The Economic Club of New York

119th Year
869th Meeting

The Honorable Henry M. Paulson, Jr.
Founder and Chairman, Paulson Institute
74th U.S. Secretary of the Treasury

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Peter G. Peterson Leadership Excellence Award Luncheon

Moderator: Robert K. Steel
ECNY Chair Emeritus
Partner and Vice Chair, Perella Weinberg Partners

Introduction

Chair Dambisa Moyo

Hello everyone and welcome to the 869th meeting of The Economic Club of New York. I'm Dambisa Moyo. I'm the Chair of the Club. It is a great pleasure to be here with you all. I would like to start by extending a warm welcome to the students joining us virtually from Harvard Business School and to recognize the members of the 2026 Class of Fellows – a select group of diverse, next-generation business leaders who are here with us today. Please note that applications for the 2027 Class of Fellows are now open.

The Economic Club of New York is proud to stand as the nation's leading nonpartisan platform for discussions on economic, social, and political matters. For nearly 120 years, the Club has hosted over 1,000 preeminent guest speakers contributing to a tradition of excellence.

As Chair of the Club, it is my great privilege to preside over today's presentation of the Peter G. Peterson Leadership Excellence Award. Following the award presentation, we will hear remarks from this year's recipient followed by a fireside chat moderated by Bob Steel, the Economic Club of New York's Chair Emeritus, and Partner and Vice Chair at Perella Weinberg.

On behalf of the Peter G. Peterson Leadership Excellence Award Committee, whose members include Bill Dudley, Roger Ferguson, Marie-Josee Kravis, Terry Lundgren, Greg Mankiw, and Bob Steel, it is my pleasure to share a few words about the award.

The Leadership Excellence Award was inaugurated in 2011 through a generous personal gift from the late Peter G. Peterson, Former Club Chair and long-term member of the Club. In 2021, the Board voted to rename the award in his honor. This prestigious recognition is bestowed upon those with exemplary accomplishments who have protected and enhanced the free market system, expanded employment, and enabled robust economic growth.

Past recipients have included Former Secretaries of State: George P. Shultz and Dr. Henry Kissinger, Former Chairs of the Federal Reserve: Paul Volcker, Dr. Alan Greenspan, and Janet Yellen, Former Vice Chairs of the Federal Reserve: Alice Rivlin, Stanley Fischer, Roger Ferguson, and change makers like Bill Gates. And, of course, last year's honoree, who we're delighted to be here with today, Michael Bloomberg.

As we prepare to honor the 11th recipient of this important award, please join me in welcoming Club Member and one of the children of the late Pete Peterson, and Chair and CEO of the Peter G. Peterson Foundation, Michael Peterson, to the podium to share a few words. He will be followed by last year's honoree, Michael Bloomberg, who

will present this year's award. Thank you.

Remarks by Michael Peterson

Thank you, Dambisa. Thank you, Barbara. Thanks to the staff of the Economic Club and thank you all for being here in this beautiful room at the University Club. It's no Cheesecake Factory, but I think it'll do for today.

Our family is grateful to have this award named after my father. This year is the 100th anniversary of his birth, and this award is a very special way to honor his legacy. He loved the Economic Club and everything it stands for. My dad cared about ideas. He wanted to share his ideas. He wanted to hear your ideas. He loved nothing more than engaging in a dialogue about substance, and that's what this Club is all about. He would be very proud to have his friend, Hank Paulson, receive this award.

I learned a few things about Hank, and I think my dad actually might even be a little jealous of some of Hank's achievements. Hank was an All-Ivy Offensive Lineman on the Dartmouth football team. So Hank started early with "too big to fail." My dad didn't even make the team. His football memoir would probably be "too slow to score"....I thought that was a better line than that. (Laughter)

Hank was portrayed by the very handsome actor, William Hurt, in the movie “Too Big to Fail.” He’s the only Peterson award recipient who can claim such an honor. For my dad, whose parents were Greek, the closest he came to being in a movie was probably “My Big Fat Greek Wedding.” I remember we saw it as a family and instead of calling it a comedy, my dad claimed it was a sober documentary about his life.

But my dad would be the most jealous of Hank’s ability to influence public policy in Washington. In the depths of the financial crisis, Hank not only asked Congress for $700 billion, but he got it in two weeks. The key moment was when Hank needed Speaker Pelosi’s vote. As he’s told the story, he literally got down on one knee to ask and she said yes. In all of American history, I’m not sure there’s ever been a physical gesture with that combination of financial relevance, bipartisanship, and romance. And as a fiscal hawk, here’s the part my father loved, the Rescue Plan came in well under budget and taxpayers got a good return on their investment. So, Hank, our family is thrilled that you’re receiving this honor.

