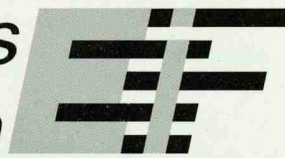


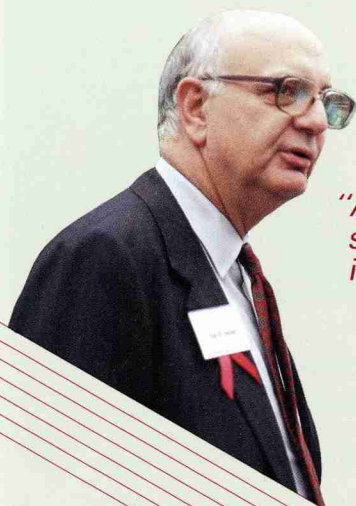
Emerging Issues Forum



1988

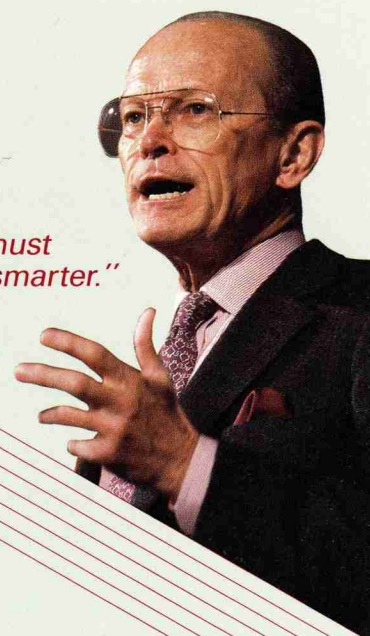
Taking Control of the Future

North Carolina State University



*"Americans must
spend less,
invest more."*

PAUL VOLCKER
Former Chairman of the
Federal Reserve Board



*"We must
work smarter."*

DONALD PETERSEN
Chairman of the Board and
Chief Executive Officer
Ford Motor Company



*"Develop the capacities
of our people."*

BILL CLINTON
Governor of Arkansas

Taking Control of the Future

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A statement from the chairman: Take control with bold, determined commitment to a competitiveness agenda



“America must take control of the future. And we must move now — not tentatively or half-heartedly, but boldly and with determination. We must prepare an agenda that will return this country to a position of strong international competitiveness and commit ourselves to accomplishing it.”

We haven't done that so far. It's no secret that America has been in a slump in recent years. Where we once had an annual growth in productivity of 3 percent, we now have 1 percent growth. Where we used to double our standard of living every generation, at the current rate, it will take 70 years. Real income has actually gone down since 1973, and last year, for the first time in more than 40 years, the United States lost its No. 1 ranking as the world's top exporting country.

It doesn't have to be that way. This country *can* return to the gains in productivity we used to know. Our plants, our industries, and our farms *can* again outproduce and outsell the world.

Furthering that goal was the reason we organized the first Emerging Issues Forum at North Carolina State University in 1986, and it was why we selected as this year's theme *“Taking Control of the Future.”*

Those of you who have attended the Forum know it is no hand-wringing session for the weak of will. Nor is it a time to moan the decline and fall of the American dream. It is a time to take charge, to define issues on the cutting edge of economic decision-making, and to chart the course for public policy that will set this country back on its way to economic prosperity and dreams of a better tomorrow.

We focused our attention this year on three areas in which we must *“take control”* — monetary policy, international trade, and jobs. Our speakers were men who have all shown us what can and must be done.

As chairman of the Federal Reserve for eight years, Paul Volcker took control of U.S. monetary policy and brought down double-digit inflation.

Donald Petersen took control of Ford Motor Company determined that quality would be Job #1. Since then, Ford has announced that it will no longer merely compete with the Japanese for a share of the American car market. It's going to sell American-built Fords to the Japanese.

Gov. Bill Clinton took control in Arkansas with challenging and courageous political leadership. In a state with vast areas of real poverty, he has fought to improve public schools and provide opportunities for all people. He has demonstrated that he understands as well as anyone in the country the connection between education and economic growth.

