



The Economic Club of New York

119th Year
855th Meeting

The Honorable Scott Bessent
U.S. Secretary of the Treasury

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In-Person/Hybrid Event

Moderator: Bret Baier
Chief Political Analyst
Anchor, Fox News
Anchor of Special Report with Bret Baier

Announcement: Ladies and gentlemen, welcome to The Economic Club of New York's Gala Celebration Dinner commemorating the 250th Anniversary of the United States of America. As we begin this special evening honoring our nation's history, achievements, and enduring spirit, we invite you to please rise and joining us singing God Bless America along with accompaniment from Hank Lane Music.

Introduction

Chair Robert K. Steel

Good evening. Hello and welcome to the 855th meeting, yes, the 855th meeting of The Economic Club of New York, and to our Gala Celebration of the 250th anniversary of the United States. My name is Bob Steel, Partner at Perella Weinberg and Chair of the Club. It's a pleasure to have all of you here with us this evening for what is going to be a very special night.

The Economic Club is proud to stand as the nation's leading nonpartisan platform for discussion on economic, social, political, and policy matters. For more than a century, the Club has hosted over 1,000 preeminent guest speakers contributing to this amazing tradition of excellence. Tonight's gathering is especially meaningful as we celebrate the nation's 250th anniversary and reflect on our enduring values, achievements, and the opportunities that have defined the American experience. To help us mark this historic

occasion, we're exceedingly privileged to have back at our Club my good friend, fellow Club Member, and United States Secretary of the Treasury, The Honorable Scott Bessent. (Applause)

As you may remember, Secretary Bessent addressed the Club shortly after his confirmation on March 6, 2025. At that time, he shared a clear perspective on what he was thinking about as key objectives. He highlighted deregulation of financial services, the focus on tariffs as a tool for balanced trade, and understanding that economic progress was completely interlinked with national security. Those were the three points that the Secretary made at that opening market.

With over 41 years in global investment management, the Secretary is a recognized expert in currency and fixed income markets. He previously served as Chief Investment Officer of Soros Fund Management and later founded Key Square Capital Management, a global macro hedge fund. He also taught economic history at Yale University and has contributed to leading economic journals.

A South Carolina native, Scott holds a B.A. from Yale University. He and his family have supported numerous philanthropic efforts, including the McLeod Rehabilitation Center, Harlem Children's Zone, and Rockefeller University. In addition to being a member of our Club, he's a member of the Council on Foreign Relations and remains a strong

advocate for financial literacy and education.

The program tonight will begin with remarks from the Secretary followed by a fireside chat moderated by Mr. Bret Baier. We're honored to welcome Bret, Chief Political Analyst and Anchor for Fox News and Anchor of Special Report with Bret Baier, for what promises to be a timely and engaging discussion.

After the fireside chat, Secretary Bessent will answer questions from several select people on the dais. A reminder to all of us that this discussion is on the record. We do have lots of media in the room and online, and we'll conclude the program at a few minutes after 8:00. Now without further ado, please join me in welcoming to the podium our good friend with great appreciation, the Secretary, Scott Bessent.

Opening Remarks from The Honorable Scott Bessent

Bob, thank you for that kind introduction and for the invitation to be here on this wonderful occasion. As a long-time member of The Economic Club of New York, I know that it occupies a special place of great significance in our nation's discourse. For generations, few institutions have done more to shape how we confront the defining questions of the day. And yet, across all those years, tonight's gathering is without precedent as we assemble on the eve of an extraordinary moment in our history.

Over the coming days, we will celebrate 250 years of the American story and the proposition with which it began: that a free people answer to no power but their own. (Applause) Milestones of this magnitude demand more than ceremony. They ask something of us. They invite us to reflect on the creation of our country, of course, but no less on its condition.

Indeed, the most fitting way to honor those who founded this nation is to meet the great challenges of our own time with the same resolve that they brought to theirs. And in that spirit, under President Trump's leadership, the U.S. Treasury is working to restore economic security as the foundation that allows a nation to fulfill its most basic obligations.

In my remarks before The Economic Club of Dallas, I detailed how the structural vulnerabilities that we allowed to accumulate over time precipitated a drift into dependence. And last month before the Reagan Library, I noted that under President Trump, America has awoken to the risks we can no longer ignore and is now attuned to the responsibility that we can no longer neglect.

So tonight, I would like to take the next step and describe our strategy for economic statecraft, by which I mean the disciplined use of America's economic power in the service of our sovereignty. For the better part of a century, the United States was the

principal architect and guarantor of an open global economic system that delivered enormous benefits. It raised our allies from the ruins of war, widened the channels of global trade, lifted standards of living, and attained a position of influence that remains unmatched in modern history. But the success of a system does not absolve us from revisiting its assumptions.