Just days before an election, we face many critical economic questions. How do we bring down inflation without harming growth? How high will bond yields go? Is this an AI bubble? And when will we stabilize our growing federal debt? Hank’s clear-eyed approach is needed now more than ever, and his public service continues. In April, he urged leaders to build a “break the glass plan” for the Treasury market because he

understands the uncertainty of these times. And as an Eagle Scout, he follows their motto, “Be Prepared.” So Hank, we’re thrilled to have you as the next recipient of this award. No one is a better example of dedication, grace, and excellence under pressure. So I’m pleased now to turn this over to Mike Bloomberg whose remarkable business success and public service has enriched the lives of so many New Yorkers and people around the world. So thank you, Mike, for being here.

Remarks by Michael Bloomberg

Michael, thank you, and thanks to the Economic Club for bringing us all together. It was a great honor to be given the Peterson Award last year. And when I heard that Hank was going to receive it this year, I thought to myself, who will they get next? Taylor Swift was my guess. A quick story. Hank and Pete...I thought that was funnier than you did. A quick story, Hank, Pete, and I were playing a round of golf once and we had a little wager going. I won’t say who lost, but let me put it this way, the bet was paid off in Iraqi money, which still sits in my desk drawer.

Seriously, no one could be more deserving of this award than my good friend, Hank Peterson. When it comes to being considered for the Pete Peterson Award...Hank Paulson...the names are confusing. When it comes to being considered for the Pete Peterson Award, helping prevent the collapse of the global economy is a pretty good

thing to have on your resume. And Hank and I have known each other since the 1990s when he was at Goldman Sachs. And at one point he told the firm, he told me the firm was spending too much money on Bloomberg terminals, so he cut the number of subscriptions. Then he went down to the Trading Room and found everyone crowded around the terminal ready to revolt. That's when he came to his senses. And that's a good lesson for all of you.

Hank was still at Goldman when I became mayor. In those months after 9/11, plenty of people thought businesses would flee the city and never come back. Under Hank's leadership, Goldman stayed and moved towards planning a new headquarters near the World Trade Center, which they eventually did. This was a major vote of confidence in the city and we really needed it then. And he helped us convince other employees, other companies to stay downtown and bring the city back faster than anyone imagined possible.

A few years later Hank also entered public service, and as the Secretary of the Treasury, he helped guide the U.S. through the world's worst financial crisis since The Great Depression, and that was no small feat. As bad as it was, it could have been far worse and would have been far worse without Hank's leadership. With no easy answers, we had to make incredible, difficult decisions as financial institutions held their breath, and he had to persuade Congress to act. As the story goes, and as Michael

mentioned, he, at one point, was supposedly down on his knees with Nancy Pelosi in front of him. I will talk to Nancy sometime. I'll give her a call and see whether that's actually true. I don't know how Hank negotiated deals with Goldman's clients, but certainly with Pelosi it did work.

Hank has always taken a forward-looking approach to the big issues facing the world, including climate change. And more than a decade ago, he teamed up to measure the economic threats posed by the changing climate. Hank understood that climate change isn't just an environmental challenge. It is an enormous challenge economically as well as for opportunity. Through the Paulson Award, he continued to be a leader on climate change as well as conservation. And we're very fortunate to have him on the board of Bloomberg Philanthropies where the environment is a top priority for our work.

The award Hank is receiving is named for our good friend, Pete Peterson. Pete was the son of immigrants, as Michael said. He believed deeply in keeping the American Dream alive and well for future generations. And that's something that too many people have forgotten, just how wonderful this country really is. He also knew how our country's long-term economic health required leaders to confront difficult problems even when the solutions weren't politically popular. Hank has spent his career doing that and he's really made an enormous difference.

And now, after the speech, Hank is going to go down, to sit down in a conversation with Bob Steel. Bob is another Goldman alumni who left to work at Treasury but unlike Hank, Bob also had the good sense to come to work for us at City Hall. He, you should know, did a phenomenal job as Deputy Mayor, and the city will continue benefitting from his leadership for many decades to come. He's also been a great leader for the Economic Club and for Bloomberg, where he serves on our board. So, Hank, thank you for being in good hands. I know it's now my pleasure to present Hank with an honor that he deeply deserves, the 2026 Pete Peterson Leadership Excellence Award. So congratulations, and thank you for everything you've done for our country, Hank.

Opening Remarks by The Honorable Henry. M. Paulson, Jr.

