

The Economic Club of New York

470<sup>th</sup> Meeting  
110<sup>th</sup> Year

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Wilbur L. Ross, Jr.  
Secretary of Commerce  
U.S. Department of Commerce

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Interviewer: Terry J. Lundgren  
Chairman, Economic Club of New York  
Chairman and CEO, Macy's, Inc.



## Introduction

Chairman Terry J. Lundgren

Welcome to the 470<sup>th</sup> meeting of the Economic Club of New York in our 110<sup>th</sup> year. My name is Terry Lundgren. I'm Chairman of the Economic Club and I'm Executive Chairman of Macy's, Inc. The Economic Club of New York is the nation's leading nonpartisan organization that focuses on speeches on economic, social, and political issues. And more than 1,000 prominent speakers have graced our presence, and we have a very strong tradition of excellence which we are continuing today.

As we do at all of our signature events, I want to welcome and thank the Centennial members who are here seated in the front rows. Those are individuals who have contributed \$10,000 or more to the Centennial Fund, which is really the financial backbone for our organization, and we're grateful for all of your support, and invite the rest of you to join us.

I also want to welcome all the students who are here from Columbia Business School, from NYU-Stern, and from the Gabelli School of Business at Fordham. We always like to bring students here whenever possible, and these have all been underwritten by the generous support of our members.

It's a great pleasure for me to introduce a good friend and, of course, our Commerce Secretary,

Wilbur Ross. Secretary Ross was sworn into office as the 39<sup>th</sup> Commerce Secretary in February of 2017. He is a principal voice of business in the administration ensuring that U.S. entrepreneurs and companies have their voice heard and is getting the tools that they need to create jobs and to help us grow our economy and create opportunities for all. Secretary Ross is the former-Chairman and Chief Strategy Officer for WL Ross & Co., LLC and has over 55 years of experience in investment banking and private equity.

During his career, he's restructured more than \$400 billion in assets. I had to read that a couple of times. And another extraordinary number is that he's been Chairman or Lead Director of more than 100 companies in more than 20 countries around the globe. He was named by Bloomberg Markets as one of the 50 Most Influential People in Global Finance and is the only person who has been elected to both the Private Equity Hall of Fame and the Turnaround Management Hall of Fame. He previously served as a privatization advisor to the New York, the city of New York, under Rudy Giuliani and was appointed by President Bill Clinton to the Board of the U.S.-Russia Investment Fund. President Kim Dae Jung awarded him a medal for helping South Korea during its financial crisis. And, in 2014, the Emperor of Japan awarded him the Order of the Rising Sun Gold and Silver Star.

As a philanthropist, Secretary Ross recently served as the Chairman of the Japan Society, Trustee of the Brookings Institute, Chairman of the Economic Studies Council for that organization, the International Board of Musee des Arts Decoratifs in Paris, the Blenheim Foundation, the

Magritte Museum in Brussels, and the Palm Beach Civic Association. So you can see he's quite diverse and very busy. He also served as an advisory board member to the Yale University School of Management. He's a graduate of Yale University, and he also has his masters from Harvard Business School and those degrees were with distinction. His wife, Hilary, and he now live in Washington, D.C. and they have four children. Secretary Ross has agreed to an open dialogue, on-the-record conversation with me today, and we're all looking forward to his remarks with that. May I introduce Secretary of Commerce Wilbur Ross. (Applause)

CHAIRMAN TERRY J. LUNDGREN: Mr. Secretary, thank you for coming to New York. I hope you're getting here occasionally now that you're an official resident of Washington D.C.

SECRETARY WILBUR L. ROSS, JR.: Not as much as I'd like.

CHAIRMAN TERRY J. LUNDGREN: We can change that. We can have you speak to us again next week if you'd like. But let's start this conversation. I know you've been very involved in the administration's current tax reform efforts. And please give us your thoughts on the progress there and the timing and what are your expectations.

