

103rd ANNUAL MEETING
OF THE
NATIONAL GOVERNORS ASSOCIATION

July 15, 2011

Plenary Session

HIGHER EDUCATION: CATALYST FOR ECONOMIC CHANGE

GRAND BALLROOMS B AND C
THE GRAND AMERICA HOTEL
SALT LAKE CITY, UTAH

Reporter: Susette M. Snider, CRR, CSR, RPR
Notary Public in and for the State of Utah

1 PARTICIPANTS:

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3 Washington Governor Chris Gregoire, Chairman

4 Utah Governor Gary R. Herbert

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8 GUEST SPEAKERS:

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10 Susan Hockfield, Ph.D, President of
11 Massachusetts Institute of Technology

12 John Seely Brown, Ph.D., Visiting scholar and
13 advisor to the Provost of the University of
14 Southern California and Independent
15 Co-Chairman of the Deloitte Center for the
16 Edge

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

2 11:03 a.m.

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4 GOVERNOR GREGOIRE: Good morning,
5 everyone. Oh, man. We'll try it one last time.
6 Good morning, everyone.

7 *(The audience responded.)*

8 GOVERNOR GREGOIRE: Good morning to the
9 governors. Good morning to our distinguished guests.
10 The reason I'm--good morning as loud as
11 I can is because, if you recall, in February I had
12 laryngitis and couldn't say a word. And I'm back.

13 It is now my honor to call to order the
14 103rd Annual Meeting of the National Governors
15 Association.

16 We really do have a packed agenda for the
17 next two and a half days. Let me run through it.

18 Following this morning's plenary session,
19 we will have a governors-only lunch and business
20 session. Later this afternoon we will convene the
21 first ever U.S.-China Governors Forum to explore
22 opportunities for cooperation and friendship between
23 our two countries.

24 Saturday's business agenda begins with a
25 stand-alone session of our Economic Development and

1 Commerce Committee. It will include a discussion
2 about international trade and investment's role in
3 our domestic economic growth and job creation. We'll
4 then have a governors' lunch and business session
5 followed by the meetings of our other committees.

6 Sunday morning we will begin with a
7 governors-only breakfast and business session. Our
8 annual meeting will conclude on Sunday morning with a
9 plenary on global challenges facing America today and
10 the role that education plays in U.S.
11 competitiveness.

12 New York Times columnist and Pulitzer
13 Prize-Winning author Tom Friedman will join us for
14 that session. Rumor has it he has a new book out.
15 We may be given a little bit of insight.

16 So I look forward to seeing all of you at
17 these sessions.

18 Now, if I can, with a little business,
19 begin by asking for a motion for the adoption of the
20 rules of procedure for the proceeding.

21 *(Motion was moved and seconded.)*

22 GOVERNOR GREGOIRE: It's been moved and
23 seconded.

24 Part of the rules require that any
25 governor who wants to submit a new policy or

1 resolution for adoption at this meeting will need a
2 three-fourths vote to suspend the rules.

3 So any discussion?

4 *(No response.)*

5 GOVERNOR GREGOIRE: All those in favor
6 please signify by saying "aye."

7 *(Collective "aye.")*

8 GOVERNOR GREGOIRE: All those opposed?

9 *(No response.)*

10 GOVERNOR GREGOIRE: The ayes have it.

11 If you have any proposals, please get
12 those to David Quam by 5:00 p.m. tomorrow.

13 I'd now like to announce the appointment
14 of the following governors to the nominating
15 committee for the 2011-2012 NGA Executive Committee:

16 Governor [Dan] Malloy, Governor [Terry] Branstad, Governor
Herbert,
17 Governor [Jay] Nixon; and Governor [Robert] McDonnell will
serve as
18 chair of the group.

19 We are also honored today to be joined by
20 several distinguished guests. First we have members
21 from the Canadian Parliament with us today.

22 Would you please raise your hands so we
23 can acknowledge you and thank you for attending our
24 NGA meeting? You are here often, and we appreciate

25 it. Thank you very much.

1 *(Applause.)*

2 GOVERNOR GREGOIRE: Last evening I had the
3 opportunity to meet a delegation of Arab ambassadors
4 who have joined us again this year.

5 Would you please raise your hands so we
6 can acknowledge your hands and thank you for your
7 attendance as well?

8 Well, I don't see them. They were here
9 last night. Well, welcome.

10 And we have our delegation from China, and
11 we will proceed to our historic forum a little bit
12 later.

13 This past January the United States and
14 China signed a Memorandum of Understanding supporting
15 the establishment of a U.S.-China Governors Forum.
16 As I mentioned earlier, this afternoon we will have
17 our first ever NGA and Chinese People's Association
18 for Friendship With Foreign Countries co-convening
19 forum with four provincial governors.

20 Would you please, those members from the
21 China delegation, raise your hands. And let us
22 welcome them to the great state of Utah. Thank you
23 all for joining us.

24 *(Applause.)*

25 GOVERNOR GREGOIRE: I'd like to take a

1 minute, if I could, to thank our hosts for this
2 year's meeting, Governor Gary Herbert and his wife
3 Jeanette, who are hosting our National Governors
4 meeting in beautiful Salt Lake City.

5 Thank you, Gary.

6 Thank you, Jeanette.

7 *(Applause.)*

8 GOVERNOR GREGOIRE: The movie went well,
9 yesterday was great, the weather's perfect--56 and
10 raining back home; so thank gosh I'm here--the view
11 is perfect, the hotel is wonderful, and your
12 hospitality is second to none.

13 Gary, would you like to say a few words?

14 GOVERNOR HERBERT: Well, thank you. Yes.

15 I would like to just personally welcome
16 everybody. Thank you, Ma'am Chairman. We're
17 honored, delighted enthusiastically to welcome the
18 National Governors Association to Utah. It's been a
19 long time since we've had this opportunity. Back in
20 1947 was the last time that Utah hosted the NGA.

21 And I made kind of a little joke on this
22 when we met with the press about back then Alaska and
23 Hawaii were not members of the union. So there's
24 been a change in those last 64 years, and we're happy
25 to acknowledge now the membership of Alaska and

1 Hawaii to the union. So we welcome everybody.

2 Let me just mention that we want to make
3 sure that your time here is not only productive but
4 enjoyable. We have some activities outlined for you.

5 This evening we'll have a picnic in the
6 park, in a beautiful park up here just in our
7 Salt Lake Valley up by the university called Red
8 Butte Gardens. There will be a lot of food,
9 opportunities to socialize, to network, and talk about
10 important issues as well as a country-western
11 concert. So good food, good music and good company.

12 Tomorrow we'll have an opportunity to go
13 up to Olympic Park where we had a lot of the training
14 that was done, where still our U.S. Ski Team and
15 others train up in Park City for the Olympics, and
16 where some of the venues took place up in Park City
17 at Olympic Stadium.

18 You'll have an opportunity to see the
19 venue, and, for those who are the hardest among us,
20 the opportunity to ride down in a bobsled just like
21 the Olympians did. So if you haven't signed up,
22 now's an opportunity to sign up. It will be a thrill
23 of your life. And it is safe, but it will take your
24 breath away. And we've got east versus west
25 competition, so we're going to keep a clock on it.

1 But you'll have drivers, and it will be a fun time.

2 We'll have some aerial acrobatics that
3 will take place there that I think will entertain
4 you. And again, it will be a wonderful evening, and
5 we look forward to hosting you there tomorrow night.

6 Sunday morning we have a special concert
7 that's going to be performed by the Mormon Tabernacle
8 Choir in their conference center. And just seeing
9 the building itself will be a delight. It holds
10 about 20,000-plus people. It's an architectural
11 wonder. But if you haven't had a chance to hear the
12 Tabernacle Choir in person or seen them, this will be
13 a treat that you'll remember--7:30 in the morning.
14 It's a little earlier but an opportunity to have a
15 patriotic special concert performed just in behalf of
16 the governors. So I look forward to seeing you
17 there.

18 Last, but not least, I want to just
19 mention that in your rooms there is kind of a gift
20 basket, which is typical. And in that gift basket
21 you'll see one of these little sculptures here of a
22 handcart family. Now, not everybody knows about the
23 handcarts, but here in Utah we treasure our pioneer
24 heritage and history and particularly the handcart
25 people.

1 In our family--kind of a personal
2 note--my wife Jeanette, the first lady, has a
3 great, great--about six-greats-back grandmother,
4 Mary Soar Taylor, ended up coming from England as she
5 had joined the Mormon Church. Her husband had died.
6 She came here as single mother with one child,
7 William, and another child, Jesse, came on a ship,
8 came across, came to New York and then met out in far
9 west Missouri and gathered with the Mormons there as
10 they then trekked here to the Salt Lake Valley in
11 1856.

12 Now, a lot had been here already back in
13 1847, but they got a little bit of a late start.
14 Again, it was an inexpensive way to come across the
15 plains, pulling your handcart with just a few of your
16 belongings there, but it was all foot traffic,
17 pulling your merchandise and what you had of your
18 belonging.

19 And they had an early winter, and they got
20 stuck in Governor [Matthew] Mead's area of Wyoming. The
21 was about three feet deep, and they got stranded in a
22 place now called Martin's Cove. She ended up
23 having--a rescue came after there for about a
24 couple of weeks. They . . . the frostbite was terrific.

snow

25 They had 600 in their company. Half of them perished

1 on the journey from far west Missouri to the
2 Salt Lake Valley.

3 She came to the Salt Lake Valley, and in
4 her journal notes she talks about she hopes that her
5 posterity would remember the sacrifices she went
6 through in order to make a better life for them.

7 And I mention that because it's not just a
8 Utah pioneer story, it really is a story of America.
9 All of you've got the same kind of stories that you
10 could tell of pioneers, people who have gone before
11 who have settled your states and tried to find a way
12 for their posterity to have a better life.

13 And as I reflected upon that and the
14 reason we've given this little token of our
15 appreciation to remind you about Utah, but to remind
16 you about America, that we've had the opportunities
17 to, in fact, be pioneers ourselves as we kind of
18 smooth out the path, break the way, and smooth out
19 some of the bumps for our posterity and those that
20 come behind.

21 And, Ma'am Chairman, I think that's what
22 the National Governors Association really is about.
23 We're trying to make things better. We have good
24 examples of our history, of those who have done it
25 for us, and we have a responsibility to do it for our

1 posterity and their posterity.

2 So take that as a token of our
3 appreciation and esteem for you and reminder of what
4 we stand for here in this good and great country.

5 So welcome to Utah. We're excited to host
6 you. We know it's going to be a fun time for all and
7 productive for our states.

8 GOVERNOR GREGOIRE: Governor Herbert, on
9 behalf of all of the governors and all of our guests
10 who are with us today, thanks to you and First
11 Lady Jeanette for your amazing hospitality. You're
12 making fun what for us is a weekend to get the
13 people's work done and enjoy each other's company at
14 the same time.

15 So, ladies and gentlemen, please give a
16 warm thank you to Governor Herbert and his wife
17 Jeanette.

18 *(Applause.)*

19 At our opening session, along with hearing
20 our amazing speakers on what we can do if we really
21 do partner between higher education, business, we
22 also want to take an opportunity to recognize our 15-
23 and 20-year corporate fellows.

24 But now let me first turn to the business
25 of today's session. I have come to believe that

1 education is the absolute key for us to put America
2 back to work, to make every one of our individuals be
3 able to provide for their families, the economic
4 success of our country and our competitiveness around
5 the globe.

6 So today's session is about higher
7 education and its role as a catalyst for economic
8 growth. Strengthening our economies means making
9 more of our residents and making sure that they have
10 the necessary skills so that they'll be able to
11 compete for jobs today and, more importantly, for
12 jobs tomorrow.

13 Many of us know, with our unemployment,
14 our folks have lost jobs that won't be there when
15 we're out of the recession. Those jobs are gone.
16 They need new training; they need new skills. Even
17 with our 9 percent national unemployment rate, there
18 are three million jobs that are open right now because in
19 many cases the shortage is the result of not having
20 the necessary education and training.

21 In today's very competitive environment,
22 our economic development, our education, our training
23 strategies must be one of the most important things
24 that we can consider as governors. We must be clear
25 that what our states need from our colleges and

1 universities is obvious and clear to them. We must
2 hold them accountable for the progress that we want
3 for taxpayers' money and for tuition by our students.

4 That means being able to answer for
5 taxpayers and for students and their families'
6 questions like, How well are our higher education
7 systems doing at educating students with certificates
8 and degrees that employers actually need so that
9 they've got a job when they finish? How efficient
10 are our colleges and universities, and how much of a
11 return do they provide on the investments made by
12 students and taxpayers? How do we make sure that our
13 students are learning what they need to be career
14 ready? Even as we encourage them to graduate and
15 graduate faster, when they do, are they career ready?

16 So my initiative, as you know, as chair
17 for the NGA was Complete to Compete. The document
18 that you have at your table; it is an effort on our
19 part to develop metrics to help us answer those very
20 questions, to use those metrics to make policy
21 decisions as governors about the direction we want to
22 take higher education in our respective states.

23 We started on the work last July with the
24 NGA Common Completion Metrics, and today I can report
25 we have 30 states, including my own state, that have

1 committed to collecting and reporting on those
2 metrics. . This could not have happened without the
3 work of our partners at Complete College America and
4 the Lumina Foundation. And I want to thank them for
5 their work in advancing this. This is the key for
6 our competitiveness around the globe.

7 College completion is critical, but it's
8 one part of a bigger picture. To help answer the
9 questions that I just mentioned to you, NGA has
10 brought together a group of experts and governor
11 advisors to identify a small set of key metrics on
12 efficiency and effectiveness in higher education.
13 That report, as I mentioned, is before you. It's the
14 result of their work. It recommends metrics that all
15 states can collect and report on higher education
16 accountability.

17 Perhaps more importantly, the report
18 offers ideas and best practices for using these and
19 other performance metrics to create a high
20 performing, postsecondary system in every state
21 across the nation. We have plenty of data about
22 higher education, but what we need to know now more
23 than ever is the ability to use that data to improve
24 and reward performance in higher education.

25 The combination of completion and

1 efficiency and effectiveness sends a very clear
2 message that we as governors are prepared to ask the
3 tough questions about outcomes and return on
4 investment to our colleges and universities.

5 So that's why I'm pleased to announce that
6 NGA will be sponsoring a policy academy on collecting
7 and using higher education performance measures. It
8 will begin in October. The academy will provide
9 technical assistance and grants for up to eight
10 states interested in increasing efficiency and
11 effectiveness in higher education systems in their
12 states and using those measures to make key policy
13 decisions as governors.

14 Your chiefs of staff and your education
15 policy folks have been informed about this earlier
16 this week. I want to encourage you, if you're
17 interested, to follow up.

18 Helping our community colleges and our
19 four-year institutions achieve greater success in
20 graduating our students ready for the global economy
21 is a paramount responsibility each of us must bear.
22 It is critical to the success of our economic future.

23 So with that in mind, today we are very
24 fortunate to have two leaders who bring a wealth of
25 ideas and experience to this conversation. They are

1 going to share with us their perspectives about the
2 role of higher education in the world that is
3 unfolding and what that means for states and colleges
4 and universities.

5 Susan Hockfield, thank you for being here.

6 Susan leads one of our world's premier
7 research universities, the Massachusetts Institute of
8 Technology. In that role, she has been a tireless
9 advocate for innovation, encouraging collaboration
10 across schools, disciplines, and departments as a
11 means of sparking the creativity for tomorrow. She
12 believes strongly in translating research into
13 practice, tech transfer, harnessing the university's
14 collective knowledge to tackle some of our most
15 pressing challenges.

16 And in recent years MIT has worked to
17 provide students and faculty with the practical tools
18 and advice to help their entrepreneurial ventures
19 succeed and contribute to economic clusters that are
20 so important to local, state, and national economic
21 growth.

22 Dr. Hockfield is a neurobiologist by
23 training. She also believes that our institutions of
24 higher education must apply their vast knowledge to
25 the task of creating new models of teaching and

1 research that fit the demand of our global age.

2 Before assuming the presidency at MIT, she
3 served at Yale as a faculty member, dean, and provost.
4 Most recently, just a few weeks ago,
5 President Hockfield was asked via our White House to
6 join with Dow Chemical CEO Andy Liveris in leading an
7 industry-university task force to aggressively
8 strengthen U.S. capabilities in advance manufacturing
9 from revamping workforce training to accelerating
10 cutting-edge manufacturing methods.

11 We look forward to your remarks, and we
12 thank you for being here.

13 We also have with us John Seely Brown.

14 Thank you for being with us as well.

15 He's one of America's foremost experts
16 when it comes to technology and innovation. As chief
17 scientist for the Xerox Corporation and head of its
18 Palo Alto research center for nearly two decades,
19 Dr. Brown helped to change the face of corporate
20 research.

21 He's also an acclaimed writer,
22 co-authoring *The Social Life of Information*, which
23 challenges some of the conventional wisdom and
24 mythology surrounding the role of information
25 technology in today's society and describes the

1 changing nature of education. It's in its second
2 printing and has been translated into nine languages.

3 Today Dr. Brown has one foot in the
4 corporate world and one foot in the academic world.
5 He co-chairs the Deloitte Center for The Edge, which
6 conducts original research on new corporate growth.
7 He's also a visiting scholar and senior advisor to
8 the provost at the University of Southern California.

9 In straddling both worlds, Dr. Brown can
10 share with us how firms large and small best benefit
11 from university-industry partnerships and discuss the
12 implications of state policy and campus practice.

13 So we'll first hear from Dr. Hockfield and
14 then from Dr. Brown.

15 Ladies and gentlemen, the head of the
16 Massachusetts Institute of Technology, Susan
17 Hockfield.

18 (*Applause.*)

19 DR. HOCKFIELD: Thank you,
20 Governor Gregoire, for your kind introduction and
21 also for inviting me to speak with you and your
22 fellow governors this morning.

23 It's a great privilege and a joy to join
24 you here in Governor Herbert's beautiful home state.
25 I was here a couple of months ago and had the

1 privilege of hearing the governor speak about the
2 simply astonishing advances that this state has made
3 in becoming really a start-up state for the nation.

4 So congratulations, governor. Thank you
5 for hosting this meeting.

6 Now, in seeking a solution to America's
7 current economic quandary, it is, I would say, almost
8 impossible to think of any group closer to the action
9 than you, the nation's governors. You carry an
10 extraordinary burden of leadership, both in
11 addressing the human suffering and budget impacts of
12 the lingering global downturn, but also in trying to
13 chart a course to a brighter economic future for your
14 states.

15 So I join you today with a profound sense
16 of responsibility as I want to share with you some
17 thoughts on how to revive America's innovation-based
18 economy.

19 Now, I took a look at some of your state
20 of the state presentations, and I found across the
21 country a sobering unity of concern. I always like
22 coherence, but this particular coherence is really
23 sobering.

24 For Maine's Governor [Paul] LePage, "Our
budget

25 is a jobs bill."

Ohio 1 From Governor [John] Kasich, "The enemy in
2 right now is joblessness."
one 3 Governor [Rick] Snyder said, "Michigan's job
4 is jobs."
key 5 Governor [Brian] Sandoval declared that "the
6 is to get Nevada working again."
7 From Governor [Robert] Bentley, "Our highest
8 priority for Alabama is creating jobs."
9 And Governor [Rick] Scott called the Florida
10 legislature into emergency session because, as he put
11 it, "For the 1.1 million Floridians out of work, it
12 is an emergency."
13 I also learned in the words of an NGA
14 staffer that governors like to do things. Good news.
15 So there's really just one question before
16 us: What are we going to do together to restart
17 America's job creation machine?
18 Now, I believe the answer lies in
19 retooling the engine that has driven wave after wave
20 of economic growth after World War II. That's
21 American's innovation system, and so today I want to
22 provide what I hope will be a clear picture of how
23 the innovation system works and outline what we can

24 do to make it work even better.

25 Of course, our innovation system comes to

1 life from the spark of scientific discovery and
2 invention, but the kind of innovation that drives
3 real economic growth goes beyond a cool idea
4 and we hope better than the present.

5 What kind of innovations do I mean? Let
6 me just give you a short list. Real-time network
7 computing. These are radical advances that
8 transformed computers from what were essentially
9 overgrown calculators in the hands of scientists to
10 the communications infrastructure of our whole
11 society.

12 Or PET scans that allow doctors to
13 pinpoint malignant tumors without invasive
14 procedures.

15 Or lasers. Lasers not so long ago were
16 arcane scientific tools, instruments that no one
17 really knew what they'd be good for, and now we use
18 them every day at checkout counters or in getting
19 your vision corrected or in burning CDs.

20 Or drug-eluting coronary stents, one of
21 the several medical miracles that reduced death from
22 heart disease and stroke by 63 percent over the last
23 30 years.

24 Or the air traffic control technology that
25 most of us depended on to get to this meeting.

1 Or GPS. Remember, that was a technology
2 that was invented to position nuclear missiles, and
3 we now use it universally to find the way to the
4 hospital, to find a way to a job interview or even--
5 I use it quite frequently--to find the nearest
6 Starbucks.

7 Or eBooks. Now each of us probably
8 carries with us more books than we will ever have
9 time to read.

10 Or even the big idea innovation by Google.

11 Today all of these routine tools are in
12 our hands, but each one represents a science-based
13 innovation that made a big impact in the marketplace
14 and in our daily lives. And all of these
15 life-changing innovations have something in common.
16 They grew out of advanced research conducted with
17 federal dollars at American universities, and they
18 were translated into market-ready ideas by U.S.
19 entrepreneurs and companies that have made a dramatic
20 impact on our economy.

21 Now, that's the American innovation system
22 at work. It's a direct descendent of the
23 investment-based research and development system the
24 U.S. invented to develop the technologies--including
25 radar and the atomic bomb--that won World War II.

1 In effect, Presidents Truman and then
2 Eisenhower, working with Congress and guided by
3 visionary scientific advisors, recognized that the
4 strategy of investing in advanced scientific research
5 that had produced incredible war-winning results
6 could produce the technologies that would win in
7 peacetime too. So across the country from Texas to
8 Michigan, California to Georgia, North Carolina to
9 Pennsylvania and Massachusetts, federal research
10 investments essentially reinvented American
11 universities as powerhouses of modern scientific and
12 technological research.

13 The ideas that flowed out of academic labs
14 helped deliver huge gains in productivity and
15 employment by fueling one innovation wave after
16 another. Electronic and semiconductors in the 1960s
17 and '70s, mainframe and minicomputers in the '70s and
18 '80s, personal computing and the Internet in the
19 '90s, and the late 1990s, biotech.

20 Just as one example, the cumulative effect
21 of the information technology wave in the '90s
22 produced one of the most successful periods in our
23 recent economic history. From 1995 through 2000, the
24 U.S. sustained GDP growth of around 4.2 percent and
25 productivity gains of 3.5 percent. These are

1 actually stunning results in a mature economy.

2 And we saw real income growth for
3 everyone, not just those at the top. The IT wave was
4 transformative over the decade of the '90s. The U.S.
5 economy created 22 million net new jobs, about 2.2
6 million jobs a year and, compared to our current
7 lackluster jobs growth, only underscores the
8 importance of the innovation agenda today.

9 In fact, economists have shown that since
10 World War II more than half of U.S. economic growth
11 can be attributed to technology; more than half, much
12 of that technology springing from federally funded,
13 advanced scientific research.

14 Now, not surprisingly, technology-based
15 companies often have a disproportionately positive
16 impact on their local economies. When they sell
17 products into the national and global markets, they
18 draw money into the local economy from the outside,
19 unlike a new service company like a dry cleaner or a
20 restaurant. And those external markets also give
21 technology-based firms the wherewithal to scale up.
22 That's the powerful engine of job creation.

23 Let me just give you one example from MIT,
24 of course. MIT alumni founded companies at an
25 astonishing rate, about 900 a year. But of all the

1 companies that they found--and they're pretty
2 evenly distributed between service-based and
3 technology-based--those based on technology account
4 for nearly 92 percent of the aggregate company
5 revenues and about 85 percent of all the jobs
6 created.

7 Technology companies simply pack a
8 tremendous economic punch. What's more--and this
9 is, I think, really important for us to think about
10 today--economists with the Kauffman Foundation have
11 determined that the companies that produce the most
12 new jobs are the new ones. Since 1980 nearly all net
13 job creation has come from companies less than five
14 years old.

15 So if our innovation system has the kind
16 of power I assert, where is it now when we really
17 need it? And how do we crank it up to produce more
18 new job-generating, economy-building companies?

19 So I'm happy to report that our innovation
20 system is alive and mostly well, but at the same time
21 I believe there are a lot of things we can do to make
22 it more effective. So let me offer a quick case
23 study, a little story that shows how the system works
24 at its best. The example, of course, happens to come
25 from MIT, but I am certain that each of you can tell

1 the same story unfolding at a research university in
2 your state.

3 So as I go along through the story, I'm
4 going to draw out five underlying rules that I
5 believe we can build on to rev up America's
6 innovation economy.

7 Now, like many great American tales of
8 innovation, this one begins with a family that came
9 to the United States for our political freedom, for
10 our educational opportunities, and for our economic
11 possibilities.

12 So when he was six years old, Yet-Ming
13 Chiang arrived with his family in the United States
14 from Taiwan. By 16 he was a naturalized U.S.
15 citizen. He got into MIT, and with substantial
16 financial assistance he earned his bachelor's degree.
17 He chose to study material science. That's the study
18 of the structure of metals, plastics, concrete and
19 how to improve them to make them stronger and
20 lighter, less expensive or less toxic.

21 As an undergraduate student, he learned to
22 do frontline, hands-on research by working in an MIT
23 professor's laboratory, and more than 85 percent of
24 MIT undergraduates have these experiences. They do
25 this kind of advanced research side by side with

1 faculty. In those experiences they're learning by
2 doing at the frontiers of human knowledge.

3 So Rule One in my rule book is attract
4 brilliant strivers, and help them get all the
5 education and the hands-on experience that they can
6 handle.

7 Yet-Ming continued at MIT, and he earned a
8 doctorate. And he joined our faculty in 1984. And
9 as a product of MIT's intensely entrepreneurial
10 culture, within a few years he had started his first
11 company, all the while continuing to teach and do
12 research at MIT.

13 So Rule Two is the scientists and
14 engineers can be great entrepreneurs, but an
15 entrepreneurial culture really helps them to
16 flourish.

