

# THE ECONOMIC CLUB

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

**U.S. Treasury Secretary Steven T. Mnuchin discusses tax reform,  
the national debt and debt limits, and cryptocurrencies.**

**The Honorable Steven T. Mnuchin  
Secretary of the U.S. Department of the Treasury  
Friday, January 12, 2018**

MR. RUBENSTEIN: Mr. Secretary, I want to thank you very much for coming.

SECRETARY STEVEN MNUCHIN: Sure. Absolutely. Pleasure to be here.

MR. RUBENSTEIN: Let me give a brief introduction, then we'll go into some questions. Secretary Mnuchin is the 77<sup>th</sup> Secretary of Treasury. He's a native of New York, graduated from Yale in 1985, where he was the publisher of the *Yale Daily News* and also a member of Skull and Bones,<sup>1</sup> which he cannot acknowledge because it's a secret society. [Laughter.] He joined in 1985 – is that right? You cannot –

SEC. MNUCHIN: Well, it's true that if I were, I couldn't acknowledge it.

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

So, he joined Goldman Sachs in 1985, became partner in 1994, and rose up to be a member of the management committee. He was chief investment – chief information officer of Goldman Sachs, also head of the mortgage securities department at one point. He left in 2002, after 17 years, and formed Dune Capital, which did a number of financial investments, one of which was Indy bank, which he bought from the FDIC.<sup>2</sup> He also was involved in the entertainment business. He – through Dune Entertainment, he financed a number of movies, including – and co-produced them – “Avatar,” “Mad Max,” “Superman,” “Batman,” other movies like that. Ultimately sold Indy bank to CIT. After that occurred, he told me, when I saw him at a dinner once, that he was going to become the campaign finance chairman for Donald Trump. I said, you'll never be heard from again because – [Laughter] – that probably won't lead to anything. That's correct, right?

SEC. MNUCHIN: That is correct.

MR. RUBENSTEIN: Right. [Laughter.] But my predictions are usually wrong. And so, it worked out reasonably well for you. And you became the – [Laughter] –

SEC. MNUCHIN: And for the President.

MR. RUBENSTEIN: And for the President. And became Secretary of the Treasury, appointed by the president, and was confirmed on February 13<sup>th</sup> of 2017.

So, have you talked to your accountant about your own taxes? Are they going up or are they going down? [Laughter.]

SEC. MNUCHIN: Well, I'm definitely making a lot less money in this job, so I can categorically say... but my rate is going up.

MR. RUBENSTEIN: Going up.

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<sup>1</sup> Skull and Bones is an undergraduate senior secret society at Yale University in New Haven, Connecticut.

<sup>2</sup> The Federal Deposit Insurance Corporation is a U.S. government corporation providing deposit insurance to depositors in U.S. banks.

SEC. MNUCHIN: So given California, New York, my rate is going up.

MR. RUBENSTEIN: So are your friends still friends of yours because their tax rates are going up? Or are your friends saying they're happy? Your friends are happy with the tax bill or not?

SEC. MNUCHIN: Absolutely. I mean, I think people understand the economic impact that this is having, and this will continue to have. And I think, you know, even for people in New York and California, there's a slight increase. It's not a very big increase on the high end. But obviously we saw yesterday Walmart's announcement, which was very impressive. Over a million people at Walmart getting additional bonuses. We're now up to over 130 companies and two million workers that have gotten raises and special bonuses.

MR. RUBENSTEIN: OK. So, the process of getting a tax bill through Congress, were you really convinced you could get it done in the first year?

SEC. MNUCHIN: I really was. I mean, originally, I was on the record saying we could get it done by August. There was a schedule to get it done by August. Obviously, the health care delayed things. But, yeah, we – this was a well thought out plan.

MR. RUBENSTEIN: OK. Now, it didn't go through what's called regular order – regular order meaning committee hearings and so forth. And do you think the regular order is more or less a good thing to avoid in tax legislation? Or are you happy with the way it went?

SEC. MNUCHIN: Actually, technically it did go through regular order. I think the issue is it went through reconciliation, which was 51 votes. But technically it did go through the committee process and regular order.

MR. RUBENSTEIN: So is there anything in the bill that you wish was not in there? Is there anything that you're not happy with in this bill?

SEC. MNUCHIN: No. I think – you know, overall, I couldn't be more pleased with it. You know, if you look at the process – and I think what worked very well is, first of all, the House committees had worked on taxes and thinking about this for a long time. So, you know, way before the President and I showed up they had been working, had gone through a blueprint. During the campaign, in developing the President's economic program, we spent a lot of time with him thinking about taxes. And taxes were a major part of his platform and what he was going to do. And I think we couldn't be more pleased. That's not to say that every single page and every single line item... but I think we couldn't be more pleased with the overall bill.

MR. RUBENSTEIN: Now, sometimes after you pass these major bills there is a so-called technical corrections bill. But to get a technical corrections bill passed you need 60 votes, presumably. So, are you going to try to get a technical corrections bill, or you don't need one?

SEC. MNUCHIN: I think that's something we'll see. So, you know, I don't know if we will or we won't. It's something that we've talked about. I would say, you know, as opposed to

everyone else, who has now moved onto other legislative things, our number-one issue right now is implementing the tax plan. It's a massive amount of work at Treasury and the IRS. Yesterday we just announced the new withholding tables. So, people will get tax breaks in February. I would say the good news is there's nothing that we've identified so far that we think is particularly problematic that we think we'd need a technical correction. There are, like, 80 sections of the bill that are left to the Secretary to put out regulations. So, we've a lot of work at Treasury and the IRS.