SECRETARY WILBUR L. ROSS, JR.: Sure. Well, we really refer to it more as tax cut than just tax reform because the real purpose is to give businesses and middle class people more net income than they otherwise would have had. So it's really tax cut. We have a very good

breakthrough quite recently when the House representatives agreed not to pursue the 12 amendments that they were originally proposing for the budget deal and instead to go along with it as it was. And where that's important is several things. First of all, had there been debates over a lot of amendments, it probably would have cost us a week or ten days and we're trying very hard to get the tax program, the tax cuts, enacted by the end of the calendar year. There's no special magic to it, but we'd really like to get it done. This will help because there won't be the debates over budget, but even more than that, I think the reason they cooperated on the budget was in anticipation that it would facilitate the tax program. So it's a good sign from that point of view, and it's a good sign because we need reconciliation. And for a bunch of very technical reasons, this was a precursor to getting to use reconciliation so that we only need 51 votes in the Senate, because in today's partisan world, getting 60 votes on anything is not very likely.

CHAIRMAN TERRY J. LUNDGREN: And do you expect that will address, with some success, both individual tax reform as well as corporate tax reform?

SECRETARY WILBUR L. ROSS, JR.: We certainly think so and we hope so. That is very much on the President's agenda. There are a couple of areas that are a little more controversial than others. One is the state and local tax deductibility, which probably is something everybody in this room is pretty interested in. There's a lot of talk now about putting some sort of a cap on the income level up to which those might be deductible. There is no deductibility contained in the President's own message, but as we get into the sausage machine called Congress, it wouldn't

surprise me if there was some tweaking of that. So that's something moving forward.

CHAIRMAN TERRY J. LUNDGREN: And the high tax rate for individuals, is that...

SECRETARY WILBUR L. ROSS, JR.: There's also some talk – I don't know what Congress will ultimately decide – some talk about adding a fourth bracket above the 35% cap that has been requested by the President. Again, we don't know exactly where that stands. You start getting into the very, very high levels, you get to where there are very few people involved.

CHAIRMAN TERRY J. LUNDGREN: And does it matter if it's three brackets versus four brackets, in your opinion?

SECRETARY WILBUR L. ROSS, JR.: Well, we're for simplicity, so we'd prefer the three. And we believe that the reduction from 39.6 to 35 is really very well offset by changing the other deductibilities, particularly the state and local taxes. So, if it were left untouched, we think that while the people would have a lower rate in the 35% bracket, they probably wouldn't really be paying less tax because of caps on the other deductibilities. And nobody pays 39.6 as an effective rate anyway. The top 1% of the population pays an effective tax rate of 27.2. So you should really count the comparison between that and whatever comes out as the definition of whether the super-rich get a break or they don't. So it's really 27.2 for the top 1% and for the top 5%, they pay an effective rate of 23.6. So it's somewhat lower, but still nothing like the 39.6.

CHAIRMAN TERRY J. LUNDGREN: Just using some data here, Kevin Hassett of the Council of Economic Advisers has projected that real wages for the average worker would grow by roughly \$4,000 if this tax reform happens. The question is: can the administration and Congress succeed in convincing middle-class voters that this is something that really impacts them in a positive way, something as esoteric as corporate tax reform might sound to the average person?

SECRETARY WILBUR L. ROSS, Jr.: Well, I think the middle-class voters are very much in favor of the overall tax cuts. I don't think that's so much the problem. I think there's some problem of communicating their desires to the people in the Congress, but I think the middle-class people get it. Because what will really happen is we've laid out the framework for the taxes, Congress will write the detailed legislation, and when they do, I imagine everybody's going to get out their handheld and figure out, well, what does that mean to their individual taxes, and that's what will determine how they feel about it.

CHAIRMAN TERRY J. LUNDGREN: I hope you're right about that because there does seem to be some push-back on corporations benefitting at the expense of individuals. And so I hope that we can do a better job of marketing the message of the facts.

SECRETARY WILBUR L. ROSS, JR.: Well, it's a little complicated because the left-wing press doesn't go along with it. They say you're just putting money in the pockets of the shareholders. Well, first of all, that's not necessarily a horrible thing even if it were all that happened. But in

reality, think about tax as one of the costs that businesses pay. So you have tax, you have your raw materials, you have your value-added, important among which is wages. So, if you've lowered one of those components, there's clearly more room to deal with the others and to deal with capital expenditures that will create new jobs and new opportunities. So it isn't an immediately self-evident connection, but there's a logic to it. And whether it's exactly \$4,000 or not, directionally it's hard for me to imagine that workers are not better off if the corporation does better. It has to follow. And there's an interesting comparison if you take the ten lowest tax countries in, big countries in the world, and the ten highest tax, in the last several years, the growth rate in wages in the ten lowest tax countries has been two percentage points a year higher than the growth rate of wages in the ten highest tax countries. That doesn't prove the exact same thing will happen here, but it does confirm the inherent logic of the proposal.