17 In 2001, supported by a Basic Energy
18 Sciences grant from the U.S. Department of Energy,
19 Yet-Ming made a fundamental breakthrough in how to
20 manipulate the structure of lithium ions at the
21 nanoscale to improve the performance of batteries.
22 MIT's technology licensing office helped him get the
23 appropriate patents and also connected him with
24 veteran entrepreneurs in the MIT community who helped
25 guide the development of a new company.

1 250 people in Massachusetts close to MIT so they can
2 stay plugged into the clean tech innovation cluster
3 that includes an ambitious research community through
4 our universities, educated workers, small and large
5 firms and related sectors and supportive state and
6 local government. Massachusetts is now home to about
7 400 clean tech companies, and about 44 of them are in
8 my hometown of Cambridge.

9 Rule Four, innovation clusters are
10 powerful, and they get stronger as they grow.

11 Al23's manufacturing story is instructive
12 too. Now, important advances in conventional
13 lithium-ion battery technology emerged from
14 federally funded research at a number of
15 universities, the University of Texas at Austin and
16 Cal Tech included. But even with these important
17 innovations in hand, the United States lost the
18 market advantage because we allowed the manufacturing
19 to go abroad to Korea, China, and Japan.

20 And when Al23 started up, they knew it was
21 going to be really tough to enter electronics fields
22 that were dominated by those nations. So they hit on
23 an unusual little niche in which they could develop
24 their advanced batteries: power tools for Black &
25 Decker. And then they used this niche to master

1 their technology and production, and they moved on to
2 making batteries for transportation.

3 Their new and very sophisticated plant in
4 Livonia, Michigan, makes batteries for hybrid and
5 electric vehicles. It's the largest lithium-ion
6 battery factory in America. This advanced
7 manufacturing plant employs 800 Michigan workers, and
8 about half of them were out of work before A123 came
9 to town.

10 So Rule Five--and this is really
11 important--if we want to make U.S. jobs, we can't
12 just make ideas here; we have to make products here.

13 And that's the A123 story so far.

14 But what can we learn from this? Well, my
15 view is that there's nothing wrong with the American
16 innovation system that we can't fix together, but we
17 need to recommit to each of its elements.

18 So let me wrap up by reviewing these rules
19 one more time. Attract brilliant strivers and help
20 them get all the education and hands-on experience
21 they can handle. To serve our homegrown brilliant
22 strivers, we have to dramatically improve science and
23 engineering education, and we have to increase the
24 number of U.S. graduates in those fields.

25 You know, the United States now trails

1 16 nations in Europe and Asia in the proportion of
2 24-year-olds with bachelor's degrees in engineering
3 and the natural sciences. What's more, between 1989
4 and 2003, the number of American science and
5 engineering Ph.D.s remained constant, constant,
6 absolutely flat, at about 26,600 a year. Over the
7 same period in the same fields, Ph.D.s awarded in
8 China shot up from 1,000 to 12,000. The trend speaks
9 for itself.

10 And I know the NGA is developing a range
11 of ideas for making public higher education more
12 accessible and more relevant, and that's really
13 important.

14 MIT is contributing in a number of ways.
15 I just want to call out something we call
16 OpenCourseWare where we've put the material for
17 almost all of our courses, 2,000 courses, online,
18 open to anyone in the world for free. We have a
19 special set of course materials called Highlights For
20 High School, and this is material designed for high
21 school students and teachers. There's a particular
22 focus on that site on materials to help students and
23 faculty acquire the information needed for the AP
24 courses.

25 We also have to capitalize on America's

1 ability to attract talent from all over the world.
2 This has been the secret of our success--or not
3 such a great secret, but it's been part of our
4 success for centuries. Forty percent of MIT's current
5 faculty were not born in the United States, and more
6 than half of Silicon Valley start-ups were launched
7 by people born outside the United States.

8 We should insist that Congress encourage
9 this dynamic by revamping the arcane immigration laws
10 for highly educated workers. We must make it simple
11 for foreign students who earned advanced degrees here
12 to stay here to start companies and to create jobs.

13 Rule two. Scientists and engineers can
14 make entrepreneurs, but an entrepreneurial culture
15 helps them flourish. Every research University,
16 public or private, can do more to build up its
17 entrepreneurial culture. You can encourage faculty
18 and institutes to launch start-ups and build
19 curricula and mentor networks to teach them how.

20 We can license technology seamlessly and
21 fast to get products into the marketplace. You can
22 run start-up computations to inspire, test drive and
23 showcase entrepreneurial teams, and you can organize
24 alumni entrepreneurs to advise the fledgling ones.
25 They do it for free, and then they thank you for it.

1 This last idea may sound crazy, but at MIT
2 we have a number of these kinds of projects. One's
3 called The Venture Mentoring Service. It was started
4 and run by alumni volunteers. We invested less than
5 \$3 million in funding over 10 years. With that
6 money it's helped launch 142 ventures that have
7 raised \$850 million in external financing.

8 Our VMS has also helped more than 20 other
9 groups launch their own venture mentoring services
10 from the University of Miami and Mississippi State to
11 economic development agencies in St. Louis and
12 Chicago.

13 Rule three. Growing new ideas takes money
14 from the right source at the right time. From the
15 time of the venture capitalists, Governor Snyder can
16 tell us that there's surely a right time for VC money
17 to back a new idea.

18 But the truth is, if we want big,
19 breakthrough innovations to drive our economy, there
20 is simply no substitute for strong, sustained federal
21 funding for advanced early-stage research. It's that
22 kind of funding that generated the IT and biotech
23 innovation waves.

24 And new technology sectors right now on
25 the launch pad are poised to spur innovation waves

1 and the jobs that go with them: clean energy,
2 robotics, advanced materials, the convergence of life
3 science and engineering and biomedicine and beyond.
4 These innovation waves are simply hanging in the
5 balance. Will we let other nations lead them, or
6 will we seize their potential for America's workers?
7 If we let Congress take away research funding, we
8 will lose out on the innovation waves and the jobs
9 that come with them.

10 Rule Four. Innovation clusters are
11 powerful, and they get stronger as they grow. And
12 many of you have had this experience in your states.
13 And, fortunately, innovation clusters don't pop up
14 randomly. We actually make them happen, bringing
15 universities, businesses, and government together to
16 amplify the density and intensity of their research
17 communities.

18 One example is North Carolina's Research
19 Triangle Park, and I compliment Governor [Bev] Purdue for
20 increasing and accelerating it. This brought
21 together corporate, academic, and government leaders
22 to create something in the space between three
23 leading universities, filling it with technology
24 companies that could benefit from university
25 research. Between 1970 and 2007, employment in the

1 region more than tripled.

2 Rule Five--much on our minds today. If we
3 want to make U.S. jobs, we can't just make ideas
4 here; we have to make products here.

5 Unfortunately, no amount of innovation is
6 going to be enough if we ship all of our
7 manufacturing abroad. America remains the world's
8 second largest manufacturer, but with so many nations
9 copying our very successful innovation model, we must
10 stake our bets on the kind of advanced manufacturing
11 the future demands.

12 As Governor Gregoire mentioned, the
13 president recently asked me and Dow Chemical CEO Andy
14 Liveris to co-chair an industry-government task force
15 to accelerate America's progress in advanced
16 manufacturing.

17 At the six universities and eight
18 companies who have now joined the steering committee,
19 there is a lot of enthusiasm, and frankly, already a
20 lot of great work on this new frontier. But the
21 workers for this new era of advanced manufacturing
22 are going to come from the community colleges, the
23 high schools and the engineering schools in your
24 states. So I invite you to join us in making this
25 new effort truly a national effort.

1 In the NGA report released today, you
2 outline ways to get America's companies working
3 closely with community colleges so our students will
4 be prepared for tomorrow's jobs, and I truly welcome
5 any other ideas you have for how we can use advanced
6 manufacturing to deliver the most value from our
7 innovation system.

8 So let me close with a reflection on some
9 of our cultural assumptions and with a call to you to
10 help change them. I was a member of a panel--recent
11 panel--on innovation, and the moderator asked me why
12 any entrepreneur would go to college. And we all
13 know the legends of people who have been very
14 successful as college dropouts.

15 Let me be clear. The innovations that
16 drive lasting economic growth emerge from the most
17 advanced science, mathematics and technology.
18 Al23 Systems' nanophosphate lithium-ion battery
19 technology, that draws on chemistry and engineering
20 that you just don't learn in high school.

21 We need our brightest young women and men
22 to value advanced education and innovation as much as
23 they love football and basketball. We need them to
24 understand that the smart phones and the video games
25 and the music players that they covet were invented

1 by real people just like them and that science and
2 engineering can offer them the power to become not
3 just the world's consumers and spectators but its
4 makers and doers, the inventors and creators who will
5 restore America's prosperity.

6 So as we focus on the hard work ahead of
7 making higher education more affordable, of reforming
8 immigration, of leading the charge for
9 federally funded research, of building
10 entrepreneurial ecosystems and innovation clusters
11 and of seizing the opportunities of advanced
12 manufacturing, I urge you to do something that I hope
13 is a little bit simpler also. Please, please
14 celebrate your state's inventors and entrepreneurs.
15 Make them your students' heroes today because your
16 students can be the heroes who turn on the lights in
17 America's factories tomorrow.

18 Thank you very much for inviting me to
19 join you today.

20 *(Applause.)*

21 GOVERNOR GREGOIRE: Dr. Hockfield, I can't
22 tell you how much we appreciate--and I know you're
23 busy and can spend just a brief amount of time with
24 us for questions and are back on the road again, but
25 it's just a delight to have you here. We're

1 fortunate to have you leading MIT, and I personally
2 can't tell you how much I thank you for the message
3 that--when you're the home of Microsoft, to say to
4 the people of Washington state, go get a college
5 education. Thank you very much.

6 With that, Dr. John Seely Brown, the other
7 side of the partnership, please join us. Thank you,
8 Dr. Brown.

9 DR. BROWN: Well, Susan, what else can I
10 say? What an inspiring talk that was. I have to
11 tell you also that although I spend most of my time
12 on the West Coast, I can't help but always end up
13 walking through MIT campus, and the sense of the
14 excitement on the campus, the entrepreneurial spirit
15 kind of constantly turns me on to what is really
16 possible in America. So I personally thank you.

17 I'm interested in this issue of innovation
18 but also the changing game of innovation. I think
19 actually the game has changed quite a bit, and I
20 think it's worth spending a little bit of time
21 thinking about that in terms of new methods, new
22 tools, new resources, and issues that take us beyond
23 just issues of money.

24 So the first question you might ask is:
25 Sure, John. What's changing, and what does it mean

1 for higher education? What does it mean for
2 innovation? What does it mean for economic
3 development?

4 I have one simple chart that has driven a
5 bunch of us for over five years rethinking what this
6 might actually mean. We call it The Big Shift. If
7 you look at the last hundred years, during the 20th
8 century, basically changes happen in terms of what
9 you might call the S curve, long periods of
10 stability, brief moments of disturbance when big
11 changes happen and then 30, 40, 50, 60 years of
12 stability in which we reinvent work practices, social
13 practices, educational practices. And we knew how to
14 play that game pretty well.

15 What's happened now is in the last
16 probably 10 years, we're moving to a different kind
17 of infrastructure that is driven by the digital laws
18 of computation, accelerating as we speak, such that
19 now what we really find is we're having a world in
20 which we have constant disruption nearly every year.
21 And the challenge is how do you actually start to
22 leverage that rather than fear that in terms of
23 driving innovation?

24 So I see this thing as not going to slow
25 down at all for probably the next 30 or 40 years even

1 world, and I think the catch to recognize is the
2 half-life of our skills is shrinking. It used to be
3 most of the skills you learned, around this table,
4 starting with myself, you could plan to live with for
5 30 years. Now you may have to retool yourself in
6 interesting ways probably every five years.

7 How do you now rethink talent development,
8 talent development now along the notion of the arc of
9 life learning, not just single-shot learning? How do
10 we create resilience and a willingness in our
11 students and in our industries in order to embrace
12 change, not flee from change? How do we move to a
13 world in which we are constantly driven by questing,
14 asking the unusual questions, what if, what if, what
15 if? And how do we actually drive collaboration
16 across disciplines and also between university and
17 industry?

18 And most important--and I'll come back
19 to it in a minute--how do you create a new
20 mind-set, a mind-set of openness and a mind-set of
21 listening with humility?

22 And I think, Susan, if we could create an
23 ability to listen with humility, many of the problems
24 that you and I face would actually start to change.

25 Those are the challenges.

1 And I think that an interesting example--
2 I'm going back actually to North Carolina, actually
3 going down the road 30 miles or so, not from Research
4 Triangle, but the notion of North Carolina State
5 University and their effort in the last 10 years or
6 so to reinvent the land grant college, the land grant
7 university for the 21st century.

8 We all know that this country was built
9 around land grants, but somehow that has left our
10 discourse. We don't talk about the reinvention of
11 land grants. And I think if you actually look at
12 North Carolina State University, it's an interesting
13 case in study of a school and a government that set
14 out to say, can we reinvent the notions, the spirit
15 of the land grant?

16 In North Carolina, as you know, the state,
17 built on the textile industry, has been decimated.
18 Lo and behold, when I first walked onto your campus
19 and started hanging around the Centennial Campus--
20 the Centennial Campus is a new area which not only
21 has departments, it has companies, it has NGOs, it
22 has government, all in the same campus operating
23 shoulder to shoulder--I discovered some of the most
24 interesting nanotechnology in the country. What are
25 they doing? They're taking textiles and saying, What

1 operation, that they had outreach operations in every
2 single county of North Carolina that they are
3 learning as much back from in terms of the real
4 problems that's going the other way. And it's
5 amazing to see graduate students doing theses on
6 weaving together different industries--different
7 sub-aspects of the textile industry there, blah, blah,
8 blah. I could talk forever on that, but I'll move
9 along.

10 I think it's fair to say the coupling,
11 though, with universities in general from the
12 industrial base ain't always easy. And it's not
13 surprising. Innovation, after all, is about ROI.
14 But guess what? There are at least three kinds of
15 ROI we have to consider. One has to do, of course,
16 with return on investment. But there are two ROIs,
17 return on research of interest, and ROI in terms of
18 results of importance. The government cares about
19 results of importance. Industry cares about return
20 on investment. The research turns on research of
21 interest.

22 We have three different ROIs that could
23 actually be brought together in kind of a magic way
24 if we understood the different mind-sets that in the
25 past have made this difficult. But now I think we're

1 beginning to see ways to really bring it all
2 together.

3 In fact, if you look at the way we've
4 classically dealt with the university, basically
5 industry deals with the licensing offices, et cetera,
6 et cetera, at the top, and the licensing office is
7 the representative of everything going on in the
8 university to those of us outside the university.
9 That actually is a fairly narrow pipe.

10 I want to argue that, in fact, that pipe
11 can be sometimes amplified by asking how do the kind
12 of roles of kind of leading-edge or early-stage
13 venture capital that have gut understandings of what
14 might be useful market probes, how much you
15 accelerate commercialization, how the knowledge
16 sphere that certain types of these venture
17 capitalists can bring to the game are actually a lot
18 more aware than classical licensing offices, more
19 classical than the community development
20 organizations and the government, I might add, and so
21 on and so forth. So I think we have to kind of
22 understand how do we kind of expand that knowledge
23 sphere to couple in.

24 But why that's interesting is that, in
25 fact, the real game here--and when we see this

1 cracked, the results are amazing--is can you find
2 the sweet spots across all the different levels of
3 the university along with the sweet spots of all the
4 different levels of the industrial ecosystem so
5 researchers, research of interest, find a coupling to
6 a particular problem in industry--I can show you
7 examples at North Carolina State to do this--and
8 so on and so forth. And so the real question is can
9 we find new ways to build connections at every level
10 in this game.

11 And, in fact, I want to go through one
12 quote. Thomas Friedman will be here, but he recently
13 brought those out. He calls it, and I actually call
14 it, likewise. And I work with this guy, Curt
15 Carlson.

16 "In a world where so many people now have
17 access to education and cheap tools of
18 innovation, innovation that happens from the
19 bottom up tends to be chaotic but smart.
20 Innovation that happens from the top down tends
21 to be orderly but dumb."

22 The sweet spot for innovation is moving
23 down, closer to the people, not up. All people
24 together are smarter than anyone alone in the sense
25 of open innovation. All people now have tools to

1 know about the ways to use cloud for being able to do
2 things like social networks. The curious thing that
3 actually brings Susan and me together is that, in
4 fact, we use cloud computing today to do material
5 science.

6 You've heard about the famous Silicon
7 Valley garages that do computing. Well, we now build
8 Silicon Valley garages that do deep material science,
9 and we're doing it like being able to build amazingly
10 complex models, run them out to 1,000 to 10,000
11 computers simultaneously and take something that
12 usually would take me six months to do, get it done
13 in one day.

14 So the cost and speed of innovation is
15 changing once you know how to use these tools. But
16 you've got to better be able to think analytically,
17 You've got to be able to build the quantum models to
18 make this stuff work. But once you understand this,
19 the amplification from doing this is simply
20 astounding.

21 But I also want to mention what you don't
22 talk about is that innovation turns as much on craft
23 as it turns on deep science. Deep science is
24 critical, but there's a spirit of tinkering that
25 comes and surround typical craft that also makes a

1 big difference. They don't talk about tinkering much
2 these days, especially in the education world, but I
3 will tell you that most of the start-ups that I am a
4 part of, tinkering is a massive part. It doesn't
5 sound sophisticated, but it is.

6 And the question is how do we re-nurture
7 the spirit of tinkering in our kids today, be they 15
8 years old or be they 35 or 45 or 55 years old.
9 Something we should think about.

10 And, of course, what's happening today is
11 we can now tinker with digital tools like we never
12 could before, and we can connect with other people
13 tinkering and start to share ideas in a cooperative
14 spirit that was, again, kind of impossible before.

15 A simple example of tinkering brought to
16 us at not just the high school level, at the college
17 level, the junior college level, but all the way up
18 the stack, so to speak, is something called Tech
19 Shop. Tech Shop is filled with digitally-controlled,
20 computer-controlled numerical tools to build almost
21 anything. You can get access to these shops for
22 approximately a thousand dollars a year, often even
23 less if you want to go in for a month at, like, a
24 hundred dollars a month.

25 And what you find in these tech shops,

1 which are now actually being franchised around the
2 country, the first three or four--actually, we're
3 just about to open one in Detroit--actually couples
4 into the gut intuitions and experiences of people
5 that aren't deeply trained in doctoral work in order
6 to get in there and to build things together and to
7 learn from each other. The amount of mentorship that
8 goes on with things like Tech Shop is truly amazing.
9 If you have a chance, you ought to go visit one.

10 But likewise, Makers Faire, the attempt to
11 bring back the honor of making things with your
12 hands, is happening. Makers Faire is now spreading.
13 The last one we had out on the West Coast had 175,000
14 people show up for it. Here are the kind of--I can
15 pass these slides out later. Here are the different
16 cities that are now developing their own Makers Faire
17 in terms of driving this kind of tinkering.

18 So let me kind of step back a moment and
19 say what's the bigger picture here, John? I think
20 one--and Susan did a great job of mentioning
21 this--is things like the MIT OpenCourseWare.

22 And, Susan, what you didn't mention was
23 you spearheaded changing this or adding to this the
24 AP program to get it into the high schools and some
25 of the community colleges.

1 So how do you take things that are already
2 happening, no huge expenses required, but wrap them
3 up in ways that all the community colleges can use
4 them and so on and so forth. Look at OpenCourseWare.
5 Now there are multiple ones that are doing this, but
6 I think this is kind of a pioneering one to look at.

7 But I bring you knowledge about this, I
8 want to call attention to this, for a different
9 reason, a personal reason. If you go back to that
10 big shift I told you about, I personally have to
11 constantly rejuvenate my own understanding, and I
12 discovered, actually, the OpenCourseWare because I
13 needed a way to constantly refurbish my own skills.

14 And we never talk about things like this
15 as a way that people of our age--I'm probably older
16 than almost anybody here--but kind of constantly
17 are rebuilding, questing, finding new ways to look at
18 the world.

19 And I don't think, Susan, you actually had
20 that in mind, you and Chuck, originally.

21 But I tell you, this is a fantastic
22 scaffolding that costs, once it is done, virtually
23 nothing if, in fact, you have a questing mind to
24 constantly pick those up. A number of entrepreneurs
25 that I know about in Silicon Valley, they constantly

1 refresh their own skills by looking at this. It's
2 interesting. This is a high-leveraged, low-cost
3 opportunity if we want to think about it.

4 But I'm also struck by another major
5 change that I delightfully see happening. It was
6 actually Steve Chu who called it to my attention, a
7 beautiful comment. We're talking about the research
8 universities. He says:

9 "We seek solutions. We don't seek, dare I
10 say, just scientific papers anymore."

11 And I don't know how much of this is
12 covered in your report here, but I think it is a
13 critical difference to say if you're going after a
14 solution, you can't live in a silo. Almost all
15 problems today actually are social technical problems
16 that require many disciplines to work together and
17 many interactions with the outside world as well as
18 the inside world.

19 And so the key notion here is how, by
20 going to the root of the problem, the fundamental
21 work that Susan was talking about, creates boundary
22 objects that really do bring cross-disciplinary work
23 to the fore. If there's anything you can't do as a
24 president, as a dean, as a director of a major
25 research operation is tell five distant disciplines

1 to come together and start working together. That
2 doesn't work. On the other hand, if the problem
3 sucks people together because they're excited about
4 the problem, you can't pull them apart. And we have
5 to think more about pull, not push, as we move
6 forward here.

7 Two last kind of comments, going back to
8 the manufacturing issues that Susan really
9 brilliantly brought up, if we tend to not pay much
10 attention to process research--process research
11 isn't as sexy as technology research, but many of our
12 technologies require major breakthroughs in order to
13 be able to build this stuff in a cost effective
14 way--we will not return manufacturing excellence to
15 the country without appreciating the power of process
16 research. And process research also has a certain
17 kind of tinkering with it, so tinkering and process
18 research come together.

19 And here is a kind of an example that
20 seems strange. This is the new plant being built by
21 General Motors. You might see--there aren't many
22 people there, but there are people there. They're
23 behind the scenes tinkering with the programs and
24 capabilities of these robots.

25 And, curiously, I was hired by General

1 Motors some time ago to study Toyota. I went onto a
2 Toyota plant. And I got pulled onto the plant, and
3 this tack group said, "Come, come, John. See what
4 we've done. I've got to show you my robot that we--
5 the people on the assembly line--built themselves.

6 This is an assembly line where basically
7 everyone has a college degree, and they saw the
8 opportunity to build what they needed in order to
9 become better at building what they wanted. And
10 there's a spirit there that I think we've got to
11 figure out how to restore if we really want to bring
12 true manufacturing excellence.

13 And I want to just call attention to the
14 fact that we all want innovation ecosystems, but we
15 tend to look at the tip of the iceberg, the sexy
16 stuff, the really technical stuff. You come to
17 Silicon Valley, and I'll take you to, you know, the
18 Googles of the world, et cetera, et cetera, applied
19 material in one case. But you see that stuff above
20 the surface.

21 You know what really matters, at least as
22 much, is the stuff below the surface, the
23 infrastructure of that economy. . In fact, I
24 can't build a start-up today if I don't know how to
25 access design houses across the country or around the

1 world, find foundries to try out certain ideas,
2 always needing public relations, law firms,
3 advertising. And in the biogame, you know, I now
4 farm out how do I build fermentation bioreactors, by
5 the way, on the East Coast in order to build these
6 molecules.

7 That's the stuff that doesn't get talked
8 about. It's not too visible. And I have to say that
9 in a company that I won't mention, but a start-up
10 that I'm a part of, we had to leave the United States
11 in order to find the right kind of foundry to
12 experiment with building a new kind of transistor,
13 that we did not have the hidden infrastructure that
14 we needed to try this out.

15 Now, that was not meant to be a generic
16 case. It was a particular case, not that
17 significant. But I'm just calling attention to the
18 fact that it's the shadow stuff beneath the water
19 that often makes a huge difference in being able to
20 jump start a new type of a company fast to the market
21 and spend the money where it really matters, in the
22 thinking, and not doing the things that none of us
23 are world class at. You know, very few bios of
24 people I know really know how to run the fermentation
25 reactors, unless they build beer, that underlies some

1 of this stuff.

2 So I just think that we've got to kind of
3 be aware that there is stuff on top, but probably 80
4 to 90 percent of the stuff is below that I think you
5 folks, as governors, may want to pay some pretty
6 careful attention to.

7 And the last example that I wanted to
8 bring you is there's a sense, as you can see, a
9 spirit of what I'm trying to say. There's a lot of
10 resources around. How much time do we spend
11 connecting them in order to do new things? We talk
12 about financial leverage all the time in this
13 country. We don't talk about capability leverage.
14 What are the capabilities we have that can be
15 leveraged together with the ability to wire things
16 together with cloud computing, Internet, blah, blah,
17 blah.

18 Well, here's a very simple example. This
19 is an amazing example. We're now duplicating it
20 three different ways in Chicago. It's kind of like
21 how do you look at all the capabilities, like in
22 New York City, that you can build not only in-school
23 programs, but much more importantly, after-school
24 programs. And how do you build a network that
25 connects all of these after-school capabilities, you

1 know, in terms of the museums, science museums,
2 history museums, public libraries, all this kind of
3 stuff together? Because if we really look at where
4 our kids spend their time, it's as much outside as
5 inside school.

6 We've just constructed in Chicago an
7 amazing public library room, a huge room, where these
8 kids are inventing new ways to write in terms of
9 digital media. The surprising thing, the room is
10 very, very digitally oriented, and yet more books,
11 you know, real books, not digital books, are being
12 checked out now than ever before.

13 And how do you start to say, this stuff is
14 here? How do we honor it? How do we wire it
15 together? How do we kind of say, how do we leverage
16 these types of things, because if you can get kids to
17 do this, they already will have, by the time they get
18 done, a questing disposition, preparing themselves
19 for an arc of life learning that honors the notion of
20 The Big Shift and saying I've got to constantly keep
21 learning. And how does it become fun?

