

TRANSCRIPT OF PROCEEDINGS

NATIONAL GOVERNORS' ASSOCIATION

WINTER MEETING

FIRST PLENARY SESSION

Washington, D.C.

Sunday, February 26, 1989

ACE-FEDERAL REPORTERS, INC.

Stenotype Reporters

444 North Capitol Street

Washington, D.C. 20001

(202) 347-3700

Nationwide Coverage

800-336-6646

NATIONAL GOVERNORS' ASSOCIATION

* * *

WINTER MEETINGS

FIRST PLENARY SESSION

Hyatt Regency Hotel
Capitol Hill

Yorktown Room

Washington, D.C.

Sunday, February 26, 1989

1:15 p.m.

P R O C E E D I N G S

GOVERNOR BALILES: Ladies and gentlemen, I would like to call this plenary session to order. I would first like to welcome our new governors. Governor Stephens of Montana, Governor Bayh of Indiana and Governor Caperton of West Virginia. We are delighted to have you here today as members of this organization.

Next I would like to ask for a motion and a second to adopt our usual rules of procedure for this plenary session. Is there a motion?

(Motion made, seconded and approved.)

GOVERNOR BALILES: Thank you very much. Next I would like to welcome a delegation from the Liberal Democratic Party of Japan, who I believe is in the audience. Would you please stand. Thank you very much.

(Applause.)

GOVERNOR BALILES: Ladies and gentlemen, I also would like to have the pleasure of reading two paragraphs from President Bush's letter, a copy of which has been placed before you. The President's letter says in part, "It's a pleasure for me to extend greetings to all of you at your winter meeting. When I met with your executive committee last November, things were rather chaotic, matters uncertain. Now matters are a bit more clear.

"For one thing you have lost your Granite State

1 colleague and I have gained a pit bull. I regret that I
2 can't be with you in person this time but I did want to offer
3 my best wishes for a productive session as you address the
4 many issues important to the future of our country. I know
5 your meetings will be spirited, as they should be. But I
6 hope that spirit includes a healthy dose of bipartisanship.

7 "We need such cooperation to tackle the challenges
8 facing our nation. Such operation must extend as well
9 between the White House and the Executive Mansions. I intend
10 to turn to you often to draw on your expertise for the
11 experience in state leadership, and I want you to know that
12 you have a ready listener in Washington."

13 The letter is signed George Bush.

14 Ladies and gentlemen, let me set the tone for this
15 extraordinary plenary session. America is in transition.
16 There is a new Congress, a new administration and a new
17 decade, all within sight of a new century. We face an
18 international frontier. Fiber optics span the continents.
19 Billions move in seconds from Tokyo to New York. Goods move
20 around the world in a single day. As we mentioned at the
21 executive committee a moment ago, a century ago the sun never
22 set on the British Empire. Today, the sun never sets on the
23 world stock markets. What does it mean and what are we
24 prepared to do about it?

25 As we gather today, we see that in general terms

1 the American states and territories have reached the end of
2 this decade in mixed condition. Some states are economically
3 strong. Some have difficulties. Some are growing fast, some
4 too fast. Some not fast enough. Yet the states have this in
5 common: Without regard to party label, there is broad
6 recognition that in the present circumstances no state can
7 afford to mark time. Whether one describes the current
8 attitude of state government, as activist, progressive, or
9 simply problem-solving, the occupants of America's state
10 capitals are convinced that we must either take charge of the
11 future or the future will take charge of us.

12 Since the latter is unacceptable, the former has
13 become compelling. The agenda adopted during last summer's
14 NGA meeting in Cincinnati testifies to that fact. It is
15 called America in Transition, the International Frontier. It
16 is an agenda for action, composed of six task forces design d
17 to advance on two fronts. Within our borders, and beyond our
18 borders.

19 This agenda acknowledges a fact of life for every
20 governor in this room that change is constant, that the world
21 is interdependent, that the states are vulnerable to economic
22 events that once were very remote. Writing in the current
23 issue of Foreign Affairs, financial advisor Felix Roatin says
24 that the term "domestic policy" is an outmoded expression and
25 an obsolete concept. He says, "It is obvious that government

1 policies, with respect to education, taxes, infrastructure
2 and entitlement, affect mostly our own citizens."

3 But he asserts, "Those policies can only be
4 formulated within the framework of an economic policy that is
5 global in nature and in concept." That is the position. We
6 know that for our businesses and communities, to successfully
7 reach beyond our borders and engage the world economy, we
8 must plan, prepare and invest to strengthen within state
9 borders. Clear headed, self examination and hardheaded
10 pursuit of solutions, that is the order of the day for
11 governors across this country.

12 When we see American firms losing market share in
13 their own domestic economy, when we see productivity lag and
14 natural advantages squandered, we should act.
15 Competitiveness must begin at home. When urban water systems
16 deteriorate and transportation systems stall, then we should
17 act. If we are going to cross the oceans and sell our
18 products, we will first have to get our cars across town.

19 When infant mortality rates remain a disgrace,
20 when inadequate child care undercuts the work force, when
21 future parents, workers and taxpayers are being short changed
22 before they reach adolescence, then we should act. So
23 strengthening within our borders, it means competing in our
24 own markets, moving our people and products and preparing our
25 children. If we can make progress on these issues, we will

1 be in a far better position to take on the challenges of an
2 international economy. But that too is a challenge, in and
3 of its own, the challenge of competing beyond our borders.

4 We should cultivate an export program, develop
5 programs that identify markets, encourage producers and
6 suppliers to look for customers anywhere they can find them,
7 even on the other side of the world. We should do in the
8 laboratories of the next century what the Edisons, Morrisises
9 and Firestones did in the last one. We should be the
10 inventors, the innovators, the technical revolutionaries. We
11 have got to get there first and do it better.

12 Ignorance is a self inflicted wound, no matter
13 what the circumstances. But ignorance of geography,
14 languages and foreign cultures is a mortal wound in the
15 international economy. It's time for our students to learn
16 the language of the international customers, to know where
17 they live, how they live, and what they want.

18 So, ladies and gentlemen, that is our agenda. It
19 is as ambitious as it is justified. Within our borders we
20 intend to encourage expansion of domestic markets and
21 investments in our and infrastructure and children. Beyond
22 our borders, we intend to find new foreign markets, advance
23 international education and invest in research technology.

24 Even as we gather here today, President Bush is
25 meeting with Far Eastern leaders in Japan, China and Korea.

1 He knows, as we know, that the accelerating pace of change in
2 the world, social, political and economic, does not grant us
3 the luxury of quiet contemplation. So we should engage in
4 the community of nations and agree on a plan of action for
5 ourselves.

6 Throughout this country's history, throughout all
7 of our cultural, political and economic development, we have
8 confronted uncertainty, difficulty and adversity. This
9 challenge is different, to be sure. All new challenges in a
10 changing world are different. And yet, in a certain sense,
11 our present challenge is like all the rest. Whether we
12 succeed or fail will be determined by our willingness to act
13 with foresight, intelligence and resolve. This agenda of the
14 National Governors Association, and the task force reports
15 that will be released between now and July, will give force
16 and support behind those that see the need to act and are
17 ready to do so. Thank you.

18 (Applause.)

19 GOVERNOR BALILES: Now let me introduce a very
20 special guest.

21 As we look beyond our borders, it is difficult to
22 determine if our leaders shaped the world in which they live
23 or if they are shaped by it. Would we have had lend-lease
24 without Roosevelt and Churchill. A missile crisis without
25 Castro, arms control treaties without John Kennedy or Ronald

1 Reagan.

2 One thing is certain, the 20th century would not
3 have been the same without Henry Kissinger. Dr. Kissinger
4 has helped define the meets and bounds of foreign policy for
5 more than a generation. From shuttle diplomacy in the Middle
6 East to detente with the Soviet Union he has defined the
7 playing field, the players and often dictated the score. He
8 helped open the door in China and closed the door to
9 Vietnam. Dr. Kissinger has helped us make the connections
10 between the U.S. and the Persian Gulf, between the U.S.A. and
11 the problems and the potential in the Third World, between
12 the American states and the international frontier. He has
13 helped us understand that our national security is tied not
14 only to the weapons of war, but the world marketplace.

15 Secretary of State, National Security Advisor, the
16 Medal of Freedom, the Medal of Liberty and the Nobel Peace
17 Prize. I can think of only one item missing from this list
18 of accomplishment, an address to the National Governors
19 Association.

20 It is my great pleasure to introduce to you
21 Dr. Henry Kissinger.

22 (Applause.)

23 DR. KISSINGER: Governor Balilies, ladies and
24 gentlemen. This introduction leaves me in the position in
25 which I found myself at a reception once, where a lady walked

1 up to me and said, "I understand you are a fascinating man."
2 She said, "Fascinate me."

3 It turned into one of the less successful
4 conversations that I have had.

5 Now, your chairman suggests that I keep my remarks
6 to 15 or 20 minutes. Forgetting that my native language is
7 German and that it isn't easy to place a verb in 20 minutes
8 in German, at any rate, should I accede to that suggestion,
9 you can all say you were present at a historic occasion.

10 We, I thought, in my remarks, I would talk to you
11 about some philosophical or conceptual problems of American
12 foreign policy as I see them, illustrating them, perhaps,
13 briefly, with some comments on East-West relations. Then you
14 can ask me on any subject that interests you.

15 There's a great deal of talk about bipartisanship
16 in foreign policy, and we hear a lot about it. I have talked
17 about it myself, probably where I heard it, and I believe in
18 it. But we have to define what it is that we should be
19 bipartisan about. It is almost impossible to be bipartisan
20 on the day-to-day tactics of foreign policy. If there is not
21 some basic agreement on where we are trying to go and what
22 the fundamental premises of foreign policy are supposed to
23 be.

24 If these premises are absent, then the quest for
25 bipartisanship can easily degenerate into the lowest common

1 denominator which does no justice to any point of view. I
2 would like to suggest to you ladies and gentlemen that the
3 fundamental problem of American foreign policy, especially
4 with respect to bipartisanship, is that we have not agreed on
5 the fundamental premises, and we have not agreed on the
6 fundamental premises because America has not had to conduct
7 foreign policy the way other nations have had to conduct
8 foreign policy, until the last one or two decades.

9 Through the greater part of American history, we
10 were removed from world affairs. When we emerged
11 internationally, at the end of World War II, we were in an
12 extremely unusual position. We had an atomic monopoly and we
13 had such a huge preponderance of economic resources, that for
14 us the fundamental problem was to identify an issue and then
15 overwhelm it with resources. We did not face the dilemma
16 that all other nations have had to face, and that we are
17 facing now, which is that when your scope for action is
18 greatest, your knowledge is at a minimum; when your knowledge
19 is greatest, your scope for creative action has usually
20 disappeared.

21 If you do not have the overwhelming resources that
22 we possessed at the end of World War II, everything depends
23 on an assessment you cannot prove true when you make it. You
24 must therefore act on the basis of some moral or political or
25 philosophical conviction about the kind of world that you ar

1 trying to bring about, the kind of world in which you will
2 find yourself.

3 This has been lacking. I would argue that the
4 American domestic debate has been polarized between those who
5 considered foreign policy a subdivision of psychiatry and
6 others who treat foreign policy as a subdivision of
7 theology. The psychiatric approach treats relations between
8 nations like relations between people, and it emphasizes
9 personal goodwill, atmosphere, creating a climate out of
10 which, then, almost automatically, reconciliation will
11 emerge.

12 The theological approach sees foreign policies as
13 a struggle between good and evil, and is convinced that th
14 walls of Jericho will crumble if the trumpet is blown hard
15 enough. And at the margin, the theological and psychiatric
16 approach meet each other, because both of them tend to
17 believe that international quarrels are akin to personal
18 quarrels, that they therefore can be ended by single
19 individuals and that foreign policy can be a bit -- can be
20 akin to conversion. The nostalgia of American foreign
21 policy, in most administrations, since the postwar period.

22 I must say, Richard Nixon, probably, the only
23 major exception, the nostalgia of American foreign policy has
24 been that some day, some Soviet leader would come along, who
25 is just like a regular guy. There is the belief that Soviet

1 leaders are really misunderstood or potential middle
2 Americans. I have a friend who is of the view that there is
3 no such thing as an English accent, that the English put this
4 on to intimidate Americans. If you catch an Englishman
5 unawares, like waking him up at 4 in the morning, he will
6 talk like any other normal human being.

7 That has been the American approach, I would
8 argue, to the Soviet Union, in the entire post-war period.
9 Richard Nixon, being an exception, since he was not fully
10 convinced of the permanent goodwill of all Americans, he was
11 not about to trust any Russian.

12 (Applause.)

13 DR. KISSINGER: So that has been, that seems to m
14 to be the fundamental challenge to the American approach to
15 foreign policy. When I was a professor, I was fascinated by
16 the problem of the construction of peaceful international
17 orders. The question of war and peace has to preoccupy
18 anyone concerned with international affairs.

19 I studied peace settlements, historic peace
20 settlements, those that lasted and those that proved
21 ephemeral, and tried to understand what the reasons were for
22 those settlements.

23 I would like to advance one or two propositions
24 and then apply them to the contemporary period. Any
25 international settlement involving many different nations of

1 complicatedly different histories and vastly different
2 domestic experience must represent a balance on the one hand
3 between various notions of justice or legitimacy. What is a
4 just international order?

5 Of course, no settlement can ever perfectly
6 satisfy everybody. If somebody were perfectly satisfied, the
7 odds are that somebody else would be perfectly dissatisfied.
8 So the problem is to find a relative balance between the
9 conflicting notions of what is just. And perhaps one could
10 express it in this way, that the inevitable dissatisfactions
11 should not be so great as to lead any major nation to try to
12 upset the international structure rather than live within
13 it.

14 The Congress of Vienna achieved this and brought
15 peace for 100 years. The Treaty of Versailles did not
16 achieve it and produced another war in 20 years. The second
17 problem is that precisely because there will always be some
18 dissatisfaction, there exists a balance of power which
19 discourages those who would want to express their
20 dissatisfaction by recourse to force. Those seem to me to be
21 the two essential elements. The American tradition, from
22 Wilson to Reagan, tends to reject both of these
23 propositions. We look for perfect satisfaction and we reject
24 the notion of balance of power.

25 If you read American statesmen, from Wilson

1 through Reagan, you will see that we are trying to create
2 something in which there is universal bliss and in which the
3 concept of balance of power is considered a contributing
4 cause to international tension instead if one means not of
5 removing it, but of containing it. Obviously, if th r are
6 huge dissatisfactions, which is another way of saying if
7 there are huge ideological conflicts, the emphasis on power
8 has to be all the greater. If there are reduced ideological
9 tensions, it is possible to have a greater relaxation with
10 respect to the balance of power. It can never be absent. It
11 can never be ignored, and it is ignored only at great risk.

12 Let me apply this to the current state of
13 East-West relations and then make a few general
14 observations.

15 The West is swept at this moment by an obsession
16 with the personality of one Soviet leader. I have met
17 Gorbachev as well four or five times, recently three weeks
18 ago. There's no question that he is the most interesting,
19 the most thoughtful Soviet leader that any Western leader has
20 encountered and that has existed.

21 At the same time, I do not suffer from th belief
22 that the Soviet Politburo elects its leaders for the
23 entertainment of Western visitors. If one looks at the
24 history of the Soviet Union, it is not the office of General
25 Secretary of the Communist Party, it's not an office that

1 choir boys are likely to reach. No Soviet leader has ever
2 retired with honor. In fact, no Soviet leader has ever
3 retired. No Soviet leader has ever survived his own death.
4 Every Soviet leader has been assaulted by his successor.

5 It is, therefore, logical to assume that only a
6 tremendous desire to exercise power could induce a man to
7 enter so precarious a career.

8 But I am willing to grant Gorbachev most of what
9 he says. I would like to raise a more fundamental
10 proposition. It is not in the interest of those who are
11 concerned with peace to argue that only one Soviet leader can
12 bring about peace. It is not in our interest to conduct
13 foreign policy on the basis that we have to help one
14 particular Soviet leader given the fact that we have no
15 control over who stays in office. That in any event,
16 political life is short compared to history. It is in our
17 interest to create a situation in which it is in the interest
18 of any Soviet leader to pursue more moderate policies, and
19 where any Soviet leader would come to more or less the same
20 conclusions.

21 Now, I think in fact we are at a place where this
22 is in the capacity of Western leaders provided they are
23 willing to be serious about the problem of peace.

24 The code word, in the sense of an ideologic
25 conflict, is ending. It is ending because the great

1 advantage that Communism had through most of its history of
2 possessing in each country an identifiable group of
3 individuals, who preferred to assist the homeland of
4 Communism, over its own national aspirations, that that asset
5 is dissipated. The ideological alarm of Communism is
6 dissipating inside the Soviet Union and certainly outside the
7 Soviet Union.

8 Nobody looks at the Soviet Union anymore, or at
9 Communist ideology, as a model either for political
10 organization or for economic organization.

11 On the other hand, certain realities remain. The
12 Soviet Union is militarily an extraordinarily powerful
13 country. Secondly, if you look at Soviet history and at
14 Russian history, the Russian Empire, under czars and
15 commissars, has been expanding inexorably for 400 years. It
16 has often been invaded, but at the end of the process,
17 Russian borders, in every century, under any ruler, have
18 expanded by hundreds of thousands or by thousands of square
19 miles.

20 The fundamental problem of peace, therefore, with
21 the Soviet Union, has been one ideology. But, secondly, is
22 it possible for the first time in history to live in
23 equilibrium with a state that when it wasn't invaded,
24 expanded. Is it possible for it to accept a rational concept
25 of security, that is to say security within its national

1 borders, without attempting to disintegrate all the countries
2 on its borders.

3 Throughout history, the Russian solution, under
4 czar and commissar, has been to weaken and to disintegrate
5 any significantly strong country anywhere within its region.
6 They have sought absolute security, but absolute security for
7 one country means absolute insecurity for every other
8 country.

9 So in negotiations that will now be entrained with
10 the Soviet Union, that has been to be the fundamental
11 problem.

12 Now, we have many answers. One is it has to be
13 said, that the Soviet Union is the only country in the world
14 entirely surrounded by hostile Communist countries. The
15 satellite orbit in Eastern Europe, China. It has learned, it
16 has experienced that in planting Communist regimes creates as
17 many security problems for it as it solves. Secondly, all of
18 its neighbors, Communist or not, are growing faster, by far,
19 than the Soviet Union. Japan, China, even India, Western
20 Europe and the United States.

21 Gorbachev has put himself in this dilemma. To
22 achieve his objective of disintegrating or weakening NATO, he
23 has to appear peaceful. But even if he is insincere, if he
24 gives up the appearance of it, he will again unify all the
25 countries around his periphery against it.

