

## ICI VIEWPOINTS

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## Luncheon with Keynote Speaker: Lloyd C. Blankfein in Conversation with Paul Schott Stevens

By Andrew Gillies

If Lloyd Blankfein were in charge of the U.S. economy, what would he be most afraid of? [Blankfein](#), Chairman and CEO of The Goldman Sachs Group, gave his answer in a conversation with ICI President and CEO Paul Schott Stevens at ICI's General Membership Meeting.

"I'd be most afraid of the economy sliding back into a deflationary period," said Blankfein, who has held the top job at Goldman Sachs since 2006. "In some ways, we are in a deflationary mindset."

While saluting the Federal Reserve's policies, Blankfein questioned whether its extraordinarily accommodative monetary approach in recent years can remain effective. "What's the value at this point of taking mortgages down another 3 basis points?" he asked. "Is that going to make people do something they weren't going to do before?"

Blankfein said fiscal measures were now key to bolstering economic growth, although he suggested that the chances of getting legislative consensus in support of such measures were "slight."

In a lively question-and-answer session, Blankfein and Stevens covered numerous topics, dealing with markets, policy, business—and even a book recommendation (Ron Chernow's *Washington: A Life*).

On the international front, the two discussed recent developments in Europe, as well as the outlook for the continent generally. Blankfein, who recently returned from a business trip to Europe, said the political will on the part of Germany and others to support European Union financially was unwavering. More troubling, in his view, is the lingering uncertainty around Europe's capacity to govern, particularly in times of crisis. "The federalist system there is very awkward," he observed.

As for China, Blankfein indicated that he is bullish for the long-term, adding that the country's challenges—including the strains of urbanization and a population aging relatively quickly—could even present opportunities for financial firms and others. Indeed, Goldman's asset management business, which oversees \$800 billion in client assets, has China and other international opportunities on its target list.

Regarding the financial services sector's standing in Washington, Blankfein acknowledged that the trauma of the financial crisis still reverberated with policymakers and others—including, he acknowledged with hindsight, "regrettable" actions by his own firm. Still, he said, "We are on the front foot as an industry going forward—I think people are more interested in how to get this economy going."

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