America shaped the post-war order in a world in which our overriding task was to help our allies rebuild their economies and defend against the specter of communism. We accepted asymmetries because they served a larger strategic purpose. We opened our market because it helped to create a more prosperous world. And we tolerated imbalances because American economic strength appeared unassailable. Over time, however, these choices hardened into habits. Habits into assumptions. And assumptions, left unexamined, into vulnerabilities.

We came to believe that access to the American market could be extended without condition, and therefore without consequence. We assumed that closer economic integration would always result in a greater convergence of interests. That supply chains would function in every crisis. Low prices would compensate for lost capacity. And above all, that other countries would treat our firms as fairly as we had treated theirs. Of course, those assumptions failed to materialize fully. Some slowly, others all at once.

In recent decades, we've watched strategic industries migrate abroad, critical supply chains concentrate in jurisdictions that do not share our interests, foreign subsidies, forced technology transfer, discriminatory taxation, and non-market practices distort competition, and American firms grow to global scale, only to become targets of policies designed to constrain or replace them.

Beneath each of those outcomes lay an economic policy that became unmoored from our national strategy. We've emboldened other countries to exploit our dependence as leverage. And to repair those imbalances with the world is not to retreat from it, it is not to retreat from it. On the contrary, it is to engage on terms that make America stronger. It is to insist on trade that is fair, reciprocal, and consistent with our national interest. And it is to more closely bind what we should have never allowed to cleave: our economic and national security. So tonight, guided by these priorities I want to organize our approach to economic statecraft under President Trump around five core principles.

First is that economic security begins with national capacity. We have rediscovered at great cost what Alexander Hamilton taught us around the time of our founding: that every nation ought to endeavor to possess within itself all the essentials of national supply. That our strength, in other words, is derived from what we can build, for the nation that cannot produce what it needs is not truly secure. The nation that depends on its adversaries for critical inputs is not truly sovereign. And the nation that reduces its

economics to consumption is not truly prosperous.

Instead, as Hamilton put it, it is essential to enlarge the sphere of our domestic commerce because economic security begins at home. It begins with the capacity to build, invent, finance, and scale the industries that will define the next century. Among them, semiconductors, AI, quantum computing, advanced manufacturing, shipbuilding, critical minerals, and pharmaceuticals, to name only a few. More than sectors of the economy, these are sources of our national power, and America must lead in each of them.

In today's economy, supply chains are the domain in which that leadership is tested. Yet for years, the question that seemed to consume both our political and commercial class was: where is the lowest cost? That question still matters, but it is no longer sufficient. We must also ask, can this supply chain survive a crisis? Can it withstand coercion? Can it continue operating during a pandemic, cyberattack, war, or financial shock? Does it depend on a country that could use economic leverage against us? Does it expose American firms to intellectual property theft? Does it leave our military, hospitals, energy system, or financial system vulnerable?

Of course, supply chain resilience does not require every component to be domestic from beginning to end. That would be unrealistic and unnecessary. But it does compel

us to know where our vulnerabilities are and to reduce them before a crisis rears itself. It requires diversifying away from dangerous concentrations. And that we build enough capacity at home to ensure that the American people are never at the mercy of a foreign chokepoint abroad.

The second principle is that America's openness must be matched by reciprocity, which is the basis of durable cooperation. No economic relationship can remain healthy if one side opens its market while the other closes its own. No partnership can remain sustainable if American workers and firms are asked to absorb imbalances in the name of harmony. And no open system can survive if that openness is exploited by countries that do not practice it themselves. The United States remains the best economic partner in the world.

To partner with us is to gain access to the deepest, most dynamic markets, the preeminent role of our dollar, and an ecosystem of innovation that has pushed the boundaries of the possible for two and a half centuries. Those benefits are substantial. But under President Trump, they are no longer unconditional.

Countries cannot seek access to our market while denying fair access to theirs. They cannot invite American capital while imposing discriminatory taxes and investment obligations aimed at American companies. They cannot benefit from American security

while adopting industrial policies that exclude American technology. They cannot ask American firms to invest, hire, and innovate, and then require those firms to localize intellectual property, transfer know-how, or satisfy indigenous innovation requirements designed to favor domestic champions. And they cannot participate in the dollar-based financial system while serving as conduits for the evasion of sanctions, illicit finance, or strategic leakage.

America welcomes its partners and we are stronger because of them. But our partnership now carries expectations, and in some instances, non-negotiable obligations. Of course, we will continue to distinguish legitimate regulation from discrimination. Every sovereign nation has the right to regulate in ways that serve its own public interest. The United States respects the responsibility.