22 With that, thank you.

23 *(Applause.)*

24 GOVERNOR GREGOIRE: So thank you,
25 Dr. Brown, very much. Insightful, challenging to

1 each of our respective governors, but we can't tell
2 you how much, really, we appreciate your being here
3 today.

4 We have time for some questions, so let me
5 turn to the governors for questions.

6 Governor [Pat] Quinn from the great state of
7 Illinois?

8 GOVERNOR QUINN: Well, we have an
9 innovation council in our state, and we also have
10 Groupon, which has grown from eight employees in 2008
11 to 6,000 today. And one of the heads of Groupon is
12 involved with our innovation council. What we've
13 done recently is try to put all our data sets from
14 the state of Illinois, all the information that we
15 have about anything online, working with the city of
16 Chicago and Cook County as well; and the whole idea
17 is to try and inspire these folks on the grassroots
18 level to innovate and create. And we've had some--
19 you know, we just started this, but I think that
20 plays into your idea that this chaotic group of
21 tinkerers are the ones who are going to create the
22 bold changes.

23 But do you know anything about this data
24 set initiative elsewhere or, you know, how we can
25 expand upon it?

1 DR. BROWN: Well, I mean, I think your
2 observation is dead center right. And, in fact,
3 Groupon actually used the cloud computing for that
4 data set, to analyze that data set.

5 What we're finding more and more is the
6 ability to do data mining over data sets is almost
7 all where the return on investment really lies. If
8 you can actually find the signals in the noise with
9 these data sets--and as you know, I mean, Groupon
10 in particular has some very clever ideas about how to
11 do that.

12 But it also says--and I don't know how
13 many of you know Groupon. I have to tell you--I'm
14 supposed to be an entrepreneur--when I first heard
15 the business plan of Groupon, I thought they were
16 kidding me. I was, as usual, dead center wrong. It
17 actually turned out to be pretty damn interesting.
18 And what I find so curious now is that--I mean, I
19 think it--did you say 12?--I think it was, like,
20 12 people started that company.

21 GOVERNOR QUINN: Well, the person who
22 started it with the idea, he was a music major at
23 Northwestern.

24 DR. BROWN: Right.

25 GOVERNOR QUINN: He went to public policy

1 school at the University of Chicago for three months,
2 dropped out. His first idea kind of fizzled. He did
3 have access to some capital, and the second idea
4 exploded.

5 But what I'm really interested in is using
6 all this data, this information that government has
7 that's just sort of sitting there and rather than
8 waiting for somebody to ask for it through Freedom of
9 Information, just putting it online. That's what
10 we're doing, all the information about the highway
11 accidents and where potholes are and things like that
12 and a million other things. That's our whole goal,
13 to put all our data online and then try and encourage
14 these, like you call them, data miners or tinkerers
15 to figure out innovations. That's what we're really
16 focused on.

17 MR. BROWN: And that's a beautiful
18 example. You know, when you're touching on
19 something, it sometimes goes under the Government
20 2.0. You know, how do you build smarter governments,
21 not bigger governments? How do you get people
22 actually, you know, Twittering in or SMS'ing in,
23 information boards not happening, not being repaired
24 and so on as well?

25 But the amount of data--and I don't know

1 state government. I mean, you know, we know what's
2 sitting inside the federal government today--is
3 astronomical. And the catch is how do we kind of
4 release more of that to this data mining to finish
5 the gems in there. I completely agree with the
6 spirit of what you're saying and the importance of
7 it. There are certain states that are doing that.

8 GOVERNOR GREGOIRE: Govern [Jack] Markell from
9 the state of Delaware.

10 GOVERNOR MARKELL: Thank you.

11 I thought both presentations were great.
12 Dr. Hockfield mentioned AI23 and then Fisker, for
13 example, which has just started to hire in Delaware.
14 They're going to be building their next generation
15 car in our state next year.

16 I do wonder, particularly with respect to
17 John Seely Brown's comments, about the shrinking
18 half-life of the skills. And Tom Friedman, who will
19 be with us on Sunday, had a column in the New York
20 Times just the other day entitled "The Start-Up is
21 You" where he was essentially making a similar case,
22 that our kids really need to be focused on
23 continually reinventing themselves because innovation
24 is just happening--you know, it's not the S curve
25 anymore; it's just happening all the time.

1 And I do wonder--to me, I mean, we can
2 do some of the structural things like build the
3 ecosystems. One of your last lines mentioned the
4 banks and the design houses and all that. We can do
5 that. But so much of this seems to be to be cultural
6 and getting people to understand that the world has
7 changed so dramatically, not in the last 50 years but
8 in the last five years, and until we get, you know,
9 the kids and their parents to understand that this
10 change is, you know, taking place and that it is
11 accelerating on a daily, weekly, monthly basis, I'm
12 concerned that the--so much of the acceleration, as
13 more of the innovation actually does go overseas--
14 and I thought the point you made about making sure we
15 get more of the--allow more of the immigrants to
16 stay here after they get their education is spot on.
17 But I do--I wonder what it is that we can do
18 collectively in terms of making sure that people
19 actually get it.

20 GOVERNOR GREGOIRE: Dr. Hockfield?

21 DR. HOCKFIELD: I'm entirely supportive of
22 your observation, and I think, you know, one of
23 the--you know, my exhortation to celebrate an
24 interest in entrepreneurs, we have to celebrate the
25 heroes of tomorrow, not the heroes of yesterday. And

1 if we believe that the national heroes are simply the
2 athletic heroes or the heroes of yesterday's
3 manufacturing, it's not going to move us forwards.

4 You know, in terms of what states do, we
5 just started something in Massachusetts called Mass
6 Challenge, and it's taking an MIT and spreading it
7 around the state. It's just a business plan
8 competition. So there are ways to--you know,
9 people love competitions, and it really gets people
10 out and gets them competing.

11 But I want to comment on this sense of the
12 need to reinvent yourself and then the tools to do
13 that. John's comment about OpenCourseWare:. When
14 OpenCourseWare was launched a decade ago, it was
15 designed for college and university professors. That
16 was the target, that we would provide the materials
17 for our courses so that when you want to start your
18 course, you don't have to start from scratch, you can
19 use any of our materials. And it's all kind of cut
20 and paste.

21 I think nothing has surprised us more--
22 we get about 2 million, you know, business to content
23 a month, but nothing has surprised us more than that
24 half of the users of OpenCourseWare are not students
25 or faculty; they're independent learners. And so

1 what I think is desperate housewives, they're
2 desperate for physics and linear algebra. And, you
3 know, the fact is it's a little bit clandestine
4 because who would say to their friends, Ha, I spent
5 the afternoon, you know, boning up on my electricity
6 and magnetism. You know, you're supposed to be doing
7 something else.

8 So I think as a nation, I think we need to
9 shift the focus on what we can consider to be
10 celebrated activities away from leisure--what we
11 call currently leisure activities to activities that,
12 you know, rebuild each of our own abilities.

13 GOVERNOR GREGOIRE: Governor [Haley] Barbour
from Mississippi.

14 GOVERNOR BARBOUR: Thank you, governor.
15 Thank you for getting these two great speakers, and I
16 want to thank you both.

17 I just have to make an observation that
18 both of you touched on. We are--America is in a
19 global battle for talent. I mean, the competition
20 for talent's unbelievable. And thank you,
21 Dr. Hockfield, for making the point that--I put it
22 this way: Every foreign-born child in the United
23 States who gets a Ph.D. in math, science, engineering
24

25 or technology, we ought to staple a green card to

1 their diploma. And, otherwise, they'll go home to
2 Mumbai and start a company that employees 800 people.
3 If we let them stay, they would rather start one in
4 Memphis that employees 800 people. So I appreciate
5 your saying that.

6 And, Dr. Brown, the constant learning, I
7 think one of the things that we governors or some
8 governors are not as good as we ought to be, and
9 Jack Markell touched on it. This applies to people
10 who work on the assembly line too; it is not just the
11 guy or girl who's going to get a Ph.D. that they
12 have got to relearn and relearn.

13 And we need to understand that workforce
14 training is not something you do once, that it has
15 to--for our companies to keep up and stay
16 competitive by becoming more productive, the
17 workforce--the workplace is changing all the time,
18 and we need the people that work on those lines to
19 also have access to this continuous learning.

20 I thought both of y'all gave us a lot of
21 really good thought. Thank you.

22 DR. BROWN: Let me just say one thing
23 building on your last comment. We also have to get
24 industry to recognize that talent development is not
25 just being sent back and being retrained. It's how

1 do we change the workscape itself so it becomes
2 constantly a learning scape. And I think that that
3 is a fancy, kind of fun word, but, I mean, we have to
4 take that much more seriously. You know, training is
5 not a nature or function, it is a way we design work.
6 And that's, I think, so key.

7 GOVERNOR GREGOIRE: Governor [Jay] Nixon, our
8 last question, from the great state of Missouri.

9 GOVERNOR NIXON: Thank you.

10 Just very quickly, Dr. Hockfield, I mean,
11 your point five of make products here, any
12 amplification of that for all of us? Because those
13 are solid jobs. I think all of us are in situations
14 where we're feeling and sensing that we can do that,
15 that as companies approach us and talk to us, they're
16 talking about shorter supply lines because of the
17 cost of fuel. And the great thing about America is
18 we are consumers, so it's not hard to get the product
19 to market.

20 I mean, we all have got examples, whether
21 it's you talk about the--you know--to grow cotton
22 in southern Missouri or Mississippi or in Alabama and
23 to send that across an ocean 12,000 miles to turn it
24 into a pair of jeans and bring those jeans back and
25 sell them right next door to that field is not

1 working long run for the cost of those types of
2 goods. But in the higher complexity goods also.

3 But what advice do you have for us on that
4 make products here, your line five?

5 DR. HOCKFIELD: I could speak to it for an
6 hour. I am a professor, after all. But let me just
7 give you a couple of tidbits.

8 I think the first thing I'd call out is
9 what John talked what, process innovation. You know,
10 it's easy to assume that it can be made cheaper
11 elsewhere, and using old manufacturing technologies,
12 it probably can. But we have to be committed to
13 process innovation. You know, this new partnership,
14 the Advanced Manufacturing Partnership that I'm
15 co-sharing with Andy Liveris, is designed exactly,
16 you know, to see if we can accelerate that kind of
17 thinking.

18 You know, at MIT we recently launched a
19 study about 21st-century manufacturing. In the 1980s
20 when the Japanese were eating our lunch, a group of
21 MIT faculty from the school of engineering and the
22 Sloan School of Management school and school of
23 science got together to think about how to re-imagine
24 American manufacturing. We produced a book called
25 *Made in America*. We figure it's time to do something

1 like that again because, frankly, we don't have all
2 the answers to your question.

3 But I'll tell you, so I've been out kind
4 of selling this idea of a new study called
5 "Production in the Innovation Economy," and about
6 half the people I talk to--not on my campus--. half
7 the people I talk to look at me and say, "Didn't you
8 get the memo? America doesn't do manufacturing
9 anymore." Now, that's dead wrong. The other half
10 say, "Oh, this is the most important thing for the
11 country."

12 But I think part of the goal of Advanced
13 Manufacturing Partnership is simply to raise the
14 visibility and get people thinking about it in a
15 serious way.

16 To John's point, he uses an iceberg. I
17 use an hourglass as, you know, my image that the
18 manufacturing itself, the advanced manufacturing and
19 the kind of new manufacturing technologies that are
20 being developed at MIT and on other campuses--you
21 know--it's like that photograph he showed of the new
22 GM factory; it's kind of jobs-free. But that's the
23 narrow waist of the hourglass. There's a gigantic
24 funnel of jobs and supplies that feed into that
25 narrow waist and then another giant array of jobs and

1 activities that flow out of it. And when we give up
2 the waist, you know, we give up the entire hourglass
3 of, you know, jobs and materials.

4 And so a part of it is a national
5 orientation. I think part of it is just thinking
6 seriously about how to redesign processes so that
7 they do become economic and valuable. And, you know,
8 some of it's attitudinal and some of it's going to
9 be policy and structural.

10 But there's no question in my mind that
11 we've got to start thinking in a different way. Kind
12 of the era at the end of the 20th century was, oh,
13 we'll let them over there do that stuff because we
14 can get the value if we simply have the great ideas.
15 Well, we all know that's not true, and we've got to
16 figure out how to manufacture in a new way, do
17 productivity in a new way.

18 And, also, to John's point about this
19 accelerating rate of change, we've got to figure out
20 how to accelerate the entire pipeline. From the
21 genius inventions at the research universities across
22 the country, how do we get those into products. And
23 John talked about a couple ways about how to do that
24 and get them into production and distributed around
25 the world more efficiently.

1 I think we can do it. It is an
2 innovation-based country, but if we don't focus on
3 it, we'll never get there. So I think it's important
4 to raise the consciousness.

5 Thanks for the question.

6 GOVERNOR GREGOIRE: Is your question
7 quick, Governor [John] Hickenlooper?

8 GOVERNOR HICKENLOOPER: My question is
9 really more of a comment.

10 Thank you to Ms. Hockfield, especially for
11 all the work we had. Ashish Pandey came out
12 three weeks ago, who is one of the entrepreneurs from
13 MIT, and kind of helped set up this competition to
14 take business plans from young students and kind of
15 connect them to investors, which is really--what I
16 love about it--it's going out and trying to spread
17 that gospel. Here's an entrepreneur who's made a ton
18 of money, very integral to MIT's success, and he's
19 trying to spread it around the country. So you
20 should all be calling and hanging out close to MIT.

21 And the same thing with Governor [Pat] Quinn
22 over at Northwestern and the Kellogg Business School
23 there, their innovation network. There are a bunch
24 of these organizations that are doing things that we
25 should all be paying attention to and copying them.

1 GOVERNOR GREGOIRE: Thank you.

2 So I think this has been thought
3 provoking, challenging, but the tomorrow for the
4 United States has been clearly put before us by
5 Dr. Hockfield and Dr. Brown.

6 So on behalf of all of us at the National
7 Governors Association, thank you for coming to the
8 great state of Utah, thank you for challenging us,
9 and thank you for offering to be our partners so we
10 can move our country forward.

11 *(Applause.)*

12 GOVERNOR GREGOIRE: Before we leave, I
13 have a couple of things I want to do. The first one
14 is a bittersweet moment for the National Governors
15 Association as we say good-bye to a very important
16 colleague to each of us.

17 Governor Barbour, would you please come
18 forward.

19 Today we're here to thank Governor Barbour
20 for his commitment to public service and his
21 commitment to the National Governors Association.

22 In July of 2009, some of us were very
23 honored to be hosted by Governor Barbour at our
24 annual meeting in Biloxi. He currently serves on
25 NGA's Executive Committee and our Finance Committee.

1 One of his, I think he would share with
2 you, greatest accomplishments is his leadership and
3 responding--and we all saw it. We watched across
4 the country as he responded. And he rebuilt--and
5 we saw it when we were in Biloxi, those of us who
6 could attend--the coast of Mississippi in the face
7 of what was then one of the worst natural disasters
8 in American history, the Hurricane Katrina.

9 Governor Barbour took the lead early to
10 help his fellow Mississippians to rebuild and to
11 recover, to take what was a time when people were
12 down and out and say, we can rebuild, we will. And
13 he went out to the people of Mississippi and did just
14 that.

15 Under his leadership Mississippi increased
16 the largest increase in net new jobs since 1999 and
17 the largest increase in personal income since 1998.
18 He also initiated the most comprehensive overhaul of
19 workforce training and development programs in the
20 state's history and increased funding by record
21 levels for public education from K through 12,
22 through community colleges to the state's
23 universities.

24 With that, on behalf of the National
25 Governors Association, I want to thank you,

1 Governor Barbour, for your dedication, for your
2 leadership. We are all proud, as I'm sure you are,
3 of the legacy that you have left to the people of
4 Mississippi. We are also very thankful of the legacy
5 that you have left here. Your friendships that you
6 have will be forever with us.

7 We thank you on behalf of the National
8 Governors Association for all that you have done for
9 us, all that you have been as a friend to us, and we
10 wish you the best in the future. Thank you and
11 congratulations.

12 *(Applause.)*

13 GOVERNOR BARBOUR: Thank you. Thank
14 y'all. Don't forget what Mark Twain said about
15 politicians. He said, Don't applaud, it only
16 encourages them.

17 I will simply say, Chris, we would like to
18 get you lined up to talk at my funeral.

19 Thank y'all.

20 GOVERNOR GREGOIRE: Thank you again. I
21 don't know about the funeral part, but anyway, thank
22 you very much.

23 At each annual meeting we take this moment
24 not only to thank our corporate fellows for their
25 collective support but also to recognize those

1 companies that have maintained a sustained commitment
2 to governors in the work of the National Governors
3 Association Center For Best Practices.

4 I'm now going to call on our vice chair,
5 Dave Heineman, to present the awards.

6 GOVERNOR HEINEMAN: Chris, thank you very
7 much, and, Haley, thank you for the shortest speech
8 I've ever heard you give.

9 The NGA Corporate Fellows Program was
10 founded in 1988 and promotes the exchange of
11 information between the private sector and governors
12 on emerging trends and factors affecting both
13 business and state government. The corporate fellows
14 share their unique experiences, perspectives and
15 expertise with governors, as Chris mentioned, through
16 the NGA Center For Best Practices. We really do
17 appreciate their support.

18 The Corporate Fellows Program is comprised
19 of more than a hundred of America's top companies,
20 and today we want to honor two companies for their
21 years of membership. And as I call your name, I'd
22 ask you to come forward.

23 The first, one for 20 years of membership
24 in the Corporate Fellows Program is General Motors,
25 and representing them today is Brian Russo.

1 *(Applause.)*

2 GOVERNOR HEINEMAN: The second company we
3 want to honor today is for 15 years of membership in
4 the Corporate Fellows Program, Santa Fe Aventis.
5 Representing them is Jay Jennings.

6 *(Applause.)*

7 GOVERNOR GREGOIRE: So with that, we'll
8 adjourn our first plenary session.

9 And to our governors, we have a
10 governors-only session, some very important
11 information we want to talk about. I don't know
12 where we're going. Where are we going? Eight?
13 Grand Ballroom A, governors, 1:00 p.m.

14 Thank you all very much, and again, thank
15 you, Dr. Brown, thank you, Dr. Hockfield, for your
16 fine presentations.

17 *(The proceedings adjourned at 12:36 p.m.)*

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1 REPORTER'S CERTIFICATE

2

3 STATE OF UTAH)
4) ss.
5 COUNTY OF SALT LAKE)

6

7 I, Susette M. Snider, Registered
8 Professional Reporter, Certified Realtime Reporter
9 and Notary Public in and for the State of Utah, do
10 hereby certify:

11

12 That said proceedings were taken down by
13 me in stenotype on July 15, 2011, at the place
14 therein named, and were transcribed by me, and that a
15 true and correct transcription of said proceedings is
16 set forth in the preceding pages.

17

18 WITNESS MY HAND this 25th day of July,
19 2011.

20

21

22

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25

Susette M. Snider, RPR, CRR

103rd ANNUAL MEETING
OF THE
NATIONAL GOVERNORS ASSOCIATION

July 15, 2011

U.S.-CHINA GOVERNORS FORUM

GRAND BALLROOMS B AND C
THE GRAND AMERICA HOTEL
SALT LAKE CITY, UTAH

Reporter: Susette M. Snider, CRR, CSR, RPR
Notary Public in and for the State of Utah

1 PARTICIPANTS:

2

3 Governor [Chris] Gregoire of Washington;

4 Governor [Luis] Fortuño of Puerto Rico;

5 Governor [Terry] Branstad of Iowa; and

6 Governor [Jay] Nixon of Missouri.

7

8 GUEST SPEAKERS:

9

10 Rita Jo Lewis, United States State Department

11 Madam Li Xiaolin, Vice President of the Chinese
12 People's Association for Friendship With
Foreign Countries

13 Ambassador Zhang Yesui

14 Party Secretary Zhao Hongzhu, Governor of
Zhejiang Province

15 Governor Luo Huining, Qinghai Province

16 Governor Qin Guangrong, Yunnan Province

17 Governor Wang Sanyun, Anhui Province

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

2 3:07 p.m.

3

4 GOVERNOR GREGOIRE: Ladies and gentlemen,
5 Ambassador Zhang, Madam Li, governors, it is my
6 pleasure to officially open the U.S.-China Governors
7 Forum.

8 During President Hu Jintao's visit to the
9 United States in January, Secretary of State Hillary
10 Rodham Clinton and Chinese Foreign Minister Yang
11 signed a Memorandum of Understanding supporting the
12 establishment of a U.S.-China Governors Forum.

13 Since then the National Governors
14 Association has partnered with Madam Li of the
15 Chinese People's Association for Friendship With
16 Foreign Countries to provide a forum in which
17 governors could discuss such issues of mutual concern
18 as trade and investment, educational exchanges and
19 cooperation on energy and the environment. Those
20 efforts have culminated into this meeting today, a
21 truly historic meeting, an opportunity for us to hear
22 from one another and exchange ideas as governors,
23 leaders, tasked with finding new opportunities and
24 developing meaningful partnerships for the future.

25 We will hear brief presentations on each

1 of these topics by both U.S. and Chinese governors.

2 Then we will open the floor to discussion.

3 And now I'd like to turn the program over
4 to Madam Li.

5 MADAM LI: Governor Gregoire, governors of
6 the United States and governors of the Chinese
7 Provinces, distinguished guests, ladies and
8 gentlemen, good afternoon.

9 First of all, on behalf of the Chinese
10 People's Association for Friendship With Foreign
11 Countries, I would like to welcome you to the first
12 China-U.S. Governors Forum.

13 The U.S. National Governors Association,
14 State Department, Utah government, Chinese Foreign
15 Ministry and Ministry of Commerce have worked hard
16 for this forum and provided active support. I'd like
17 to extend our heartfelt thanks to you all.

18 GOVERNOR GREGOIRE: And now, if I could,
19 I'd like to call up two individuals for greetings
20 from President Obama and President Hu Jintao. I'd
21 like to call up Rita Jo Lewis of the United States
22 State Department and Ambassador Zhang.

23 MS. LEWIS: On behalf of the President of
24 the United States, he sends greetings to all of those
25 attending the National Governors Association 2011

1 Annual Meeting.

2 "A positive, constructive and cooperative
3 relationship between the United States and China
4 is essential to the success of both countries in
5 the 21st century. Closer engagement at the
6 subnational level will build strategic trust and
7 create new opportunities for our companies and
8 workers. Forums like the NGA Annual Meeting
9 help us achieve these important goals and
10 strengthen our bilateral relationship.

11 "Governors around the world share common
12 opportunities and challenges from job creation
13 and people-to-people exchanges to the promotion
14 of clean energy and environmental protection.
15 Working together, we can find areas of mutual
16 cooperation that will draw our states,
17 territories and provinces closer together and
18 help us build a brighter, more prosperous world
19 for future generations.

20 "I congratulate the NGA and the Chinese
21 People's Association for Friendship With Foreign
22 Countries on the launch of the first ever
23 United States-China Governors Forum and wish all
24 the best for a productive meeting.

25 "Barack Obama, President of the United

1 States."

2 AMBASSADOR ZHANG: I have the honor to
3 read the message of congratulations from President Hu
4 Jintao to the Governors Forum.

5 I quote:

6 "Upon the opening of the first China-U.S.
7 Governors' Forum, I would like to extend my warm
8 congratulations to delegates from both sides and
9 send best wishes to the people from various
10 sectors of both countries who have long cared
11 for and supported the growth of China-U.S.
12 relations.

13 "Over the past 32 years since the
14 establishment of diplomatic ties, our exchanges
15 and cooperation at the subnational level have
16 been a strong impetus to the growth of
17 China-U.S. relations. China and the U.S. now
18 have 36 pairs of sister provinces-sister states
19 and 165 pairs of sister cities.

20 "Our exchanges and cooperation in trade,
21 investment, energy, the environment, and other
22 fields, have been expanding and enjoying broad
23 prospects. All this has not only contributed to
24 the local development and prosperity of the two
25 countries, but also boosted the growth of the

1 overall China-U.S. relationship.

2 "I am confident that the success and
3 continued development of the China-U.S.
4 Governors' Forum will build new bridges of
5 cooperation between the two countries at a
6 subnational level and serve as a new platform of
7 exchange for greater understanding and
8 friendship between the two peoples, making
9 positive contribution to our joint efforts in
10 building a China-U.S. cooperative partnership
11 based on mutual respect and mutual benefit.

12 "I wish the forum full success."

13 *(Applause.)*

14 GOVERNOR GREGOIRE: Well, we have much to
15 talk about, so let's go ahead and get started.

16 Today we're going to focus on four major
17 themes: trade and investment, energy, environment,
18 and education. Following our opening points, we'll
19 have a question-and-answer session with all of our
20 governors.

21 I'd like to start with trade and
22 investment.

23 U.S. governors and Chinese provincial
24 leaders, as the chief executive officers of our
25 respective states, have a strong mutual interest in

1 harmonious bilateral economic relations. Our
2 economies have become interdependent.

3 According to the U.S. Department of
4 Commerce data, China is the third largest U.S. export
5 market, second largest export market for U.S.
6 agricultural products and has been our fastest
7 growing market for a decade, with U.S. exports
8 growing by more than 450 percent since 2000.
9 U.S. exporters have lost market share to competing
10 nations during the same period according to the
11 American Chamber of Commerce of Shanghai.

12 While the U.S. population retains its
13 position as the top consumer of the world's goods and
14 services, a growing Chinese class of consumers that
15 offers U.S. export is exciting trade, and investment
16 opportunities have come about. Likewise, U.S. states
17 and territories stand ready to encourage and
18 facilitate business investment in this country.

19 U.S. affiliates of foreign companies
20 employed 5.6 million people in 2010, supporting an
21 annual payroll of \$408.5 billion with an average
22 salary per U.S. employee of about \$73,000, which is
23 33 percent higher than the average compensation for
24 domestic-based companies.

25 Through ongoing dialogue and interaction,

1 whether in large venues like this forum or more
2 intimate one-on-one discussions, we must strive to
3 develop mutually beneficial long-term relationships
4 between U.S. states and territories and Chinese
5 provinces through trade and investment opportunities.
6 The breadth of those opportunities should capture not
7 only business-to-business relationships but also
8 travel, tourism, and cultural exchanges. Such
9 opportunities and exchanges facilitate relationship
10 building in trade and investment, which includes
11 securing partners to help parties navigate
12 transactions.