We're grateful that these men could come and give us ideas and inspiration. We also thank the others who made the third annual Emerging Issues Forum a success, particularly John G. Medlin Jr., chairman of First Wachovia; Alan Murray of *The Wall Street Journal*; and Claude Sitton of *The (Raleigh) News and Observer*.

Now, let us go to work. Let us commit ourselves today to return this country to a level of productivity that will double the standard of living by the next generation. Let us fight to include international competitiveness as a primary component of our national agenda. Let us immediately implement state and local initiatives to ensure a future of equal opportunity for all our citizens. Right here and right now — in businesses, schools, and government, let us begin to take control of our future.

A handwritten signature in dark ink, appearing to read "Gil Hunt". The signature is fluid and cursive, written in the bottom right corner of the page.

Spend less, 'work smarter,' create opportunities: Speakers explain how to take control of the future



Donald Petersen, Paul Volcker, NCSU Chancellor Poulton, and Gov. Bill Clinton (l to r).

The prophets of gloom and doom were cast aside as speaker after speaker at the Emerging Issues Forum declared that Americans can overcome their economic problems and take control of the future. But each speaker had an "if":

Approximately 1,000 leaders of North Carolina business, government, and education attended the third annual forum March 10-11, at the McKimmon Center at North Carolina State University. Many passed up the opening round of the Atlantic Coast Conference basketball tournament to attend, but none seemed to mind as the audience rose to give each speaker a standing ovation. The talk was often blunt, sometimes compassionate, occasionally humorous, but always filled with a determination to challenge the audience to action.

"We must work smarter and become more efficient and more resourceful to meet the challenge of worldwide competition," said Petersen, chairman and chief executive officer of Ford Motor Company. *"No country has a permanent technology or product advantage. And American industry continually must innovate, update, and improve to keep pace in the competitive race."*

He called on government to help industry, or at least stop hindering it. Much of the early progress Ford made in recovering its own competitive position was wiped out by the inflated American dollar, he said. *"We need not only to define, but also to institutionalize a process in which national competitiveness will be taken fully into account in the development of trade policy, tax policy, regulatory policy and administration, and, of course, monetary and fiscal policy,"* he said.

He also joined Volcker, former chairman of the U.S. Federal Reserve Board, in insisting that the federal budget deficit be eliminated to restore confidence in the American economy and free U.S. savings for investment in industry.

But Volcker sounded that theme most forcefully. The budget deficit and foreign trade deficit are inextricably tied, Volcker said, and without decisive action to reduce those deficits, the United States invites inflation, recession, and a collapse of credit on world markets.

To cut the budget deficit, he said, government must raise taxes. *"Sure we can cut spending — I don't have any doubt about that,"* he said. *"But can we cut spending alone by enough to deal with the budgetary problem and meet our responsibility as a country? I don't see any evidence for it."*

Individuals also must reduce spending, he said, but he comforted manufacturers. *"That does mean that for a while, per capita consumption will have to go much more slowly or even level off,"* he said, *"but there will be opportunities in that. As consumption levels off, we should see more investment and more exports — and exports and investments mean more manufacturing."*

"If we are going to get rid of our trade deficit in the next four or five years, and I think that is a fair assumption, we're going to have to increase manufacturing output on top of everything else, by, let's say, \$150 billion to \$175 billion. Manufacturing output today measured at the factory gate, isn't much more than a trillion dollars, so I'm talking an increase in manufacturing of 15 to 20 percent on top of normal growth in the economy. That is a pretty good outlook if you're a manufacturer."

Some differences emerged among the speakers — Petersen advocating and Volcker opposing further decline in the value of the dollar — but more often they agreed.

Both Petersen and Clinton, four-term governor of Arkansas, said the United States needs to work realistically with her trading partners not only to help this country, but also to encourage development of Third World nations.