But regulation descends into discrimination when it targets American firms because they are American. Taxation becomes retribution when it singles out via structure American companies. And industrial policy is wielded as a tool of exclusion when it uses local-content rules, forced localization, procurement bias, or indigenous innovation requirements to shut American firms out of fair competition.

These differences are not difficult to discern. And the United States possesses many tools at its disposal to remedy practices that distort trade and undermine reciprocity. We

will always seek to use those tools judiciously, but we will never hesitate to use them decisively.

The third principle is that America will write the rules of the next economy. Of course, unlike much of the last century, the next era of domestic competition will not be confined to the movement of goods across oceans and ports. It will be shaped by the platforms, systems, and protocols through which commerce flows in the 21st century. In each of these domains, standards become strategy, for the nation that fails to help write the rules of the next economy will sooner or later answer to those that did.

If authoritarian or mercantilist systems write those standards for their own advantage, the global economy will become more coercive and less favorable to American interests. If America and our partners set open, secure, market-based standards, then the 21st century will tilt toward freedom and prosperity by rewarding innovation, protecting intellectual property, and ensuring that competition is not distorted by discrimination. That is the system America should champion, and it is the system that our partners have every reason to build together with us.

I think, for example, of the new frontiers in financial technologies. Digital assets, stablecoins, tokenization, and new payment systems will help to shape the future of money. The United States should not consign itself to the sidelines while that future is

built elsewhere.

We should support innovation that strengthens the dollar, improves efficiency, expands access, and preserves the integrity of the financial system. And we should insist that new technology meet our standards for transparency, security, consumer protection and law enforcement access.

The fourth principle is that financial leadership is a central instrument of statecraft. And as Treasury Secretary, I see its workings every day. There is nothing accidental about the dollar's place in the world. Its broad usage reflects the depth of our markets, the strength of our rule of law, the credibility of our institutions, and the scale of our economy. Of course, the leadership role bestows enormous advantages, among them lower borrowing costs, deeper capital markets, enhanced sanctions capabilities, and great influence across the global system.

But it also imposes obligations that we cannot ignore. Sanctions evasion, terrorist finance, proliferation finance, cybercrime, narcotics trafficking, and corruption all exploit weaknesses in the financial system. Treasury's job is to protect the integrity of the financial system by rooting out these abuses, and to deploy this power with discipline. Sanctions must be targeted, enforceable, and connected to strategy. They must be paired with diplomacy, compliance, intelligence, and coordination with our partners.

The fifth and most important principle is that economic statecraft, first and foremost, must serve the American people. The purpose of American economic statecraft is to connect national power with household prosperity. We need an economy in which working families are not merely consumers of what the world produces, but participants in what America builds. An economy in which no community is asked to accept permanent decline as the cost of global efficiency. An economy in which the gains of national strength are broadly shared beyond the boardrooms and trading floors to the families and communities who sustain it.

America's competitive advantage has never been confined to the bounty of our natural resources or the depth of our capital markets. It has always resided in the character and the capacity of our people; the entrepreneur with the temerity to turn an idea into an enterprise, the worker with the ability to master new trades and new technologies that didn't exist a decade ago, and the institutions that allow their freedom and confidence to flourish.

The purpose of economic statecraft is to restore that confidence. It is to affirm to the American people that our openness and strength can go together. That partnership abroad can reinforce prosperity at home. That we can retain the dynamic markets while defending the foundations of our national interests. That America can welcome investment and trade without accepting dependency or decline.

So, what should the world expect from the United States? Our partners should expect clarity. They should expect a nation committed to strong alliances and productive economic relationships. A nation that welcomes fair competition, rewards investment, and believes in open commerce. But they should also expect a nation that is now more aware of its interests and more prepared to protect them. A nation that insists on reciprocity. That shields its firms from discriminatory treatment. Secures its critical supply chains. Enforces sanctions and combats illicit finance. A United States, in short, that will not allow economic policy to grow detached from national strategy.

Our adversaries, meanwhile, should expect resolve. Attempts to weaponize supply chains, steal technology, evade sanctions, manipulate markets, or coerce our partners will not go unanswered. We will build resilience before crises occur. We will work with partners whenever possible, and we will act whenever necessary.

Finally, the American people should expect that the Trump Administration will continue to put their security and prosperity first. They should expect policy that rewards work, investment, production, and innovation. Leadership that understands how productive capacity is power. An economy whose success is measured not merely by what it produces, but by whom it lifts. These are not new ambitions. Indeed, they are among the most abiding ones we hold.