13 Strong bilateral relationships among the
14 U.S. and Chinese public and private sectors also help
15 us appreciate the richness we each bring, and it
16 would support a more predictable market environment
17 where access to capital is strong, work forces are
18 skilled and educated, and regulatory and business
19 practices are transparent. A predictable market
20 environment improves depth and builds trust in our
21 bilateral business relationships that provides mutual
22 benefits in today's globally interdependent economy.

23 With that, Madam Li?

24 MADAM LI: Thank you for the excellent
25 remarks by Governor Gregoire.

1 The Chinese delegation is headed by
2 Party Secretary Zhao Hongzhu of Zhejiang Province,
3 and major members include Governor Wang Sanyun of
4 Anhui Province, Governor Qin Guangrong of Yunnan
5 Province, and Governor Luo Huining, governor of
6 Qinghai Province.

7 These four provinces are respectively
8 located in the southeastern coastal areas of China,
9 central China, and western China. They have their own
10 strengths and distinctive characteristics. To enable
11 the audience to have a better understanding of these
12 four provinces, they have made short films about
13 their own provinces.

14 For the first topic, trade and investment,
15 Governor Gregoire has made a brief introduction about
16 this topic. For this topic the Chinese speaker is
17 Party Secretary Zhao Hongzhu, party secretary from
18 Zhejiang Province. Before his remarks, please watch
19 a three-minute short film on Zhejiang Province.

20 *(Film about Zhejiang Province presented by*
21 *Party Secretary Zhao Hongzhu.)*

22 *(Applause.)*

23 MADAM LI: Having seen this short film, I
24 believe you are very interested in this province.

25 Now we'd like to invite Party

1 Secretary Zhao Hongzhu to make some remarks. He will
2 speak on working hard to promote more balanced trade
3 relations and closer investment relationships.

4 PARTY SECRETARY ZHAO: Governor Gregoire,
5 chair of the NGA, Vice President Li Xiaolin,
6 Ambassador Zhang, governors of the United States,
7 friends from the media, ladies and gentlemen, good
8 afternoon.

9 The Chinese delegation has come to
10 Salt Lake City, and we have stayed here for three
11 days. In the past three days we have experienced
12 friendship and cooperation and the hospitality
13 accorded to us by the State of Utah and other states
14 in the United States.

15 Now the first China-U.S. Governors Forum
16 initiated by the leaders of the two countries is
17 being held in Salt Lake City as scheduled. First of
18 all, please allow me to extend on behalf of the
19 Chinese delegation our heartfelt thanks for the
20 thoughtful arrangements and hospitality and warm
21 congratulations on the opening of the forum.

22 The forum is one of the important
23 achievements of President Hu Jintao's visit to the
24 United States last January, and it's also an
25 innovative step forward between China and the United

1 States in promoting subnational cooperation.

2 In our delegation, we have representatives
3 from Zhejiang, in the eastern coastal area of China,
4 and Anhui in central China, and Qinghai in western
5 China. We have the common aspiration that we can use
6 this opportunity to work together with our friends in
7 the United States for common development and promote
8 greater progress in our cooperative partnerships
9 between the two countries. The four of us will
10 introduce you to our respective provinces, so I'd
11 like to take this opportunity to brief you on trade
12 and investment of Zhejiang Province.

13 Zhejiang is located on the western coast
14 of the Pacific and southeastern coastal area of
15 China. Its land area takes up only 1.06 percent of
16 China's territory. It's one of the most developed
17 provinces where there is a dynamic and
18 export-oriented economy. We have contributed more
19 than 7 percent of China's economic growth every year.
20 In 2010 our export amounted to 180.5 billion U.S.
21 dollars, taking up 11.5 percent of mainland China's
22 export total. That means of all the exports made in
23 China, one-tenth comes from Zhejiang Province.

24 In terms of the business exchanges between
25 Zhejiang and the United States, I can describe it

1 with a Chinese idiom, that it's going on like a
2 raging fire. The U.S. is the largest export nation
3 of Zhejiang. It's also the third largest import
4 source of Zhejiang.

5 Over the past 10 years since China joined
6 the WTO, Zhejiang's import and export trade with the
7 United States has increased by 6.9 times, an annual
8 increase of 21.4 percent. The U.S. is also an
9 important source of foreign investment to Zhejiang.
10 Twenty-three of the top 500 American enterprises have
11 invested in 32 enterprises in Zhejiang, and most of
12 these enterprises have become the major profit-makers
13 of the parent companies.

14 For instance, the well-known U.S.
15 pharmaceutical corporation Merck established an MSD
16 (Merck Sharpe & Dohme Ltd.,) Hangzhou in 1994. In 2010 its
market turnover
17 exceeded 380 million U.S. dollars. In July 2010, it
18 opened a new plant in Hangzhou, and it's estimated
19 that by 2017 its output will reach 1.48 billion U.S.
dollars

21 And Zhejiang enterprises have also made
22 investments in the United States. The U.S. has
23 become the host of most of the outbound investing
24 companies of Zhejiang. By April 2011, Zhejiang had

25 established a total of 710 enterprises and

1 institutions in the United States, taking up
2 15.01 percent of our enterprises investing abroad.

3 For instance, Wanxiang American
4 Corporation, which is very close to Chicago, has been
5 the most successful Chinese enterprise investing in
6 the United States. It has 28 subsidiaries in the
7 United States employing more than 5,000 people, and
8 its market turnover in 2010 exceeded 2 billion U.S.
9 dollars.

10 These companies and their staff with
11 vision and achievements are the forerunners,
12 demonstrators, and beneficiaries of business exchanges
13 between Zhejiang and the United States. They
14 represent the business exchanges between Zhejiang and
15 the United States and fully demonstrate the
16 achievements made in the fast market economic growth
17 in China and interconnection between the two
18 economies of China and the United States.

19 It also fully demonstrates the needs of
20 the two countries to work together to build a
21 cooperative partnership based on mutual respect and
22 mutual benefit. It's also the agreement between
23 President Hu and President Obama.

24 With these achievements we have every
25 reason to believe as we work together to build a

1 cooperative, positive and comprehensive China-U.S.
2 relationship in the 21st century, Zhejiang business
3 exchange and investment cooperation with the U.S.
4 will embrace a prospect of closer, broader and more
5 fruitful development on a larger scale.

6 In May 2011 we had the third S&ED between
7 China and the United States where we signed a
8 comprehensive framework agreement promoting strong,
9 sustainable and balanced growth and economic
10 cooperation between China and the United States.
11 This has been a new milestone in our economic
12 cooperation.

13 In recent years Zhejiang is promoting its
14 traditional advantages, and we are also paying more
15 attention to developing the transformation of the
16 economic growth pattern. We pay more attention to
17 developing the maritime economy, biological industry,
18 advanced equipment manufacturing, energy conservation,
19 and environmental protection industry, new energy and
20 new material and Internet of things and eBusiness.

21 More and more Zhejiang enterprises are
22 working through merger, investment, and building
23 overseas production bases to lay groundwork for
24 further multinational development.

25 Provinces and states, as the

1 administrative areas and economic units of our two
2 countries, have an indispensable role to play in
3 promoting China-U.S. business exchanges and
4 cooperation. Zhejiang is ready to work together with
5 the United States for a bright future for our
6 business exchange and investment cooperation.

7 We believe we should step up efforts in
8 the following areas:

9 First, let's work together to expand our
10 trade and promote more balanced China-U.S. trade
11 relations. In this forum we have four topics. They
12 are very important topics. Through exchanges we have
13 reached consensus. But what matters most here is the
14 implementation, and one of them is to promote
15 China-U.S. trade cooperation.

16 Zhejiang's external trade has been seeking
17 opportunities and development in global industrial
18 relocation and restructuring. To share opportunities
19 and achieve win-win cooperation has been our ultimate
20 goal.

21 Frankly speaking, now we are balancing our
22 trade with the United States, but we will take a
23 holistic approach to promote further liberalization
24 of trade and investment, to lift restrictions on
25 exports and promote more balanced development of

1 trade at the subnational level for the benefit of the
2 people in our countries.

3 Second, let's work together to create a
4 more open and fair investment environment. The
5 subnational governments of our two countries should
6 work within our respective legal systems to provide
7 full national treatment to the enterprises of the
8 other side and make our investment environment more
9 transparent and predictable and create a level
10 playing ground and favorable development environment.

11 Now, Zhejiang has already established
12 national level economic and trade cooperation zones
13 in Russia, Thailand, and Vietnam. We have already set
14 up 4,654 enterprises and trade institutions in more
15 than 130 countries and regions. More than
16 1.5 million Zhejianese are doing business abroad. We
17 hope that we can have such similar cooperation with
18 the United States.

19 To our pleasure, yesterday Zhejiang and
20 the relevant states and enterprises have signed two
21 intergovernmental cooperative documents and six
22 cooperative projects between enterprises. In coming
23 days we will visit our sister cities and sign another
24 number of cooperative projects. It's estimated we
25 will sign a total of 40 projects worth 4.2 billion

1 U.S. dollars. This will be an important outcome of
2 our visit.

3 Third, let's work together to further
4 substantiate China-U.S. cooperative partnerships in
5 terms of a new energy industry, high-speed rails,
6 smart grid, and education. China and the United
7 States have common interests and great potential of
8 cooperation. Our subnational governments should work
9 together to tap the potential in these areas to
10 innovate our cooperative patterns and lift the level
11 of cooperation to further substantiate our
12 cooperative partnership.

13 Fourth, let's work together to set up
14 broader reach of friendship between the two peoples.
15 Economic exchange and cooperation is based on mutual
16 trust and friendship between the people. Expanding
17 our trade and investment cooperation is aimed not
18 only at creating wealth and making profit, it's also
19 about enhancing mutual understanding and friendship
20 between our two peoples and promoting dialogue among
21 cultures. I believe that's more important than
22 anything else.

23 I have stressed one point over and again
24 on many occasions. We should have direct links in
25 terms of logistics, information and transportation

1 between the two regions, but what's most important is
2 that we should have these direct links between the
3 hearts of people. With these links we can overcome
4 any difficulties and solve problems.

5 We should use the opportunity to
6 strengthen trade and investment cooperation to
7 promote people-to-people exchanges, especially
8 exchanges between the youth, to win more public
9 support for the growth of China-U.S. relations.

10 Governors, colleagues, dear friends, the
11 U.S. has a saying: Make hay while the sun shines.
12 We should seize these valuable opportunities. Now
13 that we have these opportunities for development, we
14 have this hope for development, and we have this
15 blueprint of development; we have the confidence of
16 development.

17 Let's work together for the broader
18 prospects of China-U.S. subnational trade and
19 investment cooperation. I will be expecting our
20 friends of the United States by the West Lake in
21 Hangzhou, dear friends here in Hangzhou.

22 Thank you.

23 *(Applause.)*

24 GOVERNOR GREGOIRE: Mr. Secretary, thank
25 you very much for your presentation and for the video

1 to introduce the province to us. We appreciate it
2 very much.

3 And if I might comment, I think the
4 governors of the United States understand that with
5 mutual respect, with cultural exchange, with student
6 exchange, that gives us the opportunity to have the
7 kind of economic development that you speak of. So
8 thank you again for your presentation.

9 We'll now move on to energy, and from the
10 United States, Governor Fortuño from Puerto Rico will
11 make the presentation.

12 GOVERNOR FORTUÑO: Thank you, and it's
13 really a pleasure to be able to address this topic.

14 First of all, Madam Li, Governor Gregoire,
15 Ambassador Zhang Yesui, Secretary Zhao Hongzhu and
16 fellow Chinese and American governors, indeed, if we
17 want our economies to grow, energy is a major issue
18 that we all have to address. It is important in our
19 lives and the livelihoods of our people in both
20 countries, and it's key on the agenda of both
21 countries.

22 Our countries have the largest economies
23 in the world. We both have significant economic and
24 environmental interests in developing cleaner and
25 cheaper energy resources. Each of us is extremely

1 dependent on fossil fuels. One-half of U.S.
2 electricity is powered by coal. China relies on coal
3 for nearly three-fourths of its electricity.

4 In addition to coal, we rely on oil
5 predominantly from other countries. In 2009 China
6 became the second largest net oil importer in the
7 world. The United States is the largest.

8 Each of our countries and many of our
9 states and provinces have taken positive steps to
10 diversify energy resources in order to strengthen and
11 grow our respective economies. That is true
12 certainly in the case of Puerto Rico, and I know is
13 the case of all of my fellow governors. We're
14 implementing comprehensive energy reform to replace
15 excessive dependence on fossil fuels--in our case, on
16 oil--with cleaner, cheaper and safer alternatives,
17 including natural gas, solar, and wind energy.

18 The need for energy reform and
19 diversification is acute, especially in the case of
20 islands like Hawaii and the U.S. Territories. In the
21 case of Puerto Rico, 69 percent of our electricity
22 generation relies on oil, and that is certainly
23 unsustainable. And Hawaii and the U.S. Territories
24 are not connected to the national energy grid, which
25 complicates matters even further, requiring

1 redundancy in our energy production.

2 Producing energy from imported oil is very
3 expensive, and the price is unstable. It debilitates
4 our respective economies, affects consumers and
5 businesses alike, and it's a drag on the progress of
6 our economic recovery. Thus, energy reform is a key
7 component to long-term economic growth in both of our
8 countries.

9 In the case of Puerto Rico, we have
10 implemented comprehensive energy policies which focus
11 on renewable energy generation and natural gas. In
12 2010 we passed legislation setting up renewable
13 portfolio standards, as about half of the states have
14 done so far. In our case it requires that 15 percent
15 of our energy be produced by renewable sources by
16 2020. We also created a green energy fund in which
17 the government can invest in small- and medium-scale
18 energy efficiency and renewable projects to jump-
19 start these markets and create jobs.

20 In addition, we're tackling our reliance
21 on oil head-on by diversifying our fuel resources to
22 include natural gas, which is abundant in our
23 country. A key part in our diversification strategy
24 includes building a natural gas pipeline to allow us
25 to convert existing power plants to cleaner, cheaper

1 natural gas. Actually, that will also allow us to
2 lower by about two-thirds emissions into the
3 environment, and our consumers will save about a
4 billion dollars a year.

5 We're also interested in developing a
6 market for electric vehicles and actually have signed
7 an MOU to incentivize the use of zero-emission
8 vehicles and to create the infrastructure necessary
9 to move this initiative forward.

10 At the federal level on the U.S. side, we
11 enacted a renewable fuel standards back in 2005--
12 that was done by Congress--which requires that
13 7.5 billion gallons of renewable fuel be blended into
14 the nation's gasoline supply by 2012. Just three
15 years ago we increased that amount to 36 million
16 gallons by 2022.

17 In March 2011 China issued a five-year
18 plan which proposed to generate 11.4 percent of its
19 electricity from non-fossil fuel sources. While
20 there is not a U.S. nationwide renewable electricity
21 standard, 27 states, Puerto Rico, and the District of
22 Columbia have enacted RES, and four states have
23 enacted alternatives or clean energy standards.

24 Working together our countries are making
25 great strides to diversify our energy supplies.

1 Through a joint \$150 billion investment, China and
2 the U.S. are collaborating on clean energy research
3 with the development and commercialization of clean
4 coal technology at the University of West Virginia,
5 clean vehicles at the University of Michigan, and
6 building efficiency at the Lawrence Berkeley National
7 Laboratory.

8 We are working together on electric
9 vehicle demonstration projects in Los Angeles and
10 Shanghai to share data and consumer preferences and
11 jointly developing standards for charging blocks and
12 battery testing.

13 Just three years ago our countries
14 established the 10-year framework to facilitate the
15 exchange of information and best practices in six key
16 areas: electricity, water, air, transportation,
17 forest and wetland conservation, and energy efficiency.
18 The framework includes equal partnerships with
19 Chinese and American cities. That includes Denver,
20 Colorado, with Ford Motor Company partnering with the
21 Chinese city of Changqing and Chang'an Motors in
22 focusing on implementation of electric and plug-in
23 hybrid vehicles.

24 As governors we look forward to continuing
25 these partnerships and forging new alliances between

25

3 Thank you very much.

4 (Applause.)

5 GOVERNOR GREGOIRE: Thank you,
6 Governor Fortuño.

7 MADAM LI: Our second topic will be on the
8 development and cooperation in new energy.
9 Governor Fortuño has given us a very comprehensive
10 briefing on the new energy situation in the States.

Both China and the United States are the biggest energy consumers and producers. Our two countries are highly complementary in the field of energy and enjoy broad prospects for cooperation.

15 Qinghai is a province rich in energy
16 resources. Now let's watch a video on Qinghai
17 Province.

18 (Film about Qinghai Province presented by
19 Governor Luo Huining.)

20 (Applause.)

21 MADAM LI: I believe all of us are
22 impressed by Qinghai Province.

23 Now may I invite Governor Luo Huining to
24 make a presentation.

25 GOVERNOR LUO HUINING: Madam Li Xiaolin,

1 Vice President, Your Excellency, Ambassador Zhang
2 Yesui, governors from the United States, friends from
3 the media, ladies and gentlemen, good afternoon.

4 It gives me great pleasure to come to
5 beautiful Salt Lake City today to join the other
6 governors from China and the United States and
7 discuss with you topics related to development and
8 cooperation.

9 The financial crisis that broke out three
10 years ago is still exerting an impact on the world
11 economy. Although Qinghai is located in the far
12 western part of China and is high on the plateau, it
13 also went through the hard time of the crisis. Yet
14 crisis entails new opportunity. In history, each
15 economic crisis gave birth to new industries and a
16 revolution in science and technology.

17 Green economy and low carbon technology
18 are leading the trend in this new round. Since the
19 outbreak of the crisis, the whole world is thinking
20 about what development model we should choose and how
21 we should respond to the global climate challenge.
22 Qinghai is looking for a way to correctly seize this
23 new trend of green development, bring out its
24 resource potential and change its way of economic
25 development.

1 It may not be known, but Qinghai is an
2 important eco-safety screen for China and the whole
3 world. It has a strategic implication of protecting
4 the safety of the eco-environment and tackling climate
5 change. It is our historic responsibility and a
6 strategic choice to pursue green economy, follow a
7 path of low-carbon development and contribute to
8 world sustainability and the well-being of billions
9 of people.

10 We have put our commitment to action and
11 found an effective way to achieve green development
12 by developing the circular economy. We have set up
13 the Qaidam circular economic pilot zone on an area of
14 300,000 square kilometers. It is the largest such
15 pilot zone in China approved by the Chinese
16 government.

17 In the next five years, we will focus our
18 efforts on building industrial change of renewable
19 energy, salt lake chemical engineering, oil and gas
20 recycling, the comprehensive utilization of coal,
21 nonferrous deep processing and a biosector with
22 plateau features.

23 All of these will help us form an
24 industrial framework for a circular economy with
25 reasonable structure, unique advantages, intensive

1 use of resources and complete links. Our objective
2 is to build the biggest industrial base for circular
3 economy in China and achieve economic development,
4 eco-safety and a better life for the people at the
5 same time. This, of course, means strenuous efforts
6 on our part.

7 Governor Fortuño has shared with us his
8 insights into the utilization of new energy. New
9 energy is also a topic I'm going to talk about for
10 today. It is an important part of the underlying
11 support for developing green economy in Qinghai.

12 In China, Qinghai is well equipped for
13 developing the new energy sector. On solar power,
14 Qinghai offers the best sunlight, land resources,
15 power grid, transport facility and photovoltaic
16 conditions in developing the PV sector in China. It
17 is one of the best areas for developing the PV
18 sector.

19 At this time the network generates
20 50 megawatts. The figure will rapidly rise to
21 200 megawatts by the end of the year and is expected
22 to reach 2,000 megawatts in five years and 10,000
23 megawatts by 2020. In Golmud, a western city of
24 Qinghai, a sun city is emerging as an important power
25 generation base of solar power in China.

1 On wind power Qinghai ranks the third in
2 China in its total resources. Its stored capacity
3 can stand well above 12,000 megawatts. Stored
4 capacity of 150 megawatts is being built. In five
5 years 1,500 megawatts will be completed and will
6 reach 2,500 megawatts by 2010 *[sic]*.

7 Qinghai is rich in lithium carbonate of
8 high quality. There are about 21 million tons of
9 recoverable lithium chloride, accounting for
10 90 percent of such resources in China and one-third
11 in the world. At this time we're using advanced
12 technology to extract lithium from the salt lake and
13 have formed the basis for industrialization.

14 All of this provides us with key support
15 for developing lithium related to new energy, new
16 material, and a new energy vehicle.

17 The huge potential of the circular economy
18 and the new energy sector in Qinghai offers both
19 development opportunities to Qinghai and cooperation
20 opportunities for us all. We're seeking cooperation
21 and support to address the lack of technology,
22 talented people, and funding.

23 For example, we worked with the China
24 Academy of Sciences to build Qinghai Solar Energy
25 Research and a demonstration base and cooperated with

1 Germany and Japan to develop PV projects.

2 Together with the State of Utah we set up
3 a science in innovation coalition and a strategic
4 alliance of industrial technology innovation. I also
5 want to tell you that given our thoughtful
6 preparations over the past two days, our institutions
7 of higher learning, our companies and research
8 institutes have signed eight agreements with their
9 counterparts from the United States involving 18
10 projects, and most of the projects are located in the
11 state of Utah.

12 Of course, the platform for cooperation is
13 broad and open. We welcome more strategic
14 cooperation partners, particularly American companies
15 with advanced technology, to Qinghai. We are
16 preparing for a seminar on the development of the PV
17 industry in Xi'ning this August. Here I wish to
18 extend a very warm invitation to all friends who have
19 an interest in this sector.

20 We have noticed that in recent years the
21 U.S. government has put energy reform high on its
22 agenda and introduced a new energy plan which has
23 attracted wide attention. China also attaches great
24 importance to the new energy sector, and it works
25 hard to build a modern energy system that is secure,

1 the environment, and I'm going to call on
2 Governor [Terry] Branstad from the great state of Iowa to
3 lead the discussion.

4 Governor.

5 GOVERNOR BRANSTAD: Thank you,
6 Governor Gregoire, and thank you to the Chinese
7 ambassador, the party general secretary, provincial
8 governors, Madam Li, all for joining us for
9 participation in this forum today.

10 Both the United States and China enjoy a
11 strong trading partnership in agriculture products
12 with China, and that being the United States' second
13 largest exporting market. Economic development,
14 growth, and stability for our rural areas is important
15 to both countries, and key American exports to China
16 include corn, soy beans, cotton, barley, and bulk wood
17 products. We value products as safe and reliable
18 foods.

19 In addition, agriculture-related machinery
20 and value-added manufactured products compose an
21 important part of the trading relationship that we
22 have, and China exports to the United States
23 value-added wood products, fish and seafood, plywood,
24 processed fruits and vegetables. And we're very
25 appreciative of this very important partnership we

1 have in trade.

2 I've set a goal of increasing
3 significantly exports from our state, and I know the
4 President has a goal of over the next five years
5 increasing American exports by a hundred percent. I
6 recognize that both of our countries can benefit from
7 trade, and we should actively support international
8 engagement.

9 Fast-moving advancements in
10 agriculture-related technologies are increasing crop
11 yields and allowing the development of new
12 opportunities in biosciences. Many U.S. governors,
13 like their Chinese counterparts, are seeking ways to
14 further energy development, and agriculture in rural
15 communities are key beneficiaries of this.

16 Thankfully, technology advances allow for
17 the production of biofuels and safe and reliable
18 food. Per-acre productivity increases allow for
19 efficient production of traditional biofuels, and
20 cellulosic ethynol provides additional opportunities
21 for the future.

22 I understand that China is very interested
23 in the development of biofuels, and in the second
24 quarter of this fiscal year, there were six initial
25 public offerings for Chinese biofuel companies. We

1 need to remain committed to additional biofuels
2 development in both of our countries to reduce this
3 dependency on oil imports.

4 In addition, both of our countries have
5 growing energy and energy security needs. My state,
6 the state of Iowa, has recognized that wind energy is
7 very important to our rural communities as well as
8 being a renewable, low-cost energy source. Iowa
9 currently has the second largest installed capacity
10 for wind generation in the United States. We're
11 second only to Texas, but Texas is a much bigger
12 state.

13 I understand there's been tremendous
14 growth in China as well.

15 In fact, I think, Party Secretary, in your
16 province, when you showed the film, it showed some of
17 those wind turbines. So we see that's also something
18 that's an exciting change that's taking place in your
19 country. If you fly across the state of Iowa, you'll
20 see a lot of those as well.

21 With China and the United States combining
22 to use 40 percent of the world's energy and being
23 overly dependent or reliant on imports for fuel
24 needs, biofuels and wind energy are mutually
25 important and beneficial areas for cooperation

1 between our two countries, and we look forward to
2 additional cooperation.

3 I'm very interested in working with the
4 Chinese leaders to further advance both biofuels and
5 wind energy and to harness those technologies to
6 produce low cost energy that is also environmentally
7 beneficial for both of our countries and for our
8 economies. By working together, we can help improve
9 the standard of living for people that live on the
10 land in rural communities.

11 And we have also overcome the
12 challenges--in addition to that, we've had our
13 individual challenges with natural disasters,
14 disasters that often impact people that live in rural
15 communities. Floodwaters have caused widespread
16 damage in both the United States and China. However,
17 both countries can continue to work together to build
18 more resilient communities and avoid some of these
19 disasters in the future.

20 I encourage continued partnerships through
21 a variety of avenues, including sister states. We
22 established our first sister state on my first visit
23 to China in 1984 with the Hebei province, with
24 Governor Zhang Zhu Guang, and I have fond memories of
25 that trip. We came from Beijing to Sichuan by rail

1 and were met with a band, and they presented my wife
2 with a bouquet of flowers. And the friendship has
3 existed ever since. We've had many, many wonderful
4 exchanges over the years, and our lieutenant governor
5 just visited the province in June along with
6 other locations in China.

7 Of course, in 1984 I was a young governor,
8 and I sought to develop cultural and economic
9 partnerships.

10 I continue to be excited about the
11 progress that's been made, the dramatic change and
12 improvements in the lifestyle for the people of China
13 that's occurred since that time.

