PARTICIPANTS:

Washington Governor Chris Gregoire, Chairman
Utah Governor Gary R. Herbert

GUEST SPEAKERS:

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

John Seely Brown, Ph.D., Visiting scholar and advisor to the Provost of the University of Southern California and Independent Co-Chairman of the Deloitte Center for the Edge
GOVERNOR GREGOIRE: Good morning, everyone. Oh, man. We'll try it one last time. Good morning, everyone.

(The audience responded.)

GOVERNOR GREGOIRE: Good morning to the governors. Good morning to our distinguished guests. The reason I'm--good morning as loud as I can is because, if you recall, in February I had laryngitis and couldn't say a word. And I'm back. It is now my honor to call to order the 103rd Annual Meeting of the National Governors Association.

We really do have a packed agenda for the next two and a half days. Let me run through it. Following this morning's plenary session, we will have a governors-only lunch and business session. Later this afternoon we will convene the first ever U.S.-China Governors Forum to explore opportunities for cooperation and friendship between our two countries. Saturday's business agenda begins with a stand-alone session of our Economic Development and
Commerce Committee. It will include a discussion about international trade and investment's role in our domestic economic growth and job creation. We'll then have a governors' lunch and business session followed by the meetings of our other committees.

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

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

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

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

(Motion was moved and seconded.)

GOVERNOR GREGOIRE: It's been moved and seconded.

Part of the rules require that any governor who wants to submit a new policy or
resolution for adoption at this meeting will need a
three-fourths vote to suspend the rules.

So any discussion?

(No response.)

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

(Collective "aye.")

GOVERNOR GREGOIRE: All those opposed?

(No response.)

GOVERNOR GREGOIRE: The ayes have it.

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

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

Governor [Dan] Malloy, Governor [Terry] Branstad, Governor
Herbert,

Governor [Jay] Nixon; and Governor [Robert] McDonnell will
serve as

chair of the group.

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

Would you please raise your hands so we
can acknowledge you and thank you for attending our
NGA meeting? You are here often, and we appreciate
it. Thank you very much.
GOVERNOR GREGOIRE: Last evening I had the opportunity to meet a delegation of Arab ambassadors who have joined us again this year.

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

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

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

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

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

(Applause.)

GOVERNOR GREGOIRE: I'd like to take a
minute, if I could, to thank our hosts for this year's meeting, Governor Gary Herbert and his wife Jeanette, who are hosting our National Governors meeting in beautiful Salt Lake City.

    Thank you, Gary.

    Thank you, Jeanette.

    (Applause.)

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

    Gary, would you like to say a few words?

GOVERNOR HERBERT: Well, thank you. Yes.

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

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

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

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

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

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

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

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

Last, but not least, I want to just mention that in your rooms there is kind of a gift basket, which is typical. And in that gift basket you'll see one of these little sculptures here of a handcart family. Now, not everybody knows about the handcarts, but here in Utah we treasure our pioneer heritage and history and particularly the handcart people.
In our family--kind of a personal note--my wife Jeanette, the first lady, has a
great, great--about six-greats-back grandmother,
Mary Soar Taylor, ended up coming from England as she
had joined the Mormon Church. Her husband had died.
She came here as single mother with one child,
William, and another child, Jesse, came on a ship,
came across, came to New York and then met out in far
west Missouri and gathered with the Mormons there as
they then trekked here to the Salt Lake Valley in
1856.

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

And they had an early winter, and they got
stuck in Governor [Matthew] Mead's area of Wyoming. The
snow was about three feet deep, and they got stranded in a
place now called Martin's Cove. She ended up
having--a rescue came after there for about a
couple of weeks. They . . . the frostbite was terrific.
They had 600 in their company. Half of them perished
on the journey from far west Missouri to the
Salt Lake Valley.

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

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

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

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

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

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

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

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

(Applause.)

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

But now let me first turn to the business of today's session. I have come to believe that
education is the absolute key for us to put America back to work, to make every one of our individuals be able to provide for their families, the economic success of our country and our competitiveness around the globe.

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

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

In today's very competitive environment, our economic development, our education, our training strategies must be one of the most important things that we can consider as governors. We must be clear that what our states need from our colleges and
universities is obvious and clear to them. We must
hold them accountable for the progress that we want
for taxpayers' money and for tuition by our students.
That means being able to answer for
taxpayers and for students and their families'
questions like, How well are our higher education
systems doing at educating students with certificates
and degrees that employers actually need so that
they've got a job when they finish? How efficient
are our colleges and universities, and how much of a
return do they provide on the investments made by
students and taxpayers? How do we make sure that our
students are learning what they need to be career
ready? Even as we encourage them to graduate and
graduate faster, when they do, are they career ready?

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

We started on the work last July with the
NGA Common Completion Metrics, and today I can report
we have 30 states, including my own state, that have
committed to collecting and reporting on those
metrics. This could not have happened without the
work of our partners at Complete College America and
the Lumina Foundation. And I want to thank them for
their work in advancing this. This is the key for
our competitiveness around the globe.

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

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

The combination of completion and
efficiency and effectiveness sends a very clear
message that we as governors are prepared to ask the
tough questions about outcomes and return on
investment to our colleges and universities.

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

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

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

So with that in mind, today we are very
fortunate to have two leaders who bring a wealth of
ideas and experience to this conversation. They are
going to share with us their perspectives about the role of higher education in the world that is unfolding and what that means for states and colleges and universities.

Susan Hockfield, thank you for being here.

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

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

Dr. Hockfield is a neurobiologist by training. She also believes that our institutions of higher education must apply their vast knowledge to the task of creating new models of teaching and
research that fit the demand of our global age.

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

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

We also have with us John Seely Brown. Thank you for being with us as well.

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

He's also an acclaimed writer, co-authoring *The Social Life of Information*, which challenges some of the conventional wisdom and mythology surrounding the role of information technology in today's society and describes the
changing nature of education. It's in its second
printing and has been translated into nine languages.

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

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

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

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

(Applause.)

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

It's a great privilege and a joy to join
you here in Governor Herbert's beautiful home state.
I was here a couple of months ago and had the
privilege of hearing the governor speak about the
simply astonishing advances that this state has made
in becoming really a start-up state for the nation.
So congratulations, governor. Thank you
for hosting this meeting.
Now, in seeking a solution to America's
current economic quandary, it is, I would say, almost
impossible to think of any group closer to the action
than you, the nation's governors. You carry an
extraordinary burden of leadership, both in
addressing the human suffering and budget impacts of
the lingering global downturn, but also in trying to
chart a course to a brighter economic future for your
states.
So I join you today with a profound sense
of responsibility as I want to share with you some
thoughts on how to revive America's innovation-based
economy.
Now, I took a look at some of your state
of the state presentations, and I found across the
country a sobering unity of concern. I always like
coherence, but this particular coherence is really
sobering.
For Maine's Governor [Paul] LePage, "Our
is a jobs bill."
From Governor [John] Kasich, "The enemy in Ohio right now is joblessness."

Governor [Rick] Snyder said, "Michigan's job one is jobs."

Governor [Brian] Sandoval declared that "the key is to get Nevada working again."

Governor [Robert] Bentley, "Our highest priority for Alabama is creating jobs."

And Governor [Rick] Scott called the Florida legislature into emergency session because, as he put it, "For the 1.1 million Floridians out of work, it is an emergency."

I also learned in the words of an NGA staffer that governors like to do things. Good news.

So there's really just one question before us: What are we going to do together to restart America's job creation machine?

Now, I believe the answer lies in retooling the engine that has driven wave after wave of economic growth after World War II. That's American's innovation system, and so today I want to provide what I hope will be a clear picture of how the innovation system works and outline what we can
do to make it work even better.

Of course, our innovation system comes to
life from the spark of scientific discovery and
invention, but the kind of innovation that drives
real economic growth goes beyond a cool idea
and we hope better than the present.
What kind of innovations do I mean? Let
me just give you a short list. Real-time network
computing. These are radical advances that
transformed computers from what were essentially
overgrown calculators in the hands of scientists to
the communications infrastructure of our whole
society.
Or PET scans that allow doctors to
pinpoint malignant tumors without invasive
procedures.
Or lasers. Lasers not so long ago were
arcane scientific tools, instruments that no one
really knew what they'd be good for, and now we use
them every day at checkout counters or in getting
your vision corrected or in burning CDs.
Or drug-eluting coronary stents, one of
the several medical miracles that reduced death from
heart disease and stroke by 63 percent over the last
30 years.
Or the air traffic control technology that
most of us depended on to get to this meeting.
Or GPS. Remember, that was a technology that was invented to position nuclear missiles, and we now use it universally to find the way to the hospital, to find a way to a job interview or even--I use it quite frequently--to find the nearest Starbucks.

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

Or even the big idea innovation by Google.

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

Now, that's the American innovation system at work. It's a direct descendent of the investment-based research and development system the U.S. invented to develop the technologies--including radar and the atomic bomb--that won World War II.
In effect, Presidents Truman and then Eisenhower, working with Congress and guided by visionary scientific advisors, recognized that the strategy of investing in advanced scientific research that had produced incredible war-winning results could produce the technologies that would win in peacetime too. So across the country from Texas to Michigan, California to Georgia, North Carolina to Pennsylvania and Massachusetts, federal research investments essentially reinvented American universities as powerhouses of modern scientific and technological research.

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

Just as one example, the cumulative effect of the information technology wave in the '90s produced one of the most successful periods in our recent economic history. From 1995 through 2000, the U.S. sustained GDP growth of around 4.2 percent and productivity gains of 3.5 percent. These are
actually stunning results in a mature economy.

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

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

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

Let me just give you one example from MIT, of course. MIT alumni founded companies at an astonishing rate, about 900 a year. But of all the
companies that they found—and they're pretty evenly distributed between service-based and technology-based—those based on technology account for nearly 92 percent of the aggregate company revenues and about 85 percent of all the jobs created.

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

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

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

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

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

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

As an undergraduate student, he learned to do frontline, hands-on research by working in an MIT professor's laboratory, and more than 85 percent of MIT undergraduates have these experiences. They do this kind of advanced research side by side with
faculty. In those experiences they're learning by
doing at the frontiers of human knowledge.

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

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

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

In 2001, supported by a Basic Energy
Sciences grant from the U.S. Department of Energy,
Yet-Ming made a fundamental breakthrough in how to
manipulate the structure of lithium ions at the
nanoscale to improve the performance of batteries.
MIT's technology licensing office helped him get the
appropriate patents and also connected him with
veteran entrepreneurs in the MIT community who helped
guide the development of a new company.
Within a year, with $8.3 million in venture capital, they launched a new start-up, and then the following year, thanks to another DOE grant for small business innovative research, they hit on another--and ultimately a far more important--breakthrough battery concept.

Rule Three is that growing new ideas takes money from the right source at the right time.

Today, Professor Yet-Ming Chiang continues his teaching and research at MIT. He's also the co-founder of A123 Systems, a young, rapidly growing company that's helping to invent the future of batteries for electric cars. With almost 400 issued or pending patents and more than $97 million in annual sales, A123 Systems is already manufacturing millions of batteries a year for power tools, aviation, motorbikes, Formula One race cars and most recently the Fisker Karma hybrid electric car. I think it just went on sale this month.

A123 batteries also power hybrid bus fleets in New York City, Houston, San Francisco, Seattle, and a bunch of other cities with 100 million road miles to date, the largest lithium-ion vehicle effort in the world.