MR. RUBENSTEIN: Now, very often when you pass new tax legislation the IRS has more work, but there doesn't seem to be new evidence of hiring more IRS agents. Is there an effort to go get more – hire more IRS agents, or you don't need to do that?

SEC. MNUCHIN: No, I'd say – I mean, this touches every single aspect of the IRS, from technology to processes to forms. And we are speaking with Congress about getting additional funding for the implementation. So, we would expect that we would – we would hire a significant number of people to help with the implementation.

MR. RUBENSTEIN: But not to audit people. [Laughter.]

SEC. MNUCHIN: You know, I would say in all seriousness one of my projects for the IRS is to look at how we can use technology much more for audits. So, you know, I think we want to make sure that we automate. I think, as you know, there's something that's called the tax gap, which is the theoretical difference between what we do collect and what we should collect. And we're going to look at using technology to narrow that.

MR. RUBENSTEIN: And one of the most important changes in the tax code as a result of the bill is the elimination of the deduction for state and local taxes, where there's some limitation of \$10,000. That was controversial and politically controversial, I suspect. Do you think you could have avoided doing that if you had phased in the corporate tax cut? In other words, the corporate tax cut comes in right away. Suppose you had phased it in over five years. Would you have been able to keep that deduction?

SEC. MNUCHIN: Well, David, as you know, kind of within reconciliation we had a certain amount of money that we had to work with. So, there were tradeoffs. And that's one of the tradeoffs we could have made. I would say the elimination of what people refer to as SALT, state and local taxes, that was something that was part of the House blueprint from day one. That was something we kind of thought through. I think, you know, to \$10,000 – I mean, I realize for people in this room that may not seem like a lot for state and local taxes. But that was a meaningful impact for a big chunk of the country.

And I think we hit the right balance. I mean, I think the issue – and we've said this from day one is – you know, why should the high-tax states be subsidized? And let me just say, because then normally the follow-on question is, well, the high-tax states are donor states and they give more money. And my response to that is that's because there's more wealthy people that live in those states.

MR. RUBENSTEIN: Well, some people say it was an effort to – by the red states to tax the blue states.

SEC. MNUCHIN: I don't – I don't think that's the case at all. There was – there was not one meeting that I was ever in that this became – anybody said this is a political issue. It was an economic issue.

MR. RUBENSTEIN: OK. What do you think about governors who might be saying to their constituents: You can make your payment to your state and local taxes and make it a charitable deduction? Do you think –

SEC. MNUCHIN: I think that's one of the funniest things I've possibly heard. [Laughter.] I will say we'll wait to see the language, but I think most people understand the concept of a charitable deduction that is voluntary, that goes to help people and things like that. It's very different than the high cost of real estate taxes in my favorite two locations, New York and California.

MR. RUBENSTEIN: So there would be no auditing of governors who propose that? In other words, you wouldn't audit their taxes?

SEC. MNUCHIN: We wouldn't audit their taxes. But I can assure you, we will – we will audit real estate taxes this year.

MR. RUBENSTEIN: OK. Now, the people who worked on this tax bill, the "Gang of Six,"<sup>3</sup> was it?

SEC. MNUCHIN: Yes.

MR. RUBENSTEIN: Gang of Six. So, what were those meetings like? And how did you avoid the press knowing when you were meeting? And what was the interchange like?

SEC. MNUCHIN: Well, again, I think one of the things that worked really, really well is this was a team effort. So, you know, I think there were a lot of people in the beginning who said, you know, well, you know, the White House and Treasury, you should put out your own – you should put out your own plan. You should write the bill. And I think it was very clear to us from the beginning that we needed to make sure the Treasury, the White House, the House and the Senate were on the same page. And when we started the process, I think the House and the Senate were pretty far apart. And we worked every week on narrowing those differences.

MR. RUBENSTEIN: And today –

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<sup>3</sup> The so-called "Big Six" group of Republican negotiators from the House, Senate and Trump administration include Treasury Secretary Steven Mnuchin, National Economic Council Director Gary Cohn, House Speaker Paul Ryan, Senate Majority Leader Mitch McConnell, Senate Finance Committee Chairman Orrin Hatch and House Ways and Means Committee Chairman Kevin Brady.

SEC. MNUCHIN: And then just to answer your second question of how did we avoid – you know, one of the good things about having the Secret Service following me around is they can take you through kitchens and garages and things like that, conveniently.

MR. RUBENSTEIN: So the tax bill, it is said by some that it will increase the U.S. debt by roughly \$1.1 to \$1.5 trillion over 10 years. Do you agree with that?

SEC. MNUCHIN: I don't.

MR. RUBENSTEIN: You think it will be revenue neutral, or?

SEC. MNUCHIN: So I mean, here are the numbers, OK? The joint – let's start with Joint Tax, which scored it at, I think, a \$1.45 billion. We'll call it a – excuse me – \$1.5 trillion, OK? That was what we had to reconcile to on what we call a static basis with no change. Joint Tax thought there was about \$500 billion of what we call dynamic scoring, in revenue that we'd get back. There was also about another \$450 or \$500 billion in what we call the difference between policy and the baseline. So, they were measuring it to what they called the baseline. There were tax extenders that were rolled over every year. Again, our view is you should measure it to what the actual policy is. And, you know, we think there will be over a trillion dollars of growth. So, I do think this will pay for itself.