Let me just quickly say thanks, Mike. It's a real honor to get the award from you. You're a friend and a terrific leader. And what you did in bringing the city back after 9/11, we should all be very grateful for. And Michael, you know, I really enjoyed working with your father when he was at Blackstone, we did some deals together. But what I really appreciate is his calling our attention to the need for fiscal discipline and you'll hear more about that from me later. Thank you.

This Club was founded in 1907, the same year a panic on Wall Street nearly brought down the banking system and set the country on the road to creating the Federal

Reserve. The people who started it understood something that is just as true today: the times that feel most chaotic are often those when the next order is evolving. How that order serves us depends on whether we see the change clearly and how we respond. We are living through one of those periods now.

The global order most of us grew up with, built on clear alliances and a dominant set of institutions, has given way to something new. Globalization is not ending. In many ways, the world seems smaller than ever. The volatility, risks and problems that matter most, such as the pandemic, extreme weather, wars in Ukraine and the Middle East, the wave of migration, and spikes in oil prices have hit many economies at once. And these shared uncertainties are arriving just as the balance of power is shifting, with China and other emerging powers claiming a far bigger role than they had generations ago. The institutions, treaties and practices we rely on were built for a different era. They need to be updated for a world that has already changed and is still changing, in ways that are hard to plan for, hard to manage and even harder to predict.

No one knows how this new world will take shape. We are heading into uncharted waters. But there is one thing I am certain of: American leadership is indispensable, for America and for the rest of the world. The unstable multipolar world from 1919-1945 resulted in catastrophic economic hardships and war. That should be a warning.

Into this world comes the AI revolution, moving with a speed unlike any technology transformation before AI. AI is too complex and moving too fast for governments to fully understand, let alone plan for and capture the huge opportunities and manage the huge risks. It is a wild card. It will be the most consequential force of all.

And we now have a new world power in China, with a competing economic model and political system. A big part of that competition is AI. We are the two leading developers of frontier AI, and the competition extends to how it is implemented, commercialized, and distributed around the world, for economic advantage and for power and influence.

Today the world is, to a large extent, a U.S.-China bipolar world. We can't leave the playing field to China. If the market-oriented democracies and nations with ties to the U.S., which I will refer to as partners, are going to stand up to China, they must be unified. The U.S. needs to lead that effort, democratically, economically, technologically, and militarily.

That leadership starts at home. Economic success and stability here are the foundation of our longtime leadership abroad. Rhetoric about the superiority of democracy won't do it. We must prove that our economic system and our democracy work better. The good news is we have some real advantages. We have abundant energy. We have the finest universities in the world. We have the most innovative companies, and a culture that

rewards risk taking like no other. No country is better positioned. But we face three challenges that will undermine whether...oh, excuse me, not will undermine, hopefully they won't...will determine whether we make the most of it.

The first challenge is our politics – a dysfunctional, polarized national government in DC. Our democratic institutions are models for other like-minded countries. Maintaining those institutions is core to our leadership and soft power. It is also the key to solving our other challenges which won't get fixed without functioning government. Our global adversaries and competitors are not waiting for us. They will not pause while Washington argues and fails to act.

The second challenge is AI. We must manage the risks – even if we don't yet know all of them – while preparing for the benefits. The new Super Intelligence Force led by Jay Clayton, which is focused on the huge safety and security risks, has the potential to both manage and prepare. It is bringing together the private sector, including AI competitors, who would not otherwise collaborate because of antitrust concerns, to gather facts and to work toward solutions.

Its safety and security remit should be the highest priority, and urgent action is critical. But that is only part of the challenge. The advanced economies are likely to be hit hardest by job dislocation. The U.S. may be most vulnerable because so much of our

economy relies on the service jobs AI does best.

White collar workers are likely to be hit especially hard. Managing this risk is not for government alone. Training is not a job our government does well. Government, business and academia need to work together on this transition, including creating better incentives for companies to retrain their own workers. This means training and retraining at a scale never attempted before, and starting before the dislocation hits, not afterwards.

Although meeting the AI challenge at home is essential to our leadership, we will not succeed unless we unite other like-minded countries. This requires persuading them to not be dependent on Chinese AI technology, and on building trust in our use of AI. That said, the reality is that the U.S. and China are the ones advancing the AI frontier, and we need to work jointly on establishing guardrails on AI. Otherwise, the world becomes a very dangerous place for every nation.

The third challenge is our national debt. It is unsustainable, and if not addressed will strangle our economy. It will thwart our prosperity and destroy our national security which is rooted in economic strength. Interest on our national debt exceeds $1 trillion annually, roughly $3 billion every day, or about $7,500 for every household. It’s on track to double over the next decade. We’re paying more to service our past than invest in

our future. Every dollar that goes to interest is a dollar crowding out other necessary investments, like research, infrastructure, defense or preparing workers for AI.