On the research side, A123 employs about
250 people in Massachusetts close to MIT so they can stay plugged into the clean tech innovation cluster that includes an ambitious research community through our universities, educated workers, small and large firms and related sectors and supportive state and local government. Massachusetts is now home to about 400 clean tech companies, and about 44 of them are in my hometown of Cambridge.

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

A123's manufacturing story is instructive too. Now, important advances in conventional lithium-ion battery technology emerged from federally funded research at a number of universities, the University of Texas at Austin and Cal Tech included. But even with these important innovations in hand, the United States lost the market advantage because we allowed the manufacturing to go abroad to Korea, China, and Japan.

And when A123 started up, they knew it was going to be really tough to enter electronics fields that were dominated by those nations. So they hit on an unusual little niche in which they could develop their advanced batteries: power tools for Black & Decker. And then they used this niche to master
their technology and production, and they moved on to making batteries for transportation.

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

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

And that's the A123 story so far.

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

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

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

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

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

We also have to capitalize on America's
ability to attract talent from all over the world.
This has been the secret of our success—or not
such a great secret, but it's been part of our
success for centuries. Forty percent of MIT's current
faculty were not born in the United States, and more
than half of Silicon Valley start-ups were launched
by people born outside the United States.
We should insist that Congress encourage
this dynamic by revamping the arcane immigration laws
for highly educated workers. We must make it simple
for foreign students who earned advanced degrees here
to stay here to start companies and to create jobs.
Rule two. Scientists and engineers can
make entrepreneurs, but an entrepreneurial culture
helps them flourish. Every research University,
public or private, can do more to build up its
entrepreneurial culture. You can encourage faculty
and institutes to launch start-ups and build
curricula and mentor networks to teach them how.
We can license technology seamlessly and
fast to get products into the marketplace. You can
run start-up computations to inspire, test drive and
showcase entrepreneurial teams, and you can organize
alumni entrepreneurs to advise the fledgling ones.
They do it for free, and then they thank you for it.
This last idea may sound crazy, but at MIT we have a number of these kinds of projects. One's called The Venture Mentoring Service. It was started and run by alumni volunteers. We invested less than $3 million in funding over 10 years. With that money it's helped launch 142 ventures that have raised $850 million in external financing.

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

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

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

And new technology sectors right now on the launch pad are poised to spur innovation waves
and the jobs that go with them: clean energy, robotics, advanced materials, the convergence of life science and engineering and biomedicine and beyond. These innovation waves are simply hanging in the balance. Will we let other nations lead them, or will we seize their potential for America's workers? If we let Congress take away research funding, we will lose out on the innovation waves and the jobs that come with them.

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

One example is North Carolina's Research Triangle Park, and I compliment Governor [Bev] Purdue for increasing and accelerating it. This brought together corporate, academic, and government leaders to create something in the space between three leading universities, filling it with technology companies that could benefit from university research. Between 1970 and 2007, employment in the
region more than tripled. Rule Five—much on our minds today. If we want to make U.S. jobs, we can't just make ideas here; we have to make products here. Unfortunately, no amount of innovation is going to be enough if we ship all of our manufacturing abroad. America remains the world's second largest manufacturer, but with so many nations copying our very successful innovation model, we must stake our bets on the kind of advanced manufacturing the future demands.

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

At the six universities and eight companies who have now joined the steering committee, there is a lot of enthusiasm, and frankly, already a lot of great work on this new frontier. But the workers for this new era of advanced manufacturing are going to come from the community colleges, the high schools and the engineering schools in your states. So I invite you to join us in making this new effort truly a national effort.
In the NGA report released today, you outline ways to get America's companies working closely with community colleges so our students will be prepared for tomorrow's jobs, and I truly welcome any other ideas you have for how we can use advanced manufacturing to deliver the most value from our innovation system.

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

Let me be clear. The innovations that drive lasting economic growth emerge from the most advanced science, mathematics and technology. A123 Systems' nanophosphate lithium-ion battery technology, that draws on chemistry and engineering that you just don't learn in high school.

We need our brightest young women and men to value advanced education and innovation as much as they love football and basketball. We need them to understand that the smart phones and the video games and the music players that they covet were invented
by real people just like them and that science and engineering can offer them the power to become not just the world's consumers and spectators but its makers and doers, the inventors and creators who will restore America's prosperity.

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

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

(Applause.)

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

can't tell you how much I thank you for the message

that--when you're the home of Microsoft, to say to

the people of Washington state, go get a college

education. Thank you very much.

With that, Dr. John Seely Brown, the other

side of the partnership, please join us. Thank you,

Dr. Brown.

DR. BROWN: Well, Susan, what else can I

say? What an inspiring talk that was. I have to

tell you also that although I spend most of my time

on the West Coast, I can't help but always end up

walking through MIT campus, and the sense of the

excitement on the campus, the entrepreneurial spirit

kind of constantly turns me on to what is really

possible in America. So I personally thank you.

I'm interested in this issue of innovation

but also the changing game of innovation. I think

actually the game has changed quite a bit, and I

think it's worth spending a little bit of time

thinking about that in terms of new methods, new

tools, new resources, and issues that take us beyond

just issues of money.

So the first question you might ask is:

Sure, John. What's changing, and what does it mean
for higher education? What does it mean for innovation? What does it mean for economic development?

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

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

So I see this thing as not going to slow down at all for probably the next 30 or 40 years even
if Moore's Law slows down.

Let me say this personally. This curve on the right, I could actually recapitulate the last 10 years of my life. And see those last three little blips up there in the far right-hand corner? It took me from classical computing, the client-server architecture that Susan was talking about, into cloud computing, well known to several of the states here, into graphic processing units that actually give us the ability to do scientific computing at a fraction of the cost, and now into a form, a very limited form, of quantum computing.

I've had to relearn almost everything I knew as a computer scientist and to understand how to build the backplanes, along with Amazon and Microsoft, of cloud computing. No sooner had I done that than I had to think about how to move these graphic processing units.

And most of us here that were trained in computer science know how to program things we call single-process threads. In the last year, the chips we've been producing now run 12,000 processes or threads simultaneously. Almost everything I knew before has to be reinvented, and so on and so forth.

So we're moving to a different type of a
world, and I think the catch to recognize is the half-life of our skills is shrinking. It used to be most of the skills you learned, around this table, starting with myself, you could plan to live with for 30 years. Now you may have to retool yourself in interesting ways probably every five years.

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

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

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

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

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

In North Carolina, as you know, the state,
built on the textile industry, has been decimated.
Lo and behold, when I first walked onto your campus
and started hanging around the Centennial Campus--
the Centennial Campus is a new area which not only
has departments, it has companies, it has NGOs, it
has government, all in the same campus operating
shoulder to shoulder--I discovered some of the most
interesting nanotechnology in the country. What are
they doing? They're taking textiles and saying, What
happens if we actually think about fiber that you weave with being made out of nano material? Can we completely reinvent the entire textile industry around nano science?

And the answer is yes, that is happening. It is leading to some amazing new technologies, including actually building structural beams for cars out of textiles, weaving aortas for our heart capabilities out of these textiles and for some of us in this room that engage in a lot of military work, building some of the most amazing bulletproof fiber you ever thought possible.

All this is happening, but what's particularly interesting to me is the spirit of engagement and deep engagement where the professors, the graduate students and the students think that they can learn as much from the environment as the environment learns from them. We usually think of stuff passing from the brains of universities into the surrounding world. I think of it as a diode, to be a little bit of a geek engineer, stuff passes one direction. Now maybe we'll be able to open up an ocean of shifting from diodes to dialogue, constant learning.

In fact, I was very intrigued with this
operation, that they had outreach operations in every
single county of North Carolina that they are
learning as much back from in terms of the real
problems that's going the other way. And it's
amazing to see graduate students doing theses on
weaving together different industries--different
sub-aspects of the textile industry there, blah, blah,
blah. I could talk forever on that, but I'll move
along.

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

We have three different ROIs that could
actually be brought together in kind of a magic way
if we understood the different mind-sets that in the
past have made this difficult. But now I think we're
beginning to see ways to really bring it all together.

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

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

But why that's interesting is that, in fact, the real game here--and when we see this
cracked, the results are amazing—is can you find
the sweet spots across all the different levels of
the university along with the sweet spots of all the
different levels of the industrial ecosystem so
researchers, research of interest, find a coupling to
a particular problem in industry—I can show you
examples at North Carolina State to do this—and
so on and so forth. And so the real question is can
we find new ways to build connections at every level
in this game.

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

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

The sweet spot for innovation is moving
down, closer to the people, not up. All people
together are smarter than anyone alone in the sense
of open innovation. All people now have tools to
invent and collaborate and radically change this type of game, just a tiny example of what does it mean to be able to connect at all different levels of the university and all different levels of the industrial ecosystem.

But the game is changing even more now. Cloud computing has now come to the fore, and cloud enables many start-ups today to not have to use their early-stage lending to go out and buy massive numbers of computers, which will be reduced to zero value in about three years. They've been able shift cap X at the one time that money is most expensive, the start-up phase, into saying, No. What can I just do in terms of operating expenses instead of capital expense and actually with credit cards today start companies.

And, in fact, I can take you to a set of companies that not only have been started with credit cards but also actually turned a profit the first year so they don't even need additional capital.

Now, these are companies like different variants of social networks, et cetera, et cetera. But this climate enables us to do a whole range of things we couldn't think about doing before.

Now, most of you around this table all
know about the ways to use cloud for being able to do things like social networks. The curious thing that actually brings Susan and me together is that, in fact, we use cloud computing today to do material science.

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

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

But I also want to mention what you don't talk about is that innovation turns as much on craft as it turns on deep science. Deep science is critical, but there's a spirit of tinkering that comes and surround typical craft that also makes a
big difference. They don't talk about tinkering much
these days, especially in the education world, but I
will tell you that most of the start-ups that I am a
part of, tinkering is a massive part. It doesn't
sound sophisticated, but it is.

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

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

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

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

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

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

And, Susan, what you didn't mention was
you spearheaded changing this or adding to this the
AP program to get it into the high schools and some
of the community colleges.
So how do you take things that are already happening, no huge expenses required, but wrap them up in ways that all the community colleges can use them and so on and so forth. Look at OpenCourseWare. Now there are multiple ones that are doing this, but I think this is kind of a pioneering one to look at.

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

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

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

But I tell you, this is a fantastic scaffolding that costs, once it is done, virtually nothing if, in fact, you have a questing mind to constantly pick those up. A number of entrepreneurs that I know about in Silicon Valley, they constantly
refresh their own skills by looking at this. It's interesting. This is a high-leveraged, low-cost opportunity if we want to think about it.

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

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

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

And so the key notion here is how, by going to the root of the problem, the fundamental work that Susan was talking about, creates boundary objects that really do bring cross-disciplinary work to the fore. If there's anything you can't do as a president, as a dean, as a director of a major research operation is tell five distant disciplines
to come together and start working together. That doesn't work. On the other hand, if the problem sucks people together because they're excited about the problem, you can't pull them apart. And we have to think more about pull, not push, as we move forward here.

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

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

And, curiously, I was hired by General
Motors some time ago to study Toyota. I went onto a Toyota plant. And I got pulled onto the plant, and this tack group said, “Come, come, John. See what we've done. I've got to show you my robot that we--the people on the assembly line--built themselves.