CHAIRMAN TERRY J. LUNDGREN: Mr. Secretary, I appreciate the work of the Department of Commerce on the EU-US privacy shield and congratulate you on the success of the first annual review. But how do you gauge the value of cross-border data flows to growth to the U.S. economy? And how can we protect our global enterprises against the type of trade barriers that some nations put up to say, you know, they're doing this under the guise of data privacy protections?

SECRETARY WILBUR L. ROSS, JR.: Well, the privacy shield that we worked out with the EU and then we worked out a separate one with the country of Switzerland is a very, very important

thing because it solves that problem of data localization and solves it very effectively. We now have 2,533 American companies have signed up for it, and we're adding about 20 per week. So it's been very, very well received within the U.S. business community. And the European Commission sent a big delegation to Washington a few weeks ago because technically it's a joint program, but the Commerce Department administers it. And they were very pleased with the first annual review that they made. So I was very happy because our relations with the EU are kind of complex, but on this case we did very well with their evaluation. And hopefully, that will let us spread the privacy shield concept to other nations as well. It's worked flawlessly. We don't know of any big problems that have come up.

CHAIRMAN TERRY J. LUNDGREN: Some of the most important sources of data in the U.S. economy come from government sources such as the Census Bureau. And in my industry, in the retail industry, we've seen rapid shifts in change of consumption from things to experiences and from physical stores to the digital platforms, and we talked a little bit about this. While the numbers, the volume numbers are captured, and even the total workforce is captured, they're categorized differently. So in my case, we capture, under retail, people who work in a physical store, but not those who are fulfilling this gigantic online business that stores like us have. And that matters to us in terms of the count and where emphasis goes and is placed. Is there a way to have the census capture more accurately in the future the gigantic shifts that we've seen in this digital economy over the last several years?

SECRETARY WILBUR L. ROSS, JR.: Well, what we do capture right now is whatever Macy's reports comes into Macy's employment figure, so that part is in there already. We're continually trying to refine the data that we publish. The Commerce Department publishes 40% of all the written data that come out of the U.S. government, including obviously the census material and the Bureau of Economic Analysis material. So we're constantly trying to refine it, but right now our big chore is getting ready for the 2020 decennial census. That's going to involve the biggest rollout that you can imagine. We will have to hire, train, get to do the counting, and then get rid of 500,000 people in 2020, and it's going to be a real challenge. In the last census, which was 2010, there was fairly high unemployment because of the 2008. Now, as we're moving toward very full employment, it's going to be quite a challenge to find 500,000 people who can do an accurate job with the handheld and really make a perfect census count. So that's the challenge that we're grappling with. The other challenges are to improve how quickly we can get the monthly numbers and weekly numbers out, and we're trying also to get them more accurate in the first reporting than before. We're keeping very careful track of the percentage revisions that are coming from the first one to the later ones, because we know a lot of people rely on those data.

CHAIRMAN TERRY J. LUNDGREN: And speaking of head count, there's been a challenge in Washington of filling jobs and actually recruiting for those jobs. How about the Commerce Department? Are you satisfied that you have the hands, the workforce, in order to get the work done that you've set out as your agenda?

SECRETARY WILBUR L. ROSS, JR.: Well, we have 47,000 employees so it isn't like a small department. And we're quite fortunate in that the career staff there are, by and large, very qualified people, very interested in their job, very dedicated to it, and not particularly ideological. Some of the other departments have a little different mixture of people, so they have a little different problem. So the issue we've had is trying to get people disentangled from a very dysfunctional manner of bureaucracy that characterizes the federal government. The other problem has been with the Congress. The democrats have been slow-walking the nominations. Even in my own case, which as it happens was not particularly controversial, they slow-walked it for a couple of months and at the end of the day it got 70-some odd votes out of the 100. So it was clearly not very controversial, but they delayed it just to slow things down. They've been very slow also on the ambassadorial nominations so we have quite a few embassies that literally do not have a permanent ambassador at present. And given the challenges in the globe, it's really a problem and it makes it complicated to get things done.