14 American governors continue to explore
15 opportunities to promote, and we are very
16 appreciative of the opportunity to sell our soy beans
17 and corn in your marketplace. It's made a big
18 difference to the farmers in our state and the
19 partnership with companies like Pioneer Hybrid
20 International and with you in developing corn varieties
21 that meet the needs of China and the Chinese farmers
22 and agriculturalists.

23 I look forward to working with my fellow
24 American governors and with you, the Chinese
25 provincial governors and the Chinese leaders, to find

1 additional avenues for partnership.

2 Thank you very much.

3 *(Applause.)*

4 MADAM LI: Our third topic is
5 environmental protection and cooperation.
6 Governor Branstad of Iowa has made an excellent
7 speech.

8 The Chinese government has attached great
9 importance to environmental protection.

10 Yunnan is located in southwestern China
11 with beautiful scenery and unique folk traditions.
12 Now let's first watch the short film of Yunnan
13 province.

14 *(Film about Yunnan Province presented by*
15 *Governor Qin Guangrong.)*

16 *(Applause.)*

17 MADAM LI: Having watched the film, I
18 believe you've fallen in love with this place.

19 Now I'd like to invite Qin Guangrong,
20 governor of Yunnan Province, to make some remarks.

21 GOVERNOR QIN: Governor Gregoire, chairman
22 of the NGA, Vice President Li Xiaolin,
23 Ambassador Zhang Yesui, Special Representative Lewis,
24 ladies and gentlemen, dear friends, we have just
25 heard the exciting speech made by the governor of

1 Iowa. The state has made good use of the local
2 resources to promote environmental protection.

3 You are an experienced governor in the
4 United States. I had the opportunity to sit beside
5 you and your wife during dinner last night. You left
6 me with a deep impression of your outstanding
7 leadership and excellent wife.

8 Ladies and gentlemen and dear friends, in
9 1933 a book was a big hit in the world. It was
10 written by James Hilton, a British writer. It's
11 called *Lost Horizon*. He described an eternal city
12 in the mountainous area in western China. It's
13 called Shangri-La. People there enjoyed peace,
14 prosperity, harmony and immortality. Since then
15 Shangri-La has represented things that are beautiful
16 and eternal.

17 In 1997 a group consisting of geologists,
18 cultural scientists and tourists discovered through
19 studies that Shangri-La is located in Yunnan
20 Province, China. This has once again attracted the
21 attention of the world.

22 As a representative of Yunnan Province,
23 I'm privileged to take part in this forum and to
24 follow up the speech made by the governor of Iowa.
25 I'd like to take this opportunity to explore with you

1 the common challenges facing mankind in terms of
2 eco-safety, environmental protection and resource
3 conservation.

4 The ecosystem has contributed to the
5 magical attraction of Shangri-La and the beauty of
6 Yunnan. In keeping with the fine tradition of people
7 in Yunnan, we have worked with grateful hearts and a
8 sense of responsibility to protect the environment.

9 In recent years in particular, we have
10 stepped up our efforts in environmental protection.
11 First, we have launched the protection project called
12 Colorful Yunnan to raise awareness of our people
13 about environmental protection and encourage social
14 participation in this effort.

15 Second, in northwest and southwest Yunnan
16 in an area of 180,000 square kilometers, we have
17 introduced an action plan to protect biodiversity.
18 That means we protect one-third of Chinese species
19 and one-tenth of the world species.

20 Third, we have introduced key programs to
21 protect lakes and river systems and restore the river
22 systems to their natural state.

23 Fourth, we have worked hard to build
24 sewage treatment plants. After 2012, in all other
25 areas we will have sewage treatment and garbage

1 disposal facilities.

2 Fifth, in energy and resource
3 conservation, the energy consumption per unit of GDP,
4 the emission of CO₂ and SO₂ have been reduced by a
5 large margin compared with five years ago. We have
6 achieved a goal by the Chinese government for Yunnan
7 ahead of schedule.

8 Sixth, we have set the goal of building
9 forestry land and carrying out a reforestation
10 campaign to increase the forest coverage from
11 53 percent to 60 percent.

12 We are clearly aware all these actions are
13 of great significance to Yunnan, to China, and to the
14 world at large. Even if it means less material
15 covered, we will stick to this important cause.

16 Global warming and overconsumption of
17 resources has sounded the alarm to the growth pattern
18 of the world. We should pay more attention to
19 environmental protection and ecosystem development
20 and take more concrete measures to protect the
21 harmony of nature.

22 I'd like to make the proposals as follows:

23 First, we build the relationship between
24 man and nature. More industrialization has further
25 estranged us from nature. We pay less and less

1 attention to nature. Actually, nature is so profound
2 and rich that the knowledge of man is very limited.
3 We should get closer to nature, hold nature in awe,
4 and promote harmony between man and nature.

5 Second, we should make sound environment
6 an important force for development. We should
7 integrate the eco-development with economic growth and
8 turn the environment into a productive force and
9 develop industrial system brand names and market
10 network of green economy for the benefit of people
11 who have worked to protect our environment.

12 Third, we should change our lifestyle.
13 The pursuit of material and waste has made us take
14 too much from nature. This has posed a grave threat
15 to the eco-environment. An important link in our
16 efforts to protect the environment is to lead an
17 economical and simple life. We should save every
18 drop of water, save electricity, oil and paper. We
19 should develop the culture of conservation and an
20 environment friendly lifestyle.

21 Fourth, we should improve the mechanisms
22 of environmental protection on the basis of common
23 but differentiated responsibilities. We should set
24 up a global environmental protection system and
25 coordinate our efforts in this area. Developing

1 countries should have more support and assistance
2 from the developed ones in the process of
3 environmental protection.

4 Thank you.

5 *(Applause.)*

6 GOVERNOR GREGOIRE: Well, governor, thank
7 you for your comments. Thank you for introducing us
8 to Yunnan Province, its history, culture and beauty.
9 Thank you for your expression of your environmental
10 ethic and our mutual commitment to environmental
11 protection. We look forward to working with you.

12 Now, our last substantive area is one
13 that's very important to all of us, and that's
14 education. On behalf of the governors of the United
15 States, we have Governor Jay Nixon, who is chair of
16 our education committee, from the great state of
17 Missouri.

18 GOVERNOR NIXON: Thank you.

19 It is certainly an honor and pleasure to
20 join with everyone in this historic occasion as we
21 move forward to accelerate the relationships on many
22 levels with our neighbors and growing friends.

23 As leaders in our states and provinces, we
24 know that educated citizens represent the backbone of
25 a strong and prosperous economy. In the United

1 States our fundamental objective is to ensure that
2 all of our students receive a world-class education,
3 graduate from high school, and are prepared for
4 college and careers.

5 The primary responsibility for education
6 in the United States rests with governors and states.
7 Each year states spend approximately \$425 billion on
8 elementary, secondary, and higher education, which
9 constitutes the largest category of state
10 expenditures. Total U.S. spending on education
11 comprises 5.5 percent of GDP.

12 Collectively, through the National
13 Governors Association, governors have embarked on two
14 recent groundbreaking initiatives. First, 43 states
15 and territories have adopted state-developed common
16 education standards that define what our elementary
17 and secondary school students are expected to learn.
18 We are setting the bar high for the future
19 generations. These standards focus on the knowledge
20 and skills that our young people need for success now
21 and in the future.

22 Second, Governor Gregoire is leading
23 governors in an initiative to dramatically increase
24 college completion and productivity, and her
25 leadership is having significant effects in states

1 across the United States.

2 Governors also recognize that as our two
3 countries' economies become more interdependent,
4 strengthened exchanges of knowledge, culture, and
5 students between our countries will be a vital
6 component in our collective success in a modern
7 global economy.

8 As we know, our relationship isn't just
9 about exchanges between leaders of our governments
10 like the ones we have today. It is also about
11 relationships between our people, between our
12 business leaders and our scientists, our educators
13 and particularly our young people.

14 Today the highest number of exchange
15 students in the United States are from China, and
16 more Americans are now studying in China than in any
17 other foreign country.

18 These exchanges are critical. The more
19 our people learn to cooperate and collaborate, the
20 more that China and the United States will have the
21 cultural understanding and language skills to
22 underpin effective diplomacy and foreign policy that
23 will enable us to find solutions to many global
24 challenges.

25 In my state, international students rose

1 18 percent in 2010. That's six times the national
2 average increase. And China is our number one
3 country of exchanging students between our two
4 countries. We thank you for your continued
5 confidence and investment, and we expect to continue
6 to grow bilaterally in that growing enterprise.

7 To this end, the United States and China
8 are cooperating closely to achieve the goals of the
9 initiative agreed to by President Obama and
10 President Hu to increase dramatically the number, the
11 diversity of the composition of American students
12 studying in China as a means to enhance our
13 people-to-people ties between our two nations.

14 By reaching across borders, across the
15 world, we can share knowledge and research, generate
16 promising and growing partnerships and leverage the
17 power of innovation to create jobs and expand
18 opportunity to make sure that our children, not just
19 us, are winners in this changing, growing, global
20 economy.

21 Thank you for being with us today.

22 *(Applause.)*

23 MADAM LI: Our last topic is young people
24 and youth exchange. Governor Nixon had given a very
25 good presentation. People-to-people exchange is a

1 new highlight in China-U.S. relations this year, and
2 it is one of the three pillars underpinning
3 China-U.S. relations in a new era.

4 The Anhui province is a place that has
5 cradled many talented Chinese people. Now let's
6 watch a video on Anhui province.

7 *(Film about Anhui Province presented by*
8 *Governor Wang San Yun.)*

9 *(Applause.)*

10 MADAM LI: Now let's invite Governor Wan
11 San Yun to make his presentation.

12 GOVERNOR WAN: Honorable Governor
13 Gregoire, Vice President Li Xiaolin, Ambassador Zhang
14 Yesui, governors, ladies and gentlemen, dear friends,
15 education concerns the destiny of a nation. Young
16 people are the hope of a nation and the future of the
17 world. I can see that education and youth exchange
18 have always been a lively topic of the National
19 Governors Association, and here I wish to thank the
20 forum for giving me this very good opportunity to
21 discuss with you this topic on young people and
22 education.

23 Anhui is located in the eastern part of
24 China. It covers an area of 140,000 square
25 kilometers, and is a part of the most dynamic Yangtze

1 River Delta economic development zones. And among
2 the more than 30 provinces in China, Anhui is one of
3 the most dynamic provinces, and its economy has been
4 growing at above 10 percent for 10 consecutive
5 years.

6 President Obama once rightly said that
7 education is the economic issue of our time.
8 Education has played an important role in our
9 economic development. We have 12 million students in
10 school and more than 2,000 institutions of higher
11 learning.

12 Looking ahead into the future, I feel a
13 very heavy task on my shoulders. Education not only
14 concerns the destiny of the country but also concerns
15 each and every one of the people. Our goal is to
16 ensure equal opportunity to education for all our
17 children and to build a lifelong learning tradition
18 here in China. Anhui is the first province to make
19 compulsory education universal and ensure that all
20 students from both rural and urban areas have equal
21 opportunities for education.

22 And now it is pushing forward pilot
23 projects in education to reasonably allocate our
24 resources in education and to give equal access to
25 education to all our kids.

1 Ladies and gentlemen, education must be an
2 open and inclusive process, and we need to reinforce
3 each other in great interactions.

4 About a hundred years ago young people
5 such as Zhan Tianyou came to study in the United
6 States, becoming the frontrunners in a new form of
7 China-U.S. exchange.

8 In the new era with globalization and
9 application of IT, we are increasingly
10 interconnected. Education has become one of the
11 pillars. Anhui's 20 institutions of higher learning
12 have exchanged activities with universities from
13 Maryland and Ohio. It has more than 10 universities
14 such as Harvard and Yale and is carrying out
15 exchanges with a number of American universities.

16 And quite a number of young people from
17 Harvard and Yale are studying the Chinese language
18 and culture in Anhui. There are a number of young
19 people and American teachers teaching school at
20 universities in Anhui.

21 All these present a very good foundation
22 for our future cooperation, and we have every reason
23 to believe that as we build cooperative partnerships
24 between our two countries, the education cooperation
25 between our two countries holds even greater promise.

1 We would like to work with you to create
2 an even brighter future. I would expect the
3 following:

4 One is that we will deepen cooperation in
5 higher learning and make such cooperation an engine
6 in our venerable relationship. We need to expand the
7 exchanges between the teachers and the students and
8 cultivate more talented people in certain
9 professions, and we need to create equal
10 opportunities for young people.

11 And the 100,000-strong initiative
12 is being implemented. We will work hard to encourage
13 more American students to come to study in Anhui and
14 provide them with scholarships.

15 And second, I think innovation cooperation
16 should become an important part of our educational
17 cooperation. We need to seize the trend of
18 innovation in science and technology. Anhui has
19 always taken innovation as a priority. We will
20 strengthen our cooperation in new energy, new
21 material, new energy vehicles and based on the
22 protection of IPR, we're ready to strengthen our
23 corporation with the United States.

24 In terms of quantitative research, we
25 expect to expand our cooperation with the United

1 States in setting up a center, a research center, in
2 Guangdong.

3 And third, I believe the governments at
4 the subnational level need to play a very active role
5 in educational exchanges. We need to take the lead
6 to form new platforms for educational cooperation and
7 the exchange of young people and work for new steps
8 and bigger steps, and our governors can be very
9 important players in this process.

10 Ladies and gentlemen, education helps us
11 better understand each other. We sincerely hope that
12 more American students and teachers will come to
13 China to experience the Chinese culture and the
14 Oriental civilization.

15 As I conclude my remarks, I wish this
16 forum full success. I also wish to say that the
17 Yellow Mountains is a very famous cultural heritage
18 site. It is a geological garden. It is a well-known
19 place, and there is a welcoming tree that welcomes
20 all the guests coming to the mountain. It has defied
21 tough times and weather, and it tells the whole world
22 that the Chinese people are real friends ready to
23 embrace the world and ready to welcome all friends
24 from afar.

25 Anhui welcomes you.

1 *(Applause.)*

2 GOVERNOR GREGOIRE: Governor, thank you
3 for introducing us to Anhui Province.

4 Thank you for your commitment to the
5 education of our children in both countries. That
6 is our future.

7 President Hu Jintao came to visit the
8 state of Washington. As a result of his visit there,
9 we have started a school dedicated to the language
10 and the culture of China, and it's one of the most
11 popular schools in Washington state.

12 So thank you, and thank you to my fellow
13 governors. Mr. Secretary, Governors of China, thank
14 you each for your presentations.

15 We are out of time, but I don't want to
16 take away from the opportunity, so Madam Li and I
17 have agreed to limit the questions to two. I am
18 sorry.

19 So we'll rotate from one side to the
20 other. And if we could keep the questions short--
21 or let me say this: The answers short and the
22 questions shorter, meaning no more than two to three
23 minutes, because we would like to have the
24 opportunity to have questions.

25 So I will ask first if a U.S. governor has

1 a question they'd like to pose to Mr. Secretary or
2 one of the governors.

3 Our host from the great state of Utah,
4 Governor [Gary] Herbert.

5 GOVERNOR HERBERT: Well, thank you. And
6 it's been very enjoyable, and I think informative for
7 all of us to hear the comments and the presentations.

8 My question is very simply this: We talk
9 about we want to have better relationships with each
10 other to foster economic opportunity, and I just want
11 to ask the question: What is the obstacle that you
12 see or the challenges that are going to get in the
13 way of us accomplishing that?

14 GOVERNOR GREGOIRE: Mr. Secretary?

15 PARTY SECRETARY ZHAO: Governor, you have
16 raised a very good question. The exchanges between
17 us are based on a very broad basis. Many examples
18 were given by the previous speakers, and we value
19 these exchanges and cooperation.

20 But have we encountered problems or
21 challenges? I will have to say that even in a family
22 there is some displeasures or some friction, but as
23 long as we properly handle them, we will properly
24 resolve. As I said, if we have better communication
25 and a better understanding, we will be able to

1 address these differences.

2 And in terms of trade, the topic I was
3 talking about, in trade we may face something
4 particularly difficult, for example, the barriers,
5 trade barriers, or can we remove some of the barriers
6 so that trade is done more easily.

7 What does America need? What can we
8 produce for the Americans? We can look at all these
9 demand and supply and will address this demand and
10 supply. You can tell us what you need, and we can
11 tell you what we want.

12 So I think these exchanges are very
13 helpful for our cooperation at the subnational level,
14 and that's why I believe it's important that we need
15 to make our policies open and transparent and advance
16 our cooperation in a wide range of areas.

17 GOVERNOR GREGOIRE: I will ask if one of
18 our colleagues from China has a question they'd like
19 to ask of the governors of the United States.

20 GOVERNOR QIN: I have a question on
21 education. Actually, the institutions of higher
22 learning have two tasks. One is to cultivate talent,
23 and the other is to do research and development.

24 And after the students graduate from
25 universities, they will come into the industrial

1 sector, and the government has done a lot in
2 assisting them. But how can we better translate the
3 research results into real productivity? I don't
4 know whether or not the United States has a similar
5 problem. What is your experience? And we are very
6 interested to learn from you.

7 GOVERNOR GREGOIRE: Do you want to take
8 it, Jay?

9 GOVERNOR NIXON: It is a constant
10 challenge for all of us. We have a number of methods
11 in which we are trying to join up education, jobs,
12 research and business.

13 Two of those, one is our community college
14 system, which is designed to have worker training
15 directly contacting the jobs that are there, so the
16 people that employ people come to those schools, say
17 what they need as far as workers. We customize that
18 training right to them so that the workers are
19 literally working that job before they are joining
20 the business.

21 On the research side, what we're trying to
22 do is begin to get a series of innovation centers
23 where research and then turning that into a business
24 model touch each other. And all of us in some way or
25 another have incubation centers on our universities

1 which tie directly the thought processes and the
2 ideas to more capital for business ventures.

3 But to say that we have this problem
4 completely solved would be to overstate where we are.
5 It is something that all of us spend a great deal of
6 time trying to do much better.

7 GOVERNOR GREGOIRE: Governor, I have to
8 join with my colleague, Governor Nixon, and say this
9 is a mutual issue for us. In my state we have one of
10 the largest numbers of start-up companies in the
11 United States. That's a nice reputation to have.
12 You don't want to know how many fail.

13 But we foster it because we believe only
14 if you continue to push for start-up in cooperation
15 with your research institution are you going to have
16 the opportunity to create the companies of tomorrow.

17 So we struggle with it. We struggle with
18 not only how do you start it up, but how do you make
19 them flourish and grow and be successful.

20 So thank you.

21 Last question from American governors?

22 Governor [Neil] Abercrombie, aloha--

23 GOVERNOR ABERCROMBIE: Aloha.

24 GOVERNOR GREGOIRE: --from the great
25 state of Hawaii.

1 GOVERNOR ABERCROMBIE: Thank you.

2 Not a question, just a quick comment as a
3 follow-up to Governor Herbert's question. Two words,
4 "visa waivers." I mean it, visa waivers.

5 I am very grateful to our guests for their
6 courtesy and the polite and reflective way in which
7 they answered that question, but it's up to us. This
8 is visa waivers. If we have visa waivers, everything
9 opens up. Trade, conversation, education,
10 environmental exchange, investment, it all comes.
11 Visa waivers. It's up to us to make this reaction to
12 the courtesy and the openness of our Chinese friends,
13 and if we do that, I think you'll see everything
14 opens up. Visa waivers.

15 GOVERNOR GREGOIRE: Thank you, governor.

16 Do we have any--do we have a second
17 question from a U.S. governor?

18 *(No response.)*

19 GOVERNOR GREGOIRE: I'll ask a question.

20 I've done trade missions to China. I most recently
21 did one last fall, the largest trade mission in the
22 history of my state. I have some measure of what I
23 consider to be success, whether we've been able to
24 sign an agreement like the 20 that you signed
25 yesterday, agreements not just with business, but

1 with higher education institutions.

2 From your perspective, what would you like
3 to see in a trade mission from an American governor
4 to your province or to your country?

5 GOVERNOR LUO: Governor Gregoire has
6 raised a very practical question. We do want greater
7 cooperation with the United States. We hope that
8 more American delegations will come to China, in
9 particular to the western part of China, to the
10 western provinces, and we also hope that you will
11 bring more investment and funds to our provinces.

12 GOVERNOR GREGOIRE: A question from our
13 Chinese colleagues?

14 Governor Luo, you have a question, as I
15 understand it?

16 GOVERNOR LUO: We all know that the United
17 States is one of the first countries to formulate a
18 PV policy, and then it launched a one million roofs
19 initiative. China is immensely interested in
20 developing the PV sector, so I really want to know
21 what measures you have taken to push forward the
22 development of this sector.

23 GOVERNOR GREGOIRE: Please,
24 Governor [Martin] O'Malley.

25 GOVERNOR O'Malley: A couple of the things

1 that we've done in Maryland are, number one, to have
2 a renewal portfolio standard of 20 percent by '22,
3 and that contains within it certain requirements that
4 the utility companies buy an increasingly larger
5 portion of their energy from renewable sources. And
6 within that we have a carve-out for solar. And
7 that's probably the most important thing that we have
8 done is to create that--that predictability, if you
9 will--and that carve-out within the renewable
10 portfolio standard that is now starting to inspire
11 larger photovoltaic installations.

12 As far as the broader question of advance
13 manufacturing and how we inspire that here in our
14 country, we--I mean, that's an issue that we are
15 all wrestling with right now. But on the demand
16 side, we believe that the renewable portfolio
17 standard and that carve-out for solar is a solid way
18 that we've been able to see that industry take off a
19 bit in our state.

20 GOVERNOR GREGOIRE: Governor Fortuño?

21 GOVERNOR FORTUÑO: If I may add to what
22 Governor O'Malley has just said, in the case of
23 Puerto Rico, for the production we have extremely
24 attractive tax incentives. And we are part of the
25 United States market, so whatever you produce in

1 Puerto Rico can be sold, you know, within the U.S.
2 So that's something we're doing, and it's, again,
3 extremely attractive tax incentives for the
4 production of photovoltaic and other technologies.

5 In terms of the actual installation of
6 this technology, in our case, to jump start it we
7 created the Green Energy Fund, and actually, the
8 Green Energy Fund, what it does is that we assist
9 private sector investors that wish to develop wind
10 and solar energy alternatives. We assist them, and
11 they have to compete for the amount of money that is
12 in that fund. Every year there is a competition.
13 You do it online. We just closed the last one. Next
14 year there will be a new one.

15 GOVERNOR GREGROIRE: Well, thank you.
16 Again, thank you to all of our participants, all of
17 those who have come to join us today. It's been a
18 wonderfully good exchange. It's an historic event.
19 Yesterday with the 20 agreements signed was an
20 historical event.

21 This has been productive, and I want to
22 thank all of our participants.

23 I also would like, if I could, to spend a
24 moment and just say thank you to some special folks
25 who have made this first ever and historic forum

1 possible. That includes our host governor,
2 Governor Herbert, from the great state of Utah.

3 Thank you, Governor Herbert.

4 *(Applause.)*

5 GOVERNOR GREGOIRE: Rita Jo Lewis from the
6 U.S. State Department, Rita Jo, thank you for all
7 you've done.

8 *(Applause.)*

9 GOVERNOR GREGOIRE: The Chinese Embassy
10 and Ambassador Zhang, thank you very much.

11 *(Applause.)*

12 GOVERNOR GREGOIRE: Madam Li,
13 Mr. Secretary, governors from China, our fellow
14 governors from the great United States, thank you all
15 for all your participation.

16 And, of course, a big thank you to the NGA
17 staff, without whom this would not have been
18 possible, as usual. Thank you all very much for all
19 you did.

20 *(Applause.)*

21 GOVERNOR GREGOIRE: So let me just say
22 we've got a lot of work to do. Let's make hay while
23 the sun shines, as the secretary put it.

24 *(The proceedings concluded at 4:46 p.m.)*

25

1 REPORTER'S HEARING CERTIFICATE

2

3 STATE OF UTAH)
4) ss.
5 COUNTY OF SALT LAKE)

6

7 I, Susette M. Snider, Registered
8 Professional Reporter, Certified Realtime Reporter
9 and Notary Public in and for the State of Utah, do
10 hereby certify:

11

12 That said proceedings were taken down by
13 me in stenotype on July 15, 2011, at the place
14 therein named, and were transcribed by me, and that a
15 true and correct transcription of said proceedings is
16 set forth in the preceding pages.

17

18 WITNESS MY HAND this 25th day of July,
19 2011.

20

21

22

23

24

25

Susette M. Snider, RPR, CRR

103rd ANNUAL MEETING
OF THE
NATIONAL GOVERNORS ASSOCIATION

July 17, 2011
Plenary Session
ADVANCING COMPETITIVENESS

GRAND BALLROOMS B AND C
THE GRAND AMERICA HOTEL
SALT LAKE CITY, UTAH

Reporter: Susette M. Snider, CRR, CSR, RPR
Notary Public in and for the State of Utah

1 PARTICIPANTS:

2

3 Governor [Chris] Gregoire of Washington;

4 Governor [Gary] Herbert of Utah; and

5 Governor [Dave] Heineman of Nebraska.

6

7

8

9 GUEST SPEAKERS:

10

11 Thomas L. Friedman, *New York Times* columnist,
12 author

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

2 11:37 a.m.

3

4 GOVERNOR GREGOIRE: Good afternoon,
5 everyone. Did you all have a great time last night
6 at the Olympic Park?

7 (Applause.)

8 GOVERNOR GREGOIRE: And I've got to tell
9 you, governor, for those of us that could go to the
10 America's choir this morning, that was just--I
11 can't--patriotic, just wonderful. Thank you very
12 much.

13 (Applause.)

14 GOVERNOR GREGOIRE: Well, to everyone,
15 welcome to the closing plenary of the 2011 National
16 Governors Association Annual Meeting.

17 At this session we're going to be really
18 very much educated, if you will, about the globe and
19 what's going on in the world and particularly what it
20 means for the United States, by our amazing writer
21 from *The New York Times*, Tom Friedman. He's going to
22 talk with us about advancing America's
23 competitiveness.

24 There's no question as governors we have
25 challenges across the world. Our U.S. teenagers rank

1 25th in math, 17th in science, 14th in reading. This
2 movement is not confined to our K through 12
3 education. Over the last two decades, the United
4 States has fallen from first to 12th in the number
5 of Americans that complete their postsecondary
6 degrees.