1 So what started as a tactic could be turned into a
2 necessity. This is one asset we have.

3 The second asset is that it is absolutely
4 impossible to undertake the restructuring of Communist Russia
5 that needs to be undertaken if it is to be prevented from
6 becoming a third rate or the leading undeveloped country. If
7 that is to be prevented, the Soviet leaders will be absorb d
8 with domestic affairs for a long period of time.

9 As far as the West is concerned, this requires
10 that we have some precise notion of what we understand by a
11 peaceful order, wallowing in the good personal relationship
12 between American leaders and Soviet leaders is not an
13 answer. If there are tensions, they must have causes, and if
14 the causes can be identified, let me give one example. All
15 the negotiations have concerned arms control. The issues of
16 arms control have become so esoteric and so obtuse that one
17 can apply to them what was said about some 19th century
18 foreign policy issue about which Lord Palmers, the British
19 Foreign Secretary said, "Only three people have ever
20 understood this. One is dead. The second is in the lunatic
21 asylum." And he was the third, and he had forgotten it.

22 It is interesting that every arms control
23 agreement system justified domestically on the grounds it
24 doesn't make any difference, that it leaves our military
25 capacity unimpaired. Then why make it? There was one I was

1 against, but for different reasons. But as we get into
2 conventional disarmament we will not be able to avoid the
3 future of Europe, a conventional disarmament that is
4 significant enough to reduce Soviet offensive capabilities in
5 Europe and has guarantees against Soviet reentry and pushes
6 the Soviet army far enough back into the Soviet Union so it
7 cannot return easily.

8 All of these conditions must be met or we just
9 have a paper agreement that will affect the future of Eastern
10 Europe. The future of Eastern Europe is in any case being
11 affected by the trends within the Soviet Union. So,
12 actually, I believe, there is an opportunity to attempt to
13 negotiate a restoration of historic Europe, including the
14 East European countries and to an arms control into a
15 discussion of how normal security concerns of the Soviet
16 Union could be met by military dispositions within Europe
17 without giving them the right or acquiescing in the continued
18 maintenance of regimes resented by the entire population.

19 In other words, we have to find a political basis
20 for the next round of negotiations. One could go around the
21 world and make similar analyses. The president is today in
22 Asia. In Asia, actually, we are dealing with countries
23 unlikely to be seduced by personalities, countries with a
24 long history of nationalism and a very cold-blooded approach
25 to the conduct of their own policies, as anybody who has ever

1 competed with them has ever experienced.

2 In Asia we have a problem of a new emerging
3 balance of power in which the United States could play the
4 role of a balance.

5 In the Middle East, other opportunities exist,
6 each of which needs to be analyzed individually. I want to
7 mention one area very briefly that concerns me deeply, which
8 is the Western Hemisphere. When we look at a new
9 international structure, we have to keep in mind that in
10 Mexico a new government has come into being. Brazil and
11 Argentina will have elections this year. In all of these
12 countries there have been advances towards democracy. All of
13 these countries have undergone nearly a decade of austerity.

14 It is not possible to maintain the democratic
15 regimes in these countries unless a process of growth is
16 restored. Unless that is done in some cooperation with the
17 United States. In the emerging world in which economic
18 blocks are developing, in Europe, de facto in Asia, it would
19 be a tragedy if all of American attention were focused on how
20 to deal with the predictable upheavals in the Western
21 Hemisphere if we cannot act in time, and which means
22 particularly that some constructive solution of the debt
23 problem is required, and we should not pretend that we have
24 any choice about it. Because if we do not take the
25 initiative, it will be imposed upon us.

1 Now, I have already talked more than 20 minutes,
2 and therefore let me conclude with just one observation.

3 I have a Chinese friend who claims that there
4 exists the following Chinese proverb, I say claims, because I
5 doubt that there exists as many Chinese proverbs as they lay
6 upon us. But his argument is, is the problem allegedly goes
7 like this: "When there is turmoil under the heavens, little
8 problems are dealt with as though they were big problems, and
9 big problems are not dealt with at all. When there is order
10 under the heavens, big problems are reduced to little
11 problems, and little problems need not obsess us."

12 My argument is that when we look around the world,
13 we have an unusual opportunity to shape a more peaceful and
14 more constructive international order, not in the traditional
15 sense of universal reconciliation where at a moment in time
16 everybody can say "peace" or "pray God," but in the sense
17 that in each decade there will be a greater consciousness of
18 a sense of security and of the possibility of progress.
19 Indeed, the United States is the only nation that can say
20 that the ability to reduce big problems to small problems is
21 importantly in its own hands. Thank you very much.

22 (Applause.)

23 GOVERNOR BALILES: Thank you, Dr. Kissinger, for
24 your thoughtful and formative views. We have several
25 questions, the first of which will come from Governor

1 Branstad of Iowa.

2 GOVERNOR BRANSTAD: Dr. Kissinger, in light of the
3 comments you made about the enamoration that the West has had
4 with General Secretary Gorbachev and the uncertainty about
5 the future leadership in the Soviet Union, is it wise for
6 individual states to pursue long-term trade relationships
7 with the Soviet Union? Many of us are interested in trying
8 to establish greater trade opportunities and have looked at
9 the Soviet Union as a potential substantial trade. Do you
10 think it's wise for us to pursue long-term trade
11 opportunities with the USSR?

12 DR. KISSINGER: I think only if you understand
13 what is the likely economic evolution in the Soviet Union.
14 In my view, the major part of economic reform has not even
15 started yet. Gorbachev has been primarily occupied with
16 achieving the political position that will enable him to
17 overcome the dilemma of any Communist state that you cannot
18 run an economy by central planning but you may not be able to
19 run it without central planning because that's where the
20 Communist body has its power base. He is in the process of
21 elaborating an office of the president.

22 Up to now the president of the Soviet Union, the
23 primary function of the president, was to greet visiting
24 firemen at the airport. When Gromyko was president, I
25 visited him once and I asked him to tell me what the job

1 entailed. He was not able really to do it. Now he is moving
2 executive powers into the office of the presidency. He has
3 given himself a fixed term of office, which will be elected
4 by the so-called Supreme Soviet, which he will keep in
5 permanent session, so that theoretically at least he cannot
6 be removed by the central committee of the Communist Party
7 anymore since his power does not derive from it.

8 Until he achieves that, which will be the end of
9 this year, if everything goes as plans, he will not have
10 undertaken major economic reforms.

11 Once he turns to major economic reforms, I find it
12 very difficult to see how that, in fact, is going to work.
13 It is in a country which has very little entrepreneurial
14 tradition. In China you have a homogeneous society,
15 homogeneous culture, anyway. You have overseas Chines ,
16 Taiwan, Singapore. The Communist party has only been in
17 power about half the time that it has been in the Soviet
18 Union.

19 In you Russia, people come up against vastly
20 entrenched interests, traditional Potemkin villages. I think
21 the possibilities of that turning into a total mess is at
22 least as great a likelihood as that it will succeed.

23 On that basis, if one recognizes the risks, I
24 don't think it's going to stimulate the economy of your state
25 in your term of office very greatly.

1 GOVERNOR BRANSTAD: Let me just say that we are a
2 state that sells a lot of corn and soybeans already to the
3 Soviet Union. We see this as is potential for additional
4 agriculture market but we are also selling them paving
5 equipment and other things in terms of helping them make some
6 of the infrastructure changes they need.

7 DR. KISSINGER: They need a lot of things. Any
8 one thing they can choose to pay for they can undoubtedly
9 find the resources for.

10 As a general proposition, I used to be bothered by
11 the large European loans, because I thought it was kind of a
12 moral abdication by the Europeans to do this without having
13 some progress towards the political settlement. I am coming
14 to the view unless the Soviets change their infrastructure
15 substantially, that money will be down the drain. This does
16 not mean that an agricultural state is already exporting to
17 them, that there cannot be some counter trade and that any
18 one thing that they want, they need urgently, they can pay
19 for because they have gold and they export some commodities,
20 but I do not see a huge expansion of trade within, say, five
21 years.

22 GOVERNOR BALILES: Dr. Kissinger, I think we have
23 time for two questions. Governor Thompson of Illinois,
24 Governor Celeste of Ohio have indicated an interest. Governor
25 Thompson first.

1 GOVERNOR THOMPSON: Dr. Kissinger, going back to
2 your earlier remarks on the 400 year history of the Soviet
3 Union expanding its borders and the growth of its empire, do
4 you think now that the Glasnost is out of the bag and
5 unlikely to be put back in even under a separate leader, that
6 the weakness and disarray of the Soviet economy, which
7 Russians now openly see and discuss, and are becoming
8 increasingly impatient with, so we are given to understand by
9 the popular press, makes it more likely that the Soviet Union
10 will be unable to sustain the military share of the budget
11 that they have had in the past and thus lead to a more
12 balance of power approach rather than a dominating approach?

13 DR. KISSINGER: Russia has always been a state
14 different from other European states and different from any
15 state that I have studied. I read what European diplomats
16 were saying at various periods when czars died and new czars
17 came in, to see what the perception of Russia was at the
18 time. The interesting thing is they often said exactly the
19 same thing that we say when a Communist leader dies saying
20 well, this other guy was a pretty awful fellow but this new
21 one is going to be a modernizer.

22 Russia has had this peculiarity, I don't know
23 whether most people know that John Paul Jones wound up as th
24 commander of the Russian Navy. That all of their top
25 leaders, until well into the 19th century, were foreigners.

1 All of their foreign mimisters, most of them were Germans, at
2 one point they had a Greek. They hired foreigners to run
3 their country. They look always weak except they had this
4 tremendous patriotism and this tremendous courage of their
5 people. Even by periods with respect by rational
6 European-type calculations, one would have expected them to
7 stay within their borders. They usually conducted a fairly
8 active and aggressive foreign policy.

9 Now, since the army is the most efficient
10 instrument, it is not self-evident to me that what you say is
11 logically true, that they should be preoccupied with domestic
12 reform, except they never have in their history. So there
13 are no easy models that they could follow.

14 Secondly, I feel very much that what could happen
15 that if nobody pays attention, nobody talks to them about
16 what is likely to occur, the disintegration of Eastern Europe
17 could proceed so rapidly that they will do something dramatic
18 to show where they -- whose got the power.

19 So I think as long as their control of Eastern
20 Europe is weakening anyway, one should negotiate the process
21 in such a way that their political withdrawal can continue
22 without this upheaval by putting it within the context of
23 security negotiations. Logically, you would have to assume
24 that if Perestrioka and Glasnost go beyond a certain point,
25 that their capacity to act internationally will be

1 diminished. But the record of disintegrating empires, the
2 tendency of them -- when the Ottoman Empire started
3 disintegrating in the 19th century it led to great tension
4 and frequent wars. Surely they will be preoccupied with
5 domestic problems.

6 GOVERNOR BALILES: Final question, Governor
7 Celeste.

8 GOVERNOR CELESTE: Thank you. Secretary
9 Kissinger, I heard you described two exciting changes that
10 are challenging us now, one is a change from preoccupation or
11 at least ought to be a change with preoccupation with not
12 only Soviet leadership but the Soviet Union itself towards a
13 recognition that events in our own hemisphere might have
14 equal import for our country.

15 Secondly, a recognition that we ought to develop
16 in thinking about a more peaceful world, we need to think not
17 only in terms of military weapon systems, but clearly we hav
18 to think in economic terms, that the debt problem may be more
19 of a threat in this hemisphere than any of the configuration
20 of military challenges. That may be putting too much into
21 what you said.

22 I guess my question is what do you feel we need to
23 do differently in this country to deal with changes on this
24 order of magnitude, especially recognizing that we are still
25 trying to achieve balances of power that work, but where

1 power is equally economic as well as military, so on.

2 DR. KISSINGER: Well, I didn't want to imply that
3 military security has become less important. I believe
4 military security is indeed an area where rationally
5 bipartisan consensus ought to be achievable. There are not
6 that many options that one has. We have been going on, in
7 much of the post-war period, on an excessively technological
8 approach to military security, and we have not achieved a
9 national consensus in an area in which really it ought to be
10 easier than in some others.

11 The relationship between nuclear and conventional
12 weapons, the kind of military establishment we want, the
13 relationship between forces in being and forces we need to
14 create and options we need to create in the future, all of
15 this tends to get done on an ad hoc basis as part of the
16 budgetary process, in which, if there is no clear-cut concept
17 imposed, in periods of budgetary plenty, as many categories
18 as possible are being established and in periods of budgetary
19 shortage the things are cut that are the most painful in
20 order to get a military backlash, that's no way to get to a
21 concept of defense that we can sustain. Without it, we
22 cannot do anything else.

23 So I do not want to imply that military security
24 has become less important. But certainly other elements have
25 become extremely important as well. In the Western

1 Hemisphere, as I have pointed out, I believe that the problem
2 of Latin American debt is the problem of this year. We don't
3 have all that much time. The new Mexican president, who is
4 actually free market oriented, for foreign investment, from
5 every point of view, highly acceptable to us; from a
6 philosophical point of view, cannot continue a six-year
7 program of austerity that has reduced the real wage of the
8 Mexican worker by 40 percent, no democratic leader can
9 survive this.

10 Therefore, we have to survey some method of
11 relief. There are technical solutions, once we makeup our
12 mind, that has got to happen. Brazil has an election in
13 November, Argentina has an election in May. If those
14 elections go badly, if they all unite in challenging the
15 United States, we will not be able to create, in the Western
16 Hemisphere, a structure in which the nations feel that
17 America is relevant to their future, and what we will gain in
18 debt repayment we will lose in exports. It's even in our own
19 national interest. We are asking our manufacturers to pay
20 the banks. That's really what it amounts to.

21 This, seems to me, to be a fundamental problem,
22 independent of what we do in the security field.

23 In Europe, we have -- the Soviets have put forward
24 the proposition of a European home from the Urals to the
25 Atlantic. It's an absolutely preposterous idea. What

1 happens to the 2/3 of the Soviet Union beyond the Urals. It
2 makes us a visitor in the place where we have our forces.
3 Some European foreign mimisters have said that America can
4 have a room in that European home. Awfully nice of them.
5 It's totally unacceptable to us.

6 We should have a notion of an European home in
7 which the home starts at the Soviet frontier and Eastern
8 Europe and Western Europe get politically united in some
9 fashion, in which then the Soviet Union has to behave like a
10 normal state to its neighbors and some security guarantees
11 and within which we then make the arrangements between NATO
12 and other military blocks, but that requires some political
13 initiative, and it's in that sense that we have to sieze the
14 high ground of debate.

15 I want to stress I do not believe that military
16 security has become less important. What we have lacked for
17 a considerable period of time, I think -- I supported the
18 buildup of the Reagan Administration when all of that money
19 was being generated. There should have been an insistance on
20 coming up with a doctrine for which it would be used because
21 then we would have better criteria today to deal with it. I
22 think that the Bush Administration should have that, and I am
23 sure will have that, from what I read, as one of its top
24 priorities.

25 (Applause.)

1 GOVERNOR BALILES: Thank you, Dr. Kissinger. We
2 are honored by your presence here this afternoon. We are
3 grateful for your views and observations about the world
4 beyond our borders. We appreciate very much your
5 participation.

6 Ladies and gentlemen, we are in for another
7 special event this afternoon. The National Geographic
8 Society is renowned for its pictures showing us the wonders
9 and opportunities that exist in the world beyond our
10 borders. The National Geographic's Chairman and President
11 Gil Grovesnor has commissioned a multimedia show especially
12 for this meeting. The show is a powerful statement which I
13 believe will impress you and make you think. The show's
14 title appropriately enough is "Connections," a copy of which
15 is in front of each governor on the desk.

16 Last year I taught an elementary school geography
17 class. I talked about the geography of the chocolate bar,
18 where the ingredients come from and how they get here. We
19 then went to the candy factory where many of those children's
20 parents work, and in a way they will never forget the
21 children saw the connections between their own lives and the
22 rest of their world. This show in 11 and a half minutes
23 sends the same message.

24 Before we begin, I will like to thank National
25 Geographic President and Chairman Gil Grovesnor; Todd

1 Gibstien, who wrote the show; Dean Conger, the show's
2 executive producer; Susan Monroe, the manager of the
3 Society's education program, and all the other people who
4 work so hard to make this production possible. If someone
5 would lower the lights we will show the film.

6 (The film, "Connections," was shown.)

7 (Applause.)

8 GOVERNOR BALILES: Ladies and gentlemen, I think
9 that show sets the stage nicely for our next speaker.
10 Governor Tom Kean of New Jersey is chairing our task force on
11 international education. He has undertaken the assignment
12 with his usual energy and gusto. Before asking Tom to review
13 the task force report for us and to introduce our next
14 speaker, I would like to congratulate him on accepting the
15 presidency of Drew University when his term ends. I think we
16 are all grateful to him that he will continue his commitment
17 to education. Governor Kean.

18 (Applause.)

19 GOVERNOR KEAN: Governor Baliles, thank you very
20 much. My fellow governors. When you listen to our next
21 speaker, when you listened to Dr. Kissinger, at least I
22 sensed a sense not only of the future but also history. I
23 was a history major in a state that's fiercely proud of its
24 history. Each year we create Washington's crossing of the
25 Delaware. Each year we celebrate the exciting victors at

1 Trenton, Princeton, Monmouth and Grovers Mills. Last
2 Halloween we celebrated the 50th anniversary of Grovers
3 Mills. That was Orson Welles's broadcast of the "War of the
4 World," little Grovers Mills is supposedly where the Martians
5 landed or didn't land. We recalled all the crazy things that
6 happened. One man shot full of holes a local water tower
7 because he mistook it in the fog for the invaders. Another
8 packed up his family in a car and in his excitement promptly
9 backed right through the garage door that he had fought to
10 open. "Leave it by the driveway," he yelled to his wife.
11 "We won't need that thing anymore anyway."

12 Now, had such an event taken place, I can predict
13 a reaction of almost every governor in this room. We would
14 have called our scheduling offices and we would try to find
15 out just how fast we could book the first available flight to
16 Mars. What an opportunity for exports, talk about foreign
17 trade. But what challenges would be involved. How would we
18 trade with aliens from another planet. We wouldn't know
19 their habits, customers, wants, taboos, we couldn't speech
20 Martian. How would we negotiate. We would want to be their
21 friends but we would want to make sure that something we said
22 was taken as a compliment not but as an insult. The kicker
23 is that we couldn't afford to ignore them because Russia
24 wouldn't or Korea wouldn't. In short, our economic well
25 being would depend on how quickly we could learn the languag

1 and customs of these ali n cr atures.

