THE ECONOMIC CLUB

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The Honorable Gary D. Cohn Discusses the Administration's Goals for Tax Reform and the Newly Released Tax Reform Bill

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MR. RUBENSTEIN: So, as you know, I normally open with some scintillating announcements. And all those who came to hear those scintillating announcements, you'll have to wait a little bit because Gary is on a tight schedule. So we're going to start the interview right now and go for about 50 minutes, and then Gary will have to leave, go back for an announcement at the White House. And I will then make my scintillating announcements about everything, and then the main course will be served then. OK?

So, Gary, let me first introduce you. Gary is the Assistant to the President for Economic Policy and head of the National Economic Council, has had that position from the beginning of this administration. He is, by background, a native of Shaker Heights and the Cleveland area. He went to American University in this city, a graduate of the Kogod School of Business there, and then subsequently went to work briefly at U.S. Steel, then the New York Mercantile Exchange, and then at Goldman Sachs.

He joined Goldman in 1990 and became a partner in 1994 and rose up to be the head of the Commodities Division and then ultimately the Currency and Commodities Fixed Income Division, then the co-head of the Equities Division and co-head of the Global Securities Division, and then ultimately in 2006 became the President and Chief Operating Officer and Director.

And he is under tight schedule, so I'm going to start right now. [Laughter.]

Gary, thank you for doing this.

MR. COHN: I was just – I was just wondering how much of my bio you memorized.

MR. RUBENSTEIN: Well, I memorized it a little bit.

MR. COHN: OK. Yeah, pretty good.

MR. RUBENSTEIN: So, are the egos bigger in Washington or Wall Street? [Laughter.]

MR. COHN: What egos?

MR. RUBENSTEIN: No egos, OK.

MR. COHN: What egos? None. None whatsoever.

MR. RUBENSTEIN: None, neither place.

MR. COHN: No.

MR. RUBENSTEIN: OK. And have you found since you've become the point man or one of the two point men on the tax bill that you've become very popular, all of a sudden people call you, tell you how important their issue is for national security or national defense or whatever other reason?

MR. COHN: Look, no less or no more people call me today than have called me for a long time.

MR. RUBENSTEIN: OK.

MR. COHN: Maybe it's just a personality flaw, but it seems like no one, no more no less than before.

MR. RUBENSTEIN: Really? So people aren't calling you more than they did a year ago?

MR. COHN: Not really. It's –

MR. RUBENSTEIN: OK. You don't have high school friends calling you all of a sudden saying this – [laughter] – a few of that?

MR. COHN: Not really. It's been interesting.

MR. RUBENSTEIN: OK.

MR. COHN: You know, people have sort of let us alone, let me alone, let me do my job. And, you know, I'm sure once they start seeing what we do and how it impacts them, that may change. I think people reserve the right to call me, but so far they haven't exercised that option.

MR. RUBENSTEIN: OK. So today, the House leadership unveiled their bill. And you're going to have a meeting at the White House with the President and the leadership at, I guess, at 1:30. So in talking about it, is the bill that was released or the proposal released today, is that something the President can support? If that bill went through as is, the President would sign it?

MR. COHN: So, David, as you know, the group of six[1] of us came out with a framework, and we got to that framework after starting in really diverse, different places, the six of us.

MR. RUBENSTEIN: Right.

MR. COHN: We got ourselves to a unified framework which really had two driving principles in it: Driving principle number one is we had to deliver a middle-income tax cut. Number two is we had to lower the business tax rate to make us competitive with the rest of the world. The bill that the House delivered today accomplishes both of those objectives. And in fact, they stuck very much to the framework that we have delivered.

MR. RUBENSTEIN: OK.

MR. COHN: So, yes, the bill that the House has delivered, the Ways and Means Committee delivered today, is a bill that the President can support.

[1] A group of White House officials and leading congressional Republicans

MR. RUBENSTEIN: And do you have any reason to think the Senate Finance Committee will agree to the same bill?

MR. COHN: Look, I think the Senate, like the House, is going down their path, they're in regular order. One of the other components that we agreed to as the group of six is that we were going to do tax reform in what we would call regular order. We would go through normal committee processes; the tax-writing committee in the House, the tax-writing committee in the Senate, they would write their own bills, they would go through their committee process, they would go to floor. And if we needed to, we would go to conference at the end. That's exactly what's going on here and that's how we're going to get the buy-in in the process.

MR. RUBENSTEIN: OK.

MR. COHN: The Senate is doing that. They are cooperating with the House and the House did cooperate with the Senate.

MR. RUBENSTEIN: OK.

MR. COHN: So we are going to get bills that have a lot in common. I'm not sure they're going to be a hundred percent in common. But I think we're going to be in a good enough position to deliver a tax bill to the President's desk this year.

MR. RUBENSTEIN: This year?

MR. COHN: This year.

MR. RUBENSTEIN: So you're very confident that the House will pass it and the Senate will pass it and the conference will pass it this year.

MR. COHN: We are working towards this year.

MR. RUBENSTEIN: OK. OK. [Laughter.] So did the House leadership tell you that they have the votes in the House to pass it now?

MR. COHN: Look, the bill just got dropped this morning. We know that the House has been spending an enormous amount of time with their members, with their committee members, as well as the rest of their members, working on the details.

I am – I am confident – and the Speaker was in the office – the Speaker was in the Oval Office two days ago talking about the bill with the President. We were there together. I'm confident the Speaker is going to be able to deliver a bill out of the House.

MR. RUBENSTEIN: OK. When you do these bills, you know, you have a 10-year cost or something, a production cost, it raises or costs a certain amount of money. That number is prepared by the Joint Tax Committee, more or less. So do you accept these numbers? I mean, how can anybody really know what something is going to cost or bring in in 10 years? But is it generally people accept this as gospel because you have no choice?

MR. COHN: Well, you sort of just answered the question. We have to accept the score to get the legislation through.

MR. RUBENSTEIN: Right.