Deficits of this size, expanding year after year, put pressure on demand for Treasuries and the standing of the dollar itself. No nation can remain a global power if it loses its creditworthiness as a result of unstable fiscal policies. There is no painless fix. Spending and revenue both have to be on the table. It is impossible to know when we'll hit the wall either because the deficit triggers a crisis or the next crisis triggers a run on our Treasuries. History has shown that crises are inevitable. So, we need to be prepared and have an emergency contingency plan – a highly targeted, "break the glass" policy on the shelf.

Now, underneath all three challenges are growing doubts, especially among younger Americans, about whether our economic system works for them. The best answer here is results. We cannot deliver these results by turning inward. Openness has always been America's competitive advantage. We need to protect the technologies and supply chains vital to national and economic security while keeping the rest of the economy open to allies and like-minded democracies. For this to work, we need clear, durable rules so markets and trading partners know where the lines exist. And unpredictable tariffs, especially on our allies, work against the reliability. Reliability is an asset, and every time we surprise our partners, we draw it down.

On China, we must recognize its permanence and its global heft. China is a strategic economic competitor, our main rival on AI, and a military and security adversary. While we must be clear-eyed about China's intentions and the risks that it poses, we must forge a stable relationship. Without it, the world will be less prosperous and more dangerous. China respects power, so we need to project it through political, technological, economic and military leadership.

China and the U.S. need to understand each other's red lines. We need to put guardrails in place to keep the relationship from sliding into conflict. We need to cooperate where our interests overlap. Nowhere is that more urgent than AI. As the two countries at the frontier, we share a responsibility to manage the monumental threat it poses to safety and security.

Our allies and partners are a core strength, but they need to carry more of the security burden. With a quarter of global GDP, the U.S. has long provided close to 40% of the world's military spending. This is not sustainable. The administration has pushed our allies to do more, and NATO has committed to a much higher target, but that evolution will take time. The U.S. must see this as a supplement to, not a replacement for, its own military power and presence.

In today's fragmented world, a stable U.S.-China relationship has to be an anchor, but it

is essential we use the G7 to work more closely and strategically with our allies while partnering with them and other like-minded countries. It is equally important, and far more difficult, to engage the other major economies in an upgraded G20. The focus here should be on the problems no country can solve alone like financial stability, climate, AI warfare, cyber-attacks on our financial system, and on our power, water, internet and communications infrastructure, and a bioengineered pandemic more devastating than COVID.

There, leadership means flexibility and compromise when it serves our interest. The cost of failing to protect our shared interests in peace and stability is so great that it should push us toward a practical solution, even imperfect ones, and being open to unconventional ideas which will bless us all.

Globalization as we knew it is evolving, and AI will accelerate whatever comes next. That makes this moment both more dangerous and more consequential. If America gets its own house in order, manages its competition with China, and leads with its allies and partners, it will help preserve our leadership in the world. This won't be easy or perfect, but progress here gives us a fighting chance to shape a future that mitigates the inevitable risk and disruptions ahead while improving lives and protecting prosperity. Thank you.

Conversation with The Honorable Henry M. Paulson, Jr.

THE HONORABLE HENRY M. PAULSON, JR.: Now this will be the fun part because anybody, as my wife says, anybody who has heard me read a speech knows that's not a pleasant experience. But I'm going to love this conversation.

CHAIR EMERITUS ROBERT K. STEEL: Well, I think we're miked up now, thank you. And, Hank, thanks for taking the time to organize your thoughts in a very serious way. You can tell that you gave the remarks a lot of thought and they were presented in an organized way, and you really gave us a framework. What we're going to do for the next 15 or 20 minutes is just try to have a conversation, and we'll go through a few things. And hopefully, you'll be able to elaborate on some of the themes that you had in the talk.

I think on two or three different occasions, you spoke in your speech about the importance of the U.S. and China relationship. And I think we're all lucky, fortunate to have you here. There's really no one, from a policy perspective and business, that has invested more time in learning and understanding the U.S. and China and the dynamic, beginning with your time at Goldman Sachs and then at Treasury where you initiated the SED, the Strategic Economic Development Plan. So why don't you give us your snapshot on where we are and what are the cross currents with the relationship today?

THE HONORABLE HENRY M. PAULSON, JR: So, Bob, thank you, and I will try not to be too repetitive because we know the U.S.-China relationship is the most consequential bilateral relationship. It's going to shape the geopolitical and geoeconomic landscape for years to come. We know it's fraught. We know that they are a serious competitor and an adversary.