CHAIRMAN TERRY J. LUNDGREN: Let's shift to international, and starting with China, which is clearly one of our most important trading partners, both for economic reasons as well as national security reasons. And the stated goal of the administration is to improve value of the relationship on our side and to reduce this trade inequity between China and the United States. Can you talk about the current state of that relationship and the situation?

SECRETARY WILBUR L. ROSS, JR.: Sure. At the Mar-a-Lago Summit back in the spring,

President Xi and President Trump began to develop a very good personal relationship and that's been fostered since then. They speak on the phone quite often and they're, by and large, relatively cordial conversations. So, at the human level, there's a much better rapport than the prior administration had had with the Chinese leadership. We then have had two sessions at the Strategic and Economic Dialogue with the Chinese. One was at Mar-a-Lago itself, the other was a couple of weeks ago in Washington. And now we'll be continuing that in Beijing in a few weeks. Beijing is a very important part of the President's trip. So I was in Beijing, and Hong Kong for that matter, and Bangkok and Laos a couple of weeks ago kind of getting ready for the President's trip. And I think there will be some decent deliverables come out of the Beijing meeting. Deliverables – as you remember after Mar-a-Lago, we got a few things. We got cattle being shipped to China. We got some biotech things granted. We got some licenses granted for investment banking. We got a bunch of things going, some work on the electronic payment processing. We hope to get more of those kinds of issues as well. But some of the issues between China and the U.S. are inherently very complex and will take a little time to resolve – the issues of intellectual property rights, the issues of forced localization, the issues of forced technology transfers. Those are very big, very important issues that we're going to take a little time to resolve.

CHAIRMAN TERRY J. LUNDGREN: And there's a feeling that, among the business community, that the rules and standards of doing business in China are different than the rules that we apply for Chinese companies doing business in America. Is there a chance for that to be

equalized in these negotiations?

SECRETARY WILBUR L. ROSS, JR.: Well, we hope so. And it's not just China, a lot of countries do not have a level playing field. And when you really think about it, the only country that comes close to being a free trader is the United States. China, Europe, Japan, Korea, all these others, they talk about free trade, but in fact they practice highly protectionist behavior, including what happens to companies on the ground. So those are serious issues. They're issues we're trying very hard to deal with and they go against some of the fundamental philosophies. If you read China's 2025 Plan basically saying they're seeking self-sufficiency in all the major areas of technological improvement by 2025 as opposed to extreme dependence on imported talent, imported intellectual property, and imported products from the west, so it runs directly contrary to that stated national goal. What we don't know is now that President Xi has been elevated to practically Mao-type status, the question is will that make it easier to deal with him now that he's consolidated power, or will it make it more difficult? I'll tell you better after the November visit.

CHAIRMAN TERRY J. LUNDGREN: And on a related note, North Korea is a hot topic, and you're welcome to make any comment about your understanding or what can be shared in that regard. But one thing that's on our mind is does this impede our negotiating abilities with China since they are obviously assentative and the largest trading partner?

SECRETARY WILBUR L. ROSS, JR.: Well, it complicates things because even though they're

totally separate thing or conceptually separate things, the truth is everything relates to everything else. We do believe, though, that China has become much more cooperative in terms of enforcing the sanctions than they had been. We're seeing that in terms of the banking system. We're seeing that in terms of supplying fuel oil to North Korea. We're seeing it in terms of limiting the coal exports from North Korea to China. So we're seeing some real improvement in their enforcement. On the other hand, some of the Chinese individual companies are going their own way. You may have seen some, a few months ago, the Commerce Department initiated a litigation which the Justice Department prosecuted very effectively against ZTE. ZTE is the second largest telecom equipment company in China and they were violating the sanctions, both on North Korea and on Iran. So we levied a fine of a billion, a hundred million dollars on them and hopefully that will modify their behavior somewhat.

CHAIRMAN TERRY J. LUNDGREN: Meaningful I think. Okay, let's move closer to our borders and talk about NAFTA. This is a 23-year old agreement and obviously requires modernization. Can you tell us the progress, if there is any, between either Mexico or Canada or in totality?

