

WINNING IN THE GLOBAL ECONOMY

A Centennial Conference



H. Ross Perot


NCSU
EMERGING ISSUES FORUM
NORTH CAROLINA STATE UNIVERSITY

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Words Worth Remembering



A Statement from the Chairman

Chairs NCSU Emerging Issues Forum

Attorney

Governor of North Carolina from 1977 to 1985

Established North Carolina School of Science and Mathematics and the Microelectronics Center of North Carolina (MCNC)

Chaired the National Task Force on Education for Economic Growth

Chairs the Carnegie planning group to establish a national standards board for teachers

Chancellor Bruce R. Poulton gave us our mission when he created the Emerging Issues Forum in October 1985: to provide a catalyst for the discussion and action needed to move America forward in the world economy. He told us there was no better place for this agenda-setting discussion than North Carolina State University. We believe he was right. NCSU is not *just* a center of learning, nor is it *just* a center for research in science, technology, and agriculture. It is also a land-grant university, founded 100 years ago to reach out to people who need help and literally to help us become what we're capable of being. That also is what the forum is about—helping America become what it is capable of being.

As part of our effort to fulfill this mission, we conduct an annual conference that brings together business, education, and government leaders to hear some of the nation's most progressive thinkers on topics of national concern. Our second conference, "Winning in the Global Economy," drew 1,500 people to the McKimmon Center on Feb. 11, 1987. We had to turn away hundreds more. We were grateful for the response and regretted that we could not accommodate all who wanted to attend.

This publication is designed to stimulate more discussion. For those unable to attend, it summarizes the many thought-provoking speeches made throughout the day. For those who attended, we hope it will refresh the memory and provide a handy reference. We also plan to make available texts of the major speeches and video and audio recordings of the proceedings.

We thank the chancellor for his vision in establishing this forum. We also appreciate the support and encouragement of C.D. Spangler, Jr., the president of the University of North Carolina system of which this institution is a part, and of Gov. James G. Martin, who helped make the forum a success. We thank Lt. Gov. Robert B. Jordan III and House Speaker Liston B. Ramsey for being with us and enabling our state legislators to attend the afternoon session. And we especially thank those national leaders of business, education, government, and journalism who took the time to be a part of this important proceeding: H. Ross Perot, Michael S. Dukakis, Lewis M. Branscomb, Bobby R. Inman, Alice M. Rivlin, David S. Broder, and Vern E. Smith.

Now the rest of us must get to work. Leading the charge to regain America's competitive edge is not something we can leave up to others, no matter how important they are. All of us must think about what we can do. In North Carolina, we can do a lot. Thirty years ago, we astounded the world when we established the Research Triangle Park. We had no precedent to follow, only vision. Today, let us be equally bold regarding the possibilities for North Carolina and our goals for ourselves. Let us resolve that the return to a stronger worldwide economic leadership for America will be empowered in large part by what we do right here in this state.

Jim Hunt

1987 Emerging Issues Forum Agenda



Winning In The Global Economy

A North Carolina State University
Centennial Conference

Wednesday, February 11, 1987
The McKimmon Center
North Carolina State University
Western Boulevard at Gorman Street
Raleigh, North Carolina

Agenda

8:30 a.m. Registration/Coffee
Lobby, The McKimmon Center

9:30 a.m. **First General Session**
Room 2
James B. Hunt, Jr., Presiding
Chairman, Emerging Issues Forum

Presentation of Colors
NCSU Naval Reserve Officers Training Corps
Thomas Womble, Color Guard Commander

National Anthem
Sotello V. Long
Assistant Director of Admissions, NCSU

Welcoming Remarks

BRUCE R. POULTON
Chancellor, North Carolina State University

GARY MAUNEY
President, NCSU Student Body

Conference Overview

JAMES B. HUNT, JR.