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

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

You know what really matters, at least as much, is the stuff below the surface, the infrastructure of that economy. In fact, I can't build a start-up today if I don't know how to access design houses across the country or around the
world, find foundries to try out certain ideas,
always needing public relations, law firms,
advertising. And in the biogame, you know, I now
farm out how do I build fermentation bioreactors, by
the way, on the East Coast in order to build these
molecules.

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

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

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

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

Well, here's a very simple example. This
is an amazing example. We're now duplicating it
three different ways in Chicago. It's kind of like
how do you look at all the capabilities, like in
New York City, that you can build not only in-school
programs, but much more importantly, after-school
programs. And how do you build a network that
connects all of these after-school capabilities, you
know, in terms of the museums, science museums, history museums, public libraries, all this kind of stuff together? Because if we really look at where our kids spend their time, it's as much outside as inside school.

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

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

With that, thank you.

(Applause.)

GOVERNOR GREGOIRE: So thank you,

Dr. Brown, very much. Insightful, challenging to
of our respective governors, but we can't tell you how much, really, we appreciate your being here today.

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

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

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

But do you know anything about this data set initiative elsewhere or, you know, how we can expand upon it?
DR. BROWN: Well, I mean, I think your observation is dead center right. And, in fact, Groupon actually used the cloud computing for that data set, to analyze that data set.

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

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

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

DR. BROWN: Right.

GOVERNOR QUINN: He went to public policy
school at the University of Chicago for three months, dropped out. His first idea kind of fizzled. He did have access to some capital, and the second idea exploded.

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

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

But the amount of data--and I don't know
state government. I mean, you know, we know what's sitting inside the federal government today—is astronomical. And the catch is how do we kind of release more of that to this data mining to finish the gems in there. I completely agree with the spirit of what you're saying and the importance of it. There are certain states that are doing that.


GOVERNOR MARKELL: Thank you.

I thought both presentations were great. Dr. Hockfield mentioned A123 and then Fisker, for example, which has just started to hire in Delaware. They're going to be building their next generation car in our state next year.

I do wonder, particularly with respect to John Seely Brown's comments, about the shrinking half-life of the skills. And Tom Friedman, who will be with us on Sunday, had a column in the New York Times just the other day entitled "The Start-Up is You" where he was essentially making a similar case, that our kids really need to be focused on continually reinventing themselves because innovation is just happening—you know, it's not the S curve anymore; it's just happening all the time.
And I do wonder--to me, I mean, we can do some of the structural things like build the ecosystems. One of your last lines mentioned the banks and the design houses and all that. We can do that. But so much of this seems to be to be cultural and getting people to understand that the world has changed so dramatically, not in the last 50 years but in the last five years, and until we get, you know, the kids and their parents to understand that this change is, you know, taking place and that it is accelerating on a daily, weekly, monthly basis, I'm concerned that the--so much of the acceleration, as more of the innovation actually does go overseas--and I thought the point you made about making sure we get more of the--allow more of the immigrants to stay here after they get their education is spot on. But I do--I wonder what it is that we can do collectively in terms of making sure that people actually get it.

GOVERNOR GREGOIRE: Dr. Hockfield?

DR. HOCKFIELD: I'm entirely supportive of your observation, and I think, you know, one of the--you know, my exhortation to celebrate an interest in entrepreneurs, we have to celebrate the heroes of tomorrow, not the heroes of yesterday. And
if we believe that the national heroes are simply the athletic heroes or the heroes of yesterday's manufacturing, it's not going to move us forwards. You know, in terms of what states do, we just started something in Massachusetts called Mass Challenge, and it's taking an MIT and spreading it around the state. It's just a business plan competition. So there are ways to--you know, people love competitions, and it really gets people out and gets them competing.

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

I think nothing has surprised us more--we get about 2 million, you know, business to content a month, but nothing has surprised us more than that half of the users of OpenCourseWare are not students or faculty; they're independent learners. And so
what I think is desperate housewives, they're desperate for physics and linear algebra. And, you know, the fact is it's a little bit clandestine because who would say to their friends, Ha, I spent the afternoon, you know, boning up on my electricity and magnetism. You know, you're supposed to be doing something else.

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

GOVERNOR GREGOIRE: Governor [Haley] Barbour from Mississippi.

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

I just have to make an observation that both of you touched on. We are--America is in a global battle for talent. I mean, the competition for talent's unbelievable. And thank you, Dr. Hockfield, for making the point that--I put it this way: Every foreign-born child in the United States who gets a Ph.D. in math, science, engineering
or technology, we ought to staple a green card to
their diploma. And, otherwise, they'll go home to Mumbai and start a company that employees 800 people. If we let them stay, they would rather start one in Memphis that employees 800 people. So I appreciate your saying that.

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

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

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

DR. BROWN: Let me just say one thing building on your last comment. We also have to get industry to recognize that talent development is not just being sent back and being retrained. It's how
do we change the workscape itself so it becomes constantly a learning scape. And I think that that is a fancy, kind of fun word, but, I mean, we have to take that much more seriously. You know, training is not a nature or function, it is a way we design work. And that's, I think, so key.

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

GOVERNOR NIXON: Thank you.

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

I mean, we all have got examples, whether it's you talk about the--you know--to grow cotton in southern Missouri or Mississippi or in Alabama and to send that across an ocean 12,000 miles to turn it into a pair of jeans and bring those jeans back and sell them right next door to that field is not
working long run for the cost of those types of goods. But in the higher complexity goods also.

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

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

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

You know, at MIT we recently launched a study about 21st-century manufacturing. In the 1980s when the Japanese were eating our lunch, a group of MIT faculty from the school of engineering and the Sloan School of Management school and school of science got together to think about how to re-imagine American manufacturing. We produced a book called Made in America. We figure it's time to do something
like that again because, frankly, we don't have all
the answers to your question.

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

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

To John's point, he uses an iceberg. I
use an hourglass as, you know, my image that the
manufacturing itself, the advanced manufacturing and
the kind of new manufacturing technologies that are
being developed at MIT and on other campuses--you
know--it's like that photograph he showed of the new
GM factory; it's kind of jobs-free. But that's the
narrow waist of the hourglass. There's a gigantic
funnel of jobs and supplies that feed into that
narrow waist and then another giant array of jobs and
activities that flow out of it. And when we give up
the waist, you know, we give up the entire hourglass
of, you know, jobs and materials.

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

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

And, also, to John’s point about this
accelerating rate of change, we've got to figure out
how to accelerate the entire pipeline. From the
genius inventions at the research universities across
the country, how do we get those into products. And
John talked about a couple ways about how to do that
and get them into production and distributed around
the world more efficiently.
I think we can do it. It is an innovation-based country, but if we don't focus on it, we'll never get there. So I think it's important to raise the consciousness.

Thanks for the question.

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

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

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

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

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

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

(Applause.)

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

Governor Barbour, would you please come forward.

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

In July of 2009, some of us were very honored to be hosted by Governor Barbour at our annual meeting in Biloxi. He currently serves on NGA's Executive Committee and our Finance Committee.
One of his, I think he would share with you, greatest accomplishments is his leadership and responding--and we all saw it. We watched across the country as he responded. And he rebuilt--and we saw it when we were in Biloxi, those of us who could attend--the coast of Mississippi in the face of what was then one of the worst natural disasters in American history, the Hurricane Katrina.

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

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

With that, on behalf of the National Governors Association, I want to thank you,
Governor Barbour, for your dedication, for your leadership. We are all proud, as I'm sure you are, of the legacy that you have left to the people of Mississippi. We are also very thankful of the legacy that you have left here. Your friendships that you have will be forever with us.

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

(Applause.)

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

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

Thank y'all.

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

At each annual meeting we take this moment not only to thank our corporate fellows for their collective support but also to recognize those
companies that have maintained a sustained commitment
to governors in the work of the National Governors
Association Center For Best Practices.

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

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

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

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

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

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

(Applause.)

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

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

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

(The proceedings adjourned at 12:36 p.m.)
REPORTER'S CERTIFICATE

STATE OF UTAH

COUNTY OF SALT LAKE

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

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

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

______________________________
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
PARTICIPANTS:

Governor [Chris] Gregoire of Washington;
Governor [Luis] Fortuño of Puerto Rico;
Governor [Terry] Branstad of Iowa; and
Governor [Jay] Nixon of Missouri.

GUEST SPEAKERS:

Rita Jo Lewis, United States State Department

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

Ambassador Zhang Yesui

Party Secretary Zhao Hongzhu, Governor of Zhejiang Province

Governor Luo Huining, Qinghai Province

Governor Qin Guangrong, Yunnan Province

Governor Wang Sanyun, Anhui Province
GOVERNOR GREGOIRE: Ladies and gentlemen,

Ambassador Zhang, Madam Li, governors, it is my pleasure to officially open the U.S.-China Governors Forum.

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

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

We will hear brief presentations on each
of these topics by both U.S. and Chinese governors.

Then we will open the floor to discussion.

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

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

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

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

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

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

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

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

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

"Barack Obama, President of the United
AMBASSADOR ZHANG: I have the honor to read the message of congratulations from President Hu Jintao to the Governors Forum.

I quote:

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

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

"Our exchanges and cooperation in trade, investment, energy, the environment, and other fields, have been expanding and enjoying broad prospects. All this has not only contributed to the local development and prosperity of the two countries, but also boosted the growth of the
overall China-U.S. relationship.

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

"I wish the forum full success."

(Applause.)

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

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

I'd like to start with trade and investment.

U.S. governors and Chinese provincial leaders, as the chief executive officers of our respective states, have a strong mutual interest in
harmonious bilateral economic relations. Our economies have become interdependent.

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

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

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

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

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

With that, Madam Li?

MADAM LI: Thank you for the excellent remarks by Governor Gregoire.
The Chinese delegation is headed by Party Secretary Zhao Hongzhu of Zhejiang Province, and major members include Governor Wang Sanyun of Anhui Province, Governor Qin Guangrong of Yunnan Province, and Governor Luo Huining, governor of Qinghai Province.

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

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

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

(Applause.)

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

Now we'd like to invite Party
Secretary Zhao Hongzhu to make some remarks. He will speak on working hard to promote more balanced trade relations and closer investment relationships.

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

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

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

The forum is one of the important achievements of President Hu Jintao's visit to the United States last January, and it's also an innovative step forward between China and the United
States in promoting subnational cooperation.

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

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

In terms of the business exchanges between Zhejiang and the United States, I can describe it
with a Chinese idiom, that it's going on like a raging fire. The U.S. is the largest export nation of Zhejiang. It's also the third largest import source of Zhejiang.

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

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

And Zhejiang enterprises have also made investments in the United States. The U.S. has become the host of most of the outbound investing companies of Zhejiang. By April 2011, Zhejiang had
established a total of 710 enterprises and
institutions in the United States, taking up 15.01 percent of our enterprises investing abroad.

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

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

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

With these achievements we have every reason to believe as we work together to build a
cooperative, positive and comprehensive China-U.S. relationship in the 21st century, Zhejiang business exchange and investment cooperation with the U.S. will embrace a prospect of closer, broader and more fruitful development on a larger scale.

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

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

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

Provinces and states, as the
We believe we should step up efforts in the following areas:

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

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

Frankly speaking, now we are balancing our trade with the United States, but we will take a holistic approach to promote further liberalization of trade and investment, to lift restrictions on exports and promote more balanced development of
trade at the subnational level for the benefit of the people in our countries.