SECRETARY WILBUR L. ROSS, JR.: Sure. Well, we just finished, I guess it was the fourth session in Washington, and there were a couple of developments at it. One was we had been assuming that we would probably have to get whatever is going to be the outcome of NAFTA finalized by December because of the political calendar, namely the Mexican presidential

elections are the middle of next year, Canadian provincial elections, middle of next year, our Trade Promotion Authority, the fast-track expires in July of next year, and then we have our midterm elections. So our general feeling had been that as you get much into 2018, the political rhetoric will get too complicated for anything as complicated as a 2,800-page trade agreement to get anywhere. However, the Mexicans, at the conclusion of the last meeting, said they feel that it will be functional, at least from their point of view, at least until the end of March. So that's good in one sense in that it gives a little more time to deal with the complexities, it's bad in the sense that if there's a delayed deadline, some of the decisions will get delayed too. So the uncertainty that now prevails in the business community will go on a little bit longer because you don't have a deal on anything until you have a deal on everything.

CHAIRMAN TERRY J. LUNDGREN: The original stated goal was to create an agreement by first-quarter 2018, I believe, is that unrealistic?

SECRETARY WILBUR L. ROSS, JR.: Well, no, I think it will hopefully will be by the first quarter. We had been hoping in the administration to get it done this calendar year. But that does not appear likely anymore. It does appear likely it will come to whatever conclusion it does by the end of March.

CHAIRMAN TERRY J. LUNDGREN: The President has said on several occasions that he would consider withdrawing altogether from NAFTA. Is that a possibility, one, and do you need

that in terms of your negotiation powers on that subject? And if so, what kind of impact would that have on the economy and on consumers and what they pay for goods coming across the border?

SECRETARY WILBUR L. ROSS, JR.: Well, I think the President has made his own position very clear, very repeatedly. So you don't need me to paraphrase what he has already said very publicly and very much in private as well. I think we would all prefer a good deal, a sensible deal, to no deal. But we would prefer no deal to a crummy deal. And so somewhere in between those parameters is where we'll have to see what happens.

CHAIRMAN TERRY J. LUNDGREN: And if it did get to a point where there was no deal, can you size the impact on the economy?

SECRETARY WILBUR L. ROSS, JR.: Well, the U.S., exports to the U.S. represent 30% of the entire Mexican economy. So, by whatever measure you want to make it, they have an awful lot more at risk than we do. They also do in that, as you know, they have a sustained trade surplus with us, but they have overall a trade deficit. So, if things with us change, there are very radical implications for the Mexican economy. But the reason we have to do something, and I'm just using Mexico as an example, pre-NAFTA, U.S. every year had a \$4 - \$5 billion trade surplus with Mexico and Mexico had around a \$25 billion trade deficit overall. Post-NAFTA, Mexico still has a \$20-some odd billion trade deficit with the rest of the world, but now they have a huge

trade surplus with us. The cumulative trade deficit that the United States has run up with Mexico since NAFTA, can you guess what amount it is...\$1 trillion, \$1 trillion cumulative trade deficit. That's a huge number. And it's something that even attracts attention in Washington.

CHAIRMAN TERRY J. LUNDGREN: I'm going to ask you a personal question now. So, you had a pretty good life. A year ago things were going pretty great for you and, you know, I can't imagine anything that you'd want to fix or repair back then and you took on this big responsibility. What is the biggest upside that you were surprised by, by taking on this new responsibility, and what do you miss the most?

SECRETARY WILBUR L. ROSS, JR.: Well, those are complicated questions. I'm glad you reserved two hours for the answer...but shorthand, the biggest surprise in Washington has been how nice a place it is to live. It's a very, very habitable city. Now, admittedly, it helped some being a pretty high person in a one-company town. That gives you a certain amount of social cache. But even forgetting that, we love the house that we bought down there. The restaurant scene is extraordinary. There's one fairly new restaurant that already has a Michelin Star. I would not have expected that in Washington. So the restaurant scene has been good. The cultural scene is quite extraordinary even by New York standards. We were at the opening of the Vermeer show at the National Gallery about a week ago, extraordinary exhibition, very, very well presented. So the habitation part of Washington has been excellent. What's been disappointing has been the partisan nature of what's going on down there, and we addressed that

a little bit before. I think it's very sad that the national interests are being held hostage to local political concerns. I don't know that there's anything that can be done immediately to change that, but it is a problem. It's bad that there be a lot of unfilled political posts in the administration. It's very bad that we don't have all the ambassadors in place. And it's bad that legislation becomes a knife fight. So that's the disappointing part about it. And related to that, the Congress, it turns out, is much more process-oriented than it is results-oriented. There are all these rules and procedures and things that they abide by that really are the enemy of efficiency and so that's been a little bit of a challenge.