So as we approach a great national milestone, we would do well to remember that our founders left us more than a Republic. They bequeathed a roadmap powerful enough to sustain it for two and a half centuries. Of course, our founders scarcely could have foreseen the world we inhabit today – the industries we have built, the technologies we have invented, the prosperity we have created, or the power that we have come to attain.

But what they did understand was something far more enduring: that the fortunes of a nation are shaped by the energy of its people. That great insight has been the source of America's strength since its founding. It's what transformed a small republic on the edge of a continent into the most prosperous nation over the long sweep of human civilization.

It now falls on us to preserve that inheritance, not by seeking a smaller role in the world, but a stronger foundation for our leadership. Not by seeking conflict, but by insisting on fair competition. By ensuring that our openness serves to strengthen America, and the partnerships we form are worthy of the name.

Those are reasonable expectations for any nation. They are also necessary ones for the United States. We have been, and will remain, the most important economic partner in the world. But we are now a partner with higher standards and greater expectations. We

are a partner that has regained knowledge of the value that we offer and the will, once again, to defend it.

That is American statecraft in the 21st century. Open to the world while anchored at home. Confident in our strengths and clear-eyed about our interests. And committed, above all, to the security, prosperity, and freedom of our people for the next 250 years and well beyond. Thank you for inviting me here tonight.

Announcement: And now welcome to the stage, Bret Baier.

Conversation with The Honorable Scott Bessent

BRET BAIER: Mr. Secretary, thank you for the time. It's great to be here at The Economic Club of New York, and a pleasure to ask you some questions. You know, Bob had the bio intro, your home in Charleston, South Carolina, your time in finance and business, but as we approach the 250th for America here, the celebration of the Declaration of Independence, your family has a rich history that goes even beyond that.

THE HONORABLE SCOTT BESSENT: We did. We just had our 350th anniversary, the State of South Carolina, a couple of years ago, and my family arrived very early. And one of the things that motivated me to come out from behind my desk was our family

had been very prosperous for 300 years. My dad made some financial mistakes and I went from living in the biggest house in town to bussing tables when I was nine years old. And I am determined that is not going to happen to the United States of America on the eve of our 250th anniversary. (Applause)

BRET BAIER: I want to talk about the economic mission, how you see the administration, the policies, but I want to talk first about the breaking news. And that is, everybody's focused on this Iran deal, whether it's coming together, whether negotiations are working or not. As this is starting, the 60-day process, you've relieved the sanctions to enable Iran to sell oil. Critics of this deal would say you've lifted the maximum pressure before they've actually produced anything. How do you respond to that?

THE HONORABLE SCOTT BESSENT: Sure. And Bret, what I would urge you, everyone in this room, to think about is the misinformation that we see as a result, I think of three or four things. One, the Iranians are masters of propaganda. Two, the Iranian negotiating team, if we think about the three sleeves of the Iranian government, "they" in quotation marks – elected officials, the IRGC, and the clerics – the negotiating team is from the government. And they are playing to a hardline audience back in Tehran. So just like we have hardliners in our system, they have hardliners.

Another is that nothing President Trump can do ever satisfies the media. So I would tell everyone, sit back, let this process take place. It is going to be a process. What we have done, we have told the Iranians that we would like a big deal. The Iranians have never, because of, I outlined it in my speech here last year when I said that I would, if I held the Iranian currency, I would get out because the currency is going to collapse. Lo and behold, by December, the largest bank in Iran collapsed because of our sanctions. The central bank had to print money and they had massive inflation. So we managed to, you know, a year of maximum pressure. Then there was Epic Fury. We had Economic Fury where we took the sanctions up another level, and then we had the blockade.

We have allowed them to, we've unsanctioned their oil. And the Iranians were always selling their oil. They were always selling it to the Chinese at a discount. And what I would say is, it is better for the world and worse for them if they are getting, let's say it's the Brent rate, \$75, \$76 today, the full rate, rather than where we were a few weeks ago at \$115 and getting 80% of that. And again, this is a very conditional, performance-based negotiation. And we are offering them carrots, and then there are sticks.

BRET BAIER: Well, to that point, I mean have they performed up to this point to get that relief on this sanction?

THE HONORABLE SCOTT BESENT: Again, there is nothing there that, we have done

the sanctions relief and this is a general benefit to the global market. And it's not automatic tit-for-tat. This is going to be an arch of a negotiation, and we have done this. And the fact that they are at the table discussing their nuclear program, it has never been done before. That they are willing to discuss it, we have not seen.

BRET BAIER: So your message is look at what they do, not what comes out in X and social media from the IRGC and others.

THE HONORABLE SCOTT BESSENT: Yes, just like, IRGC or someone came out the other day and said that the Strait of Hormuz is closed again, and 30 ships went through that day. Look, it's one of those, for people in the markets, the narrative is one thing and the market is doing the other.