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

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

To our pleasure, yesterday Zhejiang and the relevant states and enterprises have signed two intergovernmental cooperative documents and six cooperative projects between enterprises. In coming days we will visit our sister cities and sign another number of cooperative projects. It's estimated we will sign a total of 40 projects worth 4.2 billion
U.S. dollars. This will be an important outcome of our visit.

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

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

I have stressed one point over and again on many occasions. We should have direct links in terms of logistics, information and transportation
between the two regions, but what's most important is that we should have these direct links between the hearts of people. With these links we can overcome any difficulties and solve problems.

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

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

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

Thank you.

(Applause.)

GOVERNOR GREGOIRE: Mr. Secretary, thank you very much for your presentation and for the video
to introduce the province to us. We appreciate it very much.

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

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

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

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

Our countries have the largest economies in the world. We both have significant economic and environmental interests in developing cleaner and cheaper energy resources. Each of us is extremely
dependent on fossil fuels. One-half of U.S.
electricity is powered by coal. China relies on coal
for nearly three-fourths of its electricity.

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

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

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

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

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

In addition, we're tackling our reliance on oil head-on by diversifying our fuel resources to include natural gas, which is abundant in our country. A key part in our diversification strategy includes building a natural gas pipeline to allow us to convert existing power plants to cleaner, cheaper
natural gas. Actually, that will also allow us to lower by about two-thirds emissions into the environment, and our consumers will save about a billion dollars a year.

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

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

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

Working together our countries are making great strides to diversify our energy supplies.
Through a joint $150 billion investment, China and the U.S. are collaborating on clean energy research with the development and commercialization of clean coal technology at the University of West Virginia, clean vehicles at the University of Michigan, and building efficiency at the Lawrence Berkeley National Laboratory.

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

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

As governors we look forward to continuing these partnerships and forging new alliances between
our states and your provinces to enhance both of our
countries' economic and energy security.

Thank you very much.

(Applause.)

GOVERNOR GREGOIRE: Thank you,

Governor Fortuño.

MADAM LI: Our second topic will be on the
development and cooperation in new energy.

Governor Fortuño has given us a very comprehensive
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.

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

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

(Applause.)

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

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

GOVERNOR LUO HUINING: Madam Li Xiaolin,
Vice President, Your Excellency, Ambassador Zhang Yesui, governors from the United States, friends from the media, ladies and gentlemen, good afternoon.

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

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

Green economy and low carbon technology are leading the trend in this new round. Since the outbreak of the crisis, the whole world is thinking about what development model we should choose and how we should respond to the global climate challenge. Qinghai is looking for a way to correctly seize this new trend of green development, bring out its resource potential and change its way of economic development.
It may not be known, but Qinghai is an important eco-safety screen for China and the whole world. It has a strategic implication of protecting the safety of the eco-environment and tackling climate change. It is our historic responsibility and a strategic choice to pursue green economy, follow a path of low-carbon development and contribute to world sustainability and the well-being of billions of people.

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

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

All of these will help us form an industrial framework for a circular economy with reasonable structure, unique advantages, intensive
use of resources and complete links. Our objective is to build the biggest industrial base for circular economy in China and achieve economic development, eco-safety and a better life for the people at the same time. This, of course, means strenuous efforts on our part.

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

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

At this time the network generates 50 megawatts. The figure will rapidly rise to 200 megawatts by the end of the year and is expected to reach 2,000 megawatts in five years and 10,000 megawatts by 2020. In Golmud, a western city of Qinghai, a sun city is emerging as an important power generation base of solar power in China.
On wind power Qinghai ranks the third in China in its total resources. Its stored capacity can stand well above 12,000 megawatts. Stored capacity of 150 megawatts is being built. In five years 1,500 megawatts will be completed and will reach 2,500 megawatts by 2010 [sic].

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

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

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

For example, we worked with the China Academy of Sciences to build Qinghai Solar Energy Research and a demonstration base and cooperated with
Germany and Japan to develop PV projects.

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

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

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

Before I came to the States, I took an interview with Low Carbon Every Day, which is a program of Qinghai provincial TV, and I learned from them that the family of an American architect from California has lived in a self-designed solar-powered house for five years. Beautiful sunshine and comfortable lives have given them much happiness and are much desired by many. It tells us that new energy is not only a plan pursued by the government, but the expectation of the people. It is the common choice by all.

Let us join hands to develop green energy and let the bright sunshine light up every corner of the world so that together we will create more opportunities for our common home, the earth, to enjoy green development and for the generations after us to live in a better environment. I believe this is the common pursuit of us all.

Thank you.

(Applause.)

GOVERNOR GREGOIRE: Thank you, governor, and thank you as well for introducing us to your province.

And with that our third topic is that of
the environment, and I'm going to call on Governor [Terry] Branstad from the great state of Iowa to lead the discussion.

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

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

In addition, agriculture-related machinery and value-added manufactured products compose an important part of the trading relationship that we have, and China exports to the United States value-added wood products, fish and seafood, plywood, processed fruits and vegetables. And we're very appreciative of this very important partnership we
I've set a goal of increasing significantly exports from our state, and I know the President has a goal of over the next five years increasing American exports by a hundred percent. I recognize that both of our countries can benefit from trade, and we should actively support international engagement.

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

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

I understand that China is very interested in the development of biofuels, and in the second quarter of this fiscal year, there were six initial public offerings for Chinese biofuel companies. We
need to remain committed to additional biofuels development in both of our countries to reduce this dependency on oil imports.

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

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

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

With China and the United States combining to use 40 percent of the world's energy and being overly dependent or reliant on imports for fuel needs, biofuels and wind energy are mutually important and beneficial areas for cooperation
between our two countries, and we look forward to
additional cooperation.

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

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

I encourage continued partnerships through
a variety of avenues, including sister states. We
established our first sister state on my first visit
to China in 1984 with the Hebei province, with
Governor Zhang Zhu Guang, and I have fond memories of
that trip. We came from Beijing to Sichuan by rail
and were met with a band, and they presented my wife with a bouquet of flowers. And the friendship has existed ever since. We've had many, many wonderful exchanges over the years, and our lieutenant governor just visited the province in June along with other locations in China.

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

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

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

I look forward to working with my fellow American governors and with you, the Chinese provincial governors and the Chinese leaders, to find
additional avenues for partnership.

Thank you very much.

(Applause.)

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

The Chinese government has attached great importance to environmental protection. Yunnan is located in southwestern China with beautiful scenery and unique folk traditions. Now let's first watch the short film of Yunnan province.

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

(Applause.)

MADAM LI: Having watched the film, I believe you've fallen in love with this place. Now I'd like to invite Qin Guangrong, governor of Yunnan Province, to make some remarks.

GOVERNOR QIN: Governor Gregoire, chairman of the NGA, Vice President Li Xiaolin, Ambassador Zhang Yesui, Special Representative Lewis, ladies and gentlemen, dear friends, we have just heard the exciting speech made by the governor of
Iowa. The state has made good use of the local resources to promote environmental protection.

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

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

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

As a representative of Yunnan Province, I'm privileged to take part in this forum and to follow up the speech made by the governor of Iowa. I'd like to take this opportunity to explore with you
the common challenges facing mankind in terms of
eco-safety, environmental protection and resource
conservation.

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

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

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

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

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

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

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

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

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

I'd like to make the proposals as follows:

First, we build the relationship between man and nature. More industrialization has further estranged us from nature. We pay less and less
attention to nature. Actually, nature is so profound and rich that the knowledge of man is very limited. We should get closer to nature, hold nature in awe, and promote harmony between man and nature.

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

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

Fourth, we should improve the mechanisms of environmental protection on the basis of common but differentiated responsibilities. We should set up a global environmental protection system and coordinate our efforts in this area. Developing
countries should have more support and assistance
from the developed ones in the process of
environmental protection.

Thank you.

(Applause.)

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

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

GOVERNOR NIXON: Thank you.

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

As leaders in our states and provinces, we
know that educated citizens represent the backbone of
a strong and prosperous economy. In the United
States our fundamental objective is to ensure that all of our students receive a world-class education, graduate from high school, and are prepared for college and careers.

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

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

Second, Governor Gregoire is leading governors in an initiative to dramatically increase college completion and productivity, and her leadership is having significant effects in states.
across the United States.

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

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

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

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

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

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

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

Thank you for being with us today.

(Applause.)

MADAM LI: Our last topic is young people and youth exchange. Governor Nixon had given a very good presentation. People-to-people exchange is a
new highlight in China-U.S. relations this year, and it is one of the three pillars underpinning China-U.S. relations in a new era.

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

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

(Applause.)

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

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

Anhui is located in the eastern part of China. It covers an area of 140,000 square kilometers, and is a part of the most dynamic Yangtze
River Delta economic development zones. And among the more than 30 provinces in China, Anhui is one of the most dynamic provinces, and its economy has been growing at above 10 percent for 10 consecutive years.

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

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

And now it is pushing forward pilot projects in education to reasonably allocate our resources in education and to give equal access to education to all our kids.
Ladies and gentlemen, education must be an open and inclusive process, and we need to reinforce each other in great interactions.

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

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

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

All these present a very good foundation for our future cooperation, and we have every reason to believe that as we build cooperative partnerships between our two countries, the education cooperation between our two countries holds even greater promise.
We would like to work with you to create an even brighter future. I would expect the following:

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

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

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

In terms of quantitative research, we expect to expand our cooperation with the United
States in setting up a center, a research center, in Guangdong.

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

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

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

Anhui welcomes you.
(Applause.)

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

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

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

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

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

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

So I will ask first if a U.S. governor has
a question they'd like to pose to Mr. Secretary or one of the governors.

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

GOVERNOR HERBERT: Well, thank you. And it's been very enjoyable, and I think informative for all of us to hear the comments and the presentations. My question is very simply this: We talk about we want to have better relationships with each other to foster economic opportunity, and I just want to ask the question: What is the obstacle that you see or the challenges that are going to get in the way of us accomplishing that?

GOVERNOR GREGOIRE: Mr. Secretary?

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

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

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

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

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

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

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

And after the students graduate from universities, they will come into the industrial
sector, and the government has done a lot in assisting them. But how can we better translate the research results into real productivity? I don't know whether or not the United States has a similar problem. What is your experience? And we are very interested to learn from you.

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

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

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

On the research side, what we're trying to do is begin to get a series of innovation centers where research and then turning that into a business model touch each other. And all of us in some way or another have incubation centers on our universities
which tie directly the thought processes and the
ideas to more capital for business ventures.

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

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

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

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

So thank you.

Last question from American governors?

Governor [Neil] Abercrombie, aloha--

GOVERNOR ABERCROMBIE: Aloha.

GOVERNOR GREGOIRE: --from the great

state of Hawaii.
GOVERNOR ABERCROMBIE: Thank you.

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

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

GOVERNOR GREGOIRE: Thank you, governor. Do we have any--do we have a second question from a U.S. governor?

(No response.)

GOVERNOR GREGOIRE: I'll ask a question. I've done trade missions to China. I most recently did one last fall, the largest trade mission in the history of my state. I have some measure of what I consider to be success, whether we've been able to sign an agreement like the 20 that you signed yesterday, agreements not just with business, but
with higher education institutions.

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

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

GOVERNOR GREGOIRE: A question from our Chinese colleagues?

