THE ECONOMIC CLUB

OF WASHINGTON, D.C.

Excerpts from the Signature Event featuring Laurence D. Fink, Chairman and Chief Executive Officer, Blackrock, INC.

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The U.S. economy is probably the slowest-growing of G-7 countries today. I think there is way too much enthusiasm about the U.S. economy.. . . . There's a real disconnect. You have a surge in consumer confidence at record levels, and yet you're not seeing that translating into strong retail sales, and you're not seeing that in the behaviors of many of the business leaders.

You see a stronger Europe – you have Spain growing at 2.7 to 3 percent, you have a stronger France, a stronger Italy. You have China. A year ago we were worried that China was going into a recession. The Chinese leadership was very deliberate in how they re-navigated that economy. That economy today is growing at 6.5 to 6.7 percent, and if anything, it may tick up back to a 7 percent economy. Much of it has to do with Xi's government trying to show how strong the economy is into their Party Congress in October. So, David, we're seeing growth in Canada, growth in Europe, growth in Japan, growth in China. As I said, the country that has the least amount of growth is the U.S.

[The Federal Reserve Board has] been very deliberate in terms of raising interest rates. They want interest rates to be normalized. And yet they have to pay attention to the strength of the dollar. That's one of the reasons I think the U.S. economy has grown less fast, and that's why Europe is growing much faster with a euro at $1.05, $1.06 and the yen at ¥110 [per USD]. So there are many reasons why our economy has slowed, and much of it has to do with currency and the currency adjustment.

. . . I believe there is a high probability that rates are going to go lower than they are today. . .

. . . One of the reasons why our economy is slower than we want it to be right now is because the dollar is strong. But if the Federal Reserve continues to tighten and they see a reason to tighten, it's going to be hard to have a weakening currency. If we continue to see what I would call mediocre results related to our economy, then the dollar will probably weaken. But right now I would say consensus is the dollar is not going to weaken. It may strengthen.

. . . It is a fact we have the highest corporate tax rate of any country in the world today.

If we had lower corporate tax rates, I do believe we'd have more foreign companies coming here and investing more here in this country for manufacturing.

. . . Our economy is very complex. We have many rules and regulations that inhibit some profitability and inhibit job creation, but some of them are very good and very important to retain. It's a balance and I think this Administration is trying to navigate that balance. We're seeing positions or opinions being modified.

I think the biggest crisis in America is not health care. I think the biggest crisis in America is retirement. And retirement is an elongated problem –, so it's not today's problem, but I do believe some of the anger in this country is related to people who are fearful of their future. They're fearful that they don't have enough savings and they can't live in retirement in dignity.

. . . Human beings and Americans are living longer. You have to have greater pools of savings now to live those extra years in dignity. You know, we spend so much time focusing on how can we live longer – "I'm going to exercise," "I'm not going to eat bad food," "I'm going to do all these good things making sure I can live longer." Yet there is no dialogue about, "OK, how can I afford it?"

. . . What has happened now across the country is we have under-invested in our infrastructure. We have over a trillion dollars of deferred maintenance now, so things that are falling apart that we should be investing in just to keep them in proper [working order]. . . . If we want to have cities of the future, we are going to have to invest heavily in the electrification of our roads. We're going to have to invest in better pipes for broadband and all the other things that we're going to need to do to build the cities of the future. And we have no financing mechanisms for that.

. . . We have huge pools of money in the private sector but we don't have a good history in America of having public-private partnerships, unlike other countries, because it was always cheaper to use municipal finance. Cities can't afford this anymore, and we're going to have to create a mechanism of having public and private finance for some of the big projects.

I do believe the Build America Bonds that were created under President Obama, $181 billion were used in 18 months. Build America Bonds were a federal subsidy of 35 percent of the interest rate. But to do a Build America Bond, those bonds were taxable, not tax-exempt. And obviously, the rest of the municipal market is tax-exempt. So the Federal Government got most of that money back over time through people are paying their interest in a taxable way.. . . . I do believe we need to reinstate some form of a bond initiative like that. I think we could create jobs immediately. We could start working on the deferred maintenance problems that we have. And I'm very worried about our cities and our states and their ability to finance this. I don't believe they have the capacity.