“My state is hurt a lot more by the depression in Latin America than by Japanese trade barriers,” Clinton said. *“A congressional study in late 1986 indicated that if the growth rates in Latin America had been the same in 1986 as they were in late 70s, our (national) trade deficit would have been 20 percent less. By comparison, if Japanese trade barriers had been eliminated, the trade deficit would have been only 5 percent less.”*

Calling free trade versus protectionism a bogus debate, he said the United States must work to encourage more trade without becoming entangled with *“a mechanism called free trade that doesn’t exist.”*

Then he challenged domestic policy. Even an ideal trading system may not improve America’s competitive position *“because we still waste more of our resources than our competitors,”* he said. *“We waste time, and we waste money. And worst of all, we do the sorriest job of developing the capacities of our people of any major advanced country in the world.”*

“We have higher infant mortality rates, more low-birth weights, higher instances of kids dropping out of school, higher teen pregnancy rates, higher drug abuse rates, higher rates of adult illiteracy than any major advanced country in the world. And if we continue to waste our human resources when a (predicted) labor shortage comes along, you’re still going to have people with declining incomes; you’re going to have pockets of high unemployment; you may even see, cruelly enough, America importing workers from other countries to do jobs that our people can’t do.”

Only by taking state and local action to solve *“this human dimension of our economic problems,”* he said, can the United States continue to hold out the promise of a better life for all Americans.

Former Gov. James B. Hunt Jr., the forum chairman, and NCSU Chancellor Bruce R. Poulton called the conference a success.

“Our theme this year was Taking Control of the Future,” Hunt said. *“We chose that very carefully to affirm our belief that Americans can control events, that the massive problems that burden our economy can be dealt with, that America can be made highly productive again. And that’s what our speakers told us. They gave us ideas and inspiration for how we can take control, but now it’s up to us to put it to work.”*

Poulton said NCSU will put the lessons of the forum to work. *“At North Carolina State University, we hold our reputation as a people’s university to be our most important treasure,”* he said. *“That simply means that the well being of the people in this state influences all of our priority setting and decision making. This forum helps us identify those priorities.”*

“—If they spend less and invest more,”
said Paul Volcker.

“—If they continually innovate, update, and improve their products,”
said Donald Petersen.

“—If they improve their educational and human resource programs to ensure every citizen an equal opportunity for success,”
said Bill Clinton.

Paul Volcker:

To take control, Americans must spend less, invest more



Paul Volcker called on Americans to make difficult economic choices . . . and to make them now. (Photo courtesy of *The News and Observer*)

The United States must face up to its foreign trade deficit and begin setting things right by cutting federal spending, raising taxes, and increasing investment, Paul A. Volcker, former chairman of the U.S. Federal Reserve Board, said in the lead-off session of the Emerging Issues Forum.

Without prompt, decisive action, he said, the country faces inflation, recession, and a loss of confidence on world markets: *"Markets have a way of getting things done and getting impatient when they don't see progress."* But, in remarks titled, *"Taking Control of the Future,"* he criticized pessimists who say those results are inevitable.

"There is not, in my judgment, anything at all impossible about our economic problems," he said. *We have indeed made a lot of progress in the last decade. The kinds of things that we should be doing now don't seem to be nearly so difficult as, say, what was done by monetary policy or otherwise at the beginning of this decade.*" He was referring to his own actions as Fed chairman, restricting the money supply to bring down double-digit inflation.

Volcker resigned from the Fed last June after eight years as chairman. He had worked in high-ranking Treasury and Federal Reserve positions under four presidents. He recently became chairman of James D. Wolfensohn Inc., an investment advisory firm, and accepted a part-time teaching position as the Frederick H. Schultz Professor of International Economic Policy at Princeton University.

In his talk, he stopped short of prescribing specific measures for the economy. Privately, he had confided that he had to be cautious because so much weight is given to what he says — *New York Times* columnist Leonard Silk has called him "the most influential financial figure in the world" — and he feared that any misinterpretation could undermine the work of his successor at the Fed, Alan Greenspan.

Still, he did hammer at the necessity for action and chided those who promote quick-fix methods.

Volcker acknowledged that, at least superficially, the U.S. economy looks good now, with low inflation, low unemployment, and, despite the October crash, strong financial markets. Americans should not be fooled by these gains, he said, because they have depended on factors that cannot be sustained.