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

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

GOVERNOR GREGOIRE: Please,

Governor [Martin] O'Malley.

GOVERNOR O’Malley: A couple of the things
that we've done in Maryland are, number one, to have a renewal portfolio standard of 20 percent by '22, and that contains within it certain requirements that the utility companies buy an increasingly larger portion of their energy from renewable sources. And within that we have a carve-out for solar. And that's probably the most important thing that we have done is to create that—that predictability, if you will—and that carve-out within the renewable portfolio standard that is now starting to inspire larger photovoltaic installations.

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

GOVERNOR GREGOIRE: Governor Fortuño?
GOVERNOR FORTUÑO: If I may add to what Governor O'Malley has just said, in the case of Puerto Rico, for the production we have extremely attractive tax incentives. And we are part of the United States market, so whatever you produce in
Puerto Rico can be sold, you know, within the U.S. So that's something we're doing, and it's, again, extremely attractive tax incentives for the production of photovoltaic and other technologies.

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

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

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

I also would like, if I could, to spend a moment and just say thank you to some special folks who have made this first ever and historic forum
possible. That includes our host governor,
Governor Herbert, from the great state of Utah.
Thank you, Governor Herbert.
(Applause.)
GOVERNOR GREGOIRE: Rita Jo Lewis from the U.S. State Department, Rita Jo, thank you for all you've done.
(Applause.)
GOVERNOR GREGOIRE: The Chinese Embassy and Ambassador Zhang, thank you very much.
(Applause.)
GOVERNOR GREGOIRE: Madam Li, Mr. Secretary, governors from China, our fellow governors from the great United States, thank you all for all your participation.
And, of course, a big thank you to the NGA staff, without whom this would not have been possible, as usual. Thank you all very much for all you did.
(Applause.)
GOVERNOR GREGOIRE: So let me just say we've got a lot of work to do. Let's make hay while the sun shines, as the secretary put it.
(The proceedings concluded at 4:46 p.m.)
REPORTER'S HEARING CERTIFICATE

STATE OF UTAH         )
                  ) ss.
COUNTY OF SALT LAKE )

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

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

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

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
PARTICIPANTS:

Governor [Chris] Gregoire of Washington;
Governor [Gary] Herbert of Utah; and
Governor [Dave] Heineman of Nebraska.

GUEST SPEAKERS:

Thomas L. Friedman, New York Times columnist, author
GOVERNOR GREGOIRE: Good afternoon, everyone. Did you all have a great time last night at the Olympic Park?

(Applause.)

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

(Applause.)

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

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

There's no question as governors we have challenges across the world. Our U.S. teenagers rank
25th in math, 17th in science, 14th in reading. This movement is not confined to our K through 12 education. Over the last two decades, the United States has fallen from first to 12th in the number of Americans that complete their postsecondary degrees.

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

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

Without more students completing high quality certificates and degrees, our ability to out-innovate, out-produce other nations is in severe jeopardy.
We all know that education is the primary driver of economic growth. It is our supply of skilled labor that remains flat, and the economic engine that drove us to prominence in the 20th century may once again stall. So we must redouble our efforts to invest in the human capital, the infrastructure of America that has defined America's standing in the world for the past 70 years. Fortunately, it is my pleasure today to welcome back Tom Friedman, one of our nation's foremost thinkers, to talk about global competition and the challenges and the opportunities that lie ahead for our United States.

Tom has written for The New York Times for 30 years and in that time has published five best-selling books. He's received numerous awards for his reporting and commentary, including the National Press Club's Lifetime Achievement Award. He's joined us for several occasions in the past to offer his insight and his opinion on the hot topics of today, domestically and internationally. And so it is with great pleasure that here, in the great state of Utah, we get to turn once again for the insights of our friend, Tom Friedman, for his perspective on how America can
recapture its position as a global competitor of
innovation and economic leadership in the world.

Tom, thank you.

(Applause.)

MR. FRIEDMAN: Thank you very much.
Governor, thank you.

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

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

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

And what I'm going to do today is actually
give you a sneak preview of my new book. It's a book
that I've written with a dear friend and long-time
collaborator, Professor Michael Mandelbaum of Johns
Hopkins University. I've got an early copy of the
book. It's not out until September, but it is
certainly on the topic of today. The book is called
That Used to Be Us: How America Fell Behind in the
World it Invented and How We Can Find Our Way Back.

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

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

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

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

So this thing we call America, this is a precious jewel, and we really need to get back to
polishing it.

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

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

"Now to get to Tianjin, you head to the Beijing South Railway Station, an ultramodern flying saucer of a building with glass walls and an oval roof covered with 3,246 solar panels. You buy a ticket from an electronic kiosk offering choices in Chinese and English and board a world-class high-speed train that goes right to another roomy modern train station in downtown Tianjin. Said to be the fastest in the world when it began operating in 2008, the Chinese bullet train covers 115 kilometers,
72 miles, in 29 minutes.

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

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

"Returning home to Maryland, where I lived, from that trip, I was describing that Tianjin complex and how quickly it was built to Michael, my co-author, and his wife, Anne. And at one point Anne interrupted and said: 'Excuse me, Tom. Have you been to our subway stop lately?' We all live in Bethesda and often use the Washington Metrorail Subway to get to work in downtown Washington.
"I had been at the Bethesda station and knew exactly what Anne was talking about: The two short escalators had been under repair for nearly six months. While the one being fixed was closed, the other had to be shut off and converted into a two-way staircase. At rush hour, this was creating a huge mess. Everyone trying to get on or off the platform had to squeeze single file up one locked-down escalator. It sometimes took 10 minutes just to get out of the station.

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

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

A simple comparison made a startling point: It took China's Teda Construction Group 32 weeks to build a world-class convention center from the ground up, including giant
escalators in every corner, and it was taking
the Washington Metro crew 24 weeks to repair two
tiny escalators with 21 steps each.

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

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

"The quote we found most disturbing,
though, came from Maryland Community News about
the long lines at rush hour. 'My impression,
standing on line, is people have sort of gotten
People have sort of gotten used to it. Instead, that sense of resignation, that sense that, well, this is just how things are in America today, that sense that America's best days are behind it and China's best days are ahead of it have become the subject of water-cooler, dinner party and grocery line and classroom conversations all across America today.

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

"The title of this first chapter, 'If You See Something, Say Something,' that is the
mantra of the Department of Homeland Security
and plays over and over on loudspeakers in
airports and railroad stations around the
country. Well, we have seen and heard
something, and millions of Americans have too.
What we have seen is not a suspicious package
left under a stairwell. What we have seen is
hiding in plain sight. We've seen something
that poses a greater threat to our national
security and well-being than al-Qaeda ever will.
We've seen a country with enormous potential
falling into the worst sort of decline, a slow
decline, just slow enough for us not to drop
everything and pull together for collective
action to fix what needs fixing.
"This book is our way of saying something
about what is wrong, why things have gone wrong
and what we can and must do to make them right."
Now, our view is that America today faces
four great challenges. One is adapting to the IT
revolution, second is adapting to globalization, the
third is all the issues around entitlements and
deficits, and the fourth is energy and climate. I
don't have time today to go into all four, so I'm
going to focus on the first two, adapting to the
globalization revolution and the IT revolution, which is really one subject because they merge, the IT revolution and globalization, and they create what I call the flat world. So what I'm really talking about is adapting to the flattening of the world.

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

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

And what that has done, the only way I can describe it in my own language, it's taken us into
FlatWorld 2.0. The world isn't just connected now, it is hyper-connected. And I would argue that is really the biggest thing going on in the world today. And you can see this through a lot of different news stories. As I said, when I wrote *The World is Flat*, I basically said, Hey, we've connected Boston and Bangalore in India, the capital of outsourcing there. I said, "The world is flat." Since 2004 we've connected Boston, Bangalore and Sirisi. You say, Well, where's Sirisi? Sirisi's a city 90 miles to the interior with 90,000 people with more and more people. India's adding 18 million cell phones a month, okay? 18 million cell phones a month, okay, are now part of this flat world.

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

Now, think about this: Syria has banned every international news organization. They've banned the BBC, CNN, Fox, *The New York Times* and...
Al-Jazeera, yet every night you've been seeing news footage coming out of Deraa. And if you look at the bottom of your screen, you know where that's from? It says it's from SNN, Shaam News Network. Shaam is Arabic for Syria. Some people have gotten together a website overnight—I would bet the governors around this table in their wallets have enough money right now to start Shaam News Network—and they have been pumping out video and flip-cam footage from Deraa through Shaam News Network. That's how flat the world has become.

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

Following up this story, the BBC observed that it was a far cry from the days in 1953 when Edmund Hillary first climbed the Everest summit, "using runners to carry messages from his expedition
to the nearest telegraph office." You can imagine
the phone calls being made: Hi, Mom. You'll never
guess where I'm calling from.

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

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

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

The New York Times carried about Grinnell College, a
wonderful liberal arts college of 1600 students in
the middle of Iowa. This year nearly one out of
every 10 students who applied to Grinnell College in
Iowa were from China. Grinnell is a small liberal arts college, 1600 students. Half of Grinnell's applicants from China had a perfect score of 800 on their SATs.

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

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

Well, this is a little different joke. You see, Japan threatened two American industries in one American town. The town was Detroit, and the industries were consumer electronics and autos.

Globalization, as typified by China, challenges every American town, every American job and every American industry directly or indirectly. This is a different joke. You haven't heard this one before.

Now, as I said, what's basically happening
is the whole global curve is being raised. And I came across this blog post. I thought it really captured what this means for the job market. We're going to first talk about the job market and then what it means for education.

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

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

"I reckon in the last decade I've
eliminated over a hundred thousand jobs in the worldwide economy from the software and services my companies sell. So there, I've said it. I am a serial job killer.

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

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

"The best way I can articulate what is a sustainable job is to tell you as a job killer--that's me--a stainable job is a job I can't kill. A stainable job is a job I can't kill. And I can't kill creative people. There is no productivity solution or outsourcing that I can sell to eliminate a creative person. I can't kill unique value creators. A unique value creator is, well, unique. They might be
someone with a relationship with a client. They might be someone who is a great salesman or saleswoman. They might be someone who has spent so much time mastering a market or subject that no one else can match.”

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

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

I inherited James Reston's office in the Washington Bureau of The New York Times. Now, those of you who are old enough to know, James Reston was one of our great columnists in the '60s and '70s.
What an honor. I inherited James Reston's office. I will bet if he were here we could ask him--
unfortunately he's passed away. But I would bet that Mr. Reston used to wake up back in the '60s and ask himself on any given morning, I wonder what my seven competitors are going to write today. I wonder what Litman's going to write today. I wonder what Alsop's going to write. I wonder what Mary McGrory is going to write. I do the same thing. I wake up every morning and say, I wonder what my 70 million competitors are going to write today!

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

What's basically going on, to put it in the language of labor economists, is called skills-biased polarization. What that basically means is that those people who do non-routine work, journalists, dentists, doctors, physicists, computer scientists, governors, those of us who do non-routine work, this flat world works for us better than ever.
Those who do routine work in the middle are getting crushed basically by anything that can be automated, outsourced, or digitized. Those who do non-routine low-skilled work, the butcher, the baker, the candlestick maker, you know, they're going to be okay, but their wages will depend on local circumstances.