CHAIRMAN TERRY J. LUNDGREN: You were, in your former life you were well liked on both sides of the aisle. I mentioned some of that in my earlier remarks about you, that you seem to be able to cross the aisle, you know, very successfully, graciously. Did that become more difficult now?

SECRETARY WILBUR L. ROSS, JR.: No, we've been doing it on a social basis. So far it has not had any discernable result politically.

CHAIRMAN TERRY J. LUNDGREN: You're still friends.

SECRETARY WILBUR L. ROSS, JR.: They do not boycott our dinner parties.

CHAIRMAN TERRY J. LUNDGREN: (Laughter)...I see. So, I know you've been deeply involved with regulatory reform and you have a lot of thoughts about that particularly as it relates to infrastructure improvements and manufacturing. So talk about that a little bit, where we are and where we're going.

SECRETARY WILBUR L. ROSS, JR.: Yes, I actually should have brought with me, I have a big chart in my office that's about as tall as that panel and about as wide as the one border of it. And what it lists are the 120-some odd different steps that are required to get a major infrastructure project approved. There's state level, there's sometimes local level, and federal level, and they don't even agree about what the criteria are, what the forms are, and they certainly don't do anything in parallel. They do things in sequence. And that's why it can take eight or ten years or longer to get permits done. We're working very hard to fix that because I think it's one of the worst parts about the whole system, is the regulatory burden in general, but specifically in infrastructure. We're going to try, when the infrastructure bill comes out sometime after the tax cuts, we're going to be trying to put in some fairly specific things about cutting through the regulatory quagmire. I had in the CEO of Rio Tinto not so long ago and he had a horrible tale to tell, and he's made it public so I'm not saying anything out of school. He's been going quite a few years on getting the permits for what could very well be the world's largest copper mine, an open pit mine in Arizona. And he still has no certainty that he'll get the permit, but he's in the tub for a couple hundred million dollars already. So this is a thing that's not taking one penny of federal money. It would be very good from our balance of trade point of

view. It would be good from an employment point of view. Good from a lot of points of view. And meanwhile, money is being burned up and nothing is happening. And tragically, that's not a unique experience. So I think if we can get that regulatory reform done, you'll see a lot more capital spending at the very large scale end. And we're hoping very much for that to happen, and as well to come with an administration-sponsored infrastructure plan. But even short of that, the President has eliminated something like 860 rules and regulations thus far in his administration. And almost every CEO who comes in to see me, before they make whatever request it is, what they want us to do, they usually start out by thanking us for the regulatory reform that's already occurred, and there's more to go. In the last couple of years of the Obama administration, I'm told, they put into effect 7,000 rules and regulations, 7,000. Now think about it, was this country such a wild and woolly place two years earlier that it needed ten new regulations every single day for two years? That seems hard to imagine. But it's also hard finding all these little rules and digging them out and getting rid of them. So, we will be getting rid of more things – not to endanger public safety, not to endanger public health, but there are far too many abusive rules and there are also far too many regulators out in the field who have gone beyond the letter of the law and imposed their own, in effect, rules.

CHAIRMAN TERRY J. LUNDGREN: You've got unemployment at 4.2, you've got the markets booming at record highs, and yet GDP growth is very low and not where historically it's been following periods of recession. We're now deeply past that period and we still haven't created the momentum yet in growth.

