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NATIONAL GOVERNORS' ASSOCIATION  
1998 ANNUAL MEETING  
OPENING PLENARY SESSION/EXECUTIVE COMMITTEE  
SUNDAY, AUGUST 2, 1998  
LOCATED AT:  
THE MIDWEST EXPRESS CENTER  
400 WEST WISCONSIN AVENUE  
MILWAUKEE, WISCONSIN

1 GOVERNORS PRESENT:  
2 Governor George V. Voinovich, Ohio, Chairman  
3 Governor Thomas P. Carper, Delaware, Vice Chairman  
4 Governor Tom Ridge, Pennsylvania  
5 Governor Zell Miller, Georgia  
6 Governor Argeo Paul Cellucci, Massachusetts  
7 Governor David M. Beasley, South Carolina  
8 Governor James S. Gilmore III, Virginia  
9 Governor Howard Dean, M.D., Vermont  
10 Governor Don Sundquist, Tennessee  
11 Governor Kirk Fordice, Mississippi  
12 Governor Mel Carnahan, Missouri  
13 Governor John Engler, Michigan  
14 Governor Tommy G. Thompson, Wisconsin  
15 Governor Arne H. Carlson, Minnesota  
16 Governor Bob Miller, Nevada  
17 Governor Roy Romer, Colorado  
18 Governor William J. Janklow, South Dakota  
19 Governor Frank Keating, Oklahoma  
20 Governor Jane Dee Hull, Arizona  
21 Governor Pedro Rossello', Puerto Rico  
22 Governor Carl T.C. Gutierrez, Guam  
23 Governor Gary E. Johnson, New Mexico  
24 Governor Michael O. Leavitt, Utah  
25 Governor Marc Racicot, Montana

1 Governor Edward T. Schafer, North Dakota  
2 Governor E. Benjamin Nelson, Nebraska  
3 Governor Cecil H. Underwood, West Virginia  
4 Governor Terry E. Branstad, Iowa  
5 Governor Lawton Chiles, Florida  
6 Governor Mike Huckabee, Arkansas  
7 Governor Jim Edgar, Illinois  
8 Governor Frank O'Bannon, Indiana  
9 Governor Paul E. Patton, Kentucky  
10 Governor Jeanne Shaheen, New Hampshire  
11 Governor Parris N. Glendening, Maryland  
12 Governor John G. Rowland, Connecticut  
13 Governor Christine T. Whitman, New Jersey  
14 GUESTS PRESENT:  
15 Mr. Chuck Martin, The Net Future Institute  
16 Mr. Kenneth R. Thornton, IBM Global Government Industry  
17 Mr. Paul W. Goldberg, Former Director of Ohio Civil  
18 Service Employees Association  
19

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

2 (Presentation of the colors and colors

3 of the State of Wisconsin.)

4 GOVERNOR VOINOVICH: We'd like to thank

5 the Color Guard from Wisconsin's Army and Air

6 National Guard for presenting the colors this

7 morning. Let's give them another round of

8 applause.

9 (Applause.)

10 GOVERNOR VOINOVICH: Good morning.

11 Distinguished guests, ladies and gentlemen,

12 welcome to the opening plenary session of the 90th

13 annual meeting of the National Governors'

14 Association. During the next four days of NGA's

15 90th annual meeting, governors will explore the

16 opportunity and challenges in three specific areas

17 that will shape our nation as we enter the 21st

18 century.

19 First, we will discuss how states are

20 responding to new cutting edge technology and how

21 we utilize the principles of total quality

22 management, tools that are necessary for us to

23 have the high performance work force we need to

24 compete in the 21st century.

25 And second, we will discuss state

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1 initiatives to better serve young people from zero  
2 to three which perhaps will be the best investment  
3 we can make in developing this country's human  
4 resources so our nation can sustain and improve  
5 our standard of living in the 21st century.

6 And last but not least we will focus on  
7 the changing global landscape and how states can  
8 compete now and into the 21st century  
9 understanding that states are the engines of the  
10 American economy.

11 I now call the 1998 annual meeting of  
12 the National Governors' Association to order. May  
13 I have a motion for the adoption of the rules of  
14 procedure for our meeting?

15 (Motion made.)

16 GOVERNOR CARPER: Mr. Chairman, I would  
17 like to second that motion.

18 GOVERNOR VOINOVICH: Any discussion?  
19 Motions?

20 (No response.)

21 GOVERNOR VOINOVICH: All those in  
22 favor?

23 (Chorus of ayes.)

24 GOVERNOR VOINOVICH: Motion is passed.

25 I now would like to announce the appointment of  
26

1 the following governors to the nominating  
2 committee for the 1998/99 NGA executive  
3 committee. Governor Rowland, Governor Chiles,  
4 Governor Edgar, Governor Nelson, and Governor Bob  
5 Miller will serve as the chairman.

6 Part of the rules require that any  
7 governor who desires to submit a new policy or  
8 resolution for adoption at this meeting will need  
9 a three-fourths vote to suspend the rules. And  
10 I'd like you to submit any proposal that you would  
11 like to be considered by no later than 5:00 p.m.  
12 tomorrow.

13 Now I'd like to recognize and thank our  
14 host for this year's annual meeting, Governor  
15 Tommy Thompson and Sue Ann Thompson.

16 (Applause.)

17 GOVERNOR VOINOVICH: Governor Thompson  
18 is one of the most active and effective governors  
19 in the nation. And those of us who are fortunate  
20 enough to call him a colleague are always grateful  
21 for his many contributions to the National  
22 Governors' Association and for his leadership. He  
23 is a tireless worker on behalf of all governors,  
24 first as chairman and now as host governor.

25 Tommy's passionate work in support of  
26

1 efforts to reform welfare and Medicaid, advance  
2 federalism and improve education, have been  
3 appreciated by many of us who have served together  
4 with him in the National Governors' Association.

5 Sue Ann Thompson has been and continues  
6 to be very involved in the NGA spouses program  
7 serving as chair of that organization several  
8 years ago. Before Governor Thompson makes his  
9 welcoming remarks, let's show him and Sue Ann how  
10 much we appreciate the hospitality that they're  
11 extending to us.

12 (Applause.)

13 GOVERNOR THOMPSON: Thank you very  
14 much. Thank you very much. Thank you. Thank  
15 you. Thank you so very much, all of you, and  
16 especially to you my friend, George, for being  
17 here and you, George, for as I said last night,  
18 most valuable player on our team to Brett Favre of  
19 governors in the United States. I thank you so  
20 very much for your kind words, leadership in so  
21 many issues.

22 And Tom Carper, thank you so very much  
23 for being here and being the new chairperson elect  
24 of this wonderful organization. I want to just  
25 take this opportunity just for a few minutes to  
26

1 say welcome on behalf of Sue Ann and myself.  
2 We're delighted that you're here in Wisconsin.  
3 And I want to thank you for coming in the midst of  
4 our year long birthday party.

5 This year Wisconsin is celebrating its  
6 sesquicentennial. 150 years of strong families,  
7 vibrant communities, bountiful farms, growing  
8 industries, environmental stewardship and good  
9 government. And welcome to the Midwest Express  
10 Center, our brand new \$175 million triumph of  
11 architecture and of private/public partnerships.

12 The National Governors' Association is  
13 the first convention in this beautiful facility.  
14 I dedicated it only last weekend. My appreciation  
15 to Mayor Norquist and County Executive Ament for  
16 all that they have done to make this thing  
17 happen.

18 While this facility's architectural  
19 flourishes pay homage to the past, it was truly  
20 built for the future. Milwaukee's Midwest Express  
21 Center leads Wisconsin into its second 150 years.  
22 By welcoming the new millennium with powerful  
23 internet connections, video conferencing and  
24 satellite hook-ups, what a fitting setting for a  
25 national conference of governors dedicated to  
26



1 making the most of technology, to participating  
2 fully in the global marketplace, to enriching  
3 opportunities for our children, forward looking  
4 objectives all of them. That's the nation's  
5 governors. Forward looking.

6 And that is also Wisconsin's motto,  
7 forward. Which means we're looking forward to a  
8 rematch in next year's Superbowl because the  
9 Packers were America's first Superbowl champions,  
10 they are the immediate past Superbowl champions,  
11 and sorry to have to break it to you, Governor  
12 Romer, the immediate future Superbowl champions.

13 The last time that my state hosted the  
14 nation's governors, we had also just baptized a  
15 major new public structure. That was in Madison.  
16 The year was 1914. I don't know what we did to  
17 the governors to have you stay away 85 years, but  
18 we're going to make sure that you want to come  
19 back soon.

20 In fact, the statue that stands atop of  
21 our state capital looks to the east towards  
22 Washington DC as if to say give us our waivers.  
23 The news report that characterized the Governors'  
24 session in 1914, I wanted to read this to you.

25 It said the prime function of the  
26

1 conference is the one its name implies. Whether  
2 fitted for leadership or not, whether he likes it  
3 or not, the governor of each state must for the  
4 time being be the political leader of its people.  
5 In all matters affecting the state, they look to  
6 him for his own success and for the welfare of  
7 all. It is desirable that he should avoid error  
8 wherever possible, seek our counsel and wisdom and  
9 stead. And what better way may these objects be  
10 attained than by attendance at those conferences.

11 Here he and his fellow executives may  
12 find wise and safe guidance in the combined  
13 judgment and experience of all by interchange of  
14 views and a free and frank discussion of state  
15 problems, such as we have had at every meeting.  
16 His opinions will be clarified, his convictions  
17 deepened and his purposes strengthened.

18 I couldn't say it better myself. That's  
19 why we're governors, and that's why we meet on an  
20 annual basis. This year Wisconsin is celebrating  
21 150 years of good government. Our progressive  
22 tradition inspired revolutionary programs to  
23 protect the working men and women of America with  
24 the first unemployment insurance in 1932, first  
25 Worker's Compensation in the country in 1911.

26

1 We're the first state to pass the constitutional  
2 amendment to allow women the right to vote.

3 Today Wisconsin is also booming in the  
4 areas of welfare reform and many other things. We  
5 also were the state, contrary to what  
6 Massachusetts and New Hampshire say, and Michigan,  
7 Wisconsin is also the birthplace of the Republican  
8 party.

9 If you fly up to the Oshkosh  
10 Experimental Air Show, you'll see from the air  
11 right over Ripon trees planted in the shape of an  
12 elephant to prove it, Governor Engler.  
13 Wisconsin's accomplishments serve only to  
14 underscore the possibilities that still remain.  
15 For the states in this union of 50 are the  
16 vanguard of policy innovation. The crucibles of  
17 change, they are America's original laboratories  
18 of democracy.

19 Today once again all eyes are turned to  
20 the states because the states are where America  
21 started, it is where America lives, in places as  
22 grand as Park Avenue or as humble as the family  
23 grocery store in a little town of 1500 called  
24 Elroy where I come from.

25 Today when governors speak, presidents  
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1 and Congress listen. Where Madison and Trenton  
2 and Richmond go, Washington usually follows. The  
3 states are bubbling with innovation and common  
4 sense solutions in education, welfare reform,  
5 business development, health and safety.

6 The states are where America's  
7 government is being reinvented. The states and  
8 their governors are pointing the way forward to  
9 the future. Wisconsin is very proud to host the  
10 nation's governors in this our sesquicentennial  
11 year. I am confident the work we do here will be  
12 inspired by our heritage of bold policy  
13 initiatives and good old Elroy common sense.

14 And when our daily work is finished, I  
15 hope that you will also partake of a Wisconsin  
16 tradition which is have fun and have a smile. Be  
17 sure to enjoy yourself. And I want to make sure  
18 that when you leave, everybody has a smile on your  
19 face.

20 If I walk through this audience today  
21 and you're not smiling, watch out. We're going to  
22 have the biggest Circus Parade for you this  
23 afternoon. Over 1,000 horses, over 15 elephants,  
24 15 camels, the only wagon that has hippos in it  
25 that will be transported through the streets.

1 Over 700,000 people are here. They have been  
2 sleeping out for a couple days.

3 They're not homeless I want you to  
4 know. They're here to enjoy the Circus Parade.  
5 And tonight on the lakefront we're going to have a  
6 wonderful show. We're going to have the  
7 Temptations, and we're going to have several  
8 dancers from Milwaukee. We also have a dance  
9 contest between George Voinovich who has Serbian  
10 blood in him and myself of Irish blood. So we've  
11 got ethnic dancers of Serbians and Irish. We'll  
12 have a dance contest. If I was you, I would bet  
13 on the Irish. That's only a part of it.

14 We want you to have a wonderful time.  
15 We love having you in Wisconsin. Please enjoy  
16 yourself. And remember, you have to have a smile  
17 on your face. And please enjoy the Circus Parade  
18 this afternoon which I'm sure you will. God love  
19 you and thank you for coming.

20 (Applause.)

21 GOVERNOR VOINOVICH: Hey, Tommy, you're  
22 in trouble because not only am I going to have the  
23 Serbians, I'm going to have the Croatians and  
24 Slavonians with me.

25 We have a special pleasure this morning  
26

1 to welcome the mayor of this great city. And  
2 being the former mayor of the City of Cleveland, I  
3 know how proud Mayor Norquist is to have the  
4 National Governors' Association in his city at a  
5 very, very special time. Most governors are and  
6 mayors are very proud of their state or their  
7 city, and you want to have people in town when you  
8 have your best foot forward.

9 And I recall when Governor Thompson was  
10 talking about coming to Milwaukee, and he was  
11 talking about a Circus Parade. And he went on and  
12 on and on about it. And I looked at some of the  
13 other people that were considering whether we  
14 would go to Milwaukee or not and wondered why was  
15 he making such a big deal out of this Circus  
16 Parade.

17 And it wasn't until last night I ran  
18 into a couple in front of the hotel and said  
19 Governor Voinovich, and I said yes, and we're from  
20 North Canton, Ohio. I said why are you here?  
21 We're here for the Circus Parade. 750,000 people  
22 here for the Circus Parade. 150th anniversary of  
23 the state, the sesquicentennial of the state.  
24 Just a great time.

25 Mayor Norquist, I know you're very --  
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1 where is Mayor Norquist. There he is. Very proud  
2 of your city. I was mentioning to the Mayor, the  
3 last time I was here was to speak before the  
4 Wisconsin League of Cities when Henry Maier was  
5 the mayor of your town. And I think I speak for  
6 everyone here that's had a chance to walk around a  
7 little bit and see what you've done with this city  
8 to say congratulations on you. This is truly a  
9 renaissance city. And I'm glad that you've got  
10 the media from all over the United States of  
11 America to see what you have accomplished. This  
12 is a great mayor of this city and a great mayor in  
13 this country. Ladies and gentlemen, let's welcome  
14 the Mayor of the City of Milwaukee. John  
15 Norquist.

16 (Applause.)

17 MAYOR NORQUIST: Dobar dan. That's the  
18 only Serbian I know. I want to welcome all of you  
19 to Milwaukee. We're very honored to have this  
20 convention. We're very happy that our governor,  
21 Tommy Thompson, persuaded you to come here. And I  
22 think you'll enjoy it very much. Not just the  
23 magnificent Circus Parade which you'll see this  
24 afternoon and the many other sites in the city,  
25 but from a policy standpoint, Milwaukee and  
26

1 Wisconsin are very interesting places to be.

2 We have welfare-to-work proposals that  
3 have been developed on a bipartisan basis. Our  
4 governor has been a leader on welfare reform. And  
5 I just wanted to give you one statistic which I  
6 think shows some success with that transition from  
7 welfare to work in what was our most run down  
8 public housing project. We call them developments  
9 now. Used to be called projects. Run down in  
10 that it had low incomes. 17 percent of the people  
11 two years ago had a full time job. At the  
12 beginning of this year it was 55 percent had a  
13 full time job. And the income going into the  
14 households in that place called Hillside is up by  
15 over a third.

16 There are problems, there are still  
17 issues that we debate. There are a few things  
18 that we discuss with the Governor. But overall,  
19 welfare reform seems to be moving in the right  
20 direction in Wisconsin. And we're very proud of  
21 that. Most of all, because we've shown that low  
22 income people want to work. And if given the  
23 opportunity, can be very successful.

24 I also wanted to mention that this city  
25 is like Cleveland, one of the two places where  
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1 school choice is taking hold. Again it's  
2 bipartisan. Democrats like myself in Milwaukee,  
3 almost all of the elected officials that are  
4 democrats support school choice because we want  
5 stronger schools. And I would invite any of you  
6 that are interested in it, finding out about it,  
7 when you go back to your home state, you can think  
8 about whether you want it or not. But it works.  
9 And we have statistics that show it. And we have  
10 parents that are very happy with it. And it's  
11 working and expanding.

12 There are a number of issues that you'll  
13 discuss here. One of them is your dislike for  
14 federal mandates. And I wanted to say I agree  
15 with you on that. Almost all mayors agree that  
16 federal mandates are bad. We also feel that state  
17 mandates are bad. And I hope you'll think about  
18 that as you develop your next budgets.

19 There has been a renaissance in  
20 Milwaukee and cities around the US. People are  
21 starting to understand the value of cities in the  
22 marketplace. All of you wrestle with issues such  
23 as land use, environmental problems, promoting  
24 business. And I would ask you to think of your  
25 cities as assets in trying to improve the  
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1 situation like with land use.

2 People used to think of New York City as  
3 a bad place. Lately it's started to be thought of  
4 as a much better place thanks to Governor Pataki  
5 and Mayor Giuliani. But just think if we didn't  
6 have New York City. You'd have 8 million people  
7 having to spread out across the United States.  
8 Let's say they all have two acre lots. You'd have  
9 16 million acres of land occupied.

10 Or to put it another way, I have a  
11 cousin who is a farmer in the St. Croix Valley  
12 named Curt Nelson. And he was bad mouthing New  
13 York one time. And we had a family reunion. And  
14 I pointed out to him that if you eliminated New  
15 York, those people would spread out all over the  
16 country, and some of them might move right next to  
17 his farm. And then he started to understand the  
18 value that big cities have.

19 They concentrate population. They also  
20 serve as a place where people can move up the  
21 ladder of success. The economies work. And  
22 whether it's Miami or Cleveland or Los Angeles or  
23 New York or Milwaukee, America's cities are really  
24 important.

25 I also wanted to mention that we have a  
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1 lot of great hospitality in this city. The Circus  
2 Parade that you'll see today, 350,000 is the  
3 lowest number we've had. We've had as many as  
4 750,000 people come to the parade. And notice how  
5 the traffic jam is gone almost immediately at the  
6 end of the parade. And the reason for that is  
7 because we have this street grid, and we have  
8 transit, we have all these options that people can  
9 use. And most of the landscapes that states  
10 create nowadays with these big highway  
11 interchanges create places where you can't ever  
12 have a parade.

13 When the New York Islanders had the  
14 Stanley Cup, and they wanted to have a parade out  
15 on Long Island, they had to go around a shopping  
16 center three times. That was their parade. And  
17 when you're thinking about cities, remember that,  
18 that there are some real basic values to cities,  
19 economically and culturally.

20 Finally, I want to urge you to have a  
21 good time here. We have people with great  
22 hospitality as you do in your own states. I know  
23 Jim Hunt, the Governor of North Carolina, invited  
24 me down there, and the hospitality was fantastic.  
25 And I told him if he came here, it would be  
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1           returned.

2                       But I have never had as good a  
3           hospitality as I had in Raleigh, North Carolina.  
4           I went down there, and everybody knew who I was.  
5           He asked me to come down there and give a speech  
6           on land use which I did. And everybody knew who I  
7           was, took me around to dinner. We had champagne  
8           and wine. And everybody knew who I was.

9                       John Norquist from Milwaukee, you have a  
10          book out called Wealth of Cities. Yes, we know  
11          about that. We know everything because Governor  
12          Hunt has told us about you. So I had a great  
13          evening. And then I was going home to my hotel,  
14          and I realized I had forgotten my toothbrush. So  
15          I went to a convenience store. And the woman  
16          behind the counter said you must be John Norquist,  
17          Mayor of Milwaukee. And I said Governor Hunt even  
18          talked to her.

19                      I said excuse me, Ma'am, but how did you  
20          know my name and who I was? She looked at me,  
21          pointed at my chest and said, name tag. But I  
22          want you to know that there are Milwaukeeans who  
23          know you're here. They like you. They want you  
24          to have a great time.

25                      When you're done tonight, I know you've  
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1 got a great program the Governor put together for  
2 you with the Temptations. If you still want to  
3 hear some music, one of my favorites is John  
4 Schneider and his orchestra. I think they're  
5 playing at the Metro Hotel or some other place on  
6 Water Street. But I like him because -- a lot of  
7 people like him. He plays swing music. And he  
8 sings like Fred Astaire and dances like Bing  
9 Crosby. So he puts it all together in one  
10 package. Anyway, have a great time. Thank you  
11 very much.

12 (Applause.)

13 GOVERNOR VOINOVICH: Mayor, we want you  
14 to know that we do appreciate your warm  
15 hospitality. All these volunteers. When I came  
16 into the convention center, there were about eight  
17 people that just kind of surrounded us that said  
18 welcome and wanted to let us know that they would  
19 be willing to do anything they could to help us.

20 Last but not least, Mayor, I want you to  
21 know that a lot of what we've accomplished and  
22 evolutioned during the last several years has  
23 occurred because of a wonderful relationship  
24 between the National Governors' Association and  
25 the US Conference of Mayors and the National  
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1 League of Cities. We do understand that cities  
2 are our partners, and we do understand your  
3 mandate problem. Thank you.

4 (Applause.)

5 GOVERNOR VOINOVICH: As most of you  
6 undoubtedly noticed on your way in, and if you  
7 didn't, please spend some time out there, we have  
8 30 states that are exhibiting their innovative use  
9 of information technology at this meeting. These  
10 exhibits illustrate how states are integrating  
11 technology to improve delivery of state services  
12 and enhance the quality of life of their  
13 citizens. I encourage all of you to spend time  
14 exploring these technologies firsthand during the  
15 course of this meeting.

16 I would ask the governors to at least  
17 spend at least a half hour of your time, just  
18 moving from booth to booth, to see what's going on  
19 out there. Because there are some exciting things  
20 that states are doing, and I'm sure you'll get  
21 some good ideas from visiting those booths.

22 I also want to thank Governors Rowland  
23 and Glendening for organizing the exhibits and for  
24 their continued leadership in the US innovation  
25 partnership and as NGA's colead governors on  
26

1           technology. I think that what you're doing is one  
2           of the most important things that we're doing as  
3           an organization.

4                       I now want to turn to the topic of our  
5           first panel, governing in a digital age. The  
6           focus of the panel is on the future. But let it  
7           begin with some lessons from the past. At the  
8           start of this century we were in the midst of the  
9           industrial revolution that was anchored in a new  
10          age that some have called the electric era. The  
11          electricity age and the profound changes it has  
12          brought to society offers us lessons on what we  
13          can expect as we leave the 20th century and  
14          continue the technology revolution, an age defined  
15          by information technology and digital  
16          communications.

17                      Though its practical application was  
18          demonstrated more than 25 years earlier in 1873,  
19          it took 25 years after the turn of the century  
20          before electricity began to significantly change  
21          the way we live and work. Through the first part  
22          of the 20th century, we learned how electricity  
23          could be used to power our factories, illuminate  
24          our towns, connect us by telephone. Electricity  
25          promised to improve every day life and increase  
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1           our economic well being. Yet it would take many  
2           years for electricity to fulfill its promise.  
3           There were many fits and starts before we learned  
4           where and how to use new technology to increase  
5           productivity and improve our quality of life.  
6           Once we did, the benefits were sweeping, and they  
7           were profound.

8                       In factories everywhere small and  
9           powerful electric motors helped achieve production  
10          levels that were unimaginable years earlier. In  
11          homes across America new electric appliances  
12          relieved the burden of household chores,  
13          refrigerated our food and warmed our rooms. And  
14          in the night skies electromagnetic waves brought  
15          music, entertainment, and news to families  
16          everywhere and a homebound beacon to the early  
17          aviator. Electricity made this century and  
18          changed how we lived.

19                      The digital age promises no less of an  
20          impact on our world. But just as it took 50 years  
21          before we began to use electricity effectively, it  
22          will take some time to learn how to fully exploit  
23          the opportunities that technology presents to us.  
24          Some of us are still trying to feel comfortable  
25          with computers.



1                   On the other hand, elementary school  
2                   teachers who are using our School Net, School Net  
3                   Plus in Ohio which is a system where we've  
4                   connected up all of our classrooms in the state  
5                   through -- to data and kids are using computers,  
6                   the teachers tell me that the kids know more about  
7                   how to use the computers than they do.

8                   Like electricity in 1900, the personal  
9                   computer has reached its quarter century mark  
10                  today. And like the Victorian man or woman  
11                  contemplating the electric age, we at the end of  
12                  this century are just beginning to glimpse the  
13                  opportunities available in this digital age.

14                 The personal computer arrived has  
15                 evolved dramatically since it was unveiled in the  
16                 70s. At each step it has grown smaller and  
17                 smaller and more powerful. Today with technology,  
18                 a business person in the United States can check  
19                 inventories and order parts from distant  
20                 continents without leaving his or her office. A  
21                 student located in a town far from any college or  
22                 university can take courses online, sit in on  
23                 lectures taking place worlds away and even  
24                 receiving a degree all without leaving her desk.

25                 A driver lost on the interstate can  
26

1           communicate with a satellite 23,000 miles away to  
2           receive directions from the next exit less than a  
3           mile away, all through a device held in the palm  
4           of his hand.

5                       We are entering a fascinating and  
6           unpredictable age. In 1949, Popular Mechanics  
7           Magazine forecasting the relentless march of  
8           science predicted that computers some day may  
9           weigh no more than one-and-a-half tons.

10          Fortunately, they were wrong or we would all need  
11          much bigger desks. However, if asked to make  
12          predictions on our digital age, I'm sure I would  
13          fare no better than the 1949 editorial staff of  
14          Popular Mechanics.

15                       For this reason we have asked two  
16          distinguished experts to join us to discuss their  
17          thoughts on how society might benefit from the  
18          digital revolution and what government can do to  
19          take advantage of this new technology.

20                       Our first panelist is Mr. Chuck Martin,  
21          a distinguished author, journalist and publisher.  
22          Mr. Martin's recent best-selling book, The Digital  
23          Estate, which we are fortunate to have a copy of  
24          right here on our table, explores the new impact  
25          of the internet and what business must do to take  
26

1           advantage of this revolution in communications.

2                   Mr. Martin is president of the Net

3           Future Institute, a US-based think tank exploring

4           the future of electronic business. He also is the

5           founding publisher and CEO of Interactive Age, the

6           first publication simultaneously launched in print

7           and on the internet. Before founding Interactive

8           Age, Chuck Martin was associate publisher of

9           Information Week and the editor-in-chief of

10          Personal Computing.

11                   Our second panelist is Mr. Kenneth

12          Thornton, general manager of IBM Global Government

13          Industry. His responsibilities include directing

14          IBM's consulting solutions, sales and distribution

15          business for governments worldwide, helping them

16          employ information technologies for government

17          efficiency, service to citizens and for economic

18          development.

19                   He has a particular interest in the

20          transformation of governments through electronic

21          channels of service delivery. He's a member of

22          IBM's Worldwide Management Council and a former

23          member of IBM's Corporate Technical Council.

24                   Chuck Martin is going to start our

25          discussion, and he'll be followed directly by Ken

26

1 Thornton. And after both of you have spoken this  
2 morning, hopefully you'll allow us to ask some  
3 questions. Please welcome this morning's  
4 panelists. Let's give them both a round of  
5 applause.

6 (Applause.)

7 GOVERNOR VOINOVICH: Chuck, thank you.

8 MR. CHUCK MARTIN: Thank you, Governor  
9 Voinovich and good morning everyone. Thank you  
10 Governors for having us here. I think it's only  
11 appropriate this be first on the agenda. I think  
12 that makes a real statement about the import of  
13 where technology is going now and in the future.

14 What I suggest to you is that there is  
15 in fact a major revolution in the making here  
16 because of information technology, primarily the  
17 internet. I'd like to give you a very quick  
18 background and history of the internet and where  
19 things are going.

20 There are really five bands or five  
21 waves of the internet. It started back in the end  
22 of 1994 where Netscape popularized the browser so  
23 that all of us could have access to information.  
24 And typically what happened was marketing  
25 departments simply shoveled online what they were  
26

1           doing in their traditional environment.

2                       We call this brochureware or  
3           shovelware. This is why we have annual reports.  
4           That's why there were so many CEO photos on the  
5           internet, because that's how companies got  
6           funding. Very easy to put a CEO on the internet  
7           to get funding. No problem.

8                       1995 we start to get new media  
9           departments. This is where people added new media  
10          after their title. They changed jobs and tripled  
11          their salaries. New kind of era. We start to get  
12          interactive. We would have e-mail back and forth.  
13          My goodness.

14                      Where we are right now is we're company  
15          wide. And this is because of intranets. Now,  
16          despite what you read in the popular press every  
17          day, there are really three nets in what I hope at  
18          the end of this 10 or 12 minutes, you'll have a  
19          different view of how to look at this thing.

20                      There is the internet which is the  
21          public internet that we know that's everywhere in  
22          the world, of course, never breaks, just goes  
23          really slow sometimes. Then there is the intranet  
24          which is taking that same internet technology,  
25          using it inside the corporation protected by  
26

1           technology called a firewall. So nobody has  
2           access to the information except employees and, of  
3           course, 24 year olds.

4                       And then there is the third net which is  
5           the extranet. And this is where we're going  
6           outside the company or the government and  
7           connecting through password with either  
8           distributors, suppliers, customers, whomever and  
9           really connecting through passwords so we have a  
10          private network on the public internet.

11                      Now, where we're going ultimately is  
12          band five. This is E business. And this is end  
13          game I would suggest to you. And we're getting  
14          there rather quickly. Now, E commerce, again,  
15          what we read about, the buying and selling of  
16          goods on the public internet. E business is the  
17          major transformation we're going through right  
18          now. That is taking everything from product  
19          conception to manufacturing, production,  
20          distribution and consumption and turning the whole  
21          thing around, what I call the 180 effect.

22                      So the consumer starts the process. And  
23          the consumer says I will buy this. Then it gets  
24          produced, manufactured, distributed and sold in  
25          real time. This has profound implications for  
26

1 pretty much everything that we do, whether in  
2 business, government, or anything. It's going to  
3 profoundly change all of our lives.

4 This all is because of this new access  
5 to information. It goes back to the estates. The  
6 idea of an estate, an estate is a group defined by  
7 common, economic or philosophical interests.  
8 Dates back to the estates general in France.  
9 First estate was the clergy. The second estate  
10 was the nobility. The third estate was the  
11 peasant or merchant class. And the fourth estate  
12 was the press, or more widely defined the media.

13 The first three estates were based on  
14 class. The fourth estate was based on literacy.  
15 This new fifth estate, the digital estate, is  
16 based on the instant individual access to  
17 information. And that's what's the profound  
18 change in all of this.

19 Now, there are really trends that are  
20 happening. There are seven trends. I'm going to  
21 quickly go through six of them that are going to  
22 change everything. These trends are end-to-end.  
23 This is what does in fact comprise E business.

24 The first is the cyber economy is going  
25 main stream. And what do I mean by this, is that  
26

1 everyone is going to be buying and selling things  
2 on the internet because it is friction free as an  
3 environment.

4 The best example is Amazon. Amazon is  
5 sort of the poster child of the internet. Now,  
6 Amazon was just valued at \$6 billion dollars.  
7 They're less than four years old. They don't have  
8 any profit, of course. This is the internet.  
9 They have the market cap about as large as Barnes  
10 and Noble and Borders combined.

11 What are they doing, they're getting  
12 customers, and they're building a community of  
13 book readers and book buyers. The reviewers --  
14 the readers write their own reviews.

15 Now, I have a personal story about  
16 Amazon because when I signed the book that  
17 McGraw-Hill provided you, I signed the contract  
18 with the publisher to write a book, I said well,  
19 three months. I didn't know it was supposed to  
20 take about a year to write a book.

21 Anyway, I start writing the book. Two  
22 weeks later, I get this design in the mail from  
23 McGraw-Hill. And I think boy, I say good-bye to  
24 my wife and children, go down to the basement and  
25 start writing away.

26



1 I'm researching, I come across Amazon.  
2 They're selling my book. It wasn't done. And  
3 they're discounting it. This is the way the  
4 environment works. And you call up Amazon after  
5 when the book is on sale. How are sales? What  
6 city? Portland. What day? Today. What hour?  
7 You're kidding. No, of course, we can tell you  
8 what sales, sales by the hour. What's the  
9 problem. That's the way the environment works.  
10 It's real time. It's really fast.

11 I'm going to tear through some of the  
12 landscape of E commerce just to give you a flavor  
13 of what's happening. What I would suggest to you  
14 is it's not the bells and whistles of what's being  
15 sold, it's the change in habit of the individual  
16 that's happening here.

17 Real.com, they sell 85,000 videos,  
18 35,000 for rent. They said the Blockbuster model  
19 is flawed. Why would you rent a video overnight,  
20 pay \$3.50 and return it the next day, rewind.  
21 We'll give you the video for a week, less than \$3,  
22 you just drop it in the mail when you're done with  
23 it.

24 Expedia, Microsoft, the company, selling  
25 travel, \$100 million worth of travel they're going  
26

1 to book. Music Boulevard, Silicon Alley. All the  
2 innovations coming from two places. Silicon  
3 Valley, California. Silicon Alley, lower part of  
4 New York. Silicon Alley is where the creative  
5 community is.

6 Music Boulevard said we'll sell you the  
7 Adams version, the media, \$11 for a CD, or we'll  
8 sell you the bits version, 99 cents. You transmit  
9 it to your PC and then you play it through your PC  
10 or transmit it to someone else.

11 Now, I have two children, 6 and 9, Ryan  
12 and Chase. I was telling Chase about this, about  
13 how you get records and that. Of course, through  
14 this whole thing Chase is what's a record. And I  
15 say well, it's like a CD except it's black and  
16 it's bigger, and it has these like tracks in it.  
17 He said how do you play it? I said well, you  
18 can't.

19 Flower Net. Disintermediation.  
20 Elimination of the middle man. They skipped the  
21 FTD network, and they go directly to the flower  
22 grower. They deliver the flowers by Fed. Ex. I  
23 don't know how they get roses in those flat  
24 packages, but they're doing it.

25 Auto By Tel, they sold their millionth  
26

1 car on the internet. I bought a car through Auto  
2 By Tel, it saved me \$4,000 from the best price I  
3 negotiated with my local dealer. \$4,000, which  
4 says how well I negotiate.

5 But Peapod, based in Chicago. They're  
6 selling groceries. They have an 80 percent  
7 retention rate. You order groceries online,  
8 someone goes and picks them out, and then you get  
9 them delivered to you. 5 percent of the value of  
10 the groceries delivered, \$10 for an extra delivery  
11 charge, and \$5 a month for fee. They love it.

12 What happens, Streamline out of Boston,  
13 they said we can top that. We will go to your  
14 house. We'll put in a Streamline box. This box  
15 is a freezer, dry storage area. And then you just  
16 order your groceries on the internet. How do they  
17 know your product preference? When you sign up  
18 for free, they go into your home and they bar code  
19 scan all of your groceries. They then have a  
20 database for your product preference. What does  
21 that do to Procter & Gamble? Procter & Gamble is  
22 highly interested in this subject because this  
23 aggregates the brands.

24 Net Grocer, they said let's skip  
25 everything else. We will sell you groceries  
26

1 delivered by Federal Express directly,  
2 nonperishable goods, guaranteed lowest price. E  
3 Trade, Schwab, Online, the whole brokerage  
4 industry has gone upside down in three years  
5 because of trading online. That's where Schwab is  
6 getting all their business. That's where all  
7 their growth is right now. E Trade, they just got  
8 another investment, \$300 million dollars.

9 Interestingly what do CEOs think about E  
10 Commerce? This is a Price Waterhouse survey of  
11 the largest 2,000 companies. It's 60 percent it's  
12 going to totally change my business. Actually  
13 totally change business. My business, no, it's  
14 not going to change my business. 20 percent think  
15 it's going to change their business. They think  
16 it's going to change his business or her  
17 business. They're missing the point. It's  
18 changing everything.

19 Second trend, the wired work force takes  
20 over. Same technology that we're talking about is  
21 moving inside of the corporations. So people are  
22 getting connected all the time so they can  
23 communicate in real time with each other and with  
24 people around the world and move things in real  
25 time.

1                   Lucent has got broadcasts over the  
2                   radio. They're reaching 50,000 employees on a  
3                   daily basis who listen on average 156 minutes to  
4                   music and messages from corporation through the  
5                   internet through their PCs.

6                   Three, the customer becomes data. In  
7                   the old environment we would be able to send out  
8                   information, products, goods, service, whatever.  
9                   And then as much filtered through, we could track  
10                  because of history success. We would know 3  
11                  percent sell through.

12                  In the new environment the consumer,  
13                  constituent has total control. All the  
14                  information is out there, and the individual does  
15                  what I call pull casting. They build their own  
16                  information set or product set at the moment.  
17                  This is a huge change.

18                  So where is the value. The value is two  
19                  places, over on the left, top left, that's high  
20                  volume. This is all those things you read about  
21                  Netscape, Yahoo. Who would think that Yahoo  
22                  would be a brand. It's a multi-billion dollar  
23                  company now. This is where the database of  
24                  contact resides.