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

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

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

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

He said, No, not anymore. Basically he said, Who gets laid off is--when we were in the middle of the credit bubble and there was a lot of work, the people we could take that work to, hand it
to those lawyers, and they did it very, very fine and handed it back. But some of them are gone. The people we're keeping are those who said, "You know, Jeff, we could actually do that old work in a new way," or, "We can do new work in a new way if we take advantage of this new world."

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

And here's what we found. We took four categories. We had high-end white collar like Jeff, we had low-end white collar, an outsourcing firm in India; we had blue collar, Ellen Kullman, the head of DuPont; and we had green collar, the U.S. Army. The U.S. Army is the biggest employer and one of the biggest educators in the country. And you know what all four said? They gave us the same answer: "We're looking for people who have critical reasoning and technical skills in order to get the interview, in order to get an interview, because now we want something else. We don't want just people who can do the math and the critical reasoning. We want people
who can adapt, invent, and reinvent the job along the
way because the labor--the global market is moving
so fast, if I don't have workers who are touching the
product and can't adapt and reinvent it faster, I've
got a real problem.”

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

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

And I believe it was five years later--
I'd have to consult the book--he told us this
story: As CENTCOM commander, temporary CENTCOM
commander, he was visiting an outpost in the far
reaches of Afghanistan. He sat down to interview the
captain there. And at the end of the interview, he
realized that that captain and in that isolated
outpost in Afghanistan, because of this
hyper-connectivity, had access to more intelligence
and more firepower than Martin Dempsey when he took
Baghdad from Saddam Hussein. And that's driven his
whole transformation of the army education system.

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

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

Do not compare your students to the school
down the street because they're not competing for that place in Grinnell anymore with the school down the street. They're competing with the students from Shanghai PS-21 which this year won the top place in the world PISA tests.

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

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

In a world where so many machines and available foreign workers can now do average or better, the curve everyone is being graded on is moving up. What was average work will not return average wages anymore, let alone above-average wages. The old saying, "If all you ever do is all you've
ever done, all you've ever get is all you've ever
got," that also is no longer applicable. If all you
ever do is all you've ever done, all you'll ever get
is less than you ever got, given this
hyper-connection of the world.

What that means is everyone has got to find their extra, their own unique value proposition. Whatever your extra is, everyone needs to find it and use it to become a creative lawyer, a creative columnist, a creative factory worker, a creative governor, a creative service worker. Everyone every day is going to have to justify their value-added.

For some it will be inventing a new product or service and reinventing an old product or service. For others it will be reinventing yourself to do an even routine task in a new or better way.

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

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

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

The days that you all could hope that Intel would come to your state with a factory of 20,000 people, those days are over. Now you need 20,000 people starting jobs for 5 people, for 10 people, for 20 people. And that's what everyone's got to go thinking about: How do I start something and make people's lives more comfortable, more secure, more healthy, more educated, more fun, more entertained. We have to be a nation of starter-uppers.
The last thing I'll just say about this, the right attitude, it seems to me, for educators today, all of us--and you all indirectly are educators--is to teach our kids not just reading, writing, and arithmetic but to get them to think like new immigrants, like artisans and like a waitress. Let me explain.

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

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

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

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

Finally, it wouldn't hurt for all of us at times to think like a waiter or waitress. In late August of 2010 I was back in my hometown of Minneapolis, having breakfast with my best friend, Ken Greer, at the Perkins Pancake House on Highway 100. Ken ordered three buttermilk pancakes and fruit. I ordered three pancakes and scrambled eggs. When the waitress came back with our breakfast plates, she put them down in front of each of us. But when she puts Ken 's plate down, she simply said, "I gave you extra fruit." We gave her a 50-percent
tip for that. That waitress, God bless her, she
didn't control much in her work environment, but she
controlled the fruit ladle. And it was her little
way of doing something extra.

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

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

I like the way Mark Rosenberg, the
president of Florida International University, which
has 42,000 students, once put it to us. He said,
"It's imperative that we become much better at
educating students not just to take good jobs but to
create good jobs." That is really good advice
because in today's world, you will not--we were
lucky. We're all roughly the same generation. We
got to find our job when we got out of college. Our
kids will increasingly have to create their job when
they get out of college, and the sooner and faster
and more effectively we train them to do that, the
better.

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

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

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

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

And this is a whole 'nother theme in the book which we don't have time to talk about. We didn't get here by accident, and you didn't get where you are and I didn't get where I am on my own. Yes,
I know there's a lot of people out there that say. I've got this. Keep the government out of my life.
You didn't get here on your own. You got here as a product of the greatest public-private partnership in the history of the world. That's how you got here.
And this we call in our book America's formula for success. And it has five parts. We educate our people up to and beyond whatever the level of technology is, starting with universal primary, universal high school then postsecondary education.

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

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

And lastly, we have government-funded research that pushes out the boundaries of biology and physics and chemistry so our venture capitalists
can come and pick the flowers and start new companies.

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

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

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

This is the greatest public-private partnership. This is the real source of our
strength. That's what our debate should be about.
What do we cut, because we have to cut. We've made
promises that we can't keep. Where can we raise
revenue, because we need to reinvent, reinvigorate,
renew, and refresh this formula for success for the
21st century. That to me is what the discussion
should be about.

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

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

When you look at the country that way,
what you see is the greatest generation has not died.
America's great strength, the thing that makes me an
optimist--and it's the penultimate chapter of this
book--is that, thank God, this country is still full
of people who just didn't get the word. Thank God.
They didn't get the word that we're supposed to be depressed or in a recession or unloved by the rest of the world. They didn't get the word that new immigrants are supposed to wait their turn, college dropouts are supposed to flip hamburgers and people of color are supposed to go to the back of the bus. Instead, they just do it, whatever it is, for all our ailments as a country and a society.

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

So Rosa Parks just got on the bus and took her seat. So new immigrants just went out and started 30 to 40 percent of the new companies in Silicon Valley. So college dropouts named Steve Jobs, Michael Dell, Bill Gates, and Mark Zuckerberg just got up and created four of the biggest companies in the world. So when all seemed lost in Iraq, the U.S. military chose to surge, not retreat because, one of the officers involved told me, one of my all-time
favorite quotes, "Tom, we're just too dumb to quit."

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

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

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

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

Thank you very much.

(Applause.)

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

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

GOVERNOR GREGOIRE: Yeah. You got it.

You got it.

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

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

MR. FRIEDMAN: Well, I was in Greece for a few days last week, and, you know, Greece is a cautionary tale of many things. The thing you really realize about Greece is that in many ways it's just a petro state, only its oil was in Brussels. Its oil
came from the EU. And basically since 1981, since
Greece has been in the European Union, it's been
getting subsidies for infrastructure and education to
bring up southern Europe to the level of Germany.
And basically they have squandered and misspent those
resources. It's really just an oil state.
And we have to be careful that we're not
an oil state too, only our oil state is the fact that
we can print dollars and we're the reserve currency.
And, you know, if there's one thing I left
Greece, you know, realizing, it's something my friend
Dov Seidman, who wrote the book How that makes the
point what's really happened in the last six years is
we've gone from connected to interconnected to
interdependent. It's all happened really fast.
So Greeks woke up one morning, and they
were being told you're not just connected to
Germany; you have to be Germans. You have to be
Germans now. You have to pay taxes like Germans.
You have to work German hours, take German vacations.
Forget this Mediterranean gig. You are Germans.
Okay? And right now you're seeing Greeks rebelling
because it's a lot easier to borrow money, you know,
for 30 days than it is to become a German, especially
if you're in Greece.
And I don't know how this story's going to end there, but what it's really about--it's about values. What happened, see, when we all become not just interconnected but interdependent, we all around this table are indirectly affected by what happens in Greece and whether Greeks become Germans, because if Greeks default and it brings down German and French banks--remember those things called collateralized debt obligations, CDOs, better known as derivatives, that all those people were betting on in America about your house and your house and your house? Well, those same people have been betting on those banks, and what we have no idea is if those banks go under, what billions or trillions of dollars of derivatives that will trigger and which banks in America or hedge funds are vulnerable.

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

And this is unfortunately, I think, one of the shifts we've had in our own country in the last 30 years. We've gone from the values of the greatest generation, which I would call sustainable values, values that sustain--some I learned from my friend,
Dov Seidman. We've gone from sustainable values to situational values, do whatever the situation allows. Oh, the situation allows me to give you a mortgage. And you make only $15,000 and you're trying to buy an $800,000 home, and all I ask you is can you fog up a knife? If the system allows me to do that, I will do it. Sustainable values would tell you you shouldn't.

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

Please.

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

MR. FRIEDMAN: Well, I know you've had a lot of people talk to you about this, and I know you wrestle with this a lot. I'm married to a schoolteacher, a first-grade reading teacher in
Montgomery County. My daughter did teach for America in the D.C. school system. So we talk about this a lot in our house, and we have a chapter on it in the book.

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

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

"'Mr. President, it would have been wonderful to have been secretary of state during the Cold War when the job was crucial. True, some things haven't changed. Now, as in the past, the secretary of state spends all his or her time talking to and negotiating with other governments. Now, as in the past, success depends far less on his or her eloquence than on how much leverage the secretary brings to the table. Now, as in the past, that depends first and foremost on America's economic vigor."
"'Today, however, more than ever our national security depends on the quality of our educational system. That is why I don't want to be secretary of state, Mr. President. Instead, I want to be at the head of national security policy. I want to be secretary of education.'"

That is the key issue. And how we do it, it seems to me—we've got a whole section on this.

We talk about two approaches.

What all these problems have in common—and this is one of the underlying themes of the book—is that whether you're talking about education or whether you're talking about the deficit or talking about energy and climate, every one of these problems only has a collective solution.

Unless we act collectively, we cannot address any of the problems our country faces today.

And that's why we're stymied right now.

There's going to be no Democrat solution, no Republican solution. There's only going to be a hybrid, collective solution to these problems.

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

But here's what we argue in the chapter:

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

I saw one of the worst movies I've ever seen this year. It's called "Race to Nowhere."

Some of you may have seen it. It's about how our kids are too stressed out. Johnny's too stressed out, Susie's—you know, she's got to go from
Facebook to the school play to SAT prep to— you know, it's time on Facebook again. Kids are stressed.

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

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

The question is: How do we partner—and this has got to be partnership—with teachers? And the teacher's unions have got to do their part; it seems to me governors have got to do their part to put in place a valuation system so that we are able to both weed out those ineffective teachers or retrain those that can be retrained and truly reward
our excellent teachers on the basis of real standards
that teachers feel is fair.

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

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

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

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

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

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

GOVERNOR BARBOUR: Tom, thanks for coming
back.

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

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

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

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

MR. FRIEDMAN: Yep.

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

MR. FRIEDMAN: Yep.

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

MR. FRIEDMAN: Yep.

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

MR. FRIEDMAN: You know, it's certainly
evident to me, and that's why we devoted a whole
chapter in the book to this subject--the chapter's
called "Devaluation"--you know, because we really
think it's central to our crisis, that the passing of
the, you know, greatest generation to the baby
boomer--you know, our parents--I think of my
parents in particular. Born in The Depression. My
mom was in the Navy, served in World War II, and then
the Cold War. And whether it was Democrats or
Republicans, they were tempered by those things.
That was a generation that had met a black swan, you
know, several times. And it tempered them, and it
did lead them, I think, to gravitate to more
sustainable values, to do things that sustained.
And I do believe with the passing of that
generation we've lost something, and we need to get
back to it. And I don't have a magic wand because to
me it's something that has to come from teachers,
from parents, from political leaders, and from
spiritual leaders. It's not anything you or I can
legislate. We can only do it by example.
But, you know, I talk the talk of
globalization and technology, but I'm just a faker.
I don't walk the walk. I got in a lot of trouble
recently because I said that I've actually never been
on Facebook, I've never done Twitter, and I've never
smoked a cigarette, and I'm hoping to die being able
to say all three, okay? But I'm sure I will—you
know, The New York Times maintains a Facebook and a
Twitter thing, but it's nothing I do.