MR. RUBENSTEIN: Now, you're projecting growth, out of the government, of roughly three percent a year for the next 10 years or so.

SEC. MNUCHIN: Yeah. I mean, it's actually about 2.9 [percent], but we do believe we – we predict – for modeling purposes we use 2.9 [percent]. But we do think we can get to three percent or higher.

MR. RUBENSTEIN: But if you actually failed, and you got just 2.2 or 2.3, the deficit would – or the debt would be much higher, presumably.

SEC. MNUCHIN: Well, yeah. I mean, by definition. But it's never going to be higher – again, the worst-case scenario, it's the \$1.5 trillion, less the \$.5 billion in what were policy extenders.

MR. RUBENSTEIN: There are no Democratic votes for the tax bill. So, did you try to get Democratic votes? There was just no willingness on the Democrats' part to participate?

SEC. MNUCHIN: No, we did. And, you know, we had a series of meetings. The President hosted several bipartisan meetings. We had several Democrats fly with us on Air Force One with the President to their home states when he gave speeches. But, you know, from the beginning, you know, kind of the Democrats sent a letter to the President and copied me on, made very clear kind of what their conditions were. And I think there was a big philosophical difference. We were focused on creating growth and creating things that were good for the American economy. And they kind of drew a line in the sand.

MR. RUBENSTEIN: OK. So, if the Democrats were to regain control of the government at some point – let's say the Congress and even the White House at some point – do you worry that the tax bill would be undone because there were no Democratic votes for it?

SEC. MNUCHIN: Not at all. I mean, first of all, I think it's an unlikely hypothetical. But even if it were, I think at that period – I mean, you're going to – I think it will be clear that you will have the economic growth. And if there is the economic growth, it's not going to be unwound.

MR. RUBENSTEIN: OK. So, money is going to be – there's a tax on money that's offshore. So, you're going to bring money back, or you're going to put an excise tax on it. So presumably companies will bring it back.

SEC. MNUCHIN: Yes.

MR. RUBENSTEIN: There's no requirement that they invest it in job-creating kinds of things. Why was there no requirement that they use it in a certain way?

SEC. MNUCHIN: You know, that's a good question. And that was something we talked about a lot. And various people came up with ideas, should we put conditions, should we attach it to this. I think our view was if we create the right incentives, that companies, one, will bring it back, because we charge them the tax either way. So obviously there's a big incentive to bring it back. But I think, as you know, David, certain industries, people should make capital investments. Certain industries, people should return money to workers, as we've seen with Walmart. So, I think philosophically our view was let the companies allocate that capital. And we believe 70 percent of it will ultimately flow back to the workers.

MR. RUBENSTEIN: Now, the President was involved. Did you call him every other day, or how did that process work of telling him what was going on?

SEC. MNUCHIN: The President was unbelievably involved. So, I mean, again, if I go back to the campaign, you know, kind of on his two major economic speeches – one was Detroit and one was New York – I mean, literally up until he went on stage he was fine-tuning, you know, the tax rates, what we were doing, we debated them. And, you know, I would say there's no question that for the last year, he called either Gary or I or both of us every single day, with either he had views or we were reporting back to him what we were doing.

MR. RUBENSTEIN: So when you get a call from the President, somebody says the President is on the line, does that make you nervous, or you don't know what he's going to say, or that's – you're happy to get those calls?

SEC. MNUCHIN: No, I mean, it doesn't make me nervous at all. I mean, again, I think one of the good things for me in this job is I've known him for a long time. And I traveled with him for a year in the campaign. So, you know, kind of I wouldn't be here if I didn't feel like we could have good two-way conversations. But, at the end of the day, I understand he's the President and it's his decision.

MR. RUBENSTEIN: So, on the tax bill today, as you see it, you're very happy with it and you don't see any need to make any modifications. You're going to live with this bill. There's no effort to modify it in anyway?

SEC. MNUCHIN: No. I mean, there may be a need for certain technical corrections. But I think, again, there's nothing we've identified right now that's a problem. But we'll see if we need to fine-tune it in any way.

MR. RUBENSTEIN: OK. So, the debt of the United States is roughly \$20 trillion, more or less.

SEC. MNUCHIN: Yes.

MR. RUBENSTEIN: And you are responsible for making certain that we pay the debt. And as an owner of Treasury bills, I want to make sure that you do pay that debt. [Laughter.] Are you worried about the debt limit? You're going to run out of capacity – you're actually over the period of time now, but you –

SEC. MNUCHIN: We are.

MR. RUBENSTEIN: So you have a couple more months before you can't pay my Treasury bills, is that right?

SEC. MNUCHIN: So, you know, again, this was one of the things that, you know, multiple Treasury secretaries advised me on before I got into the job. I've been through now one extension. You know, kind of – certain people were critical of me in the extension. At the end of the day, this is all about, you know, kind of – we absolutely have to raise the debt ceiling every time we get close to the debt ceiling. I think one of the things the President and I are thinking about is how should this process be changed. I mean, we have a debt ceiling, we have a budget, and we have appropriations. And I think, you know, David, in any business you kind of plan what you're going to spend, and then you plan how you finance it. It's somewhat of a ridiculous process, the way we do this. And –

MR. RUBENSTEIN: Do you think we should have a debt limit at all?