MR. COHN: We will argue that the results – and the history will tell us that the results will not be what the score says it will be. But we will legislate to a bill that gets the score that we need to get to get it through the legislative process. And we happen to very strongly believe that we are going to way, way surpass what they're going to score on the revenue side of the equation.

MR. RUBENSTEIN: OK. Now, does the treasury have its own revenue estimates, or are they just – they're not relevant in terms of these things?

MR. COHN: No, treasury is very relevant. Treasury is extremely relevant in this. Yes, they have a large group of people in the treasury that spend an enormous amount of time on tax and scoring tax and working on that. And they have their own revenue estimates. We have our own revenue estimates. And everyone else is going to have their own revenue estimates on what the economic impact of tax reform, what it will do for the economy.

MR. RUBENSTEIN: But in the end when they're marking the bill up, it's only the Joint Tax Committee numbers that really matter, I assume.

So, in terms of the bill itself, it's a bill that is designed to have $1 1/2 trillion of incremental debt at the end of 10 years.

MR. COHN: Well, we'd like to say less revenue.

MR. RUBENSTEIN: All right, OK. All right. [Laughter.]

MR. COHN: That's how the instructions are.

MR. RUBENSTEIN: All right. All right.

MR. COHN: The instructions are "less revenue."

MR. RUBENSTEIN: All right. OK. Now, originally, it was supposed to be a revenue-neutral bill. Why did the administration and the House go for a $1.5 trillion deficit, increase in debt?

MR. COHN: So that's what the – the reconciliation instructions give us room to produce a piece of legislation that had $1.5 trillion of less revenue on the scoring system that you're talking about.

MR. RUBENSTEIN: Right.

MR. COHN: We do not believe that is going to be the actual reality. We believe that by lowering the business tax in the United States and becoming much more competitive with the rest of the world and dropping our rates down where we encourage businesses to come back to the United States and redomicile back to the United States that we are going to grow our economy at a faster rate than the model is going to suggest.

We also believe that by lowering the tax rate on middle-American, hardworking families, they are going to spend more money, velocity is going to increase in the system and the economy is going to grow.

MR. RUBENSTEIN: OK.

MR. COHN: So we do believe that there's going to be more growth in GDP[2], more revenue to be taxed; and therefore, the revenue that they're saying won't show up, we believe it will show up and we will be able to tax it, even though we tax it at a lower rate.

MR. RUBENSTEIN: OK. Let's talk about the corporate tax cut. It's going to take the corporate tax rate from 35 percent to 20 percent. Now, there are some people who say, why not phase it in over five years, it would cost less money? The administration wanted to do it immediately. Do you think there's a big advantage to doing it immediately versus phasing in?

MR. COHN: We do think there's a big advantage to doing it immediately. Look, you've sat in a lot of corporate boardrooms, I've sat in a lot of corporate boardrooms, boards like to know what's going to happen and they like certainty. Yes, it would be nice to say that it's certain, but there's nothing more certain than having it happen.

MR. RUBENSTEIN: OK.

MR. COHN: We know by having it happen next year, and then on top of that giving people a five-year expensing window where they can do a hundred percent expensing, we are sending a very clear message that we want you to invest in this country, we want you to move jobs back, we want you to hire people and we're not making it ambiguous. We're making it clear what we want you to do and how we're going to grow the economy.

And the phase in, we don't want people to think about investing in this economy, we want you to do it now.

MR. RUBENSTEIN: OK. The repatriation provision, there will be an excise tax. So under an excise tax provision, there's no incentive to keep the cash offshore because you're going to pay a tax one way or the other. So that money will all come back presumably. Is there any incentive that the people who bring it back, the companies who bring it back have to create jobs? Or what are they likely to do with the cash? Does anybody have any idea?

[2] Gross Domestic Product is a monetary measure of the market value of all finished goods and services produced in a period of time.

MR. COHN: So, David, you're right, the repatriation fee is a deemed fee. So it's not like you get the choice to bring it back or not bring it back. We're going to collect a tax on you over the tax window whether you bring the money back or not.

We're going to create an environment where we hope that you invest it back in your business. But ultimately, you're either going to invest it back in your business or you're going to distribute it out of your business to someone else who's going to reinvest it back in another business.

MR. RUBENSTEIN: Right, OK. Let's talk about some of the controversial provisions. Of course, controversy is in the eye of the beholder, but let's talk about state and local income tax deduction. And you must be very familiar with that.

MR. COHN: Yes, I am. I've heard about it.

MR. RUBENSTEIN: Right. So in states that – you are a resident of New York, and states like New York, Massachusetts, other high-taxing states, high state and local income tax, they will no longer – residents of those states will no longer be able to deduct that income tax. Is that correct, under this proposal?

MR. COHN: It's short of correct. There are a couple of little provisions in there that we did add back, some real estate tax deductibility –

MR. RUBENSTEIN: For property taxes.

MR. COHN: Property tax.

MR. RUBENSTEIN: Right.

MR. COHN: If you do – if you do choose to be an itemizer.

MR. RUBENSTEIN: OK, so –

MR. COHN: But as a whole, we have eliminated the vast majority of those deductions.

MR. RUBENSTEIN: Won't you believe that that will be very difficult for high-state-tax representatives or senators to agree to that provision?

MR. COHN: David, at the end of the day, this comes down to, are we delivering a middle-income, working-family tax cut or not? We believe that the House plan is delivering that. And when you score it out and when you see the distributions – and the distribution tables will be out relatively shortly – the distribution tables will determine whether we're delivering that tax cut or not.

We believe that this plan that the House laid out is able to adequately deliver that distribution to those working families where we told you we were going to deliver that tax cut.

MR. RUBENSTEIN: Now, the average family of four, in the materials that came out today, is median family of four income is $59,000 and they will get a tax cut of about $1,140 or something like that, roughly.

MR. COHN: I won't argue for $40, yeah.

MR. RUBENSTEIN: Or something like that.

MR. COHN: Yes.

MR. RUBENSTEIN: So the average – the median family of four will get a – a median family will get it. What about the people who are in the upper income? Will they be getting a tax increase or a tax cut or just neutral?