The foreign trade deficit now totals half a trillion dollars, or 3½ percent of the Gross National Product. *"Now I assume, and I think it's a sound assumption, that we . . . cannot continue to increase our debts to others,"* he said. *"It's not sustainable politically and certainly not economically."*

“There isn’t any amount of talk or rationalization or monetary or exchange rate manipulation that can get around (this) simple point: Sooner or later, we are going to have to stop living beyond our means.”

There will be no easy, painless solution, he said. One by one, he eliminated the “easy” proposals — increasing private savings alone (“*Sounds fine, but it’s unlikely*”), growing out of the problem (“*We simply don’t have that kind of growth potential*”), barring imports (“I hope the dangers of that are well recognized and receding”) — but he gave the most attention to proposals to allow a further drop in the value of the dollar.

The dollar had to decline from its high in 1984 and ’85 to give U.S. industry a competitive opportunity, he said. That has been achieved, and with much of U.S. industry producing at or near capacity a further decline would risk substantial inflation and possibly a world recession, he said. “*At the same time, further weakness in the dollar could only make foreigners more reluctant to lend in the United States, and we’re going to have to continue borrowing for some years.*”

Instead, Volcker insisted that what is necessary is less spending and more investment to raise productivity and increase exports.

“*As a nation, we are spending significantly more than we are producing,*” he said. “*Unlike the situation two or three years ago when we were still recovering from a recession, today we are not only spending more than we are producing, but I think we are spending more than practically we CAN produce for the time being.*” Unemployment is low; industries in competitive international positions are operating at or near capacity, and investment to expand capacity is at a historic low, he said.

Domestic savings, always low by international standards, has dropped from 9 percent of GNP to 7 percent, and it takes half of that just to finance the federal budget deficit, he said. That leaves 3½ percent of domestic savings for investment — far short of what is needed, he said.

The “*safety valve*” for that shortfall, he said, has been borrowing from abroad, which showed up as a \$150 billion trade deficit last year.

“*And if we are going to get rid of that trade deficit and stop borrowing abroad, then how are we going to finance investment and finance the federal deficit?*” he asked. “*The fact is, we’re going to have to stop spending so much and begin saving more. There isn’t any amount of talk or rationalization or monetary or exchange rate manipulation that can get around that simple point. Sooner or later, we are going to have to stop living beyond our means.*”

The federal government, no less than individuals, has been living beyond its means, Volcker said. It is no coincidence, he said, that the trade deficit and budget deficit each come to about 3½ percent of GNP. “*We have been borrowing from abroad to pay the government deficit,*” he said.

Effective action on the deficit will have to include spending cuts, *“including getting into those infamous entitlement programs,”* Volcker said, *“nothing horrendous . . . maybe just reducing the rate of increase.”* But he said spending cuts alone will not be sufficient.

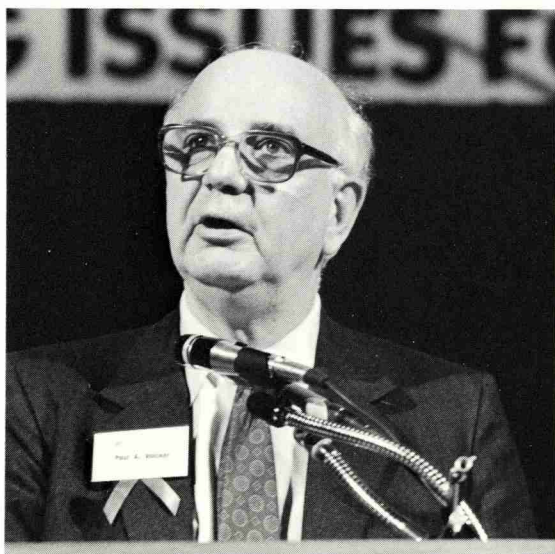
The government currently is spending 15 percent above revenues. About half of the total budget *can't* be cut, Volcker said, and in that he included defense and core entitlement programs. Eliminating the deficit by cutting spending alone would thus require a 30 percent reduction in the rest of the programs. *“And who really, upon careful consideration, can think that's realistic?”* he asked. *“Sure, we can cut spending — I don't have any doubt about that. But can we cut spending alone by enough to deal with the budgetary problem and meet our responsibility as a country? I don't see any evidence for it.”*