SEC. MNUCHIN: I don't – I won't go so far as saying we shouldn't have a debt limit, but I do believe that when money is authorized to be spent, there should be some mechanism that the debt limit is also raised to pay for it. So however, we refine that process. And the other thing that, you know, we're now in a – I'm using these Treasury superpowers because we have hit the debt limit. And, again, the problem with that is, all that does is, the more time you extend it, you know, this town doesn't really work till you hit a deadline that you need to do it.

MR. RUBENSTEIN: Well, speaking of another deadline, the government will run out of money relatively soon. I think January 19<sup>th</sup>, is that –

SEC. MNUCHIN: Well, that – they will – that’s – again, that’s authorization to spend. We won’t run out of money – the debt limit is running – I will have the cash, we just won’t have the authorization to spend it.

MR. RUBENSTEIN: But I mean, the operation of the government, the funding of the government –

SEC. MNUCHIN: Yes, the appropriation.

MR. RUBENSTEIN: Do you think that that will get resolved in time?

SEC. MNUCHIN: I don’t think there will be a shutdown. I think it’ll either be resolved or there’ll be another CR<sup>4</sup> to extend this for people to work on it.

MR. RUBENSTEIN: OK. All right. So, let’s go through a couple other things before we get back to the tax bill for a moment. You grew up in New York. You went to Yale, as I mentioned. You went to Goldman Sachs. Why did you want to be an investment banker? Was that what you studied to be when you were at college, or?

SEC. MNUCHIN: Well, I did study economics. I was – when I was at Yale, I was actually publisher of the *Yale Daily News*. And I was very interested in publishing. And I remember – I actually thought I may want to go into publishing. And I actually applied for a job at Conde Nast for the summer. And I think probably one of the best things they ever did was reject me, that they said: Thank you very much, but we’re not hiring summer interns. So, I actually ended up working at Solomon Brothers for three summers. And, you know, had grown up around Wall Street and really liked the mortgage trading business. That’s kind of where I started.

MR. RUBENSTEIN: OK. So, you left Goldman Sachs and you then started your own financial services company. And one of the companies you bought was IndyMac. And that was controversial at the time. Why was it controversial? When you were confirmed, people asked you a lot about it. Why was it so controversial?

SEC. MNUCHIN: Sure. So, you know, I was sitting in my office in New York during the summer of 2008, watching TV, all the news. And this was kind of the middle of the crisis.<sup>5</sup> And IndyMac – literally there were people lined up around the block trying to get their money out. So, this was – this was a real bank run. We hadn’t had a bank run in this country in a very, very long period of time. And IndyMac was actually one of the – I think one of the only deals. The FDIC actually had to take it over and operate the bank. Most of the way the FDIC took over banks is they’d take it over Friday night, they’d sell it on Friday night, you’d open up for business on Monday.

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<sup>4</sup> Continuing Resolution: continues the pre-existing appropriations at the same levels as the previous fiscal year (or with minor modifications) for a set amount of time.

<sup>5</sup> The financial crisis of 2007–2008, also known as the global financial crisis and the 2008 financial crisis, considered by many economists to have been the worst financial crisis since the Great Depression of the 1930s.

IndyMac was a highly problematic bank. It had – it had specialized in no doc loans<sup>6</sup>. Their mortgage portfolio had 30 percent delinquencies. As I like to say, even in the financial crisis it was hard to originate loans that were that bad, that had those delinquency rates. The only reason I was able to buy it and put together an investment group was no real bank wanted to buy it. I mean, it had – it had every problematic loan. It had construction loans. It had homebuilder loans. It had a big portfolio of reversed mortgages. So, we came in, cleaned up. But the reason why it was controversial was because it had so many delinquent loans that we had to work through all those loans under government loss sharing agreements.<sup>7</sup>

MR. RUBENSTEIN: OK. So, you ultimately sold it to CIT, did well.

SEC. MNUCHIN: Yes.

MR. RUBENSTEIN: You – did you know Donald – well, let me ask you about your movie career first, before I get to Donald Trump. What does a producer actually do? [Laughter.] You know, when you're a producer – I mean, are you picking the actors or actresses? What does a producer actually do when you're producing all these movies?

SEC. MNUCHIN: So, first of all, I would say I was probably the least-likely person to get in the film business. When I first looked at these investments, and when I had my own investment business, and someone came to us and said: Well, you know, we should look at this film investment. I'm like, that's the craziest idea. If we invest in films, everybody will take their money back from us. But we developed a theory, which turned out very well, that if you invest in any one film, it's very risky. If you can put together a portfolio of 50 or 100 films that are high-quality films, it's a long-term bet on content.

And when I made these investments, and partially because I had a technology background, I had a view as the content was going to be worth a lot more money. At the time there was no Netflix. At the time there weren't iPads. But I did understand technology and understood bandwidth. And understood that as bandwidth became faster and faster and faster to the consumer, there would be more and more demand. So, I didn't actually pick any of those films. I did two deals. One I did with Fox, where we did 200 – 160 films with Fox. And then 75 films with Warner Brothers.

MR. RUBENSTEIN: But you don't go on the set and say, well, you should act it this way, or do it that way?

SEC. MNUCHIN: No. Absolutely not. I was – I was the – I was the money.

MR. RUBENSTEIN: All right. So, I saw you at a conference out in Los Angeles. I think it was the Milken Conference. You were kind enough to host me for a dinner. And you told me –

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<sup>6</sup> A No-Doc loan (or Low-doc loan) refers to a loan that does not require borrowers to provide documentation of their income to lenders or do not require much documentation.