MR. COHN: Look, it depends on each and everyone's individual circumstances. As you know, the hard part about taxes is everyone's got their own unique set of circumstances.

We set out what the objective – as I said, we had two objectives: middle-income tax relief and corporate tax relief. We have not targeted the upper-income brackets, but we do believe there is quite a bit in for the upper-income families. We're dealing with estate tax and we're dealing with other things that affect upper-income taxpayers. So we do believe when you look at the package in its entirety, we're able to touch every taxpayer in some positive way.

MR. RUBENSTEIN: OK. So let's take the estate tax. Now, you're going to phase that out over a period of time. So I think the estate tax goes away in four or five years under your – under the proposal. Why not just get away with it – do away with it right now, immediately? It just costs too much to do that or –

MR. COHN: It's, again, it's about scoring.

MR. RUBENSTEIN: OK.

MR. COHN: I think the House plan is '24, but they're going to double the exemption day one, so next year they'll double the exemption up to $11 million a person, $22 million for a married couple, and then in '24 they'll give you a full exemption on the death tax.

MR. RUBENSTEIN: But the gift tax will stay in place, more or less?

MR. COHN: I don't know a hundred percent what they're going to do on the gift tax, but there's definitely going to be some gift tax restrictions in there.

MR. RUBENSTEIN: OK. So in other words, if you want to give the money to your children, you're better off to wait four years to die, then you get it tax free. [Laughter.]

MR. COHN: You'll have to debate that with your children.

MR. RUBENSTEIN: Debate them, all right, OK.

MR. COHN: I think my children prefer I stay alive. [Laughter.]

MR. RUBENSTEIN: OK. Well, I have – well, I have no doubt that that's the case. I'm not so – I'm not sure with my kids, but OK. [Laughter.]

So let's talk about universities. A new provision that many people didn't anticipate is now in there, which says that if you're a university and you have a – a private university, not a public university – you have an endowment, there will be a 2 percent tax on that endowment income. Why not include, if you're going to do something – public universities have big endowments as well.

MR. COHN: Look, the House is making their decisions on how they want to raise revenue, how they want to balance the bill, how they want to make it work. And it's over a billion-dollar threshold. It's not on the first dollar of an endowment that you have. I also think there are some laws in the system about taxing private entities versus public entities. You're getting into a layer of tax legality that I will admit is above my understanding of the tax code.

MR. RUBENSTEIN: All right. I doubt there's anything at this point. I mean, have you – you've worked on very complex corporate transactions. Have you ever worked on anything as complex as the tax code?

MR. COHN: Probably not. Probably not. I mean, it's got as many moving parts and more constituencies than you've – than I've seen in almost any transaction – no, than any transaction I've ever done.

MR. RUBENSTEIN: Now, this bill is designed to pass the Congress, but it's designed to pass with no Democratic votes. If it passes with no Democratic votes, can the administration live with that?

MR. COHN: Yes. We'd prefer it to be bipartisan. And we have spent an enormous amount of time trying to make it bipartisan. I think you've seen that the President has traveled with Democratic members of the Senate to their states to talk about the bill. The President has had dinners with Democratic Senate members. We've had bipartisan meetings in both the House and the Senate, in the White House.

I and Secretary Mnuchin have spent a lot of time with different Democratic groups. We've met with the Blue Dog Dems[3] a couple of different times trying to get bipartisan support for what we're doing. We would love to have a bipartisan, 60-vote bill.

MR. RUBENSTEIN: But if it's a Republican-only vote, the President would still sign it, presumably. I mean, he's not going to not sign it because it doesn't have any Democratic votes.

[3] A caucus of United States Congressional Representatives from the Democratic Party who identify as conservative Democrats.

MR. COHN: If it delivers middle-class tax relief and a 20 percent corporate tax rate and it shows up on his desk, I can guarantee he's going to sign it.

MR. RUBENSTEIN: OK. And does the President expect to be involved in lobbying members for votes? Or is he going to say now it's the House problem or the Senate problem, I'll stay above the fray? Or is he going to get involved in lobbying?

MR. COHN: The President cares a lot about tax reform. This is one of his main pillars that he ran on. It's all about cleaning up Washington, it's all about making the system fair. It's all about returning hard-earned income back to middle-class families. The President's going to do what he needs to do to make sure we deliver on his campaign promise.

MR. RUBENSTEIN: OK. Let's talk about a few other things before we get back to taxes, OK?

MR. COHN: OK.

MR. RUBENSTEIN: Let's talk about trade, another easy issue. [Laughter.] NAFTA, do you expect that there will be a renegotiation that will be agreed to? Or do you think that it's more likely that we'll pull out of NAFTA?

MR. COHN: We are trying to renegotiate NAFTA to be fair, to be good for American workers, to be good for American jobs and to make sure that our American-based companies are treated fairly in a free trade system.

MR. RUBENSTEIN: All right. So you think you will work out a deal.

MR. COHN: We're trying.

MR. RUBENSTEIN: OK.

MR. COHN: I mean, the negotiators are continuously meeting and we're continuously trying to get to a point where we think that American-based companies and American-based manufacturers are treated fairly in the agreement.

MR. RUBENSTEIN: OK. In terms of trade, the President will be going to China shortly. And he has, from time to time, been upset with the trade deficit we have with China. Do you have any plans to do anything about that or mention that to Xi Jinping[4] when he's there?

MR. COHN: I would probably assume it gets mentioned.

MR. RUBENSTEIN: Mentioned, OK. And what about South Korea? He's not going there, but he's been upset about the treaty we have with South Korea. Anything like that happen there?

MR. COHN: He is going there.

[4] President of the People's Republic of China and General Secretary of the Communist Party of China

MR. RUBENSTEIN: Oh, he is? I'm sorry.

MR. COHN: He's going to Korea.

MR. RUBENSTEIN: He's going there. So he's going to Vietnam, South Korea, Japan and China. Is that right?