The nation must raise taxes, he said. Again, he insisted it would take *“nothing horrendous,”* perhaps increasing excise taxes on gasoline *“and if I weren't in North Carolina I might say increase the tax on cigars.”*

Unfortunately, he said, no action is likely in an election year. *“Every day the polls warn candidates it's going to be unpopular,”* he said, *“and I suppose it is. . . . But are we really explaining to the American people what the real choices are?”*

“Sure we can sit back and be passive and bask in the thought that it's morning in America. Then I suspect the doomsayers will be right, not because it's inevitable but because we made that choice with our eyes open and maybe the clock will be moving from morning to late afternoon.”

“But we have too much going for us, too much at stake, for me to think we won't do it right — that we won't face up and take control of our financial future.”



Paul Volcker called for Americans to stop living beyond their means.

Donald Petersen: “We must work smarter to meet the challenge of worldwide competition”



Donald Petersen declared that America must make quality the key to improved competitiveness.

Donald Petersen spoke specifically about Ford Motor Co., but his remarks extended logically to all American industry.

“We must work smarter and become more efficient and more resourceful to meet the challenge of worldwide competition,” he told the Emerging Issues Forum. *“No country has permanent technology or product advantage, and American industry continually must innovate, update, and improve to keep pace in the competitive race.”*

Petersen, Ford’s chairman, has won recognition as *Fortune* magazine’s business person of the year and *Motor Trend* magazine’s man of the year for his role in turning the automotive company around. Ford went from losing \$3 billion in 1982 to a net profit of \$4.6 billion in 1987, making it the most profitable automobile company in the world.

He became chairman and chief executive officer in 1985 after five years as president of the company, the culmination of a career with Ford that began in 1949. With a background in engineering, he has remained active in product development and testing. *The New York Times* once described him as *“the first of a new wave of top auto executives who are more concerned about products and production systems than financial analysis.”*

His address before the Forum was entitled *“It’s Our Move!”* The analogy was to the game of chess — *“a game of strategy, wits, skill, imagination, anticipation, judgment, endurance, determination and — occasionally — good humor,”* he said. *“And it is a game in which despite the moves of the competition, you have considerable control over your destiny.”*

As evidence that America must *“work smarter,”* he cited the U.S. trade deficit, which last year included a \$60 billion deficit with Japan and a \$3.4 billion deficit with China. *“After the Second World War, our nation envisioned and championed an open world economy,”* he said. *“We assumed everyone would be eternally grateful and forever in our debt for promoting global prosperity. Now we seem to be forever in the debt of those we helped.”*

“We must work smarter and become more efficient and more resourceful to meet the challenge of worldwide competition. . . . No country has a permanent technology or product advantage. And American industry continually must innovate, update, and improve to keep pace in the competitive race.”

Ford's response to its own lackluster performance, he said, was to return to the basics of competition. *“First, we made quality our #1 objective, and we committed ourselves to continually improving quality in every aspect of our business,”* he said. *“. . . Second, we became a customer-driven company. In other words, the customer became the focus of everything that we do — because we know that in the end, either Ford is customer-driven or our products are not. . . . Third, we learned to control costs, sensibly. . . . Finally, but really first and all-encompassing, we rediscovered the most important factor in our success as people. The hard work, the teamwork, the commitment, the cooperation, the creativity, and the intelligence of Ford people . . . have made all of our achievements possible.”*

Despite its success, he said, Ford cannot assume the match is won. *“The key to our success in the future will be our willingness to change and our emphasis on continuous improvement,”* he said. *“That requires examination of the processes, re-examination of traditional ways of thinking, adopting brand-new ways of approaching problems, learning to think in global terms.”*