But our two countries are also deeply intertwined, our two economies are deeply intertwined and so this is a cause of tension. But ironically, it also has led to a sort of managed stability because each side knows that the other can do serious damage to its economy, to the other's economy. So we have sort of a period of mutually assured economic disruption, which has led to some real stability. And as I said, stability is important because we have a trust deficit, and I talked about why we need to build trust and I talked about the risks we need to deal with.

I do want to say a word or two about the Trump administration and China. I think that the two presidents' meetings have been a positive, a big positive. And a lot has been said about President Xi's visit to Washington being all about pomp and ceremony and there was plenty of that as a focus on stability. But, you know, it did extend the truce on tariffs until the end of the year. There's a Trade Board in place. There are going to be tariffs reductions on $30 billion of trade. And importantly, you know, Secretary Bessent

and He Lifeng in November are going to begin talking about AI. And, you know, there's going to be a process for notifying of AI events and a dialogue.

But I want to really add to that because Bob Rubin and I wrote an OpEd in early September where we said we had never seen a risk so mis-priced with so much money chasing one opportunity as AI in the United States. And none of us believe self-restraint works when there's competition here. And the big mistake made is not failing to identify risk but underestimating it, and that's what's going on here. And the excuse that's always used, and it's not an excuse, it's a reason, AI, we're competing with China. And they say we can't slow up or China is going to beat us.

And the analogy we used was one that's an imperfect analogy; it goes back decades to the Cold War with Russia with the SALT negotiations to limit nuclear weapons. And this worked because each side didn't trust each other, precisely because they didn't trust each other. And so the thing we call for here is an AI Cooperation Treaty, an act sort of modeled after the SALT with certain parallels. And so, to me, when I think about China there's a lot of issues I think about. But the thing I think about first is AI. And when I visit China, I talk with them about AI and I meet with AI companies.

CHAIR EMERITUS ROBERT K. STEEL: Great. Thank you, Hank. Any perspective you have, it seems like, and you've been such a close follower, how do you see things

inside China with Xi and things moving and leadership changing and things like that? You just have seen so much.

THE HONORABLE HENRY M. PAULSON, JR.: Well, I've got to tell you something. Anybody that says they're an expert on China and then they tell you how leadership is going to move and change, by definition, they're not an expert, right? Because it's hard to predict. But I will tell you, I think no matter how leadership changes, we've got to assume that the relationship is going to be as I described it. It's going to be a competitive one. We need to really work towards stability to solve some of these important risks.

CHAIR EMERITUS ROBERT K. STEEL: Right. Let's shift. You mentioned in your talk, your comments a couple of times the issues of climate change and biodiversity issues. And this has been a passion of yours where you are an outdoorsman, an environmentalist, and someone that this has been a key part of your life as everyone who knows you understands. You've done work at the Paulson Institute and now at TPG focusing on Rise Climate. This is still part of your day work too. So tell us a bit about how you see things developing and what are the right policy levers, and this combination of private capital being applied to these types of issues.

THE HONORABLE HENRY M. PAULSON, JR.: Bob, thank you. There's a lot in there.

You see brevity isn't one of my virtues, but I'm going to try to be...it's not that funny. (Laughter) No, I'm going to try to be brief here because climate change … I don't even consider it a risk, it's a certainty. The planet is overheating, right? We're not going to make 1½. We'll be fortunate to make 2½, but that's better than 3 or 3½ degree increase in temperature. And so that's number one.

Number two, it's going to take decades to make this transition to renewables, away from fossil fuels. And it's going to take trillions of dollars of capital, and the private sector capital isn't going to come unless there's a return. And I think the work that I've done over the last, you know, since 2000 with colleagues at TPG, I think does just that. It's showing you can attract the capital and you can get a good return and make a difference.

So in 2000, we began forming the first TPG Rise Climate Fund. It was $7 billion. And we measure two things – it's got to get a full return and the climate impact is measured, the Y Analytics Unit, which is a separate unit, measures climate impact by carbon emissions avoided. If something doesn't get, it gets a full return, it goes in another fund if you don't have a climate impact. And the first fund was so successful, we've now just completed a $10 billion fund raise.

And it's an interesting thing because so much of the rhetoric is unfortunate. So many of

the policies you see in different places are unfortunate. But it's a great time to make investments. You know, in the U.S. we have an electricity shortage, which is, you know, in the U.S., AI policy is really energy policy and electricity policy. And virtually all of our new electricity the last couple of years has come from renewables despite the administration's policies, right? And then around the world there's twice as much money in the last couple of years being raised, twice as much money invested in renewables as in fossil fuel because of the wars. And, of course, energy security is national security there.

And so what we're seeing at the TPG climate funds, and here I was just pleased to be an executive chairman and there at the founding and I'm quite actively involved, what we're seeing is terrific investments in three different categories.