<sup>7</sup> Loss share is a feature that the Federal Deposit Insurance Corporation (FDIC) first introduced into selected purchase and assumption transactions in 1991. Under loss share, the FDIC absorbs a portion of the loss on a specified pool of assets which maximizes asset recoveries and minimizes FDIC losses.

SEC. MNUCHIN: I think several years, actually.

MR. RUBENSTEIN: You did. Several years you did. And I would say one time you said you were going to become the finance chair for Donald Trump's presidential campaign. I said, look, I've lived in Washington a long time. He is not going to be President of the United States. So, are you sure you know what you're doing? And your response was you did know what you were doing.

SEC. MNUCHIN: Yes.

MR. RUBENSTEIN: And how did you happen to know Donald Trump?

SEC. MNUCHIN: So I knew him – I've known him for about 15 years. You know, I would describe it was more socially than business. We did a little bit of business together. We looked at a lot of investments together and we got to – we got to know each other quite well. And I actually had been speaking to him – even going back to while he was thinking of running. As a matter of fact, he came out to Los Angeles. I remember having dinner with him right before he announced. And after he decided to run, you know, I'd come visit him every couple of months and be like, how can I help? And he's, like, well, I'm financing the whole thing myself. No, thank you very much. And then right after he won New York, I was actually in New York, he called me up the next day and said: Do you want to come on board? I'd like you to be my finance chairman. And we agreed to meet in Indianapolis the next day and talk about it, because I was in California – actually, back in California.

And I will tell you, I went to this event – I don't know if anybody in this room ever went to a Trump rally, OK, but I showed up –

MR. RUBENSTEIN: This doesn't look like a big Trump rally group. [Laughter.]

SEC. MNUCHIN: There were – there were 30,000 people who had been waiting probably three or four hours. And the only way I can describe this is it was like showing up with Mick Jagger to a Rolling Stones concert. And it was – the minute I saw that, I knew he was going to absolutely win and be President. And the more I traveled with him, the more convinced I was that he hit on something.

MR. RUBENSTEIN: Now, had you been a Democrat or a Republican?

SEC. MNUCHIN: I had been absolutely a Republican. You know, for whatever reason I gave – well, I gave money to a bunch of Democrats, as you can appreciate. People like you would call me up and ask for favors. Not you, I might add, but people like you. [Laughter.] And, you know, I did write some checks. But I've always been a Republican.

MR. RUBENSTEIN: And most of your friends, though, in Hollywood area probably were liberal Democrats. So, when they heard you were doing this, did they call you and say: What are you doing?

SEC. MNUCHIN: Yes.

MR. RUBENSTEIN: And – [Laughter] – have they come to try to get favors from you since then, or they leave you alone now?

SEC. MNUCHIN: They haven't tried to get favors, but I would say – you know, even a lot of people who were skeptical have come around, seeing the economic plan and seeing what this has done to the economy and the markets.

MR. RUBENSTEIN: OK. So, he was elected President. Did you think he was going to win at the end?

SEC. MNUCHIN: I told you, I was 100 percent convinced. And even at the end when we were seeing the Florida polling numbers, I was hearing from people on the ground. I said, these polls are not right. He's going to win Florida, and he will win.

MR. RUBENSTEIN: OK. So, he called you and said: How would you like to be Secretary of Treasury? And did you have any doubt you wanted to do that job?

SEC. MNUCHIN: Actually, he didn't call me right after he won. I was part of the transition. And actually, he put me – even though I knew him well and everything else – he put me through an interview process, like other people. And being the good former investment banker, I showed up with my yellow pad and had a whole presentation, and kind of walked him through what I would do if I had the job. And that's literally still the game plan that I'm operating on today.

MR. RUBENSTEIN: OK. So, when you – when he offered you the job, did you realize that the IRS audits every year the tax returns of the Secretary of the Treasury, and you would have to be audited every year? And that's OK with you? You have no problems?

SEC. MNUCHIN: I didn't. Matter of fact, I will tell you, one of the things I – I mean, I knew I'd have to sell lots of – I'd have to sell everything. You know, that didn't bother me. I did not realize how difficult the process was of going through a confirmation. I think I delivered, like, literally 8,000 pages. I mean, the most ridiculous part is, you know, I'd say I'm selling, you know, this, this, this, this. I literally sold everything. And they're still, well, we want to look at every investment.

MR. RUBENSTEIN: So how much did it cost in legal and accounting fees?

SEC. MNUCHIN: It cost a lot. I won't say it here. And we're on live TV, but it was very expensive.

MR. RUBENSTEIN: OK. So, what's the best part about being Secretary of Treasury, other than interviews like this? [Laughter.]

SEC. MNUCHIN: It's definitely not interviews like this. [Laughter.] Although I'm always happy to be here, and this is a great crowd.

MR. RUBENSTEIN: Right, OK. So, the best part second to this. [Laughter.]

SEC. MNUCHIN: I mean, it is – it is by far the most interesting thing I've ever done. And I think the thing that's great about this job is it touches on so many different aspects of the government. So obviously a big focus of what I do is domestic and international finance. But a big component of what we do is manage all the sanction programs. So, whether it's Iran, whether it's North Korea, whether it's Venezuela, whether it's Russia, kind of. I'm a member of the National Security Council. And this is a big part of the strategy that we employ for foreign policy. So, the job touches on a big part of this. And I'd say the other thing that's great is we have the best location. We've got the best building in the best location. Matter of fact, the President, every time he flies in on Marine One, he's like: Your building's a lot bigger than my building. [Laughter.] But the best thing is, it's six minutes from my office to his office and six minutes back.

