two points in GDP in the coming years?

SECRETARY STEVEN MNUCHIN: I'd say I'm very comfortable with that we can get up to sustained GDP of 3% or higher. Now, again, we've had some quarters of 3% now, which is the first we've had in a very long period of time. The scoring off of the CBO is off of like a 2.1, 2.2. So I'm very comfortable we're going to get to 3% and that's what we're scoring this off of. The president is confident we're going to get higher.

MARIA BARTIROMO: S&P yesterday was talking about the potential of a recession, basically

saying a recession happens every eight years. And one of our members had a question for you earlier, and that is about the interest TIE to EBITDA. So, if you're capping interest in this plan at 30% of EBITDA, what happens when things slow down? What if we were to have a recession? You know EBITDA does down, but your interest doesn't.

SECRETARY STEVEN MNUCHIN: So, let me just comment that, first of all, there's a lot of companies that will still be able to have 100% deductibility of interest. So, pass-throughs will have deductibility, real estate, utilities, there's areas that have permanent, that that's important for. So what we're basically talking about is C-corps and they're getting the benefit of the 20% rate. Now, when we spoke to lots and lots of CEOs across lots of industries, and we asked them, tell us how you feel about the rate, how you feel about expensing, and how you feel about interest deductibility, the number one thing that everybody said that was consistent is get us as lower rate as possible. And if you get us that, we're comfortable giving up some things on the other. So, to get to the 20% and pay for that, we've done expensing for five years, not permanent, and we have a slight haircut on interest deductibility. So that's kind of where we ended up.

MARIA BARTIROMO: A lot of people over the last several years have looked at carried interest and said this is really not fair where a hedge fund manager or a real estate person could actually look at their revenue and treat, and treat ordinary income as if it were capital gains. Are there going to be any changes on carried interest?

SECRETARY STEVEN MNUCHIN: I'm sure there's nobody in this room that cares at all about this topic.

MARIA BARTIROMO: That's why I'm asking.

SECRETARY STEVEN MNUCHIN: So I like to say, this is a highly interesting issue to a very small part of the population. Now, the president said on the campaign that he wanted to change the rules for hedge funds and carried interest. The House has proposed going to a three-year holding period. I think that's a big step in the right direction. I would just also comment that when you look at carried interest, two-thirds of this is actually in real estate. Only a third of it is in private equity and venture capital and other areas. A lot of this is about small developments, but I think it's a big step in the right direction, and we're working with the House and Senate on that.

MARIA BARTIROMO: So we could see more changes then there?

SECRETARY STEVEN MNUCHIN: We'll see what the Senate comes out with. I know there are still discussions, and again we're going through a healthy process of discussion, both at the House and Senate before a final bill gets to the president's desk.

MARIA BARTIROMO: Now, Secretary, a moment ago you said, look, the people in this room, the people in New York, you know, they're not necessarily going to be impacted so much even if taxes go higher for them. But, I want to ask you about this, and I know you've heard me ask this question a lot. If you're looking at the number of taxpayers, and the high, 10% of the highest earners are paying 70% of the tax, doesn't it make more sense to cut taxes on those who are paying taxes, rather than people who are not paying taxes? Fifty percent of the people do not pay taxes. So, are you cutting taxes on the people who actually pay taxes with this plan?

SECRETARY STEVEN MNUCHIN: Again, if you look the plan, and let's just start with what has been the president's objective from day one. The two objectives have been middle-income tax cuts and make our business tax system competitive. That's really what we've been focused on, and I think the current bill in the House and the bill that's going to come out of the Senate meet those objectives, and that's what's critical. So, you know, people who make over a million dollars, there's going to be plenty of other benefits. There's changes to the estate tax, again fundamentally Republicans believe in getting rid of the estate tax because it is a double tax. You've already paid taxes. We'll see where the Senate comes out, but I'll expect there will be some changes to the current system in the Senate version.

MARIA BARTIROMO: I heard the Senate doesn't want the estate tax.

SECRETARY STEVEN MNUCHIN: Well, again, I'm not going to comment on what they're

going to come out with in advance, but we can talk about that tomorrow. So, I think, you know, the bills are meeting the objective, and I think that's what's critical.

MARIA BARTIROMO: I only ask because I feel like for so many years I've been hearing about trickle-down economics. You create an environment for the job-creators. You create an environment for the highest earners. And they will turn around and put that money to work and it trickles down. Do you still believe in trickle-down economics?

SECRETARY STEVEN MNUCHIN: I do. And again, I think one of the big incentives on the corporate rate is at a 20% rate companies are going to be incented to reinvest those profits as opposed to dividending them out. I mean that's an enormous impact. When you look at the business side of this, which is a 20% rate, a discounted rate for pass-throughs, automatic expensing for five years, that's going to make our businesses very, very competitive. And I think that's going to be great for the economy.

MARIA BARTIROMO: I want to ask you a question from the audience. It's a newsworthy question because we know that the president has rolled back so many regulations. And he is actually the least regulatory president that we've seen in some time, cutting federal pages by more than 30%. But now there's this talk about AT&T-Time Warner and perhaps forcing this company to sell CNN and the Turner Broadcasting business as a way to allow this to pass. If he's trying to cut regulations, why is the DOJ getting heavier hand with that deal?