7 For the first time in history, the U.S. is
8 faced with a generation of young adults that's
9 projected to have a lower educational attainment than
10 their parents. So it comes as no surprise that
11 according to Gallup only 44 percent of Americans
12 believe that it's likely that today's youth will have
13 a better life than the parents, the lowest rate since
14 the poll began in 1983.

15 As a nation we have opened the doors to
16 higher education for millions of Americans. I think
17 our higher education system really is second to none,
18 but unfortunately, too few of our students that began
19 higher education ultimately obtained a certificate or
20 a degree, and too few of them lead to a good paying
21 job and a career.

22 Without more students completing high
23 quality certificates and degrees, our ability to
24 out-innovate, out-produce other nations is in severe
25 jeopardy.

1 We all know that education is the primary
2 driver of economic growth. It is our supply of
3 skilled labor that remains flat, and the economic
4 engine that drove us to prominence in the 20th
5 century may once again stall. So we must redouble
6 our efforts to invest in the human capital, the
7 infrastructure of America that has defined America's
8 standing in the world for the past 70 years.

9 Fortunately, it is my pleasure today to
10 welcome back Tom Friedman, one of our nation's
11 foremost thinkers, to talk about global competition
12 and the challenges and the opportunities that lie
13 ahead for our United States.

14 Tom has written for *The New York Times* for
15 30 years and in that time has published five
16 best-selling books. He's received numerous awards
17 for his reporting and commentary, including the
18 National Press Club's Lifetime Achievement Award.

19 He's joined us for several occasions in
20 the past to offer his insight and his opinion on the
21 hot topics of today, domestically and
22 internationally. And so it is with great pleasure
23 that here, in the great state of Utah, we get to turn
24 once again for the insights of our friend, Tom
25 Friedman, for his perspective on how America can

1 recapture its position as a global competitor of
2 innovation and economic leadership in the world.

3 Tom, thank you.

4 *(Applause.)*

5 MR. FRIEDMAN: Thank you very much.

6 Governor, thank you.

7 It's a treat to be back here for the
8 governors conference and to be back in Utah. This is
9 a great audience.

10 One of the things I love about this
11 meeting is I look around, and I see all these great
12 governors here, some of whom I've had the pleasure of
13 knowing. And it doesn't say "Democrat" or
14 "Republican" under anybody's name. And it's in that
15 spirit I come here. I hope I give both sides a
16 little indigestion and a little support in what I'm
17 about to say.

18 What we're going to do is I'm going to
19 talk for about 30, 40 minutes, and we'd open it for a
20 dialogue, is what the governor suggested.

21 And what I'm going to do today is actually
22 give you a sneak preview of my new book. It's a book
23 that I've written with a dear friend and long-time
24 collaborator, Professor Michael Mandelbaum of Johns
25 Hopkins University. I've got an early copy of the

1 book. It's not out until September, but it is
2 certainly on the topic of today. The book is called
3 *That Used to Be Us: How America Fell Behind in the*
4 *World it Invented and How We Can Find Our Way Back.*

5 Now, every time Michael and I tell people
6 about our book, they invariably ask: Does it have a
7 happy ending? Does it have a happy ending? And what
8 we tell them all is that it does have a happy ending.
9 What we can't tell you is whether it's fiction or
10 nonfiction. That is going to depend on us.

11 Now, you might wonder why two foreign
12 policy guys--as I said, Michael teaches foreign
13 policy at Johns Hopkins; I'm a foreign affairs
14 columnist for *The New York Times*--ended up writing
15 a book about America today. And the answer is very
16 simple. Over the last 20 years Michael and I talk
17 almost every day about foreign policy, but over the
18 last couple of years we started to notice something.
19 We would start talking about America and the world,
20 and we'd end up just talking about America. And we
21 really realized that what that was telling us was
22 that America, its fate, future and vitality, really
23 is the biggest foreign policy issue in the world and
24 that we really couldn't think intelligently about
25 American foreign policy unless we were thinking

1 creatively and anew about the sources of our strength
2 and vitality.

3 I will be honest with you. It is our view
4 that the American dream is now in play. The American
5 dream is now in play. This dream that every
6 generation can expect to live better than its parents
7 is now in peril. And that is so important because we
8 have taken that American dream so much for granted
9 that we forget it is the source, the vital source of
10 our domestic stability. What has enabled us to hold
11 this country together, to invite in so many
12 immigrants, to unify 50 states is this idea of a
13 growing economy where everyone can expect to live
14 better than their parents.

15 And that American dream is vital to our
16 status in the world. People forget we provide the
17 world so much global governance, whether it is
18 maintaining global institutions or protecting the sea
19 lanes of global commerce. I don't mind saying this
20 at all. America is the tent pole that holds up the
21 world, and if that tent pole buckles or fractures,
22 your kids won't just grow up in a different America,
23 they will grow up in a very different world.

24 So this thing we call America, this is a
25 precious jewel, and we really need to get back to

1 polishing it.

2 And with that introduction, I'd like to
3 just share with you the first few paragraphs of the
4 book. The first chapter is called "If You See
5 Something, Say Something." Of course, you all know
6 that's the homeland security motto, but we're now
7 applying it to the country as a whole.

8 "This is a book about America that begins
9 in China. In September 2010, I attended the
10 World Economic Forum's summer conference in
11 Tianjin, China. Five years earlier, getting to
12 Tianjin involved a three-and-a-half-hour car
13 ride from Beijing to a polluted Chinese version
14 of Detroit. But things have changed.

15 "Now to get to Tianjin, you head to the
16 Beijing South Railway Station, an ultramodern
17 flying saucer of a building with glass walls and
18 an oval roof covered with 3,246 solar panels.
19 You buy a ticket from an electronic kiosk
20 offering choices in Chinese and English and
21 board a world-class high-speed train that goes
22 right to another roomy modern train station in
23 downtown Tianjin. Said to be the fastest in the
24 world when it began operating in 2008, the
25 Chinese bullet train covers 115 kilometers,

1 72 miles, in 29 minutes.

2 "The conference itself took place at
3 Tianjin Meijian Convention and Exhibition
4 Center, a massive, beautifully appointed
5 structure, the likes of which exists in few
6 American cities. As if the convention center
7 wasn't impressive enough, the conference
8 co-sponsors in Tianjin gave some facts and
9 figures about it.

10 "They noted that it contained a total
11 floor area of 230,000 square meters and that the
12 construction of the Meijian Convention Center
13 started on September 15, 2009 and was completed
14 in May 2010. Reading that line, I started
15 counting on my fingers, September, October,
16 November, December, January -- eight months.

17 "Returning home to Maryland, where I
18 lived, from that trip, I was describing that
19 Tianjin complex and how quickly it was built to
20 Michael, my co-author, and his wife, Anne. And
21 at one point Anne interrupted and said: 'Excuse
22 me, Tom. Have you been to our subway stop
23 lately?' We all live in Bethesda and often use
24 the Washington Metrorail Subway to get to work
25 in downtown Washington.

1 "I had been at the Bethesda station and
2 knew exactly what Anne was talking about: The
3 two short escalators had been under repair for
4 nearly six months. While the one being fixed
5 was closed, the other had to be shut off and
6 converted into a two-way staircase. At rush
7 hour, this was creating a huge mess. Everyone
8 trying to get on or off the platform had to
9 squeeze single file up one locked-down
10 escalator. It sometimes took 10 minutes just
11 to get out of the station.

12 "A sign on the closed escalator said the
13 repairs were part of a massive modernization
14 documentation project. What was taking this
15 modernization so long? We investigated.

16 "Cathy Asato, a spokeswoman for the
17 Washington Metropolitan Transit Authority, had
18 told the Maryland Community News that 'The
19 repairs were scheduled to take about six months
20 and are on schedule. Mechanics need 10 to 12
21 weeks to fix each one,' she said.

22 A simple comparison made a startling
23 point: It took China's Teda Construction Group
24 32 weeks to build a world-class convention
25 center from the ground up, including giant

1 escalators in every corner, and it was taking
2 the Washington Metro crew 24 weeks to repair two
3 tiny escalators with 21 steps each.

4 "We searched a little further and found a
5 local news radio station that interviewed the
6 Metro interim manager. He said, 'We're behind
7 the curve, it's true, so we have to catch up . . .
8 just this last week smoke began pouring out of
9 the escalators at the DuPont Circle Station
10 during rush hour.'

11 "On November 14th, *The Washington Post* ran
12 a letter to the editor from Mark Thompson. He
13 said, 'As someone who's ridden Metro for more
14 than 30 years, I can think of an easier way to
15 assess the health of the escalators. For
16 decades they ran silently and efficiently, but
17 over the past several years when the escalators
18 are running, aging or ill-fitting parts have
19 generated horrific noises that sound to me like
20 a Tyrannosaurus Rex trapped in a tar pit
21 screeching its dying screams.'

22 "The quote we found most disturbing,
23 though, came from Maryland Community News about
24 the long lines at rush hour. 'My impression,
25 standing on line, is people have sort of gotten

1 used to it,' Benjamin Ross, who lives in
2 Bethesda, wrote in.

3 "People have sort of gotten used to it.
4 Instead, that sense of resignation, that sense
5 that, well, this is just how things are in
6 America today, that sense that America's best
7 days are behind it and China's best days are
8 ahead of it have become the subject of
9 water-cooler, dinner party and grocery line and
10 classroom conversations all across America
11 today.

12 So do we buy the idea, increasingly
13 popular in some circles, that Britain owned the
14 19th century, America owned the 20th century and
15 China will inevitably own the 21st century? No,
16 we do not buy that, and we have written this
17 book to explain why no American, young or old,
18 should resign himself or herself to that view.
19 The two of us are not pessimists when it comes
20 to America and its future. We are optimists,
21 but we are frustrated optimists. That is my
22 mode today. I am an optimist, but I am a
23 frustrated optimist.

24 "The title of this first chapter, 'If You
25 See Something, Say Something,' that is the

1 mantra of the Department of Homeland Security
2 and plays over and over on loudspeakers in
3 airports and railroad stations around the
4 country. Well, we have seen and heard
5 something, and millions of Americans have too.
6 What we have seen is not a suspicious package
7 left under a stairwell. What we have seen is
8 hiding in plain sight. We've seen something
9 that poses a greater threat to our national
10 security and well-being than al-Qaeda ever will.
11 We've seen a country with enormous potential
12 falling into the worst sort of decline, a slow
13 decline, just slow enough for us not to drop
14 everything and pull together for collective
15 action to fix what needs fixing.

16 "This book is our way of saying something
17 about what is wrong, why things have gone wrong
18 and what we can and must do to make them right."

19 Now, our view is that America today faces
20 four great challenges. One is adapting to the IT
21 revolution, second is adapting to globalization, the
22 third is all the issues around entitlements and
23 deficits, and the fourth is energy and climate. I
24 don't have time today to go into all four, so I'm
25 going to focus on the first two, adapting to the

1 globalization revolution and the IT revolution, which
2 is really one subject because they merge, the IT
3 revolution and globalization, and they create what I
4 call the flat world. So what I'm really talking
5 about is adapting to the flattening of the world.

6 Now, some of you know the last time I was
7 here, I think, was to talk about *The World is Flat*.
8 I wrote that book in 2004. I thought it was at the
9 cutting edge. If you pick up *The World is Flat*,
10 First Edition, and look in the index under "F," you
11 will discover that Facebook isn't in it. So when I
12 wrote *The World is Flat*, Facebook basically didn't
13 exist, Twitter was a sound, the cloud was in the sky,
14 4G was a parking place, applications were what you
15 sent to college, LinkedIn was a prison, and Skype,
16 for most people, was a typo.

17 Let me repeat that, if you didn't get it,
18 okay? When I declared the world was flat, Facebook
19 basically didn't exist, Twitter was a sound, the
20 cloud was in the sky, 4G was a parking place,
21 applications were what you sent to college, LinkedIn
22 was a prison, and, for most people, Skype was a typo.
23 All of that has happened in just the last six years.

24 And what that has done, the only way I can
25 describe it in my own language, it's taken us into

1 FlatWorld 2.0. The world isn't just connected now,
2 it is hyper-connected. And I would argue that is
3 really the biggest thing going on in the world today.
4 And you can see this through a lot of different news
5 stories. As I said, when I wrote *The World is Flat*,
6 I basically said, Hey, we've connected Boston and
7 Bangalore in India, the capital of outsourcing there.
8 I said, "The world is flat." Since 2004 we've
9 connected Boston, Bangalore and Sirisi.

10 You say, Well, where's Sirisi? Sirisi's a
11 city 90 miles to the interior with 90,000 people with
12 more and more people. India's adding 18 million cell
13 phones a month, okay? 18 million cell phones a
14 month, okay, are now part of this flat world.

15 Or think about the Middle East, a part of
16 the world I've spent a lot of time following. When I
17 said the world was flat, we've connected Detroit and
18 Damascus. Well, now we've connected Detroit,
19 Damascus and Deraa. You say, Well, where is Deraa?
20 Deraa is the dusty, Syrian border town on the
21 Syrian-Jordanian border where the revolution there
22 began.

23 Now, think about this: Syria has banned
24 every international news organization. They've
25 banned the BBC, CNN, Fox, *The New York Times* and

1 Al-Jazeera, yet every night you've been seeing news
2 footage coming out of Deraa. And if you look at the
3 bottom of your screen, you know where that's from?
4 It says it's from SNN, Shaam News Network. Shaam is
5 Arabic for Syria. Some people have gotten together a
6 website overnight--I would bet the governors around
7 this table in their wallets have enough money right
8 now to start Shaam News Network--and they have been
9 pumping out video and flip-cam footage from Deraa
10 through Shaam News Network. That's how flat the
11 world has become.

12 On October 30, 2010, an Indian newspaper,
13 *Hindustan Times*, ran a small item--I happened to be
14 there at the time--that caught my eye. It reported
15 that a Nepali telecommunications firm had just
16 started providing 3G mobile network service at the
17 Summit at Mount Everest, the world's tallest mountain.
18 The story noted that it will "allow thousands of
19 climbers and trekkers who throng the regions every
20 year access to high-speed Internet and video calls
21 using their mobile phones."

22 Following up this story, the BBC observed
23 that it was a far cry from the days in 1953 when
24 Edmund Hillary first climbed the Everest summit,
25 "using runners to carry messages from his expedition

1 to the nearest telegraph office." You can imagine
2 the phone calls being made: Hi, Mom. You'll never
3 guess where I'm calling from.

4 Like that story? The same month--the same
5 month--a small item showed up in the business pages.
6 It reported that Applied Materials in the Silicon
7 Valley-headquartered company that make the machines
8 that make thin film solar panels had just opened the
9 world's largest commercial research and development
10 center, privately funded, in Xian, China.

11 Initially Applied Materials sought
12 applicants for 260 scientists and technologists in
13 Xian. Howard Clabo, a company spokesman, said that
14 Xian received 26,000 Chinese applications and hired
15 330 people, 31 percent with master's or Ph.D.
16 degrees. "Roughly 50 percent of the solar panels in
17 the world were made in China last year," said Clabo.
18 "We need to be where the customers are."

19 One last news story. My mother-in-law was
20 formerly chairman of the board of Grinnell College.
21 Governor [Terry] Branstad knows it well. Here's an item

that

22 *The New York Times* carried about Grinnell College, a
23 wonderful liberal arts college of 1600 students in
24 the middle of Iowa. This year nearly one out of
25 every 10 students who applied to Grinnell College in

1 Iowa were from China. Grinnell is a small liberal
2 arts college, 1600 students. Half of Grinnell's
3 applicants from China had a perfect score of 800 on
4 their SATs.

5 So what is all of this telling us? It's
6 telling us that the world, as I say, is flatter than
7 ever, and when the world gets this flat, what it
8 means is that the whole global curve is being raised
9 because employers in all your states now have that
10 much easier access to software, robotics, and talent
11 anywhere in the world.

12 I know, I know, I know. You've heard this
13 joke before. You've heard this joke before. That's
14 what they said about Japan in the '80s. We've heard
15 this joke before. They said Japan was going to
16 steamroll us, and lo and behold, we steamrolled them.

17 Well, this is a little different joke.
18 You see, Japan threatened two American industries in
19 one American town. The town was Detroit, and the
20 industries were consumer electronics and autos.
21 Globalization, as typified by China, challenges every
22 American town, every American job and every American
23 industry directly or indirectly. This is a different
24 joke. You haven't heard this one before.

25 Now, as I said, what's basically happening

1 is the whole global curve is being raised. And I
2 came across this blog post. I thought it really
3 captured what this means for the job market. We're
4 going to first talk about the job market and then
5 what it means for education.

6 It's by John Jazwiec. I may be
7 mispronouncing his name. It's on his blog. He
8 actually attached it to a column of mine in the
9 comments where I saw it. And he's headed a variety
10 of technology companies and startups, including
11 RedPrairie and FiveCubits. He also teaches MBA
12 courses. He explained the kind of world and its
13 implication for jobs that I'm describing on his blog
14 this way:

15 "I am in the business of killing jobs. I
16 kill jobs in three ways. I kill jobs when I
17 sell, I kill jobs by killing competitors, and I
18 kill jobs by focusing on internal productivity.
19 All of the companies I've been CEO of, through
20 best-in-practice services and software,
21 eliminate jobs. They eliminate jobs by
22 automation, outsourcing and efficiencies of
23 process. The marketing is clear: Less workers,
24 more consistent output.

25 "I reckon in the last decade I've

1 eliminated over a hundred thousand jobs in the
2 worldwide economy from the software and services
3 my companies sell. So there, I've said it. I
4 am a serial job killer.

5 "Any job that can be eliminated through
6 technology or cheaper labor is, by definition,
7 not coming back. The worker can come back.
8 They most often come back by being
9 underemployed. Others, though, upgrade their
10 skills and return to previous levels of
11 compensation. But as a whole, the productivity
12 gains over the last 20 years have changed
13 the landscape of what is a sustainable job."

14 So what, then, is a sustainable job in
15 such a hyper-connected, hyper-flat world? Here's how
16 he answers:

17 "The best way I can articulate what is a
18 sustainable job is to tell you as a job
19 killer--that's me--a sustainable job is a job
20 I can't kill. A sustainable job is a job I can't
21 kill. And I can't kill creative people. There
22 is no productivity solution or outsourcing that
23 I can sell to eliminate a creative person. I
24 can't kill unique value creators. A unique
25 value creator is, well, unique. They might be

1 someone with a relationship with a client. They
2 might be someone who is a great salesman or
3 saleswoman. They might be someone who has spent
4 so much time mastering a market or subject that
5 no one else can match."

6 What he's telling you I think is critical
7 to the employment picture. I call it The Great
8 Inflexion. This hyper-flattening of the world
9 happened to coincide with our great depression, and
10 what that great depression is doing is driving these
11 productivity tools faster than ever. Oh, there's no
12 question we need more demand for all these other
13 things, but don't lose sight of this trend. This is
14 hugely important.

15 And so what we did--and the thing you
16 have to understand about this trend--let me say
17 just one other thing--is that it applies to
18 everybody. It applies to everybody. I know you're
19 thinking out there, Oh, easy for you to say,
20 Mr. *New York Times* Columnist. You're not going to be
21 outsourced. Well, let me tell you about my life.

22 I inherited James Reston's office in the
23 Washington Bureau of *The New York Times*. Now, those
24 of you who are old enough to know, James Reston was
25 one of our great columnists in the '60s and '70s.

1 What an honor. I inherited James Reston's office. I
2 will bet if he were here we could ask him--
3 unfortunately he's passed away. But I would bet that
4 Mr. Reston used to wake up back in the '60s and ask
5 himself on any given morning, I wonder what my seven
6 competitors are going to write today. I wonder what
7 Litman's going to write today. I wonder what Alsop's
8 going to write. I wonder what Mary McGrory is going
9 to write. I do the same thing. I wake up every
10 morning and say, I wonder what my 70 million
11 competitors are going to write today!

12 I wrote about Greece this morning. Our
13 stringer in Greece e-mailed me already this morning
14 what the Greek bloggers are saying about it, and if I
15 can't add value, if I can't tell those Greek bloggers
16 something new or fresh about their country, then who
17 needs me? So none of us, none of us, is going to be
18 immune to this process.

19 What's basically going on, to put it in
20 the language of labor economists, is called
21 skills-biased polarization. What that basically
22 means is that those people who do non-routine work,
23 journalists, dentists, doctors, physicists, computer
24 scientists, governors, those of us who do non-routine
25 work, this flat world works for us better than ever.

1 Those who do routine work in the middle are getting
2 crushed basically by anything that can be automated,
3 outsourced, or digitized. Those who do non-routine
4 low-skilled work, the butcher, the baker, the
5 candlestick maker, you know, they're going to be
6 okay, but their wages will depend on local
7 circumstances.

8 So basically we're blowing a hole faster
9 and bigger than ever in the labor market, and if you
10 don't have those non-routine skills, you are going to
11 be under more pressure than ever. But I want to
12 stress, it applies to everybody.

13 I started thinking about this back in 2008
14 at the height of the recession. I was having dinner
15 with our best friends in Washington. My wife's best
16 friend's husband, Jeff, runs a big Washington, D.C.,
17 law firm. I said, Jeff, What is the subprime crisis?
18 What does it mean for a law firm?

19 He said, Oh, we're laying off people.

20 I said, That's interesting. Who gets laid
21 off first in a law firm? Is it last in, first out?

22 He said, No, not anymore. Basically he
23 said, Who gets laid off is--when we were in the
24 middle of the credit bubble and there was a lot of
25 work, the people we could take that work to, hand it

1 to those lawyers, and they did it very, very fine and
2 handed it back. But some of them are gone. The
3 people we're keeping are those who said, "You know,
4 Jeff, we could actually do that old work in a new
5 way," or, "We can do new work in a new way if we take
6 advantage of this new world."

7 What is that about? We have a chapter in
8 the book called "Help Wanted" because we felt you
9 can't actually talk about education unless you talk
10 to employers and say, "Actually, what are you guys
11 looking for? What are you gals looking for in an
12 employee today?"

13 And here's what we found. We took four
14 categories. We had high-end white collar like Jeff,
15 we had low-end white collar, an outsourcing firm in
16 India; we had blue collar, Ellen Kullman, the head of
17 DuPont; and we had green collar, the U.S. Army. The
18 U.S. Army is the biggest employer and one of the
19 biggest educators in the country. And you know what
20 all four said? They gave us the same answer: "We're
21 looking for people who have critical reasoning and
22 technical skills in order to get the interview, in
23 order to get an interview, because now we want
24 something else. We don't want just people who can do
25 the math and the critical reasoning. We want people

1 who can adapt, invent, and reinvent the job along the
2 way because the labor--the global market is moving
3 so fast, if I don't have workers who are touching the
4 product and can't adapt and reinvent it faster, I've
5 got a real problem."

6 I like the way Ellen Kullman of DuPont
7 said it. She said, "We want every worker today,
8 starting with the line worker, to be present, to be
9 paying attention, because that worker may have an
10 insight that can drive enormous productivity or new
11 products."

12 My favorite interview of that chapter was
13 with Gen. Martin Dempsey. If you follow the news,
14 he just became the chairman of the Joint Chiefs of
15 Staff, but when we interviewed him, he was actually
16 head of the Army's Education Corps. And he told a
17 remarkable story. General Dempsey was our commander
18 who took Baghdad from Saddam Hussein in 2003. He
19 later went on to be CENTCOM commander.

20 And I believe it was five years later--
21 I'd have to consult the book--he told us this
22 story: As CENTCOM commander, temporary CENTCOM
23 commander, he was visiting an outpost in the far
24 reaches of Afghanistan. He sat down to interview the
25 captain there. And at the end of the interview, he

1 realized that that captain and in that isolated
2 outpost in Afghanistan, because of this
3 hyper-connectivity, had access to more intelligence
4 and more firepower than Martin Dempsey when he took
5 Baghdad from Saddam Hussein. And that's driven his
6 whole transformation of the army education system.

7 Now at boot camp, half the time they just
8 give every new recruit an iPhone--it's the new
9 thing--you download the app, and you teach the
10 class. Because when you've got a commander in the
11 outposts of Afghanistan who has more firepower and
12 access to intelligence than you did when you
13 commanded the troops that took Baghdad, that
14 commander has to be trained to invent, reinvent and
15 adapt so much more than anyone 10, 15 or 20 years
16 ago. That's happening throughout the labor market.

17 What does that mean for education? What
18 it means is that we have two educational challenges
19 today. We need more education and we need better
20 education. By "more education"--and this is a challenge
21 I know all of you face--we need to bring the bottom
22 up to our average and we need to do it really fast.
23 But at the same time we need to bring our average so
24 much higher, to the global average.

25 Do not compare your students to the school

1 down the street because they're not competing for
2 that place in Grinnell anymore with the school down
3 the street. They're competing with the students from
4 Shanghai PS-21 which this year won the top place in
5 the world PISA tests.

6 We need to bring the bottom to the
7 average, and we need to bring the average so much
8 higher because, friends, in this hyper-connected
9 world, average is officially over. Average is over.
10 Woody Allen's dictum that "90 percent of life is
11 showing up" is no longer true. Just showing up for
12 work will not cut it anymore. Just being average
13 won't cut it anymore.

14 American's economic future increasingly
15 will depend on how well we're able to get our whole
16 country to resemble Garrison Keillor's fictional Lake
17 Wobegon, "where all the women are strong, all the men
18 are good-looking, and all the children are above
19 average." Average is over.

20 In a world where so many machines and
21 available foreign workers can now do average or
22 better, the curve everyone is being graded on is
23 moving up. What was average work will not return
24 average wages anymore, let alone above-average wages.
25 The old saying, "If all you ever do is all you've

1 ever done, all you've ever get is all you've ever
2 got," that also is no longer applicable. If all you
3 ever do is all you've ever done, all you'll ever get
4 is less than you ever got, given this
5 hyper-connection of the world.

6 What that means is everyone has got to
7 find their extra, their own unique value proposition.
8 Whatever your extra is, everyone needs to find it and
9 use it to become a creative lawyer, a creative
10 columnist, a creative factory worker, a creative
11 governor, a creative service worker. Everyone every
12 day is going to have to justify their value-added.
13 For some it will be inventing a new product or
14 service and reinventing an old product or service.
15 For others it will be reinventing yourself to do an
16 even routine task in a new or better way.