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

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

And so we've kind of ceded so much to the
technology—you know what mean?—that we have to
get back. But I don't pretend I have the magic cure
because it isn't going to be one thing. We all have
to be leaders in this; you in your state, me in my
family, our President from the national level,
community leaders. But the first thing is to be
aware of it, that something kind of happened here.

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

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

And so I don't have the answer. What we
hope to do in this book, Michael and I, is at least
kick off the debate to say that's got to be part of it.

Thanks for your question.

GOVERNOR GREGOIRE: I think this may be our last question.

Governor Abercrombie?

GOVERNOR ABERCROMBIE: Thank you.

Mr. Friedman, I find myself almost stating with regret when you mentioned the phrase said to you by a military officer in Iraq, Thank goodness we were too dumb to quit, because I was thinking that--I was hoping that there might--the emphasis might have been we should have been smart enough not to get started. And what I mean by that is that there may be a sixth element that I--and maybe the book focuses on it, but this has to do with the whole issue of cutting and spending and everything else.

MR. FRIEDMAN: Right.

GOVERNOR ABERCROMBIE: And the sixth one is that we are not Imperial Rome, and what I mean by that is as soon as this meeting is over, the governors are going to meet to deal with the question of dual status command for the Northern Command and the adjutants general across the country with regard to the relationship of the National Guard to the U.S.
military and the Pentagon.

One of the reasons that we have a one percent dealing with Iraq or Afghanistan is we no longer have the draft. We have a draft by default. It's the National Guard. And this is a benchmark, if you will, for my question or maybe my observation that I'd like you to comment on.

MR. FRIEDMAN: Yeah, please.

GOVERNOR ABERCROMBIE: If we don't come to grips with the question of whether or not we're going to act as an Imperial Rome, kind of providing a military element to whatever takes place in the world and that we are the point of that spear, I don't think we can come to grips with some of the rest of those elements that were central to your thesis or your multiple theses today.

And this is not a Republican or a Democrat situation, as you mentioned, because this deployment of the National Guard and what that means in terms of our Imperial role, if you will, goes back to President Clinton and Kosovo, and you can go all through Iraq and Afghanistan.

So my basic observation is I don't think we've ever had a discussion in the nation--and I say that as a former member of the Armed Services
Committee who made this complaint, if you will, over
and over again--what is the object of what we're
doing with these massive deployments all around the
world almost at a moment's notice? Is that the role
we're going to assume, and what are the implications
of it?

Unless we come to grips with that, unless
we have a conversation--we've never had a
conversation in a presidential election about it,
this deployment by default. We have employers right
now who are saying, “Do we have to get used to hiring
people who are in the National Guard who are going to
go away for 12 months, 18 months at a time?” What
does all that mean?

So my bottom line observation is should
there be a sixth element? We are not Imperial Rome,
or if we are, then what does that mean?

MR. FRIEDMAN: Well, it's a great
question, governor, and we address it a little in
this book.

And, you know, for me this is--I wrestle
with this a lot. I supported the Iraq War for
democracy reasons. It had nothing to do with WMD. I
didn't think there was any WMD there. I supported it
for the reasons the Arab Spring is happening.
But I would be the first to admit whatever happens in Iraq, we overpaid for it, okay? It's well over a trillion dollars by whatever accounting you want. We overpaid for it. I only hope we overpaid for something that will prove to be transformational so that the men and women who paid the real price for that will be able to look back and take pride in what they participated in.

So I'll tell you how I think about these issues today if this is of any help, because I've thought about this and agonized over it a lot. So I started my career in Beirut and then Jerusalem and came to America and covered Washington and whatnot, so I've had a lot of experience in that part of the world.

And what I've realized in recent years--and Anbar, the uprising in Anbar, really drove it home--is when the Middle East put a smile on my face? That's what I asked myself one day. Well, let's see. There was when Anwar Sadat went to Jerusalem. That put a smile on my face. When Israelis and Palestinians met in Oslo, that put a smile on my face. When Iraqis decided they were going to take on al-Qaeda in Anbar Province, that put a smile on my face. The Arab uprising in Tunisia put
a smile on my face. The uprising in Egypt--God, I
got to be there in Tahrir Square--put a big smile
on my face.

Isn't that interesting. All the things
that put a smile on my face from the Middle East
started with them, and we had nothing to do with it.
We didn't even know Anwar Sadat was going to go to
Jerusalem. We didn't know for a year Israelis and
Palestinians were meeting in Oslo. Yes, the surge
coincided with the Anbar uprising, and that's great.
And that's the point. And that's what I've come to
here. We can be a great multiplier, but only if they
want to own it. That's been my feeling.

And when people want to own something,
whether it's your kids, our citizens, or people abroad
you're trying to help, you can't ask them to do it.
They will always do much more than you will ever ask
of them. As I've said ad nauseam, you know, there's
an old dictum, and I'm really a believer in this: In
the history of the world, in the history of all
mankind, no one has ever washed a rented car. In the
history of all mankind, no one has ever washed a
rented car, and no one's ever washed a rented country
or rented neighborhood.

And that's where I come from, which is why
I'd like to massively reduce our presence in Afghanistan. What bothers me about Afghanistan is I don't see anybody who wants to own what we want to own. And that's why I wrote we can succeed in Afghanistan if three things happen: Pakistan becomes a different country, Karzai becomes a different man and Obama succeeds in doing exactly what he says he's not doing, nation building in Afghanistan.

So when I look at that, I just say, where's the ownership? People say the Marines have cleared out. There is no town in Afghanistan that our Marines can't take, but is there any town in Afghanistan that Afghans can hold? And so I'm looking for the ownership. And what gives me still hope--underline that three times--of a decent outcome in Iraq is I see Iraqis struggling their way to that kind of ownership. And I'm glad for that. That's good for them and good for the region.

GOVERNOR ABERCROMBIE: But we don't want to get back bogged down in individual circumstances.

MR. FRIEDMAN: Right. Exactly.

The question still remains, are we going--I picked Imperial Rome, I'm trying to draw a parallel but not an analogy. The point still remains we have to decide whether or not we're going to have
a worldwide military presence in the sense of actual interference or trying to own political situations by military means, because that viscerally affects everything you've spoken about today.

MR. FRIEDMAN: And I agree there's going to be trade-offs, and we're going to have to face up to that. There's just no question about it.

I go back to where I started. We're this tent pole that holds up the world. I'm not sure how comfortable I'd be in Hawaii if China was patrolling the sea lanes of the Pacific and not, you know, our fleet as well.

So the question is going to be one of balance, but there's one thing which your question raises, and I can tell you absolutely for sure: We're headed for a period of trade-offs, okay? We cannot simply jump in everywhere that we want. And what I was trying to give you is if I have to have trade-offs, then the ones I'm looking for where I would consider participating are ones where people are taking ownership and I can be the force multiplier. That's where I've really come to.

GOVERNOR ABERCROMBIE: I think we're on the same page.

MR. FRIEDMAN: Thanks very much.
Thank you all very much. I really appreciate it. Thank you.

(Applause.)

GOVERNOR GREGOIRE: Well, Tom, you never disappoint. I have to say that. Thank you for the kind of glimpse on your book. Is it okay if we ask that we get the first copies of the book?

MR. FRIEDMAN: You will, every one of them.

GOVERNOR GREGOIRE: Okay. I didn't want to over-ask for anything.

Insightful. Inspiring. Thank you. And we look forward, I hope, to having you come back and see us again sometime.


GOVERNOR GREGOIRE: You always inspire.

MR. FREIDMAN: Well, I appreciate that.

Thanks so much.

GOVERNOR GREGOIRE: Thank you very, very much.

I just need your patience while we go through some work for the organization. It's a little hard to get to this after the amazing remarks that Tom has just given us, but we do need to do some business on behalf of the National Governors
We do have some policy positions that we need to take a look at. They were originally sent to y'all on the 1st of July. The packet in front of you reflects those adopted by the standing committees. You know we have a new set of ideas about moving forward with policies, and Governor Heineman is going to lead us on that new endeavor. Those that you have before you require a two-thirds of the vote of those present.

This new policy, I think, is going to take the organization in a good direction because most of the policies we will consider today are only going to be extended for six months. So that is the news that we really want to rethink, redo our policies consistent with our little conversation we had in the governors-only meeting the other day.

So to expedite matters, I'm going to ask Governor Heineman if you would be willing to move for the passage of all pending committees policies en bloc.

GOVERNOR HEINEMAN: I move adoption en bloc.

(The motion was moved and seconded.)

GOVERNOR GREGOIRE: It's been moved and
seconded that we accept them en bloc. Any
discussion?

(No response.)

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

(Collective "aye.")

GOVERNOR GREGOIRE: Those opposed to?

(No response.)

GOVERNOR GREGOIRE: Thank you,
Governor Heineman.

Governor Herbert, is Jeanette here? Yes, she is. The first lady of the great state of Utah, on behalf of the National Governors Association, you have done just an amazing job. Your hospitality has been second to none. We've had fun. We've gotten a chance to get to know each other better. We've gotten good work accomplished. It could not have happened--let me just say Mike and I were talking this morning about how we really didn't appreciate all that the great state of Utah has to offer. We didn't get to experience it. We're coming back. We love the unbelievably cheap rates to golf, your national parks and what we've seen.

So thanks to the both of you for a terrific job well down.
GOVERNOR HERBERT: Christine, it's been our distinct honor and privilege to host the National Governors Association and all of you. We hope you take a little bit of Utah back with you and have some fond memories.

Jeanette and her team have done remarkably good things. And I don't know if Bruce Hoffman and some of our Host Committee are here, but please have the volunteers and the Host Committee, if they're here, stand up, and give them a round of applause. They've done a lot of the heavy work.

GOVERNOR HERBERT: Thank you.

GOVERNOR GREGOIRE: Again, governor, to your staff, to the volunteers, to--to the security, to everybody, to the hotel, they've been terrific as well. Everybody has made our stay just really wonderful. Thank you and thank you for your tremendous leadership.

And next year we're going to go to the great--commonwealth--excuse me--the Commonwealth of Virginia, so, Governor [Robert] McDonnell, you give us a little glimpse of what we might--oh, we're going to wear a hat here. Okay.
GOVERNOR MCDONNELL: Well, good afternoon.
And what a treat to be selected by the NGA Executive Committee to host the 2012 annual meeting in Williamsburg, Virginia. Chris, I really appreciate the confidence that you've placed in us. And it's been 57 years, so it's about time to be back in Virginia.

But we do have big shoes to fill. Gary and Jeanette, just a terrific job. What a great weekend. I can guarantee I will not be doing back-flips like Governor Herbert, though, in Williamsburg.

Do you want to make your disclosures?