BRET BAIER: There's a lot been written, said, books about President Trump. You see him almost every day. What is his management style and how do you describe it?

THE HONORABLE SCOTT BESSENT: Well, first of all, it's nonstop. As many of you have heard me say, probably over the past 15 or 16 months, one of my most frequent refrains have been, "No, sir, you didn't wake me. I'm always awake at 1:51 on a Tuesday night." Look, President Trump is high-impact, high-return, high performance, and he is juggling a myriad of things. And he has a viewpoint and he pushes it, and he

is very good at pushing and pushing and then knowing when to pull back. I think he's put together a great team in terms of the Cabinet, the White House staff. And he really sweats us in terms of what he expects.

BRET BAIER: And what's your management style? Treasury Secretaries operate differently. What's yours?

THE HONORABLE SCOTT BESENT: I've been very fortunate to walk into a great building, that everyone had told me, oh, Treasury, it's not like a typical D.C. department. But the career staff is great. We have great politicals. People come in, you know, you probably are not fighting the establishment if you're at Treasury. You want to, either domestic finance, terrorism finance, international finance, make a difference.

And my style is to find very smart people and give them lots of room and to have a very iterative process. At the end of the day, we only have four years. And what I've tried to do, as I outlined in my speech here, as I outlined a year ago. I outlined a year ago, we want to do substantial financial deregulation, and we have. Not my numbers, but some outside consulting firms think that we've created \$3 trillion of extra lending capacity in the regulated banking system.

So my style is to have some very long-term objectives, which I think we're meeting. One

was the maximum, Economic Fury on Iran, to deregulate the banking system, get the One Big Beautiful Bill done. But try to, it's the same thing I did in my private career, try to stick to the prize, and the prize may not be immediate and, not you as much, but the Washington news cycle is built within an hourly cycle, a daily cycle, a weekly cycle, and we try to ignore the cycle.

BRET BAIER: I fall in there too, I'm sure. But today the President was in Pennsylvania, the swingiest of swing states, in a district that is a swing district. He was talking about the economy at a Mack truck plant, talking about the Big Beautiful Bill. Yet when you ask people in any state, polls across the board say they see the economy under water, that the numbers are not good as far as approval on the economy for the President. Why is that? And do you think it's going to turn around, and when?

THE HONORABLE SCOTT BESSENT: Well, I think, one thing we're not going to do is what the previous administration did, was tell people they don't know what they're feeling. Because, you know, this idea, this narrative that maybe some journalists who are covering this tonight, who should be ashamed, said, oh, it's a vibe session. The American people don't know how good they have it. Well, the American people got torched. There was 21.5% inflation, probably the worst in 50 years, and a big drop in real wages.

I know Jason Trennert is here tonight. He has an index that measured how working families bundle goods and services in terms of groceries, rent, insurance, car payment, they probably, their inflation was probably 35%. So people are still hurt from that. We had a price level change, which is very difficult to bring down. But what I can tell you is I had very good luck in my private business was looking at what's the sentiment versus what are people doing? And right now we're still seeing consumers spend. We are seeing no backup in credit card delinquencies. So we are working every day to try to bring the inflation back to target. More importantly get up real wage growth.

In President Trump's first term, real wage growth for hourly workers did better than management. The bottom 50% of economic households did better than the top 10%. And what we've seen this time too from the One Big Beautiful Bill, also known as the working family's tax cut, was that it was a homerun for working Americans because I am also in charge of the IRS. And 44% of the returns we got this year took advantage of at least one of the, no tax on tips, no tax on overtime, reduced taxes. Only 15% of our seniors paid taxes on their Social Security, and deductibility of auto interest for American cars. So we are pushing that.

And I think that now that we are, I believe, on the other side of this conflict, gas prices will come back down, inflation will come back to target, and the real wage gains, we had seen real wage gains in every month of President Trump's presidency until April.

BRET BAIER: You've heard the pundits say the reason we're in this negotiating deal is because we want to get, the Administration wants to get oil prices down in time before the midterms.

THE HONORABLE SCOTT BESSENT: They're absolutely not in the briefings with President Trump. Bret, again not you, others want to have it both ways. They say, well, President Trump doesn't care about the inflation. He doesn't care about the American people. But he wants to get oil, or gasoline prices down by the election. You can't have both.

BRET BAIER: If you were to characterize the overall mission economically of this administration in an elevator pitch, what is it? We listened to the speech, but what would you say?

THE HONORABLE SCOTT BESSENT: Well, a couple of things. One is to restore sovereignty. I've been quoted many times as saying the only good thing about Covid was it was a beta test for what could happen if we were to get into a hot war with another major nation. So we are bringing back critical industries. We are deregulating and letting the economy go, and we are pushing innovation and economic freedom.

