

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

**Excerpts from the Signature Event featuring The Honorable
Lawrence A. Kudlow, Assistant to the President for Economic
Policy and Director, National Economic Council**

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“I believe we have entered an economic boom. Virtually nobody expected this. They thought it would be impossible. Most people thought 2 percent growth was the max. I never bought into it. America’s basically a free market economy. It’s not government-run. But government policies matter a lot. And we’ve had a switch in policies to an incentive model of low tax rates, especially businesses, small business, [*and a*] major rollback in deregulation.”

“We have seen really a remarkable burst of confidence... You look at these confidence charts, whether it’s consumer sentiment or small business, NFIB. I’ve never seen such an abrupt turnaround, a V-shaped recovery, almost beginning the day after the election and continuing right up to the last recorded month. And I think that really is a big change in attitude.”

“I’ve never been much of a deficit hawk. But I understand over a period of time that could be more difficult... Growth is going to solve a good deal of that deficit and the debt burden on the economy. If we get the kind of growth we’re looking for over a period of 10 years or more, that is going to be an enormous help. And I believe that deficit to GDP ratios will be coming down – not immediately, but I think they will over time. That’s been our experience. But the other factor is there must be greater spending limitations... Grow the economy, trim spending, go for more modest government. We’ve done it on the regulatory front. I think you’ll see a tougher line on the spending front.”

“President Trump is a trade reformer. That’s his basic point. I am a doctrinaire free trader. I did not approve of the blanket steel tariffs, for example... But on the other hand, he makes the point that the trading system has broken down. The idea of reciprocity on tariffs and non-tariff barriers has gone away. There’s a lot of unfair trading practices. The biggest culprit is China. And that can’t be left alone... But our tariffs are much lower than their tariffs almost everywhere in the world.”

“China has played fast and loose with the rules. The World Trade Organization needs reforms to enforce those rules. China is taking advantage. They’re not a third world country anymore. Why should we have to suffer?... Don’t blame [*President*] Trump. Blame the system he inherited, which was essentially broken. You’ve seen now recently we were able to complete USMCA, formerly NAFTA, with a combination of pressure [*and*] negotiations. [*It’s a*] pretty good deal, in my opinion... Certainly, the supply chains are intact. We are talking to the European Union again. We are talking to Japan again. And we are moving to what I have characterized as a trade coalition of the willing to confront China.”

“Briefly, I was kind of a hopeless alcohol and drug addict.... I’d lost everything... [My wife] gave me a one-way airplane ticket to Minneapolis-St. Paul Airport. And about an hour north of there is a fabulous, magical place called the Hazelden Foundation. And I spent, [five or six] months there learning how to live differently, which I needed. I was kind of a high flyer. I had enjoyed success. Changing myself. Restoring faith... And it was the greatest experience of my life. It was a turning point in my life, without question... I say to people: It’s never hopeless. That’s what I learned. It’s never hopeless. If you are willing to listen and pull yourself back and take advice and directions from others who have been through it and are sober, you too can be sober.”

“The Fed is independent. They’re going to do what they’re going to do. I’ve been through this a few times in government. The president has his opinions, and he gives them, which is great. But... he’s not forcing them, pushing them, or trying to apply any pressure. He’s just giving them his views. I’m not going to comment on the Fed interest rates, but I will say this: Much to my pleasure, I think Chair Powell, in his speeches and so forth, has made it clear that a lot of the old models have not worked and are being reviewed.”

“We will, and are, becoming the dominant energy player in the world. We’re running about at 11 million-plus barrels a day. We’re ahead of Saudi Arabia. We’re going to overtake Russia. A lot of the inside estimates in the agencies in our government is suggesting 15 million barrels a day in 2020. But the real thing here is the natural gas revolution. And all this comes from the fracking and the horizontal drilling.... We need infrastructure, including pipelines. We need east to west, we need west to east.”

“[There will be] a lot of infrastructure talk [in the next Congress].... [It’s] not just pipelines. It will be the building out of whole areas, like many cities, schools, shopping – that’s the way these big companies are looking at it.”