MR. COHN: He's going to Tokyo.

MR. RUBENSTEIN: Yeah, OK.

MR. COHN: Yeah, Tokyo. And then he's going – yeah, and the Philippines.

MR. RUBENSTEIN: OK, so – so when he goes to South Korea, he will mention the trade imbalance?

MR. COHN: Uh-huh.

MR. RUBENSTEIN: OK. Let me ask you about –

MR. COHN: Look, he's also got many other issues on his agenda. Obviously, North Korea is a big issue. He's going to spend a lot of time talking about North Korea with a bunch of the –

MR. RUBENSTEIN: Now, when the President's gone overseas before, you have gone with him, but now your responsibility is to get this tax bill. So you're not going to go on this trip?

MR. COHN: Yes. I had a long discussion with the President that I thought it was a better use of my time, not that the trip isn't unbelievably important, but our – you know, the tax reform is so important that I thought being here and working with Congress – and Secretary Mnuchin is in the same place – that the two of us staying here and working with Congress to make sure that tax reform stays on its agenda while he's gone – it's a long trip, he's gone over 12 days – that we should stay here and work on that and that's what we're going to do.

MR. RUBENSTEIN: So when you're doing that, will you be – when they're having markups, you won't be in the session of the markups, but presumably they'll be calling you because your input is going to be valuable. So you expect to be involved in all the back-and-forth?

MR. COHN: Yeah. We have great relationships with the leaderships of both the House and the Senate, with the committee chairs, the committee leaders. We're in relatively, you know, constant dialogue with them on where they're headed, what their ideas are, what their concepts are and making sure that we're all working together to get a bill to the President's desk.

MR. RUBENSTEIN: Now, on health care legislation, do you expect that that will be revived as a possible thing to do after tax care – a tax cut is done?

MR. COHN: I mean, right now we're planning on looking at health care in the new year.

MR. RUBENSTEIN: OK. And there was a rumor that maybe the President or somebody wanted to have the elimination of the mandate in the tax bill, the health care mandate. Is that off the table now?

MR. COHN: Well, the President tweeted about it yesterday, so it's not off the table, it's something that could be looked at.

MR. RUBENSTEIN: OK.

MR. COHN: And we are spending a little bit of time looking at that. And if it works and we have votes, the President would be inclined to have us look at it and look at it quite aggressively if we can get that done as well.

MR. RUBENSTEIN: Now, the President, when he wants to do a tweet, does he call you and say I'm going to do a tweet in a certain area? [Laughter.] Does he consult with you before they go out, or not so much?

MR. COHN: You know, David, sometimes yes, sometimes no, depends on the topic.

MR. RUBENSTEIN: OK. So in terms of your background, you have been very public about the fact that you were not a great student because you were dyslexic. How did you realize you were dyslexic and how did your family get you treatment for that?

MR. COHN: Well, I try and explain this to people, and this audience might be the right age to understand this. In the 1960s when I was growing up as a dyslexic kid, I don't know if dyslexia was sort of a commonplace name for a disease. So when I was growing up, you know, it was not diagnosed or if it was diagnosed it wasn't called what it was called. In fact, I probably wasn't diagnosed until high school or even later –

MR. RUBENSTEIN: So before that –

MR. COHN: – what my issue was.

MR. RUBENSTEIN: So before that, you didn't realize you were at a disadvantage and you just thought you weren't a great student or –

MR. COHN: Well, look, I knew what was going on. I think it was everyone else that had a problem. OK? [Laughter.] I knew exactly where – I knew where I was, it was everyone else that had a problem.

So, you know, I – the typical issue was that everyone thought I was lazy, didn't apply myself, didn't care, you know, bad student. I was labeled with all of those issues because I could never keep up with the work, I could never get the homework done, I could never be prepared for class enough because, guess what, there just weren't enough hours in the day to possibly be prepared for class. And the negative feedback loop just became such a bad negative feedback loop that you sort of fall into this rut.

MR. RUBENSTEIN: OK.

MR. COHN: And, you know, it was no one's fault. No one knew any better. It wasn't that my parents weren't trying. They were surely trying.

MR. RUBENSTEIN: So you graduated from high school, though, and you went to American –

MR. COHN: Barely.

MR. RUBENSTEIN: Barely, OK. Have you ever thought that it would be easier on dyslexics if the word for the problem was easier to spell? I mean, "dyslexic." [Laughter.]

MR. COHN: I still can't spell it. Don't ask me to spell it today.

MR. RUBENSTEIN: OK.

MR. COHN: It starts with a D, that's how much I know.

MR. RUBENSTEIN: OK, so you went to American University.

MR. COHN: I did.

MR. RUBENSTEIN: And did you struggle there, or you did OK?

MR. COHN: So, look, I know there's – I just saw Neil Kerwin[5] here, so I know there's an American University crowd in the room here somewhere.

MR. RUBENSTEIN: And the President of the university is right here.

MR. COHN: So, yeah, the –

MR. RUBENSTEIN: Sylvia[6] is right there.

MR. COHN: They're right in front of me. So, look, thank you to American University for accepting me because I was probably a long shot for them. But when I got to college, it was completely different. A, you get to college and you get to reinvent yourself. I explained this to all my daughters when they went to college. Like, no one knows you're the dumb kid or no one knows you're the kid that can't read or no one knows anything about your history. You get to walk in with a complete blank slate and you get to redefine yourself.

[5] Neil Kerwin is a former President of American University
[6] Sylvia M. Burwell is the President of American University

Number-two thing about college – and I've said this to every kid who's ever listened to me – is, at max, you go to class 16 hours a week. If you take four classes for four hours, you're in class 16 hours a week. So what is college? College is a time management exercise. So if you – if you tell me I have to be in class 16 hours a week, I can get prepared to be in class 16 hours a week because I can reread the same thing 22 times, I can figure it out on the 22nd time usually. In high school, when you have to be in class eight hours a day and then you want to play a sport and then you get home at 8:00 at night and you want to get a few hours' sleep, you can't reread something 22 times.