Keynote Address

H. ROSS PEROT
Founder, Electronic Data Systems, Inc.
and nationally recognized business leader
*"Winning in the Global Economy:
Commitment, Leadership, Action"*

10:30 a.m. Break/Press Availability
Lobby, The McKimmon Center

10:50 a.m. Second General Session

Room 2
James B. Hunt, Jr., Presiding

Panel Presentations by

LEWIS BRANSCOMB

JFK School of Government,
Harvard University
"The Switch to Brain Power"

ADMIRAL B. R. INMAN,
USN, (Retired)

Chairman & CEO, Westmark Systems, Inc.
*"New Economic Frontiers:
High Risk, High Reward"*

ALICE RIVLIN

Director, Economic Studies Program,
Brookings Institution
"The Currencies of Competition"

11:45 a.m. Response from the National Media

DAVID BRODER

National political correspondent
and columnist
The Washington Post

VERN SMITH

Atlanta Bureau Chief
Newsweek

1:00 p.m. Third General Session

Luncheon
Room 1
Chancellor Bruce R. Poulton, Presiding

Invocation
Clarence E. Lightner,
Member, NCSU Board of Trustees

Remarks

JAMES G. MARTIN

Governor of North Carolina

Luncheon Address

MICHAEL DUKAKIS

Governor of Massachusetts
*"State Strategies for Success
in the World Economy"*

Remarks

ROBERT B. JORDAN III

Lt. Governor of North Carolina

C. D. SPANGLER, JR.

President, The University of North Carolina

Closing remarks

JAMES B. HUNT, JR.

2:45 p.m. Adjournment

THE CHANCELLOR'S RECEPTION

Lobby, The McKimmon Center

Conference Highlights

"It is unacceptable that we are at the bottom of the educational ladder among industrialized nations." H. Ross Perot

Lack of leadership has caused the current crisis in American industry, according to Perot.

"We have to face the prospect of change and make it work for us." Dukakis.

"...North Carolina State University can become a leader in developing public policy..." Chancellor Poulton.

We must make the necessary investments and face the future without fear, according to Lt. Governor Jordan.

"America can regain its competitive edge, not with cheap labor, but with brain power—developing new technologies, new products of high value." Jim Hunt

Protectionist policies will not solve the U.S. trade deficit, which totaled nearly \$170 billion in 1986, speakers said at the second annual Emerging Issues Forum. Instead, they called for massive reforms in public education; leadership dedicated to the efficient production of quality products; renewed emphasis on research and development in manufacturing processes; closer research alliances between the universities, and industry, and government to enhance technology transfer; and reduction of the federal deficit.

The forum drew 1,500 leaders of business, government, and education to North Carolina State University's McKimmon Center in Raleigh Feb. 11 for an all-day conference on "Winning in the Global Economy."

Every speaker hammered home the need for educational reform. "It is unacceptable that we're at the bottom of the educational ladder among industrialized nations," Texas entrepreneur H. Ross Perot said in his keynote address. The nation's first order of business, he said, should be to eliminate social promotion from the public school system. He called it "the worst trick you can play on a disadvantaged child of any color."

Also sounding the theme were Lewis M. Branscomb, director of the Science, Technology, and Public Policy Program at Harvard University's Kennedy School of Government; Admiral B.R. Inman, chairman and chief executive officer of Westmark Inc.; Alice M. Rivlin, director of the Economic Studies Program of the Brookings Institution; Massachusetts Gov. Michael S. Dukakis, a potential candidate for the Democratic nomination for president; and North Carolina leaders Gov. James G. Martin, Lt. Gov. Robert B. Jordan III, University of North Carolina President C.D. Spangler, Jr., NCSU Chancellor Bruce R. Poulton, and former Gov. James B. Hunt, Jr., chairman of the forum.

Perot led the commission that revamped the Texas public school system and recommended its no-pass, no-play rule for athletes, but he is more widely known as the founder of Electronic Data Systems Inc. and the man who rescued two EDS employees from an Iranian jail. More recently, Perot made headlines in his battle over management with General Motors Corporation. Two years ago GM bought EDS for \$2.5 billion in a sale that made Perot GM's biggest stockholder and placed him on its board of directors. Last December GM bought out Perot's stock to quiet his persistent criticism of management.

The ploy has not worked. Although Perot avoided naming GM, he told the forum that a decision to close 11 factories and layoff 30,000 employees—a reference to recent GM announcements—shows "an absolute failure of leadership."

Lack of leadership has caused the current crisis in American industry, Perot said. The country, he said, needs leaders who know the product and want to work with the people on the factory floor to make it better and produce it more efficiently.