SECRETARY STEVEN MNUCHIN: Well, Maria, I think it would be inappropriate for me to comment on the specifics of that because that is being handled by the Justice Department as an anti-trust issue. That's not a regulatory issue, and I'm not going to comment on the specifics of that. But what I would say is President Trump, you know, this is the greatest move in regulation since Ronald Reagan. And we are committed, for every one new regulation, we get rid of two regulations. We've already done a lot in the financial area. We're working on the energy area. I mean, again, as we traveled during the campaign, businesses were as much concerned about regulations as they were about taxes.

MARIA BARTIROMO: We've talked in the past about the government-sponsored entities, the GSEs, like Fannie Mae and Freddie Mac, and what went on under the Obama administration where they actually took money from those companies and used it for other things. Is that true?

SECRETARY STEVEN MNUCHIN: It is.

MARIA BARTIROMO: And what is your intent with these government-sponsored entities?

SECRETARY STEVEN MNUCHIN: So, you know, I've been involved in the housing market for over 30 years, and specifically involved with understanding Fannie Mae and Freddie Mac so these are something I have a lot of experience in. As I said when I was confirmed, I am

determined that we have housing reform and that we come up with a permanent solution for Fannie and Freddie so that they're not, in the current form which is effectively owned by the government, having a massive line of credit with the Treasury and, you know, the Treasury being compensated through dividends. We need to fix the housing system. So that's something that I'll be working on. It will be a big priority for next year. And when I say housing reform, we're going to look at both FHA and Ginnie Mae where the government has a lot of exposure as well. We want to make sure that we don't fix Fannie and Freddie only to find out that the government has a lot of risk through FHA.

MARIA BARTIROMO: People are wondering why these companies are still paying dividends. They're paying dividends out of their earnings. Is that appropriate? Have you considered stopping the dividends?

SECRETARY STEVEN MNUCHIN: I have not considered that. As a matter of fact, there have been discussions about the dividends and I've told the director that we expect, the Treasury expects to get the dividends and expects to be compensated. Right now the taxpayers have a very large exposure. These companies couldn't exist without that, and that's why we're being paid the dividends. But having said that, we want a permanent solution. We're not looking at keeping these the way they are for the next eight years the way the Obama administration did and used the money – as you said – for other things.

MARIA BARTIROMO: So we should be expecting change on that...

SECRETARY STEVEN MNUCHIN: Absolutely. And that, I expect, is something that we'll be doing on a bipartisan basis. I think there's a lot of interest on both sides, and that will be a big focus. We've already had a bunch of preliminary conversations with the House and Senate on it, but that will be a big focus of mine for next year.

MARIA BARTIROMO: Speaking of bipartisanship, are you expecting any Democrats to vote yes to the tax bill? And do you have the votes to get this thing passed?

SECRETARY STEVEN MNUCHIN: So the answer is I think we will have Democrats. The president has invited Democrats to come for his speeches. We've had Democrats on Air Force One. We've had them come join the president. We've had discussions with Democrats. I actually just got off the phone on the way here. So we hope there's Democratic support. I mean, I would say again, on the business side and the middle-income tax cuts, that's something that I believe is not a Republican versus Democrat issue. It's something that both parties understand.

MARIA BARTIROMO: There's a conversation taking place that the other night where we saw victories almost across the board for Democrats, whether it be New Jersey or Virginia, or here in New York City, that the Republicans aren't saying, oh, God, tax reform is more critical than ever before, otherwise we're going to lose the 2018 midterms coming up next year. How did you feel when you saw the victories the other night from the other side?

SECRETARY STEVEN MNUCHIN: Again, I separate the issues. I don't feel any differently before the elections as after the elections. Tax reform is critical for the economy. It's something that President Trump campaigned on. It's something that the market expects. It's critical. And I think that the Republicans understand that, and hopefully we'll get Democrats who understand that as well.

MARIA BARTIROMO: Secretary, you've been also working on sanctions. Obviously, the threats to the United States have gone up, whether it's North Korea, Iran, we've got the issues around Russia. Tell me why sanctions are important to you and why you think they work. Because some people say sanctions don't work. North Korea does not care about its people. Kim Jong-un does not care about his people. What does he care about sanctions?

SECRETARY STEVEN MNUCHIN: So, Maria, that's a good question. And, you know, it's interesting, most people don't realize that a major part of my job is managing the sanctions programs. I probably spend 50% of my time on this and on foreign policy issues. And I can 100% assure you that they do work, that the president thinks they work, that the Secretary of State, Mattis and I, the intelligence community, we all work together. There's no question in the case of Iran that the only reason they came to the table to negotiate the JCPOA was because of the sanctions that were in place. And we fundamentally believe there could have been a better deal. We're very concerned about the term of the Iran nuclear deal. We're very concerned about

the ballistic missile activity and the terrorism that they're doing outside of the deal. I just got back from a trip to the Middle East where I visited Saudi Arabia. We launched the Terrorist Financing Targeting Center actually in Saudi with several other countries in the region. I then went on to Israel, UAE, and Qatar. In every single country, there were common views on what we're doing to combat terrorist financing and specifically Iran. So there's no question these sanctions work, whether it's Iran, North Korea. They have worked. Obviously, I didn't go on the president's foreign trip because I'm here focused on tax reform. But, there's no question the president has given me very significant authorities to sanction anybody that does trade or other significant activity with North Korea. And these things work.