MR. RUBENSTEIN: Right. OK.

MR. COHN: College, to me, I don't want to say it was easy, but getting in was hard. Doing OK in college was all about time management.

MR. RUBENSTEIN: Right.

MR. COHN: Yeah, I maybe didn't spend as much time having fun, but I was able to get myself through because I was able to manage myself.

MR. RUBENSTEIN: Were you an athlete as well?

MR. COHN: I was not.

MR. RUBENSTEIN: You were not.

MR. COHN: I was not a good enough athlete to be an athlete in college. But that's a whole other story.

MR. RUBENSTEIN: I know the feeling. [Laughter.]

MR. COHN: OK.

MR. RUBENSTEIN: So after you graduate, you went back to your native area of the Cleveland area and you worked for U.S. Steel.

MR. COHN: I did.

MR. RUBENSTEIN: What were you doing? You weren't a steelworker, you were –

MR. COHN: No, no, no, no. That was a little joke in my career there. I worked for the homebuilding products division of United States Steel that sold aluminum siding, gutter coil and replacement windows.

MR. RUBENSTEIN: And were you good at that or –

MR. COHN: I wasn't there long enough to find out. [Laughter.]

MR. RUBENSTEIN: OK.

MR. COHN: How's that?

MR. RUBENSTEIN: So, right, so how – there's an apocryphal story – sometimes apocryphal stories may actually be true – that you met somebody who asked you about options, you took a taxi ride with him and you got a job.

MR. COHN: Yeah, yeah.

MR. RUBENSTEIN: Can you explain what the –

MR. COHN: So I'll give you the five-minute version of the story because that's about as quick as I can. So after my freshman year in college, I did the typical summer internship at the Cleveland brokerage office of one of the major broker dealers. You know, a week in equities, a week in the back office, a week in fixed income, a week in commodities, spend the rest of the summer in any group you want.

Of course, I fell in love with the commodity guys because they were yelling and screaming and throwing phones around, so it was typical for my personality. This was in the summer of '80. It was in those summers. For those of you that have any remembering of what's going on in the commodity markets, this was during the Hunt brothers[7] and what they were doing in the gold and silver market.

They had a big gold arbitrage desk in this office. I convinced my grandmother to give me money to open up a trading account. I learned to trade the gold arb that summer, made a ton of money in those 30 days. Tried to convince my father that I shouldn't go back to college. I somehow lost that argument, I don't know how I lost that argument to this day, but I realized what I wanted to do in life.

I went back. I did my next three years of college in two years because I had to get back to the financial markets. The U.S. Steel thing was a little bit of a joke because I was trying to take a month off and then move to New York and my dad forced me to get a job. So while I was doing the U.S. Steel issue, I took a Friday off, came to New York to go to the floor of the commodities exchange, naïvely just thinking that I'd walk in and get a job, of course.

MR. RUBENSTEIN: Right.

MR. COHN: You know, little did I know there'd be, like, you know, 17 layers of security around the commodities exchange. I literally hung out there for the entire day trying to figure out how to get a job. And literally in, like, desperation at the end, I finally got myself onto the floor, but couldn't get through the turnstiles in. You know, literally saw a guy running off the

[7] Nelson Bunker Hunt, William Herbert Hunt and Lamar Hunt, sons of Texas oil billionaire Haroldson Lafayette Hunt, Jr., tried but failed to corner the world market in silver.

floor at, like, 2:30 yelling to someone, hey, I've got to run to the airport, I'll call you from the airport. This was before cell phones. I always have to remind kids that are a little younger.

MR. RUBENSTEIN: No Ubers, either.

MR. COHN: There were no cell phones back then. I jumped in the elevator with him and said, hey, I heard you're going to LaGuardia[8]. He says, yeah, can we share a taxi? And so I got in the tax with him. And in that taxi ride – better lucky than good always – he happened to be a senior guy at one of the big brokerage firms on the floor. That week they had just, really for the first time ever in the United States, probably in the world, they had started trading options on futures. He said, hey, do you know options? I said, of course, I gave him all the lines. He said, well, I'm the options trader, I have no idea what I'm doing. If you can stand behind me and help me trade we'd hire you.

So I got home to Cleveland that night. I went to the Barnes & Noble – they still existed back then – I bought – I happened to buy the right book. I bought the "Options as a Strategic Investment," Macmillan book, and I said, OK, I can't read this whole book over the weekend, let's just pick two chapters and memorize them. I picked the two chapters and memorized them on two different strategies. Went in there, went back for an interview the next week, convinced them I knew everything about options, got hired, moved to New York the next week, and started being a corporate guy. [Applause.]

MR. RUBENSTEIN: OK, so – wow, great. I guess two questions arise immediately: One, did you give any of the profits from your gold arbitrage to your grandmother? Did she get anything back?

MR. COHN: So I gave her the money back, like, a week later.

MR. RUBENSTEIN: With the profits?

MR. COHN: No. [Laughter.]

MR. RUBENSTEIN: OK.

MR. COHN: Forgot about that.

MR. RUBENSTEIN: OK. OK and –

MR. COHN: But she's still alive today.

MR. RUBENSTEIN: Wow.

MR. COHN: She was 105 last week, so something good about that.

[8] LaGuardia Airport in New York City.

MR. RUBENSTEIN: Wow, congratulations. [Applause.] Wow. Well, I hope she's watching. Maybe she realizes she should have gotten some profits from you. [Laughter.]

And the man who hired you, what became of him?

MR. COHN: Hilary Bergman, he's still around. He's still in the business, still working.

MR. RUBENSTEIN: And is he – like, if he called you up and lobbied something on the tax bill, would you listen? [Laughter.]

MR. COHN: He doesn't have my cell phone number or my phone number and don't give it to him.

MR. RUBENSTEIN: OK, all right. OK. He probably could find you. OK. But you – so that worked out. And then from there you ultimately got a job in 1990, you joined Goldman?

MR. COHN: Yes.