SECRETARY WILBUR L. ROSS, JR.: Well, we're starting. I think if you view the stock market as a leading indicator, which I do because its whole purpose is to forecast the future, I think that's a good omen. And it's a good omen in other regards as well. The fact is corporate executives feel better when their stock is up. They do more M&A. They do more cap-ex. They do more hiring. It just creates a better feel. So that's one already good thing. Second, economic growth is better than the new normal that Larry Summers had proclaimed. I always called it the new dismal, but he called it the new normal, where we would already have been over 3% in this past quarter if it hadn't been for the hurricane activity. And we think that will be a snap-back very, very quickly, particularly in the Houston part, because the part of Houston that was hit was mostly a fairly prosperous part so there won't be a big lag in getting things fixed. Where there will be some more delays, more problems, is in Puerto Rico because of their own economic issues.

CHAIRMAN TERRY J. LUNDGREN: So in all these companies where you were chairman or lead director, you had a reputation for the person in the room who was thoughtful and measured and could give calm and clear advice. That were the skills that were recognized and written about you, not something I'm making up here. What would you say are the skills that are required in your new role in Washington?

SECRETARY WILBUR L. ROSS, JR.: I'm not so sure they're any different. What's different is the currency. In my old world, the currency was actual currency, the pay that you gave people,

and you could use that as a reward and punishment system to modify behavior. And it did, it worked pretty well. Most people in our industry can add and subtract very, very effectively, so it modified behavior. In government, it's a very horizontal pay structure, very flat. There's no giant pyramid. And so currency is not the motivator. What's the motivator is titles, and heaven help you if you get wrong the title of the fifth third assistant to the fourth associate director of the undersecretary. You get into real trouble if you screw up the title. So titles are an important thing. Responsibility is an important thing, how many people report to them. And then simple things like recognition, giving them awards and things. So the currency is different. And in many ways it's less effective because there's not the immediacy of reward to behavior that you tend to have, especially in the hedge fund or private equity worlds. So there's a little bit of a disconnect there. But the people, at least in Commerce, are very hard working, very well-informed, very good technical skills. The trick is to make them feel a little more appreciated and to be willing to volunteer things. Washington is not a place set up for inculcating change. It's systemic resistance to change. So trying to get people to do things more quickly, to volunteer suggestions, is a little bit of a lift. They tend to be kind of cautious in that sort of behavior. And we had, in one of the early days in Commerce, a trade case came. Trade enforcement, as you know, is a big part of our task. So this case came in. I sat with the examiner, I was trying to educate myself. I said, boy, this looks to me like a very clear, very open and shut case of dumping. What do you think? And he said, oh, yes, I absolutely agree. So I said, well, how quickly can we get it done so that we can enforce the rules? And he said, well, I think we can probably get it done within the 120-day statutory limit. I said, 120 days? We just agreed that this is an open and shut case, why is it 120

days? And he said, well, Mr. Secretary, I know you're new at the job, but that's the time frame. And that was the mindset. If there's a statutory period, it's good if you can just comply with it and not go beyond it, rather than accelerating it. Well, we're making decisions a little more rapidly now than that, but it was an example. And this guy is not a bad employee, he's a good employee, it's just that was the mindset, 120 days, 120 days. So those things are cultural things that are hard to change. And corporate culture is always hard to change, even more particularly when they know you're not a 20-year person. You're not going to be there for 20 years in all likelihood. So there's a little bit of a tendency in some of the departments, we can out-wait the political appointees. But it's not particularly true in Commerce. They've been very, very cooperative.

CHAIRMAN TERRY J. LUNDGREN: Finally, is there a question that I didn't ask that you're dying to answer?

SECRETARY WILBUR L. ROSS, JR.: Yes, what are we having for lunch?

CHAIRMAN TERRY J. LUNDGREN: (Laughter) Well, it's right around the corner, so thank you very much, Secretary Ross. It's been very helpful for us to get your insights. We very much appreciate your coming here.

SECRETARY WILBUR L. ROSS, JR.: Thank you very much, Terry. (Applause)

CHAIRMAN TERRY J. LUNDGREN: Just to remind you all, first of all, thanks for coming today. We're going to have lunch now. Lunch will be served. But just a reminder that we have a full agenda for November. We have four CEOs starting with Bill Dudley on November 3, I believe it is. And then we have Ginni Rometty from IBM. We have Doug McMillon from Walmart. We have Randall Stephenson from AT&T. This is all in November. Bill Dudley, of course, Federal Reserve Bank. And then Dr. Henry Kissinger on December 3 for a dinner. So please sign up. Tables are available. Thanks everybody. Enjoy your lunch.