2 Now, with that background I suggest you read our
3 report on international education that we have released
4 yesterday. What you find there will bring you right back to
5 earth. Our report doesn't mention Venus, but how about
6 Venezuela. Half the adults in America can't name one single
7 country in South America. It doesn't mention Mars, but it
8 does refer to Mexico and the fact that 1 out of 4 Dallas high
9 schoolers can't name the country just south of our borders.

10 These countries are not on other planets; from
11 what our study told us, they might as well be. The sad truth
12 is that Americans know about as much about the Netherlands as
13 they do about Neptune and that, of course, is almost
14 nothing. Our ignorance of the languages and customs of
15 visitors of other planets would be understanding able. But
16 our ignorance on the language and customs of other peoples in
17 our own planets is deplorable and total unsell unacceptable.
18 More than that it's a handicap to peace and a handicap to the
19 prosperity we need.

20 Reversing this nation's trade deficit depends on
21 our doing a better job of selling our wears abroad. Every
22 governor knows that. Every billion dollars of export creates
23 25,000 new jobs here in the United States of America. The
24 bad news is that the rest of the world has moved well ahead
25 of us in geography, in languages and so many other things

1 that are important to international trade. But the good news
2 is there are some educational islands of excellence in an
3 otherwise barren sea. We highlight these in our report and
4 we suggest ways to expand the somewhat isolated programs into
5 a network.

6 There's one recommendation I would like to
7 stress. We governors need to use our bully pulpits to spread
8 the word on the importance of international education. We
9 might even follow the example of the religious reformer John
10 Wesley, you know on preaching one day, Wesley noticed that
11 some of his congregation were fast asleep. Wesley cried out,
12 "Fire, fire! " Of course the sleepers awoke with a
13 tremendous start and actually looked around and said, "Where
14 is the fire? Where? Where? " "In Hell," said Wesley, "for
15 those who sleep during my sermons."

16 Part of our job as governors is going to be to
17 light that fire under Americans. There have already been a
18 number of prophets who have been warning about this but too
19 many of them have been ignored. All of our recommendations
20 from retraining our teachers to joining schools and
21 businesses for the benefit of both, these recommendations are
22 basic, realistic and, above all, we believe they are
23 practical. They deal more with follow through than they do
24 with philosophy. We hope this report serves to move forward
25 the national debate on international education, and I have

1 every expectation that it will.

2 Already, Governor Balilies and I along with
3 Governors Casey, Orr, Perpich, Martinez, Hunt and Castle have
4 taught a geography class, at least one of them in our state.
5 Our efforts aren't going to end with yesterday's reports or
6 today's session, just as the challenges that confront us in
7 this country aren't going to go away. We have no intention
8 of disbanding or disappearing.

9 For example, today, we are issuing two additional
10 documents on international education. The first lists
11 organizations with resources that could be useful to teachers
12 and principals interested in offering international education
13 programs. The second describes activities states have
14 undertaken to make international education available to the
15 business community. Our goal in issuing these is to really
16 spread the word from coast to coast. We are doing more than
17 merely making suggestions. For instance, three governors
18 have agreed to join me in the Governors Geographic
19 Ambassadors Program. New Jersey, Virginia, Minnesota and
20 Florida will each designate a group of exchange students,
21 both international students here on exchange and American
22 students who come from an exchange abroad to be special
23 ambassadors to go into the schools.

24 Their goal is somehow to excite elementary and
25 junior high students about other people, other places, and

1 bring the textbooks, bring it alive. Finally, I would like
2 to announce in April, I will be hosting a national conference
3 in New Jersey to further explore in-depth strategies to
4 expand international education. I am hoping all governors
5 will send at least two representatives from their states to
6 attend. I promise you this won't be a junket but they will
7 be working very, very hard. I started out by talking to you
8 about other visitors from other planets.

9 Let me close with a story about former astronaut
10 Neil Armstrong. The famous photographer Yisha Kosh and his
11 wife were having lunch with Neil Armstrong. After
12 photographic session Neil Armstrong questioned the couple
13 about the very many countries they had visited. "But
14 Mr. Armstrong," protested Mrs. Kosh, "you have walked on the
15 moon and we want to hear about your travels." The astronaut
16 replied, apologetically, "You know, the moon is the only
17 place I have ever been." I think, somehow, that
18 embarrassment is a symbol of the challenge Americans face
19 today. We are capable of amazing things. Nothing short of
20 launching into space to learn about other planets. Yet we
21 have neglected the more mundane but essential task of
22 learning more about our fellow beings here on the planet
23 Earth. We are alone, having set foot on the face of the
24 moon. But we are not alone here on this planet. This is
25 where we have to make our way economically, politically

1 strategically. We must educate ourselves about the world and
2 certainly the people within it. Thank you very much.

3 (Applause.)

4 GOVERNOR KEAN: It is now my pleasure to introduce
5 to you a man I have long admired. David Halberstam's
6 thorough investigations and insightful, work in Vietnam
7 earned him a Pulitzer Prize before he reached the age of 30.
8 Then he wrote in greater depth and right now, if you and I,
9 or for that matter, any of our children, want to learn about
10 how this nation got involved in Vietnam, there is only one
11 book that is required reading, and that is the brightest and
12 the best. We all know, certainly in our business we know,
13 the tremendous importance of communications, the newspapers,
14 the rise of television. If you want to learn best how this
15 occurred, what its effect has been on us, then you simply
16 have to read. "The Powers That Be" is the best work on the
17 subject.

18 His book "The Reckoning" is a metaphor of our
19 time, and I happen to believe the one required book, the one
20 required piece of reading for every policy planner and
21 government official in America. Let me tell you just one
22 further thing, if you get to know David personally, you find
23 him to be as decent and as thoughtful a person as he is
24 brilliant in print. Ladies and gentlemen, David Halberstam.
25 (Applause.)

1 MR. HALBERSTAM: Thank you very much, Governor
2 Kean. I had never met Secretary Kissinger before. He was
3 very generous about "The Best and The Brightest." He
4 congratulated me on how perceptive it was and thanked me for
5 doing it and then thanked me for not having written about
6 him in his administration.

7 I liked the National Geographic film. In it
8 somehow is what I would call the American baby. An American
9 baby is someone who votes against school bond referenda,
10 doesn't monitor the amount of homework his or her children
11 are doing, and then thrills to ads in a political campaign
12 that showed the Koreans or Japanese doing something unfair to
13 us. The world is unfair to us. It isn't. It is the world
14 that we live there. With no disrespect to Secretary
15 Kissinger, I believe some of the wrong people are talking
16 about national security these days. I think it should be
17 more people from this room. I think you know more about it.
18 I think you know whether this country works or not or is
19 working. The strength of America today began with the
20 investments and the covenants and the bonds that most of us
21 got when we grew up in the '40s.

22 What we do today trajects the future for the next
23 generation, whether our educational system is working
24 adequately at the core. Most of you who are governors in the
25 major industrial states know, and have the constant dilemma

1 of whether changing jobs, changing industrial base and
2 whether the people who graduate from high school, who don't
3 even make it through, are qualified to take jobs. A
4 projection in the most basic sense. Our future, our
5 strengths. Finally, yes, national security.

6 If you were locating a factory today, would you
7 choose a country that had 99 percent literacy and the kind of
8 quality of people who can almost all handle a basic
9 mathematical textbook, or would you take an area,
10 unfortunately there are far too many of them here in this
11 country, where the education is erratic, basic mathematical
12 background weak. National security is not just a missile
13 count. It is an index of broad national health, covenants
14 that hold the society that is harmonious.

15 Recently I lectured at Hiram College, a wonderful
16 small college in Ohio. I sat there talking about the
17 importance of education in this new competitive world where
18 so many new nations are surging into the middle class. I was
19 with eight or nine very bright young students. I asked them,
20 we were talking about the heartland of America. We weren't
21 even talking about inner cities. I asked them for th
22 consensus of how many hours their high school classmates had
23 spent doing homework at night. The consensus was half an
24 hour.

25 When I grew up in a small mill town in the '40s in

1 the northwest quadrant of Connecticut, we thought that we
2 competed athletically, for jobs, for girls, with the gr at
3 metropolis of Torrington, 9 miles away. How do you tell
4 today's children that they are competing with the children of
5 Osaka, Seoul, Taiwan, Singapore, perhaps one day Djakarta,
6 perhaps one day Beijing. Hungry, driven young people who
7 have a sense of optimism about their life, it's going to get
8 better, who in their energy and their commitment to education
9 are more like our grandparents than they are like us. That
10 is a very tough equation. It is out there.

11 The people who are shooting off our toes in this
12 country, not the Russians, they are us. What you see driving
13 down the street are not Moscow cars, they are Hondas,
14 Toyotas, Mazdas. It is us who have to change and adapt to a
15 world that is enormously different. It is on this
16 generation. We are not just the custodians of a the
17 political society, the political system. We are the
18 custodians of an economic system as well.

19 When CBS so casually and blithely sells CBS
20 records to Sony for immediacy of profit, for all the future
21 value-added jobs that that means, something really is wrong.

22 I am going to cut through some of these things a
23 little quickly, Dr. Kissinger did use 20 minutes of my time.
24 I told him I might still write about him.

25 The danger is not that American hegemony is over.

1 It is over. It is not the worst thing in the world. We are
2 an enormously rich, blessed society, great resourcefulness.
3 The danger is that it's over and we do not accept the new
4 reality, the new limitations. We are almost -- it's almost
5 as if we, seeing it change, seeing other nations, doing
6 things that we used to do better than anyone else, these new
7 nations doing them better, are paralyzed. We don't seem to
8 understand how to change our resource, can't even tax
9 ourselves properly, probably, on gasoline.

10 The danger is in, therefore, looking for
11 scapegoats. Japan and Korea may be difficult competitors.
12 There may be protectionism there. The reason they've been so
13 successful is they have had primacy of education and primacy
14 of manufacturing. The great secret headline that isn't at
15 the Wall Street Journal or the New York Times, is in the last
16 two years or so, Japan has absorbed what is virtually a
17 quantum shock, quantum change in the evaluation of the yen
18 dollar and kept coming, kept coming, something everybody
19 thought would knock them flat. Because they are process
20 driven, they have kept coming. The Japanese challenge is the
21 first. On their heels are the Koreans and many others.

22 Let me quickly define, if I can, one age, an age
23 that is over, and perhaps a new age in which we have already
24 entered. The age that is over is the one that was brought to
25 us by World War II. We were brought kicking and screaming to

1 the zenith of our power when we, protected by oceans in an
2 age when weaponry could not cross an ocean, came through
3 unscathed and all our potential competitors, allies and
4 adversaries were in different ways ravaged, broken by that
5 war. France and England were victors, but they were
6 exhausted, bled white, about to lose our colonies.

7 In the case of France, to fight two colonial
8 wars. Germany defeated, 25 million people lost, cut in
9 half. Soviet Union a victor, again, 25 million people lost,
10 with an economic system that demonstrably does not work.
11 Japan defeated. Not just defeated, but a vision of Japanese
12 greatness collapsed in front of them. We mistook -- we were
13 rich in a world that was poor.

14 We mistook an historical accident and believed
15 that it was a permanent condition. That period appeared
16 where we were enormously powerful on the basis of cheap oil,
17 domestic, Middle East, American century or oil century, that
18 era is over. It ended the day we had to put a car barrier up
19 against the Japanese. It is also an age when richness in a
20 society, economic richness, was measured really by soil,
21 mineral and size. Size was better, temperate climate, oil,
22 other mineral things underneath, that's terrific.

23 What is important about the Japanese challenge, is
24 they are the pioneers in a new age when economic power comes
25 from the maximization of the human brain.

1 That is going to be the norm, and we are here to
2 meet that challenge or fail.

3 We will have no one else to blame. The richness
4 of our upper educational system. When I talked about
5 Governor Deukmejian of California, I talked about "The Nation
6 of California" with that great upper educational system. How
7 we could be lacking at this moment is shameful but we are.
8 It is a new era. Secretary Shultz in his peroration at the
9 Iran-Contra hearing talked about the past when you were rich
10 in communications if you had copper under the soil. It
11 doesn't matter anymore because we live in an age of fiber
12 optics. Lee Iacocca, when he is complaining about the
13 Japanese, likes to talk about a level playing field and in
14 some minor ways he is right. The Japanese are often
15 difficult and protectionist.

16 For a time the yen was very softly valued, but in
17 a larger sense, the playing field is a first time even. It
18 took 30 or 40 years after World War II for other nations to
19 catch up with us, to have systems, banking systems,
20 educational systems, norms, factory systems that were good.
21 No longer do we automatically set the pace. No longer are
22 American things the best. We can go on into this new era if
23 we accept it for what it is. I think we have already --
24 people always like to wait to the year 2000 and do the new
25 century. I think we have already entered a new century, a

1 century post-hegemony for us and for the Soviet Union. Let
2 me give you a couple of benchmarks of it.

3 The American experience in Vietnam, which sets a
4 limit on us in certain political ways. A limit of power
5 poorly used.

6 The end of the American economic hegemony is
7 manifested by the challenge of the Japanese.

8 The rise of Secretary Gorbachev. I would like to
9 make a footnote here. I don't give a damn whether he is a
10 good guy, charming, where he gets his suit, where
11 Mrs. Gorbachev gets her suit, whether she is better looking
12 than Mrs. Reagan or not. I think it is a profound historic
13 change. Barbara Tuckman, the week before she died, probably
14 our greatest recent historian, referred to it as the most
15 important thing she had seen in her lifetime, 77 years, the
16 Soviet withdrawal from Afghanistan. I think symbolically of
17 the Gorbachev errand, we don't have to like him or do things
18 for him. Let him play his hand out. An admission by the
19 Soviets that it doesn't work, that their economic system
20 doesn't work.

21 Obviously, it's going to be very hard if you have
22 a society where the man who has the rain coat factory 50
23 miles from Moscow makes very bad raincoats that fit only one
24 size and you tell him to have free market raincoats of
25 different sizes and colors, it's going to be hard to get him

1 to change.

2 But it is an enormously important thing.

3 In addition, the coming of a great shared middle
4 class with countries like Japan and Korea coming, surging in,
5 confident and feeling the assent of their societies, where
6 the covenants truly work, the changing nature of work, so
7 much of it based upon education. It is critical. It is
8 critical in this country so long as the average high school
9 in America, the average male child of 15 who gets good marks
10 is considered a nerd unless he is William Bradley of Missouri
11 -- then New Jersey, then we are in trouble because the
12 driving engine of East Asia is education. You see how the
13 new Asians move in, suddenly the grade scores go up. It is
14 critical to change.

15 The future for this country, there is no reason
16 why it can't be bright. We can do a lot of technical
17 things. We can raise trade to national security, we can have
18 greater incentives in our tax reform for people who are truly
19 productive other than these young hip people on Wall Street
20 who lever and and manipulate and move paper around. We can
21 have greater scientific grants. We can change our capital
22 formation to encourage true long-range planning and
23 industry. We are a blessed country. We have dramatically
24 the best agriculture in the world, exceptional mineral
25 resource means less. Vibrant venture capital system.

1 Diverse and really varied economy. The best higher
2 educational system in the world filled, I am afraid, in the
3 scientific component, with too many foreign students, not
4 enough American, diverse and potentially talented people.
5 This is a report card for us for forty years from now. Our
6 weaknesses, declining secondary school system and
7 expectations based on 40 years of affluence that life is
8 easier than it's really going to be from now on. Something
9 that can be dealt with, we are still privileged.

10 The question really is can we adjust our
11 expectation, and above all can we realize, in an average
12 American home, that a family's dignity, a child's ability to
13 compete, have a job, have value and dignity, is absolutely
14 tied to his or her performance in early years and in high
15 school. Can we get average Americans to know if they do not
16 do that, they are breaking the legs and the arms of their own
17 children. Thank you very much for having me here.

18 (Applause.)

19 GOVERNOR KEAN: David, thank you very, very much.
20 Insightful and to the point. The two members besides myself
21 on the task force whose report, the report that you got
22 yesterday, say it was helpful and perceptive. I would like
23 to call on them each, if I could, for a question for David
24 Halberstam. First Governor Waihee.

25 GOVERNOR WAIHEE: David, one of the interesting

1 things from your analysis and also from your book is the idea
2 that Americans have expectations built on affluence, to a
3 large extent that appears to be true. We are a country that
4 probably despite our difficulties or our challenges
5 internationally, in my mind, have the higher standard of
6 living, et cetera, et cetera. Yet we compete against people
7 like Japan who culturally have a different set of values than
8 we do. A classic example would be the high rate of savings
9 that is achieved by the individual for the public sector in
10 Japan, versus the rate of savings done by the American
11 public.

12 Partially, the reason for that is that in Japan
13 the average family doesn't think about owning a home or a
14 car, which is something that we in this country take as an
15 American right.

16 I would like to hear your opinion on how much we
17 may need to change culturally if we are, in fact, going to be
18 competitive internationally against some of the challenges
19 our country now faces.

20 MR. HALBERSTAM: I think we need to be more
21 disciplined. I think one of the key things of going into an
22 age of more crowded middle class where more nations are
23 sharing the middle class. For example, in the old days, in
24 the de facto monopoly years of post-World War II, '45 to '75,
25 I think quite symbolically, General Motors set the norm.

1 Whatever they priced the car at, Ford would come in, Chrysler
2 behind them, very soon Studebaker, Packard could not compete
3 on the scale that they did and, therefore, folded. So the
4 big three picked up a lot of bad habits. There was no
5 competition until came the Japanese. It's a symbolic thing,
6 and now the Koreans, a shared middle class. General Motors
7 no longer automatically sets the price, in fact if anybody
8 does possibly Toyota does.

9 I think the Japanese system, which would not
10 necessarily work here is a great distillation system, less
11 goes in at one end and more comes out on the other than
12 anything I have ever seen. If I were making a cultural
13 judgement, I would call it the culture adversely compared to
14 ours of affluence. We have had 40 to 50 years of middle
15 class affluence in this country, a wonderful thing. You pick
16 up bad habits. I don't think we have to change our standard
17 of living dramatically as we have to be more careful. Save
18 more and waste less. Common sense would tell you that about
19 the world you are living in. You are suddenly going to share
20 it more.

21 GOVERNOR KEAN: Next, the other member of the task
22 force, one of the great education governors, Governor
23 Perpich.

24 GOVERNOR PERPICH: If you wer a governor today,
25 elected this year, how would you motivate citizens of your

1 state to really raise the level of learning and motivate
2 those young people?