“While primary responsibility for international competitiveness lies with business and industry, government action also is important,” he said. *“We need not only to define, but also to institutionalize a process in which national competitiveness will be taken fully into account in the development of all basic national issues such as trade policy, tax policy, regulatory policy and administration, and, of course, monetary and fiscal policy.”*

“The inflated U.S. dollar wiped out much of Ford's accomplishments in the early '80s,” he said. *“Although revaluations since 1985 have aided U.S. exports,”* he said, *“further depreciation may be needed.”*

He called for substantial reductions in the federal budget deficit. *“Aside from helping us sleep better,”* he said, *“reducing the deficit will free funds for private investment, reduce interest rates, reduce demand for foreign borrowing, and help make the dollar — and the nation as a whole — more competitive.”*

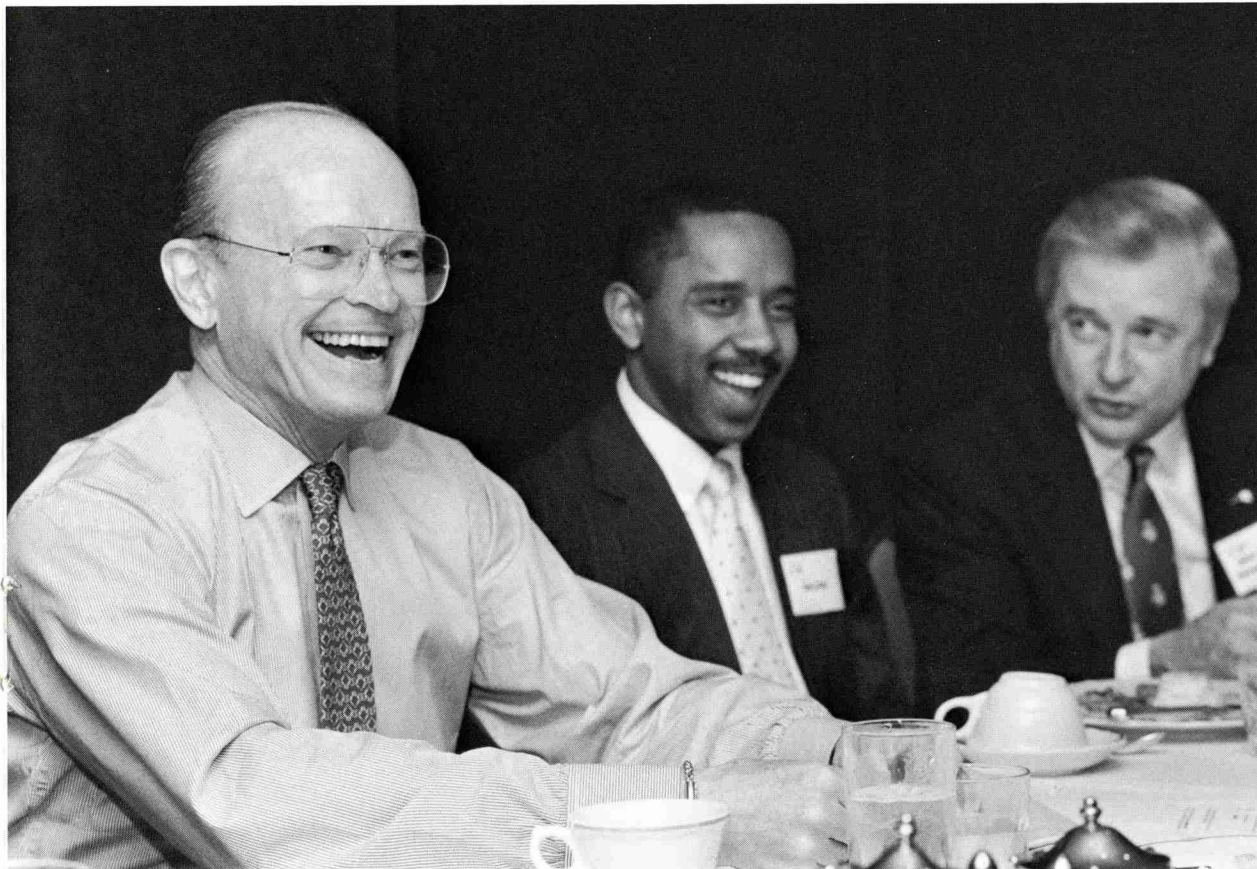
And he said the government should help foster a sense of global teamwork in which the major trading partners work together to ease pressures on the international trading system. America's trading partners not only must open their markets, he said, but they must be encouraged to become full partners in promoting Third World development. *“The time has come for other countries to accept their fair share of the price of international economic stability,”* he said.