Branscomb returned to the education theme as he led off a three-part panel discussion of specific means to improve the U.S. trade position. "As the centerpiece of our economic revival," he said, "we Americans should dedicate ourselves to deregulating our schools, empowering our teachers to teach, and challenging our children to learn."

America's ability to compete in the world economy rests on improving productivity, Inman said, and productivity in turn rests on creating new technology and increasing the speed with which that technology is put to use in manufacturing. Education and industry must work together toward that end, he said.

Rivlin, however, warned that none of the measures being discussed—no matter how right and necessary they are—will reverse the trade imbalance so long as the country operates with a budget deficit. The budget deficit created the trade deficit by draining U.S. savings away from industrial investments, she said. Only when the government stops "dis-saving," she said, can those savings be rechanneled into investments to increase productivity.

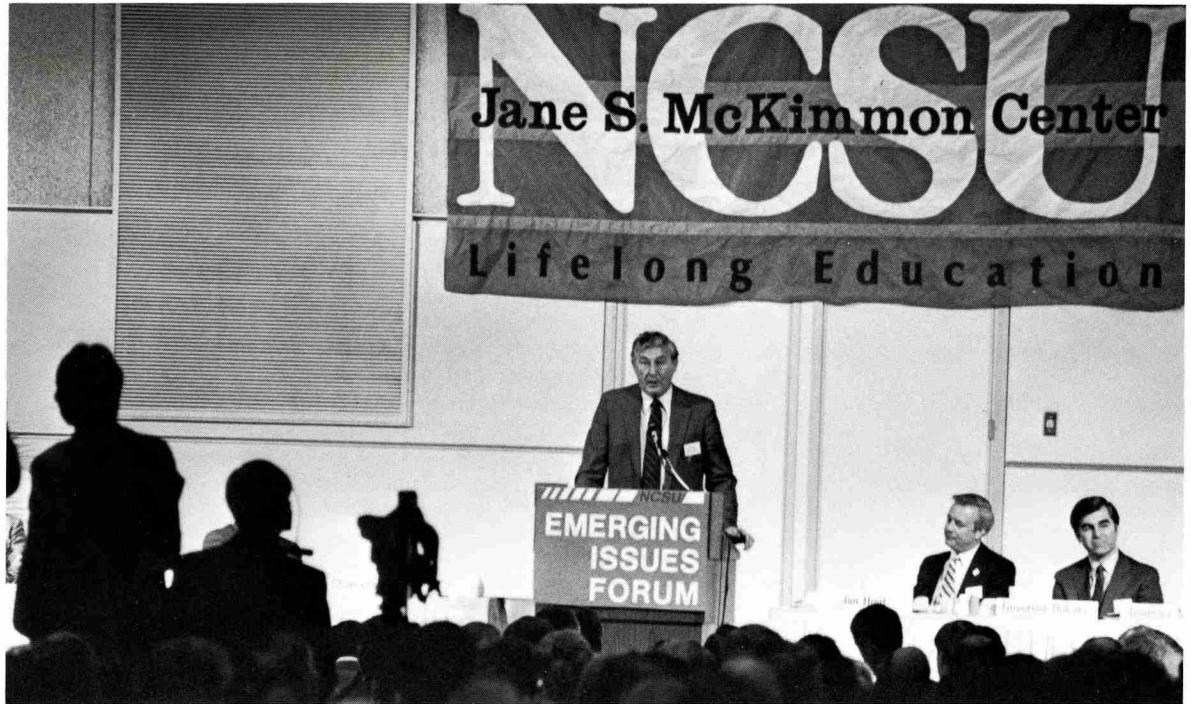
Dukakis, the featured luncheon speaker, shifted the focus to initiatives the individual states can undertake to improve economic conditions. Dukakis is credited with leading Massachusetts out of chronic depression. In the last 12 years, the unemployment rate in Massachusetts has dropped from nearly 12 percent to 3.5 percent as the state has eliminated its budget deficit, pioneered local development programs, and created centers for the study of advanced technologies.

"We have had to face the prospect of change and make it work for us," Dukakis said. In his audience was the North Carolina General Assembly.

Response to the forum has been overwhelming, both Poulton and Hunt said. Hundreds of people who asked to attend the conference had to be turned down because of limited seating capacity, and Poulton said his office has received calls from around the country since portions of the forum were broadcast on the C-SPAN cable television network.