Power, we were fortunate to have an investment in intersect power, which is an expert at data centers and being able to do data centers where there's a lower carbon footprint. And so we did a huge deal with Google there on the power side.

On manufacturing, a lot of opportunities. The one I'd cite very quickly is steel, green steel, in Nashville, recycled steel, different technologies powered by behind-the-meter solar. And then in transportation, all sorts of things. The one I like to talk about is beta technologies because here you've got aircraft powered by an electric battery –

passengers and packages. It takes off and lands like a helicopter, flies like an airplane. Took it public last year.

Now, I'm going to be briefer on biodiversity because I'll tell you, as disturbing as the climate crisis is, the biodiversity crisis, the destruction of nature, is in some ways, is more immediate and more disturbing because it's moving quicker. We are on a path right now, if we don't change what we're doing, we're extincting species at 1,000 times the historical level, and we will lose half the species on earth by mid-century.

And I've looked at risks with you for a long time, and I look at the structure of nature really as a market failure, and a risk quietly building up in our system. It is difficult to fully calculate the value of nature. But, boy, we know enough to know that, you know, we have $58 trillion, over half of the global economy is largely dependent or moderately dependent on nature. And you can't fully calculate the value, but we know enough to know it poses a profound risk to mankind. And I'll tell you, I'd sure rather act now than wait and see what the consequences are of throwing Mother Nature out of balance.

CHAIR EMERITUS ROBERT K. STEEL: Thank you. Shifting, I think that we now have uncertain economic conditions and, as you suggested, lots of cross currents with seemingly large tails potentially on outcomes. And you wrote a book, your book, and then you and Tim Geithner did a book trying to unpack lessons learned from your time

in the trenches. What would you observe about what you see today with the lens of what you experienced and learned from serving?

THE HONORABLE HENRY M. PAULSON, JR.: Well, if you're talking about the lessons from the Global Financial Crisis and the risks we saw there, I'm just going to make one comment first of all, which is the Global Financial Crisis hurt a lot of people. They lost their jobs. They lost their homes. And so there is nothing good about that. But I think we should be careful not to conflate that crisis, which resulted from risks and excesses building up for a long time and flawed retail mortgage policies at the state level and the federal level with a response which prevented a far greater problem.

Now, in terms of the lessons, I think the lessons we saw, I think, are pretty much the same. The first is when you're dealing with a big, messy crisis, there's not an elegant solution. And if you wait until you get all the facts, you're looking in the rearview mirror and it's too late. So you're often forced to act before you have all the information you'd like. Now, we made our share of mistakes, but I'm able to look back and say we got the big things right. Because when we made a mistake, we corrected them right there on the battlefield.

And the two things I'll give you very quickly are Fannie Mae and Freddie Mac – I see Jim Lockhart here – these two huge insurers of mortgage securities. And I'll tell you,

when they were failing and I was talking with the team at Treasury, they had $5.4 trillion of mortgage securities insured and so on. And I was told I couldn't ask for anything with a T in front of it. It was too big. So I made a joke and said, how about unlimited? And people said, well, you can't ask for unlimited but you can ask for unspecified, right? And so when I was up, and Congress asked me about the unspecified, I said something that sort of shocked their team. It just came out of my mouth. I said, well, if you had a squirt gun in your pocket, you might be forced to take it out. But if it's a bazooka, you won't have to take it out, right? So I got the bazooka, and guess what, we had to take it out.

And so we changed it right there and we took the bazooka out. And I look back on that and say it was one of the most consequential things done. Because if Fannie and Freddie had gone under, just think of what would have happened, how many foreclosures there would have been, more. Because there essentially wouldn't have been any insured mortgages. And also, you know, hundreds of billions of dollars flow to the U.S. government, which is probably why they still exist today, unfortunately in their current form.

The other was capital in the banks. I said we're not going to put capital in the banks because I couldn't think of anything, I looked at all the nationalizations and they hadn't worked. And so I said we're going to buy troubled assets. And when we were up at Congress, we had several bank failures, the biggest bank failure ever in the U.S. We

had banks going down in Europe. And so we had to put capital in the banks.
And I went to President Bush and I said we've got to put capital in the banks. And he was a great boss, basically said you're my wartime general; we're going to do what you want to do. But he said to me, how are you going to explain this? You told the whole world you weren't going to put capital in the banks. And I said, I will say we made a mistake and we're going to put capital in the banks. And we put in preferreds, a couple of hundred banks quickly. All that money came back. The money we put in insurance companies and the banks came back plus over $50 billion. And so it worked. But that was a lesson.