25                  What I would suggest is the real  
26

1 opportunity for most organizations and most  
2 governments if not all is over on the right side.  
3 This is where we build community, communities of  
4 constituents, of buyers, of sellers, of  
5 distributors, whoever. This is really  
6 relationship based. This is where we start to  
7 track the preferences of the person and then  
8 provide services that meet those preferences in  
9 real time.

10 So we're going through a change from  
11 aggregation of supply to aggregation of demand.  
12 You can aggregate supply in this new arena. For  
13 example, Onsale.com. Onsale does auctions online,  
14 48 hour auctions. They auction pretty much  
15 anything.

16 Now, their valuation is about a half a  
17 billion dollars. Why so much lower than Amazon?  
18 They're profitable. Over on the top left, it  
19 doesn't say how to buy, it says how to play. Now,  
20 the way Onsale works is this is mostly males, so  
21 it's like 90 plus percent male. You put in your  
22 name and your credit card. And the auction says  
23 in-line skates, starting \$19. You bid, \$20, \$25,  
24 \$26, \$30, \$40. Then it gets interesting because  
25 then the human dynamic gets involved.

1                   \$40, who does he think he is. \$50. Oh,  
2                   him again? \$60, \$70, \$80, \$90, \$100. Five  
3                   minutes before the auction is over you get an  
4                   e-mail. If you don't think this happens at the  
5                   office, you get an e-mail, he has just topped  
6                   you. Do you want to be a loser? \$120. I got  
7                   it. You can buy those at retail for \$90. I don't  
8                   care. The next time there is an auction, he's not  
9                   going to mess with me again. I'm going to get a  
10                  really good deal next time around. They can't  
11                  stop the money from flowing in.

12                 So what do they do now, they auction  
13                 meat. This used to be the Cookout Country Combo.  
14                 They're auctioning steaks, burgers and so forth.  
15                 They're not really big in London. Orlando  
16                 vacation, Orlando vacation time share. So then  
17                 they had this whole set up, infrastructure. They  
18                 said gee, we have all these people bidding, why  
19                 don't we have them auction their own things.

20                 Now you go in and you pick up whatever  
21                 you have around the basement or garage and you put  
22                 it in the database. Consumer self-service, and  
23                 they have their own auction, and these people take  
24                 a percentage of the transaction. This is huge  
25                 business. They can't stop the money.

26

1                   So there is also the aggregation of  
2                   demand. This is the play in the future. This is  
3                   where companies like Price Line, the Connecticut  
4                   outfit, they have aggregated buyers, and they're  
5                   selling airline tickets. So leisure travelers say  
6                   I'll pay \$200 to go to Europe within this time  
7                   frame, and these people connect electronically to  
8                   all the airlines, and they get these perishable  
9                   seats at really low cost which is kind of  
10                  depressing to some of the high priced fliers, but  
11                  that's life. This is the new environment.

12                 What happens in the future, in the net  
13                 future, we change pricing. Instead of being based  
14                 on supply, it's based on demand. So we can really  
15                 move to flex kind of pricing. And the price  
16                 changes are going to start to happen all the time,  
17                 on a continual basis. This is a huge change.

18                 We move to the open book corporation.  
19                 This is probably most relevant for state  
20                 governments. The open book corporation is really  
21                 when everybody else out there does all of the  
22                 work. It's self-service.

23                 If you look at what Volvo is doing with  
24                 trucks, they're selling -- who would think that  
25                 truckers are buying PCs. Well, 55 percent of  
26



1 truckers own a PC. These are the large trucks.  
2 So what they're doing now is they're taking credit  
3 card applications from truckers, \$500 deposit for  
4 \$120,000 truck, and then they pick it up when they  
5 go to their local dealer. It costs them \$15,000  
6 to set up this entire business.

7 Bank of Montreal, you do a mortgage  
8 online, 45 minutes. I'm here to apply online.  
9 Here, I want to check the status of my online  
10 application. The consumer does all the work. I  
11 applied for a \$10 million dollar loan. It  
12 rejected me in 10 seconds.

13 The cost of a transaction is going down  
14 to pretty much nothing on the internet. This is  
15 the real key. It's friction free as an  
16 environment, and its access is everywhere.

17 Experienced communities. We're moving  
18 to real time communities. This is key because  
19 this means that people can communicate with each  
20 other in real time. There is technology called  
21 chat. And chat is not just a pile of 13 year olds  
22 doing things after school although they do that  
23 too. It's really the capability for anyone to  
24 communicate in real time with other people.

25 The Globe.com, this was started by two  
26

1           23 year old Cornell students. They got \$20  
2           million from the head of Alamo. He said this is a  
3           great idea. They just last week filed for a \$50  
4           million dollar IPO. This is going to be a very  
5           big business.

6                       I-Village, the Women's Network, more  
7           than a million members, Talk City, more than a  
8           million members. There are many of these, Mining  
9           Company, more than a million members. They're now  
10          building a community for Citibank. This is huge  
11          change.

12                      Lastly, the move to real time learning.  
13          This I think hits home more at the home. There is  
14          a real change coming because with this technology,  
15          people are going to have to learn on a constant  
16          basis, all the time learning. That's what we're  
17          moving to.

18                      Let me end by telling you a story about  
19          the North Hampton, New Hampshire school. Three  
20          weeks ago I was there. There was a computer  
21          camp. I did an interview for my new book, Net  
22          Future. This was a five day camp, second to fifth  
23          graders. So these are 9, 10, 12 year olds, some  
24          eight year olds. It was five days, five hours a  
25          day.

26

1                   On Monday they went in, the objective  
2                   was to replicate a part of the community. So on  
3                   Monday they were given digital cameras, electronic  
4                   keyboards, they went out and they captured  
5                   information about buildings, they took digital  
6                   photos, and they went back and they learned how to  
7                   convert those onto the local area network of the  
8                   school.

9                   On Tuesday they learned how to print  
10                  three dimensional and build a model of a city.  
11                  They built a scale model of an entire area of the  
12                  community, and it really is accurately scaled,  
13                  three dimension, buildings all the way around.  
14                  And then in the afternoon they learned how to scan  
15                  photos to digitize them.

16                  Wednesday they learned how to create a  
17                  web page by 1:00. From 9:00 to 1:00 they created  
18                  a web page. On Thursday they learned how to do  
19                  links, to link on to other things that they really  
20                  liked around the internet.

21                  On Friday before 1:00, they went live on  
22                  the internet with every single child having their  
23                  own home page with their personal preferences  
24                  linked onto the entire school system with photos,  
25                  digitized photos of all the buildings they liked.

1           They had menus of restaurants digitized and  
2           scanned, they had everything in the community.  
3           And they had this by 1:00 when all the parents  
4           came in including a digitized photo of the 3-D  
5           model of the building. This is by 1:00.

6                     I asked Holly Dow, the teacher, I said  
7           how long would it take you to teach an adult  
8           this. Well, I'm not sure it's possible, but, this  
9           is what we're coming up with. We're coming up  
10          with a wire generation into our midst. That's  
11          what's happening. People have different  
12          expectations.

13                    If you watch a child using technology,  
14          they will be watching TV, using a computer, doing  
15          their homework, listening to music. And you ask  
16          them a question and they answer you, or choose not  
17          to. They're multi-tasking. It's a different kind  
18          of way of absorbing information. When we're  
19          absorbing information, I'm reading the paper now,  
20          don't bother me. Now I'm watching TV. It's a  
21          different kind of thing. It's multi-tasking.  
22          It's a new generation.

23                    The net future might I suggest to you is  
24          about radical, radical change. It's not going to  
25          happen on Tuesday, but it is going to happen. And  
26

1 I would suggest to you that there is an enormous  
2 opportunity to reinvent. And you're going to hear  
3 about that from Ken Thornton. I encourage you, I  
4 encourage you as much as I can to please be a part  
5 of the revolution. Thank you very much.

6 (Applause.)

7 GOVERNOR VOINOVICH: I couldn't help but  
8 think what an impact, we're having this internet  
9 debate here with Congress about what we ought to  
10 do about the internet sales. And after hearing  
11 you, I can just see all those sales taxes  
12 disappearing out of the State of Ohio. Anybody  
13 get that one? Got to work on it.

14 Ken, we're anxious to hear what you have  
15 to say.

16 MR. KENNETH THORNTON: Thank you,  
17 Governor and distinguished guests, Governors. Let  
18 me just first reaffirm that portrayal of what  
19 Chuck has just talked about in this revolution  
20 that we're going on. I agree with his portrayal.  
21 There is testimony to that. The fact that when I  
22 learned we were going to share this panel, Chuck,  
23 I ordered your book from Amazon.com, and it  
24 arrived in my office two days later.

25 But I would like to choose not to focus  
26

1 on the revolution and a continuation of this kind  
2 of discussion but to really focus my thoughts more  
3 on how government works and especially with the  
4 focus on this issue of the electronic delivery of  
5 services.

6 We certainly agree with this revolution  
7 called E business, and it is changing many things  
8 in this society. Excuse me. I have a problem  
9 with the technology. One second, please.

10 The question of the globally connected  
11 society and how it improves, how it changes the  
12 context in which commerce happens is broader in  
13 the business as it deals with the interaction of  
14 all of society, whether it's government with  
15 citizens, whether it is doctors with patients, et  
16 cetera. It raises a broader question of how ready  
17 is government for that in its role as a policy  
18 maker, in its role of the facilitation  
19 particularly in the growth and economic  
20 development sense.

21 I'll speak particularly to the  
22 government use aspects of this. But I did want to  
23 call your attention to one handout that we have  
24 given you that's just completed by the Computer  
25 Systems Policy Project. It is a self-assessment  
26

1 guide on how ready is a jurisdiction, whether that  
2 be state or a more local jurisdiction, for this  
3 so-called world.

4 It's a guide for assessing the basic  
5 tools and technologies for the physical  
6 infrastructure and for the critical services that  
7 underpin the evolution to this new economy. How  
8 widespread is the community use, measuring citizen  
9 use, business use and government online use and  
10 plans for a digital future. How far along is a  
11 particular jurisdiction. It's a very helpful  
12 guide I believe in being able to deal with this.  
13 And it identifies four different stages of  
14 maturity. I think you'll find it useful.

15 This particular -- this aggregation and  
16 reaggregation of commerce or business has value  
17 not just for businesses but as Chuck has alluded  
18 to, has value for customers in a faster, lower  
19 cost, easier access to resources, whether it be  
20 services or products.

21 You might ask what does this E business  
22 have to do with government and what does it have  
23 to do with our use of technology. Well, many  
24 government transactions are similar to those in  
25 the commercial world. Governments order supplies,  
26

1 pay their bills, collect fines and taxes from  
2 citizens. Citizens order birth certificates,  
3 register vehicles and reserve campsites the same  
4 way they order flowers or books.

5 Eliminate the intermediate steps and  
6 aggregate services across government departments  
7 on an E business website or deliver them  
8 electronically through some interactive voice  
9 recognition system or for delivery a kiosk. And  
10 governments have the same reach and the same  
11 magnitude of savings in the value proposition that  
12 the private sector enjoys.

13 Are there cost savings for government,  
14 you bet. There have been a variety of studies  
15 that have studied this in the private sector but  
16 in the public sector. Arizona reports that it  
17 costs the state about \$7 to renew a vehicle  
18 license over the counter and about \$2 to offer  
19 that service over the internet.

20 The State of Florida in the  
21 demonstration here reports roughly a 5 to 1 return  
22 over the investment and in our experience has  
23 found some returns that I would say range from no  
24 return depending upon the design up to a 10 fold  
25 return of investment on a project. The cost  
26



1 savings will vary based on the service being  
2 delivered, the investment in the infrastructure  
3 and the volumes on that infrastructure. But you  
4 can be sure that in most cases if enough services  
5 are delivered over a common infrastructure, there  
6 are significant savings. And it is most  
7 importantly an improvement in availability and  
8 convenience of service to the citizen while  
9 demonstrating a very real cost reduction in  
10 government.

11 Yet, today, most, for the most part,  
12 government is still a face-to-face service model.  
13 More than 90 percent of citizen services are  
14 delivered over-the-counter in a high cost  
15 relatively inefficient model. And only a fraction  
16 of government transactions are available online  
17 today despite growing citizen demand and the  
18 potential to reduce cost.

19 True, many government entities from the  
20 White House to Congress to the states to local  
21 government have recognized the value of creating  
22 websites that offer a wide range of valuable  
23 information. And many of those have been done.

24 I would point out, however, most often  
25 these are first generation websites which offer  
26

1 information but don't deliver a service beyond the  
2 information itself. The real transformation comes  
3 with the next step which is going beyond  
4 information delivery to deliver real  
5 transactions.

6 You might think about it this way. The  
7 ATM at the bank is convenient when you want to  
8 know your bank balance. But the real  
9 transformation and the savings for the bank and  
10 the convenience for the customer is in the fact  
11 that it gets cash which eliminates the need for a  
12 face-to-face teller in that transaction and all of  
13 the back end check processing associated with it.

14 Over-the-counter, face-to-face service,  
15 of course, won't disappear, but the smart strategy  
16 is to shift the routine, high volume transactions  
17 to digital delivery methods and to reserve  
18 face-to-face services for nonroutine exception  
19 processes where only a human being will do. And I  
20 would submit it's only a matter of time before  
21 face-to-face service will become video interactive  
22 and electronic.

23 Let's look at a few of the leading  
24 examples on the delivery of services  
25 electronically. And these mostly employ internet  
26

1 technologies. Notice the title of Arizona's E  
2 business website here. It's not a Department of  
3 Motor Vehicles or the Revenue Department, it's  
4 Service Arizona. And it allows citizens to renew  
5 their license plate stickers via the internet or  
6 an interactive voice recognition telephone service  
7 that comes back into the same system.

8 Since launching Service Arizona in  
9 November of 1997, we've served more than 35,000  
10 customers and processed nearly \$10 million in  
11 vehicle property tax and registration fees for the  
12 state. Arizona plans to add a whole selection of  
13 electronic services across government to leverage  
14 this investment.

15 Maryland Department of Labor, Licensing  
16 and Regulation created an E business site so that  
17 professionals from 17 separate licensing boards  
18 will be able to obtain or renew their business  
19 licenses over the internet. Maryland launched the  
20 program with real estate license renewals, and  
21 nearly half of all real estate licenses are  
22 already being processed on the internet, 300 to  
23 500 per day at a tremendous cost savings. The  
24 service will soon be available to cosmetologists,  
25 architects, engineers and others.

1                   Use the service called Orderlink, five  
2                   US states, Illinois, Indiana, Kentucky,  
3                   Mississippi and Missouri all use these services to  
4                   enhance their procurement processes. Purchasing  
5                   officers state wide use their web browsers to go  
6                   into this service called Orderlink, search  
7                   approved state contracts, browse through  
8                   electronic catalogs to try to find the optimum  
9                   place to source a particular purchase. They  
10                  review terms and conditions. And when they're  
11                  ready to order, they simply point and click. And  
12                  the order then is transmitted via fax, e-mail, EDI  
13                  or directly into the website of the supplier. It  
14                  not only is a very efficient and convenient  
15                  service, it gives statistics easily on a report on  
16                  state wide purchasing habits or how much has been  
17                  spent with a particular supplier.

18                 Here is another example in Canada,  
19                 Service Ontario. Service Ontario is a network of  
20                 some 65 interactive kiosks located in major  
21                 traffic areas, dominantly in shopping malls,  
22                 throughout the Province of Ontario. Citizens can  
23                 perform a variety of transactions across  
24                 government agencies such as renewing vehicle  
25                 registrations, finding used car information,  
26

1           designing and ordering custom license plates,  
2           paying court and parking fines and even updating  
3           change of address information on health cards or  
4           driver's licenses. The kiosk dispenses receipts  
5           and renewal stickers on the spot. And last month  
6           over 56,000 transactions were recorded on the  
7           Service Ontario kiosk.

8                       There are a number of other examples  
9           that we could cite. But in the interest of time  
10          and in interaction, we've done a number of  
11          projects and so have other suppliers in dealing  
12          with this in governments and literally around the  
13          world. But in truth, the pace of implementation  
14          of E business in delivering services  
15          electronically in government is not keeping pace  
16          current speed with the private sector.

17                      Our experience in doing E business  
18          projects with governments around the world raised  
19          some issues that we believe must be addressed if  
20          we are to expedite this practice, this pace. First,  
21          it takes strong policy level leadership. I know  
22          of no successful initiative of broad scale where  
23          strong political leadership has not championed an  
24          initiative. This is not simply an IT issue, and  
25          we're very encouraged that it would take the place  
26

1 on this agenda today.

2 Secondly, good E business systems do

3 require an original investment. And even though

4 it's cheaper than the way service is being

5 delivered today, it's difficult to channel those

6 savings in our experience back to fund the project

7 itself. If the business model is attractive,

8 private suppliers are willing to finance, build

9 and run E business channels for governments.

10 However, the business models generally require a

11 cross agency common infrastructure function as

12 opposed to individual agents, agency projects.

13 So starting in an individual agency is a

14 very good place to start. But the optimum

15 advantage economically, whether it's the funding

16 coming from government or the funding coming from

17 the private sector will lead us to the reuse of a

18 common cross agency infrastructure.

19 Partnership. This is an arena that

20 lends itself very well to a public/private

21 partnership. For reasons of being able to get the

22 competency and skills associated, being able to

23 run a hardened secure website 24 hours a day for

24 high availability service levels. And in

25 particular, partnership models don't always

26

1 coincide very well the procurement policies that  
2 were in some states written for a more traditional  
3 era.

4 Outsourcing, of course, is one form of  
5 that partnership. We see outsourcing surfacing  
6 and a beginning trend in the US. But it is true  
7 outsourcing in other countries of the world in  
8 government has exceeded the base of outsourcing IT  
9 functions in the US government.

10 Those are very quickly some of the  
11 experiences we've had, some of the leading edge  
12 practices that we've seen around the world. And  
13 with some particular examples of some of the  
14 states here, it's no longer a question of whether  
15 this is real or whether it matters. The only  
16 question left to be answered is how soon.

17 Citizens like receiving the services  
18 this way. We have some indication that they trust  
19 the level of service when it's received  
20 electronically even higher than the face-to-face  
21 service. And it is an economical business  
22 proposition. So because delivering services  
23 electronically is both a technical and a financial  
24 reality, we believe that the pace with which your  
25 states move to this new model will have a direct  
26

1 impact on constituent satisfaction and, of course,  
2 on the cost of operations. Thank you very much.

3 (Applause.)

4 GOVERNOR VOINOVICH: Chuck, if things  
5 are moving as fast as you say they are, and I have  
6 no reason to doubt it, the pressures are going to  
7 build up on the private side. And then on the  
8 other side of the coin, Ken Thornton, our  
9 customers are going to say we want the service,  
10 and it's cheaper, and why aren't you doing it. So  
11 I think that -- I got a message today. Let's have  
12 some questions.

13 GOVERNOR CARPER: First of all, thank  
14 you both very much for being here and for a great  
15 presentation. Chuck, I just wish you had more  
16 energy and enthusiasm and a sense of humor too  
17 would help. No. I enjoyed very much the both of  
18 your presentations.

19 Sitting here listening to you talk,  
20 Chuck, about the services and the goods that are  
21 going to be available in increasing volumes,  
22 attractive packages to buy over the internet for  
23 customers, and then listening to Ken talk about  
24 how we in government can provide the services to  
25 our customers in a more cost effective way, I'm  
26



1 sitting here thinking George has already sort of  
2 telegraphed his pitch. But I'm thinking as more  
3 and more people buy goods and services over the  
4 internet and they avoid sales taxes by doing so,  
5 we're going to have to get to be real good in the  
6 states that do have sales taxes, we're going to be  
7 real good at this stuff that Ken is talking about  
8 to offer our services to our customers at a lower  
9 price because the revenue base for a lot of states  
10 is going to dry up. And we're going to have to  
11 find ways to be very cost effective in providing  
12 our services.

13 Governor Leavitt over here from Utah has  
14 been leading an effort along with Governor Romer  
15 of Colorado and some other governors, but really  
16 focusing on how do we at the end of the day as  
17 people buy more and more off the internet, how do  
18 we at the end of the day protect the revenue base  
19 of those state and local governments that do  
20 depend on sales tax. Delaware is one of about  
21 five or six states that don't have sales tax, but  
22 the vast majority of states do.

23 For us in working with the Congress,  
24 we're trying to find that compromise with them and  
25 the President that gives people the ability to buy  
26

1 conveniently those goods and services but at the  
2 same time does not destroy the revenue base of a  
3 lot of the states.

4 It's partly an equity question. For  
5 some states, it's a bread and butter issue. But  
6 it's partly an equity question. The way I like to  
7 pitch it is this. You've got the person who lives  
8 in one house, and they have a computer and access  
9 to buy, maybe the training to buy over the  
10 internet to avoid sales taxes and all kinds of  
11 things.

12 You've got somebody else sitting next  
13 door to them in another house, and they don't have  
14 that computer. They don't have that access.  
15 Taking that a step further, you've got somebody  
16 who lives in say one community, better educated,  
17 better informed, a lot of computers in their  
18 homes.

19 And next neighborhood over, next  
20 community over, the other part of town, they  
21 don't. And you've got folks in one part of the  
22 community that are buying over the internet,  
23 avoiding state and local taxes. And you've got  
24 people in another part of the same town, maybe  
25 less educated, less economically well off, who end  
26

1 up bearing the cost, the revenue cost and paying  
2 for the bills of the state or local government.

3 So we're wrestling with this. Again,  
4 Mike Leavitt has done great work trying to bring  
5 this to the attention of the Congress and to the  
6 President to try to get out of it. Do you have  
7 any thoughts for us particularly as we work with  
8 the Congress and President on finding a way to  
9 promote internet, promote internet commerce but at  
10 the same time not cutting the hearts out of the  
11 state and local governments who depend on the  
12 sales tax?

13 MR. CHUCK MARTIN: What's interesting is  
14 you're facing the same kinds of issues that all  
15 the corporations are facing because their revenue  
16 streams are also in jeopardy, if you will.  
17 They're saying if our core business, if people are  
18 buying things cheaper somewhere else, what's going  
19 to happen to our traditional business.

20 What I would suggest, it's an even  
21 bigger issue than that. It is what is -- what  
22 does the future look like. What is a future  
23 business. What is the future product of that  
24 business. What is the future service of a  
25 government. And maybe there is a cost savings  
26

1           that is so astronomical that a loss in one revenue  
2           area is dramatically offset in another area which  
3           is the whole point of E business that if you look  
4           at just the commerce part, it's relatively small.  
5           It's like just what you see of the iceberg. It's  
6           all this other stuff that Ken talked about too  
7           that's behind the scenes. That if you're changing  
8           work forces dramatically, you're changing services  
9           to government where the people are actually doing  
10          the work.

11                       Like Federal Express does this when they  
12          order the packages. People, when they type in  
13          their own order and the package gets picked up, if  
14          they make a mistake, they feel bad. They  
15          apologize to Fed. Ex. I'm sorry, I had the package  
16          delivered in the wrong place. Fed. Ex. says  
17          that's okay. I mean it's a different kind of mind  
18          set that we need to move to I think.

19                       The tax issue, I think personally I  
20          think it's too early to tax the net because we  
21          don't even know what it is yet. It is way early.  
22          And if it makes you feel any better, nobody knows  
23          where it's going. Nobody. And if they do, they  
24          probably don't. So what I suggest is stay  
25          flexible and ride with it as much as you can.

26

1                   MR. KENNETH THORNTON: I would add to  
2                   that, Governor, that it is our view that this  
3                   issue is very much as Chuck has described, but  
4                   that there will be tools that will surface that  
5                   will not only help us track where commerce is and,  
6                   therefore, be able to accommodate a variety of  
7                   policies that will not yet be determined on where  
8                   it will be taxed, but it is our view that many of  
9                   the tax laws that exist today, over a period of  
10                  time in the evolution of those tools we will  
11                  enable something that allows us to tax commerce in  
12                  similar ways that it is taxed today.

13                 I would also on the point of one  
14                 jurisdiction versus another. There is a positive  
15                 side on not just being able to just control or  
16                 know where commerce is happening in a more real  
17                 time sense, but in being able to remote some of  
18                 the services into an underprivileged area where  
19                 you want an economic development agenda in that  
20                 area.

21                 Once things go online electronically, it  
22                 doesn't matter where the resource sits, whether  
23                 it's a government service resource, whether it is  
24                 a cost center, whether it is interpreting  
25                 documents that are in this. So there is both a  
26

1 positive and an issue side to this.

2 GOVERNOR VOINOVICH: Thanks. I'm going  
3 to take two more questions because we're behind in  
4 our schedule. Dave Beasley.

5 GOVERNOR BEASLEY: Chuck or Ken or and.  
6 A lot of different issues we have to deal with.  
7 One of the questions and concerns that I have and  
8 I'm sure every governor here has is the lack of  
9 quantity and quality of people that have a  
10 necessary knowledge base in this area are coming  
11 out of the university system all across America.  
12 And it's a problem. We do not have the  
13 availability of the number of people that can go  
14 into the private sector as well as into the  
15 government sector that have the expertise to deal  
16 with either side of the equation, whether it's  
17 government services or private sector needs in  
18 terms of technicians, computer based work force.

19 Do you see that the university is behind  
20 the curve and needs to do a better job of  
21 providing us with more graduates in this area?

22 MR. CHUCK MARTIN: Yeah, I think they're  
23 sort of behind, we're all behind the curve. The  
24 growth has been so exponential. There are now  
25 just IT jobs in America, there are about 300,000  
26

1           openings right now in the US. And what's  
2           happening is the college grads, they're not even  
3           finishing school, they're getting hired before  
4           they're done, at least Stanford. And they go  
5           become multi-millionaires a year later. That's  
6           sort of what you're computing with. But the skill  
7           set is getting broader.

8                     Technology companies now who are having  
9           to grow exponentially, what they're doing is  
10          they're taking people out of second tier colleges  
11          and simply training them. And they're taking  
12          students who don't have an IT background who have  
13          say a philosophy background or who can't get jobs,  
14          whatever, and they're taking them saying if you  
15          like this technology, we will teach you. And  
16          they're having to reinvent people essentially or  
17          skill sets.

18                    GOVERNOR BEASLEY: I think we all have  
19          graduates coming out of a university setting going  
20          back to technical school to get the information  
21          knowledge they need to make it a practical  
22          application of their discipline. And what the  
23          university system has to do is not only have  
24          disciplines in technology but also whether it's an  
25          English or humanities discipline, they have got to  
26

1           have a basic background in technology  
2           applications.

3                   MR. CHUCK MARTIN:   The 10 year olds at  
4           North Hampton School are -- they're like the next  
5           generation underneath.   They will be growing up  
6           with it before they even hit college.   I mean I  
7           think that's what we're facing is waiting for the  
8           generations to come up.   CEOs, yet most CEOs in  
9           large companies don't use technology.   They just  
10          don't.   The higher you go, I mean a CEO, they say  
11          yeah, I use e-mail.   When you drill down, you say  
12          what do you really do.   I get my e-mail, my  
13          secretary prints it out, I write a note back, she  
14          types it back to the person, I'm wired.   I mean  
15          that's not really using technology.

16                   GOVERNOR VOINOVICH:   I think that I know  
17          in our state what I have done is I've challenged  
18          the Board of Regents to jump start this because  
19          information systems people are not available in my  
20          state, and I said they have got to go out and  
21          start to hustle people that are in universities to  
22          point out there are lots of jobs out there, and  
23          they maybe ought to change their major.   Ed  
24          Schafer.

25                   GOVERNOR SCHAFFER:   Thank you, Governor.

26



1 I think the question I have is going back to  
2 Amazon, \$6 billion dollar value company. No  
3 profits. You kind of alluded to it. But that is  
4 not an exception on the internet. We don't see  
5 many companies that are making a lot of money with  
6 actual delivery on the internet. Are we building  
7 this huge, huge delivery system for commerce and  
8 services that is missing one of the basic  
9 fundamental issues of business which is profit  
10 and, therefore, is it due to crash sometime?

11 MR. CHUCK MARTIN: The crash I'm not an  
12 expert on, so I can't predict when that's coming.  
13 But in terms of the Amazon model, they're going to  
14 do a couple hundred million dollars in sales.  
15 They choose not to take a profit right now.  
16 They're reinvesting it into the business.

17 Broadcast.com, went public last week.  
18 This is audio through the internet. They went  
19 public at \$16. They went to \$68. They're now a  
20 billion dollars. And anyone here can duplicate  
21 that in about a week if you want to as a  
22 business. Not the billion dollars.

23 But yes, there will be revenue. The  
24 investors in this market believe that the hockey  
25 stick has not yet gone up. They believe that  
26

1 we're still at the bottom. Even though we all see  
2 this big growth, they believe the growth hasn't  
3 occurred yet. If the growth does not occur, there  
4 will be some reconciliation.

5 GOVERNOR SCHAFFER: Sure. But if I start  
6 a business and choose not to make a profit, you  
7 know, that's an easy way to compete because my  
8 competitor has got to make a profit to stay in  
9 business. I think it goes back to some of the  
10 taxes you hear, and I'd like to just defer a  
11 second to Governor Leavitt. Because you say well,  
12 the commerce issue and tax, often you don't have  
13 to compete with the neighborhood hardware store or  
14 the service delivery, whatever it is, because  
15 they're taxed by state and your company isn't.  
16 How are we going to deal with that? I think Mike  
17 ought to talk about that.

18 GOVERNOR VOINOVICH: We'll finish up  
19 with Mike, and we've got to move on. Mike, you're  
20 the last one.

21 GOVERNOR LEAVITT: I would just like to  
22 draw the distinction. Chuck, you mentioned that  
23 it's very early in this and that we ought not to  
24 be taxing the net. I think you'll find that those  
25 who sit around this table concur with that. But  
26

1           it's very important that we distinguish between  
2           two issues, taxing the net itself and taxing  
3           transactions that occur over the internet.  
4                       I have used Amazon.com. I bought a book  
5           recently. I didn't pay sales tax on it.  
6           Hopefully I will when I put my return in. But if  
7           I had used another website in my state for B.  
8           Dalton, I would have paid sales tax because they  
9           have a retail store in my state.  
10                      So I'm sitting at one computer buying  
11           the same book. I can buy it from one website and  
12           not pay tax, I can buy it from another and I have  
13           to. There is no equity in that. And I would just  
14           point out that our purpose as an association has  
15           to be to redesign this system. There is no one  
16           who will do this unless it's us. States and local  
17           communities have to redesign our tax system, and  
18           we have to do it quickly or we're going to find  
19           ourselves in a world shaping change that we have  
20           no control over. So I don't know that we have a  
21           more important issue before us than how we respond  
22           to this very, very fast moving dilemma.  
23                      GOVERNOR VOINOVICH: Chuck and Ken, we  
24           thank you very much for being here with us this  
25           morning. You have really gotten our attention.  
26

1 Thank you very much.

2 (Applause.)

3 GOVERNOR VOINOVICH: As all of you know,  
4 the National Governors' Association awards  
5 Distinguished Service Awards to individuals who  
6 have been outstanding state administrators,  
7 private citizens and who have been involved in the  
8 arts.

9 The individuals that we're recognizing  
10 today represent the best states have to offer in  
11 public service, community activism and the arts.  
12 And I want to thank all of the governors that  
13 submitted nominations for this year's program.  
14 All of the nominees were outstanding.

15 In addition, I'd like to thank Roger  
16 Geiger who chaired the selection committee as well  
17 as other members of the committee. I'd also thank  
18 the members of the arts review panel, especially  
19 Pat Fordice who is the First Lady of Mississippi.  
20 And she chaired the panel this year.

21 The awards are going to be presented to  
22 state officials, private citizens in arts  
23 categories. As I announce each winner, would they  
24 please come forward along with the Governor. And  
25 we will start off with the state category. And  
26

1 first from Massachusetts is Charles D. Baker,  
2 Secretary of Administration and Finance. Mr.  
3 Baker's decision to overhaul state procurement and  
4 leasing practices saved the state government more  
5 than \$100 million dollars. His expertise helped  
6 the administration get several important bills  
7 through the legislative process including pension  
8 reforms that will save the commonwealth more than  
9 \$20 billion over the next 20 years, the abolition  
10 of several bankrupt county governments, reform of  
11 the uncompensated Care Pool Program for free  
12 hospital care, and the building of a new \$600,000  
13 square foot convention center facility in the  
14 center of Boston.

15 The Boston Globe Magazine called Charles  
16 Baker the smartest man in state government. And  
17 Governor Cellucci says Mr. Baker's outstanding  
18 contributions have helped raise Massachusetts'  
19 fiscal ranking from 50th in the nation to 11th.

20 (Applause.)

21 (Award presented.)

22 GOVERNOR VOINOVICH: We should all be so  
23 lucky as having Mr. Baker working for us. Our  
24 next winner in the state official category is  
25 Kathleen C. Hoyt, Secretary of Administration in  
26

1 Vermont.

2 (Applause.)

3 GOVERNOR VOINOVICH: As Secretary of

4 Administration, Ms. Hoyt was instrumental in

5 negotiating the final agreement that led to

6 Vermont's new Education Funding Law Act 60.

7 Governor Dean says that Kathy played a crucial

8 role insuring all Vermont's children have access

9 to quality education. Ms. Hoyt is a prime example

10 of an exemplary career in public service having

11 served as Director of Planning for the Agency of

12 Human Services, commissioner of the Department of

13 Employment and Training, and as the Governor's

14 Chief of Staff and secretary of Civil and Military

15 Affairs.

16 She has also helped to lay the

17 groundwork for welfare reform which was

18 implemented in Vermont in 1994, developed the

19 Vermont Youth Conservation Corps., and was

20 instrumental in helping state agencies create more

21 efficient ways to deliver services.

22 (Applause.)

23 (Award presented.)

24 GOVERNOR VOINOVICH: Finally, from

25 Delaware, the late Michael C. Ferguson, Deputy

26

1 Secretary of Education who is being posthumously  
2 recognized. Mr. Ferguson whose life was  
3 tragically cut short this past spring had an  
4 abiding public policy passion for improving  
5 education. He was at the forefront of successful  
6 education initiatives in Delaware, creating a  
7 Department of Education headed by a secretary  
8 directly accountable to the Governor, enacting  
9 charter school and public school choice  
10 legislation, and creating a system of  
11 accountability for students, schools and  
12 districts.

13 In his more than a decade long career as  
14 a state government official, Mr. Ferguson served  
15 as State Budget Officer, Deputy Chief of Staff,  
16 Deputy State Superintendent of Education and  
17 acting Secretary of Education. Governor Carper  
18 said the enormity of what Mike has meant to  
19 Delaware over the course of his career cannot be  
20 captured by words.

21 By his own example, Mike instilled  
22 fortitude in his colleagues and allies who lacked  
23 it and backed off opponents who knew they could  
24 not intimidate him, outlast him or outsmart him.  
25 I would like to ask Governor Carper to accept this  
26

1           award in honor of Mike Ferguson and on behalf of  
2           the Ferguson family.

3                       (Applause.)

4                       (Award presented.)

5                       GOVERNOR VOINOVICH: Next we're going to  
6           recognize award winners in the private citizen  
7           category. I'm especially proud of our next award  
8           winner from Ohio. John D. Ong, Chairman Emeritus  
9           of the board of directors of the BF Goodrich  
10          Company. John is -- John, do you want to come up  
11          here? I finally got the system here. Give John a  
12          hand.

13                      (Applause.)

14                      GOVERNOR VOINOVICH: John has helped  
15          make Ohio a leader in public/private partnerships  
16          with his expertise in corporate management,  
17          economic development and workplace technology.  
18          While Chairman and Chief Executive Officer of BF  
19          Goodrich, John transformed what had been a  
20          manufacturer of tires and industrial rubber  
21          products into one of the world's leading producers  
22          of specialty chemicals, aerospace systems and  
23          components and services.

24                      John has also provided leadership to  
25          many organizations involved with education and the  
26



1           competitiveness of American business including the  
2           Ohio Business Roundtable, the Ohio Science and  
3           Technology Council, and Ohio's best program,  
4           Building Excellent Schools for Today and  
5           Tomorrow.

6                       On the national level, he was chairman  
7           of the Business Round Table. I'd like to just add  
8           a personal note that John has always -- is always  
9           eager to serve. He has generously lent his  
10          considerable expertise and management skills to  
11          state government for the benefit of all Ohioans.

12                      For example, John was the invaluable  
13          member of my GEM Council, the Governor's Education  
14          Management Council, which was responsible for  
15          Ohio's education reform for results package. In  
16          addition to that, he helped change the Ohio  
17          Department of Education from a command and control  
18          operation and a bean counter to an innovator that  
19          provides assistance to Ohio's most needy school  
20          districts. John, congratulations.

21                      (Applause.)

22                      (Award presented.)

23                      GOVERNOR VOINOVICH: Next from South  
24          Carolina, Lisa Cooper Van Riper, Executive  
25          Director of the Putting Families First

1 Foundation. In 1996 Ms. Van Riper established  
2 this foundation which is a nonprofit organization  
3 initiated and funded as a private adjunct to  
4 welfare reform.

5 (Applause.)

6 GOVERNOR VOINOVICH: What a mission to  
7 encourage every religious and civic organization  
8 in South Carolina to adopt a family, a welfare  
9 family and to mentor that family toward  
10 self-sufficiency. The foundation has changed the  
11 way the private sector views its responsibility  
12 for welfare.

13 Under Mrs. Van Riper's leadership the  
14 foundation has been instrumental in the adoption  
15 of 160 families as well as initiating statewide  
16 partnerships with five major denominations. As  
17 executive director of the foundation, Mrs. Van  
18 Riper has overseen the development of a model that  
19 works to encourage mentor relationships between  
20 private sector teams and their welfare clients.  
21 She believes that the potential for the long-term  
22 success of welfare reform is found in the hearts  
23 of the citizens of South Carolina.