"People are requesting transcripts and asking how we went about initiating such a conference," Poulton said. "They're saying this is exactly the kind of discussion that's necessary to shake up the country and get it moving forward again."

"I think this shows that North Carolina State University can become a leader in developing public policy not only for our state, but for our nation. We are fortunate here on this campus to be a part of one of the greatest research institutions in the country. We have spent 100 years, since this University was founded in 1887, building this solid foundation and attracting the brightest minds to Raleigh, North Carolina. Now we're ready to use that brain power to help guide this country into a future of growth and opportunity."



Hunt credited Poulton with having the vision to establish the forum in October 1985. The first conference, in January 1986, attracted 900 people with the theme, "Innovation and Competitiveness: The Challenge to America."

"But the job of this forum does not end after one day of speeches and discussions," Hunt said. "That is only the beginning. Now we have to go out and develop the policies that will put some of these ideas to work for us."

"We have to be bold, to take the initiative and try something new. If we don't, we're going to be left further and further behind in the world economy. We have a strong nation, and one capable of responding and going to work and solving this problem. But we can't wait, and we can't leave the job for somebody else to do. We've all got to get to work on this."

In opening the conference, Hunt brought up the issue of protectionist trade policies. "Many of us have taken the easy way out and blamed loss of jobs and trade deficits on barriers to exports," he said. "They do exist and must come down."

But he went on to cite a recent study that showed that only 10 to 15 percent of the trade deficit with Japan would be erased by the elimination of trade barriers. "We'd still have a \$50 billion annual deficit," he said. "So we've got to look to other things, to focus on our competitive position as a nation and as a state."

During a question-and-answer session with journalists David S. Broder and Vern E. Smith, Rivlin noted that trade barriers existed long before the U.S. trade deficit. She said some protection might be in order while U.S. industry retools to become more competitive, but she opposed quotas. She said a better idea is a tariff set in place for a given number of years at a declining rate. That would give industry some breathing space, she said, and generate income for retraining workers.

During the Q&A, Branscomb and Inman responded to a criticism Perot had made of corporate leaders—that they don't understand how business operates. Branscomb said Perot overstated the case but agreed. "There's too much emphasis on the tradition of the CEO as a manager of portfolio rather than running the company."

Inman suggested that the reward system favors short-term capital gain over long-term growth. When he attended a board of directors meeting for one company that was losing money, he said, every question concerned profits and stock value. No one asked about long-term planning, he said.

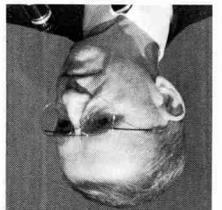
North Carolina leaders responded to the day's speakers with enthusiasm. University President Spangler noted the number of times education was mentioned and said the UNC system was dedicated to providing strong programs in both technology and the liberal arts. He said that education has long been a priority in North Carolina but needs a stronger national emphasis.

Both Governor Martin and Lieutenant Governor Jordan said the state cannot be satisfied with the status quo. North Carolina needs to improve public education, provide aid to distressed localities, and provide the infrastructure for expanding businesses, they said.

"We must have courage, we must take risks, we must make needed investments, and we must face the future without fear," Jordan said.

Martin, though, said the state must not forget the American tradition of limited government. "North Carolina," he said, "must rediscover and adapt to our time the secret of what it has always done best: provide the tools and the opportunity for our people to improve their quality of life and raise their standard of living through an expanding economy."

In closing out the conference, Hunt reiterated the conference theme that America can regain its competitive edge. "Our leaders must bring about change by becoming more innovative and by developing new products and services of high value that are in demand throughout the world," he said. "We can do that, not with cheap, inefficient labor but with brain power." And he challenged North Carolina to lead the way, saying, "We have done it before, and I believe we can do it again."