MR. RUBENSTEIN: And it turned out you were a pretty good trader, so you worked your way up and it worked out.

MR. COHN: Yeah, it's been a – it's been a good run.

MR. RUBENSTEIN: OK. Let's go back to the tax bill for a moment.

MR. COHN: You sure? You sure you don't want to talk about trading? [Laughter.]

MR. RUBENSTEIN: Well, I – what your great skill on trading was, in trading you're going to lose money lots of times, you just have to get over that and go on to the next thing, right? You just can't get depressed.

MR. COHN: Exactly right.

MR. RUBENSTEIN: So did you have some trades sometimes that just didn't work? And how long did you stay with them? Or you just –

MR. COHN: Most of your trades don't work.

MR. RUBENSTEIN: Oh, really?

MR. COHN: Yeah.

MR. RUBENSTEIN: Wow. OK. [Laughter.]

MR. COHN: No, I mean, that's the difference between good traders and bad traders I always said.

MR. RUBENSTEIN: OK.

MR. COHN: I always said, like, 80 percent of your trades aren't going to work. You just have to realize the 20 that are really good and stick with them.

MR. RUBENSTEIN: OK. So, now, you were a registered Democrat, is that right?

MR. COHN: I still am.

MR. RUBENSTEIN: All right, still are. So did you actually know President Trump before you got this position? Had you ever met him?

MR. COHN: No. No.

MR. RUBENSTEIN: Never met him.

MR. COHN: Never met him.

MR. RUBENSTEIN: So –

MR. COHN: That's not true. We met each other once at a Yankees game.

MR. RUBENSTEIN: OK.

MR. COHN: We were – we were in George Steinbrenner's box together many, many years ago.

MR. RUBENSTEIN: He was a man who died when there was no estate tax. That's what he's famous for. OK. [Laughter.]

MR. COHN: Uh-huh.

MR. RUBENSTEIN: OK, so – so you got a – somebody called you – was it Jared or somebody – and said, would you like to meet my father-in-law? And did you realize it was a semi job interview, or what did you think it was during the transition?

MR. COHN: I wasn't quite sure. It was portrayed as come in and talk to the President-elect at the time about your views of the U.S. economy and what you think is going on.

MR. RUBENSTEIN: OK. And so after the first time you met with him, did you think you were going to get a job offer or you weren't sure or you weren't really sure you wanted one?

MR. COHN: I had all of those emotions.

MR. RUBENSTEIN: OK.

MR. COHN: I wasn't – I wasn't – I knew why I was going, I was going to talk about the economy. In typical President-elect Trump style, the interview went literally 360 degrees, you know, went the gamut of all different topics all over the place.

MR. RUBENSTEIN: Right.

MR. COHN: And towards the end, I think it turned into, hey, what would you do in my administration, even though that's not where I was when I walked in, and I wasn't sure when I walked out what a hundred percent of my thinking was. But I was quite intrigued with the meeting.

MR. RUBENSTEIN: And your family, were they supportive of your going to Washington and working for a non-Democrat or they didn't care?

MR. COHN: Look, my family is supportive of me in whatever I want to do.

MR. RUBENSTEIN: OK, right.

MR. COHN: And look, more importantly, they're supportive of helping the country in any way we can help the country.

MR. RUBENSTEIN: OK. So at one point the President said, if I had met you earlier I would have made you Secretary of Treasury. Do you remember that comment?

MR. COHN: I might have. [Laughter.] I might not have.

MR. RUBENSTEIN: OK. OK. All right. So in any event, so you joined, you got the job. When you got to Washington, did you realize that the White House job, while it's close to the President, you have a small office. You know, you used to have a big office. You got a great view before, now you have no view. You got over that, right?

MR. COHN: Yeah. It's –

MR. RUBENSTEIN: No big thing. OK.

MR. COHN: No, I agree, it's – I did have a great office before, though.

MR. RUBENSTEIN: Great view, I know.

MR. COHN: Yeah.

MR. RUBENSTEIN: So when you – when you're working in the White House, it's very easy to get people to come to see you. If you want to see somebody, they just – you can invite them in, they want to come to the White House mess. How do you find the working environment at the White House compared to, let's say, at Goldman? Easier, harder, more pressure every day?

MR. COHN: Well, from a pressure standpoint it's dramatically more pressure. I think, you know, when you realize that you're working for 300-plus million Americans and trying to deliver to them the best ideas and the best results in the most efficient way possible, it's pretty daunting.

MR. RUBENSTEIN: OK.

MR. COHN: Look, I had shareholders and I had partners, but it's different from partners and shareholders. Like, when I had partners, you've done this, you can go and say, hey, I screwed up, I'm sorry, we'll do – we'll do better tomorrow. When you've got citizens and you've got news watching you 24 hours a day, you can't mess up, you've got to get it right.

MR. RUBENSTEIN: So you've developed a very close relationship with the President. How many times a day in the early part of the administration were you going to see him? And you just – could you just walk in any time? And has it changed a bit, now you just can't walk in because the new chief of staff doesn't like that?

MR. COHN: Look, the President likes people coming in to communicate with him, he likes knowing what's going on. He loves the input. He loves opinions. He loves views. You know, in the transition, in the beginning when we got here, we were spending an enormous, enormous amount of time together with many other, you know, advisers he had in the Oval Office.

MR. RUBENSTEIN: Right.

MR. COHN: You know, now the reality is we've got a pretty well-designed game plan and we're in execution mode. You know, I'm in execution mode with the President, with the secretary of treasury and the members of Congress on getting a tax bill done. So I have unbelievable access to the President. Whenever I need him or want him, you know, I can get a hold of him, I can walk in, I can go see him wherever he is. That's not a problem. And he's not bashful about telling me his views.

MR. RUBENSTEIN: No, he's not bashful.

MR. COHN: No, he's not bashful. [Laughter.]

MR. RUBENSTEIN: So you've developed a very close relationship with him. And then after Charlottesville[9], it was said by some in the press it maybe wasn't as strong. What would you say your relationship is with the President today?