24 Governor Beasley says Mrs. Van Riper  
25 exemplifies hope that will change lives and hope  
26

1                   that is changing government.  Congratulations.  
2                   (Applause.)  
3                   (Award presented.)  
4                   GOVERNOR VOINOVICH:  From Puerto Rico  
5                   the Honorable Luis A. Ferre', former governor of  
6                   Puerto Rico and founder of the Ponce Museum of Art  
7                   is the winner in our art support category.  
8                   Governor Ferre' has demonstrated a deep and  
9                   abiding dedication to his country and the arts to  
10                  his native city of Ponce.  Governor Ferre' helped  
11                  the Ponce Museum of Art acquire an inventory of  
12                  masterpieces unsurpassed by many larger  
13                  institutions.  The Governor is coming forward, and  
14                  his lovely wife.  
15                  (Applause.)  
16                  GOVERNOR VOINOVICH:  Thanks to his  
17                  promotion of a patron program that encourages  
18                  business involvement, arts appreciation has grown  
19                  through educational activities and instructional  
20                  exhibitions at the museum.  Governor Ferre' has  
21                  also rendered distinguished service to the Puerto  
22                  Rican Academy of the Arts and Sciences, the  
23                  American Academy of Arts and Sciences and numerous  
24                  other organizations.  Governor Rossello' says  
25                  Governor Ferre's visions, steadfast dedication and  
26

1 generous philanthropy have contributed immensely  
2 to making art more accessible to Puerto Ricans  
3 from all walks of life. Let us present the  
4 plaque.

5 (Applause.)

6 (Award presented.)

7 GOVERNOR VOINOVICH: And unfortunately  
8 two of our remaining award winners could not be  
9 with us today, but I would like to briefly  
10 describe their outstanding contributions and honor  
11 them for their efforts.

12 In private citizen category from  
13 Minnesota, Weelock Whitney. Governor Carlson has  
14 stated that Weelock Whitney has helped define the  
15 quality of life in Minnesota. His fingerprints  
16 are on virtually every piece of progress in the  
17 state. Mr. Whitney is a pioneer in public health  
18 issues and helped lead Minnesota in the treatment  
19 of alcohol and drug addictions with his founding  
20 of the Johnson Institute.

21 In addition, he has expanded his  
22 activism to include AIDS prevention and  
23 treatment. Mr. Whitney has also been a leader in  
24 Minnesota's business community. In 1971 he was  
25 elected president of the Investment Bankers'

1 Association of America, the largest trade  
2 organization, association in the securities  
3 industry. And Finance Magazine named him  
4 investment banker of the year.

5 He is also credited as being the driving  
6 force behind sports in Minnesota which now boasts  
7 four professional league franchises. In the  
8 artistic production category, Jacob -- will you  
9 come forward so I can present this for Mr.  
10 Whitney? I guess you've already presented -- he's  
11 already got the plaque and it's delivered.

12 GOVERNOR CARLSON: Nice to see you  
13 again, George.

14 GOVERNOR VOINOVICH: Does Mr. Lawrence  
15 have his plaque too? Well, the other category  
16 winner in the arts area is Jacob Lawrence from  
17 Washington State. And for more than 60 years  
18 Jacob Lawrence provided images of hope and  
19 perseverance in hundreds of works of art. His  
20 paintings and prints often done in series or in  
21 suites focus on the contribution of African  
22 Americans and their striving for freedom and  
23 dignity. Mr. Lawrence acts as a chronicler of  
24 both the American and the African American scene  
25 rendering the situation in human rather than  
26

1           heroic terms. Let's just congratulate Jacob  
2           Lawrence from Washington State.

3                       (Applause.)

4                       GOVERNOR VOINOVICH: Let's give all of  
5           the awardees a hand, folks.

6                       (Applause.)

7                       GOVERNOR VOINOVICH: At our winter  
8           meeting in February we heard from four governors  
9           who pioneered major initiatives to improve the  
10          quality of government services through quality  
11          total management and how these efforts are  
12          transforming state employees into the high  
13          performance work forces states will need to  
14          respond to the challenge of devolution and improve  
15          the quality of services to their customers so we  
16          can better compete in the global marketplace of  
17          the 21st century.

18                      We have developed a governor's guide for  
19          launching or expanding major quality initiatives,  
20          a copy of which is at each governor's place and is  
21          available for meeting attendees from NGA's Office  
22          of Public Affairs. This is the document. It  
23          probably if you take about a half an hour to go  
24          through it, I would recommend that you read it.  
25          It's very impressive with what some states have

26

1 done in the area of quality management.

2 One of the critical factors for success  
3 in quality management is partnerships with key  
4 stakeholders who are concerned with improving the  
5 quality of government services. Our public  
6 employee unions in the State of Ohio have been key  
7 partners in Ohio's quality services through  
8 partnership programs.

9 And I've asked one of our four union  
10 leaders to join us this morning to briefly discuss  
11 how governors can hold and should partner with  
12 public employee unions. Just to give you an idea  
13 of what we're talking about, we have over 50,000  
14 state employees who have completed a three day  
15 quality service through partnership training.  
16 1800 employees have completed the team  
17 facilitation course. In other words, you have  
18 1800 facilitators. We've saved over \$75 million  
19 dollars, and we have 2,500 quality management  
20 teams in the state. The most important thing I  
21 think about this program though is the pride and  
22 enthusiasm and self-worth of the individuals that  
23 have participated in the program.

24 Employees report that being equipped  
25 with new skills and being empowered to make  
26

1 changes in their own work not only improves the  
2 quality of services but also improves the quality  
3 of their work lives and has made a difference in  
4 their lives not only at work but at home.

5 It is my pleasure to call on Paul  
6 Goldberg. Paul is the former executive director  
7 of the Ohio Civil Service Employees Association,  
8 AFSCME Local 11. Although Paul and his membership  
9 in Ohio have typical tensions in our bargaining  
10 sessions, his enlightened leadership has helped  
11 transform Ohio's work force through empowerment of  
12 their membership, by concentrating on the needs of  
13 their internal and external customers.

14 Paul's background is impressive. He  
15 took office the same year I did, and previously  
16 Paul held positions as Minnesota's Council 6  
17 director of AFSCME for five Midwestern states and  
18 was field services director for AFSCME. He also  
19 served as Minnesota's Commissioner of Mediation  
20 Services from 1983 to 1991 where he developed  
21 programs that promoted collaborative labor  
22 management relations in both the private and  
23 public sectors, a job which undoubtedly helped  
24 Paul prepare for his work in Ohio, particularly as  
25 our partner in quality.



1 I want to thank you, Paul, for coming  
2 here today and sharing your experience with our  
3 Quality Services through Partnership Program.  
4 Paul Goldberg.

5 MR. PAUL GOLDBERG: Thank you,  
6 Governor. It's a distinct honor for me to share  
7 this podium with Governor Voinovich and to be able  
8 to share these remarks with you. I believe that  
9 governors and public sector union leaders have a  
10 collective problem. In virtually every one of our  
11 states, public employees go to work each day with  
12 the realization that many citizens believe their  
13 government is broken or at least inept and  
14 inefficient. And sometimes those employees have  
15 firsthand evidence of the truth in such  
16 assessments.

17 There is much that could be said, but in  
18 the brief time that I have available, I want to  
19 talk about two factors. The B teams that each of  
20 you has in your state and the potential for  
21 partnering with your unions to bring about  
22 change.

23 Each of you has assembled a strong team  
24 to implement the public policy initiatives of your  
25 administration. These A team members typically  
26

1 share your vision for the role of government.  
2 Usually they have responsibility for enrolling  
3 other state managers and employees in the pursuit  
4 of those visions.

5 Each of you, however, has a B team as  
6 well. These are the state employees who will be  
7 there whenever a new governor takes office and who  
8 will be there when that governor is gone. And  
9 although they continue from one A team to the  
10 next, they are seldom asked for their opinions  
11 about what's right or what's wrong.

12 The B team members are the men and women  
13 who actually make government work. They are the  
14 ones who deal with the long lines of frequently  
15 frustrated citizens at many of our public service  
16 counters, who struggle to meet the expectations of  
17 taxpayers while using lowest bid equipment and  
18 frequently outdated work methods, and who have  
19 almost universally been conditioned to believe  
20 that the last thing a political leader would want  
21 them to do is to take a risk.

22 These employees are often trapped in  
23 top-down bureaucratic mazes which muscle  
24 creativity as well as their voice. Each of them,  
25 however, is also a stakeholder in whether or not  
26

1           you take measures to enhance the quality and  
2           efficiency of your state services. In many  
3           respects, their job security may well depend upon  
4           your leadership on this front.

5                       In my more than 30 years in the public  
6           sector, I have never met a public employee whose  
7           ambition was to have a career in mediocrity.  
8           Virtually everybody I've ever met in public life  
9           from political leader to front line worker has  
10          wanted to do a good job, has wanted to go home  
11          feeling good about their contributions for the  
12          day.

13                      Unfortunately, sometimes the failures of  
14          government systems victimize employees as well.  
15          Doctor Edward Deming, widely regarded as the  
16          father of the quality movement, used to emphasize  
17          that quality is a function of the appropriateness  
18          of the work system, not a matter of worker  
19          effort. Fix the system, not the blame for the  
20          Deming quality mantra. And whenever someone  
21          blamed poor quality on the work force, he would  
22          tersely remind them that the system within which  
23          those workers toiled belonged to management.

24                      Well, in considering management's  
25          responsibility for work systems, it's worth noting  
26

1           that today's most widely read author on management  
2           practice is not Peter Drucker, nor is it Rosabeth  
3           Canter or Charles Handy or Tom Peters. It's Scott  
4           Adams, the creator of the cartoon strip Dilbert.  
5           I venture to say that there are few state offices  
6           and perhaps few governors' offices as well that  
7           don't have a Dilbert cartoon hanging in a cubical  
8           or two.

9                       Most front line employees agree with  
10          Dilbert's cynical view of management's capacity to  
11          actually manage the challenges facing their  
12          enterprise, public or private. It is Gary Hammel,  
13          coauthor of the book "Competing for the Future,"  
14          has noted, the bottleneck is at the top of the  
15          bottle.

16                     Improving state services requires  
17          changes in the way things are done at the top as  
18          well as on the front lines. And perhaps the most  
19          important top level change is to recognize that  
20          the people now doing the work know the most about  
21          it. Because management is in charge of the work  
22          system and because most management systems are  
23          top-down, it is probably natural for managers to  
24          lean toward top-down solutions to change.

25                     Unfortunately, these strategies are  
26

1 seldom successful. And in fact, studies reveal  
2 that about 85 percent of all top-down efforts to  
3 implement quality end in outright failure.  
4 Overwhelmingly a more successful strategy is to  
5 build from the bottom up. This approach enrolls  
6 all of your stakeholders in the need for change,  
7 then helps align them in strategies for achieving  
8 it. And yet, if a bottom-up approach is to be  
9 sustained, it is important to mention one other  
10 factor with particular significance in the public  
11 sector. The union.

12 This is, after all, the organization  
13 which many B team members have selected to express  
14 their collective voice. And while many private  
15 sector enterprises are able to implement change  
16 without regard for the view of the union, this is  
17 usually not the case in the public sector. Union  
18 density among government workers is higher today  
19 than was ever achieved in the private sector with  
20 almost 40 percent of all public workers now being  
21 represented by union.

22 Unfortunately, some see this significant  
23 union presence as a barrier to change rather than  
24 an opportunity for gain. Labor relations policy  
25 in any organization but certainly in the public  
26

1 sector should be a matter of deliberate, strategic  
2 leadership choice, not the laissez-faire result of  
3 history or assumptions. The character and  
4 efficiency of government services and the  
5 character and effectiveness of your  
6 union/management relationships are inextricably  
7 linked. You cannot address one arena without  
8 impacting the other.

9 But too often the sort of battle we just  
10 saw being played out between the UAW and General  
11 Motors symbolizes or typifies our view of labor  
12 relations. The truth is that many once shaky  
13 corporations now thrive because of partnership  
14 with their union.

15 In part, these companies are now  
16 successful because the CEO understood that union  
17 leaders generally have far more credibility with  
18 the front line than is the case for management.  
19 The failure to enroll union leaders in a change  
20 initiative or to discount their influence on  
21 workplace culture is not just short-sighted. It  
22 robs management of important perspective and  
23 insight during the decision making process, and it  
24 can alienate a potentially powerful ally for  
25 helping workers understand the purpose and need  
26

1           for workplace change.

2                       In Ohio, it was more than just

3           traditional skepticism about management which

4           motivated the union to seek a partnership for

5           quality. We also understood that you cannot

6           produce quality products or services in a bad work

7           environment. Nor can quality outcomes coexist

8           with mean spirited labor/management relations.

9                       Thus, we believe that Partnering for

10          Quality would not only help address the

11          expectations of citizens, but it would enhance

12          workplace conditions for our members and foster a

13          healthy labor/management relationship as well.

14          And these factors do not distinguish our union nor

15          state service in Ohio. I believe they are common

16          truths in all state systems.

17                       What does distinguish Ohio, however, is

18          the fact that a Republican governor and the union

19          which endorsed his democratic opponent, not just

20          once but twice, were able to put aside their

21          differences and invest in a collect -- invest

22          their collective energy in a partnership for

23          change. Both sides of the bargaining table were

24          willing to take risks in order to enhance the

25          quality and efficiency of state services.

26

1                   And as Governor Voinovich confirmed, I  
2                   speak of a partnership between the union and  
3                   management, not a sense of oneness. There are  
4                   inherent tensions between the interests of labor  
5                   and those of management. And our Quality  
6                   Partnership did not mean an end to sometimes  
7                   contentious bargaining. Nor did it mean that  
8                   union and governors were together on every public  
9                   policy issue.

10                  But our disagreements in one arena did  
11                  not make us powerless to collaborate in another.  
12                  And frankly, many contemporary workplace issues  
13                  are difficult to resolve with a labor relations  
14                  model which was developed during the New Deal.

15                  To truly protect the social and economic  
16                  and workplace interests of Ohio state employees,  
17                  we found it necessary to fashion new 21st century  
18                  strategies. And although it is possible to find  
19                  pockets of resistance mixed in with our examples  
20                  of excellence, the \$75 million dollars in savings  
21                  our quality teams have produced so far and the  
22                  high performance workplaces we see beginning to  
23                  emerge in state agencies not only attribute to  
24                  Ohio's unique union/management partnership, they  
25                  have made state service a better place to work.



1                   As each of you struggle with the issues  
2                   of high quality, high performance work systems in  
3                   your states, I encourage you to explore the  
4                   potential to partner with your labor unions for  
5                   change. Like the B team, the union will be around  
6                   long after you're gone. It can, therefore, be an  
7                   important factor in sustaining the momentum for  
8                   change.

9                   For decades, both sides of the  
10                  bargaining table have invested heavily in the  
11                  skills and resources necessary to do battle in  
12                  traditional ways. If our goal, however, is to  
13                  enhance the capability of government to meet its  
14                  obligations to our citizens in a high quality,  
15                  high performance way, then it seems wise to invest  
16                  at least a little effort in creating labor  
17                  management partnerships for mutual gain.

18                 From my perspective, the challenges of  
19                 managing in the public sector are simply too  
20                 important to leave to management alone. Thanks  
21                 for your attention.

22                         (Applause.)

23                  GOVERNOR VOINOVICH: When you get to the  
24                  end of your service as a governor of the state,  
25                  you start to look back on the things that you have  
26

1           been involved with and try to contemplate what  
2           long-term benefit you're going to leave your  
3           state. And I would like all of you to know that I  
4           believe in my instance that our initiatives in  
5           quality management are the most significant, is  
6           the most significant thing that I've done as  
7           Governor of the State of Ohio because this  
8           partnership that we have in quality will live long  
9           after I'm gone as Governor of Ohio and will  
10          continue to permeate every aspect of state  
11          government.

12                       And the thing that guarantees that it  
13          will continue is the fact that our labor unions  
14          have been involved as a partner in our quality  
15          management effort. And if you look around this  
16          country and you look at the companies that are  
17          really competing in this global marketplace, they  
18          are the companies that have enlightened labor  
19          management relations, companies that are willing  
20          to invest in technology and the training that goes  
21          along with that technology and partnership.

22                       And I think all of us know that if we  
23          believe in more responsibility going to our  
24          states, then we're going to have a much greater  
25          challenge than we've ever had before. And I think  
26

1           that good management and technology go hand in  
2           hand with evolution. And if you don't have one,  
3           you're not going to get the other. So Paul,  
4           again, I want to thank you for being here. And  
5           thank you for allowing me to editorialize.

6                       I now would like to convene a meeting of  
7           the executive committee of the Governors'  
8           Association to -- and only the executive committee  
9           members can vote. May I have a motion and a  
10          second to approve the minutes of the February 22nd  
11          and April 24th, 1998 executive committee.

12                      GOVERNOR CARPER: So moved.

13                      GOVERNOR VOINOVICH: So moved. Second?

14                      GOVERNOR DEAN: Second.

15                      GOVERNOR VOINOVICH: All those in favor,  
16          signify by saying aye.

17                      (Chorus of ayes.)

18                      GOVERNOR VOINOVICH: Motion is passed.

19          As many of you know, our policy on managed care  
20          was due to expire at this meeting. And earlier  
21          this week the executive committee decided on a  
22          conference call to extend our -- decided at a  
23          conference call to extend our current policy.

24                      Governor Carper, bless you, will convene  
25          a task force to develop new policy over the course  
26

1 of the next several months. Accordingly, we will  
2 need to move the existing policy as an amendment  
3 to the draft policy. May I have a motion to do  
4 that?

5 GOVERNOR CARPER: So moved.

6 GOVERNOR VOINOVICH: Second?

7 MEMBER OF THE EXECUTIVE COMMITTEE:

8 Second.

9 GOVERNOR VOINOVICH: It's been moved and  
10 seconded that we move the proposal. All those in  
11 favor, signify by saying aye.

12 (Chorus of ayes.)

13 GOVERNOR VOINOVICH: Those opposed?

14 (No response.)

15 GOVERNOR VOINOVICH: The motion is  
16 passed.

17 I'd now like to call on Governor Carper  
18 to give us a year-to-date financial report.  
19 Governor Carper.

20 GOVERNOR CARPER: Thank you very much.  
21 Under the stewardship of Governor Voinovich and  
22 your vice chairman and the leadership of our  
23 executive director, Ray Scheppach and his staff,  
24 through May we're pleased to report, May of this  
25 year, the NGA's operating fund revenue is on  
26

1 target while our expenses are running slightly  
2 under budget. That's due in part to staffing  
3 vacancies and in some timing differences that have  
4 occurred with respect to those staffing  
5 vacancies.

6 We anticipate that when the current  
7 fiscal year ends that both NGA and our Center for  
8 Best Practices operating funds should break even.  
9 And we look forward to being able to make that  
10 official. That's a good report.

11 GOVERNOR VOINOVICH: Any questions? I'd  
12 like to then remind governors that the governors  
13 only luncheon will be in Rooms 102-D and E.  
14 That's rooms 102-D and E immediately after our  
15 adjournment.

16 The only other announcements I have is  
17 that the bleachers are open at 1:15 for our  
18 guests. And we've been told that if you're not  
19 there in your seats by 2:10, you've lost your  
20 seat. This session stands adjourned.

21 (At 12:30 p.m., the proceedings  
22 adjourned.)

23 \* \* \*  
24

1       STATE OF WISCONSIN    )  
2       MILWAUKEE COUNTY     )  
3                            I, VICKY L. ST. GEORGE, RMR, Registered  
4       Merit Reporter with the firm of Schindhelm &  
5       Associates, Inc., 606 E. Wisconsin Avenue, Suite 250,  
6       Milwaukee, Wisconsin, do hereby certify that I reported  
7       the foregoing proceedings had on August 2, 1998, and  
8       that the same is true and correct in accordance with my  
9       original machine shorthand notes taken at said time and  
10      place.

11      \_\_\_\_\_

12      Registered Merit Reporter

13      Dated this 2nd day of August, 1998.

14      Milwaukee, Wisconsin.

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NATIONAL GOVERNORS' ASSOCIATION  
1998 ANNUAL MEETING  
PLENARY SESSION  
MONDAY, AUGUST 3, 1998  
LOCATED AT:  
THE MIDWEST EXPRESS CENTER  
400 WEST WISCONSIN AVENUE  
MILWAUKEE, WISCONSIN

1 GOVERNORS PRESENT:  
2 Governor George V. Voinovich, Ohio, Chairman  
3 Governor Thomas P. Carper, Delaware, Vice Chairman  
4 Governor Tom Ridge, Pennsylvania  
5 Governor Zell Miller, Georgia  
6 Governor Argeo Paul Cellucci, Massachusetts  
7 Governor David M. Beasley, South Carolina  
8 Governor James S. Gilmore III, Virginia  
9 Governor Howard Dean, M.D., Vermont  
10 Governor Don Sundquist, Tennessee  
11 Governor Kirk Fordice, Mississippi  
12 Governor Mel Carnahan, Missouri  
13 Governor John Engler, Michigan  
14 Governor Tommy G. Thompson, Wisconsin  
15 Governor Arne H. Carlson, Minnesota  
16 Governor Bob Miller, Nevada  
17 Governor Roy Romer, Colorado  
18 Governor William J. Janklow, South Dakota  
19 Governor Frank Keating, Oklahoma  
20 Governor Jane Dee Hull, Arizona  
21 Governor Pedro Rossello', Puerto Rico  
22 Governor Carl T.C. Gutierrez, Guam  
23 Governor Gary E. Johnson, New Mexico  
24 Governor Michael O. Leavitt, Utah  
25 Governor Marc Racicot, Montana



1 Governor Edward T. Schafer, North Dakota  
2 Governor E. Benjamin Nelson, Nebraska  
3 Governor Cecil H. Underwood, West Virginia  
4 Governor Terry E. Branstad, Iowa  
5 Governor Lawton Chiles, Florida  
6 Governor Mike Huckabee, Arkansas  
7 Governor Jim Edgar, Illinois  
8 Governor Frank O'Bannon, Indiana  
9 Governor Paul E. Patton, Kentucky  
10 Governor Jeanne Shaheen, New Hampshire  
11 Governor Parris N. Glendening, Maryland  
12 Governor John G. Rowland, Connecticut  
13 Governor Christine T. Whitman, New Jersey  
14 GUESTS PRESENT:  
15 Mr. Ervin S. Duggan, CEO, Public Broadcasting Service  
16 Mr. Murray Gaylord, COO, The Advertising Council  
17 Mr. John Fahey, President and CEO, National Geographic  
18 Society

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P R O C E E D I N G S

GOVERNOR VOINOVICH: I'd like to welcome you to our second plenary session. As Governor of Ohio and Chairman of the National Governors' Association, I've tried to build on the initiatives started by Governor Bob Miller when he was chairman, and that is the healthy development of children from conception to three years. That has been a top priority.

And I must tell you that I've been working on that priority since 1991. During my first State of the State Address, I staked out the challenge to the people in my state and said our aim is to make an unprecedented commitment to one priority that I believe ranks above all others. The health and education of our children.

Most Ohioans have had enough welfare, enough poverty, enough drugs, enough crime. Most would love to see the debilitating cycle broken and the people trapped within it freed once and for all. And so would I. And the only way to do that is to pick one generation of children, draw a line in the sand and say to all this is where it stops. Today we draw the line.

1                   Like many of you, Ohio has been  
2                   practicing sound fiscal management. We've  
3                   restored our Rainy Day Fund and reduced the state  
4                   income tax by 9.3 percent for this year. And yet,  
5                   while operating within the lowest growth in state  
6                   spending of 30 years, we have increased funding  
7                   for families and children 47 percent. And more  
8                   importantly, we have seen measurable improvement  
9                   in the process.

10                  The framework for change is our Family  
11                  and Children First Initiative. It's a framework  
12                  that encourages a variety of state and local  
13                  agencies, providers, and more importantly, parents  
14                  to work together for change. Ohio will always be  
15                  in the National Governors' Association's debt for  
16                  the intense technical assistance our state  
17                  received while launching this effort.

18                  This organization, our National  
19                  Governors' Association, helped facilitate three  
20                  retreats, for our people, and numerous visits to  
21                  Ohio. And that year process laid the foundation  
22                  which continues to serve our state very well.

23                  Basically, the directors of our  
24                  departments along with their deputies got to know  
25                  each other, grew to understand that they had a  
26

1 symbiotic relationship. And when the public and  
2 private agencies in our 88 counties saw that our  
3 agencies and state government were working  
4 together as a team, then they started to  
5 understand that by working together, they could  
6 achieve their respective goals.

7 In the past this organization has heard  
8 from experts who have discussed recent research  
9 which demonstrates how an infant's experiences  
10 from zero to three will literally shape the brain  
11 structure and learning capacity for a lifetime.  
12 We've shared ideas about what works in improving  
13 results for pregnant women, infants and young  
14 children, and we've identified goals and outcome  
15 indicators to measure the success of our efforts.

16 To measure the success of the last two  
17 NGA chairmen's initiatives which are focused on  
18 early childhood development, I asked the Center  
19 for Best Practices to conduct a survey of state  
20 early childhood activities during the past two  
21 years. And I'm pleased to now share the results  
22 with you.

23 Of the 49 states, Bob Miller, you should  
24 feel very good about this. Of the 49 states and  
25 territories responding, 42 governors talked about  
26

1 the importance of early childhood development in  
2 their State of the State Address. 46 states  
3 passed legislation improving early childhood  
4 services. 42 states sponsored or co-sponsored  
5 community events focused on raising awareness  
6 about the importance of early childhood  
7 development. 41 states have identified or are  
8 developing goals and measurable indicators of  
9 success for improving the condition of young  
10 children and families. 42 states and territories  
11 are participating in the Hallmark Immunization  
12 Greeting Card Program or a similar immunization  
13 effort. And 42 states are coordinating services  
14 and strengthening local communities' capacity to  
15 address the needs of their youngest children.

16 I think these results show we can be  
17 proud of what we've accomplished and confident  
18 that the investments that we're making today are  
19 going to produce even larger dividends in the way  
20 of reduced cost for mediation, rehabilitation and  
21 incarceration.

22 I think these results will also please  
23 Rob Reiner and Doctor Bruce Perry who so  
24 eloquently focused our attention on early  
25 childhood brain development at our winter meeting  
26

1 back in 1997.

2 I know we're already seeing returns on  
3 our investments in our state. Immunizations and  
4 adoptions are up. Infant mortality and teenage  
5 pregnancy rates are down. But we can't stop  
6 there. We must also focus attention on the  
7 quality of the learning experience small children  
8 receive. Whether they are cared for at home by  
9 mom or dad, by a neighbor at home provider or in a  
10 child care or Head Start center.

11 As we learned if you remember in the  
12 winter meeting when Lynn Kagan came in and talked  
13 to us about the fact that we needed to improve the  
14 quality of the people that were working with our  
15 children. In Ohio we teamed up with the public  
16 television stations in a first ever partnership to  
17 provide training for home based child care  
18 providers, mom and dad, a neighborhood child care  
19 center. And in terms of quality preschool  
20 programing, I don't think that you can get any  
21 better than Big Bird, Elmo and Mr. Rogers.

22 I'm so impressed with the partnership  
23 that we have established with public broadcasting  
24 that I asked the president of the Public  
25 Broadcasting Service, Mr. Ervin Duggan, to come  
26

1 and speak to us today.

2 In case you are not familiar with PBS  
3 and what it does for children, this brief video  
4 will help you. And after we see that video, I  
5 will introduce Mr. Duggan to you. May we have the  
6 video.

7 (Video played.)

8 GOVERNOR VOINOVICH: Mr. Duggan began  
9 his distinguished career as a Washington Post  
10 reporter and was later the national editor of the  
11 Washingtonian Magazine. He is also the coauthor  
12 with Ben Wattenburg of Against All Enemies, a 1977  
13 political novel.

14 Mr. Duggan has served in a number of  
15 public/private posts in the Congress and in the  
16 Johnson administration. 1990 he was nominated by  
17 President Bush and confirmed by the United States  
18 Senate as Commissioner of the Federal  
19 Communications Commission. Mr. Duggan has served  
20 as president of PBS for the past four years during  
21 which time a host of new initiatives have been  
22 launched in programing, education and technology  
23 that extends way beyond the television screen.

24 And I was pleased today that I had an  
25 opportunity to spend some time with Mr. Duggan and  
26

1 was just amazed at what PBS is doing that I wasn't  
2 aware of. And I'm sure you'll share that with the  
3 other governors that are here today.

4 We look forward to your presentation.  
5 (Applause.)

6 MR. ERVIN DUGGAN: Thank you, Governor  
7 Voinovich. Thank you for your invitation and your  
8 hospitality. And thank you in particular for your  
9 interest in early childhood education. The work  
10 that you have done in Ohio is I think a legacy  
11 that will be remembered long after your term is  
12 over.

13 So I want to begin by thanking you and  
14 thanking all of the governors for the invitation  
15 to come and talk about this subject that Governor  
16 Voinovich is so deeply interested in. And it is  
17 so crucial to all of us, early childhood  
18 development and education.

19 We have a context in which we meet. And  
20 I hope that as I speak, you will keep in mind the  
21 background against which we meet. I call it the  
22 triple crisis in American life. The first aspect  
23 of that triple crisis is a crisis in education.  
24 All of us are struggling, and you are struggling  
25 on the front lines with a critical challenge to  
26



1 make a quality educational experience available to  
2 everyone from every walk of life. And it is not  
3 an easy thing to do.

4 The second aspect of that triple crisis  
5 is a crisis of popular culture. When I was  
6 growing up in a small town in South Carolina and  
7 television was relatively new, parents could know,  
8 and parents for a generation or more knew that the  
9 media and television were their allies in trying  
10 to rear their children and instill decent values  
11 in their children. Today they wonder whether the  
12 media are an ally or an enemy. We have a crisis  
13 in the popular culture.

14 The third aspect of that triple crisis  
15 is a crisis of citizenship. We have gridlock, we  
16 have a degree of partisanship that is troubling I  
17 know to you. An event like this which is  
18 bipartisan and civil is almost the exception in  
19 our public discourse today. People are turned off  
20 by the political process. We have a crisis of  
21 citizenship.

22 I'm very delighted that we at PBS are  
23 able to address in some constructive way every  
24 aspect of that triple crisis, education, culture  
25 and citizenship. And I'm delighted to come today  
26

1 with exciting news on the education front.

2 Today I want to pursue three quick

3 purposes with you and to accomplish three quick

4 things. First, I want to describe some exciting

5 developments, you are aware of the research on

6 early childhood development. I want to talk a

7 little bit about that and add to that a

8 description and demonstration of a new digital

9 technology that enriches television. That will be

10 my first purpose.

11 Second, I want to describe an exciting

12 project of PBS, one that Governor Voinovich

13 mentioned, that he has supported in Ohio, we're

14 pursuing in virtually all of the states of the

15 union. It is very good for young children and

16 families. It is a service that we think deserves

17 support, and it has tremendous implications when

18 we look at the enriching possibilities of digital

19 technology.

20 Third and finally, I want to talk very

21 briefly about what we can do to work together to

22 advance what we know about early childhood

23 learning, to unite it with technology and to

24 achieve real progress in every one of our 50

25 states.

26

1                   What about that first topic, the  
2                   developments in research and technology. In March  
3                   of 1997 I went on a long car trip with Governor  
4                   Dick Riley who as you know is now the Secretary of  
5                   Education. He had just come on that trip that we  
6                   took to Pennsylvania to see Frank Lloyd Wright's  
7                   Falling Water. He had just come from the White  
8                   House where they unveiled the new research on  
9                   brain development and early childhood  
10                  development. And he was on fire with the  
11                  significance of that.

12                 We talked for a long time about the  
13                 importance of this new research. The research as  
14                 Dick Riley said to me spelled both hope and  
15                 danger. Hope because it held out the possibility  
16                 that if we intervene early enough, we can  
17                 accomplish decisive things for the well-being of  
18                 young children.

19                 Danger, however, in that if we fail to  
20                 intervene, if we neglect doing what we should do  
21                 about this early childhood development, the  
22                 consequences of that neglect can last forever.  
23                 And he used an example that stuck in my mind.

24                 He said take the R sound in American  
25                 English. If a Japanese child learns that R sound  
26

1 before age two-and-a-half or three, he will always  
2 or she will always be able to pronounce the  
3 American or English R. But if they don't learn it  
4 by age 3, they will always pronounce it as an L.  
5 Secretary Liley instead of Secretary Riley.

6 If the synapses in the brain are not  
7 wired on that skill by age three, it can never be  
8 acquired. What other skills involve the hard  
9 wiring of the brain at such an early age that we  
10 can never recover the knowledge or build the  
11 knowledge unless we intervene so early. That  
12 stuck in my mind.

13 I went back to PBS, and we began talking  
14 about how we could utilize that research and  
15 improve our service. One of the things that we  
16 did a year later, in April, was introduce a  
17 program that is aimed at the youngest group of  
18 children ever before to be addressed by PBS  
19 programing. Toddlers who are not yet able to talk  
20 but who are able to think.

21 It's a program called the Teletubbies.  
22 It's been a sensation in Britain. It is very  
23 controversial in this country. It has set off a  
24 debate about whether the program is educational at  
25 all or whether baby talk and some of the things  
26

1           that are done on that program are just mindless.

2                       It set off a debate whether toddlers  
3           should be watching television at all. We're going  
4           to endure that controversy with as much good cheer  
5           as we can because we believe that intervening at  
6           that very early age and addressing our educational  
7           service to the youngest children is an experiment  
8           that very much deserves to happen.

9                       So we are going forward with the  
10          Teletubbies, and we are vitally interested in  
11          preschool education. We intend to do more in the  
12          future as the technologies on-rush as they  
13          converge and fuse. The computer, the television  
14          set and the telephone. Imagine television that is  
15          not top-down in anymore. Imagine television that  
16          you can talk back to, ask a question of, make a  
17          request of, get a response from.

18                      That interactive television can give you  
19          say a tidbit on the screen during the television  
20          program. If you want more information, you can go  
21          to the internet portion of the program  
22          simultaneously and request and download the  
23          information. Think of the implications of that  
24          for early childhood education and for the  
25          experience of television by adults. This is not a  
26

1 pipe dream.

2 In November PBS and our member stations,  
3 350 member stations nationwide, will begin beaming  
4 digital programs over the air that unlock these  
5 new possibilities of enriched digital information  
6 streams that accompany the program. Rather than  
7 merely describe these for you, I want to pause now  
8 and ask my colleague, PBS executive vice president  
9 John Hollar who heads all the educational efforts  
10 at PBS to come forward and give you just a brief  
11 one or two minute display of what we call enriched  
12 television. Ladies and gentlemen, John Hollar of  
13 PBS.

14 (Applause.)

15 MR. JOHN HOLLAR: Thank you, Ervin.  
16 Thank you, Governor Voinovich. On November 11th  
17 and 12th PBS will unveil its newest innovation in  
18 digital television for the 21st century. We call  
19 it enhanced television. Enhanced television will  
20 bring you all the quality and clarity of digital  
21 television plus something more, a simultaneous  
22 digital stream that rides along with the broadcast  
23 and delivers video, audio, images and the  
24 worldwide web to your home at 10 times the speed  
25 of today's conventional internet.

26

1                   In partnership with the Intel  
2                   Corporation, we've developed a prototype of  
3                   enhanced television based on last year's PBS  
4                   blockbuster documentary Louis and Clark, The  
5                   Journey of the Core of Discovery by Ken Burns.  
6                   We're going to show you a brief prototype this  
7                   morning and then tie that into early childhood  
8                   development in our preschool programing.

9                   Imagine that you're watching this  
10                  fabulous historical film. And at the end, you  
11                  want to know more about Louis and Clark and their  
12                  team of discoverers.

13                  (Video played.)

14                  MR. JOHN HOLLAR: As your local PBS  
15                  station broadcast this digital program, the signal  
16                  also carries a vast amount of other information  
17                  that flows directly into your computer or  
18                  eventually your smart television. Notice at the  
19                  bottom of the page how the icons are popping up as  
20                  the film progresses. This is a signal that more  
21                  information is coming to you through that digital  
22                  stream that I was mentioning earlier.

23                  Now, at the end of the film you'll have  
24                  a rich array of more educational information at  
25                  your fingertips. Under the more information  
26

1 section, we transmitted more than 1,000 pages of  
2 information from PBS Online off the worldwide web  
3 about the journey. Under video clips, we've  
4 transmitted a completely separate 10 minute film  
5 about Ken Burns and the art of documentary film  
6 making.

7 (Video played.)

8 MR. JOHN HOLLAR: And under related  
9 products, we've sent you information about the  
10 home video version and the companion soundtrack.  
11 We presume you'll have a home internet connection  
12 to place your order. And yes, we do collect state  
13 sales taxes on internet orders in all 50 states.

14 On November 11th and 12th we'll  
15 broadcast our first live enhanced digital  
16 television production, another Ken Burns  
17 documentary. This one a three hour film about  
18 Frank Lloyd Wright. With it we'll distribute the  
19 complete video interviews of all of Ken's scholars  
20 and commentators. We'll transmit the blueprints,  
21 the site plans and sketches of two of Wright's  
22 most famous houses.