H. Ross Perot

Entrepreneur
Major backer of Next Inc.
Founder of Electronic Data Systems Inc.
Former member of the board of directors for General Motors Corporation
Recipient of the Defense Medal of Distinguished Public Service from the U.S. Department of Defense
Recipient of the Winston Churchill Award from the Winston Churchill Foundation of the United States
Chairman of the Texas Select Committee on Public Education
Chairman of the Texans' War on Drugs Committee

H. Ross Perot threw the question to his audience: "Are our best days in the future, or are they in the past?" His answer chastised the U.S. leaders he said have allowed the country's industrial strength to decline, but the founder of Electronic Data Systems also held out hope as he gave the keynote address of the Emerging Issues Forum. The United States whipped the odds when it defeated the world's mightiest nation in the American Revolution, he said. It did so again in building the Panama Canal and the transcontinental railroad. Americans have the same potential to overcome the current economic crisis, he said, if they recognize that both the problem and the solution lie in leadership.

"One of the greatest myths in this country is that we're in deep water economically because of the American worker," he said. "That's just not true; Perot illustrated his point with an analogy, saying Americans understand sports better than they do business. "Let's assume I had a losing NFL football team," he said, "and you were the part owners, and I came in, and I said it's all a problem with the players. Right away, you'd say, 'We've got to replace the coach. We've got to replace the quarterback; we'd build them a golden parachute...but they another G-3. Hell, the company goes bankrupt and we keep them. You say, 'Well, why do you keep these guys? Is it that nobody else will take the job?' Maybe it would be better to leave the job empty. These are the guys that took the thing down. The employees' pension fund is under water, the employees don't get their health benefits—all because of mismanagement. Yet we keep the coach;"

Many industry leaders don't recognize the new rules of the game, he said. They ignore international competition and hope it will go away. Perot said, "And America will continue to lose unless the leadership changes. A losing team needs to huddle together and plot a new game plan, he said. With the current industrial leadership, he said, "Guess what the solution would be? Let's buy new uniforms and helmets so we look good next Saturday. Let's go make a capital investment somewhere. Let's prove our manhood by spending a billion dollars on something that won't mean a thing to us. Get a few headlines, have a media event. Maybe the stockholders will hold steady for six months. What the hell, I'm gonna retire in 18 months, get half a million dollars a year for the rest of my life." That's the mentality that's there;

Corporate leaders today may not even understand business, Perot said. They rise to the top by following procedures. He criticized business schools that he said teach students their main goal should be to make money and "send the best and brightest to Wall Street to shuffle papers." By contrast, he said, Japan sends its best and brightest to the factory floor to learn how to make the product.

It is wrong and unfair to blame the worker for today's economic problems, Perot said. "The worker doesn't make the policy. He doesn't get to design the factory. He doesn't get to design the assembly line...How I've had some businessmen here say, 'Yeah, but you don't know those union leaders.' Well, now we're back to leaders;"

American industry, he said, needs leaders who understand how business operates, who involve themselves with their product, and who recognize the potential of the individual.

He cited the example of Toyota in Japan. Thirty years ago, the company was bankrupt, he said, and now it's the automotive capital of the world. In the plant, a large banner proclaims, "Every employee is a brother." Ten million employees suggestions have been incorporated into the Toyota car, he said, and anyone who visits the plant won't find "Mr. Toyota" in the executive dining room. He'll be on the factory floor, dressed exactly like the worker, with parts in his hand, talking to them about how to improve the car. Perot said, "Now that's leadership;"

America has lost sight of the potential of the individual, he said, inventing another story to illustrate his point.

Now, then, let's assume we didn't have an airplane. Well, we'd have to have one, right? What would we do now? Well, both houses of Congress would probably meet in joint session. We'd have to put at least 10 billion into that, right? Oh, for sure. Otherwise, it wouldn't be a commitment. Then, we'd get a bunch of guys together that had good-sounding credentials, or were friends and relatives, or at least hadn't stolen anything. And that would be our panel that would parcel this money out. And we'd have all the best and brightest because 10 billion would attract everybody. So finally a couple of guys show up.

"OK, who are you?"

"We're the Wright brothers;"

"Where are you from?"

"We're from Dayton;"

"Did you go to Cal Tech, MIT?"

"No, we didn't get to school;"

"And you're here? You want to invent the airplane?"

"Yeah, that's kind of our idea;"

"What business are you in?"

"We fix bicycles;"

"Next!"

The Wright brothers didn't know any better and so they made the airplane work, Perot said. They failed several times first, he said, and so did Edison—proving every way he couldn't invent the electric light before finding the right answer. But they all found the answer.