The other lessons very quickly are you can't stop a run on the banks without fiscal money. You just can't. It doesn't work. And after the Financial Crisis, there was Dodd-Frank and there was this sort of happy talk about, guess what, we've got a system. We can have an orderly wind down. You won't have to put government capital in. You're going to have bail-ins or whatever. And Bernanke, Geithner and I and our teams knew that this wasn't the case. But, you know, when COVID came, it proved it very quickly. Because the economy shut down, there would have been an immediate run on the banks, but the government then came and used many of the tools we used.

The other quick lessons, very, very quickly, are you don't get Congress ever to do something that is difficult, controversial, unless there's a crisis. They've got to see blood

in the water. And so that's one. I think the other thing that came out of this, because we talked about China, it made a big difference in our relationship with China. I could get the leaders on the phone whenever.

And with their economy, you know, it was a state-controlled economy, so when their banks were selling paper, U.S. commercial paper, I could call them and they would stop that. And then when we put together the G20 afterwards, and the President asked me whether they would be good members of the G20, I called them. They agreed they would. And I'll tell you, their fiscal stimulus helped pull the whole world out of that crisis, and it created a lot of problems for them.

CHAIR EMERITUS ROBERT K. STEEL: Thanks, Hank. You mentioned the fiscal imbalance in your third challenge, and it's great to have Michael Peterson here because of his dad being a lamplighter on this issue. If you got a phone call that said we want you to chair a commission on a path forward to fiscal responsibility, what would be the two or three things that you would say should be the principles that you would want to frame for taking on that challenge?

THE HONORABLE HENRY M. PAULSON, JR.: Well, so in terms of the principles, we really have to have a way to get the deficit down to a manageable position, a manageable percentage of the GDP. And, you know, we've got to get it down, I think, to

3%. You know, it's interesting. This Aspen Economic Strategy Group that I chair with Tim Geithner, where we've got people from both sides of the aisles and there's Chatham House Rules, everyone on that committee agrees that we need, both more revenues and we need more spending cuts. Everyone. Now, some people believe, you know, we need revenues of only 19%, others think it's 23%, but you need more revenues.

And so, to me, there's a lot of things you can do in terms of the revenue side. You know, you could raise all the revenues we need to raise, I think, if we just, without being a big drag on growth, if we just closed all the loopholes and preferences in the tax code. I think we could, you can't fix the spending side without fixing entitlements. And there, there's plenty of ways of doing that through means testing and other ways so you don't hurt those that are most vulnerable.

I also believe we can raise a lot of money painlessly through a value-added tax. We're one of the few countries in the world that doesn't have one. And we could do that in a way in which it didn't really, in a way it wasn't regressive and it protected people that needed the most economic support.

CHAIR EMERITUS ROBERT K. STEEL: Well, I think we should move to close here. I just want to say that this has been a privilege for me. Hank and I ... I was thinking about

this last weekend … Hank and I both started at Goldman Sachs in Chicago. And this is going to date us both, but we've been friends and colleagues at Goldman Sachs, this month will be 50 years. And so it's pretty special for me to be here with Hank and to basically say he was my friend, my boss twice, at Goldman Sachs, at Treasury, and I have so much respect for him.

Now, you heard him talk about two incidents. Let me tell you a bit about that. He talked about the decision to put Fannie and Freddie into conservatorship in July of 2008. That was a big deal. And Hank stood on the western steps at the U.S. Treasury building and told people that were assembled there we're going to do this. And it took a lot of courage for Hank to do that.

Second of all, TARP. The team at Treasury worked hard to think of how do we stabilize the financial system. And we went down into lots of canyons. They turned out to be box canyons. We talked about taking specific assets off. We talked about putting banks into tiers – good banks, bad banks. And in the end, it turned out that the simplest and cleanest way was TARP. And no one really likes the idea of TARP.

And Hank, on a Sunday, called all the banks down, put them in the large conference room at Treasury, on the second floor, and explained to them that this was the plan. And we were not going to discuss who needed the money and who didn't need the

money. You were all going to take it. And as a result, the world would know and the system would know that everybody had the capital they needed. And those were examples, Hank, of your courage to lead us through.

THE HONORABLE HENRY M. PAULSON, JR.: Yes, that was putting capital in the banks very quickly. But what I remember most about standing on the steps of Treasury, I had tried to call congressional leaders beforehand and none of them took my calls. Because they all knew why I was calling … all knew why I was calling and they all hid. So I came, and so I said to the whole world we are going to do this.

And then I had private calls with the Chinese when I said, listen, you hear all that pushback and everything from Congress, that's just the way our political system works. I'm confident we're going to get this. And I tell you, I wasn't all that confident. But when you're leading, you can't say follow me, you know, Fannie and Freddie are going to go down and we're all going to be eating dog food. You've got to say we're going to do this.