23 We'll transmit in their entirety two  
24 half hour interviews with Frank Lloyd Wright  
25 himself and Mike Wallace from the 1950s. And  
26



1 we'll transmit much more, all directly to digital  
2 receivers in six cities where PBS member stations  
3 are already on the air with the digital signal.  
4 And one of them is right here in Milwaukee.

5 So imagine the power of this technology  
6 for education, for early learning, for child  
7 development. There is good news on that front as  
8 well because next month we'll announce our second  
9 major enhanced TV project, a new preschool program  
10 featuring two of our zaniest personalities and a  
11 Madagascan lemur who will teach preschoolers about  
12 animals, their habitats and the environment.  
13 We're really looking forward to the enormous  
14 possibility of this technology. Thank you.  
15 Ervin.

16 (Applause.)

17 MR. ERVIN DUGGAN: Thank you, John. I  
18 hope all of you governors will keep in mind the  
19 possibilities for early childhood education.  
20 Imagine parents being able to request educational  
21 materials that they can download right into the  
22 home that accompany our programmings and you catch  
23 some of the possibilities for early childhood  
24 education that we will be exploiting in the coming  
25 years.

1 I want to turn now to the second topic  
2 that I said I will talk about which is that  
3 project in early childhood learning that we have  
4 been pursuing nationally for four years and which  
5 Governor Voinovich and some other governors have  
6 been vitally involved in. The effort is called  
7 Ready to Learn. The impulse behind it is simple.  
8 If the programing that we bring to the preschool  
9 children of America is educational by its very  
10 nature, and we know from our research and testing  
11 that it is, could it be even more powerful in the  
12 hands of well-trained parents, home caregivers who  
13 have previously been giving nothing but custodial  
14 care and preschool teachers. Could it be a tool  
15 in those trained hands to help preschool children  
16 literally be better prepared for school, to become  
17 in the words of the educator who introduced the  
18 phrase, Doctor Ernest Boyer, Ready to Learn. We  
19 believe the answer is yes.

20 And so in partnership with the  
21 Corporation for Public Broadcasting, with  
22 Congress, the Department of Education, hand in  
23 hand with talented children's producers like some  
24 of those you saw on the screen and with a small  
25 core of 10 PBS member stations four years ago, we  
26

1 embarked upon the Ready to Learn experiment.

2 And this coming school year, four years

3 into the project, Ready to Learn will involve 135

4 public stations in 40 states covering 90 percent

5 of the national television population. Each

6 station starts at home just as charity begins at

7 home by broadcasting at least seven to nine hours

8 a day of high quality children's educational

9 programing. Sesame Street, Barney, Arthur and Mr.

10 Rogers' Neighborhood and the Teletubbies.

11 We broadcast seven to nine hours a day.

12 Some stations increase that by repeating to 11

13 hours a day. Compare that to the three hours a

14 week that the government has been struggling to

15 get commercial broadcasters to broadcast, and you

16 see how committed we are to this project. This

17 year those programs that I mentioned won more

18 Daytime Emmy Awards for their excellence than all

19 commercial broadcasting cable channels put

20 together.

21 Wholesome television fare for children

22 is only the beginning. Each Ready to Learn

23 station then reaches out into the community with

24 at least 10 training workshops a year. Intensive

25 training for parents, for teachers, day care

26

1 providers and how to enrich life for young people,  
2 to enrich early learning, to take what once was a  
3 passing viewing experience on television and turn  
4 it into an activity laden enriched experience.

5 In four years our Ready to Learn  
6 stations have staged more than 6600 training  
7 workshops in all the states. Our outreach experts  
8 have trained more than a quarter of a million  
9 parents, teachers and caregivers, and they in turn  
10 we believe have had impact on roughly 2.3 million  
11 preschoolers across the country.

12 In West Virginia, I just spoke to Mrs.  
13 Underwood a moment ago, in West Virginia Governor  
14 Cecil Underwood proclaims Read To Me Day across  
15 the state each year. That is a Ready to Learn  
16 initiative of West Virginia Public Television.  
17 West Virginia First Lady Hovah Underwood is one of  
18 our Ready to Learn volunteers. This year she and  
19 9,000 volunteers across West Virginia read to  
20 140,000 kids state wide.

21 In Ohio, Governor Voinovich has made  
22 possible a Help Me Grow grant of over \$1 million  
23 dollars to eight Ohio Ready to Learn PBS  
24 stations. Each of those stations will conduct a  
25 minimum of 25 training workshops this year. One  
26

1 station, WGBU, Lima, works with Lima Head Start,  
2 Bowling Green State University. Is it Leema or  
3 Lima, Governor?

4 GOVERNOR VOINOVICH: Lima.

5 MR. ERVIN DUGGAN: It's Lima. I grew up  
6 on lima beans in South Carolina, so I should know  
7 that. Works with Lima Head Start, Bowling Green  
8 State University, Ohio Migrant Education and the  
9 YMCAs to increase the impact of the work in  
10 preschool learning.

11 In my home state, South Carolina, the  
12 wonderful State Education Network, South Carolina  
13 ETV and Ready to Learn are part of Governor  
14 Beasley's K-12 school technology project which is  
15 a comprehensive plan to advance education using  
16 television, computers and telecommunications.

17 There is more, however, than training  
18 workshops and television. PBS member stations and  
19 an organization called First Book distribute  
20 thousands of free books each year in Ready to  
21 Learn communities. In four years they put more  
22 than a million free books into the hands of  
23 disadvantaged children and their parents along  
24 with training for the parents on how to enrich  
25 life and create a more verbal, verbally enriched  
26

1 atmosphere for children.

2 This year they will give away 35,000  
3 books each month. They will distribute hundreds  
4 of thousands of viewing guides, activity planners  
5 and media literacy handbooks and a quarterly  
6 magazine which I believe is in the packet in front  
7 of you called PBS Families which we publish both  
8 in English and Spanish.

9 There is one more thing that is a vital  
10 part of this mix as we do this outreach. It is  
11 our new digital channel on the internet. More  
12 than 150 stations have websites that are linked  
13 through our fantastically popular internet site  
14 called PBS Online. And this features an extensive  
15 area with Ready to Learn materials.

16 PBS Online averages more than 2 million  
17 users a month. And now that 26 million homes  
18 across the country have access to the internet, 26  
19 million and growing, we believe we have a  
20 phenomenally efficient way to extend our  
21 educational reach and deliver educational  
22 materials into the home along with our television  
23 programing. We believe, we know, that we have  
24 here a fantastic recipe for educational progress  
25 and educational success.

26

1                   Our studies show already that parents  
2                   who have attended a Ready to Learn workshop read  
3                   more often to their children, read longer to their  
4                   children. We know that they read more for  
5                   specifically educational and training reasons. We  
6                   know that they take their children more often to  
7                   book stores and to the library than if they didn't  
8                   have the exposure to Ready to Learn.

9                   We know all these hopeful things, and we  
10                  also know some things I'm sorry to say which are  
11                  not so hopeful. And that brings me to my final  
12                  topic today. What can we do together to harness  
13                  the power of this new research in early childhood  
14                  learning and the new capabilities of television  
15                  and telecommunications technology. What can we do  
16                  to unite the computer, the telephone, the  
17                  internet, for educational purposes. How can we  
18                  encourage the use of this power to advance public  
19                  education and early childhood education.

20                  We know this about the new media and  
21                  about all the growth that we hear about new  
22                  television channels, 500 channels. We know that  
23                  most of the action is commercial. It is  
24                  definitely not devoted to education. Most of the  
25                  action and energy are aimed at entertaining people  
26

1 or helping them play games. We know that much of  
2 the energy around the newest media is being spent  
3 on helping people to sell things and inducing  
4 people to buy things.

5 We know, finally, this depressing fact.  
6 Pornographers are having a field day with the new  
7 media, the internet, and other new media. Now,  
8 all this is perhaps inevitable. But one thing is  
9 not inevitable. It is not inevitable that we will  
10 use the fantastic power of all these new  
11 technologies to advance education. It is not  
12 inevitable that we will use the new technologies  
13 to broaden the availability of rich, deep cultural  
14 experiences. It is not inevitable that we will  
15 use these new technologies to improve and enhance  
16 citizenship. It's not inevitable unless you and I  
17 show leadership.

18 But if we do show leadership and support  
19 the educational use of these technologies,  
20 marvelous things can happen. Proven efforts like  
21 Ready to Learn can expand their impact. And  
22 beyond early childhood education we have an  
23 opportunity to use these new technologies to  
24 democratize education as dramatically as the  
25 invention of the printing press 500 years ago  
26



1 democratized information for the people of that  
2 day.

3 We have now created -- I met with  
4 Governors Leavitt and Romer yesterday, we talked  
5 about this. With the addition of the digital  
6 capacity, the internet capacity to the television  
7 information stream, what we're doing is creating a  
8 complete feedback loop.

9 Television used to be a top-down  
10 technology. Now it's becoming an interactive  
11 technology, and this creates the possibility that  
12 we must realize the eventual possibility of what I  
13 like to call the university of the air.

14 A little digression here, PBS works with  
15 community colleges to deliver the associate arts  
16 degree to students all over the country, students  
17 who never come to the campus. We use television  
18 and the internet, that complete feedback loop to  
19 create university learning without building  
20 another classroom or dormitory or hiring another  
21 professor, without any capital investment on your  
22 part.

23 Because I believe that this opportunity  
24 is so enormous and your participation is so  
25 crucial, I want to close today with a very simple  
26

1 three-part challenge to this ballroom filled with  
2 leaders. First, I hope you will call on the  
3 leaders of public television in your states, ask  
4 them what they are doing that is new in the use of  
5 information technology. Learn about the new and  
6 exciting activities of what we call the new PBS.  
7 That is a whole new thing, it's not just  
8 television anymore. Push them along if you can.  
9 Hold their feet to the fire.

10 The worldwide phenomenon that is now  
11 called Net Day began at a public television  
12 station in San Francisco, KQED. Kentucky  
13 Educational Television is using television and the  
14 new media to help thousands of Kentuckians get  
15 their GED degrees on television. All of this is  
16 happening off the screen, but it is very  
17 important. So the first thing, call in those  
18 leaders, find out what they're doing. Help them  
19 do more. Urge them to do more.

20 Second, use your leadership to  
21 discipline and unite the scattered disparate  
22 piecemeal efforts that are going on in this new  
23 media field. If you see people talking about the  
24 use of computers and the internet and education as  
25 separate from the use of television, beware,  
26

1 because that separation is an unnatural  
2 separation. What we want is a continuum of  
3 technology that uses the best of all these things  
4 and unites them rather than trying to invent the  
5 wheel anew after 30 years of good experience with  
6 educational television.

7 In and of itself, a computer is no more  
8 educational than a typewriter or an adding  
9 machine. The internet in the wrong hands without  
10 the right kind of use is more like Times Square or  
11 the Tower of Babel than it is educational. It is  
12 content that makes the difference.

13 Public television has 30 years of  
14 experience in building content and joining that  
15 content to technology to create educational  
16 results. And this is where we need to be looking  
17 for results, putting content at the center rather  
18 than just infrastructure and wires and waves.

19 Third and finally, tap into the rich  
20 array of technology based services that we offer.  
21 PBS is far more than Masterpiece Theater or the  
22 News Hour or even Sesame Street. Off the screen  
23 as I said earlier, we deliver distance learning  
24 telecourses to college campuses.

25 Our adult learning service goes by  
26

1 satellite to two-thirds of the university campuses  
2 in America and reaches 425,000 degree candidates  
3 every year. This is a tremendous use of  
4 educational technology.

5 Off the screen there is much that we can  
6 do, so don't be beguiled by the vivid things you  
7 see on the screen. There is much that we do off  
8 the screen. That video that Governor Voinovich  
9 showed at the start of this session was  
10 accompanied by music. The lyrics were from a song  
11 called The New Day. We think it has a double  
12 meaning. One meaning will be familiar to all of  
13 us. When we think about children, we think of a  
14 new day. All of our hopes for a more prosperous,  
15 worthwhile future are inevitably tied up in the  
16 oncoming generation of children.

17 But there is another meaning hidden in  
18 that lyric about a new day. And it is that there  
19 is a possible new day in the use of technology for  
20 education, a day that is near at hand. That day  
21 will come, however, only if we are wise enough to  
22 help it emerge. If we do help it emerge, however,  
23 the possibilities are tremendous.

24 When I was leaving the FCC to go to PBS,  
25 a 95 year old woman, a remarkable woman named  
26

1 Elizabeth Campbell came to see me in my office.  
2 She is the founder of WETA, the public television  
3 station in Washington. And she still serves as  
4 vice president of the organization and drives to  
5 her office every day.

6 Ms. Campbell came to my office, and at  
7 the end of a wonderful meeting which she  
8 instructed me about what I was to do as president  
9 of PBS, she ended by saying this, remember this,  
10 Commissioner. There are only three truly public  
11 institutions of learning in America. The public  
12 library, the public school or university and  
13 public television. Which of these can reach the  
14 most people in one hour. Which indeed.

15 At this moment that Dick Riley described  
16 to me on that car trip as a moment of hope and  
17 danger, we very much need your vision, your  
18 leadership, your participation and your push to  
19 insure that the next generation of all this  
20 marvelous technology will be put to work not just  
21 on behalf of games and entertainment and commerce  
22 and heaven forbid, pornography, but marvelous  
23 possibilities of this new technology with your  
24 help can be put to work on behalf of education.

25 That is what we want to help you accomplish. And  
26

1 we are delighted to have been invited to this  
2 discussion today. Thank you very, very much.

3 (Applause.)

4 GOVERNOR VOINOVICH: In spite of the  
5 fact that Ohio has entered into a partnership with  
6 PBS, I must admit that I know very little about  
7 what PBS does in our state. And I hope that the  
8 governors that are here today know a lot more  
9 about it than I do.

10 And if nothing else happens as a result  
11 of your being here, I'm sure all of us are going  
12 to go home and find out what you're doing and how  
13 we can take more advantage of what it is that  
14 you're doing. It's a wonderful resource for us.

15 Are there any questions that anyone  
16 would like to ask of Ervin? Mike.

17 GOVERNOR LEAVITT: Mr. Chairman, I would  
18 just like to echo what a powerful tool I believe  
19 PBS can be, particularly linked carefully with the  
20 technologies that you have addressed. You  
21 referenced a conversation we had yesterday where  
22 we were talking about being able to essentially  
23 make PBS an interactive medium by being able to  
24 backlink with the internet. And I think John  
25 mentioned the fact that if -- once we have digital  
26

1 television, it will essentially allow for that as  
2 a resource to be developed on an asynchronous or  
3 on demand basis. That becomes a very powerful  
4 tool.

5 And I would just encourage all of my  
6 colleagues to become acquainted with the  
7 applications of these technologies. Because it's  
8 not just redoing and changing the way we deliver  
9 it but changing the pedagogies of how we deliver  
10 education. And it will ultimately be the answer  
11 to how we retrain literally millions of workers  
12 again and again and again.

13 Governor Romer and I are involved in an  
14 enterprise known as Western Governors University.  
15 18 of us around this table are engaged and a  
16 number of others are interested in being able to  
17 collaborate with us. It's a worldwide enterprise  
18 now including consortial agreements with  
19 universities in the UK and Beijing. And I'm very  
20 excited about the ideas that we discussed  
21 yesterday of being able to link the course work  
22 that's available on PBS.

23 I would like to just ask how soon do you  
24 expect the digital television efforts to be  
25 expanded? How rapidly do you see a rollout on the  
26

1           technology you're going to be demonstrating on the  
2           10th and 11th of November?

3                       MR. ERVIN DUGGAN:   Well, Governor,  
4           you're talking to a technological optimist here.  
5           I think it will be faster.   I think the rollout  
6           will be faster than any of us expect.   The analogy  
7           that I would use is the analogy of the conversion  
8           from black and white to color.

9                       If we were at the beginning of that, we  
10          now remember it as sort of a seamless, quick  
11          transition.   It actually took almost a decade.  
12          And people were asking the same pessimistic  
13          questions then that they're asking now about  
14          digital.

15                      They were saying well, the color  
16          television set is going to be so expensive that  
17          only rich people will be able to afford them.   And  
18          why should I get one.   Is color really that good.  
19          You have a lot of sort of nagging, pessimistic  
20          questions.

21                      But when the marketplace, when people in  
22          the marketplace saw the glories of color  
23          television, they wanted it.   And we saw the  
24          peacock spread its tail first in black and white,  
25          but then increasingly homes had color, and the  
26



1 cost of sets came down.

2 I think that the growth curve for

3 digital will follow pretty much the model of color

4 to black and white. At first USA Today has a

5 story that says \$6,000 sets are being sold

6 starting this week with a 56-inch wide screen, a

7 rear projection which is rather large for most

8 people's family rooms. And they will go to homes

9 and buyers that can't get any digital programs.

10 Now, in November we will start streaming those

11 programs.

12 That's a very pessimistic statement in

13 the article. But I think that would have been

14 said about color. And we're going to see the sets

15 get smaller, the cost come down, more and more

16 homes buy them. And I think in a decade we will

17 look back on top-down television as very much an

18 artifact of the past.

19 GOVERNOR LEAVITT: Mr. Chairman, may I

20 follow with one quick question while others are

21 thinking?

22 GOVERNOR VOINOVICH: Yes.

23 GOVERNOR LEAVITT: I'm interested in the

24 critics of this kind of learning would often say

25 well, it's just people watching television and,

26

1           therefore, it's a lower quality experience than in  
2           the classroom. Would you care to respond to how  
3           -- what you would say to those?

4                       MR. ERVIN DUGGAN: Well, what we do in  
5           our training with parents about the use of  
6           television, we actually encourage people to get  
7           their children away from the television set and  
8           involve themselves in activities. I would say  
9           that any technology is neutral. And the way that  
10          we use it is crucial.

11                      The way that someone reads a book can be  
12          very passive and uninvolved. But the intelligent  
13          reader reads in a critical way that is more like a  
14          conversation with the author. What we bring to  
15          the experience of watching television will be very  
16          much what we get out of it.

17                      And so we believe that a more  
18          interactive version of television will be highly  
19          appealing to people. They will hear a 20 second  
20          sound bite from the FBI negotiations with the  
21          David Koresh people on Front Line. They can hear  
22          the whole negotiations by calling up on the  
23          internet, you know, the stored whole interview.

24                      So there is a tremendous richness about  
25          to happen here, and we think people are basically  
26

1           pretty smart about what they want. I don't think  
2           watching television inevitably has to be a passive  
3           experience unless the people having the experience  
4           make it passive and the people marketing  
5           television want it to be passive.

6                       We at PBS have always wanted an involved  
7           citizenry watching us, and that's what we have.  
8           We hear from them. So I think it has to do with  
9           more than the technology. It's the way we use the  
10          technology.

11                      GOVERNOR VOINOVICH: John Engler.  
12          Governor Engler.

13                      GOVERNOR ENGLER: I'm curious what the  
14          conversion cost to go to a full digital public  
15          broadcasting system in the nation is estimated to  
16          be. And I don't know if that's on a per station  
17          basis. And are we looking at there is a receiving  
18          and an ability to also transmit a lot of I suppose  
19          for their locally produced programs, they're going  
20          to have to have additional equipment for that. Is  
21          there a national tab? And I couldn't tell from  
22          the Intel announcement. The partnership with  
23          Intel is for PBS originated broadcasts --

24                      MR. ERVIN DUGGAN: That's for creating  
25          content, Governor, for creating content in  
26

1 children's programing, for experimenting with the  
2 enhancing possibilities. We have several, about  
3 \$5 million dollars from Intel to conduct that  
4 experiment.

5 Let me go to your first question which  
6 was about the total tab for conversion to  
7 digital. This is going to sound like a pretty  
8 large number. We estimate the cost of the digital  
9 transition to be well over a billion dollars.  
10 What is the exact figure, John?

11 GOVERNOR ENGLER: That would be a lot of  
12 telethons.

13 MR. ERVIN DUGGAN: \$1.2 billion for  
14 public television alone. Now, we are going to  
15 raise 60 percent of that cost from private means  
16 and ask our government sources for support to help  
17 us with the rest. That will be spread over a  
18 period of years. That sounds like a lot, but  
19 investing in satellite transmission costs hundreds  
20 of millions of dollars also.

21 We believe that different stations will  
22 incur different costs. WGBH Boston which is  
23 almost the Disney of public television, a very  
24 powerful producer, will need to be digital in a  
25 highly sophisticated way because they produce. A  
26

1 small rural station might need only the capacity  
2 as you say to pass through a national signal and  
3 can take longer and spread its investment and the  
4 conversion out over a longer period.

5 So I can't put a dollar cost on what a  
6 typical station would spend because different  
7 stations will be on a different timetable and will  
8 have different missions.

9 GOVERNOR ENGLER: Is there a national  
10 sort of rollout schedule, implementation schedule,  
11 if you will, so that you don't have two stations  
12 maybe side by side competing in effect to have  
13 fully upgraded transmission capabilities sort of  
14 concurrently. Maybe one should do it and the  
15 other should come later or even the collaboration  
16 of stations.

17 It seems to me Michigan happens to have  
18 a lot of independent PBS stations. And I've heard  
19 some numbers in Michigan. They're eye popping in  
20 terms of the cost. And yet they presuppose that  
21 everybody gets to do sort of everything. And I'm  
22 not sure they should. And I'm curious if the  
23 parent has a rollout cost.

24 MR. ERVIN DUGGAN: The parent is often  
25 in the situation, and you use a good metaphor,  
26

1 Governor, parent. Sibling rivalry is a factor in  
2 every family. And a parent often has to manage  
3 that sibling rivalry. We don't have the kind of  
4 power over sibling rivalry and the kind of  
5 competition you describe. We can't dictate or  
6 arbitrate what people will do at the local level  
7 because these are locally owned stations.

8 But we do hope that those costs will  
9 encourage stations in the same markets, some of  
10 them, to embrace each other and make joint plans  
11 about locating their transmitters and bring those  
12 costs down. We think that the high price tag will  
13 induce a kind of rational cooperation. I hope  
14 that happens in Michigan.

15 GOVERNOR VOINOVICH: One last question?

16 (No response.)

17 GOVERNOR VOINOVICH: Well, Ervin and  
18 John, I'd like to thank you very much. I want to  
19 say to you that when we got involved with this  
20 program with you, I took the materials. And by  
21 the way, Ervin said he will mail the materials to  
22 you, and I would hope that you look at them. But  
23 I gave them to my daughter-in-law, and she was  
24 just ecstatic about them.

25 And fundamentally, it's real simple.

1 She's going to have a curriculum that will plug  
2 into public television. She'll be able to read  
3 before it comes on with Mary Faith. They will be  
4 able to watch the program together. After it's  
5 over, there is some more material that they will  
6 discuss, and there are some books to go along with  
7 it. And I really believe that it's going to make  
8 that stay-at-home mom or that neighborhood child  
9 care center or quite frankly, some of the other  
10 child care centers that people pay to have their  
11 children stay a lot more meaningful because of  
12 what you're doing with this effort.

13 And I would urge all of you to take a  
14 look at it. I think it's a wonderful way that we  
15 can enhance the quality of that time that people  
16 spend with our kids. So we thank you very, very  
17 much, and we look forward to working with you.

18 MR. ERVIN DUGGAN: Thank you, Governor.

19 (Applause.)

20 GOVERNOR VOINOVICH: I'm now pleased to  
21 introduce Murray Gaylord. Murray is the chief  
22 operating officer and the executive vice president  
23 of the Advertising Council. I think you know that  
24 the Ad Council is committed to working with states  
25 to design campaigns that directly benefit the  
26

1 welfare of children. They have been doing that  
2 for the last couple of years.

3 As a partner in the I Am Your Child  
4 public engagement campaign, the Ad Council has  
5 developed public service announcements and  
6 advertisements promoting the importance of those  
7 first three years. In Ohio we have adapted the  
8 good work of the Ad Council to promote our Help Me  
9 Grow initiative. And I would like to take this  
10 moment to recognize the generous support of the  
11 Procter & Gamble Company in terms of making these  
12 public service announcements in our state.

13 I'd now like to call on Mr. Gaylord.

14 (Applause.)

15 MR. MURRAY GAYLORD: Thank you, Governor  
16 Voinovich. The Ad Council would like to extend  
17 our sincere gratitude to you and Mrs. Voinovich  
18 and recognize your tremendous leadership in the  
19 area of childhood, early childhood development.  
20 You have truly gone to great lengths to make this  
21 issue a cornerstone of your own career, and we all  
22 benefit from it.

23 In the next few minutes, I would like to  
24 do three things. First, tell you a little bit  
25 about the Ad Council and our commitment to the  
26



1 issue. Second, show you some early childhood  
2 development commercials that we've developed for  
3 both national use and for local state use. And  
4 finally, extend an invitation to all of you to  
5 launch a state wide public service campaign  
6 highlighting the importance of a child's first  
7 years.

8 Since the Ad Council was created by  
9 President Franklin Roosevelt over 56 years ago,  
10 really to support the war effort, we have used the  
11 power of advertising in a positive way to create  
12 thousands of public service messages to help  
13 influence positive change. Our efforts have  
14 helped save lives, starting with loose lips sink  
15 ships during World War II, to friends don't let  
16 friends drive drunk today for designated drivers.  
17 Our work has helped send more young people to  
18 college because a mind is a terrible thing to  
19 waste. And except for this year, unfortunately,  
20 Smokey Bear has helped reduce forest fires for  
21 over 50 years.

22 Today through a 10 year commitment, the  
23 Ad Council is focusing its public education  
24 expertise to help improve the lives and  
25 circumstances of our national's most precious  
26

1 resource, our children. Virtually every one of  
2 our 36 national campaigns are today aimed at  
3 helping children in some way. New campaigns for  
4 the National Fatherhood Initiative which was  
5 discussed this morning, for infant immunization,  
6 learning disabilities, child abuse and, of course,  
7 early childhood development.

8 Probably comes as no surprise to most of  
9 you, but extensive research has shown that many  
10 problems facing our children today, poverty,  
11 drugs, crime, suicide and others, cannot be really  
12 solved unless we address a very clear problem and  
13 that's parenting.

14 In fact, according to a major Ad Council  
15 research study conducted by Public Agenda entitled  
16 Kids These Days, What Americans Think About The  
17 Next Generation, most Americans in this country  
18 believe that the basic values such as trust,  
19 responsibility and honesty are noticeably absent  
20 from our children. And only 37 percent, 37  
21 percent of the public believe that today's  
22 children once grown will make this country a  
23 better place.

24 And not surprisingly the public  
25 immediately blames parents for the problems that  
26

1 are facing these kids, in spite of the fact that 8  
2 out of 10 acknowledge that it's harder than ever  
3 for parents to do their jobs today.

4 Now, the Ad Council took this  
5 disheartening portrait of today's family as a call  
6 to action. We believe that in order for any  
7 children's campaign, program or policy to resonate  
8 well with the American people, it must focus on  
9 supporting and strengthening parents. In other  
10 words, we must help parents to help the kids.

11 And one of our first efforts was with  
12 early childhood development with the I Am Your  
13 Child campaign launched in partnership with the  
14 Reiner Foundation and the Families in Work  
15 Institute. Many of you heard Rob Reiner talk  
16 about this campaign at last year's conference, and  
17 I would like to show you one of the public service  
18 announcements that we've developed and produced to  
19 support this effort.

20 The commercial uses the tag line, the  
21 first years last forever, to highlight the new  
22 brain research which has already been discussed  
23 showing that a child's capacity to learn is shaped  
24 in those first three years. Let's take a look at  
25 the first commercial.

1 (Video played.)

2 MR. MURRAY GAYLORD: Last year when the  
3 NGA pledged to continue its major commitment to  
4 the issue of early childhood development, the Ad  
5 Council offered to help. We partnered with  
6 Governor Voinovich's office to launch a public  
7 service campaign for Help Me Grow, the state's  
8 early child development program.

9 The Help Me Grow campaign is an  
10 important initiative for our organization because  
11 it serves as a test model for us to partner with  
12 the single state, Ohio in this case, to create  
13 change on a local level by maximizing our  
14 relationships with the state broadcasters and  
15 local volunteer ad agencies that develop the  
16 work. It also serves as a test of the new type of  
17 public/private partnership using paid media and  
18 corporate sponsorships to get our important  
19 messages on the air.

20 And together with Governor Voinovich's  
21 office, we reached out to a local ad agency, HMS  
22 Partners in Cincinnati, to create the first  
23 television commercial for the Help Me Grow  
24 campaign. It's called Developing, and it's  
25 targeted to young first time parents and  
26

1                   caregivers. Let's take a look at this spot.

2                   (Video played.)

3                   MR. MURRAY GAYLORD: Procter & Gamble  
4                   was very generous in paying for the production of  
5                   the spot. And Governor Voinovich's Deputy Chief  
6                   of Staff, Jackie Sensky, was successful in  
7                   generating corporate funding to buy the media in  
8                   our test market.

9                   We also reached out to another leader  
10                  committed to the area of early childhood  
11                  development, Governor Jim Hunt in the State of  
12                  North Carolina for shared support in ownership of  
13                  the PSA. We're working with the Governor's Smart  
14                  Start Program on an adaptation of this commercial  
15                  for North Carolina's use.

16                 As we were developing these programs, we  
17                 were hopeful that if the effort was a success, we  
18                 could stand here today and extend a similar  
19                 partnership to each of yours states. Well, I'm  
20                 pleased to report that we have some very positive  
21                 early research findings. As of a month ago,  
22                 almost two months, Developing commercial began  
23                 airing in Cleveland, Cincinnati and Columbus. And  
24                 over the course of the first month, the public  
25                 attitude about the importance of broad social  
26

1 issues, crime, drug and alcohol abuse, hasn't  
2 changed.

3 However, general awareness of having  
4 seen or heard information about the importance of  
5 healthy brain development in children was up 17  
6 percent from 36 before we started advertising to  
7 42 percent after just one month. And calls to the  
8 hotline have doubled from 2800 in June to 5600 in  
9 July. An awareness of the specific commercial has  
10 also increased, particularly in the paid market of  
11 Cleveland.

12 We expect awareness to rise as the  
13 announcement continues to run in the months ahead  
14 and build recognition among the target audience,  
15 young parents as well as those who have regular  
16 interaction with the babies zero to three. Given  
17 the success of the program to date, we are  
18 committed to developing programs locally aimed at  
19 strengthening parents and parenting skills. We  
20 would like to develop a partnership with each of  
21 you and encourage you to contact us to launch a  
22 public service campaign in your state using this  
23 work or creating some others.

24 We think the advantages of working with  
25 the Ad Council are threefold. First, our brand,  
26

1 the Ad Council brand in effect is recognized and  
2 respected by the public and the media as a  
3 provider of trustworthy and important public  
4 service education messages.

5 Secondly, our process using volunteer  
6 advertising agencies around the country ensures  
7 the highest quality as evidenced by the commercial  
8 you just saw.

9 And finally, we can serve as the focal  
10 point to bring several states together to create  
11 one message and significantly reduce the creative  
12 and production costs as has been the case with  
13 Ohio and North Carolina.

14 The Ohio program is an example of what  
15 can be accomplished in one state in a short period  
16 of time to make a difference. Just imagine what  
17 this could mean for America's children if every  
18 state embraced this program to help parents help  
19 their kids. The Ad Council is committed to  
20 providing all of our resources to do whatever it  
21 takes to help you in your state.

22 You should also have a sheet in front of  
23 you in your packet with some more information on  
24 how to contact us, and I am, of course, available  
25 to answer any questions. Thank you.

1 (Applause.)

2 GOVERNOR VOINOVICH: Thank you, Murray.

3 I want to thank the Ad Council for the commitment

4 that they have made to this initiative. We also

5 thank your members. And I can say this, that when

6 you're out trying to raise money from the private

7 sector and the Ad Council has got something to do

8 with it, it makes it a whole lot easier to get

9 money from them.

10 For the second year in a row our

11 organization -- would anyone like to ask Murray a

12 question?

13 (No response.)

14 GOVERNOR VOINOVICH: You've answered

15 them all. For the second year in a row the

16 National Governors' Association will recognize the

17 best efforts of governors to improve services for

18 children. It's the second annual Building Block

19 Awards, honor innovative efforts of states to

20 improve services to children in working helping

21 families. Once again, I would like to thank

22 Procter & Gamble for their support of this award.

23 Since there were so many good ideas

24 submitted for the award, NGA compiled the examples

25 of this report. And do you have a copy of that?

26



1 I think it's on your -- it's in front of all of  
2 you. This report. And so lots of these ideas are  
3 contained right here so that you can look at  
4 them. And we were really delighted with so many  
5 -- the fact that so many states were interested  
6 in being recognized. I'm now going to announce  
7 the winners of this year's awards.

8 The first is Governor Fordice for three  
9 of Mississippi's strategies to improve the quality  
10 of child care programs. The first is the  
11 Director's Child Care Credential Program through  
12 which graduates of 130 hour course of study on  
13 child care management practices become  
14 credentialed directors and receive enhanced child  
15 care reimbursement rates from the state.

16 The second is the Child Care Connections  
17 Youth Mobile Training Unit which is a 29 foot  
18 customized vehicle that travels throughout the  
19 state delivering training to caregivers in an  
20 efficient and cost effective manner.

21 And the third is the Child Care Compass  
22 Kiosk which is an interactive multi-media booth  
23 which gives parents information on key indicators  
24 of a quality child care program.

25 Governor Fordice, if you'll come  
26

1 forward, I'll present this to you.  
2 Congratulations.  
3 (Award presented.)  
4 GOVERNOR VOINOVICH: Kirk,  
5 congratulations to you.  
6 GOVERNOR FORDICE: We appreciate it.  
7 Thank you very much, George.  
8 (Applause.)  
9 GOVERNOR VOINOVICH: Our next award  
10 winner is Governor Bob Miller of Nevada for the  
11 state's Family to Family Connection program. The  
12 state created 13 infant support districts through  
13 which every parent in Nevada is eligible to  
14 receive a home and hospital visit. Since its  
15 inception the program has seen close to a 50  
16 percent participation rate. In addition, 22 new  
17 baby centers state-wide provide early childhood  
18 information to parents, offer parent training and  
19 link parents to child care, health care and other  
20 resources. And 22 lending resource centers state  
21 wide lend new families items such as playpens, car  
22 seats and books. Bob, congratulations to you.  
23 And again, I want to recognize you for your  
24 leadership. Fantastic.  
25 GOVERNOR MILLER: I would just like to  
26

1 take a second to thank George because it's a -- we  
2 defied tradition by initiating this emphasis two  
3 years ago together. And George's continuation  
4 this year has -- I think has some unprecedented  
5 gains on behalf of the association because of the  
6 leadership you provided on this. And  
7 congratulations on your Building Block Award last  
8 year.

9 GOVERNOR VOINOVICH: Thank you.

10 (Applause.)

11 GOVERNOR VOINOVICH: And our final  
12 Building Block Award goes to Governor Rossello'  
13 for three of Puerto Rico's efforts to support  
14 young children and their family.

15 (Applause.)

16 GOVERNOR VOINOVICH: The Governor  
17 established the Children's First Congress to  
18 coordinate efforts to provide for children's basic  
19 needs and issued an executive order that allows  
20 all government agencies to establish child care  
21 and development centers for its full time  
22 employees with children zero to five which is  
23 really very, very impressive.

24 The Governor has also set an example by  
25 opening the first center in the Governor's Mansion  
26

1           for his employees, another great example. And I  
2           hope your private sector people are doing the same  
3           thing. Puerto Rico has also created the Madrinas  
4           Escolardas, Godmother's For School Children  
5           Program. And through this program Godmother  
6           volunteers devote part of each day ensuring school  
7           attendance within their community, take children  
8           to after-school activities including tutoring and  
9           as necessary make referrals to the school  
10          counselor or local social worker.

11                       And the Boy Scouts for Low Income  
12          Children After-school program allows 500 young  
13          boys from 25 public housing projects to attend  
14          school after -- attend after-school programs that  
15          promote community involvement and prevention of  
16          domestic violence, child abuse and social  
17          ailments. Governor Rossello', congratulations to  
18          you. You're setting a great role model for all of  
19          us.

20                       (Applause.)

21                       GOVERNOR VOINOVICH: Finally, to  
22          conclude this afternoon's session, I'd like to  
23          introduce to you John Fahey, the president of the  
24          National Geographic Society. The Society is the  
25          largest nonprofit scientific and educational  
26

1 organization in the world, perhaps best known for  
2 its publication of the National Geographic  
3 magazine. John will tell us about the generous  
4 way National Geographic Society is celebrating the  
5 10th anniversary of its education foundation.  
6 John, come forward.

7 (Applause.)

8 MR. JOHN FAHEY: Thank you, Governor  
9 Voinovich and the other governors who are here  
10 today. I would like to first bring your attention  
11 to the two maps that are over my left shoulder in  
12 the back of the room and thought we might start  
13 off with a quick geography quiz. How do you feel  
14 about that? Why don't we start with US state  
15 capitols as a category. I think it's a pretty  
16 safe territory.

17 Actually, if this was a group of  
18 ordinary Americans, and I know I'm addressing a  
19 very unique group today, the concept of a surprise  
20 geography quiz would create a significant degree  
21 of anxiety. And I'm sure maybe it did for you as  
22 well.

23 10 years ago the National Geographic  
24 Society commissioned the Gallup Organization to  
25 take a look and try to assess the state of  
26

1 geographic literacy in this country and other  
2 countries of the world. The results were not very  
3 positive. Of nine countries that we looked at,  
4 the United States was last in terms of knowledge  
5 of geography. Basically knowledge of the world  
6 that we live in. It was especially true for  
7 children in the high school and college age  
8 group. And you all know that geography, if  
9 anything, is becoming increasingly important with  
10 time.