3 MR. HALBERSTAM: I think it begins with the bully
4 pulpit. You have the derivative bully pulpit. You have the
5 Allies, they have a pagent in Japan so they decided to cover
6 Japan, generally they have done a disastrous job of it
7 because it doesn't provide pictures. It doesn't have -- Lee
8 Iacocca doesn't go in and punch Suitro Honda in the nose so
9 that which happens at the core of our economy doesn't make
10 the evening news. Circulatory part of America, which is
11 network job, does a very poor job of this most important
12 thing.

13 How do you do it? It seems to me you have to tie
14 education to jobs. You have to define what the jobs are and
15 let these people know, that their children are going to make
16 it, that it's got to begin in the home. That's where it
17 begins with the Japanese. It begins with the home. The
18 Confucian culture, education and authority has been nic ly
19 mutated into the modern century. We have got to, in some
20 way, in a country so rich that we could afford cowboy
21 economics and cowboy attitudes, we have got to let the people
22 know the people they are wounding in their own homes are
23 their children, they are not going to be able to compete for
24 jobs.

25 I guess you have to keep hitting, going to jobs,

1 combining jobs with schools and letting them know, on the
2 nature, the changing nature of work. The new jobs that give
3 middle class by and large take technical skills. You must
4 have been to a junior college or have some mathematical
5 skills to get a job at Nissan plants in Tennessee. You have
6 to have been in the Air Force a couple of years or junior
7 college, it takes a mathematical skill. I think if people
8 are warned and warned and don't do anything, God save them.

9 GOVERNOR KEAN: I am sorry that we don't have time
10 for more questions. This is fascinating and also valuable
11 material that we could be talking about. It's been a
12 wonderful session. I want to thank David Halberstam for
13 taking his time to come and share his thoughts with us.

14 (Applause.)

15 GOVERNOR BALILES: This afternoon, we have focused
16 on the world beyond our borders, specifically international
17 education. We also had two other task force reports under
18 way to be released between now and our summer meetings. I
19 would like to call on Governor Mabus, the chairman of the
20 task force on foreign markets to give his report.

21 GOVERNOR MABUS: Thank you, Mr. Chairman. I would
22 like to say how much I enjoyed that David Halberstam who,
23 early in his reporting career, was a reporter for the W st
24 Point, Mississippi "Leader Call." And I would like to think
25 that some of the ideas he got, he got in Clay County,

1 Mississippi.

2 The foreign task force has done work on its job
3 its was given, to expand strategies to expand our foreign
4 markets and to increase the American share of world trade.
5 It's critical how well we as states respond to this
6 challenge. Our response, as you have heard, will go a long
7 way in determining our standard of living into the next
8 century. We have tried to take a realistic view of th
9 international marketplace, the dramatic increase in
10 competitors and competition, the change in the American
11 position, the fact that survival of virtually every sector of
12 our economy mandates being a player in the world export
13 market in the next decades we have tried to come up with
14 innovative ways for states to deal with this complicat d,
15 changing, unpredictable and interdependent environment. We
16 have looked at ways such as pooling resources with other
17 states, developing a comprehensive state plan for trade,
18 looking for new nontraditional markets to further the
19 customers of the future and encourage our existing businesses
20 to expand their markets and their horizons to adapt their
21 products and to diversify their trade relationships.

22 With these thoughts in mind, the task force will
23 release its report here in Washington on Friday, April 14.
24 In concert with the report's release, National Governors
25 Association will cohost a conference with the Agency for

1 International Development and the Breton Woods committee.
2 The conference will focus on what states can do to increas
3 trade with developing markets. I invite and encourage you
4 all to join Governor Balilies, Gardner, myself and others, on
5 April 14.

6 One of the outgrowths of the task force work will
7 be a possible trip to Europe from the 5th to 7th of July led
8 by Jerry Balilies. The group will meet with high ranking
9 officials in the European Economic Community. There are a
10 limited number of spaces for this trip, so if you are
11 interested in going, please let the NGA staff know
12 immediately.

13 States today will, to a great extent, will
14 determine what America's role in global economy will be. It
15 is an obligation and an opportunity which cannot be
16 overstated and must not be overlooked. We hope you can join
17 us on the 14th of April here in Washington. Thank you very
18 much.

19 GOVERNOR BALILES: Thank you, Governor.
20 (Applause.)

21 GOVERNOR BALILES: Our other task force chairman,
22 John McKernan, is not with us today. He will be arriving
23 sometime later in the evening. He has asked me to give his
24 report, the task force report on research and technology.

25 State governments can be more involved in the

1 commercial application of the science and research projects
2 that are going on in the country. We know that we are
3 significant leaders for the development of new technologies.
4 We are not so good at the commercial application.

5 Translating that progress and science and
6 technology into products and processes that will help us
7 regain our competitive edge in world markets is the focus of
8 Governor McKernan's task force, examining the state role in
9 moving new technologies more quickly from the laboratories to
10 the production line. That task force report will be released
11 in May as a part of a major conference on technology
12 development programs in state governments. Governor
13 McKernan's letter is before you.

14 I might add that this task force has generated a
15 great deal of interest across the country. The national
16 council on competitiveness invited governor McKernan and me
17 to meet with them last year. There will be additional
18 meetings throughout the year.

19 The seven governors of this association attended a
20 conference at Cape Kennedy for a comprehensive briefing on
21 America's space program. We are very much impressed with
22 NASA's commitment to research and technology development. It
23 was an informative conference, it was impressive, especially
24 for those of us who were able to see the launch of the
25 Shuttle Atlantis.

1 Tomorrow, we will focus on one of our task force
2 reports within our boards. As you know our focus, looking at
3 within our borders, is how to regain domestic markets, how to
4 invest for an infrastructure, especially transportation, and
5 then how to invest in our children, the work force of
6 tomorrow. Governor Clinton's task force report in that area,
7 in the program, I think, we will find challenging and
8 informative and stimulating.

9 Before we close, I have to review some important
10 administrative information. The rules of our association
11 require that governors who intend to offer proposed policies
12 that were not included in the 15-day advance mailing provide
13 a copy of their proposal to NGA by the close of business on
14 the day prior to the vote. If you have such proposal, please
15 give it to Jim Martin of the NGA staff no later than 5:00
16 p.m. tomorrow.

17 The events for tonight's entertainment, I think,
18 you will find of great interest. But they are not located
19 close together. The reception at the Japanese embassy is in
20 one area of town. Dinner with the Vice President at the
21 Blair House is at the other end of town. In each case, you
22 need to arrive promptly for each event. So, please allow
23 sufficient time for your travel.

24 Finally, the committee on international trade and
25 foreign relations will be meeting in this room immediately

1 upon adjournment. The staff and the hotel needs to make some
2 minor changes to our room arrangement. So I would like to
3 ask everyone to leave promptly. The meeting is adjourned.

4 (Whereupon, at 3:07 p.m., the meeting was
5 adjourned.)
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

TRANSCRIPT OF PROCEEDINGS

NATIONAL GOVERNORS' ASSOCIATION

WINTER MEETING

CLOSING PLENARY SESSION

Washington, D. C.

Tuesday, February 28, 1989

ACE-FEDERAL REPORTERS, INC.

Stenotype Reporters

444 North Capitol Street

Washington, D.C. 20001

(202) 347-3700

Nationwide Coverage

800-336-6646

NATIONAL GOVERNORS' ASSOCIATION

* * *

WINTER MEETING

* * *

CLOSING PLENARY SESSION

Hyatt Regency Capitol Hill
400 North Capitol Street, N.W.
Washington, D. C.

Tuesday, February 28, 1989
9:50 a.m.

1 P R O C E E D I N G S

2 GOVERNOR BALILES: Ladies and gentlemen, this
3 morning we have a full agenda with two outstanding guest
4 speakers and 25 policy resolutions to consider, so I think we
5 should get started. During the past two days, we have looked
6 back beyond our borders and within our borders, from the
7 budget deficit to the trade deficit. We have looked at how
8 to target federal money, expand our markets, make investments
9 that will make a difference for our children and for the
10 people in this country. Our two concluding speakers today
11 helped build a bridge between what we need to do at home and
12 what we need to know to succeed abroad. This new chapter of
13 international competition begins with commitment. And there
14 is only one of our colleagues who would attend an NGA meeting
15 on his honeymoon, and that's commitment.

16 It is my pleasure to introduce Jock McKernan,
17 governor of Maine, for purposes of an introduction.

18 (Applause.)

19 GOVERNOR MC KERNAN: Thank you, Gerry. It really
20 is a pleasure for me to perform this duty because George
21 Mitchell is a source of considerable pride in our state.
22 Senator Mitchell came to Washington nine years ago, appointed
23 to fill the seat of Senator Muskie, who was appointed
24 Secretary of State. He gave up a lifetime appointment as a
25 federal judge to accept his appointment to the United States

1 Senate. His first day in the Senate, the Senate stayed in
2 session all night. As he was lying on a cot, as he related
3 to people in Maine that weekend when he came home, he was
4 laying on a cot in the Senate cloak room at 3:00 in the
5 morning, he began to wonder whether or not he had made a wise
6 decision in accepting this appointment to the United States
7 Senate. Then he rolled over and he looked and on the cot
8 next to him was John Warner, who was married at the time.
9 Senator Mitchell thought for a minute and thought what am I
10 complaining about, John Warner could be home sleeping with
11 Elizabeth Taylor.

12 Well, you know, the people of our state are
13 pleased that he decided to stay in the United States Senate,
14 and I think that this country is a better place because of
15 it. Our state is a large one geographically, but in many
16 ways it is a small town, where people know each other and
17 people are measured not by their wealth or their social
18 status. They are measured by their common sense, their
19 concern for others, their hard work and their sense of
20 humor. Based on those standards, George Mitchell is a local
21 hero. He has followed in the footsteps of Margaret Chase
22 Smith and Ed Muskie to the United States Senate but he
23 clearly does not stand in their shadows. Last November the
24 Democrats in the United States Senate realized what many
25 people in Maine had already realized when they elected him as

1 the Senate majority leader, and that is that his quiet
2 dedication and strength and his deep concern for the common
3 good clearly are rare and extremely valuable attributes.
4 .It's really my pleasure to introduce to you today a friend
5 and a former tennis partner in what used to be the best
6 doubles team on Capitol Hill, the new Senate majority leader,
7 George Mitchell.

8 (Applause.)

9 SENATOR MITCHELL: Thank you very much, Jock, for
10 your very kind introduction. Thank you, ladies and
11 gentlemen, for your warm reception. I am very pleased to be
12 here to spend a few minutes with you this morning talking
13 about the issues that confront your states and our nation. I
14 had breakfast with the president this morning, and I took
15 note of the news reports suggesting that he has had a
16 relatively short honeymoon. I told him he had nothing to
17 complain about because Jock McKernan only had two days. And
18 by that standard, he has done very well. I know that many of
19 you here have commented on that, but I want to extend my
20 congratulations publicly to Jock and Olympia, again. They
21 are both outstanding public servants and are, themselves, a
22 source of great pride in our state.

23 I begin by commending all of the governors, and
24 the Governors' Association. I think it clear that governors
25 have led the way in this country, in this decade, in

1 important policy areas. Most recently, and most notably in
2 welfare reform, where it was your initiative that was
3 eventually translated into law. I don't think there's a
4 person in the Congress who could disagree with the assertion
5 that but for the efforts undertaken by the governors to
6 stimulate policy discussion and initiatives and welfare
7 reform, we would not have had the landmark welfare reform
8 legislation of last year. And I mean that sincerely, and
9 there are many other areas in which I know you are acting
10 individually and as an association. I will be shortly
11 hosting a meeting, for example, to discuss national wetlands
12 policy, which I know Governor Kean and others of you have
13 been actively involved in, you have established a standard
14 which the president has adopted and which I hope very much
15 that the Congress will also adopt.

16 So we look forward in the Congress to working with
17 you and with the president and the new administration and to
18 deal with any serious challenges facing the nation.

19 Governor Baliles, in inviting me, asked me to ask
20 to speak for just a few minutes, and then to leave what time
21 remains for questions and comments from the governors here.
22 And so I will speak very briefly on some of the issue areas
23 where we hope to act in the Senate this year, and we hope,
24 with cooperation from the administration and the house, to
25 have these initiatives enacted in the law.

1 W obviously must deal, w ar r quired to by law,
2 and we must, in terms of the national interest, deal with the
3 very serious problem of the federal budget deficit. We hope
4 to achieve a budget proposal, which is responsible, in that
5 it meets the deficit requirements of the law, and that is
6 fair, in that it asks all Americans, in an equitable manner,
7 to contribute to the sacrifice necessary to achieve that
8 objective.

9 We are going to act in the area of environmental
10 protection. We welcomed the president's statements. W now
11 look forward to specific proposals following through on those
12 statements. We are going to have a reauthorized and improved
13 Clean Air act in this Congress. We are going to do it in a
14 way that I hope accomplishes the necessary objective of
15 protecting the health of the millions of Americans whose
16 health is now threatened by air pollution, but also in a way
17 that takes into account the legitimate concerns of governors,
18 Senators and House members whose states will be adversely
19 affected economically if we don't undertake a means of
20 mitigating that adverse effect. We are going to listen to
21 everybody. And I sincerely believe that for the first time
22 in over a decade, we will take meaningful action in that
23 regard.

24 You have stressed child care in one of your policy
25 statements, as has the president, as has the Congress, and we

1 are going to have a child care program this year. As you
2 know, there have been different suggestions. The
3 Congressional bill sponsored by Senators Dodd and Hatch,
4 calls for direct spending to increase the number of
5 facilities. The president has proposed a credit. It is
6 likely that the final result will include elements of both.

7 And finally, in these brief remarks, I want to say
8 that your words correctly emphasizing the relationship
9 between education and economic growth will be heated in the
10 Congress this year. It is essential that we as a nation be
11 able to compete in the international economic arena, not only
12 in the coming decade, but in the coming century.

13 In order to do that, we must establish those
14 national priorities which permit us to invest in the greatest
15 resource we have in the future, our children, and that means
16 improvements in education.

17 Finally, we are going to act in the area of health
18 care. I know that some of you have already taken steps in
19 that regard, but there is a clear need for national
20 legislation to deal with the growing gaps in the provision of
21 health care in our society. And I want to say that in that
22 area, in education and in the environment, it is not just a
23 case of spending more money. Resources are essential to
24 achieve the objective. But in many policy areas, we can
25 achieve more effective utilization of our resources. We can

1 actually deliver better health care, more suited to
2 individual needs, at less cost than we are now providing it.
3 If we will only rationalize and harmonize our health policy,
4 something we simply have not done. Millions of health care
5 decisions in our society today are based primarily on
6 reimbursement policies by state and federal governments, as
7 opposed to what is best for the individual patient and what
8 is least expensive for the individual patient. We are
9 unnecessarily spending \$550 billion a year in health care and
10 we could, as a society, be spending less and be delivering
11 care more efficiently, and we are going to try to do that by
12 harmonizing and removing government reimbursement as the
13 driving force in medical decisionmaking in our society.

14 Well, I just want to conclude my remarks by saying
15 that it's a pleasure to be here, I repeat what I said at the
16 outset. You have been the cockpit of innovation in
17 government policy in this decade. We look forward to that
18 continuing and to working with you.

19 I will be glad to take questions. I would like to
20 tell one story before I do. The story that Jock McKernan
21 told that I tell is actually much better if you hear it in
22 the original than in repeated form.

23 You all are public officials, and you all speak
24 and answer questions many times a day. Whenever I get to
25 this point, the question and answer period, when I have b en

1 in Maine the past decade, I always used to say to the
2 audience that if anyone here would like to make a speech,
3 please feel free to do so, and don't feel the need to
4 disguise it in the form of a question. I am used to members
5 of the audience getting up and speaking for 17 minutes, then
6 raising their voice at the last word to suggest they are
7 asking a question.

8 But I don't say that anymore, and I particularly
9 wouldn't say it to this audience. Because last fall, just
10 prior to the election, I was addressing an assembly of high
11 school students in Maine. All the kids were in the bleachers
12 in the gym and I and the principal were out in the middle of
13 the gym with just a microphone and two chairs and I said what
14 I just said, inviting a speech.

15 To my amazement a student got up out of the
16 bleachers and walked across the gym toward me. Ominously, he
17 had a briefcase in his hand. And when he got up to the
18 microphone he opened up his briefcase and took out a huge
19 pile of papers and said, thank you very much, Senator, I do
20 have a speech I'd like to give give. And he proceeded to
21 read out what turned out to be a 25-minute speech consuming
22 the whole period.

23 I didn't know what to do at first. It never
24 happened to me befor , so I stood there awkwardly. When I
25 finally, looking over his shoulder, saw this kid was really

1 going to read the speech I sat down with the principal. He
2 was very angry. He leaned over and said, Senator, we called
3 this assembly so the students could hear you. We can hear
4 that kid every day, in fact we do. He said you are a person
5 of authority, go up there and reclaim the mike away from that
6 kid.

7 Well, as you all know, we are daily called upon to
8 make snap decisions on limited information. I looked at the
9 kid. I had never seen him before but my sixth sense told me
10 this kid has got a lot of relatives of voting age.

11 So I said to the principal, look, I said, you are
12 paid a big salary, that got him even angrier, I said your
13 most important function is to maintain discipline. You go up
14 there and reclaim the mike for me. We ended up arguing the
15 whole time. The bell rang, I left without having had a
16 chance to say a word. And I haven't taken that risk since,
17 and especially to this audience I don't invite speeches.
18 Questions or comments, I'll be happy to take.

19 GOVERNOR BALILES: Senator Branstad of Iowa has
20 the first question.

21 GOVERNOR BRANSTAD: Senator Mitchell, the National
22 Governors' Association has been a leader in pushing for
23 action on a number of fronts, education, and you mentioned
24 welfare reform. One of the areas that we have identified
25 where there is really a need for action is a national rural

1 development policy. A number of th governors met y sterday
2 with Senator Leahy, Governor Kunin, Governor Sinner, Governor
3 Mickelson and I. I had the opportunity to chair a task force
4 on rural development last year. Senator Leahy has indicated
5 his interest in working in a bipartisan way to pass a
6 comprehensive rural development policy. I know they worked
7 on this last year, and I wanted to know if a national rural
8 development policy will be on the Senate's priority list for
9 this year.

10 SENATOR MITCHELL: Yes, it will be. Senator Leahy
11 was a very busy fellow yesterday because he met with me on
12 the same subject, and we are going to establish a rural
13 development caucus bipartisan in nature. And we are going to
14 promote a multi-committee caucus because there is
15 jurisdiction in at least five Senate committees in this
16 area.

17 GOVERNOR BRANSTAD: We talked about that
18 yesterday, health care, transportation, economic development,
19 education. They are all part of that. I am very pleased to
20 hear that.