MR. COHN: I think it's as strong as it's ever been.

MR. RUBENSTEIN: OK. And so you can talk to him anytime and he's happy with you and so forth.

MR. COHN: I probably saw him five times already today –

[9] Refers to violent protests in Charlottesville, Va., in August 2017

MR. RUBENSTEIN: Wow. OK.

MR. COHN: – at least. And I'm leaving here to go be with him.

MR. RUBENSTEIN: OK. And this afternoon, the new chairman of the Fed[10] is to be announced, I believe. So you're one of the candidates, do you really want that job or you're not sure?

MR. COHN: The President sharply at 3:00 is going to make his decision known. I think the President has made a spectacular choice and I'm really supportive of what the President's doing with his decision.

MR. RUBENSTEIN: OK. And no regrets about if you're not the person getting the job, you have no regrets?

MR. COHN: I'm really supportive of the President's decision. [Laughter.]

MR. RUBENSTEIN: OK. All right, OK. OK.

MR. COHN: And it's a great decision.

MR. RUBENSTEIN: OK. So, many people who work in the White House – I did it myself – you know, they burn out after a while.

MR. COHN: Uh-huh.

MR. RUBENSTEIN: So how long do you think you would like to stay in the White House? Would you like to do this – after the tax bill would you like to go, or, like, two years, three years or any plan?

MR. COHN: I think, David, the opportunity to execute the President's economic agenda and deliver for the American people is an extraordinary opportunity. I'm going to do this as long as I can possibly do it.

MR. RUBENSTEIN: OK. Whenever you can't possibly do anymore, what would you like to do next? Private equity, something important like that? [Laughter.]

MR. COHN: Well, you know, being your replacement, you filled that job last week, so I guess that's off – that's off the agenda.

MR. RUBENSTEIN: I know. OK, right? Well, if you were available, we would have talked to you, but –

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[10] Federal Reserve

MR. COHN: OK, man. [Laughter.] Could have, should have and would have. Well, there you go.

MR. RUBENSTEIN: OK. So back to the tax bill for a moment. [Laughter.] Unless you're interested still –

MR. COHN: Could have, should have and would have. Uh-huh.

MR. RUBENSTEIN: Right. Back to the tax bill, on the tax bill, would you say that the average person will get a benefit? Would you say the average person, the average family of four, the average individual at a certain level will see some tax cut? Or just –

MR. COHN: That was our objective. I mean, we have spent an enormous amount of time working with the House and working with the Senate, making sure we're delivering on the President's objective. And I think the House has done a very good job of doing that.

MR. RUBENSTEIN: Now, you're changing the mortgage interest deduction. I think right now you can up to a million dollars, now you've lowered it to $500,000, though it's prospective.

MR. COHN: Yep.

MR. RUBENSTEIN: So is the real estate industry going to support this bill or not?

MR. COHN: Look, we hope that everyone supports this bill. The reality of homeownership is that people buy homes when they feel good about the economy, they feel good about their job, they feel like they're going to be employed for a while, for a long while, and they feel like they're going to have wage growth. They don't buy homes because they deduct their interest.

In fact, the data – and if there was – if Kevin Hassett[11] were sitting up here, he'd say maybe the data only shows that the mortgage deduction leads people to buy bigger houses than they should buy. Growing the economy is really what's important for homeownership.

MR. RUBENSTEIN: OK. The charitable deduction, you're leaving that alone. There was never any discussion about getting rid of that, I assume?

MR. COHN: Correct. Correct.

MR. RUBENSTEIN: And what about the deduction for, let's see, for child credit, child care. You're increasing the family tax credit?

MR. COHN: We're increasing child care credit as well as other family-related credits. So we're definitely taking the child care credit up. The House is proposing going from a thousand *[dollars]* to $1,600 for 16 years and under, and then they're giving dependent credit of $300 as a tax credit for yourself, your spouse and your dependent children, below about $230,000 of income.

[11] Economist and chair of the Council of Economic Advisers.

MR. RUBENSTEIN: OK. And what about – in the process of going through the House, is there going to be tradeoffs where somebody will say, well, why don't you get rid of this deduction and maybe I'll give you my support for that? You're not going to deal with that kind of horse trading or –

MR. COHN: Well, look, that's the House process. That's exactly where we are. The Ways and Means Committee will be working on the bill for the next couple of weeks. They will deliver their bill. They may make some trades in there. You know, Chairman Brady[12] will be chairing that committee. He might have some changes he wants to make himself. Then the bill will go to the full floor of the House, and they will ultimately decide what the final bill should look like and vote it out. And that's the entire regular-way process.

MR. RUBENSTEIN: But if it didn't pass this year in the whole process, it's not going to be that big a disappointment. If you got it early next year, you could still live with that, I assume.

MR. COHN: Look, we can live with that because we have to do this for our economy, but we would prefer to get it done. I think – I think it's important that American workers when they get their first paycheck in 2018 they have more disposable income. That's good for the economy, that's good for our workers.

MR. RUBENSTEIN: Now, under your budget that you propose to Congress, you're likely to have under your budget a hundred-billion-dollar increase in the annual deficit from FY '18 over FY '17. So are you worried about the increasing deficit that we're having? And how are you going to deal with that problem?

MR. COHN: David, we're worried about creating economic growth. You know this as well as any of us that the times when we've seen our budget deficit go down is times when we've had economic prosperity in this country. As long as we're growing our economy at a fast enough pace, we can pay down the deficit, we can grow, we can bring in more revenue, we can lower rates, tax a wider base and pay down the deficit.

MR. RUBENSTEIN: Right.

MR. COHN: That's what we need to do. That's why we need to get the tax plan done.

MR. RUBENSTEIN: OK. So this year, you – we project growth for this year, this fiscal year, to be at roughly 2 ½ percent or higher, 3 percent?

MR. COHN: Well, look, we've already had two consecutive quarters over 3 *[percent]*. One included a hurricane, you know, which we know knocked down growth pretty significantly.

MR. RUBENSTEIN: Right, right.