11 Geography isn't simply about maps, it's  
12 truly about world literacy, basic issues that you  
13 wrestle with all the time, the economic  
14 interdependence of nations or just having a better  
15 understanding of cultural diversity are really  
16 parts of geography. So the National Geographic  
17 Society decided to do something about that. And  
18 10 years ago we set up an education foundation.  
19 In that 10 year period of time we have made grants  
20 of \$25 million dollars to the schools in your  
21 states to improve the quality of geography  
22 education.

23 First of all, I'd like to thank you for  
24 having the vision for making room in your budgets  
25 the funds to match those grants because indeed all  
26

1           \$25 million dollars have been matched. And the  
2           Geographic has spent a multiple of that \$25  
3           million dollars trying to improve geography  
4           education in a number of different ways.

5                       Which brings me back to the two maps  
6           that are in the back of the room. Those, that's a  
7           double-sided map. You're looking at each side of  
8           a single map that will be laminated. It was  
9           designed by the cartographers of the National  
10          Geographic Society with the input of quite a few  
11          geography teachers from around the country.

12                      To remedy the situation of there not  
13          being in classrooms today maps that reflect the  
14          world post the break up of the Soviet Union, our  
15          estimates are that perhaps as many as 50 percent  
16          of the schools in the country do not have a map  
17          after 1990.

18                      And to celebrate the 10th anniversary of  
19          the Education Foundation, we have decided to make  
20          a gift of this map laminated to all 113,000 public  
21          and private elementary, middle and high schools  
22          throughout the entire United States.

23                      (Applause.)

24                      MR. JOHN FAHEY: Those maps will be sent  
25          to 113,000 school buildings, reach 52 million  
26

1 students around the country. And Governor  
2 Voinovich will be happy to know that we are using  
3 a laminator in the State of Ohio. And it's taking  
4 two months of that laminator's time to prepare  
5 those maps. You're welcome. He said thank you  
6 for the business.

7 We're in the process of doing that right  
8 now, and the maps will be in each classroom or  
9 each school in the country by September 19th. I  
10 have a map to give to the Governor today. It is  
11 laminated. And I wanted to let all of you know  
12 that each of you will receive in the next couple  
13 of months one of these maps that will be given to  
14 you by a geography teacher in your state.

15 That's all I have to say. I want to  
16 thank you for your time. And again, thank you for  
17 your support of geography education.

18 (Applause.)

19 GOVERNOR EDGAR: Can I ask a question?

20 GOVERNOR VOINOVICH: Yeah Jim. Governor  
21 Edgar.

22 GOVERNOR EDGAR: I'm curious, when we  
23 saw the test results 10 years ago it was  
24 terrible. Is it any better today?

25 MR. JOHN FAHEY: Yeah, that's a good  
26



1 point. We've spent a lot of money, and we're  
2 trying to make sure that it does improve. We  
3 haven't done the same test as we did 10 years ago  
4 although we plan to do it soon, survey. But test  
5 scores in geography are improving, and they seem  
6 to be improving year after year. And I think it's  
7 really related to geography being welcomed back  
8 into the curriculum around the country. It was  
9 really pushed out. And in the last 10 years, it's  
10 back in.

11 As an example, twice as many high school  
12 students actually study geography today as they  
13 did 10 years ago. So there is a difference and  
14 the scores are improving. We still believe that  
15 we probably lag most of the countries, most of the  
16 industrial countries of the world.

17 GOVERNOR VOINOVICH: Any other  
18 questions?

19 (No response.)

20 GOVERNOR VOINOVICH: I want all of you  
21 to know that before I invited John here, I did not  
22 know the maps were being laminated in Ohio.

23 One of the things, and I'm sure all of  
24 you do jobs missions, one of the things that we've  
25 done in Ohio is that we encourage classes to  
26

1 follow our jobs mission. And we bring one of  
2 those digital cameras along. And then we send it  
3 back to the state, and they get it on their  
4 computers. And the kids can kind of follow us  
5 from city to city to see the people that we're  
6 meeting and where we're going.

7 And it's been a real good educational  
8 endeavor on the part of the state. And the kids,  
9 of course, are learning a lot more about the  
10 geography of the world. The other thing is that  
11 Janet accompanies me, and she does a school  
12 partnership so the kids then start to exchange  
13 letters and art work and that type of thing. And  
14 I think the more of that kind of stuff that we can  
15 do to stimulate kids to do that, particularly in  
16 our country, the better they're going to  
17 understand the geography of the world.

18 I was told that Mr. Fahey was meeting  
19 with a member or heard about a member of Congress  
20 that was sitting with someone from overseas  
21 talking about something he was very concerned  
22 about. And the person that he was talking with  
23 realized very quickly that he didn't really know  
24 where the country was that he was talking about.

25 So I think all of us need to improve our  
26

1 understanding of it. And we should do everything  
2 we can to educate our kids because they are in a  
3 global marketplace. And the more they become  
4 citizens and understand the world, the better off  
5 they're going to be.

6 I think all of you know, and there  
7 aren't many of us here, that Governor Miller and I  
8 have tried to make zero to three our top  
9 initiative. And even though Governor Carper  
10 indicated to us at our governors only session that  
11 he's going to be going in another direction, I did  
12 talk with Governor Carper, and he indicated that  
13 he is going to create a governors leadership group  
14 on early childhood development to make sure that  
15 children do remain a top priority of this  
16 association.

17 To date Governors Almond, Chiles, Dean,  
18 Hunt, Miller, Romer and Underwood as well as  
19 myself have agreed to serve on the group and to  
20 personally reach out to the new governors that are  
21 going to be coming on board so that we can share  
22 with them the importance of zero to three and also  
23 give other governors who are interested an  
24 opportunity to learn more about what is happening  
25 throughout this country.

1                   This concludes our session on enhancing  
2                   learning opportunities for children and  
3                   caregivers. And I'd like to thank the Center for  
4                   Best Practices and its director, John Thomasian,  
5                   for the work that they have done on our chairman's  
6                   initiative. And I encourage all of you to  
7                   continue the momentum we have generated around  
8                   this issue in the past two years.

9                   I'd like to, is John here, Thomasian?  
10                  John, are you here?

11                  (No response.)

12                  GOVERNOR VOINOVICH: Well, hopefully  
13                  tomorrow we can recognize him. I really believe  
14                  John has done an outstanding job with the Center  
15                  for Best Practices. And Bob Miller, you should be  
16                  very, very proud of what your group has done.  
17                  John Engler.

18                  GOVERNOR ENGLER: Well, since we're  
19                  speaking of early childhood, I want to make an  
20                  announcement. For seven years LeAnne Redick has  
21                  always been at these meetings. But yesterday  
22                  LeAnne Redick Wilson and her husband John became  
23                  the proud parents of Alexander McKinley Wilson at  
24                  eight pounds nine ounces. So she's not here, but  
25                  she's doing her part. And I just wanted -- since  
26

1           so many know of her, I just wanted you to know  
2           that that's why LeAnne is not in evidence at this  
3           meeting, because she's now a new mom.  
4                           (Applause.)  
5                   GOVERNOR VOINOVICH: Thank you, John.  
6           Well, we adjourn to another evening of smiles.  
7                   GOVERNOR THOMPSON: Mr. Chairman, before  
8           all the governors leave, I would like to invite  
9           everybody tonight. It's going to be another fun  
10          evening. Everybody has got to have a smile on  
11          their face. But we're going to be down at the  
12          museum. The I-Max Theater is there, Discovery  
13          World is there for the kids. I-Max Theater is  
14          going to be showing some very action-packed movies  
15          tonight. We've got several floors of the museum  
16          with entertainment and food. And I hope, I know  
17          some of the governors are planning to go to the  
18          baseball game between the Brewers and the St.  
19          Louis Cardinals expecting to see Mark McGwire  
20          break Roger Maris's homerun derby this evening,  
21          but he's not going to do that.  
22                   I wish you would show up for the  
23          entertainment first before you go out to the park  
24          because we've put a lot of effort into making this  
25          last finale the biggest and the best. So make  
26

1           sure, and hopefully you will all come with your  
2           families.

3                       GOVERNOR VOINOVICH: Thank you. You'll  
4           have to go a long way to beat last night. It was  
5           wonderful. Thank you. Meeting is adjourned.

6                       (At 2:35 p.m., the proceedings  
7           adjourned.)

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1       STATE OF WISCONSIN    )  
2       MILWAUKEE COUNTY     )  
3                            I, VICKY L. ST. GEORGE, RMR, Registered  
4       Merit Reporter with the firm of Schindhelm &  
5       Associates, Inc., 606 E. Wisconsin Avenue, Suite 250,  
6       Milwaukee, Wisconsin, do hereby certify that I reported  
7       the foregoing proceedings had on August 3, 1998, and  
8       that the same is true and correct in accordance with my  
9       original machine shorthand notes taken at said time and  
10      place.

11      \_\_\_\_\_

12      Registered Merit Reporter

13      Dated this 3rd day of August, 1998.

14      Milwaukee, Wisconsin.

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NATIONAL GOVERNORS' ASSOCIATION

1998 ANNUAL MEETING

CLOSING PLENARY SESSION

TUESDAY, AUGUST 4, 1998

LOCATED AT:

THE MIDWEST EXPRESS CENTER

400 WEST WISCONSIN AVENUE

MILWAUKEE, WISCONSIN



1 GOVERNORS PRESENT:  
2 Governor George V. Voinovich, Ohio, Chairman  
3 Governor Thomas P. Carper, Delaware, Vice Chairman  
4 Governor Tom Ridge, Pennsylvania  
5 Governor Zell Miller, Georgia  
6 Governor Argeo Paul Cellucci, Massachusetts  
7 Governor David M. Beasley, South Carolina  
8 Governor James S. Gilmore III, Virginia  
9 Governor Howard Dean, M.D., Vermont  
10 Governor Don Sundquist, Tennessee  
11 Governor Kirk Fordice, Mississippi  
12 Governor Mel Carnahan, Missouri  
13 Governor John Engler, Michigan  
14 Governor Tommy G. Thompson, Wisconsin  
15 Governor Arne H. Carlson, Minnesota  
16 Governor Bob Miller, Nevada  
17 Governor Roy Romer, Colorado  
18 Governor William J. Janklow, South Dakota  
19 Governor Frank Keating, Oklahoma  
20 Governor Jane Dee Hull, Arizona  
21 Governor Pedro Rossello', Puerto Rico  
22 Governor Carl T.C. Gutierrez, Guam  
23 Governor Gary E. Johnson, New Mexico  
24 Governor Michael O. Leavitt, Utah  
25 Governor Marc Racicot, Montana

1 Governor Edward T. Schafer, North Dakota  
2 Governor E. Benjamin Nelson, Nebraska  
3 Governor Cecil H. Underwood, West Virginia  
4 Governor Terry E. Branstad, Iowa  
5 Governor Lawton Chiles, Florida  
6 Governor Mike Huckabee, Arkansas  
7 Governor Jim Edgar, Illinois  
8 Governor Frank O'Bannon, Indiana  
9 Governor Paul E. Patton, Kentucky  
10 Governor Jeanne Shaheen, New Hampshire  
11 Governor Parris N. Glendening, Maryland  
12 Governor John G. Rowland, Connecticut  
13 Governor Christine T. Whitman, New Jersey  
14 GUESTS PRESENT:  
15 Mr. Daniel Yergin, President, Cambridge Energy Research  
16 Associates.  
17 Mr. Lawrence H. Summers, Deputy Secretary, US  
18 Department of the Treasury.  
19 Honorable Henry A. Kissinger, Former US Secretary of  
20 State.  
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P R O C E E D I N G S

GOVERNOR VOINOVICH: I'd like to welcome everyone to the closing session of the 1998 National Governors' Association annual meeting. And I'm sure that more of our governors will be coming in.

First of all, I'd like to recognize one of our corporate fellows. QVC as most of you know has been a great booster of our respective states, and they have put together mementos for each of us, a little pin depicting something very special about our respective states. The pins are designed to call attention to the unique characteristics of our states.

During the tour, QVC's goal was to assist our states' entrepreneurs and to promote the state's scenic beauty, historic attractions and contributions to our history and progress. And I know we just really enjoyed having them in Ohio and had great competition from our entrepreneurs to see if they couldn't get on QVC.

On behalf of all of the governors, I would like to thank QVC for this gift. Let me say one final thing. QVC voluntarily collects millions of dollars of sales taxes. QVC is

1           pleased to be working with the National Governors'  
2           Association in support of the internet tax freedom  
3           legislation which would be responsive to the needs  
4           of the states and those engaged in electronic and  
5           remote commerce. And we really appreciate it.  
6           Let's give QVC a hand for their good citizenship  
7           and what they have done to promote our states.

8                           (Applause.)

9                   GOVERNOR VOINOVICH: I'd next like to  
10           recognize the person who is in charge of fun in  
11           this convention. And I understand that I missed  
12           it last night. I had missed the opportunity to  
13           see you do a Russian dance. And you were part of  
14           the entertainment as I understand.

15                   Tommy, we just want you to know we are  
16           grateful to you and Sue Ann and to your community  
17           for the wonderful hospitality that you've extended  
18           to us. I've just had a wonderful time here. Your  
19           town of Milwaukee is just spectacular. The events  
20           that you put together have not only been enjoyable  
21           but they have been fun. And last night Janet and  
22           I had a great time down at the museum there. We  
23           danced to a German band and was serenaded by a  
24           barbershop quartet and had some ethnic food, and  
25           we just had a wonderful time. And I think  
26

1 everyone, all of the governors and their spouses  
2 and families have. I want to say thank you very,  
3 very much for your great, great hospitality.  
4 (Applause.)  
5 GOVERNOR THOMPSON: George, we loved  
6 doing it. I don't think I would ever do it again,  
7 but we loved doing it. And we had -- I had just a  
8 wonderful group of volunteers and people that put  
9 it on. And I'm getting the credit for it, but it  
10 wasn't me, it was the Convention Bureau. And I  
11 think everybody loves the Milwaukee Police and the  
12 State Patrol, they're wonderful people, and all  
13 the volunteers. And all I can say is thank you to  
14 them because they're the ones that really made it  
15 happen.  
16 GOVERNOR VOINOVICH: Let's give them a  
17 hand.  
18 (Applause.)  
19 GOVERNOR VOINOVICH: Brother Beasley.  
20 Governor Beasley.  
21 GOVERNOR BEASLEY: I would like to  
22 reiterate about those volunteers, Governor  
23 Thompson. Your volunteers have been the nicest  
24 people. Everywhere you go, they have had those  
25 smiling faces. And I kept asking them, are you  
26

1 from the south, are you from the south, because  
2 they're so nice. But the people here have just  
3 been incredible. And Tommy, I know I speak for  
4 everyone else as well as George was talking about,  
5 but you all have really put on a tremendous  
6 conference here. It's been very enjoyable. A lot  
7 of work has been accomplished, but it's also kept  
8 the pace that I think the governors could enjoy a  
9 smile time to time. The evenings and everything  
10 have just been great. You all have done a  
11 remarkable, remarkable job. And I can't wait to  
12 come back to Milwaukee and visit again. So thank  
13 you, thank you.

14 GOVERNOR VOINOVICH: This morning we're  
15 going to do something that's a little different  
16 than what we've done in the past at these  
17 meetings. We're going to have a discussion of  
18 global economic change. Just a quarter century  
19 ago the United States stood virtually alone with  
20 the community of nations in that it relied  
21 primarily on a free enterprise economic system.

22 At the other end of the spectrum were  
23 many of the socialist communist systems where  
24 governments actually owned the farms and factories  
25 and other sources of production. Between the  
26

1 United States and those socialist and communist  
2 systems were most of the other countries that  
3 relied upon mixed economic systems where resources  
4 were partly owned by government and partly owned  
5 by the private sector.

6 From the end of the second world war  
7 until the last decade, there was a major debate  
8 among economists and political scientists on one  
9 level and political leaders on the other  
10 concerning what type of economic system would be  
11 most productive for its citizens.

12 That debate is over now. Few would now  
13 question that the free market economy has won the  
14 debate. From England under the leadership of  
15 Margaret Thatcher to India to the former Soviet  
16 Union under Gorbachev and Yeltsin to China to the  
17 emerging countries of South America, the world  
18 economic systems have tried to adopt the US model  
19 of free enterprise.

20 I'll never forget in 1996 during a jobs  
21 mission to India, the prime minister there told me  
22 that one of the most communist leaning leaders of  
23 his country was India's most aggressive free  
24 market advocate. I was in South America last year  
25 and was amazed at the change of standard of living  
26

1           that a free market economy has brought. Even with  
2           high unemployment, President Cardoso told me that  
3           his people are sticking with the market economy.  
4           And in China in 1995 many young people told me  
5           there was no way they would go back to the old  
6           economic system.

7                       We're pleased to have with us today  
8           three of this country's most respected experts on  
9           what is happening in the world and its impact on  
10          the US from an economic and foreign policy  
11          perspective. Today we are going to begin our  
12          discussion with remarks from Doctor Daniel  
13          Yergin.

14                     Doctor Yergin is a highly respected  
15          authority on international politics and economics  
16          and on energy. In 1992 Doctor Yergin received the  
17          coveted Pulitzer Prize for his work, *The Prize*,  
18          which became a national best-seller and ultimately  
19          was made into an eight hour PBS BBC series seen by  
20          20 million people in this country.

21                     Doctor Yergin is also the author of a  
22          new best-seller, *The Commanding Heights*, that is  
23          receiving wide attention and acclaim. And Doctor  
24          Yergin, I notice that we have a copy of your book  
25          here in front of us, and we appreciate that. And  
26



1           because you've brought it here, we guarantee you  
2           we'll read it.

3                     Doctor Yergin has served our nation well  
4           as a public and private citizen, and we are very  
5           pleased that he could join us today. Let's give a  
6           wonderful welcome to Daniel Yergin.

7                     (Applause.)

8                     DR. DANIEL YERGIN: Thank you, Governor  
9           Voinovich, for your gracious introduction. And I  
10          want to thank you and the National Governors'  
11          Association very much indeed for the opportunity  
12          to be part of this wonderful program. Also  
13          certainly acknowledge Governor Thompson and the  
14          State of Wisconsin, Milwaukee, for that wonderful  
15          evening last night at the public museum. I've  
16          never been to such a good opening reception for an  
17          event like this. So it was really, thank you  
18          indeed.

19                    I'm also pleased to be on this panel  
20          this morning with Larry Summers who is, I think  
21          everybody in our country, is a person who is  
22          playing the most critical role in trying to  
23          stabilize the global economy at this time, a  
24          turbulent economy. And he's someone that I've  
25          learned a lot from over the years and shared his  
26

1 thinking in The Commanding Heights. So I too like  
2 the rest of you are looking forward to his current  
3 view of where we are.

4 Well, Governor Voinovich, we were  
5 talking last night about the changes in the world  
6 as you have observed them, traveling around. And  
7 I was thinking afterwards that in addressing The  
8 Commanding Heights this evening -- this morning,  
9 I'm really bringing together two themes that are  
10 very much on the minds of the governors and have  
11 been on part of the program.

12 One is the changes in the global economy  
13 and our relationship as a country to it. And  
14 secondly, I think, is the far reaching changes  
15 that we're seeing in the reorientation of state  
16 governments in terms of how you provide services,  
17 welfare, how you tax, how you spend, how you  
18 motivate your work forces.

19 And so I want to try and bring these two  
20 sets of considerations together. It really comes  
21 down to the relationship of government and  
22 markets, what we talk about in The Commanding  
23 Heights.

24 I should pause for a second to say where  
25 this title came from. It was a term used by the  
26

1 British Labor Party after World War II to justify  
2 strong government intervention and control of  
3 economy. Governor Voinovich, mentioned you were  
4 in India. They too use The Commanding Heights as  
5 their favorite term to say why you should have  
6 large state owned sector.

7 The term actually goes back to Lenin  
8 after the Bolshevik revolution when the Bolshevik  
9 revolution was on the ropes, and he was looking  
10 for some way to allow a little private property  
11 and so forth. And he allowed some private  
12 businesses in the early 1920s. And he was  
13 attacked for selling out the Bolshevik revolution.  
14 And he said to his comrades it's okay because  
15 we'll control the commanding heights, the  
16 strategic sectors.

17 Now, the US has been different from  
18 other economies around the world because we  
19 haven't had a large state-owned sector as other  
20 economies do. But we have had really what we call  
21 regulatory capitalism in which government  
22 controlled the commanding heights through  
23 regulation.

24 So what I want to try and do this  
25 morning very briefly is talk about the issues that  
26

1 concern you but put them in the context of a  
2 global movement. I want to try and explain why  
3 what Governor Voinovich discussed has happened.  
4 Why has the world changed its mind and moved  
5 towards this market consensus, and then look at  
6 what that means in terms of -- with technology and  
7 the integration of markets around the world and to  
8 think about the world beyond this buzz term that  
9 we all use. It's only about 10 years old,  
10 globalization. And then finally suggest to you  
11 that maybe what we're seeing in this period that  
12 we're living through now and into the next century  
13 is not just the triumph of markets as some say but  
14 a testing of markets.

15 Basically if you look at this century up  
16 until the 1970s and the 1980s, the whole thrust of  
17 relationship between governments and markets was  
18 towards greater state control over economies.  
19 Whether it was through state-owned companies,  
20 ownership, whether it's through intervention,  
21 whether it was through as I already suggested  
22 before, regulation.

23 If you ask why was this all happening,  
24 you come back to saying, well, basically,  
25 underlying it all was a focus on -- that markets  
26

1 fail, on market failure which really arose from  
2 the experience more than anything else of the  
3 Great Depression.

4 And in response to that, in response to  
5 that, the responsibilities and the reach of  
6 governments around the world grew. And in a  
7 certain sense, the United States was an island in  
8 all of that. And that's the way it looked, it was  
9 going to continue to grow in that direction.

10 But starting in the 1980s and into the  
11 1990s we've seen what can only be described as a  
12 great reversal. We've seen a shift in the balance  
13 of confidence. A greater credibility for markets,  
14 greater respect to its discipline, and a  
15 rethinking of well, what is the role of  
16 governments in a modern interconnected global  
17 economy. And we've seen this on a global basis.

18 What it really demonstrates, and it's  
19 something I think I find really fascinating to  
20 look at is how ideas interact with politics and  
21 economics to shape the way things are done. And  
22 if you think about it, many of you are concerned  
23 with electric power deregulation in your states.  
24 And sometimes you have to stand back and say well,  
25 where did this come from. Why are we actually  
26

1 deregulating electric power today. And you start  
2 to see that what's happening in this country is  
3 part of a bigger picture, part of something that's  
4 happening on a global basis.

5 So the question, why have we moved from  
6 an era where governments sought to seize and  
7 control the commanding heights of the economy to  
8 this era in which these ideas of free markets, of  
9 privatization, of deregulation, have captured the  
10 commanding heights of world economy thinking. And  
11 let me quickly give you what seem to us to be the  
12 reasons.

13 No. 1 is that the mixed economies  
14 including the United States in the 1970s it seemed  
15 stopped working. Inflation, stackflation,  
16 economies not growing. You'll remember that sense  
17 of despair that seemed to be in the economy, the  
18 notion of the rust belt and all of that. And  
19 there was a sense that these economies were too  
20 rigid. That's why you look back now amazingly to  
21 think that the Nixon Administration when inflation  
22 was just 5 percent put wage and price controls on  
23 the economy, because somehow things couldn't work  
24 otherwise.

25 But that was in this country started the  
26

1 process of deregulation, economic deregulation I  
2 should emphasize. It began among other things  
3 with airline deregulation. And in The Commanding  
4 Heights is a story of how airline deregulation  
5 began because you look back on it again and you  
6 see to some degree it's big forces and to some  
7 degree it's accidents. But that's the beginning  
8 of electric power deregulation and the other  
9 issues you're dealing with today.

10 Of course, Britain, 1979, Margaret  
11 Thatcher became prime minister. She seemed to be  
12 isolated. She seemed to have a platform that  
13 really wasn't going to be accepted by people, and  
14 yet started putting in a program that ended up  
15 writing the script for much of the global economy  
16 today. So problems with the mixed economies led  
17 to a rethinking.

18 Secondly, in countries outside the  
19 United States, the problems of state-owned  
20 companies which were meant to be engines of  
21 modernization but turned out to be often  
22 inefficient loss-making enterprises affected  
23 people's thinking.

24 In Latin America in this hemisphere the  
25 lost decade, the debt crisis of the 1980s sent a  
26

1 message about not only the bankruptcy of  
2 governments but bankruptcy about ideas, about how  
3 governments should control their economies.

4 Certainly the collapse of the Soviet  
5 Union changed the world thinking. We begin in the  
6 book, that chapter with John Kennedy running for  
7 president in 1960 saying we must get this nation  
8 moving again. And one forgets what we were  
9 getting the nation moving again in a race that we  
10 were thought to be losing against the Soviet  
11 Union. The power of that model was so strong  
12 until it became apparent that in fact it wasn't  
13 working.

14 And finally, and this is going to be  
15 ironic, and it's going to be ironic in terms of  
16 what Larry has to tell you about, the Asia  
17 economic miracle really changed thinking around  
18 the world. India and South Korea in 1960 had  
19 about the same per capita income. By 1990, South  
20 Korea's was 15 times greater than it was. And so  
21 although we now -- the phrase Asian economic  
22 miracles has been transliterated into crony  
23 capitalism, there really and truly was an Asian  
24 economic miracle, extraordinary event, and it did  
25 have a big impact on thinking.



1                   So we can see the effects today from  
2                   these changes in the way the world thinks. We can  
3                   see it in a democratic administration that puts  
4                   fiscal prudence right at the top of the agenda.  
5                   We see it in Britain where a Thatcherite, what is  
6                   it, eight years since Margaret Thatcher fell from  
7                   power, a Thatcherite is prime minister. He just  
8                   happens to be head of the British Labor Party,  
9                   something that would have been unthinkable a few  
10                  years ago. We see trillions of dollars in  
11                  privatization. We see socialists promoting  
12                  capitalism.

13                 We saw last Thursday this very strange  
14                 spectacle of the Russian prime minister behaving  
15                 like the CEO of a troubled American company going  
16                 in front of several dozen analysts from banks and  
17                 brokerage firms explaining that they had a really  
18                 terrible quarter, and this is the way they were  
19                 going to turn around their company. Things like  
20                 that didn't used to happen.

21                 We also see it in things that concern  
22                 you directly, the efforts to reform the social  
23                 safety net and the welfare system to be more  
24                 competitive and more compatible with the global  
25                 economy. Now, with this move to markets, of  
26

1 course, you also see the unease about jobs, their  
2 permanence, about the social safety net, about the  
3 bracing competition that we feel in the world  
4 today. That's part of these changes that are  
5 going on.

6 Two other factors that are working with  
7 the change of minds to create this new world in  
8 which we're in. One is the integration of  
9 markets, trade, investment, capital markets,  
10 foreign exchange markets. You know, we all talk  
11 about emerging markets. That concept was only  
12 invented in the middle 1980s as an effort to  
13 promote investment in what used to be called the  
14 Third World. Somebody figured out that actually  
15 you would be more likely to put your retirement  
16 savings into emerging markets than into the Third  
17 World.

18 Markets are integrated and, of course,  
19 technologies. We know the internet. But I think  
20 it's well worth focusing on the cheapening cost of  
21 communications. Two decades ago if you wanted to  
22 make a phone call from New York to London of three  
23 minutes, it would have been \$8. Today it's 36  
24 cents, and you can probably get an even better  
25 deal. That's getting the world together.

1                   So we're really in this world that we  
2                   say is a world after globalization, a world of  
3                   globality, a world of 24-hour interconnected  
4                   world, one with more bracing opportunity and more  
5                   bracing competition.

6                   Well, is it all going to go smooth from  
7                   here? Have to look at the future and think about  
8                   that now. I think one thing we would have to say  
9                   is it depends upon having a relatively low level  
10                  of military threats going forward. We see  
11                  particular questions in the United States. And I  
12                  have to tell you all the chapter 12 in this book  
13                  about the United States was the hardest one to  
14                  write. Because on the one hand we've seen the  
15                  movement towards decreased economic regulation,  
16                  but we're also seeing increased what one would  
17                  call social regulation or social value regulation,  
18                  what Supreme Court Justice Steve Breyer has  
19                  referred to as regulatory gridlock in that arena.  
20                  And we see an effort to try and apply market  
21                  forces and market principles even to issues like  
22                  the environment.

23                  Well, the role of government in this new  
24                  world is changing. It's less than an active  
25                  intervenor and it's more of an umpire, more of a  
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1 rule setter, making the game work. I think we're  
2 going through a great actually experiment in this  
3 country in terms of deregulation to see if  
4 consumers can be protected through competition  
5 rather than through traditional regulation.

6 But what about the future? And what I  
7 want to suggest here is five tasks that you might  
8 keep your eyes on to determine whether what I've  
9 described here is something that's going to  
10 continue or whether it's really a pendulum that's  
11 going to swing back. And I think that's the 64  
12 trillion dollar question.

13 No. 1, do these new market oriented  
14 systems around the world including in our country,  
15 do they deliver the goods in terms of jobs,  
16 growth, employment, things you can measure, things  
17 you can watch.

18 Secondly, something that's harder to  
19 measure, the questions of fairness, equity and  
20 social justices. As I speak about these issues  
21 across the country, I find that these are the  
22 questions that people often come back to. Is it  
23 fair or are we going to see a concentration of  
24 wealth and abusive power. And different societies  
25 will answer it differently.

1 I think this is why we're seeing a  
2 rebirth of antitrust and a focus on antitrust in  
3 our system. Because if you say you're going to  
4 rely on markets, then those competitive markets  
5 have to be competitive.

6 Third is a question of identity as we  
7 get all part of this global economy. We can see  
8 fundamentalism in the Middle East, we can see the  
9 unease in Asia. Last night Governor Voinovich and  
10 I were speaking about the fact that in his state  
11 like so many of your states, how well our states,  
12 our country is doing from the global economy. In  
13 fact, there is no country that's doing better.  
14 We're the envy of the rest of the world. And yet,  
15 even here you find that great unease about being  
16 part of the global economy.

17 The fourth test to keep your eye on is  
18 the environment and environmental values which are  
19 so strong. Will the population, particularly the  
20 younger generations, feel that their concerns  
21 about the environment are being met through the  
22 new market oriented systems.

23 The fifth, the fifth issue to watch is  
24 demographics. Like as in all the other industrial  
25 countries, our population is aging. And as more  
26

1 and more people move into the elderly category, it  
2 creates almost a paradox because people will be  
3 looking both more to government to meet needs. At  
4 the same time as our retirements get more and more  
5 dependent upon what happens to the stock market,  
6 they will also become in a sense more and more  
7 dependent on how markets perform.

8 And if you look at the great debate  
9 that's coming or that is here about privatization  
10 or partial privatization of Social Security, it  
11 fits right into this arena. And this is a great  
12 classic example of in our country of the kind of  
13 change of debate and the changes of mind that are  
14 going on.

15 Biggest worry, I would say my biggest  
16 worry is that the world seems to be divided into  
17 two right now. The US doing very well, Western  
18 Europe starting to do very well versus the rest of  
19 the world where you almost have a sense of  
20 economies cratering.

21 I don't see how we can be endlessly  
22 insulated from these problems in the rest of the  
23 world. Some will say our economy is so strong, we  
24 can. And certainly we'll look forward to what  
25 Larry has to say and explain as to what is being  
26

1 done to try and stabilize the situation. But  
2 that's why I want to suggest that what we're  
3 seeing today in many ways is not just a triumph of  
4 markets but is a testing of markets and market  
5 systems.

6 Two final thoughts to leave you with.  
7 Markets are a very effective way it turns out,  
8 more effective than many thought for many decades,  
9 to get things done. But markets are not all of  
10 life. The confidence in markets seems to me is  
11 more likely to endure if there is a realistic  
12 appraisal of risk and of uncertainty, a  
13 recognition of the benefits of markets and their  
14 values but also their limits.

15 The other thought I want to share with  
16 you is a lesson it seems to me is clear from our  
17 work, really from around the world. Markets and  
18 market systems don't exist in a vacuum. You don't  
19 have good markets if you don't have good  
20 governance. Thank you very much.

21 (Applause.)

22 GOVERNOR VOINOVICH: Anyone like to ask  
23 Doctor Yergin a question? Frank. Governor  
24 O'Bannon.

25 GOVERNOR O'BANNON: If we're moving to  
26

1 free markets, if we're moving to wealth, if we're  
2 moving to more free trade, is government reducing  
3 and corporations taking more command on how  
4 decisions are made in the world?

5 DR. DANIEL YERGIN: We do see, I think,  
6 I think it is true that the sense that national  
7 governments have in terms of leverage over their  
8 own economies is decreasing. And the decisions  
9 that companies make definitely do have a larger  
10 impact. I think though sometimes one loses site  
11 that companies don't exist in a vacuum either.

12 The other thing you look out 10 years  
13 from now, and you see a world economy in which  
14 nongovernmental organizations of one kind or  
15 another are very influential as well. And what I  
16 see and what we see in our work is companies on  
17 the one hand having to respond to the demand for  
18 quarterly performance and on the other hand also  
19 responding to a broadening social agenda on a  
20 global basis.

21 GOVERNOR VOINOVICH: Governor Nelson.

22 GOVERNOR NELSON: My question is more  
23 specific. As it relates to the agricultural  
24 situation we have today which I think can be  
25 called a crisis where there is weather disasters  
26



1 and a growing crisis because of the worsening of  
2 the economy as it relates to agriculture, low  
3 prices, reduction in export opportunities.

4 So my question really comes down to with  
5 low prices, a strong dollar in the foreign markets  
6 and with growing competition from other countries,  
7 is this going to be a temporary adjustment to  
8 agriculture, or are we looking at something that  
9 may be far more permanent before prices can rise  
10 to the level of where farmers can make a profit?

11 DR. DANIEL YERGIN: I think your  
12 question about the export markets is absolutely  
13 critical. And I think in some parts of this  
14 country, maybe more towards the east, there is not  
15 a recognition of the impact of the downturn in  
16 Asia, what it means for American agriculture and  
17 as played out in the debate over the IMF.

18 But I think that, you know, if we can  
19 see -- if Asia continues on a down track, if the  
20 in fact what almost seems greater pessimism is  
21 borne out, then we are -- agriculture and the rest  
22 of the American economy is going to be hit by it.  
23 I don't think we can as I said before, I don't  
24 think we can be insulated from it. The impacts  
25 may be felt at different times for different  
26

1 sectors. But what's happening in the rest of the  
2 world is too big for us to be an island.

3 GOVERNOR VOINOVICH: Governor Edgar.

4 GOVERNOR EDGAR: What impact is the --  
5 it seems like more recent even escalation on the  
6 mergers of multi-national corporations going to  
7 have on the direction this is all moving?

8 DR. DANIEL YERGIN: You know, these days  
9 it seems big is in and very big is very in. And  
10 we're seeing even in the last year or two mergers  
11 on a scale that would have seemed not plausible  
12 just a few years ago. And we're seeing them on a  
13 cross-border basis of which Daimler-Benz and  
14 Chrysler is a particularly dramatic example.

15 And I think as the capital markets get  
16 integrated, as American style capitalism makes its  
17 impact on the rest of the world in terms of  
18 companies looking towards quarterly performance  
19 and so forth, I think we see that trend  
20 continuing.

21 And so one of the very interesting  
22 features of the American economy is both the kind  
23 of consolidation that's continuing and at the same  
24 time the great entrepreneurial spirit that is in  
25 our country that continues to create new  
26

1 companies. But I think with the coming --  
2 something that probably people are not focused on  
3 very much now, but it is only a few months away,  
4 the Euro, the single currency in Europe, that's  
5 going to accelerate mergers in that part of the  
6 world. And companies there will want to have a  
7 big position here. So I think we're going to  
8 continue to see this unfold, and we'll see some  
9 famous names change names.

10 GOVERNOR VOINOVICH: Governor Gilmore.

11 GOVERNOR GILMORE: If I could follow up  
12 on Governor Edgar's question. I believe the  
13 marketplace is the best producer of goods and  
14 services, it's the place where the price becomes  
15 most reasonable, quality becomes best. I believe  
16 all that. But to follow up on Governor Edgar's  
17 comment, we're now seeing international joining  
18 together of major corporations. Even within this  
19 country we're beginning to see the unification of  
20 the insurance industry, of the banking industry, a  
21 consolidation may be the right word.

22 And then when you get in international  
23 mergers as well, how are you going to protect the  
24 little guy? Are we going to see the reemergence  
25 of trusts and monopolies in such a way in the  
26

1 historic marketplace so that the little guy, the  
2 average citizen no longer has the market power to  
3 be able to protect himself?

4 And another -- I think one of the checks  
5 on the marketplace has always traditionally been  
6 the emergence of smaller companies, they enter  
7 into the marketplace and compete so that again  
8 more choices and options are offered to the  
9 consumer by the growth of a diverse economy. Are  
10 we going to see the elimination of that by these  
11 new mergers and acquisitions we're seeing both  
12 internationally and nationally?

13 DR. DANIEL YERGIN: I think your  
14 question, Governor's question here really do touch  
15 a deep nerve. And I have to say, I have a day job  
16 too. I actually am an entrepreneur, started a  
17 business, created a couple hundred jobs, and  
18 that's what I do during the daytime. And I also  
19 feel that sense of unease with the kind of scale  
20 that we're seeing. I think this is part, in a  
21 sense part of our character as a country that  
22 there is a suspicion of bigness, and at times with  
23 this kind of consolidation, it makes you think  
24 back to the turn of the century and the trust  
25 era. But I think that's really why I made my  
26

1 remarks, that antitrust takes on a whole new  
2 importance now that it maybe didn't seem to have  
3 relevance 10 years ago as we move into this era.