MARIA BARTIROMO: Are you expecting to insert more sanctions on Chinese banks, for example?

SECRETARY STEVEN MNUCHIN: Again, it would be inappropriate for me to comment on that specifically, but I can tell you the president is having very specific conversations with President Xi about North Korea, and we appreciate the way they're working with us.

MARIA BARTIROMO: In terms of Saudi Arabia, I, too, was in Saudi Arabia and I saw you there. And it was extraordinary, when I got home there was this incredible coup with the Crown Prince jailing 11 princes and ministers over corruption and other things. What's your take on that? What's going on in Saudi Arabia? They're freezing \$800 billion in money.

SECRETARY STEVEN MNUCHIN: Well, Maria, I don't think a coup is a fair or appropriate description. I think, as you know, the Crown Prince is very determined to move Saudi Arabia forward in a very significant way. I mean the statistic that I was blown away by is 70% of the population is 30 years or younger.

MARIA BARTIROMO: That's incredible.

SECRETARY STEVEN MNUCHIN: And I think, as you know, I mean many of the people in this audience were actually in Saudi with me. I think it was dubbed, what was it, "Davos in the Desert." I think there was \$20 trillion of assets under management that was represented there. The Crown Prince is moving very aggressively to get the country back to moderate Islam and move the country and create jobs for people. I think he understands that if he doesn't create jobs for these people under 30, it's going to be a real problem. Now, I can't comment, the arrests and house arrests and, as you said, they're now being held in the beautiful hotel that we had the opportunity to stay at. I'm not, you know, I don't know what the specifics of the corruption charges are. I know they've said that there's going to be a fair process on this, but it's not a coup.

MARIA BARTIROMO: Let me ask you this. I want to get back to domestic issues here because obviously we just saw the passage of the budget, the vote on the budget. And a lot of people are saying, look, half a trillion dollars in overspending on the budget this year, or '18, another half a

trillion overspending in '19. I recognize we're pushing you on SALT, we're pushing you on these things that makes the tax bill more expensive, but when does budget issues, \$20 trillion in debt, become a near-term priority? You've said growth is your priority right now. But when does getting our arms around the debt become a priority given the overspending? And we know that that means attacking the entitlements.

SECRETARY STEVEN MNUCHIN: Well, the debt is concerning, so let me first say, the fact that we've gone from \$10 trillion of debt to \$20 trillion of debt in the last eight years, that's quite concerning. And there are issues we're going to need to focus on so that the debt doesn't just continue to grow. I think the first issue is we do have to have economic growth. That's probably the best way of dealing with this. And that's something that we're very focused on. But, you know, the debt is something, obviously debt ceilings, things like that, another part of my job.

MARIA BARTIROMO: Will there be a focus on entitlements, reining in the entitlements before they go broke?

SECRETARY STEVEN MNUCHIN: Entitlements is not our focus at the moment. Our focus right now is on growth. Our focus is also on the military, making sure that the military has the proper amount of funding. It's interesting, I just got back from the Reagan Library and, again, that's obviously something President Reagan – a big part of his policy. We have some very serious issues throughout the world, and our men and women in the military are making great

sacrifices to protect us. We need to make sure they have the right equipment.

MARIA BARTIROMO: By the way, at a time that we've got a very aging fleet in the Navy and aging equipment, I recognize that in terms of a need to modernize. A final question here, Secretary, how would you characterize the economy right now? We just saw two quarters of 3% growth. Can you identify for us where the growth is happening today?

SECRETARY STEVEN MNUCHIN: I think you're seeing it across the board. And I think you see this both in the growth in the numbers, you also see this in the market. But, you know, I think this is a big vote of confidence in our economic plans and now we need to deliver. We need to deliver on tax reform, regulatory relief, and then renegotiate some trade deals.

MARIA BARTIROMO: We look forward to that. Secretary Mnuchin, good to see you. Thank you so much. Steven Mnuchin. (Applause)

PETER HENRY: We understand, Secretary Mnuchin, he's on a very tight schedule. He cannot stay for lunch, but thank you again, Secretary, for being here. Please give him another round of applause, please. (Applause) As a reminder, the next meeting of the Club will be a luncheon on November 15 with Ginni Rometty, Chairman, President, and CEO of IBM. The next event following that will be a luncheon on November 21 with Doug McMillon, President and CEO of Walmart followed on November 29 by a luncheon with Randall Stephenson, Chairman and CEO

of AT&T. And then on December 5, we will have a dinner with Henry Kissinger, Chairman of Kissinger Associates, Inc. Thank you once again, everyone, for joining us today, and please enjoy your lunch. Thank you. (Applause)