17 How many of us have had an elderly parent
18 in a nursing home, come to the nursing home, and boy,
19 there was that one healthcare worker who didn't just
20 take care of Mom and Dad but engaged them in a way
21 that really brightened their day. That person found
22 their extra. And I'll tell you the first thing we do
23 when we see that at the nursing home, we say, We want
24 that person to work with Mom and Dad, and by the way,
25 we'll pay more for that. Everyone's got some extra

1 to find.

2 And that's really, it seems to us, where
3 education is going to have to go. I hate to say
4 this, but so many Americans are being educated not
5 for \$40-an-hour jobs but \$12-an-hour jobs. They may
6 think they're being educated for \$40-an-hour jobs;
7 they are not.

8 And the whole creative component of
9 education has got to be on the rise. We have to
10 become a nation of starter-uppers. Whether it's
11 starting up yourself, starting a new community
12 organization, starting a new company, starting a new
13 website, we have got to become a nation of
14 starter-uppers because productivity is just going to
15 be constantly shrinking the workforces.

16 The days that you all could hope that
17 Intel would come to your state with a factory of
18 20,000 people, those days are over. Now you need
19 20,000 people starting jobs for 5 people, for 10
20 people, for 20 people. And that's what everyone's
21 got to go thinking about: How do I start something
22 and make people's lives more comfortable, more
23 secure, more healthy, more educated, more fun, more
24 entertained. We have to be a nation of
25 starter-uppers.

1 The last thing I'll just say about this,
2 the right attitude, it seems to me, for educators
3 today, all of us--and you all indirectly are
4 educators--is to teach our kids not just reading,
5 writing, and arithmetic but to get them to think like
6 new immigrants, like artisans and like a waitress.
7 Let me explain.

8 What does it mean to think like an
9 immigrant? It means approaching the world with the
10 view that nothing is owed to you, nothing is or will
11 be given, that you have to make it on your own.
12 There is no "legacy" slot waiting for you at Harvard
13 or the family firm or anywhere else. You have to go
14 out and earn or create your place in the world, and
15 you have to pay very close attention to the world in
16 which you're living.

17 As with all immigrants throughout history,
18 all Americans now find themselves in new and in many
19 ways unfamiliar circumstances in this hyper-connected
20 world. In important ways this hyper-connected world
21 in the 20th century, we are all new immigrants, and
22 that's how you have to approach education and the job
23 market, with that same kind of internal drive and
24 fortitude.

25 Secondly--this is from

1 Professor Lawrence Katz at Harvard, labor economist.
2 He says everyone should also think like an artisan.
3 "Artisan" was the term used before the advent of mass
4 manufacturing to describe people who made things or
5 provided services with a distinctive touch and flair
6 in which they took personal pride, whether it was a
7 saddle or a pair of shoes or a piece of jewelry. The
8 shoemaker, the doctor, the dressmaker, they were all
9 artisans. Artisans give a personal touch to whatever
10 they did. They often carved their own initials into
11 what they did it was such a personal touch.

12 That's a really good mind-set for whatever
13 job you're doing. Would you want to put your
14 initials on it? Think like an artisan.

15 Finally, it wouldn't hurt for all of us at
16 times to think like a waiter or waitress. In late
17 August of 2010 I was back in my hometown of
18 Minneapolis, having breakfast with my best friend,
19 Ken Greer, at the Perkins Pancake House on
20 Highway 100. Ken ordered three buttermilk pancakes
21 and fruit. I ordered three pancakes and scrambled
22 eggs. When the waitress came back with our breakfast
23 plates, she put them down in front of each of us.
24 But when she puts Ken 's plate down, she simply said,
25 "I gave you extra fruit." We gave her a 50-percent

1 tip for that. That waitress, God bless her, she
2 didn't control much in her work environment, but she
3 controlled the fruit ladle. And it was her little
4 way of doing something extra.

5 In many ways, we all need to think like
6 that waitress and ask what is it about how I do my
7 job that is going to differentiate me? More than
8 ever now we're all waiters and waitresses trying to
9 do that something extra that a machine, a computer, a
10 robot, a foreign worker or just an average person
11 cannot or will not do.

12 Getting everyone to unlock, unleash,
13 discover, and expand their extra to become creative
14 lawyers, doctors or journalists, that is our
15 educational challenge in this hyper-connected world.

16 I like the way Mark Rosenberg, the
17 president of Florida International University, which
18 has 42,000 students, once put it to us. He said,
19 "It's imperative that we become much better at
20 educating students not just to take good jobs but to
21 create good jobs." That is really good advice
22 because in today's world, you will not--we were
23 lucky. We're all roughly the same generation. We
24 got to find our job when we got out of college. Our
25 kids will increasingly have to create their job when

1 they get out of college, and the sooner and faster
2 and more effectively we train them to do that, the
3 better.

4 You know, we're really going into a
5 different world. The world I grew up in was the
6 world of developed and developing countries. That's
7 over. That's so round world. In the flat world
8 there are just going to be two kind of countries, in
9 my view. I call them HIEs and LIEs, high
10 imagination-enabling countries and low-imagination
11 enabling countries. That's going to be the real
12 differentiator.

13 You see, if I've just got this, if I've
14 just got the spark of an idea now, I can actually go
15 to Delta in Taiwan. They'll design this. I can skip
16 over to Hangzhou, and Alibaba will find me a cheap
17 manufacturer for this. Jump over to amazon.com.
18 They'll do my fulfillment and deliver and provide me
19 my cloud services. Freelancer.com will do me my logo
20 and I'm sure find me an accountant as well. They're
21 all commodities except this, and having more people
22 in our society who are doing this in every way in
23 their lives, that's what it's about. We have to be
24 the world's HHIE, hyper-high imagination-enabling
25 country, because that's where the cutting edge of

1 jobs is going to be.

2 Let me close with just a few concluding
3 points. You'll notice that what I've tried to do
4 here today was talk about America and its challenges
5 by starting where I think the conversation should
6 start: What world are we living in?

7 To me it's so sad to listen to the
8 national debate today, which is all about I cut you a
9 trillion. I cut you a one trillion. I see your
10 trillion. I raise you a trillion. In what world?
11 You can row without a plan. But if you cut without a
12 plan, watch out. You may hit an artery. You may
13 sever a bone. We do have to cut. That's a big part
14 of our book. We have to cut, we have to raise
15 revenue, and we have to invest. But let's start the
16 conversation with what world we're in, not who can
17 throw the biggest number on the table and be the most
18 stubborn about saving something or cutting something.
19 It's an idiotic debate we're having, and it is
20 unworthy of our country right now and the
21 responsibility that we have to the future.

22 And this is a whole 'nother theme in the
23 book which we don't have time to talk about. We
24 didn't get here by accident, and you didn't get where
25 you are and I didn't get where I am on my own. Yes,

1 I know there's a lot of people out there that say.
2 I've got this. Keep the government out of my life.
3 You didn't get here on your own. You got here as a
4 product of the greatest public-private partnership in
5 the history of the world. That's how you got here.

6 And this we call in our book America's
7 formula for success. And it has five parts. We
8 educate our people up to and beyond whatever the
9 level of technology is, starting with universal
10 primary, universal high school then postsecondary
11 education.

12 We invite in the world's immigrants, those
13 with low skills who provide energy and those with
14 high skills, the world's first round intellectual
15 draft choices where they go to Silicon Valley and
16 start 30 to 40 percent of the new companies every
17 year.

18 We build the best infrastructure, roads,
19 ports, bandwidth. We have the best rules, the
20 smartest rules and not too many rules, hopefully, to
21 incentivize risk taking and capital formation and to
22 preserve the rule of law and the sanctity of markets.

23 And lastly, we have government-funded
24 research that pushes out the boundaries of biology
25 and physics and chemistry so our venture capitalists

1 can come and pick the flowers and start new
2 companies.

3 You look at our history. Those five
4 things, education, infrastructure, immigration, the
5 right rules for capital formulation and
6 government-funded research, they have propelled us
7 going back to Hamilton.

8 Think about Lincoln in the middle of the
9 Civil War. What does he do? He passes the Morrill
10 Act and creates the land grant universities in all
11 your states. He builds the national railroad,
12 connecting the Atlantic with the Pacific. He passes
13 the Homestead Act. He starts the National Academy of
14 Sciences. Teddy Roosevelt, Eisenhower, these were
15 all great builders of our formula for success.

16 Governors, I'm sorry to tell you, but you
17 look at all five indices of our formula for success
18 today: Education, boop; immigration, boop;
19 infrastructure, boop; rules for capital
20 formulation--how'd you like that subprime
21 crisis?--boop; government-funded research, boop.
22 All five pillars of our formula for success are today
23 eroding and in peril.

24 This is the greatest public-private
25 partnership. This is the real source of our

1 strength. That's what our debate should be about.
2 What do we cut, because we have to cut. We've made
3 promises that we can't keep. Where can we raise
4 revenue, because we need to reinvent, reinvigorate,
5 renew, and refresh this formula for success for the
6 21st century. That to me is what the discussion
7 should be about.

8 Let me end by saying this. I began by
9 saying that Michael and I were optimists but
10 frustrated optimists. You've heard me now for 30,
11 40 minutes. You are entitled to ask, we get the
12 frustration, but where from the optimism?

13 Well, I'll tell you. The short answer is
14 that we stand on our heads a lot, because if you look
15 at this country upside down, it's easy to be an
16 optimist about America if you just stand on your head
17 because the country looks so much better and is so
18 much more inspiring when viewed from the bottom up
19 rather than from the top down.

20 When you look at the country that way,
21 what you see is the greatest generation has not died.
22 America's great strength, the thing that makes me an
23 optimist--and it's the penultimate chapter of this
24 book--is that, thank God, this country is still full
25 of people who just didn't get the word. Thank God.

1 They didn't get the word that we're supposed to be
2 depressed or in a recession or unloved by the rest of
3 the world. They didn't get the word that new
4 immigrants are supposed to wait their turn, college
5 dropouts are supposed to flip hamburgers and people
6 of color are supposed to go to the back of the bus.
7 Instead, they just do it, whatever it is, for all our
8 ailments as a country and a society.

9 We are still the most open in the world
10 where individuals with the spark of an idea, the
11 gumption to protest or the passion to succeed can
12 still get up and walk out the door and chase a
13 rainbow, lead a crusade, start a school or open a
14 business. "Show me an obstacle, and I'll show you an
15 opportunity" is still the model, thank God, of all
16 these Americans who just didn't get the word.

17 So Rosa Parks just got on the bus and took
18 her seat. So new immigrants just went out and
19 started 30 to 40 percent of the new companies in
20 Silicon Valley. So college dropouts named Steve Jobs,
21 Michael Dell, Bill Gates, and Mark Zuckerberg just got
22 up and created four of the biggest companies in the
23 world. So when all seemed lost in Iraq, the U.S.
24 military chose to surge, not retreat because, one of
25 the officers involved told me, one of my all-time

1 favorite quotes, "Tom, we're just too dumb to quit."

2 Thank God, this country is still full of
3 people who didn't get the word and are too dumb to
4 quit. But we owe them something. If I were to draw
5 a picture of America today, it would be a picture of
6 the space shuttle taking off, that last space
7 shuttle. You know that picture, all that thrust
8 coming from below? That's all those people down
9 there who didn't get the word.

10 Our country's still full of that energy,
11 but right now our booster rocket, Washington, D.C.,
12 is cracked and leaking, and the pilots in the cockpit
13 are fighting over the flight plan. And as a result,
14 we cannot achieve escape velocity, escape velocity we
15 need to bring the American dream to the next
16 generation.

17 That booster rocket, that's our five-part
18 formula for success. And we need to cut, and we need
19 to raise revenue because we need to reinvest in that
20 formula, in that booster rocket for all those people
21 too dumb to quit. That is all part of our past.

22 To repeat the title of our book *That Used*
23 *to Be Us*, and because that used to be us, it can be
24 again. That is why today the history books we need
25 to read are our own, and the country we really need

1 to rediscover is America.

2 Thank you very much.

3 (*Applause.*)

4 GOVERNOR GREGOIRE: Well, Tom, thank you
5 very, very much. That was awakening and inspiring at
6 the same time.

7 MR. FRIEDMAN: You hadn't had your coffee
8 yet?

9 GOVERNOR GREGOIRE: Yeah. You got it.
10 You got it.

11 So we've got time for a dialogue now, so I
12 turn to my fellow governors.

13 You and I had a great conversation before
14 we began. You just flew in from Greece. We had Mark
15 Zandi in a governors-only yesterday talking about the
16 implications of what's happening in Europe to the
17 U.S. economy, and I know you just wrote on it this
18 morning. Would you mind sharing a little bit of your
19 insight with us and your view on what's happening and
20 the impact on America?

21 MR. FRIEDMAN: Well, I was in Greece for a
22 few days last week, and, you know, Greece is a
23 cautionary tale of many things. The thing you really
24 realize about Greece is that in many ways it's just a
25 petro state, only its oil was in Brussels. Its oil

1 came from the EU. And basically since 1981, since
2 Greece has been in the European Union, it's been
3 getting subsidies for infrastructure and education to
4 bring up southern Europe to the level of Germany.
5 And basically they have squandered and misspent those
6 resources. It's really just an oil state.

7 And we have to be careful that we're not
8 an oil state too, only our oil state is the fact that
9 we can print dollars and we're the reserve currency.

10 And, you know, if there's one thing I left
11 Greece, you know, realizing, it's something my friend
12 Dov Seidman, who wrote the book *How* that makes the
13 point what's really happened in the last six years is
14 we've gone from connected to interconnected to
15 interdependent. It's all happened really fast.

16 So Greeks woke up one morning, and they
17 were being told you're not just connected to
18 Germany; you have to be Germans. You have to be
19 Germans now. You have to pay taxes like Germans.
20 You have to work German hours, take German vacations.
21 Forget this Mediterranean gig. You are Germans.
22 Okay? And right now you're seeing Greeks rebelling
23 because it's a lot easier to borrow money, you know,
24 for 30 days than it is to become a German, especially
25 if you're in Greece.

1 And I don't know how this story's going to
2 end there, but what it's really about--it's about
3 values. What happened, see, when we all become not
4 just interconnected but interdependent, we all around
5 this table are indirectly affected by what happens in
6 Greece and whether Greeks become Germans, because if
7 Greeks default and it brings down German and French
8 banks--remember those things called collateralized
9 debt obligations, CDOs, better known as derivatives,
10 that all those people were betting on in America
11 about your house and your house and your house? Well,
12 those same people have been betting on those banks,
13 and what we have no idea is if those banks go under,
14 what billions or trillions of dollars of derivatives
15 that will trigger and which banks in America or hedge
16 funds are vulnerable.

17 So we're all sitting here, and we're a
18 long way from Greece. But whether Greeks become
19 Germans really is going to touch us. It's a values
20 issue.

21 And this is unfortunately, I think, one of
22 the shifts we've had in our own country in the last
23 30 years. We've gone from the values of the greatest
24 generation, which I would call sustainable values,
25 values that sustain--some I learned from my friend,

1 Dov Seidman. We've gone from sustainable values to
2 situational values, do whatever the situation allows.
3 Oh, the situation allows me to give you a mortgage.
4 And you make only \$15,000 and you're trying to buy an
5 \$800,000 home, and all I ask you is can you fog up a
6 knife? If the system allows me to do that, I will do
7 it. Sustainable values would tell you you shouldn't.

8 We've had a shift in this country. We
9 need to get back to sustainable values, not
10 situational values. That's our challenge. For the
11 Greeks it's the same one, but it's much more
12 immediate.

13 Please.

14 GOVERNOR HEINEMAN: Tom, you talked a lot
15 about education. You said more education, better
16 education, raise the overall average, bottom to
17 average and the average is so much higher. We all
18 deal with K-12 systems, the same school day, same
19 year, the same school books we had a hundred years
20 ago. How do we make our K-12 systems more efficient
21 and more productive?

22 MR. FRIEDMAN: Well, I know you've had a
23 lot of people talk to you about this, and I know you
24 wrestle with this a lot. I'm married to a
25 schoolteacher, a first-grade reading teacher in

1 Montgomery County. My daughter did teach for America
2 in the D.C. school system. So we talk about this a
3 lot in our house, and we have a chapter on it in the
4 book.

5 And the chapter, I'll just read the first
6 paragraph because it's right on your point, governor.
7 The chapter begins like this. The chapter's actually
8 called "Homework Times 2 Equals the American Dream."

9 "Hillary Clinton never asked us for career
10 advice. Had she done so, we would have told her
11 this: When President Barack Obama came to you
12 and offered you the job of secretary of state,
13 you should have said, 'No, thank you, sir. I
14 prefer to hold the top national security job.'

15 " 'Mr. President, it would have been
16 wonderful to have been secretary of state during
17 the Cold War when the job was crucial. True,
18 some things haven't changed. Now, as in the
19 past, the secretary of state spends all his or
20 her time talking to and negotiating with other
21 governments. Now, as in the past, success
22 depends far less on his or her eloquence than on
23 how much leverage the secretary brings to the
24 table. Now, as in the past, that depends first
25 and foremost on America's economic vigor.

1 "Today, however, more than ever our
2 national security depends on the quality of our
3 educational system. That is why I don't want to
4 be secretary of state, Mr. President. Instead,
5 I want to be at the head of national security
6 policy. I want to be secretary of education.'"

7 That is the key issue. And how we do it,
8 it seems to me--we've got a whole section on this.
9 We talk about two approaches.

10 What all these problems have in common--
11 and this is one of the underlying themes of the
12 book--is that whether you're talking about
13 education or whether you're talking about the deficit
14 or talking about energy and climate, every one of
15 these problems only has a collective solution.
16 Unless we act collectively, we cannot address any of
17 the problems our country faces today.

18 And that's why we're stymied right now.
19 There's going to be no Democrat solution, no
20 Republican solution. There's only going to be a
21 hybrid, collective solution to these problems.

22 Now, I've been around educators too much
23 to not be humbled by how difficult this is, and so I
24 can't tell you whether we need bigger classrooms or
25 smaller classrooms, more teacher's assistants or

1 fewer, more Charter Schools or fewer.

2 But here's what we argue in the chapter:

3 We all need to be part of the solution. We made two
4 points. The first is this: You give me a community
5 with the right neighbors, neighbors who are ready to
6 invest in their public schools even if their kids
7 aren't in them because they know if they don't invest
8 in those, they may be investing in bigger prisons;
9 you give me parents who ask their kids every day,
10 take an interest in their education and set the
11 highest standards for them; you give me politicians
12 who are out in the world learning what are the
13 highest, best practices out there and coming home and
14 not trying to lower their state standards but raise
15 them, not try to lower the basket but to raise it--
16 and let's not exempt kids--you give me students who
17 come to school ready to learn, not to send 40,000
18 texts a month, and I'll give you better teachers.
19 I'll make my worst teachers better, and I'll make
20 every one of my better teachers better.

21 I saw one of the worst movies I've
22 ever seen this year. It's called "Race to Nowhere."
23 Some of you may have seen it. It's about how our
24 kids are too stressed out. Johnny's too stressed
25 out, Susie's--you know, she's got to go from

1 Facebook to the school play to SAT prep to--you
2 know, it's time on Facebook again. Kids are
3 stressed.

4 No, no, no. You don't know what stressed
5 is. Stressed is not understanding the thick Chinese
6 accent of your kid's first boss. That would be
7 stress. Not-enough-Facebook-time does not qualify as
8 stress in my world.

9 Now, we alluded to teachers, and we
10 profiled a teacher reform program in the great state
11 of Colorado, which we think has been one on the
12 cutting edge. There is no question there's way too
13 much data today. that makes clear that the greatest
14 leverage change that a classroom can have is a highly
15 effective teacher, that a highly effective teacher
16 can take a student who's three years behind and catch
17 them up, and a bad teacher can take a kid who's on
18 grade level and put them three years behind.

19 The question is: How do we partner--and
20 this has got to be partnership--with teachers? And
21 the teacher's unions have got to do their part; it
22 seems to me governors have got to do their part to
23 put in place a valuation system so that we are able
24 to both weed out those ineffective teachers or
25 retrain those that can be retrained and truly reward

1 our excellent teachers on the basis of real standards
2 that teachers feel is fair.

3 And I know a lot of your states have been
4 exploring, examining this. I'm impressed with what
5 Colorado was able to do. They were able to get the
6 AFT, the American Federation of Teachers, to go along
7 with it. The NEA didn't. I think Governor
8 Hickenlooper can confirm this.

9 But it seems to me when you find a way to
10 get teachers to buy in to an evaluation system--in
11 Washington, D.C., thanks to Michelle Rhee and her
12 program, yesterday's front page of *The Washington*
13 *Post* came out with the ratings of teachers, and they
14 fired 206 teachers that for two years in a row were
15 not rated effective. That's something that they're
16 doing in partnership with the union.

17 So it seems to me it's a combination of
18 working with teachers to find ways to evaluate
19 because--you know, when you're married to a
20 teacher, you know one thing: The biggest education
21 philanthropists in America are teachers. Oh, there's
22 nobody who's given more money out of their pocket,
23 more hours of their time for free than a teacher, and
24 if you're married to one, you know that. And so I'm
25 very uncomfortable when people say it's all the

1 teacher's fault.

2 You know, it always reminds--we're trying
3 to do to teachers what we did to our soldiers in
4 Iraq. We basically said, "We're going to fight a war
5 in Iraq, and one percent of Americans are going to
6 carry the burden. And the rest of us -- we're
7 outsourcing it to you. The rest of us, we're just
8 going to go along with our lives."

9 And so what we've been trying to say, yes,
10 teachers are critical, they're vital, they're the key
11 leverage agent, but we all have to be in on this
12 game. Parents, neighbors, business, politicians, and
13 kids themselves need to be aware of what world
14 they're growing up in.

15 GOVERNOR GREGOIRE: Governor [Haley] Barbour
and
16 then Governor [Neil] Abercrombie.

17 GOVERNOR BARBOUR: Tom, thanks for coming
18 back.

19 MR. FRIEDMAN: A pleasure. Great to be
20 here.

21 GOVERNOR BARBOUR: I was pleased--you know,
22 as a Republican governor, I may be surprised to say I
23 agree with *The New York Times'* columnist.

24 MR. FRIEDMAN: Is this on C-SPAN? Could
25 you get a close-up and freeze frame on

1 Governor Barbour? Thank you.

2 GOVERNOR BARBOUR: When you said values
3 are the biggest thing, sustainable values--and the
4 first two subjects you talked about in the Q and A
5 have just brought this to my mind. One is we spend
6 more on education, state, federal, and local, per
7 child than any other country in the world, and a huge
8 percentage of our kids drop out.

9 MR. FRIEDMAN: Yep.

10 GOVERNOR BARBOUR: And I think that goes
11 back to values.

12 MR. FRIEDMAN: Yep.

13 GOVERNOR BARBOUR: The other thing that
14 concerns me--and I think it is very related to what
15 you were talking about--when I became governor of
16 Mississippi, I was concerned our state had such a low
17 labor participation rate. That is the percentage of
18 adults who either have a job or are trying to get a
19 job. And I'm proud we've increased it some. But
20 nationally it's fallen.

21 MR. FRIEDMAN: Yep.

22 GOVERNOR BARBOUR: Are these two things
23 evidence of we've got to deal with values before we
24 can really be successful?

25 MR. FRIEDMAN: You know, it's certainly

1 evident to me, and that's why we devoted a whole
2 chapter in the book to this subject--the chapter's
3 called "Devaluation"--you know, because we really
4 think it's central to our crisis, that the passing of
5 the, you know, greatest generation to the baby
6 boomer--you know, our parents--I think of my
7 parents in particular. Born in The Depression. My
8 mom was in the Navy, served in World War II, and then
9 the Cold War. And whether it was Democrats or
10 Republicans, they were tempered by those things.
11 That was a generation that had met a black swan, you
12 know, several times. And it tempered them, and it
13 did lead them, I think, to gravitate to more
14 sustainable values, to do things that sustained.

15 And I do believe with the passing of that
16 generation we've lost something, and we need to get
17 back to it. And I don't have a magic wand because to
18 me it's something that has to come from teachers,
19 from parents, from political leaders, and from
20 spiritual leaders. It's not anything you or I can
21 legislate. We can only do it by example.

22 But, you know, I talk the talk of
23 globalization and technology, but I'm just a faker.
24 I don't walk the walk. I got in a lot of trouble
25 recently because I said that I've actually never been

1 on Facebook, I've never done Twitter, and I've never
2 smoked a cigarette, and I'm hoping to die being able
3 to say all three, okay? But I'm sure I will--you
4 know, *The New York Times* maintains a Facebook and a
5 Twitter thing, but it's nothing I do.

6 And the reason--it goes back to, you
7 know--remember when modems first came out? Because
8 there's a sense that technology is going to solve
9 everything. You know what I mean? And the Internet
10 will make you smart, but it won't make you smarter--
11 it will make you smarter--excuse me--but it won't
12 make you smart. The Internet will extend your reach,
13 but it will never tell you what to say to your
14 neighbor across the fence, you know.

15 All the good stuff in life, the important
16 stuff, it actually has--you can't download it,
17 you've got to upload it the old-fashioned way,
18 church, synagogue, temple, mosque, school, teacher,
19 community, which is why when modems first came out I
20 first started thinking about this. I wrote that I
21 wish that every--and this would certainly apply to
22 Twitter as well--every modem sold in America came
23 with a warning from the surgeon general: Judgment
24 not included.

25 And so we've kind of ceded so much to the

1 technology--you know what mean?--that we have to
2 get back. But I don't pretend I have the magic cure
3 because it isn't going to be one thing. We all have
4 to be leaders in this; you in your state, me in my
5 family, our President from the national level,
6 community leaders. But the first thing is to be
7 aware of it, that something kind of happened here.

8 You know, we contrast in our book in the
9 "Values" chapter two hearings that were held in
10 Congress I don't remember how many months apart. But
11 the first was the five baseball sluggers, sitting, as
12 they were described, bicep to bicep,
13 being grilled about steroids in baseball; and then I
14 think it was about two years later, the five biggest
15 American bankers, sitting briefcase to briefcase,
16 being grilled about subprime mortgages and
17 derivatives.