4 You know, you see foreign companies,  
5 take the Daimler/Chrysler merger. If Daimler  
6 hadn't come and listed itself on the New York  
7 Stock Exchange five years ago, you probably  
8 wouldn't see the merger that you're seeing today.  
9 But these markets are coming together.

10 So the pressures on companies to get  
11 scale, to have a global position and to respond to  
12 the demands of the financial market will continue  
13 to drive it. But I think as you're suggesting,  
14 it's something that has to be watched closely and  
15 on each case looked at in terms of well, what does  
16 this mean for competition. Because we don't want  
17 an economy where that entrepreneurial genius which  
18 has been such a driving force in this decade in  
19 this country gets stomped out.

20 GOVERNOR VOINOVICH: Any other  
21 questions? Governor Janklow.

22 GOVERNOR JANKLOW: Doctor Yergin, from  
23 your perspective as we move into this new economy,  
24 accelerating at the rate that it is, two parts to  
25 my question. One, what can individual states do  
26

1 to screw it up for their states? What can we do  
2 that will make us so that we're not part of it on  
3 the front end?

4 And 2, what do you suggest we can do to  
5 get on the leading edge of it? What can we do  
6 that's proactive to get on the front end of it,  
7 and what can we do that will screw it up for our  
8 states?

9 DR. DANIEL YERGIN: That's a very  
10 interesting two-part question. I think this  
11 screwing up part is allowing or making it  
12 difficult for the state, for people in the state  
13 to do business nationally but also internationally  
14 in terms of regulations and in terms of controls.  
15 That in other words, doing things and losing sight  
16 that each state here exists in not only a national  
17 but global context. And I think that in a sense  
18 is a starting point or starting premise.

19 I think the things that can be done is  
20 try to make obviously education, obviously an  
21 environment that encourages investment, obviously  
22 the kind of things that many of you are doing to  
23 make sure that businesses in your state,  
24 particularly the smaller businesses, are tied into  
25 and feel they have a chance to participate, not  
26

1           only nationally but really internationally. And  
2           that's a place where states can make a very  
3           important difference in creating the links where  
4           companies in your state are operating on a global  
5           basis. And technology enables small companies to  
6           be players in a way that they couldn't do a few  
7           years ago. So I would say those are some of the  
8           responses to the questions you put there.

9                       GOVERNOR VOINOVICH: I think we'll close  
10           out the questioning on that because that was the  
11           key one as far as all of us are concerned. Doctor  
12           Yergin, we thank you very much for being with us  
13           today. Let's give Doctor Yergin a hand.

14                      (Applause.)

15                     GOVERNOR VOINOVICH: Doctor Yergin made  
16           reference to what's happening in Asia. And I  
17           think that that's something all of us are very  
18           concerned about. A lot of us are very concerned  
19           about Japan because in many instances Japan is our  
20           second or third largest trading partner.

21                     Lawrence Summers, Deputy Secretary of  
22           the US Department of Treasury is the senior  
23           spokesman for American policy on this issue. He  
24           is the former chief economist at the World Bank,  
25           he is a past winner of the John Bates Clark medal

1 which is given every two years to the outstanding  
2 American economist under the age of 40. And we  
3 are pleased that he can be with us this morning.  
4 Mr. Summers, we appreciate your service to the  
5 nation, and we look forward to your remarks.

6 (Applause.)

7 MR. LAWRENCE SUMMERS: Thank you very  
8 much for that kind introduction. As Linden  
9 Johnson used to say when he was introduced that  
10 way, I wish my parents would have been here for  
11 that. My father would have appreciated it, and my  
12 mother would have believed it.

13 It is good to have a chance to speak to  
14 this group about what I think are a crucial set of  
15 issues facing the country and facing each one of  
16 your states. The set of issues posed by the  
17 current financial problems in Asia and around the  
18 world and the threat they pose to some of the very  
19 encouraging trends that Dan Yergin described in  
20 his speech and in his enormously thoughtful book.

21 I want to begin by telling a story.  
22 About a year ago I traveled in Africa, and I  
23 visited Maputo, the capitol of Mozambique. And I  
24 spoke at a lunch. Before that lunch I sat next to  
25 someone. And trying to make conversation, I asked  
26



1 him how is business? And he said not so good.  
2 And I said why? He said right now I'm the  
3 monopoly internet provider in Mozambique. But  
4 there is competition on the way, and I think it's  
5 going to erode my franchise.

6 And I thought about that. That little  
7 story brings together what I think are the three  
8 defining trends of the global economy right now.  
9 The emphasis on information, technology, on  
10 information, on value residing in knowledge rather  
11 than in mass. The rise of market forces,  
12 competition as the best way to stimulate economic  
13 activity, what Doctor Yergin talked about. And  
14 the rise of the developing world.

15 Because I am convinced that when  
16 somebody writes the history of this period, the  
17 last 15 years of the 20th century, 200 years from  
18 now, that remarkable as it may seem right now, the  
19 end of the Cold War will be the second story in  
20 that history book. And the first story will be  
21 that this was the period when the age of the  
22 market started three billion people around the  
23 world, half of humanity, four times as many people  
24 as live in all the industrialized country, on a  
25 period of rapid growth and a surge towards  
26

1 modernization, an event that potentially ranks in  
2 economic history with the Renaissance and the  
3 Industrial Revolution.

4 And it is the continuation of those  
5 three trends in a safe and successful way that is  
6 ultimately what is at stake in the Asian financial  
7 crisis and what is ultimately of greatest  
8 importance for our own prosperity.

9 To be sure, the American economy is  
10 performing remarkably well right now. 16 million  
11 jobs in the last five-and-a-half years, real wages  
12 increasing more rapidly than any time in the last  
13 25 years, a budget deficit that is no more.  
14 Successes that I think have something to do with  
15 prudent public policies in Washington, but also  
16 have a great deal to do with the fact that the  
17 United States is best situated to take advantage  
18 of those three trends. We lead in everything  
19 about information technology. We were the first  
20 to fully embrace the market, and we have the  
21 closest connections with the emerging markets all  
22 around the world.

23 Yet as Doctor Kissinger once famously  
24 observed, history knows no resting places and no  
25 plateaus. And as strong as our economy is, as Dan  
26

1 Yergin suggested, our ultimate and continuing  
2 prosperity is embedded in the ultimate and  
3 continuing prosperity of the world. Because  
4 increasingly national economics is becoming like  
5 gubernatorial economics. And just as no state in  
6 the United States would prosper if our national  
7 economy were suffering grievously, so too, no  
8 national economy will continually prosper if the  
9 global economy is suffering.

10 The Asian financial crisis is having a  
11 very substantial impact not just on the countries  
12 involved but also globally. The Thai, Indonesia,  
13 Korean, Malaysian economies are now all expected  
14 to shrink this year by upwards of 12 percent in  
15 the case of Indonesia with unemployment rising to  
16 unprecedented levels.

17 Japan, the world's second largest  
18 economy, comprising nearly two-thirds of Asia's  
19 total GNP, has been mired in slow growth and  
20 recession for seven years and faces banking  
21 problems that dwarf our own savings and loan  
22 crisis of the early 1980s.

23 South Africa where US exports more than  
24 to all of the former Soviet Union, we've seen the  
25 rand depreciate by more than 20 percent in the  
26

1 last three months, and we've seen risk premiums  
2 rise far above Asian levels.

3 And in Russia, continuing structural  
4 problems have been exacerbated by contagion  
5 affects from Asia that have raised serious  
6 questions about the future. Russia's trouble in  
7 turn has the potential to become Central Europe's  
8 and the world's.

9 Make no mistake, containing these  
10 problems is crucial to our future. It is about  
11 safeguarding American jobs, safeguarding American  
12 savings and ultimately safeguarding our security,  
13 our jobs. Trade has accounted for one-third of  
14 growth in this expansion and is the prime engine  
15 for high wage jobs. 30 percent of our exports and  
16 40 percent of our agricultural exports go to  
17 Asia.

18 Exports to the economies that are in  
19 crisis are down by nearly one-third, year on year,  
20 and private forecasts are suggesting that the  
21 crisis could add half or even a full percentage  
22 point of GDP to the United States' current account  
23 deficit this year.

24 For some states, the problem is  
25 particularly serious. California had half of its  
26

1 exports go to Asia last year. To take just  
2 another example, Governor Romer, I'm told that  
3 Colorado's exports to Thailand had increased  
4 fourfold between 1993 and 1996.

5 Our markets have been remarkably strong  
6 in recent years including through the last year as  
7 these problems have spread and more American  
8 savings than ever before are dependent on our  
9 markets. The history teaches us that markets are  
10 closely linked, that our markets depend upon our  
11 company's performance which depends ever more  
12 closely on the global economy. And that as global  
13 capital flows increase, our stock market's  
14 performance is increasingly tied to markets  
15 abroad.

16 And as I'm sure Doctor Kissinger will  
17 detail in a far more learned way than I could, the  
18 Cold War is over, but our security challenges are  
19 not. In too many ways nationalist forces,  
20 economic frustrations, incipient ethnic conflicts,  
21 a shortage of institutions knitting nations  
22 together, rapid changes in the economic balance of  
23 power. Asia today bears resemblance to Europe at  
24 certain points earlier in this century. Seen in  
25 that light, a strong response to the crisis that  
26

1 prevents it from festering is I believe a forward  
2 defense of America's core interests.

3 We in the administration believe that  
4 the way in which we confront this crisis will be  
5 as important to the way the 21st century begins as  
6 any other issue we are now facing. The goal is  
7 clear to restore stability and growth in Asia and  
8 Russia and prevent further contagion to other  
9 markets.

10 Our response in addressing this  
11 situation and indeed the international community's  
12 response in addressing this situation has been  
13 based on three principles. First, strong domestic  
14 policies in the countries affected is the absolute  
15 prerequisite for restoring stability. Because any  
16 amount of financial support that goes into an  
17 economy will flow right back out if policies are  
18 unsound or governments are not credible. That  
19 means sound monetary and fiscal policies, policies  
20 to strengthen the financial system, and that means  
21 structural reforms to open the economy, raise  
22 transparency and let market forces operate. And  
23 it means bringing an end to crony capitalism as  
24 rapidly as possible.

25 Second, our response is predicated on  
26

1 the idea that sovereign financial crises have  
2 important elements of a self-fulfilling prophecy,  
3 much like a bank run. If everyone expects  
4 failure, everyone wants to be the first not to let  
5 -- not the last, to get their money out. And  
6 that rush to the exits produces the very problem  
7 that people are seeking to avoid. Temporary,  
8 conditioned financial support provides countries a  
9 bridge to overcome this self-fulfilling prophecy,  
10 just as deposit insurance provides safety to a  
11 banking system.

12 The third element beyond domestic  
13 policies, beyond appropriately conditioned  
14 international financial support of our strategy,  
15 is the recognition that the major economies of the  
16 world and particularly of the region must do what  
17 they can to support the process of growth.

18 In the United States we can and have  
19 maintained sound economic and financial policies  
20 that provide the basis for sustainable economic  
21 growth. The Chinese have recognized that their  
22 continued commitment to addressing their financial  
23 sector problems and to maintaining a stabile  
24 currency, and continuing to reform their economy  
25 will be crucial to the stability of Asia and  
26

1 crucial to the prospects of sustained growth in  
2 their own country.

3 Japan, the largest Asian economy, has an  
4 especially crucial role to play. The new  
5 government has reaffirmed the importance of  
6 tackling decisively problems in the financial  
7 sector and of fiscal action to stimulate domestic  
8 demand. But as confidence has declined, so too  
9 has the scope for further delay.

10 The crisis is still very much an  
11 unfolding story, and large challenges lay ahead.  
12 There is no question there is enormous economic  
13 distress being felt in the countries worst  
14 affected. This is inevitable given the massive  
15 withdrawals of private capital that have  
16 occurred. But it is encouraging that in those  
17 countries that were first hit and where policy has  
18 been most determined, there has been evidence of  
19 containment.

20 In Korea and Thailand the run on the  
21 currency has stopped, and production shows signs  
22 of stabilizing. The Korean won has retraced more  
23 than four-fifths of its initial decline and import  
24 volumes have actually been rising in recent  
25 months.



1                   In Latin America a quick response to  
2                   market pressures in Brazil last fall has helped to  
3                   maintain stability in a region not so long ago  
4                   considered highly vulnerable. The case of Mexico  
5                   several years ago was very instructive. President  
6                   Zedillo in describing that experience draws the  
7                   lesson that when markets overreact, policy has to  
8                   overreact in response to instill confidence.

9                   And it is certainly true that just three  
10                  years ago the Mexican economy was in very serious  
11                  crisis, shrinking by 6 percent in 1995. But with  
12                  strong policies and conditioned support from the  
13                  United States and the IMF, it has grown over 5  
14                  percent the year after and has sustained that pace  
15                  ever since. Unemployment has fallen and  
16                  investment in real wages are on the rise.

17                 To be sure, a strategy of supporting  
18                 strong policy and working multi-laterally,  
19                 cooperatively with other countries through the IMF  
20                 to provide financial support for countries in  
21                 difficulty involves very difficult issues of  
22                 balance.

23                 As Doctor Kissinger and other experts  
24                 have pointed out, it is essential that national  
25                 sovereignty be respected, that politics be  
26

1 understood and that the provision of support not  
2 engender a backlash against the providers. At the  
3 same time, these essential objectives must be  
4 balanced against the need for credible policies  
5 that are strong enough to work to reduce the risk  
6 of future crisis and that have the potential to  
7 increase market confidence.

8 In Asia these structural issues,  
9 particularly in the financial system, are at the  
10 heart of the crisis, and that is why structural  
11 reforms have been an important element of the  
12 programs that countries have agreed with the IMF.

13 Economic growth in a sustained way, not  
14 austerity, is and must be the crucial objective of  
15 support programs. But a resumption of market  
16 confidence is essential if growth is to be  
17 sustained. This is not an easy balance to strike  
18 at a time when banks are failing but also  
19 currencies are declining. It does I think bear  
20 emphasis that interest rates in Korea and Thailand  
21 have now returned to precrisis -- to near  
22 precrisis levels and in real terms are well below  
23 precrisis levels. And in Thailand the government  
24 has chosen not to make use of the fiscal expansion  
25 provided for in the IMF program.

1                   A balance must also be found between the  
2                   imperative of maintaining confidence and the  
3                   imperative of avoiding bailouts of investors who  
4                   should have invested more wisely. As Secretary  
5                   Rubin has often said, he would not give one dime  
6                   to help any creditor or investor. But the  
7                   imperative of creating confidence, of avoiding  
8                   hyperdevaluation, of maintaining a flow of trade,  
9                   often forces actions that do indirectly benefit  
10                  some creditors.

11                 To be sure, investors in non-Japan Asia  
12                 have lost as much as three quarters of a trillion  
13                 dollars in the last year, in part, because of the  
14                 programs for resolution of private sector debt  
15                 entered into by Korea and Indonesia along with the  
16                 IMF.

17                 The United States has enormous stakes in  
18                 continuing to contain these problems. What would  
19                 be most crucial going forward is the steps that  
20                 other countries take, particularly in Japan and in  
21                 Russia. Japan's actions to fix its problems and  
22                 get its economy growing are crucial to the future  
23                 of the world economy. The success of the Russian  
24                 government in carrying forward on its reform  
25                 program is of the utmost importance, economically  
26

1 and politically.

2 But as this group recognized in its  
3 resolution this past winter, it is also absolutely  
4 essential that the United States provide the IMF  
5 with the support that it needs. Without an  
6 effective IMF, there can be no effective  
7 international response to events in Asia. And  
8 without its response so far, we would be facing a  
9 far more serious and damaging challenge to  
10 American interests than we face today.

11 There would have been no conditioned  
12 reforms, there would have been larger devaluations  
13 and greater reductions in these countries'  
14 capacity to purchase our goods. And I'm confident  
15 that there would now be much more pressure on the  
16 United States to respond unilaterally with  
17 taxpayer resources.

18 Recent events have taken their toll on  
19 the IMF's resources. And so today the IMF had  
20 less than \$10 billion dollars, less than \$10  
21 billion dollars available to prudently respond to  
22 an intensification of present problems. Moreover,  
23 its lack of resources could well become a  
24 constraint to action in case future problems  
25 arise. And by reducing confidence, its lack of  
26

1 resources make future problems more likely. And  
2 the IMF's ability to get new resources depends on  
3 only one thing at this point, the approval of the  
4 United States.

5 Making good on our commitment to the IMF  
6 would not cost American taxpayers one cent.  
7 Appropriations for the IMF are scored at a zero  
8 cost to our budget. That is because we receive an  
9 interest bearing claim. The IMF functions in many  
10 ways like an international credit union from which  
11 the United States made a withdrawal in the late  
12 1970s, from which Britain received an emergency  
13 loan 22 years ago.

14 It is a well reserved international  
15 credit union with nearly \$30 billion dollars --  
16 more than \$30 billion dollars in gold backing  
17 about \$60 billion dollars in outstanding loans.  
18 It does not cost us anything, and yet, what it  
19 saves us is potentially very significant.

20 To say that the IMF is indispensable is  
21 in no way to say that we can be satisfied with the  
22 institution we have now. The IMF needs to be more  
23 transparent and accountable to the public, allow  
24 for increased external evaluation and work at ways  
25 of making more information available to the  
26

1 markets. It needs to improve its techniques of  
2 surveillance. It needs to be engaged in making  
3 sure that we have international institutions that  
4 in future crises can bail creditors in rather than  
5 bailing them out. But the way forward is not to  
6 hold the IMF up over these issues right now.

7 Doctor Kissinger and others have spoken  
8 about the tendency in our country to oscillate  
9 between isolation and commitment. In the 1920s  
10 and early 1930s we oscillated in one direction  
11 with disastrous consequences for America and for  
12 the world. With the leadership of Franklin  
13 Roosevelt, our post-war leaders, we swung  
14 decisively and triumphantly in the other direction  
15 after the second world war and laid a basis for  
16 what with all the problems were 50 very good years  
17 for the American people and for the world.

18 When we consider the challenge of  
19 winning support in our country for the IMF, of  
20 meeting our obligations to the UN, providing the  
21 President with the authority to negotiate trade  
22 agreements, conclusion only can be that we are  
23 fighting another swing of the pendulum into  
24 perilous isolation.

25 America's success and its economic  
26

1 strength is not now in question. What is today at  
2 issue is our ability to invest that success  
3 wisely. Not supporting the IMF now would be like  
4 canceling your life insurance when you've just  
5 learned that you were ill. It is a risk, a risk  
6 that might pan out fine, but a risk that might  
7 not. It is a risk we should not take. Thank you  
8 very much.

9 (Applause.)

10 GOVERNOR VOINOVICH: Thank you, Mr.  
11 Summers. I would like you to know that the  
12 governors, National Governors' Association,  
13 strongly supported NAFTA, strongly supported  
14 bailing out Mexico, strongly supports Fast Track  
15 and IMF. And I think it's really important that  
16 more people in this country understand that jobs,  
17 savings and security are tied up in that  
18 international marketplace.

19 And I know in my state, we have  
20 increased export by 90 percent since 1991. Since  
21 NAFTA we've increased our export to Canada by 85  
22 percent. And export has a dramatic impact on our  
23 economy and on the economy of our respective  
24 states.

25 And somehow in this period where people  
26

1 are getting a little shaky, I think it's incumbent  
2 on all of us and also people like the President  
3 and others to speak out strongly how important it  
4 is that we stand up and be counted. Because if we  
5 don't, we're going to be in deep trouble down the  
6 road. And we've got to also convince I think  
7 people that our American businesses can compete  
8 with anyone in the world.

9 I always hear about the German and the  
10 Japanese and so forth. I think back to Lester  
11 Thoreau's book, Head To Head, and how he predicted  
12 the buys toward the end of this century of US and  
13 Germany and Japan would eclipse us, and look  
14 what's happened. Enough of that.

15 Questions. Frank Keating. Governor  
16 Keating.

17 GOVERNOR KEATING: Mr. Summers, how do  
18 we assure multi-national corporations, how do we  
19 assure ourselves that multi-national corporations  
20 headquartered in the United States show their  
21 first loyalty to the United States and to the  
22 workers of the United States?

23 MR. LAWRENCE SUMMERS: I think you raise  
24 a very important question. And in many ways I  
25 think that we are not going to be able to force  
26



1           our companies to show total devotion to the United  
2           States rather than to the other markets in which  
3           they can produce and sell any more than I suspect  
4           you are able with respect to companies that are  
5           headquartered in Oklahoma. There are limits to or  
6           things you can do, and there are things you can't  
7           do. And what basically constrains you is that  
8           there are things that if you do them will cause  
9           the companies to locate someplace other than  
10          Oklahoma. And increasingly in a competitive  
11          global economy we are going to face those kinds of  
12          limits as a country.

13                       At the same time, I think the experience  
14                       suggests two things that are not widely  
15                       recognized. One is that foreign direct investment  
16                       by multi-nationals is often associated with very  
17                       substantial increases in US exports. Because as  
18                       they penetrate other markets, they import  
19                       equipment from the United States, they import  
20                       products for distribution in those other markets.  
21                       And so external investment in the long run  
22                       benefits the American economy by creating export  
23                       demand.

24                       Second, I think the experience suggests  
25                       that when a hospitable environment is created for  
26

1 companies to be headquartered, that often in the  
2 place where they're headquartered, many of the  
3 best jobs and many of the most strategic decisions  
4 are made.

5 So I think our priority has to be to  
6 continue to create a environment that is welcomed  
7 and that is hospitable, makes this a place people  
8 want to come to and makes this a place people want  
9 to stay in. And an effort to in a heavy-handed  
10 way coerce them to come or coerce them to stay is  
11 likely to backfire.

12 I might also say, and I know this is  
13 something that the President feels very, very  
14 deeply, and I suspect almost all of you do, that a  
15 lot of attracting people is making sure that our  
16 most distinctively American resource, our people,  
17 are as able as they possibly can. And that's why  
18 along with the sound financial policies, education  
19 has to be so central a part of our national  
20 economic strategy.

21 GOVERNOR VOINOVICH: Thank you. Tommy,  
22 Governor Thompson.

23 GOVERNOR THOMPSON: Thank you, Mr.  
24 Chairman. Secretary Summers, it was very  
25 informative what you had to tell us. But there  
26

1 was one thing that you sort of passed over  
2 quickly, and I'd like to have you direct your  
3 attention to the fact that yes, Korea is coming  
4 back somewhat, Thailand and it is somewhat, but  
5 they still have serious problems. But you did not  
6 mention Indonesia and the 800 pound gorilla,  
7 Japan, with their change of government and the  
8 fact that our policy, their banks in Japan, I  
9 don't know how many but some people say up to 50  
10 percent of their banks are actually bankrupt or on  
11 the verge of bankruptcy if in fact the true  
12 accounting was taking place.

13 If Japan with the new government, does  
14 it have the fortitude to have it push through a  
15 tax cut, and is that the best policy for Japan  
16 even though the United States is pushing it? When  
17 I've talked to the leaders of Japanese government  
18 recently, they said the Americans just don't  
19 understand the Japanese people. With a tax cut  
20 when we have troubles in Japan, we'll just save  
21 the money, we won't spend it. And I'm just  
22 wondering, your observations of the banking  
23 crisis, the governmental crisis and the tax cut  
24 phenomenon that we're pushing on the Japanese  
25 government. What impact does that have for us  
26

1           here as states?

2                       MR. LAWRENCE SUMMERS:   Governor  
3           Thompson, I think you've hit on what is as crucial  
4           an issue as any in emphasizing the importance of  
5           what Japan does, as I mentioned, 70 percent of  
6           Asia. And it has had problems that have not been  
7           fully addressed and have, therefore, been allowed  
8           to fester for quite -- for quite some time.

9                       I think if somebody had stood here in  
10          1990 and predicted that Japan, the Japanese  
11          economy would have grown at a rate of 1 percent a  
12          year for most of the decade of the 1990s, I think  
13          one would have found it as stunning, a stunning  
14          prediction.

15                      I think you mentioned in your question  
16          what are the two primary policy imperatives at  
17          this point and the two on which the government  
18          will be tested and two on which markets will be  
19          looking to the government.

20                      The first is the very large problems in  
21          the banking sector where there is a great deal of  
22          experience internationally. And what that  
23          experience suggests including our own S&L crisis,  
24          including problems in Europe is a few things.

25                      One, you have to face the problems  
26

1           squarely and gauge their magnitude accurately and  
2           describe them. Because until you recognize the  
3           problems, you can't solve them.

4                       Two, inevitably there is a need for  
5           substantial aggressive -- substantial infusion of  
6           public money to provide confidence and to provide  
7           the wherewithal for continued lending so that the  
8           financial system can work.

9                       Three, that there is a need to get  
10          assets out of banks and onto the marketplace so  
11          that they can find their level. Because until  
12          people think they have found their level, there is  
13          very little incentive to go and buy them just as  
14          the RTC did in our country.

15                      And fourth, there is a need to deal with  
16          institutions that are under water and to find a  
17          way of resolving those institutions by merger, by  
18          -- there are any number of devices. But what is  
19          the least effective device is to allow them to  
20          continue to operate. I think that a strong  
21          resolution along those lines is crucial to the  
22          future of the Japanese economy.

23                      My own reading as a professional  
24          economist is that expansion of our fiscal policy,  
25          increasing budget deficits through spending if the  
26

1 spending is productive or through tax cuts is  
2 overwhelmingly likely to be stimulative in its  
3 impact. No one can predict precisely the fraction  
4 of any given tax change that will be saved. Of  
5 course, it depends on how the tax change is  
6 structured.

7 But I think the very substantial  
8 preponderance of evidence is that giving people  
9 more income and more confidence increases their  
10 spending. And that's particularly true if the way  
11 in which the income is provided motivates spending  
12 on durable goods or on business investment. So I  
13 think that fiscal policy and banking policy really  
14 are at the center of getting the Japanese economy  
15 going again and that it's very important.

16 GOVERNOR VOINOVICH: Thank you.  
17 Governor Carper.

18 GOVERNOR CARPER: Mr. Summers, we  
19 appreciate very much your being here, and thank  
20 you for your stewardship and the very, very  
21 excellent leadership you provide at treasury along  
22 with the secretary.

23 You've answered one question that I was  
24 going to ask. I get to lead a trade delegation  
25 from Delaware to Japan and Taiwan and Vietnam  
26

1 about a month from tomorrow. And one of the  
2 questions I was going to ask is what message  
3 should I take on behalf of our country to the  
4 political and business leaders of Japan. And  
5 you've already answered that question, so thank  
6 you.

7 The other thing, I used to be a member  
8 of Congress for a number of years, several of us  
9 were. And whenever we would head out on a  
10 congressional delegation, we would if we were  
11 interested could get a briefing from State  
12 Department and Treasury or any other. And  
13 virtually every governor around this table and a  
14 lot that aren't here travel from time to time,  
15 whether it is to South America or to Canada, to  
16 Asia, to Europe.

17 And I don't know how, we don't want to  
18 be a pest, but there might be some advantage for  
19 us and perhaps for you if we could call on the  
20 appropriate people at Commerce or our Treasury or  
21 our State Department. And I would just like to  
22 ask how you recommend we go about doing that. And  
23 my guess is we could probably let the folks at  
24 Intergovernmental, Mickey Abara and his people,  
25 know what we're doing and see what assistance they  
26

1           might round up.

2                       The other thing I want to ask, this is  
3           more specific to my own visit. I spent some time  
4           in Southeast Asia during the Vietnam War as a  
5           naval flight officer. And it's a part of the  
6           world that I still have a lot of interest in. I  
7           lead a congressional delegation there seven years  
8           ago with now Ambassador Pete Peterson as one of  
9           our members.

10                      I'm interested in your take on what's  
11           going on in Vietnam. There was a lot of potential  
12           and a lot of hope there six or seven years ago  
13           that they're moving from a command and control  
14           economy to more of a free market system. And as I  
15           watch from a distance, I began to become more  
16           disappointed in the lack of enthusiasm for  
17           change. I just would be interested in your take  
18           on that country in particular.

19                      MR. LAWRENCE SUMMERS: On Vietnam, I'm  
20           afraid, Governor Carper, I can't speak very  
21           knowledgeably which given the kinds of assignments  
22           I tend to get is probably a good thing for  
23           Vietnam. Their challenges are in many ways like  
24           those of China, of moving from a more agricultural  
25           dominated economy to the market, to a market  
26



1 system. And they haven't been as caught up in  
2 these financial difficulties simply because they  
3 haven't been as open an economy historically.

4 I will speak with Mickey Abara as soon  
5 as I return. I think you raise a very good  
6 point. And I think that through Mickey Abara's  
7 office, while I cannot commit him, I guess I can't  
8 commit the Treasury Department, we would be very  
9 happy to provide briefings for anybody who is  
10 going abroad on this set of issues where we have  
11 competence. I think it's a very good idea, and  
12 I'll talk to Mickey about seeing if he can find a  
13 mechanism for doing it on an interagency basis.  
14 And I'll ask him to get back in touch with people  
15 here.

16 GOVERNOR VOINOVICH: Thank you.

17 Governor Schafer.

18 GOVERNOR SCHAFFER: My question has been  
19 answered as well.

20 GOVERNOR VOINOVICH: Okay. Governor  
21 Edgar.

22 GOVERNOR EDGAR: Mr. Summers, I think  
23 all the states, probably at least short-term the  
24 biggest concern we have is what's happening in  
25 Asia and how it's going to impact us. I'm  
26

1           curious, are you more optimistic or more  
2           pessimistic about Asia coming out of their problem  
3           than you were six months ago?

4                     And secondly, if we haven't and I think  
5           we probably haven't realized the full brunt of it  
6           yet, when will it hit us if you can make such a  
7           prediction?

8                     MR. LAWRENCE SUMMERS: Relative to six  
9           months ago, I think that there is a sense of the  
10          situation coming under more control in Korea and  
11          in Thailand relative to what most observers would  
12          have expected six months ago. I think that  
13          largely for political rather than economic reasons  
14          the situation in Indonesia is more serious than  
15          appeared six months ago. And I think that the --  
16          some of the fears that people expressed six months  
17          ago with respect to the Japanese situation have  
18          come true.

19                    And as for making forecasts, Howard  
20          Wilson provided the advice, name a date or name a  
21          number but never name both. I'm going to I think  
22          hold to that. But I would say we have a long way  
23          to go in working through these problems. But I  
24          think with a strong response, particularly if the  
25          Japanese take what I think are crucial steps for  
26

1           them, I think this can remain very much a  
2           contained situation and that there is no inherent  
3           reason why it needs to, we respond well, others  
4           respond well, no reason why it needs to pose a  
5           threat to the basic momentum of economic -- of an  
6           American economic expansion, though obviously it  
7           will have consequences for particular sectors.

8                       GOVERNOR VOINOVICH: Governor Romer.

9                       GOVERNOR ROMER: Larry, if I look at the  
10           future economically in the next 50 years, it seems  
11           to me that skill levels and knowledge are going to  
12           be the key inputs in every nation. Therefore, if  
13           you or I were the CEO of any one of those nations,  
14           we would not think of having an economic policy  
15           without an educational policy. They're very  
16           closely tied.

17                      In our tradition in our country where we  
18           disburse that judgment about education so broadly,  
19           how do we cope with arriving at an educational  
20           policy as a nation in keeping with our historic  
21           unwillingness to deal with it at federal level.  
22           Can we find quasi American national ways to get  
23           together on this? Specifically, we're looking at  
24           changing immigration laws to get more talent  
25           inside. How do we over a period of time develop a  
26

1 consistent educational policy as a nation without  
2 getting into federalism?

3 MR. LAWRENCE SUMMERS: That's a very  
4 important question for the future of the country  
5 and one I suspect you could give a better answer  
6 to than I can. I think it is fair to say in  
7 defense of our system that -- and it has many,  
8 many, many problems, that there is an increasing  
9 awareness that our system has been somewhat more  
10 successful in producing mold breakers and people  
11 of true creativity than some of the other systems  
12 that have perhaps produced better average  
13 performance on certain standardized tests. I  
14 think it would be unfortunate if we did things  
15 that lost that virtue.

16 I think also that in thinking about the  
17 broad issue of education, we should try to learn  
18 lessons from the one area of education where I  
19 think everybody would say we are the leaders which  
20 is post-secondary, higher education, where the  
21 best institutions I think most people would say  
22 disproportionately American institutions.

23 I guess, Governor Romer, I'm very much a  
24 believer in the old management doctrine that what  
25 you count counts. And so I think finding as good  
26

1 measures as we can and getting people to agree  
2 that it's a good idea to measure performance along  
3 those lines, and then letting different  
4 communities draw the conclusions they want,  
5 letting the pressure of decisions that parents  
6 make influence the judgments that communities  
7 make, letting the incentive of needing to attract  
8 employees influence decisions.

9 And so I would say providing the best  
10 report cards we can on as many dimensions as  
11 possible of how our schools are doing is it seems  
12 to me -- and then letting choice, politics, people  
13 responding, operate seems to me to be the right  
14 kind of approach with a federal role in spurring  
15 innovation and in making resources for certain  
16 target initiatives available.

17 I guess the last thing I would say is  
18 that education in our country is a multi-hundred  
19 billion dollar industry. And I suspect there are  
20 not that many industries that spend as little on  
21 research on new techniques. I think that there is  
22 a crucial role in both research on new techniques  
23 and in evaluation that are important for us to  
24 think about.

25 GOVERNOR VOINOVICH: Larry, thank you  
26

1 very much. We ended on a note where governors  
2 that are really trying to make a difference in  
3 terms of increasing the standards in this country  
4 and measuring our educational institutions. Thank  
5 you very much for being with us today.

6 MR. LAWRENCE SUMMERS: Thank you.

7 (Applause.)

8 GOVERNOR VOINOVICH: As the closing  
9 speaker on this very interesting topic, we have  
10 with us probably one of the most qualified persons  
11 in this country, maybe in the world, to talk about  
12 the US foreign policy implications of the quote,  
13 New World Order. And I think all of you know that  
14 Doctor Henry Kissinger served as the National  
15 Security Advisor and Secretary of State during a  
16 period of profound policy changes for our  
17 country. He is one of the most foremost players  
18 and experts on the political winds of change. He  
19 has literally changed history. From the opening  
20 of China to negotiating a close to America's  
21 chapter in Vietnam, to helping to bring peace and  
22 stability in the Middle East to arms control  
23 negotiations with the former Soviet Union, Doctor  
24 Kissinger has not only been at the forefront of  
25 history, he has, as I said, created it. His  
26

1 advice has been sought by both Republican and  
2 Democratic presidents over the years, and today he  
3 continues to serve our country with distinction.

4 We really appreciate your being with us  
5 today, Doctor Kissinger. Let us give Doctor  
6 Kissinger a warm welcome from the National  
7 Governors' Association.

8 (Applause.)

9 DR. HENRY KISSINGER: Governor Voinovich  
10 and ladies and gentlemen, I have been asked to  
11 confine my remarks to 20 minutes. And if I do  
12 that, you can all say you were present at a  
13 historic occasion. I want to talk to you about  
14 the general foreign policy problem briefly. And  
15 then I would like to discuss the issues raised by  
16 Dan Yergin and by Summers, by Larry Summers,  
17 especially the impact on the political situation  
18 in the world of the economic crisis that now  
19 exists.

20 I cannot think of any period as a  
21 student of history where so many changes have  
22 occurred simultaneously in so many parts of the  
23 world. It was never the case that foreign policy  
24 had to be conducted on a global basis. Until very  
25 recently foreign policy was dominated by regions  
26

1 or was entirely regional.

2 200 years ago one could not have

3 compared, been able to compare the power of

4 England and the power of China because they had no

5 means of interacting on each other, either

6 militarily or in a substantial way economically.

7 Never before has it been necessary to conduct

8 foreign policy in real time so that events could

9 actually be observed by the constituencies that

10 would be affected by them.

11 Never before has there been a major gap

12 between economic and military power so that it is

13 now possible to be relatively powerful

14 economically and not very strong militarily and

15 conversely, like the Soviet Union was for a long

16 period, extremely powerful militarily and almost a

17 shell economically.

18 These are all new conditions. And never

19 before has the United States been engaged in

20 foreign policy on a permanent basis. No other

21 major nation has been populated entirely by

22 immigrants, has had two great oceans to protect

23 it, has until relatively recently never had to

24 confront a real danger to its existence. All of

25 this creates a unique situation for the United

26



1 States.

2 On the one hand, it makes us  
3 extraordinarily optimistic about the possibility  
4 to solve problems by overwhelming them with  
5 resources. On the other hand, it makes it very  
6 difficult for us to grasp that we are engaged in a  
7 permanent process from now on which we cannot  
8 escape.

9 We talk about NATO and the Marshall Plan  
10 and the great constructions of the Truman and  
11 Eisenhower period as the great innovations of  
12 American foreign policy. And that is true. But  
13 they were all put forward as temporary expedients  
14 which would solve the problem, whatever the  
15 problem was at the moment, Soviet aggression,  
16 economic recovery of Europe, after which the need  
17 for an American role would diminish or disappear.