Finally, Petersen called for major improvements in *“how well America prepares its citizens to work in a high-tech, high-change society.”* Not only are schools failing to provide scientific and math skills, he said, but they are failing even to provide the fundamental skills of reading and writing. One expert has predicted that within 15 years, 70 percent of the adult population in the United States will be functionally illiterate.

“Budget and trade deficits notwithstanding,” he said, *“perhaps our most pressing deficiency as a nation is what the National Journal once called an ‘education deficit’ . . . I believe that some of American industry’s current difficulties in closing the gap with foreign manufacturers can be traced to the shortcomings of our educational system.”*

Business can help with the necessary reorganization of schools, he said. Not only can it provide money, he said, but it can do a better job of communicating its needs and developing relevant curricula that help prepare students for jobs that will exist.

“Without a competitive work force,” he said, *“we cannot hope to have competitive industries or to be a competitive nation.”*



Donald Petersen enjoyed an early morning breakfast meeting with NCSU students and deans.

Gov. Bill Clinton: To ensure the dream, America must develop the capacities of her people



Gov. Bill Clinton answered questions about trade, taxes, jobs, and presidential politics.

The American dream is in danger, Arkansas Gov. William Clinton told the Emerging Issues Forum, and keeping it alive will require state and local initiatives to target opportunity to depressed areas and to improve education and quality of life for all citizens.

While the United States must work to build a world economic system, even the best system may not cure this country's economic problems *"because we still waste more of our resources than our competitors,"* he said. *"We waste time, and we waste money. And worst of all, we do the sorriest job of developing the capacities of our people of any major advanced country in the world."*

Past chairman of the National Governor's Association, the Education Commission of the States, and the Southern Growth Policies Board, and current vice chairman of the Democratic Governors Association, Clinton is serving his fourth term as governor of Arkansas.

Economic news in his state has been mixed, he said. He has watched workers leave a factory that is closing and has helped break ground for a new plant. A friend lost a job paying \$20 an hour and in four years has been unable to find anything offering more than \$7 an hour.

They were examples of what has happened throughout the country. Since 1973, he said, real income in this country has dropped 17 percent as the American labor market swelled at the same time other countries were outcompeting the United States in world markets. *"If those trend lines continued,"* he said, *"then a lot of children growing up in this country could not seriously expect the future that we have held out to all the children of my generation and that I try to hold out to my own child."*

Although the economic forecast gives reason for hope, he said, that hope must be tempered by rates of infant mortality, low-birth weight, school dropouts, teen pregnancy, drug abuse, and adult illiteracy that exceed those of all other industrialized nations. *"This human aspect of our economic problems"* will have to be addressed at state and local levels, he said, because the vast budget deficit makes extensive federal action impractical. Using examples from his own state he proposed a series of programs covering economic initiatives, educational improvements, and human services.

“The free trade versus protectionism debate is . . . basically a bogus debate. . . . Our objective must be to have more trade because without more trade, we cannot have economic growth in the world and without economic growth in the world, Americans will continue to have downward pressure on their income.”

On the economic side, he said, establish state-private partnerships to improve quality and productivity in existing industries, establish research centers to increase the transfer of technology to industry, and provide venture capital in new technology. Investment should be targeted to areas of real opportunity, he said.