MR. RUBENSTEIN: But his button is bigger than anybody else's, right? [Laughter.]

SEC. MNUCHIN: That is true.

MR. RUBENSTEIN: And is there a secret tunnel under the Treasury building that goes to the White House you can –

SEC. MNUCHIN: Actually, there was a – there was a tunnel at one point. I won't tell you whether the tunnel exists or not. But I will tell you, I don't use the tunnel. I literally walk out of the steps, they open a little gate for me, I walk into the East Wing, I walk through the East Wing, through the Rose Garden, into the West Wing.

MR. RUBENSTEIN: So you made a trip that got a lot of attention to Fort Knox. Is our gold really there?

SEC. MNUCHIN: It is.

MR. RUBENSTEIN: And why do we need all that gold? Because who cares about the gold anymore? Well, why do we need it?

SEC. MNUCHIN: Well, that's a good question. I think, as you know, at one point we were on the gold standard.<sup>8</sup> That's how we got all the gold. Most of the gold was bought during that period of time. And, you know, it's been a good asset. So, you know, we've got gold there, and we also have gold at the New York Fed.<sup>9</sup>

MR. RUBENSTEIN: And it's well-protected?

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<sup>8</sup> A monetary system in which the standard economic unit of account is based on a fixed quantity of gold.

<sup>9</sup> Federal Reserve Bank of New York

SEC. MNUCHIN: I've actually had the opportunity to see both of them.

MR. RUBENSTEIN: But they're well-protected? They have guards around the clock and everything?

SEC. MNUCHIN: It's classified, so won't tell you what's around the clock, but it's very well-protected.

MR. RUBENSTEIN: OK. What about bitcoin?<sup>10</sup> Are you comfortable with that currency? And what do you think the U.S. government should do about it? Should we encourage it, discourage it?

SEC. MNUCHIN: Do you own any? Is that why you're asking?

MR. RUBENSTEIN: I actually don't. I don't own any of it.

SEC. MNUCHIN: OK. I just wanted to check.

MR. RUBENSTEIN: I don't understand it. No, I own no bitcoin. I don't even know what it is really. [Laughter.] Though I know I missed the boat on that, but is that something that you're worried about that could replace the dollar as a currency?

SEC. MNUCHIN: So, I mean, first let me say I'm – we are very focused on cyber currencies, crypto – what do you call them – cryptocurrencies, cyber currencies. We're very focused on those. And actually, at the last FSOC<sup>11</sup> meeting that I chaired we set up a working group. We're working with all the regulators. So really, the biggest issue – I have two issues with them that we're focused on.

One is, we want to make sure that bad people cannot use these currencies to do bad things. So, in the United States, and people may not realize this, under our laws if you have a wallet to own bitcoins, that company has the same obligation as a bank to know your customer. So, in the United States we have rules that for money laundering, for all different types of things, we can track those activities. The rest of the world doesn't have that. So, one of the things we will be working very closely with the G-20<sup>12</sup> on is making sure that this doesn't become the Swiss numbered bank accounts when we do that.

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<sup>10</sup> Bitcoin is a cryptocurrency and worldwide payment system. It is the first decentralized digital currency, as the system works without a central bank or single administrator.

<sup>11</sup> The Financial Stability Oversight Council creates collective accountability for identifying risks and responding to emerging threats to financial stability. It is a collaborative body chaired by the Secretary of the Treasury that brings together the expertise of the federal financial regulators, an independent insurance expert appointed by the President, and state regulators.

<sup>12</sup> An international forum for the governments and central bank governors from Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States, and the European Union. The G20 aims to discuss policy pertaining to the promotion of international financial stability.

The other concern I have is there's a lot of speculation in this. And, you know, I want to make sure that consumers who are trading this understand the risks because, you know, I am concerned that consumers could get hurt.

MR. RUBENSTEIN: OK. But do you worry that – like, Russia was – announced, I don't know if it was a legitimate government report, maybe fake news, I don't know – but that Russia is thinking of coming up with its own cryptocurrency as a way to get around sanctions. Is that something you're worried about?

SEC. MNUCHIN: Not at all. No. I mean, I don't think it's a – I don't think that's a concern. I mean, there are countries – and, again, this is something actually I've spoken to the Fed about. So, there's cryptocurrencies like a bitcoin which – you know, effectively it's instead of euros or dollars you have a different currency. There are central banks that are thinking of instead of issuing cash, physical cash, issuing a digital currency. So, I mean, the Fed had contemplated and looked at – and I don't think they have any intention of doing this in the near term – you could issue digital dollars. The Fed and we don't think there's any need for that at this point.

MR. RUBENSTEIN: Talk about physical currency. There's a picture of you getting, I guess, one-dollar bills, I guess it was, from the Treasury. And every Secretary signs it. Do you have to improve your handwriting before you actually put it on? Did you practice this?

SEC. MNUCHIN: I did, because I'll tell you, my signature, I'm sure like yours, was perfected from signing lots of documents in like a nanosecond, but was completely illegible. So now my signature is really neat. And of course, I've now been criticized that it's too neat on the bill.

MR. RUBENSTEIN: But if you actually sign a check with your real signature and then you sign the dollar bill this way, people could compare that maybe.

SEC. MNUCHIN: Actually, David, I thought of that problem. And now I have institutionalized my neat signature. So, I sent new documents to the banks and sign checks that way as well.