21 GOVERNOR BRANSTAD: Yes, we are, my interest goes
22 beyond that of the national interest. As you know, Governor
23 McKernan and I both represent a state that is largely rural,
24 and we are very much concerned about that, and we are going
25 to do that.

1 GOVERNOR BRANSTAD: Thank you.

2 GOVERNOR BALILES: Are there other questions?

3 Governor Celeste of Ohio.

4 GOVERNOR CELESTE: Senator Mitchell, one of the
5 items that you listed as a priority when you were chosen as
6 majority leader is the area of youth services. And I know
7 the president has a proposal on youth services. A number of
8 Senators have introduced legislation in this arena.

9 I wonder, number one, whether you have a sense of
10 a time line for consideration of youth service legislation.
11 And number two, what your thoughts are about the way in which
12 any federal initiative should relate to states activities in
13 this arena.

14 SENATOR MITCHELL: It has become traditional for
15 the majority leader to reserve, for those for those bills
16 which are in issue areas he or she deems of significance, the
17 lowest numbers. And I deliberately reserved one of the
18 lowest numbers for the national service legislation as a way
19 of emphasizing my commitment to enactment of legislation
20 embodying that concept in this Congress. As you know,
21 Governor, there are a number of different proposals and ther
22 are sharp differences of opinion on the best and most
23 feasible approach, centering primarily on whether or not such
24 a program should supplant or supplement existing federal
25 programs to provide assistance for education.

1 It is my belief that any such program should be a
2 cooperative effort with the states, with maximum
3 responsibility for implementation at the state level, and I
4 intend to pursue vigorously the enactment of such legislation
5 in this Congress.

6 I am unable to predict to you with any degree of
7 certainty the time frame within which it will occur, because
8 there are such a variety of proposals. I am not certain how
9 and when that will shake out. But I am confident that the
10 broad support by the president, by the governors, by members
11 of the Congress, for the concept will enable us to work out
12 whatever differences in specifics exist and that we will have
13 legislation in this Congress.

14 GOVERNOR BALILES: Next question is of Governor
15 Thompson of Illinois, then Senator Hayden of Kansas.

16 GOVERNOR THOMPSON: Senator, I met recently in my
17 office in Chicago with representatives of the coal miners and
18 representatives of the coal industry in Illinois to discuss
19 our posture towards efforts on the Hill and within the
20 administration to draft acid rain legislation. We are
21 seeking a united position, labor, industry, state. And I
22 have been discussing with some of my fellow coal state
23 governors how we may best participate in drawing legislation
24 that will alleviate acid rain concerns and y t protect our
25 economies, as you m ntioned, in the balance.

1 From the standpoint of states with so-called
2 Illinois basin coal, our main concern is with provisions that
3 would promote fuel switching, because we believe that fuel
4 switching policies, by definition, hurt our states, and that
5 there is no recompense available. Do you believe it possible
6 to put together agreed acid rain legislation that would
7 mitigate against fuel switching policies?

8 SENATOR MITCHELL: I introduced the first
9 legislation to control the emissions of the precursors of
10 acid rain in 1981. I have now been at it eight years. So in
11 addition to my belief that enactment of such legislation is
12 in the national interest, I have a keen personal interest in
13 getting it passed, because I don't want to spend the rest of
14 my life working on it. I figure 10 years is long enough on
15 any issue.

16 So I am committed to getting legislation this
17 year. As you know, Governor, last year I spent literally
18 hundreds of hours in negotiated compromise which was
19 essentially with some segments of the high-sulfur coal
20 industry, of the character that you describe as Illinois
21 basin coal, which sought to bridge the gap between high and
22 low-sulfur coal interest by accommodating each in a
23 sequential reduction. It met with considerable criticism
24 from environmental groups who thought that it was not tough
25 enough from low-sulfur coal interests, who thought it didn't

1 go far enough in fuel switching; and, of course, from the
2 utility industry.

3 What has happened as a practical matter is that
4 for the first seven years, it didn't appear that there was
5 any prospect of getting the bill passed. So literally, I had
6 difficulty getting any of the opponents to even talk to me.
7 And the common opposition to legislation tended to mask the
8 different economic interests of the various opponents. The
9 electric utility industry, and the coal industry, for one;
10 and then within the coal industry, high and low-sulfur coal
11 for another.

12 The major success we have had is in reversing that
13 impression and creating the impression that we are now going
14 to get a bill.

15 And as a consequence, I now have people calling
16 up, trying to see me who I have been trying to get to see for
17 seven years. I believe it can be done. It may not be in a
18 way that achieves universal praise. Indeed, I think we can
19 confidently predict that. But I think it can be done in a
20 way which sufficiently accommodates both concerns. I do not
21 believe it is feasible, nor do I think you should expect, nor
22 do I think the national interest warrants legislation which
23 precludes any switching of any kind.

24 On the other hand, it seems to me that you and
25 governors representing high-sulfur coal states have a genuine

1 legitimate concern over the severe economic impact that would
2 result from a policy of total switching. The first bill I
3 introduced would have permitted that. And I had modified my
4 views based upon what I think is practically necessary to get
5 a bill passed. The first bill I introduced had no national
6 contribution. And I modified that view out of practical
7 necessity because I know that the states involved, the heavy
8 emitters, cannot absorb the full cost.

9 And so it's both a matter of equity and a matter
10 of practicality. But I honestly believe that it can be
11 done. I will say this to you. I think the more troublesome
12 area will be in ozone and carbon monoxide nonattainment.
13 Because there you have a whole separate set of economic
14 interests. And I think we are going to have a very difficult
15 time achieving compromise there, but we are going to pursue
16 that as well. It will take good faith on everyone's part,
17 but I believe it can be done, and I have now been involved in
18 it so long that I have a pretty good sense of people's
19 interests and concerns and what I think will be the bottom
20 line and I hope we will be able to do it.

21 GOVERNOR BALILES: Governor Hayden of Kansas.

22 GOVERNOR HAYDEN: Senator Mitchell, thank you for
23 being with us this morning at a very busy time, and we
24 appreciate that.

25 You spoke about health care, and what you said is

1 absolutely true that it is really the reimbursement policies
2 of the state and federal government that drive our system,
3 not the care of our patients. We have worked very hard as
4 governors to find less expensive and more effective health
5 care delivery systems. We have tried to pursue, for example,
6 alternatives to nursing home care. We have tried to pursue
7 less expensive alternatives such as outpatient care versus
8 hospitalization. What can we do in working with you to
9 change these reimbursement policies so that one, people's
10 health care really becomes the primary consideration; and
11 two, that actually could help us reduce the cost because
12 there are less costly alternatives out there that are today
13 not eligible for reimbursement. But if the guidelines were
14 changed, could be, and the patient would benefit the states
15 and the federal government would benefit.

16 SENATOR MITCHELL: As chairman of the Senate
17 Health Subcommittee last year I introduced the first
18 long-term care legislation, and I will pursue it again this
19 year; and no area of health care provides a better example of
20 the point you have just made than that.

21 At this moment, in every state in this country,
22 there are elderly persons in acute care beds in hospitals who
23 could and should be in nursing homes, a much less expensive
24 form of care. But they can't get into nursing homes in many
25 places, and the reason they can't get in is the nursing homes

1 are full of people who could and should be at home, a much
2 less expensive form of care, but they are not at home because
3 many aspects of home care are not reimbursible, whereas
4 nursing home care is under Medicaid once a person meets the
5 asset and income limitation.

6 So we have an enormous ripple effect involving
7 literally hundreds of thousands of citizens receiving a level
8 of care much more expensive than they need, and in almost
9 every case more than they want.

10 Now, the first premise of my bill, therefore, is
11 to drain reimbursement from the system as the mechanism for
12 providing, for making decisions, to provide the broad range
13 of reimbursible care administered by states or local
14 agencies, so that when a care giver makes a decision, if a
15 person wants to be home, and is better served at home at less
16 cost, they can stay home and still receive reimbursement.
17 There are numerous other areas where that is so. I have been
18 deeply involved in the Medicare program. I didn't
19 participate in the budget summit discussions of 1987. In
20 that summit agreement, the administration and the Congress
21 agreed to cut Medicare \$5.5 billion. But when the agreement
22 was reached they came out and said to me, as chairman of the
23 health subcommittee, "well you go do it now." We did it, at
24 great pain. Nonetheless we did it. In the process, I became
25 totally convinced that there are innumerable areas in which

1 through government policy, we have encouraged expenditures
2 that would not otherwise have occurred; not with malice, not
3 with profligacy, but as a natural consequence of events over
4 which there was no control, take the most elemental fact
5 which has contributed to the escalation of health care costs
6 in our society.

7 In the immediate postwar period, for very valid
8 reasons, we separated the receipt of medical care from the
9 payment for those services.

10 We have an entire industry, the credit card
11 industry, based on the principle that if people just defer
12 paying for something they will buy more of it. If people
13 believe they don't ever have to pay for it, they will
14 obviously buy more of it. That was for good reason. Th re
15 were many unmet medical needs in our society. We met those.
16 But in the process we created a system of old utilization;
17 and, since the Medicare program was for most of its life,
18 until recently, based upon reimbursement for fee, there was
19 an overwhelming economic incentive upon the providers of care
20 to provide the maximum amount of care.

21 Everybody here ought to remember this one fact.
22 The delivery of health care is a business. It is first,
23 foremost and fundamentally a business, a for-profit business,
24 that is not to challenge the integrity or motives of any
25 participant in the system, but that's what it is.

1 When we froze reimbursement of positions under
2 Medicare, in the next year, the volume of services rose to
3 precisely the amount of total payment that would have
4 occurred had not a freeze been imposed. No individual
5 doctor, of course, made a decision based upon that. But this
6 is a highly subjective area. By magic, if you want to hear
7 the phrase magic of the market, this is a classic example.
8 By magic, the total reimbursement was the same as if we had
9 never frozen the fees. That occurs all the time. You have
10 to recognize that, and you have to create economic incentives
11 to save rather than economic incentives to spend. That's
12 really what we have got to do.

13 GOVERNOR BALILES: Last two questions, Governor
14 Castle of Delaware, Governor Andrus of Idaho.

15 GOVERNOR CASTLE: First of all, I would like to
16 thank you for your open and conciliatory approach on many of
17 these issues. I think that is what it's going to take to
18 overcome a lot of the problems that you have. I guess I am
19 going to ask you the question I have asked everybody over the
20 last three days. As you have indicated in your earlier
21 comments, we were very involved in welfare reform and we were
22 very concerned about where it's going to go. The original
23 resolution of it last fall called for \$800 million
24 expenditure in the next year and President Reagan called for
25 \$350 million in his budget and President Bush's budget isi

1 sound as to that particular subject. So we are open for
2 negotiations. We are concerned about protecting some
3 expenditures. I might add the key part of that money is for
4 the reform part of it. Part of that involves job training,
5 education, and those things which we in the states think can
6 make a difference. We are interested in seeing that as fully
7 funded as possible. And in light of the fact that we
8 understand you are dealing with deficit and some other
9 competing concerns.

10 SENATOR MITCHELL: At the confirmation meeting of
11 Dr. Louis Sullivan to be Secretary of Health and Human
12 Services last week, Senator Bentsen and I conveyed, in very
13 clear, in my case, and very emphatic, in Senator Bentsen's
14 case, terms to Dr. Sullivan. Our view on the appropriate
15 level of funding for that jobs program. It ought to be the
16 800 million. That was, itself, a compromise with the
17 administration. We were deeply distressed to receive
18 President Reagan's budget, which, in my view, clearly
19 contradicts Congressional intent on the nature of that
20 program, and the level of funding. I believe Dr. Sullivan is
21 sympathetic. I hope very much that the president and the
22 Office of Management and Budget will be, as well, from our
23 standpoint. We will make a maximum effort to achieve the
24 level of funding contemplated and that the program be
25 construed as intended by Congress and the governors.

1 SENATOR MITCHELL: Last question, Governor Andrus
2 of Idaho.

3 GOVERNOR ANDRUS: Senator, the questions that have
4 been asked around the table this morning are all very, very
5 important, and each one of them is important to the
6 individual governors and states. But the overriding question
7 that impacts all of us is the fiscal insanity that presently
8 prevails in this city. We recognize there is a large gap
9 between rhetoric and results in the budget. Does the
10 Congress have the will this year to return us to some form of
11 fiscal sanity?

12 SENATOR MITCHELL: I believe it does, and I hope
13 we will do so, in cooperation with the administration.

14 Under our system, nothing becomes law until the
15 President signs it. Overriding the President on the budget
16 is extremely unlikely.

17 I seek not to absolve the Congress of
18 responsibilities in making that statement, because we share a
19 heavy burden of that responsibility, Senate and House
20 Democrats and Republicans, but merely to make the point that
21 it cannot be done alone by the Congress.

22 A budget is, of course, a statement of our
23 nation's priorities. It represents, in our democracy, the
24 mechanism by which we decide where our resources ought to be
25 spent. It is not surprising to you or anyone else that there

1 is broad diversity in our country about that. The American
2 people in the aggregate as individuals are capable of holding
3 contradictory notions in their head at the same time. You
4 have got a number of policy statements here, Governor, that
5 call for increased federal spending in a large number of
6 areas. And you have another one which calls for meaningful
7 deficit reduction. We confront that all the time.

8 Each of us defines the public interest through the
9 prism of our private views.

10 I believe, however, that the situation has reached
11 a stage that is so critical, the events of recent weeks and
12 increases of interest rates threaten us with being consumed
13 with interest payments on the debt, that we have got to
14 summon the resolve to do it. I am going to try very hard to
15 do that in cooperation with my colleagues and with the
16 President who, as you know, has strongly held views in many
17 areas, and we are going to try to work with them, both
18 President and I reaffirmed this morning our commitment to a
19 cooperative effort on the budget and in other areas, and I
20 hope we will be able to do it. I intend to try very, very
21 hard. Thank you all very much for having me here.

22 (Applause.)

23 GOVERNOR BALILES: Thank you, Senator Mitchell,
24 for your remarks, for your observations. I want you to know
25 that the governors are pleased you have sought our views. We

1 pledge to work with you any way possible on this year's
2 mutual interests, especially health care, welfare reform and
3 other matters related to the budget.

4 Ladies and gentlemen, should anyone doubt the
5 power of the written word, they should consider the reaction
6 to our next speaker's brilliant exposition of historical
7 forces and the fate of nations.

8 Paul Kennedy has written 10 works, but it is his
9 most recent work, "The Rise and Fall of the Great Powers"
10 that has inspired exceptional commentary and reaction
11 throughout the world. Nowhere has the reaction been more
12 dramatic than in America. Last year Mr. Kennedy's book
13 climbed to the number one position on the Washington Post
14 reader's list and stayed there for eight weeks. Professor
15 Kennedy has said that "interpreting the larger tendencies and
16 broader patterns of world history is by its very nature an
17 intellectually risky business."

18 If that is so, Mr. Kennedy's willingness to
19 undertake that risk has led to a healthy debate in the
20 country. He has made us come to grips with the relationship
21 between the external military and diplomatic policies versus
22 internal economic policies. In other words, he says that,
23 "as we seek to preserve our national interest, and adjust to
24 a changing global order, we must carefully consider our
25 conditions within our borders, as we make our commitments

1 beyond our borders."

2 Ladies and gentlemen, Professor Paul Kennedy of
3 Yale University.

4 (Applause.)

5 MR. KENNEDY: Ladies and gentlemen, governors, I
6 am very honored to be speaking before you this morning. As
7 you can guess, I am also very apprehensive about speaking
8 before you this morning. You are busy practitioners; you are
9 dealing with real issues each day, fiscal constraints,
10 Medicare, Medicaid, and I am a cloistered academic. I am
11 hidden from those pressures. I am trying in my hideout to
12 look at broader global changes.

13 I am also apprehensive this morning because the
14 executive of the NGA asked me to talk in the space of less
15 than 20 minutes on what is happening on terms of global
16 economic change and technological change and what the
17 implications are for the United States.

18 I think, given that time constraint, probably the
19 best thing I could do is to offer a number of points, a
20 number of suggested areas in which we might have discussion
21 and question into, all of them relating to broad global
22 developments. These are distinct points but, of course, many
23 of them are also interrelated.

24 My first one would be the overall global economy,
25 driven by new technology, by new products, by rising demand

1 in certain parts of the globe, is growing faster, probably,
2 than ever before in world history. It's also growing in a
3 more differentiated regional way than before. In other
4 words, it's not like the 1930s, where all of the world was in
5 depression. It's not like the 1950s and 1960s where almost
6 every region in the world was growing. Today, what we have
7 is Japan, China, most of the Asian Pacific economies,
8 expanding at 5 percent, 10 percent, some 12 percent each
9 year. We now have quite nice, steady expansion in Western
10 Europe, but we have stagnation and absolute decline in many
11 parts of Africa, Latin America, Soviet Union, Eastern
12 Europe. Then we have the United States in a somewhat middle
13 position, certainly growing but not growing as fast as some
14 other economies.

15 Secondly, I am sure Dr. Kissinger referred to this
16 a little earlier in the conference, there is a detectable
17 easing of great power tensions, not just the USA and USSR,
18 but also between Moscow and Beijing, between Russians and
19 Germans. There's also promising developments in the world
20 outside in the settling of regional struggles in Namibia,
21 Afghanistan, possibly Cambodia. I think we all know this is
22 chiefly to do with the new regime in Moscow concentrating
23 upon its internal restructuring and a sort of external
24 all-around detente policy with Russia's many suspicious and
25 watchful neighbors.

1 But I would argue to you that it's also to do with
2 the fact that all of the major powers, China, Russia, Europe
3 and America, are now concentrating more of their efforts on
4 economic security and less on strictly military security.

5 This isn't going to bring to an end some regional
6 quarrels in Central America, the Middle East or Africa,
7 because they all have their local roots of tribal,
8 territorial, ideological differences.

9 But I think the peace of the growing detente
10 amongst the great powers is likely to lead to further arms
11 reductions proposals. We will see more and more of them over
12 the next few years. I think the implication of that is that
13 the competition and the priorities in policies for th United
14 States can also be more at the level of economic and
15 technological and educational priorities, economic,
16 technological and educational competition rather than
17 military competition.

18 Thirdly, I say there are enormous changes under
19 way in global demographic trends as well as national
20 demographic trends with the aging of all of the advanced
21 democracies. In the 1950s, the advanced Western democracies
22 had about 22 percent of the total population of the globe.