BRET BAIER: Behind the scenes, there have been reports that you get a little fiery.

There's a new book out that suggests there was another incident. There was something with Bill Pulte. What's the behind the scenes with Scott Bessent and other members of the administration?

THE HONORABLE SCOTT BESSENT: Look, I think I've been described as having a long fuse but when the powder keg blows, you don't want to be near it. And look, I think it's important to make one's opinion known. But as I've said too, it's not unlike a sports team where you can have disagreements in the locker room but when you get on the field you want to do your best. And I think we're all pulling together very well.

BRET BAIER: What's something that we're not covering a lot of that you're proud of as far as your job up until now?

THE HONORABLE SCOTT BESSENT: Look, I think that what we've seen in terms of the banking system, I am a big proponent of small and community banks. I've met with hundreds of those bankers in the past year. I think that, I am proud to say that I am an economic historian, not an economist. And having studied the patterns of financial traumas like we had in the '07, '08, '09, there's always an overreaction. And it's human nature. And we overreacted and the financial straitjacket for our regulated institutions became much too tight. And you can see that.

Private credit is a regulatory arbitrage. And I think what will go probably unnoticed in the history books is through the financial deregulation, that we are bringing lending back into the regulated financial system where we can oversee it. Everyone was asking me about private credit and a downturn and I think private credit is a great new innovation in terms of our U.S. financial markets. I do think it was a regulatory arbitrage.

But what always worried me about private credit was that you wouldn't be able to use private credit in a downturn to restart the economy whereas if we had a downturn, that the Fed Chair and I would be able to use the regulated financial system through window guidance on supervision, through opening windows, through facilities to restart the economy. So I think it will be reinvigorating. One thing that has gone unnoticed is reinvigorating from the G-SIBs to community banks, the regulated financial system.

BRET BAIER: Two more quick things. You mentioned the Fed Chair. There is a new Fed Chair, Kevin Warsh. Rates stayed the same this past time. The President has been very vocal that he'd like to see interest rates come down. In this environment where things stand now, do you think that there is increasing pressure on Fed Chair Warsh to drop rates even though it might not be possible?

THE HONORABLE SCOTT BESSENT: I am confident that the Fed Chair will optimize the path for both inflation and economic growth. And the President said at Chair

Warsh's swearing-in that he would be independent, that he should do what he wants. And look, the President understands, he and I have talked about it quite a bit, that howitzers have taken out more governments, or, excuse me that the bond market has taken out more governments than howitzers. So I believe that he has complete confidence in the Fed Chair to do the right thing.

BRET BAIER: Last thing, the Trump Accounts, this is something that I don't think a lot of folks fully have appreciated or taken advantage of. Is that fair?

THE HONORABLE SCOTT BESSENT: I think both. I think the President is going to have a long-lasting legacy, but I think we will look back in 20, 30, 40, 50 years, some of us will be here in 50 years, for the 300th, that we will look back and think that this is the most important benefit for young people since the G.I. Bill. I, our family have been big advocates for financial literacy. Thirty-eight percent of American households have no exposure to our great equity markets. They do not participate in the innovation. They do not participate in the American capital markets. And this, I believe, is a substantial and necessary step toward changing that.

Parents can open the accounts for children, from newborns to age 18. Children born during President Trump's term will receive an initial \$1,000 seed investment that will be put into a low-cost index fund. They will go Live July 4th, which is a Saturday, so it will

be July 6th. But for children not born during this administration, parents can add up to \$5,000 a year. Employers can add \$5,000.

But foundations, states are going to add, some great philanthropists, Michael and Susan Dell have contributed \$6.25 billion. When Michael announced it, the President said, Michael \$250 million is a lot, \$6.25 billion is really a lot. And they have done a bespoke program where their money will go to families who are not in the top 20% income zip codes. And that is going to work out to about \$250 per child. Ray Dalio from Bridgewater has adopted Connecticut. Brad Gerstner adopted his home state of Indiana. Harold Hamm has done Oklahoma.

So there's going to be a lot added to this. But I think more importantly it is going to be a real-time experiment in financial literacy that many of these families that have never thought about the stock market, looked at things like this, it's going to be on the phone every day. It's going to become a topic at the dinner table, like I'm sure no one in this room brings their work home.

But I do think that this has the potential to change the course of these young people but also to change the discourse on, it's Primary Day here in New York, and because of the Hatch Act, I'm not allowed to comment on which candidates I'm pulling for. But I would think that with programs like this, that the Socialist alternative would be less appealing.