18 And in both cases what happened is we were
19 hitting home runs using steroids. These guys on
20 Wall Street, they were hitting home runs using
21 steroids, and these guys in baseball were hitting
22 home runs using steroids. And so to me it was
23 symptomatic of that.

24 And so I don't have the answer. What we
25 hope to do in this book, Michael and I, is at least

1 kick off the debate to say that's got to be part of
2 it.

3 Thanks for your question.

4 GOVERNOR GREGOIRE: : I think this may be
5 our last question.

6 Governor Abercrombie?

7 GOVERNOR ABERCROMBIE: Thank you.

8 Mr. Friedman, I find myself almost stating
9 with regret when you mentioned the phrase said to you
10 by a military officer in Iraq, Thank goodness we were
11 too dumb to quit, because I was thinking that--I
12 was hoping that there might--the emphasis might
13 have been we should have been smart enough not to get
14 started. . And what I mean by that is that there may
15 be a sixth element that I--and maybe the book
16 focuses on it, but this has to do with the whole
17 issue of cutting and spending and everything else.

18 MR. FRIEDMAN: Right.

19 GOVERNOR ABERCROMBIE: And the sixth one
20 is that we are not Imperial Rome, and what I mean by
21 that is as soon as this meeting is over, the
22 governors are going to meet to deal with the question
23 of dual status command for the Northern Command and
24 the adjutants general across the country with regard
25 to the relationship of the National Guard to the U.S.

1 military and the Pentagon.

2 One of the reasons that we have a
3 one percent dealing with Iraq or Afghanistan is we no
4 longer have the draft. . We have a draft by default.
5 It's the National Guard. . And this is a benchmark, if
6 you will, for my question or maybe my observation
7 that I'd like you to comment on.

8 MR. FRIEDMAN: Yeah, please.

9 GOVERNOR ABERCROMBIE: If we don't come to
10 grips with the question of whether or not we're going
11 to act as an Imperial Rome, kind of providing a
12 military element to whatever takes place in the world
13 and that we are the point of that spear, I don't
14 think we can come to grips with some of the rest of
15 those elements that were central to your thesis or
16 your multiple theses today.

17 And this is not a Republican or a Democrat
18 situation, as you mentioned, because this deployment
19 of the National Guard and what that means in terms of
20 our Imperial role, if you will, goes back to
21 President Clinton and Kosovo, and you can go all
22 through Iraq and Afghanistan.

23 So my basic observation is I don't think
24 we've ever had a discussion in the nation--and I
25 say that as a former member of the Armed Services

1 Committee who made this complaint, if you will, over
2 and over again--what is the object of what we're
3 doing with these massive deployments all around the
4 world almost at a moment's notice? Is that the role
5 we're going to assume, and what are the implications
6 of it?

7 Unless we come to grips with that, unless
8 we have a conversation--we've never had a
9 conversation in a presidential election about it,
10 this deployment by default. . We have employers right
11 now who are saying, "Do we have to get used to hiring
12 people who are in the National Guard who are going to
13 go away for 12 months, 18 months at a time?" What
14 does all that mean?

15 So my bottom line observation is should
16 there be a sixth element? We are not Imperial Rome,
17 or if we are, then what does that mean?

18 MR. FRIEDMAN: Well, it's a great
19 question, governor, and we address it a little in
20 this book.

21 And, you know, for me this is--I wrestle
22 with this a lot. . I supported the Iraq War for
23 democracy reasons. It had nothing to do with WMD. I
24 didn't think there was any WMD there. I supported it
25 for the reasons the Arab Spring is happening.

1 But I would be the first to admit whatever
2 happens in Iraq, we overpaid for it, okay? It's well
3 over a trillion dollars by whatever accounting you
4 want. We overpaid for it. I only hope we overpaid
5 for something that will prove to be transformational
6 so that the men and women who paid the real price for
7 that will be able to look back and take pride in what
8 they participated in.

9 So I'll tell you how I think about these
10 issues today if this is of any help, because I've
11 thought about this and agonized over it a lot. So I
12 started my career in Beirut and then Jerusalem and
13 came to America and covered Washington and whatnot,
14 so I've had a lot of experience in that part of the
15 world.

16 And what I've realized in recent years--
17 and Anbar, the uprising in Anbar, really drove it
18 home--is when the Middle East put a smile on my
19 face? That's what I asked myself one day. Well,
20 let's see. There was when Anwar Sadat went to
21 Jerusalem. That put a smile on my face. When
22 Israelis and Palestinians met in Oslo, that put a
23 smile on my face. When Iraqis decided they were
24 going to take on al-Qaeda in Anbar Province, that put
25 a smile on my face. The Arab uprising in Tunisia put

1 a smile on my face. The uprising in Egypt--God, I
2 got to be there in Tahrir Square--put a big smile
3 on my face.

4 Isn't that interesting. All the things
5 that put a smile on my face from the Middle East
6 started with them, and we had nothing to do with it.
7 We didn't even know Anwar Sadat was going to go to
8 Jerusalem. We didn't know for a year Israelis and
9 Palestinians were meeting in Oslo. Yes, the surge
10 coincided with the Anbar uprising, and that's great.
11 And that's the point. And that's what I've come to
12 here. We can be a great multiplier, but only if they
13 want to own it. That's been my feeling.

14 And when people want to own something,
15 whether it's your kids, our citizens, or people abroad
16 you're trying to help, you can't ask them to do it.
17 They will always do much more than you will ever ask
18 of them. As I've said *ad nauseam*, you know, there's
19 an old dictum, and I'm really a believer in this: In
20 the history of the world, in the history of all
21 mankind, no one has ever washed a rented car. In the
22 history of all mankind, no one has ever washed a
23 rented car, and no one's ever washed a rented country
24 or rented neighborhood.

25 And that's where I come from, which is why

1 I'd like to massively reduce our presence in
2 Afghanistan. What bothers me about Afghanistan is I
3 don't see anybody who wants to own what we want to
4 own. And that's why I wrote we can succeed in
5 Afghanistan if three things happen: Pakistan becomes
6 a different country, Karzai becomes a different man
7 and Obama succeeds in doing exactly what he says he's
8 not doing, nation building in Afghanistan.

9 So when I look at that, I just say,
10 where's the ownership? People say the Marines have
11 cleared out. There is no town in Afghanistan that
12 our Marines can't take, but is there any town in
13 Afghanistan that Afghans can hold? And so I'm
14 looking for the ownership. And what gives me still
15 hope--underline that three times--of a decent
16 outcome in Iraq is I see Iraqis struggling their way
17 to that kind of ownership. And I'm glad for that.
18 That's good for them and good for the region.

19 GOVERNOR ABERCROMBIE: But we don't want
20 to get back bogged down in individual circumstances.

21 MR. FRIEDMAN: Right. Exactly.

22 The question still remains, are we
23 going--I picked Imperial Rome, I'm trying to draw a
24 parallel but not an analogy. The point still remains
25 we have to decide whether or not we're going to have

1 a worldwide military presence in the sense of actual
2 interference or trying to own political situations by
3 military means, because that viscerally affects
4 everything you've spoken about today.

5 MR. FRIEDMAN: And I agree there's going
6 to be trade-offs, and we're going to have to face up
7 to that. There's just no question about it.

8 I go back to where I started. We're this
9 tent pole that holds up the world. I'm not sure how
10 comfortable I'd be in Hawaii if China was patrolling
11 the sea lanes of the Pacific and not, you know, our
12 fleet as well.

13 So the question is going to be one of
14 balance, but there's one thing which your question
15 raises, and I can tell you absolutely for sure: We're
16 headed for a period of trade-offs, okay? We cannot
17 simply jump in everywhere that we want. And what I
18 was trying to give you is if I have to have
19 trade-offs, then the ones I'm looking for where I
20 would consider participating are ones where people
21 are taking ownership and I can be the force
22 multiplier. That's where I've really come to.

23 GOVERNOR ABERCROMBIE: I think we're on
24 the same page.

25 MR. FRIEDMAN: Thanks very much.

1 Thank you all very much. I really
2 appreciate it. Thank you.

3 *(Applause.)*

4 GOVERNOR GREGOIRE: Well, Tom, you never
5 disappoint. I have to say that. Thank you for the
6 kind of glimpse on your book. Is it okay if we ask
7 that we get the first copies of the book?

8 MR. FRIEDMAN: You will, every one of
9 them.

10 GOVERNOR GREGOIR: Okay. I didn't want to
11 over-ask for anything.

12 Insightful. Inspiring. Thank you. And
13 we look forward, I hope, to having you come back and
14 see us again sometime.

15 MR. FRIEDMAN: Anytime. Anytime.

16 GOVERNOR GREGOIR: You always inspire.

17 MR. FREIDMAN: Well, I appreciate that.
18 Thanks so much.

19 GOVERNOR GREGOIRE: Thank you very, very
20 much.

21 I just need your patience while we go
22 through some work for the organization. It's a
23 little hard to get to this after the amazing remarks
24 that Tom has just given us, but we do need to do some
25 business on behalf of the National Governors

1 Association.

2 We do have some policy positions that we
3 need to take a look at. They were originally sent to
4 y'all on the 1st of July. The packet in front of you
5 reflects those adopted by the standing committees.
6 You know we have a new set of ideas about moving
7 forward with policies, and Governor Heineman is going
8 to lead us on that new endeavor. Those that you have
9 before you require a two-thirds of the vote of those
10 present.

11 This new policy, I think, is going to take
12 the organization in a good direction because most of
13 the policies we will consider today are only going to
14 be extended for six months. So that is the news that
15 we really want to rethink, redo our policies
16 consistent with our little conversation we had in the
17 governors-only meeting the other day.

18 So to expedite matters, I'm going to ask
19 Governor Heineman if you would be willing to move for
20 the passage of all pending committees policies *en*
21 *bloc*.

22 GOVERNOR HEINEMAN: I move adoption *en*
23 *bloc*.

24 *(The motion was moved and seconded.)*

25 GOVERNOR GREGOIRE: It's been moved and

1 seconded that we accept them *en bloc*. Any
2 discussion?

3 (*No response.*)

4 GOVERNOR GREGOIRE: All those in favor
5 please signify by saying "aye."

6 (*Collective "aye."*)

7 GOVERNOR GREGOIRE: Those opposed to?

8 (*No response.*)

9 GOVERNOR GREGOIRE: Thank you,
10 Governor Heineman.

11 Governor Herbert, is Jeanette here? Yes,
12 she is. The first lady of the great state of Utah,
13 on behalf of the National Governors Association, you
14 have done just an amazing job. Your hospitality has
15 been second to none. We've had fun. We've gotten a
16 chance to get to know each other better. We've
17 gotten good work accomplished. It could not have
18 happened--let me just say Mike and I were talking
19 this morning about how we really didn't appreciate
20 all that the great state of Utah has to offer. We
21 didn't get to experience it. We're coming back. We
22 love the unbelievably cheap rates to golf, your
23 national parks and what we've seen.

24 So thanks to the both of you for a
25 terrific job well down.

1 *(Applause.)*

2 GOVERNOR HERBERT: Christine, it's been
3 our distinct honor and privilege to host the National
4 Governors Association and all of you. We hope you
5 take a little bit of Utah back with you and have some
6 fond memories.

7 Jeanette and her team have done remarkably
8 good things. And I don't know if Bruce Hoffman and
9 some of our Host Committee are here, but please have
10 the volunteers and the Host Committee, if they're
11 here, stand up, and give them a round of applause.
12 They've done a lot of the heavy work.

13 *(Applause.)*

14 GOVERNOR HERBERT: Thank you.

15 GOVERNOR GREGOIRE: Again, governor, to
16 your staff, to the volunteers, to--to the security,
17 to everybody, to the hotel, they've been terrific as
18 well. Everybody has made our stay just really
19 wonderful. Thank you and thank you for your
20 tremendous leadership.

21 And next year we're going to go to the
22 great--commonwealth--excuse me--the
23 Commonwealth of Virginia, so, Governor [Robert] McDonnell,
24 you give us a little glimpse of what we might--oh,
25 we're going to wear a hat here. Okay.

can

1 GOVERNOR MCDONNELL: Well, good afternoon.

2 And what a treat to be selected by the NGA
3 Executive Committee to host the 2012 annual meeting
4 in Williamsburg, Virginia. Chris, I really
5 appreciate the confidence that you've placed in us.
6 And it's been 57 years, so it's about time to be back
7 in Virginia.

8 But we do have big shoes to fill. Gary
9 and Jeanette, just a terrific job. What a great
10 weekend. I can guarantee I will not be doing back-
11 flips like Governor Herbert, though, in Williamsburg.

12 Do you want to make your disclosures?

13 But we're looking forward very much to
14 having you in Williamsburg, the old colonial capital.
15 We want to be able to make you feel great about
16 America again as Tom told us some of the challenges
17 we face. Certainly the origins that our founders
18 planted on the shores of Jamestown and Williamsburg
19 four centuries ago were a marvelous history of the
20 American dream, and we want you to be there and to be
21 able to learn the lessons again of Madison and Henry
22 and Jefferson and Mason and the other founders that
23 planted the great principles of freedom that we all
24 cherish on both sides of the aisle. We want you to
25 walk in the footsteps of the founders.

1 Williamsburg, Virginia, as you know, was
2 the colonial capital. Democracy was planted in April
3 of 1607 in Jamestown. But after three fires at the
4 state capitol, it was finally in 1704 moved to
5 Williamsburg, Virginia, where it remained until the
6 1780s when it moved to the current capitol now in
7 Richmond.

8 But great things happened at that
9 Williamsburg capitol over the years, including the
10 swearing in of Thomas Jefferson and Patrick Henry,
11 the first two governors of Virginia. So I've got a
12 great job following in that tremendous footsteps.

13 There's still about 88 buildings that date
14 back to the 18th century that are still alive and
15 well and maintained by the Jamestown, Yorktown,
16 Colonial Williamsburg Foundation. And we're going to
17 have some tremendous things that we're going to show
18 you.

19 Now, Virginia's been called the mother of
20 presidents, eight, more than any other state, the
21 cradle of democracy for all the reasons that I just
22 mentioned. Most recently it's been called the
23 Silicon Dominion or The Best Place in America to Do
24 Business. Thank you, CNBC, for that rating.

25 So we want to show you the new and the old

1 Virginia. You're going to get to see a lot of great
2 things in that area. We're going to have a dinner at
3 the colonial capitol that is now some 300 years old.
4 We'll have fireworks over the old Governor's Palace,
5 and you'll see that capitol where the oldest
6 continuously legislating body in the free world, the
7 Virginia General Assembly, began meeting in the
8 1700s. It dates back to 1619. And I hope you'll get
9 a great sense of the foundations of our nation of
10 which we are all so proud to carry on as governors
11 today.

12 You also get to go to Busch Gardens, so
13 bring your families. Come early, bring your wallets,
14 and we're going to show you a great time in Virginia.
15 I hope you got a chance to see some of our booth
16 where you've seen everything from our great Virginia
17 wine. As Chris reminded us California's for jug
18 wine. Napa Valley is for auto parts, not for wine.
19 So thank you for that. And we're going to show you
20 some of the other things that have made Virginia a
21 great state. We have more veterans than any other
22 state in America, the second highest concentration of
23 technology workers in all of America, and you're
24 going to get a little dose of all that.

25 So we're really looking forward to

1 welcoming you and your families. Those of you that
2 are in the audience, since we're the most
3 business-friendly state, bring your businesses and
4 keep them there when you come next year.

5 And I'll close with this: The founders of
6 America were the same founders of Virginia.

7 Tom, you talk about the need for
8 sustainable values, and I happened to grow up just a
9 mile from Mount Vernon. My favorite president, of
10 course, was our first commander-in-chief, George
11 Washington. In his first inaugural address, he said
12 something that I quote quite often. He said that:

13 "The propitious smiles of heaven can never
14 be expected on a nation that disregards the
15 eternals rules of order and right which heaven
16 itself has ordained."

17 I think that's good advice for America
18 today, good advice for governors, and I hope you'll
19 be able to come to Williamsburg where you'll be able
20 to walk in those footsteps of Washington and
21 Jefferson and the other patriots that made this a
22 great country.

23 So we'll welcome you to Williamsburg next
24 year. Thanks.

25

1 *(Applause.)*

2 GOVERNOR GREGOIRE: Well, we are very much
3 looking forward to it, and thank you very much for
4 your willingness to host us. It's going to be great,
5 and I'm looking forward to some great wine, by the
6 way.

7 It has been my honor to serve as chair of
8 our National Governors Association. It has been a
9 challenging year for all of us as governors. We
10 welcomed in 29 new members. That is an historic
11 event. But in the process we've all gotten to know
12 each other, and I think at the end of the day, as a
13 result of our meeting here, we know what we stand
14 for, we know what we can do, we know what we've
15 collectively done best, and so I just tell you what a
16 pleasure and honor it has been for me to serve as
17 chair.

18 I've got some thank-you's, if I could, and
19 I'll do it as quickly as I can. I'd be remiss
20 because you don't often get to see what I get to see.
21 I have to tell you, I think we're blessed to have the
22 staff of the National Governors Association. Our new
23 executive, Dan Crippen, had come in, hit the ground
24 running. He is a great leader. He is going to do a
25 fantastic job. It has been my pleasure to work with

1 him. So, Dan, thank you.

2 To David Quam, our legislative director
3 and his entire team; they have been wonderful through
4 the year.

5 To John Thomasian, the director of our
6 Center for Best Practices, and his team, thanks to
7 each and every one of you and to Jodi Omeare, the
8 communications director. They are all absolutely the
9 best, in my opinion.

10 Would you please give them a round of
11 applause.

12 *(Applause.)*

13 GOVERNOR GREGOIRE: Executive committees
14 don't often work hard. Sometimes it's by name only.
15 This one did, and so I'd like to thank all the
16 members of the Executive Committee, Governor
17 Heineman, of course, Governors [Jack] Markell, [Mitch]
Daniels,
18 [Deval] Patrick, [Mark] Dayton, Barbour, [Chris] Christie,
[Mary] Fallin. Thank
19 you all for working on the Executive Committee.

20 The Complete to Compete Task Force,
21 Governors Heineman, Hickenlooper, Daniels, [Bev] Purdue,
22 [Bill] Haslam, thanks to each one of you. I think this
23 initiative is a perfect dovetail to what you're going
24 to hear about in just a minute, what Governor Heineman

25 is going to talk about.

1 To the chairs and vice chairs of our
2 committees: thanks to each of you for what you've
3 done. You have led the way in some very important
4 policy issues for us to move forward in a very
5 bipartisan way. I want to thank you.

6 If you can indulge me for just a brief
7 moment, you know, it's not easy to be the First Mike
8 of the State of Washington. It's not easy in an
9 organization of all women to lead the 29 new members
10 of the first spouses group. My husband stepped up to
11 it. He promised me it wouldn't be every beer parlor
12 in America that they would visit. He did it right,
13 he did a great job.

14 My Mike husband, Mike Gregoire, thank you
15 for all you did.

16 *(Applause.)*

17 GOVERNOR GREGOIRE: And my personal staff,
18 whom I think all of your staff know very well, who
19 has worked absolutely tirelessly with your staff, the
20 National Governors Association staff, he's the best
21 in my opinion, Mark Group.

22 Thank you, Mark, thank you for all you do.

23 In just a minute I'm going to have
24 Governor McDonnell tell us the results of the
25 committee on--Nominating Committee for our new

1 organization.

2 I've saved my comments 'til now about my
3 colleague Dave Heineman. We really didn't know each
4 other 'til we went to Colorado Springs to welcome all
5 the new governors. From the moment I met him and his
6 wonderful wife, it has been the definition of
7 partnership. Absolutely bipartisan. He has stood
8 with me at every juncture. Every decision we've made
9 together. That's not always happened in this
10 organization. He is going to be great a leader of
11 this organization, and I can tell you, my friends who
12 are Democrats, my friends who are Republicans, this
13 is exactly the kind of leader this organization needs
14 as we go into yet another challenging year for the
15 governors of this great nation.

16 So, Dave, to you and to your wonderful
17 wife, thank you for all you've done for Mike and me
18 over the last year.

19 *(Applause.)*

20 GOVERNOR GREGOIRE: So, now,
21 Governor McDonnell, if you would please report on the
22 Nominations Committee.

23 GOVERNOR MCDONNELL: Thank you,
24 Governor Gregoire.

25 As chair of the Nominations Committee,

1 it's my pleasure to nominate the following governors
2 to serve in the leadership of the National Governors
3 Association for 2011 through 2012: Governor Patrick
4 of Massachusetts, Governor Daniels of Indiana,
5 Governor Dayton of Minnesota, Governor Christie of
6 New Jersey, Governor Hickenlooper of Colorado,
7 Governor Fallin of Oklahoma, Governor Gregoire of
8 Washington and, as vice chair, Governor Jack Markell
9 of Delaware and, as the next chairman of the NGA,
10 Governor Dave Heineman of Nebraska.

11 So I move that those nominations be
12 considered *en bloc*.

13 (*The motion was moved and seconded.*)

14 GOVERNOR GREGOIRE: It's been moved and
15 seconded that the nominees for the Executive
16 Committee and chair and advice chair of the
17 organization as set forward by the committee.

18 Any further discussion?

19 (*No response.*)

20 GOVERNOR GREGOIRE: All those in favor,
21 please signify by saying "aye."

22 (*Collective "aye."*)

23 GOVERNOR GREGOIRE: Those opposed?

24 (*No response.*)

25 GOVERNOR GREGOIRE: To you,

1 Governor Markell, thank you for stepping up to
2 leadership.

3 To you, governor, congratulations, job
4 well done. I look forward to your great leadership
5 over the course of the next year. Thank you, Dave.

6 GOVERNOR HEINEMAN: Chris, thank you very
7 much.

8 I don't know what else to say given what
9 she already said. We really didn't know each other
10 very well. It's been a partnership. We've worked
11 together. We've talked many times on the telephone,
12 Sally and I have thoroughly enjoyed our relationship
13 with Chris Gregoire and First Mike. He is a terrific
14 individual. He came all the way out to Omaha for the
15 spouses' meeting.

16 But mostly I want to share with you what a
17 superb role model Chris has been for our organization
18 and for anyone who wants to be the chair of a
19 national organization with varied interests. She
20 listened to all of us. She worked with all of us.
21 And we've been able to strengthen the NGA because of
22 her leadership.

23 And it is a special honor to--whoop--
24 to present this plaque to you. And, again, we are so
25 proud of you and what you've done for our

1 organization.

2 (Applause.)

3 GOVERNOR HEINEMAN: You know, Chris
4 mentioned we couldn't do it without our spouses, so
5 I'd like my wife to come forward and First Mike.
6 We'd like to make a personal presentation to the
7 Gregoires. It's been a great personal and
8 professional relationship, and we just want to
9 present this personal gift to both of you for all
10 you've done.

11 GOVERNOR GREGOIRE: Thank you.

12 (Applause.)

13 GOVERNOR HEINEMAN: I was just telling the
14 First Mike, you know, when he was going to come to
15 Omaha, I thought it would be a good idea if we would
16 play golf, and I was told by the first lady of
17 Nebraska that that would not be a good idea for the
18 two of you to go play golf while the rest of them
19 were engaged in the spouses' meeting. So we weren't
20 able to do that. And we are going to do it yet this
21 fall because, once again, as I've told many of you,
22 the University of Washington is going to play
23 Nebraska again in football, so we hope you'll both
24 come, and we hope you'll let us win that game.

25 Now, as we move toward, I'm very excited

1 to continue the work that Chris and I started
2 together, I look forward to working with our new vice
3 chair, Governor Jack Markell. For those of you who
4 don't know, Jack and I served together as state
5 treasurers. We're friends, we know each other, and
6 we're committed to enhancing the role, the influence
7 and the importance of the NGA.

8 Now, the rest of this speech was about
9 30 minutes in length, but being a good Nebraskan with
10 a lot of common sense, I've condensed it to about
11 three minutes.

12 For all the tough and difficult issues
13 that states face today--and we just heard this--
14 boosting economic growth remains our most important
15 and our most challenging one. Economic growth is key
16 to our success as governors. That's why my
17 initiative will be Growing State Economies.

18 This initiative will provide governors and
19 other state policy makers with a set of policy
20 options that have been shown to foster business
21 growth. A major emphasis will be on understanding
22 how a small business becomes a fast-growing firm and
23 what policies support that transformation.

24 High-growth businesses are one of the
25 driving forces of the modern global economy. As

1 governors look to best strategies to strengthen
2 economic performance, we must emphasize policies that
3 help the private sector grow, creating new job
4 opportunities for our citizens, and that's what this
5 initiative is going to be all about.

6 The key thing I think I want to tell you
7 today is that we want to be able to share, by the
8 time we reach Virginia next year, a set of policies
9 and ideas that will help each and every governor as
10 they foster economic growth in their individual
11 states. Not every one will apply to every state. In
12 order to do that, we are going to host four summits
13 across America: One in Hartford, Connecticut; one in
14 Nashville, Tennessee; one in Seattle, Washington; and
15 the final one in Omaha, Nebraska.

16 And we want to bring all that information
17 together from governors, from real business leaders,
18 from academic research into a private- into a white
19 paper next year that we can share with all of you as
20 we figure out how to continue to grow our state
21 economies.

22 This initiative will help us identify the
23 best strategies to strengthen state economic
24 performance and signal to our citizens that we
25 understand job creation, prosperity and economic

1 competitiveness are our top priorities today and
2 going forward.

3 I look forward to working with each of you
4 on this initiative. Both Chris and I and all of us
5 want to thank you for your involvement in the NGA.

6 Again, to the Herberts, thank you for a
7 wonderful conference. I think we all thoroughly
8 enjoyed this.

9 We are adjourned.

10 *(The proceedings adjourned at 1:14 p.m.)*

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1 REPORTER'S HEARING CERTIFICATE

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4) ss.
5 COUNTY OF SALT LAKE)

6

7 I, Susette M. Snider, Registered
8 Professional Reporter, Certified Realtime Reporter
9 and Notary Public in and for the State of Utah, do
10 hereby certify:

11

12 That said proceedings were taken down by
13 me in stenotype on July 15, 2011, at the place
14 therein named, and were transcribed by me, and that a
15 true and correct transcription of said proceedings is
16 set forth in the preceding pages.

17

18 WITNESS MY HAND this 25th day of July,
19 2010.

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Susette M. Snider, RPR, CRR