CHAIR EMERITUS ROBERT K. STEEL: Well, listen, I think the other was that was really an existential moment was in May of '08 when we made the decision to manage through – the first domino of the Financial Crisis was Bear Stearns. And after receiving a call on a Thursday, getting into the weekend, and then Hank, your leadership of doing what was a bit of an unnatural act for all of us, was to use federal taxpayer money to

support a broker-dealer was something that we didn't imagine, but it was the right decision at the time.

THE HONORABLE HENRY M. PAULSON, JR.: And I'll say the interesting thing there that I think most people don't recognize, when Bear Stearns went down, it was going down on a Thursday. We got together on Friday. So the Fed agreed to really back up a JP Morgan loan. And Ben Bernanke said to me, will Treasury indemnify us on that? And I said, sure, I'm sure we can find a way. And we went through hoops, we went to the Justice Department, we went everywhere. And it's illegal to spend money that hasn't been appropriated. There's no way to do that. So I had to get back to Ben and say we can't do it. Well, fortunately we got bailed out because even though there was some taxpayer money involved, JP Morgan basically took the risk and guaranteed the trading book for the pendency of the vote.

So then right afterwards, Ben and I went to Congress and talked to people, talked to Barney Frank, and said, guess what? We need fiscal money. We need authority for an investment bank. And we're worried that Lehman's going to go down. And what Barney said, he said you're not going to be able to get the authority unless you come here and say Lehman's going to go down unless you get it. And then if they go down, the whole system is going to go down. And obviously we couldn't do that.

And we found, when we went for TARP, it took the House voting it down the first time anyway. And the market had dropped. And I remember Barney calling me at the time and saying, hey, don't worry, sometimes if the kids run away from home, they've got to get hungry before they come back. And they came back and got it done. But the great thing about Bear Stearns, as I think about it now, if that hadn't gotten done and then Lehman had gone before we'd stabilized Fannie or Freddie, it would have been, I don't know how we would have dug ourselves out of that.

CHAIR EMERITUS ROBERT K. STEEL: Well, listen, I think we should draw it to a close. And let me just conclude by saying that, Hank, thank you very much for several things. Thank you for letting us honor you today. You're really just another example of the illustrious type of people that we, at the Economic Club, are really proud to honor in respect to Michael's dad. Number two, Mayor Bloomberg, thank you for coming as the recipient from last year to introduce Hank and to provide really a nice framing for the day.

THE HONORABLE HENRY M. PAULSON, JR.: Can I say one thing about Mike here?

CHAIR EMERITUS ROBERT K. STEEL: Some things never change. Hank interrupts me.

THE HONORABLE HENRY M. PAULSON, JR.: I know, I can't over that. But when everyone was criticizing me, Mike supported us and what we did.

CHAIR EMERITUS ROBERT K. STEEL: Thank you. And it's been a great day. And Hank, thank you. Mayor Bloomberg, thank you. And I was pretty intimidated, both of my bosses are here watching, and so I'm glad to kind of be through, and say thank you all.

THE HONORABLE HENRY M. PAULSON, JR.: You're never intimidated.

CHAIR DAMBISA MOYO: Bob Steel, you did a great job, so don't worry about the bosses. On this momentous occasion, I want to express my gratitude to both of you for being with us this afternoon, engaging in a great conversation. Again, congratulations, Hank, on this well-deserved award. We extend our best wishes for you and your continued success in all of your endeavors.

I am pleased to share that we have a robust lineup of speakers scheduled for the remainder of the fall season. If you turn over the programs at your seat, and for those of you online you can refer to the screen to see what is ahead.

Next on, next week we have a Signature Breakfast with Jessica Tisch, the New York City Police Commissioner. On Monday, the 9th of November, we have a Signature

Luncheon with Condoleezza Rice, the 66th US Secretary of State. On Tuesday, November 10th, we have a Signature Luncheon and Author Series with Lord Andrew Roberts, biographer and historian. And then on Thursday, the 19th of November, we have a Signature Luncheon with Ken Chenault, Chair and Managing Director at General Catalyst. Please be sure to check the website and your emails for updates in the coming weeks as we have a few more shaping up. And as always, we encourage you to invite guests to our events.

Before we close, I would like to take a moment to recognize our Centennial Society members who are with us today. These are nearly 450 of our members who have committed to the Centennial Society and their generous contributions continue to support the financial foundations of the Club. Thank you everyone for joining us. And for those participating virtually, we will see you next time. And for those in the room, please enjoy your lunch. Thank you.