BRET BAIER: But they have to sign up in order to take advantage.

THE HONORABLE SCOTT BESSENT: But they've got to sign up. We've got about six million sign-ups so far, but that's only about 10% or less.

BRET BAIER: I'm going to hand it to Bob for the dais questions, but finally, what keeps you up at night?

THE HONORABLE SCOTT BESSENT: The President. (Laughter) Look, four years seems like a long time, and some days it seems like a long time, but really, we've only got four years. There's so much to do. Whether it's in regulation, deregulation, competition, reshoring manufacturing, and I have two children, leaving the country in much better shape. And I think that the 250th anniversary, I remember the Bicentennial, I was 12. And I think that this is a great time to reflect. But I lie awake at night thinking of all the things that we need to do during our four years. And hope that whether it's a Republican or Democratic administration, that many of these good policies can be carried on.

BRET BAIER: Mr. Secretary, thanks for the time. I'll hand it to Bob.

CHAIR ROBERT K. STEEL: Secretary Bessent spoke to us in formal remarks and then

dealt with questions from Mr. Baier and now we're going to have questions from the dais. We have four able questioners today, all of whom are trustees of The Economic Club of New York. We're going to have Dambisa Moyo, Chair-elect of your Club, Co-Principal at Versaca Investments, Arvind Krishna, Vice Chair of our Club and Chair and President and CEO of IBM. We're going to have Deven Parekh, Managing Partner of Insight Venture Partners, and Charles Phillips, Co-Founder of RECOGNIZE. So that's the run of show. Dambisa, over to you for the first question.

DAMBISA MOYO: Thank you very much, Mr. Chairman. And thank you, Secretary of the Treasury. This year marks the 250th anniversary of the United States, but it is also the 250th anniversary of the publication of Adam Smith's seminal tome, *The Wealth of Nations*. How do you think Adam Smith's insights should influence economic policy today?

THE HONORABLE SCOTT BESSENT: I think that if Adam Smith were to look at the United States of America, he would be astounded. And it would have proven how prescient he was in terms of the free spirit and ability for the people, given the opportunity, to conduct commerce in an unregulated way, and the things that could be created. I think in a way the United States would be almost unimaginable to him how prescient he had been. And I would also point out that he wanted free peoples, but he did often talk about the Navigation Acts, which said that not all things are completely

free, especially in the matter of defense. And I think he would actually admire what this administration is doing in terms of reclaiming our sovereignty.

CHAIR ROBERT K. STEEL: Great. Thank you very much. Arvind, over to you.

ARVIND KRISHNA: Thank you. Secretary Bessent, first, thank you for your comments. One of the topics you mentioned was artificial intelligence or AI. There's a lot of excitement on the topic, a little bit of trepidation in some corners. Would you comment on your views on the economic growth that AI could bring us and your views on regulating AI?

THE HONORABLE SCOTT BESENT: Well, I think we're already seeing the economic growth that it could bring us. I think a lot of people in this room would note that every \$300 billion is 1% of GDP. And we are seeing that the hyperscalers are going to spend at least \$750 billion this year. Obviously, a lot of that is imports so it won't go directly into GDP. But we are seeing the here and now, whether it's in the construction jobs, in the capital markets, the things that are happening. And I think that we all just have to have an open mind in terms of where this can take us.

But I remember, whether it was the internet boom or the office modernization technology boom in the 90s that added, for those of you who I'm sure, like I did, read Alan Greenspan's obituaries over the past few days, he was correct that that

technological boom roughly doubled productivity from 1-1/2 to 3. Could we do at least that? Can we do maybe more?

And in terms of the regulation, it is something that I think about every day at Treasury. Because of AI, the financial system, and our responsibility of guiding the American economy, we think about the implications. And we are trying to optimize a very difficult calculus in terms of innovation and safety to get the proper equilibrium to make sure that we can maintain our lead.

Because I will tell you, President Trump asked me to give some remarks in Evian, France last week, to the G7 leaders about AI. And many of them had talked about AI risk, the risks to safety, the risks to employment. And I think they were slightly stunned when I said the biggest risk to AI is China getting ahead of us. (Applause) So I am one of the point people on our AI policy. I am the point person in terms of the economic relationship with China. And I can tell you that the reason the Chinese are willing to have a discussion on AI is because we are ahead. So we have to stay ahead. (Applause)

CHAIR ROBERT K. STEEL: Deven, over to you.

DEVEN PAREKH: Thank you, Secretary Bessent, for your comments. There seems to

be a tension between the desire for a weaker dollar to support manufacturing on one hand and the need for dollar strength to maintain reserve currency status and fund the deficit cheaply. How do you think about managing that contradiction?