18 If you read the debates of the late 40s,  
19 50s, that was how these issues were presented.  
20 Now we are in a situation where every solution is  
21 an admission ticket to another problem. We cannot  
22 separate ourselves anymore from the rest of the  
23 world. And it's not a debate between isolation  
24 and interventionism. It is a reality. And that  
25 also is why someone like myself for whom the  
26

1 present administration, frankly, was the second  
2 choice, nevertheless, believes that foreign policy  
3 is a nonpartisan effort.

4 The national interest of the United  
5 States cannot be reinvented every few years. And  
6 what we lack most is a coherent, permanent view of  
7 the American national interest and the American  
8 national purpose that we pursue from  
9 administration to administration with, of course,  
10 tactical differences and important debates about  
11 specifics but nevertheless fixed in its major  
12 directions.

13 Right now as Larry Summers says, we face  
14 different situations in different parts of the  
15 world. And we do it from a history of believing  
16 that the sovereign remedy for all our problems is  
17 the spread of democracy on the theory that  
18 democratic countries do not quarrel with each  
19 other. This may be true, but there is not enough  
20 experience in the world to judge it. There  
21 haven't been that many democracies over a long  
22 period of time interacting with each other.

23 And there is also the question of how  
24 quickly that process can succeed, and do we know  
25 how to speed up a process that took us in the west  
26

1 300 years, based on religions that affirmed the  
2 separation of religious organizations from  
3 political organizations, the Renaissance, the  
4 Enlightenment, the Age of Discovery, all of this  
5 took us 300 years to get to. And that now has to  
6 be compressed in Indonesia or Korea or whatever  
7 into a very brief period of time.

8 That is the fundamental challenge we  
9 face. And we face it while in Asia, as Larry  
10 Summers said, the nations really deal with each  
11 other as if they -- like the European nations did  
12 in the 19th century, as strategic rivals and not  
13 as part of a cooperative system.

14 At the same time Europe is unifying and  
15 will emerge if everything works as a unit that's  
16 strong economically as we are with more or less  
17 the same statistical capacities. And that will  
18 impose a major adjustment on us. And in the  
19 Middle East we have not only the Israel  
20 Palestinian problem but the problem how to  
21 preserve stability in the Gulf when the two major  
22 nations in the Gulf are still hostile to us. This  
23 is just a brief catalog of problems that we need  
24 to address as a nation and on a conceptual basis.  
25 And our difficulty has been, frankly, that we've  
26

1           been pushing it ahead of ourselves, solving the  
2           symptoms but not dealing in my view with the  
3           fundamentals.

4                       Now, I would, however, like to spend the  
5           rest of my remarks on the political implications  
6           of the economic issues that have been presented to  
7           you by Larry Summers and I'm sure by Daniel  
8           Yergin. Let me add for not immediately that I'm  
9           not an economist. In fact, when I was in  
10          government, the Secretary of Treasury at the time  
11          once said that my knowledge of economics was one  
12          of the better arguments against universal suffrage  
13          that he knew. He then immediately proved his  
14          knowledge about politics by calling the Shah of  
15          Iran at the height of the energy crisis a nut.

16                      And when I complained to him, he said  
17          you political types always get so excited. I'll  
18          have it solved by the end of the day. The end of  
19          the day he said, when I called the Shah of Iran a  
20          nut, saying it a second time, I was quoted out of  
21          context. Poor Shah went to his grave trying to  
22          figure out in what context he could have been  
23          called a nut without offense.

24                      But let me now raise a number of foreign  
25          policy questions with respect to the international  
26

1 financial crisis. One is systemic and the other  
2 has to do with the solution. When you hear a  
3 presentation which says that Japan, Indonesia,  
4 Southeast Asia, China, Russia, South Africa are  
5 all simultaneously in crisis, you ask yourself  
6 what is it about the system that produces  
7 simultaneous crises in so many countries at the  
8 same time. And how can you talk of an operating  
9 global system if the countries that represent the  
10 majority of the population are somehow, world  
11 population, some are not part of it, at least  
12 during this period.

13 I want to stress, I have enormous  
14 respect for Secretary Rubin and Larry Summers. Of  
15 the people I have seen in Washington, they could  
16 not be a more open minded group and a more serious  
17 group of addressing these issues. And I don't  
18 disagree with many or any of the solutions that  
19 Larry Summers presented here except for one  
20 proviso. That proviso is you are all elected  
21 people. You know you have to live in a political  
22 environment.

23 It does not help a political leader to  
24 be confronted with solutions that undermine his  
25 political viability. At any rate, it does not  
26

1 produce enthusiasm for the solutions. And so  
2 there is a gap in my view between the intellectual  
3 approach and the politically feasible approach.

4 First as a layman I want to state what I  
5 believe to be the biggest systemic weakness of the  
6 current system. There is -- there has never been  
7 a period in the post-war period, in the post-war  
8 era, where the economic growth depended so  
9 largely, almost exclusively, on private capital.  
10 There has never been a period when private capital  
11 was so fungible. There has never been an  
12 information system by which resources could be  
13 shifted around the world with such speed and in  
14 such quantity.

15 Now, you might say that these are all  
16 positive elements. But it has created a category  
17 of investments that are heavily and maybe  
18 exclusively speculative. And it has created a  
19 series of financial possibilities that are geared  
20 to very short-term profits controlled by people  
21 who have an extraordinarily sophisticated  
22 understanding of financial markets that cannot be  
23 shared by the central banks of smaller and middle  
24 sized countries.

25 If you look at the Southeast Asian  
26

1 crisis, for example, it is not true that these  
2 countries conducted poor economic policies. They  
3 had more or less -- they had their deficits under  
4 control, they had their inflation under control.  
5 They were privatizing. They were welcoming  
6 investment, and investment was flowing in.

7 What they did not understand was the  
8 impact of the differential currency rates as the  
9 dollar was appreciating, the yen was  
10 depreciating. Their currency being tied to the  
11 dollar gave in many of these countries a  
12 possibility to borrow in the American market, then  
13 lend it in their own market and make a windfall  
14 because interest rates in their own market were  
15 higher than in America. This threw in capital  
16 with many very sophisticated instruments. And the  
17 result of it was a series of bubbles, especially  
18 in the real estate market, especially in  
19 Thailand. My point is that the Southeast Asian  
20 crisis started as a speculative crisis.

21 Now, I know people tell me, and it's  
22 probably true, that it's very hard to separate  
23 speculative capital from other capital, and it's  
24 very hard to find mechanisms for doing it. On the  
25 other hand, I do not believe that it will be  
26

1 indefinitely tolerated, that there will be periods  
2 of boom followed by IMF programs that impose  
3 enormous posterity followed by another period of  
4 boom.

5 Some way Euro political leaders, some  
6 way will be found. I may not know how to find  
7 it. And if it isn't found on a national basis  
8 which is probably impossible, it may well be found  
9 on a regional basis. At any rate, this is one  
10 fundamental problem. And I recognize that it is  
11 hard to separate speculative from equity  
12 investment. But equity investment will do all the  
13 things Larry says. Equity investment ties the  
14 fate of the countries together because the  
15 well-being of the investor is tied to the  
16 well-being of the country. And this will indeed  
17 help the whole economy.

18 This is not true of pure speculative  
19 measures. This is a systemic problem, the  
20 political problem that I feel very strongly  
21 about. It is that the IMF programs have only put  
22 a tremendous political burden on the countries  
23 involved. The IMF was never designed to  
24 restructure the whole world. The IMF is not  
25 staffed by people who are competent fundamentally  
26



1 to judge the political evolution of the countries  
2 that they're trying to help.

3 And the result is that we find, for  
4 example, that in Russia an essentially political  
5 problem is dealt with by economic means. And in  
6 Indonesia an essential economic problem has been  
7 dealt with by stressing political objectives with  
8 the risk in Russia that 12 months from now we will  
9 face exactly the same problem that we are facing  
10 now. And in Indonesia that we may have started a  
11 revolutionary process in a country of 200 million  
12 whose end -- which is the key to Southeast Asia,  
13 whose end is not yet foreseeable.

14 In Russia the real problem is that the  
15 economy in many respects is a virtual economy.  
16 The virtual prices, virtual taxes. None of the  
17 programs are really ever fully carried out.  
18 People say that Russians don't pay taxes. That  
19 isn't exactly true. About 32 percent of the GDP  
20 goes to taxes. But only 8 percent of it is paid  
21 in cash, and 92 percent is paid, they pay their  
22 taxes in barter arrangements requiring the  
23 government then to resell what they have acquired  
24 in the payment of taxes which is an unbelievably  
25 inefficient system and means in effect that many  
26

1 of these things don't have the value in which they  
2 are listed.

3 They have wages, wage agreements that  
4 are not paid, and one could go on through a whole  
5 list. Until these issues are settled, and until  
6 there is a real economy, until there are real  
7 reforms, none of these funds are going to help.

8 And yet I must tell you frankly, if I  
9 was Secretary of State and Yeltsin called up and  
10 said this country is going to go to pieces if you  
11 don't help me, would I have the nerve to say first  
12 change your political system, and after you've  
13 done it, come back to me? I don't know. At some  
14 point it will have to be done.

15 I make this qualification only to point  
16 out that I have sympathy for Washington. But 12  
17 months from now when this thing blows up again if  
18 these reforms aren't really carried out, it will  
19 be election year in America and election year in  
20 Russia. So the likelihood of making this tough  
21 choice is unlikely. My basic point is it is a  
22 political problem.

23 Let me talk about Indonesia. Indonesia  
24 was one of those economies that was doing fairly  
25 well. When the IMF tried to address its problems,  
26

1           it dealt with real issues, that is it had -- there  
2           was corruption, there was crony capitalism, there  
3           were monopolies, all those things that needed to  
4           be changed, except they had not produced a  
5           crisis. They were independent of the crisis over  
6           a longer period.

7                       The crisis was mostly a speculative  
8           crisis. The attempt to fix all of them  
9           simultaneously led to a flight of capital that was  
10          greater than anything the IMF could possibly  
11          provide. In fact, greater than the IMF had  
12          provided up to now. So it had the contrary  
13          effect. And now we face in Indonesia a problem of  
14          a disintegrating governmental legitimacy and the  
15          old question, what comes first, the economic  
16          stability or political progress, and how do you  
17          define political progress in a country of 13,000  
18          islands that has had a one-party government for  
19          its entire history.

20                      And I must say, when I read that we have  
21          sent our Secretary of Defense there to tell them  
22          not to suppress rioters, I wonder whether there  
23          isn't a subtler way of doing that that does not  
24          turn into a possible invitation to riots.

25                      But that isn't my key issue. My key  
26

1 problem is we have to bring the economic and  
2 political requirements into some balance. We  
3 cannot impose huge drops in standards of living  
4 with the prospect of three, four, five years down  
5 the road they will return to some degree of  
6 normalcy and not be prepared for significant  
7 political upheavals.

8 I do not think it is wise to cut off the  
9 IMF now, but I do believe that a way should be  
10 found to reform the IMF, either to limit its  
11 activities to strictly economic issues or to  
12 broaden its composition so that it can handle  
13 political issues.

14 Secondly, I believe that it is in  
15 general a necessity to look at the long-term  
16 problems that America faces. We are now so  
17 powerful that we may have the illusion that  
18 foreign policy is not a key problem and that we  
19 can focus entirely on domestic issues. And it is  
20 said that that's what our public wants. And you,  
21 ladies and gentlemen, are better judges of knowing  
22 what the public wants than I am.

23 But I want to remind you of one thing.  
24 Historically democratic publics have not forgiven  
25 their leaders for disasters that occurred even  
26

1 when they resulted from policies the public seemed  
2 to want. Chamberlain was the most popular man in  
3 England in 1938 and was finished in 1940.

4 So in many respects, in all respects I  
5 would say, America is the hope of the world. But  
6 one of our challenges is expressed in a proverb  
7 that a Chinese once laid on me. I would say laid  
8 on me because I'm not sure there are as many  
9 Chinese proverbs as they tell us. I think they  
10 make them up as the situation develops.

11 And that proverb goes like this. When  
12 there is turmoil under the heaven, little problems  
13 are dealt with as if they were big problems, and  
14 big problems are not dealt with at all.

15 When there is order under the heavens,  
16 big problems are reduced to little problems, and  
17 little problems should not obsess us.

18 My point is let's make sure A, that  
19 we're dealing with big problems and secondly, that  
20 we're reducing them to little problems. Thank you  
21 very much.

22 (Applause.)

23 GOVERNOR VOINOVICH: Thank you, Doctor  
24 Kissinger, for putting things into perspective for  
25 us. Doctor Kissinger indicated that he would be  
26

1 willing to take several questions. Tommy.

2 GOVERNOR THOMPSON: Doctor Kissinger, I  
3 hope your trip to Wisconsin this time was not as  
4 eventful as the last time you went to Marshfield  
5 and hit the deer and ended up hitchhiking. You  
6 may want to reveal that story to the people. It  
7 was very funny.

8 You did not mention what might happen in  
9 Japan if the new Japanese government does not deal  
10 with its economic problems. And that has such a  
11 tremendous impact on our national economy. And  
12 I'd like to have your observation. What do you  
13 think the new government is going to do and what  
14 impact it's going to have on the world's economy.

15 DR. HENRY KISSINGER: Well, first of  
16 all, I think it is generally a mistake to believe  
17 that Japanese governments, it's generally a  
18 mistake to believe that Japanese governments  
19 operate like American governments. I mean the new  
20 group comes in and can just make decisions and  
21 order new approaches. The Japanese operate  
22 generally by consensus which means that they have  
23 to bring a lot of people along.

24 American presidents for as long as I can  
25 observe it have been frustrated when they meet  
26

1 Japanese prime ministers because they think the  
2 Japanese prime minister has agreed to something  
3 when he says yes. All he has said is yes, I've  
4 understood you, and I'll take it home and discuss  
5 it.

6 Now, then there is a second question  
7 which is a personal concern I have which is this.  
8 I know all these leaders. The finance minister  
9 who is in my view more important than the prime  
10 minister on this issue is an old veteran of  
11 Japanese politics who has been prime minister,  
12 foreign -- he's had every job you can imagine.  
13 And he has had of a faction which means about a  
14 third, more than a third of the liberal democratic  
15 party votes as he orders which gives him some  
16 muscle. But he's been around a long time.

17 And so you ask yourself why didn't he do  
18 it before. And I asked myself another question,  
19 the Japanese when American ships came in in 1860,  
20 solved that problem by reforming their country.  
21 They overcame the condition and surrendered. They  
22 overcame the energy crisis. What has happened  
23 that they don't get it. And I'd like to see  
24 somebody make an analogy of what a rational  
25 Japanese, what they say to each other when they  
26

1 refuse or when they don't carry out all the things  
2 we are recommending.

3 For example, maybe they think that a tax  
4 cut will be saved. That maybe with a tax cut you  
5 -- they increase their deficit without increasing  
6 their consumption because what is it you can buy  
7 and put into a small apartment or there are no  
8 cars, you can't buy cars because there are not  
9 enough roads or parking places. This is just what  
10 I wanted --

11 Nevertheless, I would say, I have great  
12 confidence. If any Japanese leader can do it, it  
13 would be somebody like Miyazawa who is at the end  
14 of his political career, who doesn't have to worry  
15 about what the consensus will do to him when he  
16 finishes. And so I'm actually fairly optimistic.  
17 And I've all along believed that by maddening  
18 procedures, the Japanese will pull out of this.  
19 They certainly will not go down in my view. How  
20 they will do it, I don't know.

21 GOVERNOR VOINOVICH: Thank you.

22 Governor Shaheen.

23 GOVERNOR SHAHEEN: Doctor Kissinger, I  
24 appreciate, I think we all do, what you said about  
25 the need for a long-term approach to foreign  
26



1 policy in this country. But given political  
2 realities and your comments about the gap between  
3 an intellectual approach and a politically  
4 acceptable approach, how do you propose we develop  
5 that long-term approach to foreign policy within  
6 the structure of our democracy as it exists?

7 DR. HENRY KISSINGER: First of all, the  
8 British had a pretty consistent foreign policy for  
9 several hundred years with a democracy. And we  
10 until the Vietnam War had a pretty coherent  
11 foreign policy with tactical disagreements. What  
12 happens now is when a new administration comes in,  
13 they start a review of every conceivable policy.  
14 They create unbelievable insecurity everywhere.  
15 They bring in new people who have to learn  
16 everything. I don't know.

17 I think it's really the task of both  
18 parties to try to get a dialogue started to settle  
19 some fundamental issues intellectually so that the  
20 people who come in, they will still argue about  
21 tactics, and that's healthy. But when you come in  
22 with the sudden shifts, if you look at this  
23 administration, almost every policy they started  
24 with they have reversed.

25 Now, usually tort is a policy that I  
26

1 favor. But it's a long learning process. And  
2 it's not something that is healthy, especially  
3 when a new administration then comes in and the  
4 same process starts.

5 But we do not have now within our  
6 political, if you look at the debates prior to the  
7 President's trip to China, for example, there is  
8 no settled view nor can you really say it's been  
9 settled by the trip to China because so much of it  
10 was public relations. I strongly favored the  
11 trip, and I've been in favor of good cooperation  
12 with China. But the fundamental issues need more  
13 discussion.

14 GOVERNOR VOINOVICH: Thank you.

15 Governor O'Bannon and then Governor Miller.

16 GOVERNOR O'BANNON: When you talk about  
17 it's taken us 300 years to really become a  
18 democracy and free market under capitalism and at  
19 the same time we're getting kind of proud of the  
20 way we've done it or where we are, whether we did  
21 a very good job or not, and yet at the same time  
22 when we look at how we treat other countries, we  
23 in a sense say we'll really deal with you when  
24 you're just like us.

25 And we watch Russia try to become just  
26

1           like us with free elections, and they sort of go  
2           into chaos, and we see China, it's not like us and  
3           kind of moving forward with more investments and  
4           so forth. How do we continue our policy with  
5           different nations and even the underdeveloped  
6           nations who don't have the middle class or the  
7           approach to even get to democracy and have free  
8           elections that make sense. And yet, we see I  
9           think politically in this country look at the  
10          simplistic view of that.

11                       DR. HENRY KISSINGER: Being who we are,  
12          we will always prefer democracies, and we will  
13          always have to be on the side of human rights.  
14          But we also should develop some comprehension of  
15          what is feasible in any given society at any given  
16          moment. And we have to understand that if we  
17          create enormous turmoil, then economic progress  
18          will be set back. Nor is it always clear that  
19          when you generate turmoil that who will appear at  
20          the end of it is not the most ruthless rather than  
21          the most convincing.

22                       Now, you can make general rules about  
23          this. In Korea, democracy seems to have worked  
24          very well. In Indonesia we have to be careful not  
25          to create a situation that repeats some of the  
26

1 experiences of Iran where there was a corrupt  
2 regime, but the American pressures created so much  
3 dislocation that the most radical element appeared  
4 in the end. And this is something that should not  
5 be dealt with on a doctrinaire basis of democracy  
6 versus dictatorship but on the basis of some  
7 historical understanding.

8 At this moment I think almost the best  
9 thing we can do in Indonesia is send some food  
10 in. Nobody would have thought that possible last  
11 year when we attacked the food monopolies. But  
12 one of the results is that now there is a food  
13 shortage. And this is not the best situation in  
14 which to promote democracy.

15 GOVERNOR VOINOVICH: Governor Miller.

16 GOVERNOR MILLER: Thank you. Thank you  
17 for being here, Doctor. I recently attended an  
18 American assembly gathering on the western  
19 hemisphere, so let me focus on a couple policy  
20 questions that are similar to what Governor  
21 O'Bannon has said in the imposition of our will.

22 Do you think our national policy is  
23 appropriate or should be modified as it relates to  
24 drug certification and/or the -- not and/or but  
25 and the Cuban embargo. Do we have the right  
26

1 policies at this point in time in that regard?

2 GOVERNOR VOINOVICH: Pardon me, Doctor  
3 Kissinger. I would really appreciate that those  
4 here in the room would if you want to talk, if you  
5 can do it outside because the din is getting so  
6 loud in here that we can't hear the governors and  
7 Doctor Kissinger. I would appreciate it. Doctor  
8 Kissinger.

9 DR. HENRY KISSINGER: We have to be  
10 careful not to become the international scope that  
11 lectures everybody. Now, on drug certification,  
12 in principle I favor it. But when you then look  
13 at a situation like Columbia in which the drug  
14 people have their own armies and such huge  
15 resources, the position of the government is  
16 unbelievably complicated. And, of course, as you  
17 know, when you go down there or to Mexico, they  
18 will tell you that American consumption is as much  
19 of a problem as their production.

20 I am in favor of opposing the  
21 introduction of drugs. You cannot have a society  
22 that tolerates drugs even though some people say  
23 that legalizing them would be a way to deal with  
24 it. Our tactics have sometimes been crude, but my  
25 handicap is that I don't know any better tactics.

26

1 And until I can think of some, I'm reluctant to  
2 criticize people who have an impossible job where  
3 a Latin American policeman can get it in one day,  
4 three year's salary, and when his own standard of  
5 living is so poor.

6 So there are all kinds of remedies you  
7 can think of of increasing their salaries. The  
8 best would be if some inter-American military  
9 force could be created that is authorized to go  
10 after the production centers. But that would be  
11 considered at this moment such an invasion of  
12 sovereignty. But I think that would be in many  
13 ways the most helpful approach.

14 GOVERNOR MILLER: And Cuba, Cuba whether  
15 the embargo is really serving at this point in  
16 time to encourage or discourage the advent of  
17 democracy.

18 DR. HENRY KISSINGER: When I was  
19 Secretary of State, I meant to end the embargo. I  
20 at one point offered a discussion with Castro if  
21 he would confine himself to his island and  
22 permitted free visits into the island of Cuban  
23 Americans, and he turned it down.

24 I don't think Castro is a threat  
25 anymore. And I think this is almost exclusively  
26

1 now a political question. I don't think it will  
2 do an enormous amount of good to lift the embargo,  
3 but I don't think the embargo is doing him -- it's  
4 really a political question in America whether we  
5 feel that we want to do it. It might do some  
6 margin of good if it were lifted, but I don't deal  
7 with it in my mind as a foreign policy question.

8 GOVERNOR VOINOVICH: Governor Nelson,  
9 and then this will be the last question. Doctor  
10 Kissinger has been very, very generous with his  
11 time today. Governor Nelson.

12 GOVERNOR NELSON: Thank you. Doctor  
13 Kissinger, your analysis of the Asian markets in  
14 terms of the politics and the economics is very  
15 enlightening. And in part do you believe that the  
16 privatization of the market moving away from the  
17 government monopoly and the government control  
18 market is adding a good deal of the uncertainty  
19 and the deterioration of currency in those  
20 markets, in those countries?

21 And if that's the case, are we looking  
22 at a bump in the road, or are we looking at a  
23 lengthy journey over a bumpy road that will seem  
24 more permanent than temporary?

25 DR. HENRY KISSINGER: I think the  
26

1           privatization is very positive.

2                       GOVERNOR NELSON: I do too.

3                       DR. HENRY KISSINGER: It's a key

4           development toward both democracy and towards

5           developing of the populations. We have to be

6           careful in some of the transitions. I am, for

7           example, worried about a country like Korea in

8           which business was based on market share and full

9           employment, suddenly being thrown into a situation

10          with large unemployment and different criteria by

11          which you judge progress of business, whether that

12          over a period of years may not create so much

13          political instability.

14                       Secondly, I would think that wise

15          American companies would make sure that they have

16          local partners and not insist on appearing there

17          entirely or largely at foreign entities. But as a

18          principle I think it is essential to privatize the

19          economies. And it is important to do away with

20          crony capitalism.

21                       But I do call again attention to the

22          speculative aspects. Because if you look at

23          China, for example, one reason they have avoided

24          the crash is because they make speculation in

25          portfolio investment very difficult.

26



1 GOVERNOR VOINOVICH: Doctor Kissinger,  
2 thank you very much for being with us today. We  
3 thank you for what you've done for our country,  
4 and we thank you for what you've done for the  
5 world.

6 (Applause.)

7 GOVERNOR VOINOVICH: After hearing those  
8 presentations, we're now going to talk about our  
9 policies. And it's kind of a real come down. We  
10 will begin the adoption of our proposed policy  
11 positions alphabetically by committee. These  
12 policies were sent to all of you in July. The  
13 packet in front of you reflects the policies and  
14 the amendments by the executive committee and the  
15 standing committees. And they will require a  
16 two-thirds vote of those present and voting.

17 To expedite the matters, we'd like each  
18 committee chair to please move the adoption of all  
19 of your committee policies in block by -- and  
20 letting us vote aye or nay on them.

21 Governor Schafer, chairman of the  
22 Committee on Economic Development. Governor  
23 Schafer.

24 GOVERNOR SCHAFFER: Mr. Chairman, this  
25 past year has been very active for the Economic  
26

1 and Development Committee. Transportation,  
2 internet commerce, Fast Track have all been lively  
3 issues for the NGA in Washington and here.

4 The Economic Development and Commerce  
5 Committee yesterday voted to reaffirm the existing  
6 employment security system policy and to amend the  
7 following three policies, state priorities in  
8 telecommunications, air transportation and  
9 governors' principles in international trade.

10 I would now move these four policies in  
11 block.

12 GOVERNOR VOINOVICH: Is there a second?

13 GOVERNOR O'BANNON: Second.

14 GOVERNOR VOINOVICH: Been moved and  
15 seconded. All those in favor, signify by saying  
16 aye.

17 (Chorus of ayes.)

18 GOVERNOR VOINOVICH: Those opposed?

19 (No response.)

20 GOVERNOR VOINOVICH: Motion is passed.

21 Governor Carper, can I call on you for human  
22 resources?

23 GOVERNOR CARPER: Mr. Chairman, I'm  
24 pleased on behalf of Governor Ridge, the chairman  
25 of the Human Resources Committee and Governor  
26

1 Locke, the vice chairman, to just report briefly  
2 that the focus for the Standing Committee on Human  
3 Resources for the past year has been to draw  
4 attention to the need for fathers to take  
5 responsibility for the children that we are  
6 bringing into this world. And yesterday's  
7 presentation and focus that included heavyweight  
8 champion of the world, Evander Holyfield, I  
9 thought was an eloquent statement and testimony  
10 and inspiring time of sharing with us what  
11 individuals are doing and what states are doing as  
12 well to better insure that little boys and girls  
13 have a responsible father involved in their  
14 lives.

15 The committee presents today a number of  
16 amendments to existing resolutions and some  
17 proposed policy positions that are -- have been  
18 summarized and distributed for our membership.  
19 And on behalf of the chairman and vice chairman  
20 and the Human Resources Committee, I would like to  
21 present those today in block for the consideration  
22 by the full plenary.

23 GOVERNOR VOINOVICH: Thank you. Did  
24 somebody second that? Governor Thompson.

25 GOVERNOR THOMPSON: Second.

1 GOVERNOR VOINOVICH: It's been moved and  
2 seconded. All in favor of the policy, indicate by  
3 saying aye.  
4 (Chorus of ayes.)  
5 GOVERNOR VOINOVICH: Those opposed.  
6 (No response.)  
7 GOVERNOR VOINOVICH: The ayes have it.  
8 Thank you. Governor Nelson, chairman of the  
9 natural resources.  
10 GOVERNOR NELSON: Thank you, Mr.  
11 Chairman. Yesterday the Committee on Natural  
12 Resources had a very productive meeting with  
13 Secretary of Agriculture, Dan Glickman, in which  
14 we discussed the severe crisis that's afflicting  
15 many farmers today.  
16 As an aside, you should know, and this  
17 is for everyone's information, that Governor  
18 Keating of Oklahoma is hosting, and Governor  
19 Schafer and I will cochair a farm crisis summit in  
20 Oklahoma City on Friday of this week. If any of  
21 you are interested in being there or sending staff  
22 there, please let us know as soon as you can.  
23 Mr. Chairman, the committee recommends  
24 the adoption of amendments to four existing NGA  
25 policies and two new policy positions. These  
26

1 include NR-3, water resource management, NR-6,  
2 risk assessment and cost benefit analysis in the  
3 development of environmental regulations, NR-9,  
4 farm policy, NR-11, global climate change, NR-22,  
5 managing invasive plant and animal species, and  
6 NR-23, the restoration of abandoned mined lands.

7 I would note for everyone's information  
8 that farm and agriculture policy was amended by  
9 the committee, and that the revised version is  
10 before the governors under the yellow cover.

11 Mr. Chairman, I move the adoption of  
12 these positions in block.

13 GOVERNOR UNDERWOOD: Second.

14 GOVERNOR VOINOVICH: It's been moved and  
15 seconded. All those in favor signify by saying  
16 aye.

17 (Chorus of ayes.)

18 GOVERNOR VOINOVICH: Those opposed.

19 (No response.)

20 GOVERNOR VOINOVICH: The ayes have it.  
21 Thank you very much, Governor Nelson.

22 Next we will vote on suspensions. And I  
23 want to remind the governors the proposals that  
24 are considered under suspension of the rules  
25 require a three-fourths vote for suspension and  
26

1           then a three-fourths vote for passage.

2                       I'd now like to call on Governor  
3 Thompson to move a resolution on cost allocation.

4                       GOVERNOR THOMPSON: Thank you, Mr.  
5 Chairman. As a lot of us governors have been  
6 fighting this issue for a long time, we as  
7 governors in our states have been penalized by the  
8 federal government as it relates to the  
9 administrative cost on food stamps. And this is a  
10 resolution that I'm asking for a suspension of the  
11 rules on which calls upon the Department of Health  
12 and Human Services to have a meaningful  
13 consultation with states on the development of  
14 those cost allocation guidance. And we hope the  
15 adoption of this resolution is going to lead to  
16 productive dialogue on this issue.

17                       We're facing cuts as I've indicated on  
18 food stamps, and we need to insure that the  
19 administrative costs on welfare and on Medicaid  
20 don't happen. And so I'm sponsoring this  
21 resolution along with Governors O'Bannon,  
22 Voinovich, Carper, Ridge and Chiles. And I would  
23 hope that the delegation will support it. And I  
24 move this resolution, Mr. Chairman.

25                       GOVERNOR O'BANNON: Second.

26

1 GOVERNOR VOINOVICH: Been moved and  
2 seconded. Is there any discussion?  
3 (No response.)  
4 GOVERNOR VOINOVICH: There being no  
5 discussion, all those in favor of the resolution,  
6 say aye.  
7 (Chorus of ayes.)  
8 GOVERNOR VOINOVICH: Those opposed.  
9 (No response.)  
10 GOVERNOR VOINOVICH: The ayes have it.  
11 It's passed.  
12 I'll call on Governor Schafer to move  
13 resolution on section 110 sponsored by Governor  
14 Schafer and Patton and myself.  
15 GOVERNOR SCHAFFER: Mr. Chairman,  
16 yesterday at the Economic Development and Commerce  
17 Committee meeting we heard from Ambassador Gordon  
18 Giffin and Ambassador Raymond Chretien who both  
19 emphasize the importance of fixing the section 110  
20 problem.  
21 If Congress doesn't act within the next  
22 two months, the INS will be forced to implement an  
23 exit entry control system at the Canadian and  
24 Mexican borders which would seriously disrupt  
25 legitimate cross border traffic. This resolution  
26

1 reiterates the policy we passed last February by  
2 calling on the federal government to immediately  
3 suspend plans to implement section 110 by October  
4 1998.

5 I move the adoption of this resolution.

6 GOVERNOR VOINOVICH: Okay. As you know,  
7 we moved to suspend the rules, and we're now  
8 moving to resolution. And Governor Engler has  
9 brought to my attention a friendly amendment that  
10 he would like to share with us.

11 GOVERNOR ENGLER: Mr. Chairman, if I  
12 might. I've given it to Ray and the staff up  
13 there. But in the second paragraph where it talks  
14 about governors support efforts to stop illegal  
15 border traffic, but they fear the implementation  
16 of section 110.

17 I want to say instead of they fear, but  
18 we oppose the implementation of Section 110 since  
19 it will create major delays at land borders. All  
20 that is in the resolution. It's really as opposed  
21 to saying we fear something and having Congress  
22 pat us on the back and say well, don't you worry,  
23 we'll make it very clear. 110 is completely  
24 unworkable the way it's written. I'm hoping  
25 instead of suspending it, they will actually  
26



1 repeal 110.

2 I would move that amendment.

3 GOVERNOR THOMPSON: I'll second it.

4 GOVERNOR VOINOVICH: Without objection,  
5 we'll approve the amendment. Any objection?  
6 (No response.)

7 GOVERNOR VOINOVICH: The amendment is  
8 approved. So we will now consider the resolution  
9 as amended. Is there any discussion?  
10 (No response.)

11 GOVERNOR VOINOVICH: There being none,  
12 all those in favor, signify by saying aye.  
13 (Chorus of ayes.)

14 GOVERNOR VOINOVICH: Those opposed.  
15 (No response.)

16 GOVERNOR VOINOVICH: The motion is  
17 passed. I'll now call on Governor Schafer to move  
18 a resolution sponsored by the Committee of  
19 Economic Development and Commerce commending  
20 Congress and the President on the reauthorization  
21 of federal highway and transit programs.

22 GOVERNOR SCHAFER: Mr. Chairman, perhaps  
23 the single greatest legislative success for  
24 governors this past year in Washington has been  
25 the passage of the federal highway and transit  
26

1 reauthorization or T-21.

2 18 months ago NGA chairman Nevada  
3 Governor Bob Miller appointed a 10 governor  
4 transportation task force and named Kentucky  
5 Governor Paul Patton and myself to be cochairs of  
6 that task force.

7 When the task force first met in early  
8 1997, Congress and the President were planning on  
9 holding transportation investment down in future  
10 years as dedicated revenues being collected from  
11 motorists were increasing dramatically.

12 As a result, the unspent balance in the  
13 Highway Trust Fund was projected to quadruple from  
14 \$20 billion to \$80 billion dollars. Governor  
15 Miller, Governor Patton and other governors on the  
16 task force and I set out an ambitious goal of  
17 achieving a guarantee that in the future these  
18 user tax dollars would be all invested in their  
19 intended purpose. We've achieved that ambitious  
20 goal. And as a result, the federal investment in  
21 highways and transit will increase by more than 40  
22 percent over the next six years.

23 I would like to recognize the work of  
24 the governors on the task force and my cochair  
25 Governor Patton, especially Governor Miller who  
26

1 has been a leader in this issue over the past  
2 decade. It is fitting that this at Governor  
3 Miller's last NGA meeting as Governor of Nevada,  
4 we have finally secured stabile, increased federal  
5 transportation investments for our nation's  
6 future.

7 While this year's legislative  
8 achievement is impressive, governors must remain  
9 vigilant to insure that Congress and the President  
10 honor the guarantee in T-21. And each year as the  
11 annual transportation appropriation is being  
12 drafted, governors must remind Congress of the  
13 commitment in T-21 that all dedicated taxpayers'  
14 funds be spent for their intended purpose each and  
15 every year.

16 Mr. Chairman, I move the adoption of the  
17 resolution under suspension of the rules. The  
18 resolution appreciates the President and Congress  
19 for their effort as well as recognizing the  
20 important trust coalition of business, labor and  
21 local governments in our effort.

22 GOVERNOR NELSON: Second.

23 GOVERNOR VOINOVICH: Thank you. It's  
24 been moved and seconded. I think that before we  
25 pass this resolution, we ought to give Governor  
26

1 Patton and Governor Schafer and Governor Miller  
2 and the committee a big hand for their outstanding  
3 job.  
4 (Applause.)  
5 GOVERNOR VOINOVICH: You don't know the  
6 number of people that said to me that when the  
7 governors got involved, something got done. And I  
8 think there are a lot of people in this country  
9 that are grateful to the National Governors'  
10 Association for the leadership that we exercised  
11 on this very important matter to our country.  
12 All those in favor of the resolution,  
13 signify by saying aye.  
14 (Chorus of ayes.)  
15 GOVERNOR VOINOVICH: Those opposed.  
16 (No response.)  
17 GOVERNOR VOINOVICH: Ayes have it.  
18 Motion is passed.  
19 All right. We're going to move on now  
20 to consideration of amendments to the NGA's Center  
21 for Best Practices articles. First, I'd like a  
22 motion from Governor Carper to adopt the proposed  
23 changes in the NGA articles of the organization.  
24 GOVERNOR CARPER: Mr. Chairman, I so  
25 move.  
26

1 GOVERNOR VOINOVICH: Is there a second?  
2 GOVERNOR PATTON: Seconded.  
3 GOVERNOR VOINOVICH: All those in favor,  
4 signify by saying aye.  
5 (Chorus of ayes.)  
6 GOVERNOR VOINOVICH: Those opposed.  
7 (No response.)  
8 GOVERNOR VOINOVICH: Motion is passed.  
9 Now, I'd like to convene the Center  
10 membership for consideration of the proposed  
11 changes to the Center articles of incorporation.  
12 Governor Miller.  
13 GOVERNOR MILLER: Mr. Chairman.  
14 GOVERNOR VOINOVICH: The Center articles  
15 to amend them so we change the way the board is  
16 constituted.  
17 GOVERNOR MILLER: The present  
18 constitution of the board is for the past chairman  
19 to become chairman of the Center of Best  
20 Practices. And since frequently as occurs the  
21 past chairman might be expiring their office, it  
22 seems more desirable to have the vice chairman  
23 serve in that capacity in the future. So I would  
24 so move.  
25 GOVERNOR VOINOVICH: Okay. It's been  
26

1 moved and seconded. Any discussion?

2 GOVERNOR THOMPSON: Mr. Chairman, I'm  
3 opposed to it. I think it's the wrong thing to  
4 do, but I'm not going to make a big fight about  
5 it. I just think that the past chairman,  
6 immediate past chairman has dealt with the policy  
7 in his or her issues. And then the Center for  
8 Best Practices, the way we set it up, could have a  
9 real continuity of leadership.