MR. RUBENSTEIN: So your predecessor said that, I guess on the \$20 bill, we would change some parts of it. But actually, he left office before that could happen. It takes a couple years to get – to change the currency. Do you have any plans to change what he proposed, or what are you thinking about the \$20 bill?

SEC. MNUCHIN: So, you know, as you mentioned, the previous administration looked at changing the currency. Let me first start with, you know, kind of why we – why we change the currency. And the reason why we change the currency is all about counterfeiting. So, there have been changes to the currency over time. If you look at the \$100 bill, there's certain features that obviously you can now see. There's actually certain features that are in the bills that you can't see, that only machines can see and detect whether they're counterfeit or not. So, I have met with the Secret Service. I have met with the Fed. We are working. Our focus is working on the next kind of security features in the bill. And, you know, kind of – this is years away.

MR. RUBENSTEIN: OK. But on the question of whether you would still have Harriet Tubman or things –

SEC. MNUCHIN: We haven't made any decisions as to whether we'll change the bill, or we won't change the bill in terms of that. But, again, our – the money has been a – the money has been a certain way for a long period of time. And we'll look at whether we change it or not.

MR. RUBENSTEIN: When you mention the Fed, it was reported in the press that you had recommended that Jay Powell become the chairman of the Fed. Was that your recommendation?

SEC. MNUCHIN: So, I'm not going to comment specifically. You know, I was very involved in a recommendation to the President. I'm not going to comment on who I recommended or who I didn't. But I would say I'm very supportive of Jay in this job. We look forward to having him. I think Janet Yellen has done a great job. And I look forward to now working with Jay.

MR. RUBENSTEIN: OK. How many – how frequently do you meet with the chairman of the Fed?

SEC. MNUCHIN: Every week. So, we alternate. We meet every week, alternating between their office and my office.

MR. RUBENSTEIN: And do you ever say, well, maybe interest rates should stay low, it would be helpful to the economy? You can't quite give them a prod about what to do on interest rates, or?

SEC. MNUCHIN: No. I mean, I respect the independence of the interest rate decisions. We talk about what the impact of the economy is. We talk about regulatory issues. We talk about international issues. I mean, it's interesting because when I started these meetings it was like, well, what are we going to have to talk about every week? And I will tell you, there's not been a week where Janet Yellen and I have not literally spent an hour talking about important things. And a lot of times it's – they're very different – very different issues.

MR. RUBENSTEIN: So is it awkward it was reported in the press that you were recommending somebody other than her, and you still were meeting with her? Did that get to be awkward in those meetings?

SEC. MNUCHIN: No.

MR. RUBENSTEIN: OK. [Laughter.] So, the economy, what are you projecting for the economy this year in terms of growth, inflation rate, unemployment rate?

SEC. MNUCHIN: Higher growth, moderate inflation, lower unemployment.

MR. RUBENSTEIN: All right. What is your biggest worry about the economy today? We've had eight years of uninterrupted growth, more or less, the third-longest period since World War

II. At some point something will probably slow down. Are you worried about it happening this year or next year?

SEC. MNUCHIN: You know, David, it's a good question. I mean, you know, what I would say is people in my job, people in your job are not very good at predicting necessarily what the next problem is. And a lot of reasons why the next problem turns out to be such a big problem is because it's something that people haven't anticipated. So, I mean, I would say – you know, if there's something I'm concerned about from the financial system, I would say cyber is something I'm very focused on. I do think it's a – you know, kind of – it's one of these areas that we got to continue to invest a lot of money privately. The government – make sure that the government is working with the private industry. But that would be the one area that, you know, kind of if there were an issue would be concerning.

MR. RUBENSTEIN: Now, a number of Treasury – or, Cabinet secretaries including you and the President are going to Davos<sup>13</sup> next week. Davos is a place where the global elite gather, but the President's constituency is not the global elite. So why is he going there?

SEC. MNUCHIN: Well, David, you know, I got asked this question yesterday when I gave a brief news conference at the White House. And, first of all, I didn't realize that it was the global elite, OK? You'll tell me a little bit more about it. I realize that globalists like you do attend. [Laughter.] But actually, I've looked at the list. There's an awful lot of world leaders. There's an awful lot of finance chairs. There's an awful lot of business people. So, to me, this is – this is no more the global elite than the G-20 or the event that I attended with you in Saudi Arabia, or the Milken conference. This is an important economic agenda.

MR. RUBENSTEIN: So when you meet finance ministers around the world, do you ever wonder how they became a finance minister? Or you often say these people are really impressive? Or how do you get along with these finance ministers?

SEC. MNUCHIN: You know, generally very well. I mean, I'd say the person who I've been the most impressed with is Wolfgang Schauble,<sup>14</sup> who's now retiring from the finance chair. I think he's the longest serving. But, you know, I've had several private dinners with him. And to me, you know, spending time with people like him, it's really an education. I mean, his perspectives, going back to the fall of the Berlin Wall and the changes to the economy there. Some people are very interesting. Some people are not.

MR. RUBENSTEIN: And you've met with – which ones are not? [Laughter.] You've met –

SEC. MNUCHIN: I gave you one of the really interesting ones.

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<sup>13</sup> The World Economic Forum hosts its annual meeting at the end of January in Davos, bringing together some 2,500 top business leaders, international political leaders, economists, and journalists to discuss the most pressing issues facing the world. The World Economic Forum strives to be impartial and is not tied to any political, partisan, or national interests.