THE HONORABLE SCOTT BESSENT: I don't think it's necessarily a contradiction because I remember when Germany was an industrial powerhouse, they did it with a strong currency. And the strong Deutschmark constantly made them become more efficient, made them innovate, made them, they upped their production game. And if I think, I'm not sure where we are now, I might say it's 6.7% change in the dollar since last year, but I'm not looking at it.

And I don't think that, I don't wake up and think, great, it helped the economy. I just think that it's a price on the screen and that what we are really looking for, when people talk about a strong dollar, I don't think it is the Bloomberg Dollar Index. I think that it means that we are doing the things that give us the underpinnings that people want to come to this country, whether it's tax certainty, regulatory certainty, energy certainty. And I don't necessarily believe that there is a duality there in a strong dollar and a manufacturing economy. I think that we can pull away in the manufacturing economy.

Now, on the other side, I do think, especially on a lot of low-cost manufacturing, that you can see a suppressed currency work against us. So I often think, it's not necessarily a

strong dollar, it may be – I'll pick on Southeast Asia because they manage their currencies the most – it may just be a weak currency elsewhere.

CHAIR ROBERT K. STEEL: Perfect. Thank you. And the last question please. Charles, over to you.

CHARLES PHILLIPS: Thanks. Mr. Secretary, thanks for being here at this Economic Club event. My question has to do with housing. Annual home sales in the U.S. reached about six million in 2021, and now we're kind of stuck at four million a year. There seems to be a lot of rate lock-in that people just can't sell their homes because they have a low mortgage rate and if they sell it, they get a higher one. So is housing affordability fundamentally a rate problem that you can influence? Or is it a supply problem that you can't? And if rates do fall, doesn't that just pent-up demand re-inflate prices anyway? And then lastly, I think the Senate just passed a bill yesterday addressing some of this. The House is considering it right now. Is there anything there, any unlocking there that you need to talk about? It would be helpful to get your view.

THE HONORABLE SCOTT BESENT: Well, first of all, I want to thank you for not asking me a technology question that I couldn't answer. And look, this housing, to quote the Maestro, is a conundrum. And it's this equilibrium that, we haven't really seen it before and a lot of it has to do with the rate blocks that we saw during the very low

interest rate environment, whether it was in the teens or especially in Covid. Because as rates have gone up, house prices have stayed flat to slightly appreciated. It will help when rates come down.

Before the Iran conflict, mortgages briefly went below 6%, and we saw an uptick in mortgage applications. It seems that there's something magic and psychological about that number. But you're right, we have to have a supply solution. At the federal level, we have no ability to regulate that. We do have the ability to give guidance to push localities, states. I think something that will be important is changing the nature of pre-fab housing, manufactured housing.

The technology in housing, some of it goes back to, and a lot of the regulations go back to the Chicago fire. There have been no advances in housing technology in 50 or 100 years. And we are hoping to be able to put out an all-of-government approach to try to standardize, not zoning standards by municipality, but building standards. Where I live, Chevy Chase has different building standards than Bethesda than McLean than Silver Springs. So there's some economies there, to the extent things can come out of the factory more standardized.

And then with the housing bill, I do think that taking institutional buyers out, a lot of what we hear is, well, they weren't that big. But everyone in this room knows that markets are

made on the margin. So a 3% non-economic buyer could be very different. And boom markets like Atlanta, South Carolina, Alabama, Texas, some of the larger aggregators might be buying up to 15% or 20% of the market. And for those of you who are free market purists, it is not a free market because there is a tax arbitrage between investors buying housing who can depreciate the buildings and a residential buyer. So it is a tough problem and it is going to take lower rates and more supply.

CHAIR ROBERT K. STEEL: Great. First of all, Deven, Arvind, Dambisa, Charles, thank you for your questions. And let's just take a second and thank, what a wonderful job the Secretary has done this evening, delivering his remarks. (Applause)

As we conclude, you can see in your program at your place that we'll close out, before we move into summer, we have a session on June 30th with The Honorable Paul Atkins, the Chairman of the SEC. And then we'll be taking a bit of a break before we return with a busy autumn.

And before we close out the evening, thanks to all the Centennial members of our Club who have provided additional support so we have a strong foundation to be able to deliver to you, all our members, a wonderful series of programs. I also want to say that at the Club we also have an amazing team led by Barbara Van Allen, who really organized all of these events. (Applause) And it's impossible to say, to tell you how

much work she and her team do behind the scenes to these things come off so perfectly. So we're most appreciative for that.

Now, we're going to conclude the formal part of our remarks. Those joining us online, thank you and goodnight. And those of you in the room, let's enjoy our dinner. And thank you again, Mr. Secretary.