23 Right now, it's down to about 14 or 15 percent.
24 By the turn of the century, if the figures continue as they
25 are going, about 7 or 8 percent, and it's worth pondering

1 what the implications are of how the advance Western
2 democracy share world population, so low, ever before in the
3 history of democracy. There are other demographic trends
4 that will affect countries even more significantly than this
5 one.

6 Within a few years in the Soviet Union, the
7 non-Russian population will be in the majority over the
8 Russians for the first time since the founding of the Soviet
9 Union.

10 In the Third World, I think the implication of
11 these enormous demographic increases are that it will be
12 holding down per capita income, and how that holding down a
13 per capita income under the as yet not fully traced impact of
14 AIDS will impact upon poorer countries of Africa is very,
15 very difficult to guess. It will affect the world economy
16 and I think our relationships in the world over the next few
17 years.

18 Fourthly, it's becoming clear in listening to
19 governors this morning, I know this is clear in your mind, we
20 are in some way, though we cannot exactly measure it, we are
21 threatened by widespread ecological changes, and by a steady
22 warming of global temperatures, due to a variety of causes.
23 I know the scientific expertise seems not unanimous on this,
24 but I would argue that if you took, say, the middle range
25 guesstimates of the likely temperature increase of this

1 continent and of the planet over the next couple of decades,
2 the middle range guesstimates of, say, four or five degrees
3 Celsius or centigrade, rather than 9, 10 or 11 degrees, the
4 implications of that rise in global temperatures, from
5 Bangladesh to the New Jersey shore line, from Nebraska to the
6 Ukraine, are very working indeed.

7 Fifthly, almost as worrying, I think, are some of
8 the implications of the productivity revolution which is
9 beginning to occur in agriculture, livestock, fisheries, that
10 is coming out of biogenetic breeding, biogenetic implants,
11 better fertilizers and other new scientific techniques. I
12 have seen some estimates now that suggest that we may be
13 looking in the future, that possible increases of something
14 like 20 percent per annum in agricultural output year upon
15 year, because of the consequences of biogenetic implanting
16 and breeding.

17 If you think about it, what we have seen over the
18 past 10 or 15 years has been on average, despite last year's
19 heat wave, on average global agricultural production has been
20 rising about 2 percent per year. That has been enough to
21 create all sorts of surpluses, all sorts of tension with the
22 European community, all sorts of tensions with other
23 countries, Australia, for example, increases in the level of
24 20 percent a year in global food output over the next decade
25 or so just strikes me as being perhaps one of the greatest

1 things we are going to have to grapple with. To have in 10
2 or 20 years time all of today's food output, produced by
3 only, say, 1/3 of today's farmers, affects agricultural
4 communities everywhere, from India, to Bavaria, to Wisconsin,
5 to Kansas, to California.

6 Sixthly, I think we are on the brink of a
7 revolution in robotics and automation, coming chiefly out of
8 Japan, which is going to affect manufacturing production and
9 manufacturing employment faster than anything since the
10 earlier industrial revolution. In Japan, as some of you who
11 visit it note, there are already factories where
12 sophisticated robots are assembling fellow robots, where
13 there are only four or five people, manager/controllers, in
14 charge of the entire factories, where when the
15 manager/controllers close the doors at the end day and switch
16 off the lights, because the Japanese are energy-saving,
17 behind them can be heard "thunk click thunk click" of the
18 robots going 24 hours through the night assembling fellow
19 robots.

20 There are factories in Japan which just last year
21 had on a work bench eight assembly workers. This year, have
22 only one, because they have automated at such a pace they are
23 putting more into automation, into capital investment in this
24 past 15 months than ever before. Th Japanese, symbolically,
25 in the factory I was told about did not remove the seven sets

1 of the workers who had been transferred elsewhere in
2 consequence of the robotics revolution. They left the seats
3 along here like a row of governors' seats and filled them
4 with life-size inflatable figures as a visual symbol of what
5 you can do in terms of manpower, productivity and
6 revolution.

7 Many of these companies are talking confidently
8 about manufacturing productivity increases in the rate of 20,
9 25, 35 percent each year and be able to compete in world
10 markets and even extend world market shares if the dollar is
11 down to a ratio of 1 to 100 yen. Who can compete with that
12 apart from the South Koreans, I am not sure.

13 There is also under way, as you know, a
14 communications revolution in the field of banking, currency
15 flows, shifting billions of dollars of hot money in and out
16 of dollars every half hour, going on itself almost 24 hours a
17 day. This is many times a volume of merchandise trade
18 flows. There are gigantic corporations, Toyota, Ford,
19 Mitsubishi, media conglomerates, which are globalizing
20 themselves. I think both of those increasingly cause the
21 average citizen, the township, the small firm, the state
22 governor, to feel less in control of their own economic
23 future than ever before. It does offer dozens of
24 opportunities, if you can persuade these to come and invest
25 in your state. But other parts of these trends give you less

1 of a sense of control.

2 Finally, I would say there is, lest we forget it,
3 an enormous and looming international debt crisis, especially
4 in regard to a place of critical importance to the United
5 States. That is Latin America. There is, if anything, a
6 growing North/South divide, because I think you could argue
7 that Japan and East Asia, if you like have joined the North,
8 and also it's not a good occasion in history for the United
9 States to have turned itself in recent years into the world's
10 great debtor nation. You have the exchange value of the
11 dollars so dependent upon purchases by the Bank of Japan to
12 keep it propped up.

13 Now, it's in this changed world order, ladies and
14 gentlemen, this changed world economy, that the United States
15 exists. Its position is obviously different today than in
16 Eisenhower's day. It's share of world GNP, of manufacturing
17 output, of high technology, of gold reserves, has declined.

18 We all know one reason why it's declined is a
19 perfectly natural and positive reason. It's because the
20 United States has successfully restored the economies of
21 Japan, Europe and East Asia. Since their wartime demise and
22 therefore there was bound to be a relative decline in
23 America's global shares.

24 But the second reason is more worrying and, if you
25 like negative. It's that the United States itself has been

1 losing in some areas some of its competitive edge. This
2 isn't a tail of gloom and doom story. I have been described
3 as a doom and gloomster just about every day in the Wall
4 Street Journal. I don't think that's the way it really is.

5 What I say is if you looked at the Japanese
6 economy today, you would note an impressive array of
7 strengths.

8 If you looked at the Soviet economy today, you
9 would see a long, long list of weaknesses.

10 But if you look at the American economy today,
11 what you see is a bewildering array of strengths and
12 weaknesses, of potential and problems. So the picture is
13 much more mixed. It possesses enormous natural resources,
14 first class research universities, got an open market and
15 some tremendous companies like IBM and Hewlett Packard. But
16 on the other hand it has very low savings ratios,
17 proportionately smaller investment in commercial R&D than its
18 leading competitors, has worrying federal and merchandis
19 trade deficits. It produces every year quite insufficient
20 number of native American engineers on the one hand,
21 massively too many, if you will pardon me for saying this,
22 lawyers, MBAs, lobbyists, dentists and real estate agents on
23 the other hand. It has a shrinking share of new patents and
24 it has an inefficient public school system.

25 Therefore, it's a mixture of strengths and

1 weaknesses. It has some strong cards and some weak cards.
2 Poker players, among you, would confer it's best to go to the
3 table with more strong cards and fewer weak cards, especially
4 if the table is a new world order of the 21st century.

5 In sum, I would say, we are entering a more
6 complicated and pluralistic world where the challenges will
7 be more settled than the challenges of the cold war, where
8 the old order internationally is in some way dissolving but
9 the shapes of the new order are still shrouded in the mist,
10 where trying to make exact guesses as to the consequences of
11 these various trends is probably impossible. I think you
12 know why it's impossible. It's because these various trends
13 I have listed are demographic trends, ecological trends,
14 high-tech trends, biogenetic trends. They are moving at
15 different speeds. They are going to bump into each other and
16 interact with each other. In any case some of them are
17 contradictory. For example, will the shrinkage of our grain
18 production, due to the greenhouse effect, be canceled out by
19 the increased productivity of biogenetic farming. If so,
20 which areas are going to lose, which sector of the country is
21 going to gain. So I would argue that since exact guessing is
22 hopeless, perhaps the most useful way forward is to pose the
23 really big question. What sorts of societies, which peoples,
24 which nations, are going to be best equipped to respond to
25 changes of this order, to be in a position to retool

1 themselves, to be able to understand these developments in
2 broad terms. That's an understanding of broad terms, not
3 just to blame them upon the politicians, when changes occur.

4 I think, ladies and gentlemen, we can all guess
5 what the general answer to that question has got to be. It's
6 likely to be those societies which make fantastic commitments
7 to education, whose citizens have very high levels of skills
8 in numeracy, literacy, computing, the natural sciences. Not
9 just in those technical skills, but also in a wide knowledge
10 of foreign languages and cultures, of geography and history.

11 And in all those areas, there are grounds for deep
12 concern about the present American educational levels. It's
13 not putting yourself in a strong position to have your
14 average 17-year old regularly tested by means of
15 international comparisons, coming in bottom of the list in
16 knowledge of mathematics, foreign languages, natural
17 sciences. It's not equipping our citizens for the 21st
18 century when, on average, their geographical skills suggested
19 3/4 of them don't know where the Persian Gulf is, although by
20 Gallup polls last year, 85 percent of them were in favor of
21 sending war ships into the Persian Gulf, wherever th Persian
22 Gulf was. It's not equipping them well when they don't
23 understand history, especially the history of foreign
24 societies, foreign cultures, foreign religions and
25 ideologies.

1 Governor Kean's panel on the first day of your
2 annual conference provided a sobering analysis of this lack
3 of real educational competitiveness compared with certain
4 other advanced societies.

5 As one of your final plenary speakers, I can only
6 endorse that message. We are heading into a more
7 complicated, challenging, diffuse global environment than
8 ever before in the history of the United States. There's a
9 desperate need to prepare Americans, especially
10 educationally, for the transformations which are bearing down
11 upon us.

12 Thanks very much for your attention, governors.

13 (Applause.)

14 GOVERNOR BALILES: Thank you very much.

15 Mr. Kennedy, I don't know how you could have more
16 succinctly captured the essence of the National Governors'
17 Association agenda for this year. America is in transition,
18 it is an international frontier. I think you captured, not
19 only the topics of our association's concern, but you have
20 done it eloquently. At this time I would like to take the
21 first question, I believe, from Governor Clinton, of
22 Arkansas.

23 GOVERNOR CLINTON: Thank you very much. Professor
24 Kennedy, first of all, let me thank you for coming today and
25 say that as you alluded in your opening remarks, your book

1 has been used by more people for more purposes than any one
2 that has been written lately, including a recent article I
3 read in Foreign Affairs by Professor Huntington, who said you
4 represented the fifth wave of declinist arguments since
5 Sputnik in the last 30 years. I think I may be at fault
6 too. I have been using your book for last year and a half in
7 speeches I have been giving.

8 But I do believe that you have fairly, first of
9 all, made clear your position, which is not that the United
10 States is in an inevitable period of decline, but that we are
11 faced with several very severe problems which could cause us
12 to decline as a country.

13 Second thing you have done, and this will lead me
14 to my question, is to point out that there was no way for us
15 to maintain the percentage of world GNP we enjoyed after
16 World War II that we shouldn't be particularly concerned
17 about the fact that we have gone from if you feel 40 to
18 roughly 25 percent of world GNP. That really isn't the
19 issue. We shouldn't stop and shouldn't want to stop other
20 people from reviving or from growing for the first time.

21 On the other hand, we can't continue to be a great
22 country without some level of economic prosperity that is
23 greater than that that we do look forward to if we don't deal
24 with some of the problems.

25 Here is my question. I read your book, I read th

1 causes, your Imperial Over-Stretch theory and what caused
2 other countries to decline in the past. Has any country in
3 our economic position ever had to face the prospect of
4 renewing itself with so diverse a population base, racially,
5 economically, socially. What can you tell -- you tell us
6 what to do, we agree with you what to do. We just don't know
7 how to get it done. Thing that really frustrates me is what
8 Mr. Bill Woodside said yesterday, the chairman of Sky Chefs,
9 he said, "we have now reached the point where the rhetoric is
10 right in America." The rhetoric of the President, the
11 rhetoric of the governors, it's all right. But there's a
12 bigger gap between politicians rhetoric and reality in this
13 country than perhaps any other in the world, at least any
14 other countries we are competing with.

15 To what extent is that caused by the fact that
16 those of us in politics tend to be people who are doing well
17 and our friends and neighbors will probably continue to do so
18 for some time. We have this incredibly diverse country
19 underneath us that is coming apart at the seams. In your
20 study of these countries is there any historical precedent
21 for the kind of renewal we need and the diverse mak up we
22 have? To what extent do you think that's a big problem in
23 getting us where we need to go?

24 MR. KENNEDY: Governor, thanks for your comments
25 on the book. I ought to say when historians make analogies,

1 it is never with the sense that one country today is exactly
2 like any country at another time in a past. Of course it
3 isn't. They are all different in time and space, but we use
4 it just to give us a measure of comparison so we can turn
5 inwards and to look again at the challenges facing the United
6 States. I would say that there had been a number of
7 countries in the past with a whole diversity of ethnic,
8 regional or other disparities. They've tended to be imperial
9 conglomerates, if you like, like the Hapsburg Empires; so the
10 analogy only takes you so far. Then you realize how
11 deficient it is. You could, of course, switch your eyes and
12 look at the Soviet Union today. You either think of it like
13 the Hapsburg Empire or you see it as a unitary state. But it
14 has many, many more ethnic diversities and regional
15 disparities than the United States. It's facing altogether
16 larger challenges. So that there's no exact parallel, no
17 exact example in history to look for. I think if we found
18 one 100 years ago, we could borrow a little from it but not
19 enough because we are now in the late 20th century, not 19th
20 century or 18th century.

21 What I would say though is that those societies
22 that recognize the transformation that have occurred in the
23 global and internal environment, since the time when the
24 nation rose effortlessly to the top, those societies which
25 are honest enough to say yes we are in a changed world now,

1 thos which are honest enough to say, look, I am sure that
2 the rest of the world has still got a lot to learn from us,
3 but we also might occasionally have something to learn from
4 the rest of the world, whether it's from health care or
5 whether it's from research and development, or savings and
6 taxation policy.

7 Therefore, I agree with you the rhetoric seems to
8 me now altogether better placed to meet the reality of the
9 challenges which the United States finds itself in in the
10 late 20th century. It is not a rhetoric which is so
11 blinkered by ethnocentric ways of looking at the world that
12 it doesn't see that the world is looking at America in a
13 somewhat different way. It's a more realistic world. I
14 welcome it. I also think whichever presidential candidate
15 got in or would have got in last year, the rhetoric was
16 coming closer to reality, closer to the center. Let's hop
17 it stays there.

18 I would, just as a final remark say that in
19 respect of the international environment, the United States,
20 I think, is being offered a breathing space. I think there
21 are much more acute problems of Mr. Gorbachev, the Politburo,
22 and the Soviet system which is manifestly under strain, much
23 more acute problems which are turning the Soviet energies for
24 internal reconstruction, are likely to continue so long as
25 Gorbachev is in the saddle; and that that gives the United

1 States also a breathing space to think through its own policy
2 priorities and whether we have got the balance right as we go
3 into if 1990s.

4 GOVERNOR BALILES: Governor Kunin of Vermont.

5 GOVERNOR KUNIN: Thank you. Professor Kennedy,
6 your global and historic view help put some of our agenda,
7 obviously, into a different kind of context.

8 As you noted, one can either get very pessimistic
9 about that or else kind of just ignore it and say, well,
10 there's too much uncertainty and this is too far off and it
11 really isn't relevant to our immediate problems. But I think
12 we all recognize that there has to be a relationship b tween
13 what we do in the short term and what the over-arching
14 historic and global trends are.

15 How do we make that match politically? Let me be
16 specific. Like a problem like acid rain, global warming,
17 where the facts have been coming in for a long period of
18 time. Where today there seems to be more consensus, as we
19 just heard from Senator Mitchell and from yesterday from EPA
20 administrator.

21 And yet trying to get a realistic way of dealing
22 with something without looking at it, and if it's impossible
23 to deal with it, and really getting people to act on these
24 issues that at once seem overwhelming, that scientists have
25 disputes about. The easiest thing to do is still to walk

1 away from them and say I want to wait until I have more
2 evidence, or whatever I do isn't sufficient anyway. So let
3 fate take its course. How do we get appropriate political
4 action that is in tune with some of these observable trends
5 that you point out?

6 MR. KENNEDY: Well, Governor, your question comes
7 back to my initial nervousness at standing here before you.
8 I am a historian of broader, comparative global trends. You
9 are practitioners who have constituents who want certain
10 things done and are very concerned about certain things. All
11 I can say is that first of all, I think in respect of acid
12 rain, there's a sufficient consensus as to the damage caused
13 by it and various steps which could be done to at least
14 reduce the level of damage. That is true for a number of
15 certain other tendencies in ecology and also biogenetic
16 farming. You begin to get a sense of where that is heading.
17 It's time for policy consideration and legislation.

18 Secondly, I think that this probably is going to
19 be better done from the governors out than from the White
20 House out, because you have, I think, given your positions, a
21 better sense that the challenges coming down the pike are
22 very much educational security and environmental security,
23 infrastructure build up and other issues, like the President
24 spends a lot of time dealing on the world scene and world
25 leaders and will take up your issues of acid rain only on

1 occasions where he can talk with the Canadian prime
2 minister. He knows it's on the Canadian agenda.

3 But in answer to you, I know it's a cop-out
4 because I am not a short-term policy advisor, my large answer
5 to you is in respect of all of these challenges, over the
6 medium to longer term, we would be in a better position to
7 meet them if we were assured that the knowledge levels and
8 understanding and skills of the entire American nation were
9 higher than they are now, so that I would argue therefore
10 that they are -- most of these specific areas, some short- to
11 medium-term policies which could be implemented. But that
12 behind and beyond them there is another larger agenda, which
13 is getting the entire nation ready for complexity of those
14 challenges, getting them to understand that acid rain is one
15 on a list of changes which are coming to us.

16 I am sorry I am no good on the short-term policy
17 answers.

18 GOVERNOR BALILES: Two more questions, Gov rnor
19 Sinner of North Dakota, Governor Kean of New Jersey.

20 GOVERNOR SINNER: Mr. Kennedy, periodically we
21 read pieces that suggest that the world the rushing pell-mell
22 into a very threatening situation where smaller and smaller
23 and smaller number of its people are capable of producing the
24 things that everyday life needs, food, nergy, water, and
25 that if there is any disruption, whether by a natural

1 phenomenon of drought and shortage of food, or by manmade
2 disasters such as war, that we are rushing into a period so
3 vulnerable and so fragile that it boggles the mind to think
4 what would happen. Dr. Brown, Dr. Lester brown has spoken
5 what might happen in food, even in developed countries if we
6 become short of food.