<sup>14</sup> Germany's Finance Minister from 2009-2017 and now president of the Bundestag, the federal parliament of Germany, with functions similar to that of a speaker in other countries.

MR. RUBENSTEIN: OK. So, you've met – you've met with a number of your predecessors. What is the most important advice your predecessors give you about the job of being Secretary of Treasury?

SEC. MNUCHIN: I think there's been a lot – there's been a lot of good advice. I think probably the most important part and the most important advice has been around kind of the various different aspects of the job. And, you know, kind of different people have had different advice on policies. But I think kind of one of the things the Treasury is known for is the career staff. You know, we have a very long, very professional career staff. I think in other agencies, the politics gets much more impacted through the career staff. I think Treasury is really known for kind of – and, again, because so many of the functions are operational – just, you know, great career staff.

MR. RUBENSTEIN: OK. Now, the legislative goals of the President this year – infrastructure. Is that one of his highest goals? And –

SEC. MNUCHIN: It is.

MR. RUBENSTEIN: And do you see that being bipartisan or will it be solely Republican?

SEC. MNUCHIN: No, that definitely has to be bipartisan. And, you know, there's been a lot of work done on it already.

MR. RUBENSTEIN: Now, the health care legislation. The president made an effort earlier to change Obamacare. That didn't quite work. But some of the mandate is taken out through the Treasury bill – through the tax bill.

SEC. MNUCHIN: Yes.

MR. RUBENSTEIN: Is – are you done now on trying to make any legislative changes on the health care bill?

SEC. MNUCHIN: I think that's something that the President is considering and talking to Congress about. I mean, I would say, you know, what we were able to accomplish in the tax bill was getting rid of the individual mandate. I think fundamentally the idea that you should charge people penalties because they're forced to buy insurance – that's something we didn't agree with and we think makes sense to come out. The other thing we're now looking at is – and, again, we're working with the Department of Labor and others on – regulations that will allow different businesses to get together, and different associations to get together, and pool across state lines their insurance buying. And I think that's going to create a great opportunity for companies to lower their costs. Lots of companies that independently would be very expensive, as opposed to having to go into the exchanges, will be able to buy down their risk.

MR. RUBENSTEIN: Now, do you have your full complement of assistant secretaries, or most of the people you need now? Or are you still working to get them confirmed?

SEC. MNUCHIN: We still have several people that we're waiting to get confirmed. And we have a few more people that are going through the process to be announced.

MR. RUBENSTEIN: Is it harder to get them through the White House process or the Senate process?

SEC. MNUCHIN: Not even close. Getting them through the White House process has been very easy for us. I mean, again, I think we have very good communications with the White House. Getting it through the Senate is very challenging. I mean, I think – I think the statistic is that at this rate, you know, kind of, we won't fill the government.

MR. RUBENSTEIN: OK. So, now you see the President regularly. Is he happy with the job? Does he wish he hadn't run for president? Is he happy being president?

SEC. MNUCHIN: I think he loves being president.

MR. RUBENSTEIN: OK. Now, before he was elected president he actually came to the Economic Club of Washington. We had an interview. Do you think he should come back? And – [Laughter] –

SEC. MNUCHIN: I do.

MR. RUBENSTEIN: All right. Well, you'll recommend that to him.

SEC. MNUCHIN: I will, absolutely.

MR. RUBENSTEIN: OK, all right. [Applause.] So, let me ask you, now, you have been Treasury Secretary now for about almost a year.

SEC. MNUCHIN: Yes.

MR. RUBENSTEIN: You enjoy the job. Do you have any plans to stay for one year, two years, three years? You stay the whole first term, second term?

SEC. MNUCHIN: I'll be here as long as the president is president – meaning either four years or seven years – eight years.

MR. RUBENSTEIN: OK. So, you're happy with the job now?

SEC. MNUCHIN: Absolutely.

MR. RUBENSTEIN: Some of your predecessors have gone onto be Secretary of State. Do you aspire to do that?

SEC. MNUCHIN: I do not.

MR. RUBENSTEIN: OK.

SEC. MNUCHIN: Thrilled with my job. Don't want another job. Happy to do this.

MR. RUBENSTEIN: Now, where are the egos biggest – Hollywood, Washington or Wall Street?

SEC. MNUCHIN: That is really a tough competition. [Laughter.]

MR. RUBENSTEIN: OK. Where are the people the nicest? [Laughter.]

SEC. MNUCHIN: Washington.

MR. RUBENSTEIN: Washington?

SEC. MNUCHIN: Washington. People are definitely the nicest here. [Laughter.]

MR. RUBENSTEIN: OK. So –

SEC. MNUCHIN: That's my story and I'm sticking with it. [Laughter.]

MR. RUBENSTEIN: All right. Mr. Secretary, I want to thank you very much for coming. I appreciate your taking the time.

SEC. MNUCHIN: Thank you, David. [Applause.]

MR. RUBENSTEIN: Thank you. Thanks very much. Appreciate it. Thank you. [Applause.]



**The Honorable Steven T. Mnuchin**  
**Secretary of the U.S. Department of the Treasury**

Steven Turner Mnuchin 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 is 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 in crafting 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 US 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 (MOCA), the Whitney Museum

of Art, the Hirshhorn Museum and Sculpture Garden on the Mall, the UCLA Health System Board, the New York Presbyterian Hospital Board, and the Los Angeles Police Foundation. He was born and raised in New York City. Secretary Mnuchin holds a Bachelor's Degree from Yale University.