But we're looking forward very much to having you in Williamsburg, the old colonial capital. We want to be able to make you feel great about America again as Tom told us some of the challenges we face. Certainly the origins that our founders planted on the shores of Jamestown and Williamsburg four centuries ago were a marvelous history of the American dream, and we want you to be there and to be able to learn the lessons again of Madison and Henry and Jefferson and Mason and the other founders that planted the great principles of freedom that we all cherish on both sides of the aisle. We want you to walk in the footsteps of the founders.
Williamsburg, Virginia, as you know, was the colonial capital. Democracy was planted in April of 1607 in Jamestown. But after three fires at the state capitol, it was finally in 1704 moved to Williamsburg, Virginia, where it remained until the 1780s when it moved to the current capitol now in Richmond.

But great things happened at that Williamsburg capitol over the years, including the swearing in of Thomas Jefferson and Patrick Henry, the first two governors of Virginia. So I've got a great job following in that tremendous footsteps.

There's still about 88 buildings that date back to the 18th century that are still alive and well and maintained by the Jamestown, Yorktown, Colonial Williamsburg Foundation. And we're going to have some tremendous things that we're going to show you.

Now, Virginia's been called the mother of presidents, eight, more than any other state, the cradle of democracy for all the reasons that I just mentioned. Most recently it's been called the Silicon Dominion or The Best Place in America to Do Business. Thank you, CNBC, for that rating.

So we want to show you the new and the old
Virginia. You're going to get to see a lot of great things in that area. We're going to have a dinner at the colonial capitol that is now some 300 years old. We'll have fireworks over the old Governor's Palace, and you'll see that capitol where the oldest continuously legislat ing body in the free world, the Virginia General Assembly, began meeting in the 1700s. It dates back to 1619. And I hope you'll get a great sense of the foundations of our nation of which we are all so proud to carry on as governors today.

You also get to go to Busch Gardens, so bring your families. Come early, bring your wallets, and we're going to show you a great time in Virginia. I hope you got a chance to see some of our booth where you've seen everything from our great Virginia wine. As Chris reminded us California's for jug wine. Napa Valley is for auto parts, not for wine. So thank you for that. And we're going to show you some of the other things that have made Virginia a great state. We have more veterans than any other state in America, the second highest concentration of technology workers in all of America, and you're going to get a little dose of all that.

So we're really looking forward to
welcoming you and your families. Those of you that are in the audience, since we're the most business-friendly state, bring your businesses and keep them there when you come next year.

And I'll close with this: The founders of America were the same founders of Virginia.

Tom, you talk about the need for sustainable values, and I happened to grow up just a mile from Mount Vernon. My favorite president, of course, was our first commander-in-chief, George Washington. In his first inaugural address, he said something that I quote quite often. He said that:

"The propitious smiles of heaven can never be expected on a nation that disregards the eternals rules of order and right which heaven itself has ordained."

I think that's good advice for America today, good advice for governors, and I hope you'll be able to come to Williamsburg where you'll be able to walk in those footsteps of Washington and Jefferson and the other patriots that made this a great country.

So we'll welcome you to Williamsburg next year. Thanks.
GOVERNOR GREGOIRE: Well, we are very much looking forward to it, and thank you very much for your willingness to host us. It's going to be great, and I'm looking forward to some great wine, by the way.

It has been my honor to serve as chair of our National Governors Association. It has been a challenging year for all of us as governors. We welcomed in 29 new members. That is an historic event. But in the process we've all gotten to know each other, and I think at the end of the day, as a result of our meeting here, we know what we stand for, we know what we can do, we know what we've collectively done best, and so I just tell you what a pleasure and honor it has been for me to serve as chair.

I've got some thank-you's, if I could, and I'll do it as quickly as I can. I'd be remiss because you don't often get to see what I get to see. I have to tell you, I think we're blessed to have the staff of the National Governors Association. Our new executive, Dan Crippen, had come in, hit the ground running. He is a great leader. He is going to do a fantastic job. It has been my pleasure to work with
him. So, Dan, thank you.

To David Quam, our legislative director
and his entire team; they have been wonderful through
the year.

To John Thomasian, the director of our
Center for Best Practices, and his team, thanks to
each and every one of you and to Jodi Omear, the
communications director. They are all absolutely the
best, in my opinion.

Would you please give them a round of
applause.

(Applause.)

GOVERNOR GREGOIRE: Executive committees
do not often work hard. Sometimes it's by name only.
This one did, and so I'd like to thank all the
members of the Executive Committee, Governor
Heineman, of course, Governors [Jack] Markell, [Mitch]
Daniels, [Deval] Patrick, [Mark] Dayton, Barbour, [Chris] Christie,
[Mary] Fallin. Thank you all for working on the Executive Committee.

The Complete to Compete Task Force,
Governors Heineman, Hickenlooper, Daniels, [Bev] Purdue,
[Bill] Haslam, thanks to each one of you. I think this
initiative is a perfect dovetail to what you're going
to hear about in just a minute, what Governor Heineman
is going to talk about.
To the chairs and vice chairs of our committees: thanks to each of you for what you've done. You have led the way in some very important policy issues for us to move forward in a very bipartisan way. I want to thank you.

If you can indulge me for just a brief moment, you know, it's not easy to be the First Mike of the State of Washington. It's not easy in an organization of all women to lead the 29 new members of the first spouses group. My husband stepped up to it. He promised me it wouldn't be every beer parlor in America that they would visit. He did it right, he did a great job.

My Mike husband, Mike Gregoire, thank you for all you did.

(Applause.)

GOVERNOR GREGOIRE: And my personal staff, whom I think all of your staff know very well, who has worked absolutely tirelessly with your staff, the National Governors Association staff, he's the best in my opinion, Mark Group.

Thank you, Mark, thank you for all you do.

In just a minute I'm going to have Governor McDonnell tell us the results of the committee on--Nominating Committee for our new
organization.

    I've saved my comments 'til now about my
colleague Dave Heineman. We really didn't know each
other 'til we went to Colorado Springs to welcome all
the new governors. From the moment I met him and his
wonderful wife, it has been the definition of
partnership. Absolutely bipartisan. He has stood
with me at every juncture. Every decision we've made
together. That's not always happened in this
organization. He is going to be great a leader of
this organization, and I can tell you, my friends who
are Democrats, my friends who are Republicans, this
is exactly the kind of leader this organization needs
as we go into yet another challenging year for the
governors of this great nation.

    So, Dave, to you and to your wonderful
wife, thank you for all you've done for Mike and me
over the last year.

    (Applause.)

GOVERNOR GREGOIRE: So, now,

Governor McDonnell, if you would please report on the
Nominations Committee.

    GOVERNOR MCDONNELL: Thank you,

Governor Gregoire.

    As chair of the Nominations Committee,
it's my pleasure to nominate the following governors to serve in the leadership of the National Governors Association for 2011 through 2012: Governor Patrick of Massachusetts, Governor Daniels of Indiana, Governor Dayton of Minnesota, Governor Christie of New Jersey, Governor Hickenlooper of Colorado, Governor Fallin of Oklahoma, Governor Gregoire of Washington and, as vice chair, Governor Jack Markell of Delaware and, as the next chairman of the NGA, Governor Dave Heineman of Nebraska.

So I move that those nominations be considered en bloc.

(The motion was moved and seconded.)

GOVERNOR GREGOIRE: It's been moved and seconded that the nominees for the Executive Committee and chair and advice chair of the organization as set forward by the committee.

Any further discussion?

(No response.)

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

(Collective "aye.")

GOVERNOR GREGOIRE: Those opposed?

(No response.)

GOVERNOR GREGOIRE: To you,
Governor Markell, thank you for stepping up to leadership.

To you, governor, congratulations, job well done. I look forward to your great leadership over the course of the next near. Thank you, Dave.

GOVERNOR HEINEMAN: Chris, thank you very much.

I don't know what else to say given what she already said. We really didn't know each other very well. It's been a partnership. We've worked together. We've talked many times on the telephone, Sally and I have thoroughly enjoyed our relationship with Chris Gregoire and First Mike. He is a terrific individual. He came all the way out to Omaha for the spouses' meeting.

But mostly I want to share with you what a superb role model Chris has been for our organization and for anyone who wants to be the chair of a national organization with varied interests. She listened to all of us. She worked with all of us. And we've been able to strengthen the NGA because of her leadership.

And it is a special honor to--whoop--to present this plaque to you. And, again, we are so proud of you and what you've done for our
GOVERNOR HEINEMAN: You know, Chris mentioned we couldn't do it without our spouses, so I'd like my wife to come forward and First Mike. We'd like to make a personal presentation to the Gregoires. It's been a great personal and professional relationship, and we just want to present this personal gift to both of you for all you've done.

GOVERNOR GREGOIRE: Thank you.

GOVERNOR HEINEMAN: I was just telling the First Mike, you know, when he was going to come to Omaha, I thought it would be a good idea if we would play golf, and I was told by the first lady of Nebraska that that would not be a good idea for the two of you to go play golf while the rest of them were engaged in the spouses' meeting. So we weren't able to do that. And we are going to do it yet this fall because, once again, as I've told many of you, the University of Washington is going to play Nebraska again in football, so we hope you'll both come, and we hope you'll let us win that game.

Now, as we move toward, I'm very excited
to continue the work that Chris and I started
together, I look forward to working with our new vice
chair, Governor Jack Markell. For those of you who
don't know, Jack and I served together as state
treasurers. We're friends, we know each other, and
we're committed to enhancing the role, the influence
and the importance of the NGA.

Now, the rest of this speech was about
30 minutes in length, but being a good Nebraskan with
a lot of common sense, I've condensed it to about
three minutes.

For all the tough and difficult issues
that states face today--and we just heard this--
boosting economic growth remains our most important
and our most challenging one. Economic growth is key
to our success as governors. That's why my
initiative will be Growing State Economies.

This initiative will provide governors and
other state policy makers with a set of policy
options that have been shown to foster business
growth. A major emphasis will be on understanding
how a small business becomes a fast-growing firm and
what policies support that transformation.

High-growth businesses are one of the
driving forces of the modern global economy. As
governors look to best strategies to strengthen economic performance, we must emphasize policies that help the private sector grow, creating new job opportunities for our citizens, and that's what this initiative is going to be all about.

The key thing I think I want to tell you today is that we want to be able to share, by the time we reach Virginia next year, a set of policies and ideas that will help each and every governor as they foster economic growth in their individual states. Not every one will apply to every state. In order to do that, we are going to host four summits across America: One in Hartford, Connecticut; one in Nashville, Tennessee; one in Seattle, Washington; and the final one in Omaha, Nebraska.

And we want to bring all that information together from governors, from real business leaders, from academic research into a private-into a white paper next year that we can share with all of you as we figure out how to continue to grow our state economies.

This initiative will help us identify the best strategies to strengthen state economic performance and signal to our citizens that we understand job creation, prosperity and economic
competitiveness are our top priorities today and going forward.

    I look forward to working with each of you on this initiative. Both Chris and I and all of us want to thank you for your involvement in the NGA. Again, to the Herberts, thank you for a wonderful conference. I think we all thoroughly enjoyed this.

    We are adjourned.

(The proceedings adjourned at 1:14 p.m.)
REPORTER'S HEARING CERTIFICATE

STATE OF UTAH               )
                           ) ss.
COUNTY OF SALT LAKE       )

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

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

WITNESS MY HAND this 25th day of July, 2010.

Susette M. Snider, RPR, CRR