7 How do you respond to that? Are we ignoring
8 history and are we so preoccupied with the magic of the
9 future that we have forgotten history?

10 MR. KENNEDY: I think one of the problems of any
11 commentators on global trend has nowadays, especially if you
12 are trying to relate it to historical parallels or looking
13 back as you look forward, is that the changes which occurred
14 to environments, to societies, impact of a plague, Black
15 Death, shift in trade routes or decline in this industry and
16 rise in another, tended in previous decades and centuries to
17 proceed at a lower pace than they are now.

18 Our problem and your problem as Governor and
19 President's problem is that the pace of technological and
20 scientific change and economic transformation is occurring
21 faster than ever before in world history. Not just faster,
22 but much much faster. If you are talking about a People's
23 Republic of China, which is doubling its GNP every seven
24 years. If you are talking about a Japan which has now a
25 fantastically higher GNP than the Soviet Union. You are

1 talking about changes in global trading partners,
2 consumption, production, demand for foodstuffs, which are
3 significantly larger than and occurring much faster than,
4 say, things which happened in the '50s, or the '20s or the
5 1890s. What we really don't have is a lesson, if you like,
6 from history is a way of measuring how we deal with these
7 impacts when they are coming down towards us four or five or
8 10 times faster than, say, the impacts of the earlier
9 industrial revolution came upon the societies of that time.

10 I said in my remarks I don't think we can
11 anticipate all of this, because some of them are conflicting
12 and some of them are occurring at faster or slower levels.

13 I would worry a great deal about an excessiv
14 reliance upon, for example, new biogenetic farming and
15 agricultural productivity breakthroughs there which would
16 have the entire world dependent only upon a quarter or 1/7 of
17 the farmers which we have at the moment. I think that puts
18 too much of our precious agricultural productivity in the
19 hands of too small and probably a few very successful farmers
20 in each state or each country.

21 But as again I have this difficulty of coming into
22 the specifics with you governors, since I don't think the
23 ground is clear for specifics in so many of these areas.
24 What I am worried about is a population which is not educated
25 enough to realize that these are massive global trends

1 occurring faster in world history and that what we need to be
2 doing is to prepare, by training and education, a flexible
3 work force to move in a variety of directions when we see
4 that this trend is happening faster than another trend.

5 I think that's more in my agenda than guessing at
6 the outcomes of some of these specific tendencies,
7 technological or agricultural.

8 GOVERNOR BALILES: Governor Kean of New Jersey.

9 GOVERNOR KEAN: Dr. Kennedy, first of all I will
10 like to say that I think you have shown us with your book the
11 written word is still immensely important in this democracy
12 and can in fact change policy and history and all of that.
13 In that I find it immensely encouraging.

14 Secondly that one of the difficulties we have, of
15 course, as democracy, as compared to the nations and empires
16 in which you talk of, I don't think any of them, I don't
17 think, have to put together the consensus in order to mov
18 that this democracy requires. That sometimes can be v ry
19 difficult. My question basically, and you answered part of
20 it a minute ago, you mentioned then, a word you used, was the
21 failure of our schools or whatever expression what you said,
22 was obviously our schools are not doing well enough to keep
23 up with the kind of world we have to move in. Not that they
24 are doing any worse than they have done in th ir past. They
25 are not doing w ll enough to compete with this new world.

1 What I want to ask is if you could think of ways
2 in which, as all governors are involved here trying to
3 approve schools, trying to convince people who run schools
4 and in the education business, about those simple facts.
5 First of all, that we have to do better. Secondly, that
6 money is not the only answer to that process; and, third,
7 that they have to be involved in a very important way in
8 really reinventing the school in the country so it's much
9 more successful than it is today.

10 MR. KENNEDY: Thanks for your nice comments,
11 governor. I would say as last here has gone on I have spent
12 more time talking about education, less time about collapsed
13 empires, et cetera. I think that's all to the good, because
14 it strikes me that at the end of the day these successful
15 societies, especially in this century and next century are
16 ones which will have the highest commitment to education, but
17 that doesn't, as you say, simply mean a monetary commitment.
18 You could throw a lot of cash towards education and it might
19 -- still might not work. I often wonder whether one of the
20 biggest obstacles to thinking through reforms at various
21 levels and various aspects of our society is the fact that we
22 are insulated to a very considerable extent. We are not like
23 the European states which look over the border and the French
24 will see why are we not producing as many talented engineers
25 as the Germans. We better go have a look at what the Germans

1 are doing, and come back and reassess ourselves. I wonder
2 whether the time hasn't come, in the light of all of these
3 statistics of the international comparative rankings of our
4 average public schoolchildren in mathematics and science, we
5 have compared the results, we now know that more than 50
6 percent of South Korean 17-year-olds have a higher level of
7 mathematics than the top 1 or 2 percent sophomores in our
8 colleges. We know what the comparative figures are. I am
9 not sure yet, perhaps you can correct me on this, if we are
10 then further in this international comparison and said, well,
11 what are they doing in their school structures, maybe
12 educational structures, which we are not. Obviously there's
13 a number of things. I am sure governors who have been
14 visiting to other countries and school systems know it. We
15 have by far the shortest school year in the entire western
16 world.

17 One of the reasons, possibly, why the Japanese may
18 know somewhat more mathematics than the average American is
19 that the average American public schoolchild goes to school
20 for about 180 days a year. The average European goes for
21 about 215 and the average Japanese goes for 240. There's
22 quite a bit you can do in 60 extra days of teaching.

23 But apart from that, when I said that in
24 educational audiences, I have usually been defenestrated.
25 Apart from that, I believe I am right in saying this is the

1 only country which does not have -- I know this is a touchy
2 subject amongst governors and people who like control of
3 local education, but it's the only country which does not
4 have nationally set standards, subject by subject, for all
5 people in all public schools across the country. That in
6 geography, in mathematics, and in physics, these are
7 nationally set at the center, and that you are going, your
8 children are going to sit at the age of 16, 18, they are
9 going to sit these national tests on physics knowledge, on
10 mathematics knowledge. I think because of that we enjoyed
11 the benefits of the decentralization but we may be suffering
12 from some of the disadvantages of decentralization. I wonder
13 whether in that and in a number of other areas we couldn't
14 look more carefully at how foreign countries are doing it.

15 I suppose one final remark, in defense of teacher,
16 since they often are in the firing final line here, a school
17 teacher in Japan is an inordinately highly respected p rson,
18 right at the top in terms of terms of respect. In a way the
19 Japanese are saying and South Koreans are saying that
20 education is fantastically important. If you go to West
21 Germany the school teacher is highly respected and other
22 people in that society are highly respected. In West
23 Germany, I would say the most respected professional
24 individual is the engineer, not the lawyer, not the banker,
25 not the politician, not the stockbroker, but the engineer.

1 Because they put engineering at the top, or, if you like, a
2 certain social ranking, as the Japanese put school teachers
3 in a much higher position in their society, they get very
4 favorable spin-offs from that. That's cultural choice, it's
5 not just financial choice.

6 (Applause.)

7 GOVERNOR BALILES: Thank you, Dr. Kennedy. Thank
8 you, Dr. Kennedy, for the message and for being the
9 messenger. I think you confirmed for each of us the wisdom
10 of our engaging in some strategic planning for the future in
11 the time of enormous global change. We are very grateful to
12 you not only for your book but for your observations h r
13 this morning.

14 Ladies and gentlemen, we now come to the tim when
15 we consider our proposed policy statements. Before we do
16 that, I would like to ask Governor Thompson of Illinois to
17 make a commercial plug for the summer meeting in his home
18 state. Governor Thompson.

19 GOVERNOR THOMPSON: Mr. Chairman, oftentimes as I
20 sit in my office in the state capital in Springfield on a
21 lonely evening I felt Abraham Lincoln's presence, and b cause
22 that has been such a stimulating experience, I wanted to
23 share it with my brother and sister governors this morning.
24 I have brought with me to the midwinter meeting the first
25 permanent resident of the city of Chicago, Jean Baptist

1 DuSable, who I am sure has voted by absentee ballot in the
2 mayoral primary going on in the city today, so that he could
3 be with us. I note this is the first time that President
4 Lincoln has been able to be with us at a midwinter meeting
5 and of course we are all great fans of his regardless of
6 party. Now that I have your attention, I would like to renew
7 an invitation that we have made several times, and that is
8 most heartfelt, not only for your attendance at the 81st
9 annual meeting in the city of Chicago, but for your early
10 arrival as well. This is the first time that the gov rnors
11 will have met in that most American of cities, Chicago, in
12 over 35 years. We are very proud to host the annual
13 meeting. We have been in training now for almost two years
14 and have learned much from the extraordinary efforts of my
15 fellow governors who have been hosts at our annual meetings
16 in those last two years, Governor Celeste and Governor
17 Blanchard. We hope to acquit ourselves accordingly.

18 There are a couple of unique differences with this
19 meeting. First, the host committee is national in
20 character. That is, those who are helping us finance this
21 conference come from the ranks of business and labor from all
22 over our country, not just from Illinois or from the region.
23 So you will quite likely find some of your people from your
24 stat s on our host committee and present in Chicago.

25 For the governors and spouses host committee and

1 host dinner on Saturday night at the new State of Illinois
2 Center, in our atrium state building in the city.

3 Concurrently, for the first time, we have
4 scheduled a dinner for our chiefs of staff and their chiefs
5 of staff in the hope that we could achieve better
6 coordination and better communication with the captains of
7 industry and labor in America, something we need to do on a
8 regular basis, I think, if we all knew each other better,
9 aside from CEO to CEO. We hope that is successful. To make
10 that successful, we invite all governors to arrive in Chicago
11 on Saturday in sufficient time to attend the Saturday evening
12 dinner.

13 On Sunday, for the first time, the art gallery
14 district of the city of Chicago, just north of the river,
15 extraordinarily busy and booming place, is going to open on
16 Sunday night. The streets are going to be blocked off, we
17 will have an old-fashioned block party, all the galleries,
18 restaurants open, everyone will be invited, every conference
19 attendee will be invited to attend that. Then the governors
20 will go to their governors-only dinner at the Board of Trade
21 Room at the Art Institute to be followed by a tour of the
22 Impressionist collection at the Art Institute. Monday, our
23 final dinner will be at the Navy pier, an all conference gala
24 featuring a performance by the Chicago symphony orchestra.

25 We encourage governors to come as early as you

1 want, even before Saturday, and to stay as long as you want.
2 We will make whatever arrangements you want to entertain your
3 family and your friends while you are our guests, from the
4 Chicago Cubs, to salmon fish on Lake Michigan with Chicago's
5 beautiful skyline in the background, introductions to our
6 ethnic neighborhoods. You name it, we will provide it. We
7 look forward to seeing you in Chicago. Thank you,
8 Mr. Chairman.

9 GOVERNOR BALILES: Thank you, Governor Thompson.
10 Governor Perpich has asked for a moment to make a
11 statement.

12 GOVERNOR PERPICH: I would like to discuss the
13 community service that is currently going on in this nation,
14 as the current chair of the Education Commission of the
15 States I made ECS community service project known as Partners
16 of Learning a major priority. Partners in Learning is
17 focused on establishing mentoring or tutoring relationship
18 between college students and students in the fourth to ninth
19 grade age level who are at risk of dropping out of school.
20 Program rose out of ECS organization known as a Campus
21 Compact made up of 150 university and college presidents
22 interested in promoting community services ECS on their
23 college campuses. The goal of Partners in Learning is to
24 create or identify 1 million mentors in the next three to
25 five years. Much of the work in the first year has been

1 devoted to establishing infrastructure for mentoring and
2 setting up 10 pilot projects on campuses across the country.
3 As we hoped, these focus schools have come up with
4 distinctive and innovative ways of implementing the mentoring
5 relationship between their students and we have programs
6 which are very successful in Connecticut, Boston University,
7 Xavier University, Pennsylvania, Governor Casey, they are
8 doing a fantastic job there.

9 All these approaches can be effective in
10 preventing our young people from dropping out of school. In
11 fact I became interested in mentoring as a preferred form of
12 community service after chairing an NGA task force on
13 drop-outs. The studies have convinced us that mentoring
14 generates self-confidence and a greater preference for
15 learning social skills among both the mentor and students
16 being mentored. As we have expected we also found that
17 college students have high credibility for role models
18 because they are older than they appear but not perceived as
19 much as an authority figure as a teacher would be.

20 In addition to focus schools, we have seen
21 post-secondary institutions use the national Campus Compact
22 ideal at the state level to form state contacts on behalf of
23 community service. Michigan, California, Pennsylvania, all
24 officially have these compacts. At ECS we would also expand
25 original partners in learning concept to include the youth

1 mentoring by older high school students, by senior citizens
2 and adults outside the academic setting. Although Campus
3 Partners in Learning remains the strongest component of that
4 project.

5 We are hoping now that the governors will get more
6 involved and both President Bush and democratic leadership
7 counsel have proposed strong leadership programs at federal
8 level. Of course, we would be happy to provide information
9 and contacts to any governor who was interested in
10 implementing a community service program at the state level
11 either through K-12 or post-secondary. You might also be
12 interested to know that I wrote all the Campus Compact member
13 institutions in your state, saying that they will be hearing
14 from you in the future. If you need a list of these schools,
15 we will get these to you.

16 Let me close, Mr. Chairman, by saying that
17 Dr. Martin Luther King, Jr. said that "everybody can be great
18 because everybody can serve."

19 GOVERNOR BALILES: Thank you, Governor.

20 One final request has been made. Governor
21 Goldschmidt for a moment for a statement.

22 GOVERNOR GOLDSCHMIDT: Fellow members, the
23 government of Greece is currently holding in jail on an
24 immigration charge one Mohammad Rasheed, who on the basis of
25 very strong evidence is wanted here in the United States for

1 the 1982 bombing of a Pan Am jetliner in the Pacific. He has
2 also been linked to a May 15 terrorist group responsibility
3 for the 1986 bombing of the TWA jetliner over the
4 Mediterranean. Supreme Court of Greece is due any day to
5 rule on his extradition. There is some possibility that he
6 will be set free. This fear is based on the experience that
7 last December Greece released to Libya a gentleman suspected
8 of membership in the Abu Nidal group and this is a man who
9 was wanted for assault on a Rome synagogue in which a
10 two-year old boy was murdered. The Greek minister of justice
11 released El Zomar because he was deemed a justifiable
12 political struggle for his homeland. There is no resolution
13 in front of you nor will there be but there is a letter sent
14 to each of your offices and an offer sent to you to join me
15 in signing a letter to the President merely urging the Greeks
16 to adhere to current treaty agreements, which I think it's
17 possible they will do and just to encourage them to handle
18 this extradition properly. I think all of us understand the
19 terrorism issue. It's an opportunity for us to express our
20 views on it directly. Thank you, very much, Mr. Chairman.

21 GOVERNOR BALILES: Thank you. First, as governors
22 look within our borders, no one is more important to our
23 success than our spouses. They have had a separate set of
24 highly productive discussions over the last three days. From
25 all I have heard they will leave our conference with a lot of

1 good ideas. From children, child care, literacy and elderly,
2 they are making a difference in our communities, in our
3 country. On behalf of all of the governors, I would like to
4 thank each of them for their work and for their participation
5 at our conference.

6 I would also like to thank a group that has made
7 this meeting possible. We all know that governors are only
8 as good as the people who work with them, both in our state
9 capitals and here in Washington. In particular I would lik
10 to thank Ray Scheppach and the staff of the National
11 Governors' Association. Their energy and their efforts have
12 made this conference a major success.

13 We will now consider as a final item of business
14 revised and new policy considerations that were sent to you
15 on February 10. You have before you these committee policy
16 positions plus any amendments made by the executive committee
17 and standing committees at our meeting. There are several
18 resolutions but please note resolutions can only recognize
19 persons, places, or events or support existing policies of
20 this association. No new policy is adopted by means of
21 resolutions. These policies and resolutions will require a
22 2/3 vote of those present and voting.

23 We will take the policies in alphabetical order by
24 committee. The executive committee coming last. To expedite
25 matters we will vote en bloc on the proposal of each

1 committee except where a request is made to consider a policy
2 proposal individually.

3 I would like to ask the committee Chairs to please
4 move the adoption of their policy positions and resolutions.

5 First, I will call on Governor Sinner, Chair of
6 the Committee on Agriculture and Rural Development.

7 GOVERNOR SINNER: Thank you, Mr. Chairman. The
8 Agriculture Committee Report is the gray one in your packet.
9 It has two new policy changes, it has two resolutions to
10 support existing policies. I will answer questions if you
11 wish. But in lieu of questions that I know of, I will simply
12 move the adoption of these policies and resolution.

13 (Second.)

14 GOVERNOR BALILES: Is there a second --

15 GOVERNOR SINNER: Mr. Chairman, I did forget one
16 thing. We had a long meeting with Chairman Leahy yesterday
17 as mentioned by Governor Branstad. He is very supportive of
18 our efforts in rural development and is intending to move
19 ahead with some legislation on a coordinated basis in the
20 Congress.

21 GOVERNOR BALILES: All right. All in favor of the
22 motion to adopt the policies and the resolutions proposed by
23 the Committee of Agricultural on Rural Development say aye.

24 (Chorus of ayes.)

25 GOVERNOR BALILES: Opposed?

1 Carried. Governor DiPrete, chairman of the
2 Committee on Economic Development and Technological
3 Innovation, is unable to be here at this point. I call on
4 Governor Romer to present the policy resolution.

5 GOVERNOR ROMER: The committee considered two
6 separate amendments to the comprehensive policy on housing,
7 both of them were adopted unanimously. The first conforms to
8 section of policy dealing with homelessness, on the new
9 policy, on homelessness adopted by the Human Resource
10 Committee yesterday. The change gives greater flexibilities
11 to governors in targeting slots for homeless individuals and
12 families within federally subsidized housing programs. The
13 second amendment pertains to the national partnership
14 section, amendment removes language that provides -- removes
15 specific language in order to provide more working room for
16 negotiations while at the same time strengthens the language
17 supporting its state role in a national housing policy. I
18 move adoption of both of the amendments.

19 GOVERNOR BALILES: Is there a second?

20 (Second.)

21 GOVERNOR BALILES: Is there any discussion? All
22 in favor of the motion say aye.

23 (Chorus of ayes.)