10 The incoming chair, the vice chairman,  
11 is in charge of the finances and raising the  
12 dollars for the National Governors' Organization.  
13 The current chair then runs the organization. And  
14 the immediate past chair would take over the  
15 Center for Best Practices.

16 That's the way we set it up. And I  
17 think it should be left the way it is and with the  
18 understanding that the chairman of the National  
19 Governors' Organization if the outgoing chair  
20 isn't going to be there can appoint whoever he  
21 wants to and can appoint the vice chairman if that  
22 be the case.

23 But I really think the way it was set up  
24 and the way we argued for it, there was a big  
25 discussion when we set up the Center for Best  
26

1 Practices, that was the way that we unanimously on  
2 a bipartisan agreed to it. And I don't think we  
3 should change that policy. That's my personal  
4 opinion. And I think it's the wrong mistake going  
5 through this change right now.

6 GOVERNOR VOINOVICH: Okay. Is there any  
7 other discussion? Tom.

8 GOVERNOR CARPER: I don't want to  
9 complicate this further as somebody who hopes to  
10 be a past or immediate past chairman in a year or  
11 so. I know personally the idea of doing what  
12 Tommy has done in providing some leadership to the  
13 Center for Best Practices is something that I  
14 would be very much interested in just for myself  
15 and hopefully for the organization.

16 So I -- and again, I don't mean to  
17 complicate things here at this late date, but what  
18 he's saying resonates with me.

19 GOVERNOR VOINOVICH: Any other  
20 discussion?

21 GOVERNOR MILLER: Mr. Chairman?

22 GOVERNOR VOINOVICH: Yes.

23 GOVERNOR MILLER: I would respectfully  
24 disagree with Governor Thompson not only for the  
25 continuity component, and this year is a very good  
26

1 example as the fact that you will be leaving in  
2 January and would only be able to serve in that  
3 capacity for six months, but also because the  
4 Center for Best Practices is the instrumental arm  
5 of the association. And I think as the vice  
6 chairman comes in, their involvement in that helps  
7 them structure what they can do prospectively as  
8 chairman.

9 And it's not that the past chairman  
10 can't or shouldn't have roles, they should  
11 potentially be on the board, et cetera. But I  
12 think it's important for a vice chairman to  
13 understand what goes on in a day-to-day basis in  
14 the association in anticipation of their  
15 chairmanship.

16 GOVERNOR VOINOVICH: The chair shouldn't  
17 do this, but I agree with you, Governor Miller. I  
18 think that it would give the vice chairman of this  
19 organization a portfolio, more of one than the  
20 vice chairman usually has. I think the Center of  
21 Best Practices is something that is very, very  
22 important to this organization. I think that the  
23 chairman should really become familiar with it and  
24 what's going on and in the process of doing it it  
25 also has a wonderful opportunity to get to know  
26



1 the staff of this organization and get that kind  
2 of camaraderie going that I think is so important  
3 in a successful group. I think it's a really good  
4 change in the Center, and I hope that you approve  
5 it today.

6 GOVERNOR CARPER: Mr. Chairman, if I  
7 could, I want to support the motion proposed  
8 change. I would hope that we would come back at  
9 some point, maybe later in the next 12 months,  
10 just to reconsider the concerns that Governor  
11 Thompson has raised.

12 GOVERNOR VOINOVICH: Okay. Any other  
13 discussion?

14 (No response.)

15 GOVERNOR VOINOVICH: All those in favor,  
16 signify by saying aye.

17 (Chorus of ayes.)

18 GOVERNOR VOINOVICH: Those opposed.

19 GOVERNOR THOMPSON: Opposed.

20 GOVERNOR VOINOVICH: The ayes have it.

21 And we have adopted the articles of  
22 incorporation. Okay. I'd now like to call on  
23 Governor Carnahan to just tell us about the fun  
24 we're going to have next year in St. Louis or  
25 you're going to have.

26

1                   GOVERNOR CARNAHAN: Chairman, Jane and I  
2 enthusiastically invite you to St. Louis next  
3 year. The host cities have been setting a very  
4 high standard for this conference and particularly  
5 Governor Thompson, you and Wisconsin have done so  
6 this year.

7                   But St. Louis is a great city, and in  
8 addition, it's a great convention city. And so we  
9 promise you the right blend of fun and business as  
10 we invite you to come and visit with us there next  
11 year.

12                  To get you started, we've brought Ted  
13 Drew's Frozen Custard. I know you've got a great  
14 product like that up here as well, Tommy, but  
15 we've got a premium product there. It's right  
16 outside the door. We've got a lot of young people  
17 out there in hats and shirts with the logo for  
18 next year's convention. And start out today by  
19 enjoying a little of what you will have more of  
20 next year. Thank you.

21                  GOVERNOR VOINOVICH: Thank you.

22                  GOVERNOR CARPER: Chairman.

23                  GOVERNOR VOINOVICH: Tom.

24                  GOVERNOR CARPER: I just want to know,  
25 during the period of time that we're there, will  
26

1 the Cardinals be at home?

2 GOVERNOR CARNAHAN: We're checking on  
3 that. The schedule is not quite settled. We hope  
4 it is. We want to build something around the  
5 Cardinal game.

6 GOVERNOR CARPER: Good. We might have  
7 some interest in going to a ball game. You never  
8 know.

9 GOVERNOR VOINOVICH: Thank you. We now  
10 would like to recognize departing governors. And  
11 I'm sorry that a couple of governors had to leave  
12 so they could make their transportation. The  
13 people of America bestow on governors unique  
14 powers and responsibilities that are essentially  
15 reserved for the President. There are those who  
16 argue that governors have a greater impact on the  
17 well being of his or her state's citizens than  
18 even the President or members of Congress. And  
19 I'm one of them.

20 Because of our responsibilities and  
21 challenges, the organization, this organization,  
22 binds us together on a bipartisan basis. I think  
23 members of Congress could take a lesson from the  
24 National Governors' Association. We do try to  
25 find issues we agree upon rather than disagreeing,  
26

1 and we concentrate on trying to fashion a  
2 consensus about what will benefit our mutual  
3 constituents.

4 11 of us are leaving office this year,  
5 but I know that those of us that are leaving are  
6 going to take fond memories and the friendships  
7 that we have developed with the people in this  
8 organization.

9 The first governor that I want to  
10 recognize is Roy Romer of Colorado. During his  
11 three terms as governor, Roy has focused much of  
12 his energy on children's issues and economic and  
13 educational reforms including his Smart Growth and  
14 Develop initiative and standards based education.

15 Governor Romer is the past chairman of  
16 this organization from '92 to '93 as well as the  
17 Education Commission of the States and the  
18 Democratic Governors' Association. He is a long  
19 time member of the National Governors' Association  
20 executive committee and co-vice chairman of  
21 Achieve.

22 I would be remiss if I didn't thank Roy  
23 for his hand of friendship when I became  
24 governor. I will also add that Roy has worked  
25 very hard to help keep this organization together  
26

1 and above partisan politics which is not an easy  
2 task considering that he's a chairman of the  
3 National Democratic Committee. But we appreciate  
4 what you've done, Roy, to keep everyone together.

5 Your presence in this organization is  
6 going to be missed. Our best to you and Bea. If  
7 you'll come forward.

8 (Applause.)

9 (Award presented.)

10 GOVERNOR VOINOVICH: Next is Governor  
11 Jim Edgar from Illinois. Jim has also served two  
12 terms as governor and has accumulated an  
13 impressive record. Jim has been on the front  
14 lines in lobbying Congress for welfare and  
15 Medicaid reforms. In Illinois he has downsized  
16 state government by thousands of employees,  
17 reorganized Human Services, moved tens of  
18 thousands of people from welfare to work, boosted  
19 state funding for education by a  
20 billion-and-a-half dollars and overhauled the  
21 child welfare system.

22 Governor Edgar currently serves on the  
23 NGA Economic Development and Commerce Committee,  
24 has served impressively as a member of the  
25 Executive Committee. And I would also add that  
26

1 Jim is the past chairman of the Midwest Governors'  
2 Association.

3 Jim, congratulations to you and Brenda.  
4 Your strong leadership is going to be missed in  
5 this organization.

6 (Applause.)

7 (Award presented.)

8 GOVERNOR VOINOVICH: Next is Brother  
9 Branstad of Iowa. Terry is the senior governor in  
10 the nation and when first elected was also the  
11 youngest governor. Since assuming office he has  
12 focused on economic development, education and  
13 improving Iowa's quality of life which has  
14 obviously paid off since Iowa was rated as the  
15 most livable state in America in 1996.

16 In addition, he has led an aggressive  
17 program called the Iowa Communications Network to  
18 bring all the schools in his state online. And  
19 Terry, I think you were the pioneer in this area.  
20 And so many of us have tried to copy what you've  
21 done in Iowa. He is a long time member of the NGA  
22 executive committee and has served as the  
23 association's chairman from '88 through '89 during  
24 which time the historic National Education Summit  
25 was held.

26

1                   He has also served as chairman of the  
2                   Midwestern Governors' Association, the Council of  
3                   State Governments, the Republican Governors'  
4                   Association, and he currently serves on the NGA  
5                   Human Resources Committee.

6                   You can usually tell a person's  
7                   dedication to an organization by what they have  
8                   done after they have served as a chairman. In the  
9                   case of Terry Branstad, his continued commitment  
10                  to NGA is proof of his love for this  
11                  organization. Terry, we appreciate all of the  
12                  dedication and hard work you've contributed to  
13                  this organization and to our nation, and we wish  
14                  you the best to you and to Christine.

15                  (Applause.)

16                  (Award presented.)

17                  GOVERNOR VOINOVICH: The next governor  
18                  to be recognized is Governor Ben Nelson of  
19                  Nebraska. He was first elected governor in 1990  
20                  and then reelected in '94, making him the first  
21                  Governor of Nebraska to be elected to a second  
22                  term in two decades. Governor Nelson has been a  
23                  strong voice in the fight against unfunded and  
24                  underfunded federal mandates. As governor his  
25                  accomplishments include major crime legislation, a  
26

1 welfare reform package and a significant increase  
2 in international trade.

3 Governor Nelson currently chairs the  
4 NGA's Natural Resources Committee, and I think  
5 you've done an outstanding job, Ben. He's also  
6 been my partner on many causes over the years. He  
7 has helped galvanize the Big Seven state and local  
8 government coalition and was a prime mover in the  
9 passage of unfunded mandates relief legislation  
10 and improvements to the Safe Drinking Water Act.  
11 Ben, we truly appreciate all your efforts on our  
12 behalf and extend our best wishes to you and  
13 Diane. Would you please come forward.

14 (Applause.)

15 (Award presented.)

16 GOVERNOR VOINOVICH: Our last governor  
17 to be recognized today is my predecessor as  
18 chairman of the NGA, Bob Miller of Nevada.  
19 Governor Miller has always maintained a strong  
20 commitment to criminal justice issues throughout  
21 his distinguished career in law enforcement. In  
22 fact, we look to Bob as our resident expert on  
23 criminal justice issues.

24 Governor Miller led an outstanding NGA  
25 effort through his chairman's initiative on  
26



1 children. And how can we forget that just last  
2 year he and Sandy hosted the NGA annual meeting in  
3 Las Vegas in a very, very spectacular fashion. He  
4 currently serves on the NGA executive committee  
5 and is chairman of the NGA Center for Best  
6 Practices board. Governor Miller was a stalwart  
7 in our crusade to change this country's welfare  
8 system.

9 On a personal note, I will always  
10 appreciate the friendship, courtesy and input he  
11 extended to me as vice chairman of this  
12 organization. Bob, your dedication to the  
13 citizens of Nevada and to your colleagues at NGA  
14 is outstanding. We wish you the very best and  
15 also to your wife Sandy.

16 (Applause.)

17 (Award presented.)

18 GOVERNOR VOINOVICH: Prior to passing  
19 the chairman's gavel to Governor Carper, I'd like  
20 to make a few comments about federalism in my  
21 chairmanship of this organization. I had a lot of  
22 stuff here, and I'm just going to let it go. Page  
23 after page of stuff. It's a little late in the  
24 day.

25 I would just like to say in a couple of  
26

1 minutes that I really have enjoyed being chairman  
2 of this organization. I think that we have made  
3 some significant progress over the years on a pet  
4 project of mine and that's federalism and  
5 devolution.

6 As many of you know, I was chairman of  
7 the National League of Cities, and you don't know  
8 that I was very much involved in new federalism  
9 during the early years of the Reagan  
10 Administration. In fact, I was the interface for  
11 the mayors when Ronald Reagan tried to put  
12 together a new relationship between the federal  
13 government and state and local governments. And  
14 it failed because they negotiated with the mayors,  
15 the governors and the commissioners and then tried  
16 to get everybody together at the end.

17 But I do remember in those days that we  
18 were proposing that the federal government would  
19 do Medicaid and the states would do welfare. And  
20 it's too bad that we didn't, at that time, the  
21 governors didn't take that bargain because that  
22 would have been a good deal for us in terms of  
23 dollars.

24 In 1986 I spoke on behalf of this  
25 country's mayors on the 200th anniversary of the  
26

1 constitution, and in that speech said that I was  
2 very discouraged about the fact that we just  
3 didn't seem to have any respect at all in this  
4 country for the 10th Amendment. And in fact we  
5 did say that we believed in it, that we did have  
6 federalism, and in fact we didn't.

7 And I think if you just contemplate the  
8 changes that have occurred in the last several  
9 years because we've worked together to change the  
10 system, that everyone should feel very, very proud  
11 of what we've accomplished. And I'm not going to  
12 get into the litany of things, but the unfunded  
13 mandates, unsafe drinking water and welfare reform  
14 and Medicaid reform, and how we fought to have a  
15 more flexible program in Medicaid for children so  
16 that we can now provide Medicaid for those people,  
17 for our working poor. And a lot of people forget  
18 that because we're not able to do that, a lot of  
19 folks who ordinarily would have gone on welfare  
20 are going to stay working because they have got  
21 health care coverage for their children.

22 We have made great progress. And I  
23 think that we need to really underscore the fact  
24 that let's take welfare reform. Tom and I had a  
25 news conference last week on it. And it's amazing  
26

1 the dramatic change that's occurred in the welfare  
2 system since we started screaming for waivers and  
3 then got that legislation passed and went from an  
4 entitlement to a block grant. Fantastic change.

5 I mean no one would have suspected. In  
6 fact, I think Tom, you said that everyone said it  
7 would be a race to the bottom and actually, it's  
8 been a race to the top. And Tommy, you've been a  
9 great leader in that effort. But all of us have a  
10 story to tell about what's happened to welfare in  
11 our respective states.

12 I can tell you in Ohio we've saved, and  
13 part of this is that we eliminated general  
14 assistance for able bodied people. But we saved  
15 about \$2 billion dollars a year because of the  
16 changes in our welfare system. On Medicaid,  
17 Medicaid in our state was increasing about  
18 13-and-a-half percent a year before I became  
19 governor.

20 This last three years it's been about  
21 3.7 percent, and last year we spent less on  
22 Medicaid than we did the year before which is just  
23 the first time that's happened in Ohio in 25  
24 years. And if you look at the projected savings,  
25 it's a little over \$9 billion dollars. Now,  
26

1           that's a tremendous savings for my state, but it's  
2           also a tremendous saving for the federal  
3           government. And we don't get too much credit for  
4           that. But the fact is that this is working.

5                       But I think the most important thing  
6           about this devolution business and something that  
7           we should really stress and do a better job of  
8           explaining and the 10th amendment is the fact that  
9           not only are we saving taxpayer money, but the  
10          most important thing is that we're really making a  
11          difference in the lives of the citizens in our  
12          state.

13                      Under the old welfare system in Ohio,  
14          people were treated like numbers or agates. Today  
15          people are treated with dignity and with respect.  
16          And they're looked at as being in the image and  
17          likeness of God. And we're sitting down with  
18          them, and we're saying who are you, and how can we  
19          help, and how can we make a difference in your  
20          lives.

21                      And I can't tell you the number of  
22          welfare recipients that I have talked to that have  
23          been a part of this program who have said to me  
24          thank you for the new system. I got my GED. I'm  
25          going to community college. I've got a job. I

26

1 have a new future. I'm the last generation in my  
2 family to be in this welfare system. Thank you  
3 for this new welfare system.

4 And I think we need to do a better job  
5 of communicating what this is about to our  
6 constituents and I think to our friends in  
7 Washington. There is a tendency today on the part  
8 of maybe the President, even members of Congress,  
9 that somehow they feel that they care more about  
10 the people in our states than we do. My  
11 contention is we care about the people in our  
12 states as much as the President or members of  
13 Congress. And I think that not only do we care as  
14 much about our people, I think we have a much  
15 better idea of how to help the people that live in  
16 our respective dates. We're closer to them. The  
17 people that work with us are closer to them.  
18 They're much more able to make a difference in  
19 their lives.

20 The other thing that I want to leave is  
21 this. And it's kind of been what I've been trying  
22 to promote during this meeting is that if we're  
23 going to get more responsibility, then we have to  
24 understand that we have to do a better job. And  
25 the only way we can do a better job I think is  
26

1 with quality management and using leading edge  
2 technology.

3 As Paul Goldberg said, you know, we come  
4 in and we deal with the A team, but it's the B  
5 team that really makes the difference. And if we  
6 can empower that B team, if we can get them  
7 involved, if we can get them to participate, we  
8 have a much better managed state. And if we can  
9 use the technology that so many of you are using,  
10 we can do a better job of servicing our  
11 customers. And if we do that, there is never  
12 going to be another one of these sweeps that say  
13 send it back to Washington to get it done.  
14 Because we'll be taking care of it on the state  
15 level.

16 And so I want to thank you for all of  
17 your friendship and help this last year. A lot of  
18 people aren't here, maybe that should be because  
19 it's at the end of the meeting. But one of the  
20 things that everyone should consider, and I think  
21 it's something that we ought to pass on to the  
22 next group that comes in is that more governors  
23 should participate in this organization.

24 I think that too often when we have a  
25 job in Washington that's just a handful of people  
26

1           that are there getting the job done. And perhaps  
2           it's our fault because maybe we haven't reached  
3           out to enough people. But I would hope that Tom  
4           and Mike Leavitt who is going to be coming in as  
5           vice chairman would think about reaching out to  
6           more governors and getting them involved and  
7           giving them the thrill of making a difference on  
8           something that they're concerned about on the  
9           national level.

10                       To those critics of the NGA, I want to  
11           say that without the NGA working on a bipartisan  
12           basis, we would not have witnessed the dramatic  
13           shift of responsibility back to the states from  
14           the federal government and the resurrection of the  
15           10th amendment. And I just want to say  
16           unfortunately too many of those critics are  
17           unhappy that when governors work together with  
18           other state and local government organizations, we  
19           are a powerful voice in Washington.

20                       And I want to underscore today the  
21           importance of our working with the Big Seven.  
22           When the Big Seven, the governors, the mayors, the  
23           county commissioners and the state legislators go  
24           before Congress and say we are for this on a  
25           bipartisan basis, it's darn difficult for them to  
26



1 say no to us. So we need to continue to keep that  
2 going.

3 And too often some of the people who are  
4 critical of this organization, some of us have  
5 gotten letters from some of them, is a reason  
6 they're critical is because they have their own  
7 little special interest in Washington that we  
8 don't particularly support. And we win.

9 So I think that this organization is  
10 very, very important to the future of the United  
11 States of America. And I really hope that you all  
12 continue to work on this bipartisan basis that we  
13 have established in this organization.

14 So I'd like to now recognize a few  
15 people.

16 (Applause.)

17 GOVERNOR VOINOVICH: The first person  
18 that I want to thank is my wife Janet for her love  
19 and support. And I'm sure some of your spouses  
20 feel the same way as I do. When she signed on as  
21 First Lady, she never expected the transformation  
22 it would bring to her life. She has risen and  
23 grown, and she is truly my partner. I'm very  
24 proud of her, and I refer to her as God's greatest  
25 blessing. I would like to recognize my wife Janet  
26

1 for what she does and the spouses do.

2 (Applause.)

3 GOVERNOR VOINOVICH: To the Milwaukee  
4 host staff and particularly Bill Hanbury, Mary  
5 Sheehy. And Tommy, you know what a great woman  
6 Mary is, not only helping you in the organization  
7 but right here in Wisconsin.

8 (Applause.)

9 GOVERNOR VOINOVICH: Barb Candy and  
10 Maggie Jacobus, Chris Martinick, Mary Cannon, the  
11 security detail and, of course, all the volunteers  
12 who have helped make our stay here so memorable.  
13 Let's give them a big hand.

14 (Applause.)

15 GOVERNOR VOINOVICH: To Ray Scheppach.  
16 I've been working with Ray Scheppach since I was  
17 involved with the National League of Cities. I  
18 really believe that there is no one that's an  
19 executive director that believes more that the  
20 future of America is in the hands of our states  
21 than Ray Scheppach.

22 Ray has done an outstanding job in this  
23 organization for the last 15 years, and I believe  
24 he's the most outstanding executive director of  
25 any of our organizations in Washington. Ray, I  
26

1 just want to thank you very much for what you've  
2 done for this organization.

3 (Applause.)

4 GOVERNOR VOINOVICH: And Ray has put  
5 together an outstanding team. And I'm not going  
6 to mention each and every member of that team, but  
7 will the National Governors' Association folks  
8 that are here at this convention just stand up and  
9 be recognized. You do a super job.

10 (Applause.)

11 GOVERNOR VOINOVICH: And then I'd like  
12 for the staffs of the state offices in Washington  
13 of our respective states to stand up. Because one  
14 of the really great things about this organization  
15 is that not only does Ray have a good staff, but  
16 Tom, your people work with them, my people work  
17 with them, all of us have state offices. It's a  
18 unique thing. They work together as a team. And  
19 that just reinforces our clout in Washington.

20 Let's have all of the staff people from  
21 the governors, come on, get up and stand up and be  
22 recognized. Come on.

23 (Applause.)

24 GOVERNOR VOINOVICH: And then I'd like  
25 to just recognize, is Jackie still here or did she  
26

1 go home? There she is. Jackie Sensky is someone  
2 that's worked very closely with NGA staff over the  
3 years on children and families issues. And  
4 Jackie, I refer to her as the mother of Ohio's  
5 Family and Children First initiative. Jackie, I  
6 just want to recognize you.

7 (Applause.)

8 GOVERNOR VOINOVICH: Ted Hollingsworth  
9 who has worked so closely with Ray Scheppach for  
10 the great job that he has done and with the great  
11 job that he's done for Ohio. Ted.

12 (Applause.)

13 GOVERNOR VOINOVICH: And last but not  
14 least, Tom Needles who has been with me from the  
15 beginning and has once ran our Washington office  
16 and now interfaces with all of the organizations  
17 that I belong to and is our education guru. Tom.

18 (Applause.)

19 GOVERNOR VOINOVICH: Tom Carper. You've  
20 been a great partner. And we've really worked  
21 together to keep partisanship at a minimum and use  
22 our collective clout to make a difference. You  
23 notice we didn't have too much controversial stuff  
24 here? We worked at that.

25 Having a former member of Congress who  
26

1 was so highly regarded has really made a  
2 difference with the White House and with  
3 Republicans and Democrats in Congress. Most  
4 importantly, we've become good friends. You may  
5 not know this but we're both Ohio State Buckeyes.  
6 And I think we're the first chair and vice chair  
7 who attended the same university.

8 And Tom, as a memento of our work  
9 together on the playing fields, I would like to  
10 present this authentic Ohio State letter jacket as  
11 a reminder of our one year together and that  
12 you're always welcome to Ohio any time and that we  
13 Ohio Buckeyes are proud of you.

14 (Jacket presented.)

15 (Applause.)

16 GOVERNOR CARPER: O-H.

17 GOVERNOR VOINOVICH: I-O. Great. I'd  
18 now like to call on Bob Miller to give the report  
19 of the nominating committee. Bob.

20 GOVERNOR MILLER: Mr. Chairman, with  
21 appreciation to you and to Governor Carper for  
22 your outstanding leadership this year, I'm pleased  
23 to be able to present the recommendations of the  
24 nominating committee which consisted of Governor  
25 Rowland of Connecticut, Governor Chiles of  
26

1 Florida, Governor Edgar of Illinois, Governor  
2 Nelson of Nebraska and myself as chairman.

3 The nominating committee moves the  
4 adoption for the executive committee for the  
5 '98-'99 year of Governor John Engler of Michigan,  
6 Governor Mel Carnahan of Missouri, Governor Bob  
7 Miller of Nevada to be succeeded in January of '99  
8 by Governor Paul Patton of Kentucky. Governor  
9 George Voinovich of Ohio to be succeeded in  
10 January of 1999 by Governor Frank Keating of  
11 Oklahoma. Governor David Beasley, Governor Howard  
12 Dean, Governor Tommy Thompson, and Governor Mike  
13 Leavitt of Utah as vice chairman and Governor Tom  
14 Carper of Delaware as chairman. So moved.

15 GOVERNOR VOINOVICH: Second?

16 GOVERNOR BRANSTAD: Second.

17 GOVERNOR VOINOVICH: All those in favor,  
18 signify by saying aye.

19 (Chorus of ayes.)

20 GOVERNOR VOINOVICH: Those opposed.

21 (No response.)

22 GOVERNOR VOINOVICH: Motion is passed.

23 Congratulations, Tom.

24 (Applause.)

25 GOVERNOR CARPER: Well, thank you very  
26

1 much. Before I make some closing remarks, I'd  
2 like to just say a word or two about George. And  
3 George has been gracious in his presentations and  
4 his remarks on others who are departing. And let  
5 me just add to that.

6 We're losing some terrific talent. The  
7 people who have led this organization, in some  
8 cases as chairs of the organization, in other  
9 cases as chairs of standing committees and served  
10 in other capacities, we value you, we value you as  
11 individuals and as friends, and we will sorely  
12 miss you.

13 It is incumbent on the rest of us to  
14 step up big time in order to fill the shoes of  
15 those who are going to be departing in some cases  
16 at the end of the year and in some cases serving  
17 in other capacities. But it's incumbent on all of  
18 us to reach in within us and to give more.

19 I want to make a couple -- I have a  
20 number of pages of prepared comments that have  
21 been given me. I think I would be more  
22 comfortable talking right from the heart and ask  
23 you to bear with me there.

24 I first heard about George Voinovich  
25 when I was -- actually before I went to Congress,  
26

1 I was a state treasurer of Delaware. When I lived  
2 in Ohio, in Columbus, Ohio to Ohio State, I used  
3 to think Delaware was a little town about 30 miles  
4 north of Columbus. It was only later that I found  
5 out it was an entire state, in moving there after  
6 I finished my time in the Navy.

7 But I watched with some interest as a  
8 fellow named Voinovich was elected Lieutenant  
9 Governor and served for a short while. And I  
10 watched with greater interest how a fellow named  
11 Voinovich was elected mayor of Cleveland, in a  
12 place with I think about an eight to one  
13 Democratic margin, that a Republican governor -- a  
14 Republican mayor was elected, and helped to turn a  
15 place which was in disrepair and disregard into a  
16 city that we all now certainly claim as much as a  
17 renaissance city as Milwaukee, Wisconsin.

18 A person who provided the leadership  
19 then who was a fellow who subsequently became the  
20 governor of his state eight years ago, and that is  
21 George Voinovich. He was reelected after four  
22 years of service with a 72 percent majority. That  
23 is -- that bears testimony to the terrific work  
24 that he has done in job creation and welfare  
25 reform and enhancing the quality of life, his  
26



1 commitment to quality on the job and really his  
2 commitment and dedication to children.

3 You don't have to know this man for very  
4 long to understand and to fully appreciate how  
5 much he cares about kids. Not only does he pay  
6 lip service to his care about those children, he  
7 puts his money and money of Ohio taxpayers to that  
8 task. He believes that every child can learn, and  
9 he is determined to make sure that they all have  
10 that opportunity to be as successful as they can  
11 possibly be.

12 It's my pleasure to present on behalf of  
13 all of us here today, George, several tributes.  
14 I'm going to ask Janet to join us in the  
15 acceptance of these tributes because as he's  
16 suggested, it's certainly true there is probably  
17 no more of a team of any governor and spouse in  
18 this country than we see in George and Janet.

19 The first tribute that I want to present  
20 to you is a photograph. And if someone would --  
21 if you could both come forward. This photograph  
22 is a photograph that was taken I think of the  
23 convening of the first session of governors in  
24 1908. And the only one among us who currently  
25 still serves in this picture, I think right there,

26

1 is Governor Branstad. He looks as young now as he  
2 did then.

3 I think the real significance of this  
4 photograph is this is an organization that's been  
5 around for a long time. This is the 90th meeting  
6 of the nation's governors. And we are as  
7 effective, maybe more effective today than  
8 certainly we were all those years ago. And it is  
9 in no small part because of the leadership of this  
10 man and one terrific lady.

11 (Applause.)

12 (Award presented.)

13 GOVERNOR CARPER: And I don't have any  
14 Ohio State or University of Delaware letter jacket  
15 to present to you, but I will treasure the one you  
16 gave to me. I would like to present to you as you  
17 leave a commemorative gavel that is traditionally  
18 given to the departing chairman of the NGA. The  
19 inscription on this gavel reads presented to  
20 George V. Voinovich. What does that V stand for?

21 GOVERNOR VOINOVICH: Victor.

22 GOVERNOR CARPER: Victor. And he is.  
23 George V. -- and we'll find, probably have another  
24 expression of that in November I suspect in the --  
25 from the voters of Ohio. The inscription reads  
26

1 presented to George V. Voinovich, Governor of  
2 Ohio, for his outstanding leadership as chairman  
3 of the nation's governors from 1997 to 1998 on the  
4 occasion of the 90th meeting, annual meeting, of  
5 the National Governors' Association on August 4th,  
6 1998. May I have the gavel.

7 And I might also add, Janet, if he gets  
8 out of line, you may want to keep this close by,  
9 and every now and then just pull it out and  
10 threaten him. I don't think you'll have to bop  
11 him on the head or anything with it. But you may  
12 want to use this to threaten him to say George,  
13 get back, particularly if he forgets about  
14 unfunded mandates in federalism, that's their job  
15 down on the Potomac. Here you go.

16 (Applause.)

17 (Award presented.)

18 GOVERNOR CARPER: Last thing I want to  
19 say about George. And George, just remember,  
20 flattery won't hurt you if you don't inhale. So  
21 just bear with me for one more moment.

22 The last thing I want to say about  
23 George, I remember asking a bunch of my colleagues  
24 in the Congress back in the 1980s, people like  
25 Denny Eckart, Ed Feighan, Lou Stokes. And I would  
26

1 say to them, tell me about this fellow Voinovich.  
2 How can a guy, a Republican, be elected mayor of  
3 Cleveland, Ohio and apparently be so well accepted  
4 and well regarded. And what they told me is that  
5 he's a straight shooter. He's just a decent guy.  
6 He has good values and his word is his bond.

7 And that is exactly what he has been. I  
8 always like to talk about four rules that I seek  
9 to live my own life by and they're one, to do  
10 what's right. Two, to be -- to do my best, to be  
11 committed to excellence. To treat other people  
12 the way that I would have them treat me. And  
13 finally, just to never give up. And I just want  
14 to say this is a guy that I've had a chance to see  
15 up close and personal. He does what's right. God  
16 knows he's committed to doing things well, to  
17 excellence.

18 He treats other people, he certainly has  
19 treated me, he treats every Democrat and  
20 Republican just the way that he would want them to  
21 treat him, and he doesn't give up. And he doesn't  
22 give up. And we've had a good record of  
23 performance and success over the last year because  
24 of those characteristics and those traits.

25 And I want to say thank you again for  
26

1           being our leader. For me, more importantly, thank  
2           you for being my friend. Thank you so much.

3                           (Applause.)

4                   GOVERNOR CARPER: Folks, that brings us  
5           to the end, and I'm going to be mercifully brief.  
6           I am grateful for the opportunity to serve you.  
7           I'm grateful for the opportunity to serve  
8           Delaware, and I'm grateful for the opportunity  
9           literally to work with you, as my friends and my  
10          colleagues. This is an honor that I hope might  
11          come to me somewhere along the line, but we've all  
12          heard the notion of triumph of man's hope over  
13          experience. In this case that hasn't been the  
14          case.

15                   I'm just delighted to have a chance to  
16          work with you and to help lead this organization  
17          in the year to come and especially to have a  
18          chance to work with my friend Mike Leavitt. How  
19          lucky can a guy be to be sandwiched in between  
20          George Voinovich and Mike Leavitt. And I do not  
21          take these gifts for granted. I'm delighted to  
22          have had a chance to work with George and very  
23          much look forward to working with Mike. And I  
24          know my bride, Martha, shares the same enthusiasm  
25          about your spouse and your partner, Jackie.

26

1 I said to the governors already in  
2 closed session what my plan would be for focusing  
3 our energy and our attention as an organization  
4 over the coming year. I never imagined that Larry  
5 Summers, our deputy director, Deputy Secretary of  
6 the Treasury would come before us today and in his  
7 own comments would reiterate again the importance  
8 of the theme and focus of -- that I have proposed  
9 for this organization for the year to come.

10 And back and forth and it was in  
11 response to a question Governor Romer had asked.  
12 Larry Summers indicated, he said you know, we have  
13 the best post-secondary schools in the world.  
14 Where we need to focus our attention is K to 12,  
15 kindergarten to grade 12.

16 Every one of us, whether we come from  
17 the north or south, the east or the west, whether  
18 we're Democrats or Republicans, know that among  
19 the greatest challenges that we face is that of  
20 raising the achievement of the students in our  
21 schools.

22 And for the last several years we have  
23 focused on doing that by focusing on the  
24 development of children early on, from birth until  
25 the ages of three or four. And those are  
26

1 important priorities. For however long that any  
2 of us are around and in this organization, we will  
3 continue I'm sure to focus on early childhood  
4 development as we should.

5 What I propose to do in the year to come  
6 is to grow those kids up though, to grow them up,  
7 get them in school and to focus a bit more on  
8 raising student achievement within our schools by  
9 one, harnessing technology in those schools, by  
10 two, demanding accountability, accountability on  
11 the part of students and schools and school  
12 districts, politicians, parents and teachers. And  
13 three, to provide extra learning time for children  
14 who need that.

15 Virtually every state that's represented  
16 around this table, we have raised the academic  
17 requirements, the standards, put in place more  
18 rigorous academic standards in math and science  
19 and English and social studies for our children  
20 going forward.

21 Not every child learns at the same speed  
22 as we all know. None of us do either. And some  
23 kids simply need extra time, that extra learning  
24 time. Could be a longer school day, a longer  
25 school year, could be Saturday academies, it could  
26

1           be a tutor, it could be a mentor. Just the chance  
2           to learn. And they can learn.

3                       And what I propose to do as your  
4           chairman over the next year is to reach out across  
5           America and for us to find those pockets of  
6           excellence where states and where school districts  
7           and schools are literally lifting student  
8           achievement through better use of technology,  
9           additional learning time and accountability  
10          systems that do demand a lot and provide for real  
11          consequences. And I'm convinced that to the  
12          extent that we do that, that a year from now when  
13          we leave, when I leave and step down as your  
14          chairman and Michael succeeds me, we will have  
15          students that are achieving at a higher level in  
16          every state throughout America. And I very much  
17          look forward to doing that.

18                      Let me just say as a PS, I wrote down  
19          something that Henry Kissinger said, and I'm going  
20          to paraphrase it a little bit if I could. He said  
21          we shouldn't be surprised that solutions to  
22          difficult problems which undermine political  
23          leaders, sometimes those political leaders don't  
24          always face the solution of those problems with  
25          enthusiasm. Let me sort of say that again.

26



1 Remember when he said that?

2 When you have a political solution, a  
3 problem that you face and the solution undermines  
4 the political support of an elected leader, don't  
5 be surprised if the elected leaders don't embrace  
6 that solution with enthusiasm.

7 I'm convinced that raising student  
8 achievement, particularly with the focus in the  
9 three areas I have, will not undermine anybody's  
10 political leadership in your state. And I think  
11 it will do -- it's the best of both worlds.

12 We're going to strengthen that political  
13 leadership I believe and more importantly, we're  
14 going to strengthen the ability of our students,  
15 your students, to graduate from high school,  
16 prepare for college, prepare to go to work, and to  
17 make sure that this nation remains as strong in  
18 the next century as we are as we close this  
19 century.

20 Thank you so much.

21 (Applause.)

22 GOVERNOR CARPER: I note as we adjourn  
23 here, I say to Governor Peterson, former governor  
24 of Delaware, that Governor, I not only get the  
25 gavel, but somebody left their watch for me too.

26

1                   So it's a pretty good day. Thank you very much.  
2                   (At 12:20 p.m., the proceedings  
3                   concluded.)

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1       STATE OF WISCONSIN    )  
2       MILWAUKEE COUNTY       )  
3                               I, VICKY L. ST. GEORGE, RMR, Registered  
4       Merit Reporter with the firm of Schindhelm &  
5       Associates, Inc., 606 E. Wisconsin Avenue, Suite 250,  
6       Milwaukee, Wisconsin, do hereby certify that I reported  
7       the foregoing proceedings had on August 4, 1998, and  
8       that the same is true and correct in accordance with my  
9       original machine shorthand notes taken at said time and  
10      place.

11      \_\_\_\_\_

12      Registered Merit Reporter

13      Dated this 5th day of August, 1998.

14      Milwaukee, Wisconsin.

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