[12] Rep. Kevin Brady (R) is chairman of the House Committee on Ways and Means

MR. COHN: So, you know, we're tracking probably at a run rate of over 3 percent right now. And we're pretty excited about what we see going on in the real economy and talking to businesses and talking to business leaders.

MR. RUBENSTEIN: Right.

MR. COHN: All of the data we're seeing is pretty favorable right now.

MR. RUBENSTEIN: Now, you know markets very well because you were at Goldman for a long time. So do you think the stock market is ahead of the economy a bit or you're not worried about the relatively high market rates?

MR. COHN: I think if we continue to execute on our plan, we continue to deregulate, we deliver real tax reform, we're going to continue to see real economic growth and we're going to see U.S. business continue to thrive. And the market's pricing that in.

MR. RUBENSTEIN: OK. In terms of deregulation and other things, Glass-Steagall[13], no change in that, you're not going to support a change in Glass-Steagall or what was Glass-Steagall? You're not going to try to reimpose Glass-Steagall, is that correct?

MR. COHN: We've got a bunch of changes that we're going to do in the financial services industry along with the House and the Senate that they support to really get regulation on banks and financial services back to where it should be.

I think everyone almost agrees that we've swung the pendulum way too far and we've really handicapped community banks and small banks and we've overburdened them with regulation. We've got to get small community banks and medium-size banks back in the lending business. We need to roll back some of that regulation. On the big, huge, international, multinational banks, we're pretty comfortable with where we are in many of the regulations.

MR. RUBENSTEIN: But you would do this through regulation, not through a change in the legislation of Dodd-Frank,[14] you don't need to change that?

MR. COHN: Look, there's going to be some regulatory changes, there's going to be some refinement of Dodd-Frank. There may be some refinement of the Volcker Rule[15]. There's little changes to each of these rules to get them to the right place.

MR. RUBENSTEIN: The biggest surprise that you found when you came to Washington was what? That it's harder than you thought, it's easier than you thought, the people are nicer than you thought, they're not as nice? What was the biggest change?

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[13] Passed by Congress in 1933 as the Banking Act, prohibiting commercial banks from participating in the investment banking business. Partially repealed in 1999.

[14] The Dodd-Frank Wall Street Reform and Consumer Protection Act is financial reform legislation passed in 2010 as a response to the financial crisis of 2008.

[15] The Volcker Rule refers to part of the Dodd–Frank Wall Street Reform and Consumer Protection Act, originally proposed by former U.S. Federal Reserve Chairman Paul Volcker to restrict U.S. banks from making certain kinds of speculative investments that do not benefit their customers.

MR. COHN: You know, I –

MR. RUBENSTEIN: Or surprise, I should say.

MR. COHN: – don't think there's a change.

MR. RUBENSTEIN: Biggest surprise.

MR. COHN: It's hard. I mean, this is really hard. No one should underestimate how hard this is. I think what people from the outside don't understand is how hard people actually are working. You know, I'm working now like I worked when I was 20 years old. You know, I'm – no one should feel sorry for me, but it's, like, you're –

MR. RUBENSTEIN: And you're making the same salary you made when you were 20 years old. [Laughter.]

MR. COHN: No, I was making – I was making more, I was making more. But that's – again, no one should feel sorry for me.

MR. RUBENSTEIN: OK.

MR. COHN: But, you know, people are working, you know, 18, 20-hour days trying to get things done, trying to get things moved. People's intentions are in the right place, but it's hard. The natural momentum to do nothing is pretty entrenched.

MR. RUBENSTEIN: Now, you've see businesspeople come into the Oval Office presumably all the time. Do they tell you in advance that they're going to tell the President A, B and C and then they get in the Oval Office and they don't really say that? Do you ever see that phenomenon?

MR. COHN: I've seen every playbook there possibly is in the Oval Office.

MR. RUBENSTEIN: OK, all right.

MR. COHN: I've seen they tell me A, B and C and do the opposite. I've seen A, B and C and they do A, B and C. I've seen them tell me nothing. Yeah, I've seen every playbook run.

MR. RUBENSTEIN: OK. And somebody that wants to influence you about the tax bill as it goes through, and there will be some modifications, what's the best way to influence you about, you know – [laughter] – a change that they might want?

MR. COHN: I think they should give you a phone call.

MR. RUBENSTEIN: Right now that probably – that probably won't get them very far. [Laughter.] And so –

MR. COHN: That's what I was hoping. They give you a phone call, they won't get very far.

MR. RUBENSTEIN: Right. And so the greatest pleasure of the job you have now is what?

MR. COHN: The ability to serve. I mean, when you think of my life history and what I've gone through and the ability to be in a position to be able to give back to my country is just unbelievable for me.

MR. RUBENSTEIN: And the biggest downside to the job, if any, is the hours or –

MR. COHN: No. I mean, the hours are – no one died from working hard.

MR. RUBENSTEIN: But why take a chance, right? [Laughter.]

So, if after the tax bill is done and you want to stay part of the administration, is there any other job you would want in the administration? You're happy, you don't want to be, any other job, there's no – you're happy with this current job, you wouldn't take anything in the administration? You're happy with this?

MR. COHN: So I have such a unique job and unique platform, I really am pretty pleased with where I am. You know, I didn't quite understand the breadth and magnitude of the job I was taking. A bunch of people I relied upon when I was talking about coming to Washington told me that's a great job, you should take it and I wasn't quite sure it was the right job. But now that I'm in the job and see how far-reaching the job really is, I can't – you know, I'm pretty pleased with where I am. And, look, I have more things to do than I possibly have time to do them.

MR. RUBENSTEIN: And no regrets.

MR. COHN: No regrets.

MR. RUBENSTEIN: Well, look, we've come to the allotted time. Now, I know you have to go back to the White House for an announcement, and so I want to thank you for your time and thank you for your insights. Very useful, thank you.

MR. COHN: David, thank you. Thank you. [Applause.]

MR. RUBENSTEIN: Thanks so much, Gary.

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