24 GOVERNOR BALILES: Opposed?

25 No. Ayes have it, motion is carried.

1 Next it is Governor Kunin, chair of the Committee
2 on Energy in the Environment.

3 GOVERNOR KUNIN: Thank you, Mr. Chairman. The
4 committee on energy and environment proposes three policies
5 and three resolutions. Policy change and resolution in one
6 area is in the Clean Air Act reflecting what we strongly
7 believe is an urgent need to reauthorize and strengthening
8 that law. I think it has become clear in various discussions
9 at this conference that the nation's air pollution problems
10 are getting worse rather than better, including acid rain,
11 urban smog, carbon monoxide and air toxics, and that EPA data
12 shows some 112 million Americans are breathing air that
13 basically violates federal health and protective standards.

14 In addition, the committee was very pleased to
15 hear EPA administrator William Riley indicating his intention
16 of the administration, we just heard Senator Mitchell, having
17 a legislative package on air pollution issues. The National
18 Governors' Association intends to be very active in th se
19 negotiations to make sure that we get such legislation.

20 Most significantly, and I think of interest to all
21 the governors is that the committee reports a compreh nsive
22 national energy policy statement.

23 We consider this a major achievement, that the
24 governors of this nation did reach agreement on energy issues
25 which have divided us for a long time. It is our hope that

1 this kind of consensus will be the foundation for the prompt
2 development of a national energy policy, and that this
3 consensus will kind of follow the pattern of our unanimity in
4 terms of welfare reform and will give the impetus to the
5 Congress and to the President to act. All of us recognized
6 that the energy-producing and the energy-consuming states
7 really have interdefined interests and this policy strongly
8 reflects that, focusing also to a greater extent than ever
9 before on the interconnection between energy decisions and
10 environmental consequences and global warming changes. In
11 fact, the committee and the NGA will be cohosting a
12 conference that begins this evening in New York City,
13 Governor Kean, Governor Cuomo and I and the total NGA will be
14 cooperating on a conference that starts tonight on global
15 warming.

16 The committee also reports a resolution asking for
17 funding for construction of municipal sewage treatment
18 facilities. This is an area where we have a commitment, we
19 have promises to keep, we need the financial wherewithal in
20 order to keep our promises.

21 A second resolution deals with accretion of a
22 trust fund to succeed the land of water conservation fund, to
23 meet all of our local needs for public lands and
24 conservation.

25 Finally, the committee r commends the approval of

1 a new NGA policy on wetlands conservation and management.
2 Basically, the bottom line is no net loss, that is the goal
3 and is a goal that the new President has enunciated. It is
4 one that we have worked very hard to reach agreement on.

5 I would like to recognize the very strong
6 participation and leadership of Governors Kean, Campbell and
7 Gardner in this issue, as well as on some of the other
8 issues. I believe Governor Kean would like to give you a few
9 more details of the wetlands issue.

10 GOVERNOR BALILES: Governor Kean.

11 GOVERNOR KEAN: Mr. Chairman. Over the past two
12 years I have had the opportunity to chair the wetlands policy
13 forum, with Governors Carol Campbell and Governor Gardner,
14 tremendous assistance from them in this effort. We had
15 representatives of a most diverse group, representatives of
16 the farmers, appointed by a large farm organizations, people
17 from the timber industry, oil industry, environmentalists,
18 builders, developers, and we all got together into a report
19 and everybody signed recommending the no net loss goal. It
20 was formed, obviously, recognizing that this country could no
21 longer tolerate a situation under which we had lost 50
22 percent of its wetlands already. The status quo is just
23 unacceptable. The final report reached in November contains
24 over 100 recommendations. Perhaps the most important
25 recommendation is that no net loss, one that has now been

1 endorsed by the President, Senator Mitchell mentioned it, we
2 hope it will move ahead. The policy before us reflects many
3 of the findings and recommendations of the forum. It
4 includes the no net loss goal, strong bias, particularly
5 towards giving states new power and new flexibility and new
6 resources to manage and protect their wetlands. It
7 recognizes that we as governors will balance many concerns,
8 including, of course, the needs for farmers, need to provid
9 adequate infrastructure for growth. It also recognizes the
10 urgency of stemming the loss of these national resources. As
11 national debate on wetlands begins, it is very important that
12 the governors have a voice and that gives us a voice so I
13 would think you for consideration of this policy.

14 GOVERNOR BALILES: Thank you, governor. Is there
15 a notion to adopt the policy recommendations of the Committee
16 on Energy and Environment.

17 Moved and seconded.

18 GOVERNOR BALILES: Any discussion? Governor
19 Sinner.

20 GOVERNOR SINNER: Mr. Chairman, I want to make a
21 statement that it seems to me to be extremely difficult for
22 this organization to deal with the statement of this length
23 and complexity either in the committee, certainly by
24 noncommittee members, or here on the floor. I think our
25 state was the first state to take the lead and pass a no net

1 loss bill.

2 In addition to that, we have worked out a
3 one-of-a-kind agreement with fish and wildlife service for
4 the management of our wetlands.

5 If you look at the past in this country, the
6 urbanization of America has caused the filling in of
7 thousands and thousands of wetlands for airports, city and
8 industrial developments. People want nice lawns; they want
9 sound foundation for their buildings, their roads, th ir
10 highways, a lot of wetlands have been filled in for food
11 production in the irrigated parts of this country. But there
12 have been some losses too, in groundwater, habitat,
13 ecological balance and the sheer beauty of this country.

14 Involved in all of this are incredibly difficult
15 human factors. They must be primary. I thought it was
16 curious they aren't even mentioned hardly in the policy, the
17 human consideration. The human considerations are very
18 difficult; they are extremely contentious and, most of all,
19 they are real.

20 I passed out a small copy of a map which shows you
21 the Fish and Wildlife fee and easement holdings in the state
22 of North Dakota. You can see it a little bit better on the
23 large map here behind me.

24 What happens in these cases? An individual
25 landowner signs an agreement with Fish and Wildlife service

1 for an easement.

2 In so doing, he forever gives away the state's
3 right of eminent domain. Now, that has caused more
4 contentiousness than I can describe to you. So I began, when
5 I became governor, an effort to get the parties to sit down
6 and workout some understandings, because it is extremely
7 difficult for local jurisdictions to clean out historic
8 drains, to maintain their local tax structure, to dispute
9 resolution, and negotiate with landowner. We finally
10 negotiated a CRP for wetlands. We must find out better ways
11 for temporary easements to keep the state's land intact and
12 not forever lose it to a federal agency. We must find
13 clearly defined and limited easements.

14 There's something troubling about our process here
15 that gets us where we are today. We have before us a long
16 detailed policy statement prepared by a committee, and
17 frankly not accessible to the rest of us. We commented on it
18 about a month ago, after we asked for some time for a copy of
19 the draft. But we can't amend it here on the floor, n ith r
20 could we amend it in committee. The only alternative for us
21 is to move here on the floor complex amendments or to vote
22 no. Neither alternative is any good. Somehow, we all
23 recognize we have to manage our waters better, we must manage
24 our wetlands better. But many of the stated and implied
25 specifics in this policy are, at best, inadequately thought

1 out, discussed, or maybe even worse, ill-conceived. I am
2 going to vote for the policy, but I hope that in the future
3 we can find a way to, number one, state general goals and
4 policy in a more concise and general way and, number two,
5 where specific recommendations are implied that they be
6 equally stated concisely and hopefully with a better
7 opportunity for the rest of us to have input and a chance to
8 review and comment.

9 Mr. Chairman, I want to compliment the committee
10 for undertaking this difficult area. But, believe me, what
11 is going on in many parts of the country, as you can see, not
12 just the loss of the land, but the loss of state's right of
13 eminent domain. Believe me, it is a very serious issue.
14 Thank you very much.

15 GOVERNOR BALILES: Any other comments? Governor
16 Ashcroft.

17 GOVERNOR ASHCROFT: I would just like to second
18 what George has said. I think we have not entirely focused
19 on the wetlands policy but on a number of these policies.
20 It's difficult to have the kind of opportunity to assess and
21 to contribute. I intend to vote for the policy, but I want
22 just to express my sense that he has struck a responsive cord
23 with me.

24 GOVERNOR BALILES: Any other comments. Governor
25 Goldschmidt.

1 GOVERNOR GOLDSCHMIDT: If I may, I would lik to
2 be a little more specific about what troubles me about this
3 resolution. This is a classic. Nobody wants to vote in
4 favor of screwing up the wetlands. I can't vote against it,
5 nobody can. But let me make a couple of points.

6 The United States government is not managing this
7 program well now. I don't see really any indication h re of
8 anybody hitting them upside the head. Governor, you may tell
9 me I am missing it in here.

10 But if we turn to 51.6, where the 404 program is
11 described, nobody is taking the federal government up on
12 their offer to run this program, because it isn't even money
13 in our case. We wouldn't take the program today because
14 every time we try to make a decision they second-guess it
15 anyway. We are at gridlock between the Corps of Engineers,
16 EPA, Fish and Wildlife and all the rest of the folks. What
17 this policy basically says is we think a no net loss strategy
18 for the country makes sense. Then you go on to say that's
19 going to be tough to do at the state level because we don't
20 have the money to buy the lands and do the mitigation
21 involved. The effect is paralysis is on its way. So to
22 Governor Kean and Governor Kunin who I think have really
23 labored artfully over this, my concern as usual is all of
24 this will be taken by a federal administrator. They will
25 read the headline and say but you have endorsed our policy.

1 Basically you ar endorsing the current federal strat gy of
2 either make a decision that says no or make no decision,
3 which is quite directly the case or transfer the dollar
4 responsibility back to you. If you want to mitigate here,
5 it'll take a few million dollars to solve the problem. Our
6 people did get a chance to participate. I want to be very
7 clear, our staff got all the information, I got detailed
8 comments about each section. The frustration I have got is
9 this, to me, if this administration manages it the way w
10 have seen the last eight years, we won't get a wetlands
11 decision in our state.

12 Thank you.

13 GOVERNOR BALILES: Any other comments, Governor
14 Kean.

15 GOVERNOR KEAN: Just a couple of points. This
16 policy is based on a report which all the governors wer sent
17 some time ago which details and answers, frankly, a lot of
18 the points have been made in the fuller reports. This policy
19 as it has got a little longer because five or six governors
20 wanted to add to. Of course we added what was request d.

21 The forum them got together and the policy h re is
22 because we are not happy with existing policy. Nobody is.
23 The army Corps of Engineers was involved in the forum, they
24 are not happy, both EPA administrators, past and this one
25 said this doesn't work anymore. Home builders are

1 frustrat d. They say we are wasting money and wasting time.
2 Everybody is frustrated, timber industry, oil industry. This
3 forum and this resolution was borne out of fact we have to
4 change to address many of the kinds of things which governors
5 have just mentioned.

6 We tried to, wherever I got, certainly Governor
7 Gardner, Campbell got a request, we tried to meet with p ople
8 and workout whatever the problems were, not met with Governor
9 Sinner. Perhaps I should have. I didn't realize he had
10 these kinds of objections. But this is an attempt to
11 change. It isn't an attempt to have a new policy. People
12 interested in the wetlands all over this country feel that it
13 is time for something new. That's why we need to get into
14 Congress and make those changes.

15 GOVERNOR BALILES: Thank you, Governor.

16 Are we ready to vote? All in favor of the motion
17 say aye.

18 (Chorus of ayes.)

19 GOVERNOR BALILES: All opposed say no.

20 Ayes have it, motion carries.

21 Next it is Governor Celeste, Chair of the
22 Committee on Human Resources.

23 GOVERNOR CELESTE: Thank you very much,
24 Mr. Chairman. I would lik to mak thre bri f points before
25 moving the full report of the Committe on Human Resources.

1 We heard from Secretary Dole yesterday and she outlined for
2 the committee her agenda for the Department of Labor. I
3 would like to just highlight this for you. Her focus
4 included targeting additional resources towards disadvantaged
5 youth, providing a more comprehensive set of services for
6 dislocated workers and coordinating the provision of enhanced
7 services for welfare clients, working, Governor Castle, to
8 see we move forward with the welfare reform under way.
9 Secretary urged us to play key leadership in an efficient and
10 coordinated fashion. She said she will be submitting a new
11 youth strategies proposal to the cabinet council and asked
12 for our comments and our help in implementing this new
13 program. She also said that the department would work
14 actively pursuing initiatives in the areas of health and
15 safety in the workplace, pension policy, work and family
16 issues and labor management relations. So I simply
17 underscore those for my colleagues.

18 Secondly, I would like to share with you th n ws
19 that we are forming a governors' council on the American work
20 force, recognizing that the quality of the American work
21 force and its abilities to adapt to rapidly changing demands
22 of the economy, is the key to maintaining a competitive
23 position in the world marketplace, and underscored very
24 eloquently, I thought, by Paul K nnedy's observations this
25 morning.

1 Further recognizing that the states are in the
2 best position to effect changes in policy that will shape the
3 work force of tomorrow and possess the tools to deal with the
4 work force of today.

5 I am pleased to announce the formation of this
6 governors' council on the American work force composed of
7 four governors, four CEOs, and four labor leaders, to provide
8 input into the ways for states to effectively manage work
9 force quality issues as we move into the 1990s.

10 Governors Booth Gardner of Washington, Jim
11 Thompson of Illinois and Ed DiPrete of Rhode Island have
12 agreed to serve on a council which I will chair. Counsel
13 proposes to report to the NGA annual meeting a year from this
14 summer. It's going to focus on ways to achieve better
15 educated and trained workers, more and more flexible,
16 workplace, as well as more flexible work force. The kinds of
17 state policies and programs, many of them already exist, to
18 assist workers and business workers to achieve these goals.

19 The third point I would like to make is you have
20 before you a packet which contains a letter from me and a
21 package. I hope all of you can identify these are materials
22 relating to the earned income credit campaign. The earned
23 income credit was established in 1975 and greatly expanded by
24 President Reagan and the Congress in 1986. To reward and
25 encourage work and help offset the growing burden of payroll

1 taxes placed on low income working families. The credit is
2 pro family and pro worker. You must work and support
3 children living at home to quality. It's targeted to low
4 income families.

5 However, we understand that several million low
6 income families with children may fail to receive as much as
7 \$874 to which they are entitled under the federal tax credit
8 if they fail to file a federal income tax return this year.
9 The tax is refundable so that working poor families can
10 benefit even if they owe no federal income tax. But they
11 must file a federal income tax return to receive the credit.

12 The packet before you, which I explained in my
13 cover letter, contains materials that you can use in your own
14 states or adopt for use in your own state. To get this word
15 out, to low income working families, good news that we as
16 governors can convey to our constituents, we really need to
17 help get this message to them so that we can join in a
18 national campaign to help our working families take full
19 advantage of this public policy.

20 Now, Mr. Chairman, rather than to highlight what
21 was a long agenda for the Committee on Human Resources, very
22 consistent with the emphasis we have been talking about this
23 session, I would like to move en bloc the 11 policy positions
24 that were voted by the committee on human resources
25 yesterday.

1 GOVERNOR BALILES: Is ther a second?

2 (Second.)

3 GOVERNOR BALILES: Any discussion? All in favor
4 of the motion say aye.

5 (Chorus of ayes.)

6 GOVERNOR BALILES: All opposed?

7 No. The ayes have it. The motion is carried.

8 Governor Orr, Chair of the Committee on Transportation,
9 Commerce and Communication.

10 GOVERNOR ORR: Thank you. The Committee on
11 Transportation Commerce and Communications met in Chicago.
12 My goal for the meeting is to develop a comprehensiv
13 overview policy for this committee that better reflects our
14 committee's potential. On the current immediate horizon is
15 the surface transportation act that expires in 1991. I
16 believe we need to feel the nation's pulse to develop plans
17 to build a consensus and to propose an agenda for action.
18 The if NGA plays a key role in the negotiations of future
19 surface transportation program. Our association is essential
20 to the success of the 2020 project and its steering committee
21 for transportation alternatives group is already working.
22 The transportation committee has developed a resolution and
23 that just reemphasizes existing NGA policy on surface
24 transportation. Its resolution entitled transportation
25 2020. I call your attention to it. It's in the gold packet

1 before you. I move its adoption by the whole association.

2 GOVERNOR BALILES: Thank you. Is there a second?

3 (Second.)

4 GOVERNOR BALILES: Any discussion? All in favor
5 of the motion say aye.

6 (Chorus of ayes.)

7 GOVERNOR BALILES: All opposed?

8 Ayes have it. The motion is carried. I would
9 like to call on Governor Blanchard to discuss three
10 resolutions proposed by the executive committee.

11 GOVERNOR BLANCHARD: Thank you, Mr. Chairman. The
12 executive committee has three resolutions, A-10, A-28, A-29
13 listed in your book. I believe all three are very brief.
14 The first deals with political self-determination for Puerto
15 Rico, next uniform poll closings, and the final one, voter
16 registration and participation. They are general in nature
17 and any of my colleagues would like to discuss them, I would
18 urge you to read them. They are not lengthy at all, and
19 perhaps speak for themselves better than my --

20 GOVERNOR BALILES: Is there a motion?

21 GOVERNOR BLANCHARD: I would move the adoption en
22 block of those three.

23 GOVERNOR BALILES: Is there a second? Governor
24 Branstad seconds. Is there any discussion? Governor Ada.

25 GOVERNOR ADA: I am v ry happy to stand in support

1 of self-determination for the people of Puerto Rico. It
2 fills the heart of every Territorial American with joy to see
3 the human rights of other Americans recognized. Because it
4 fills us with hope that one day human rights in the
5 territories will be recognized.

6 The people of Puerto Rico deserve the right to
7 determine for themselves the future course of the
8 relationship with America, the destiny of Puerto Rico. So
9 too do the people of Guam deserve the right to determine
10 their future and the people of the Virgin Islands and th
11 people of American Samoa.

12 I believe that when President Bush declared the
13 support or his support for Puerto Rico's self-determination,
14 that support universally extended to the rest of us, who live
15 in the territories. We found the benefit of constitutional
16 protection the only Americans remaining without full
17 recognition of our human rights, for America is indeed a
18 great nation, but it must, it will ensure that justice is
19 done, even for its forgotten patriots in the territories.
20 Thank you.

21 GOVERNOR BALILES: Thank you, Governor. Is there
22 any other discussion? All in favor of the motion say aye.

23 (Chorus of ayes.)

24 GOVERNOR BALILES: All opposed?

25 Ayes have it, the motion is carried.

1 That conclude our program. I would like to thank
2 my colleagues and their staffs for attendance and
3 participation. There is a closing press conference for
4 governors 15 minutes after adjournment in the press
5 conference room in the lobby level. There's no other
6 business, I will declare this meeting adjourned.

7 (Whereupon, at 11:50 a.m., the meeting was
8 adjourned.)

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25