“We recently invested a modest amount of money in superconductivity research at the University of Arkansas at Fayetteville,” he said. *“That research has now been internationally recognized and taken over by IBM. We believe it will lead to great breakthroughs that will benefit the entire American economy. We did it by focusing our limited dollars in areas of real opportunity instead of spreading them too thin.”*

There also must be investment and economic strategies that deal with depressed areas and the country’s emerging underclass, he said. Arkansas this summer will open the Southern Development Bank to invest in small entrepreneurial businesses in areas of high unemployment, he said.

The failure of America to educate her people is directly linked to the decline in real income, he said. He called for continued restructuring of public education, making teachers more accountable for results but also giving them more control.

He said the country needs more quantity as well as quality in education. Preventing dropouts is one place to start but even those who finish high school lag behind their international competitors. While the American school year stops at 180 days, he said, European and Japanese children go to school 220 to 240 days. *“By the time they get out of high school, they’re two years ahead of us,”* he said. To catch up, American students must attend at least two years of college, he said, and he proposed a program that would simultaneously encourage advanced education and attack another chronic problem — adult illiteracy.

“I would like to see every state substantially increase scholarships and loans to students in return for public service,” he said. *“And the first target of public service in the South would be adults who can’t read well enough to be productive.”*

Going further, Clinton advocated expanded and reformed welfare programs *“to empower parents to do right by their kids.”*

Too many children start life at a disadvantage, Clinton said. He cited high infant mortality figures, low birth weight babies, and children *“who show up first day of school already so stunted they’ll never catch up.”* Expanding public assistance programs to encompass these children and their families will pay off, he said, citing a 3-to-1 cost-benefit ratio for the Women, Infants, Children, or WIC, program.

Preschool programs also pay off, he said, but only 18 percent of eligible children are enrolled in the federally sponsored Head Start program. The states must come up with their own experimental programs, he said. He described an Arkansas project *“designed to empower parents to teach their children basic thinking, talking, reasoning skills and self-confidence to get ready to go to kindergarten.”*

“We now have 1,000 children and their parents in the program in my state,” he said, *“and it is awesome to behold in some of these little rundown devastated towns, women who dropped out of school in seventh grade and are barely literate who are able to give their kids a chance to start school and make it.”*

He also encouraged states to use venture capital and training programs to increase quality day-care centers, and he joined the call to ensure adequate medical and child care for those who leave welfare to take low-paying jobs. It's not the benefits that keep people on welfare, Clinton said, *“it's having to put your children at risk”* by giving up welfare.

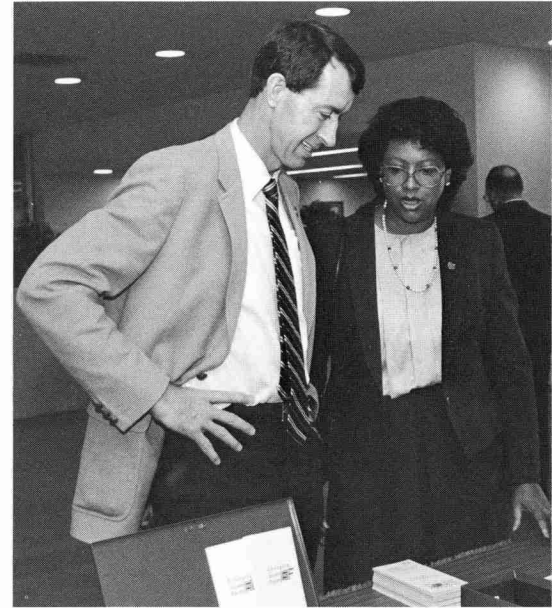
Taking the steps to revitalize the economy and resurrect the American dream may require sacrifice, he said, but it can be done. *“America has succeeded and overcome a Civil War and a Great Depression, both of which were tougher than this, because America is primarily an idea. We're not a race primarily. We're not a fixed set of institutions. We're an idea that is continually in the process of recreating itself. And that idea requires a willingness to pay the price for the future.”*



Gov. Bill Clinton drew enthusiastic response from conference attendees.

Words Worth Remembering

Volcker: *"If we do nothing, confidence will be undermined . . . and if confidence and patience run out . . . then the dollar will be at risk, interest rates will be at risk, and the stock market will be at risk. That indeed will stop overspending. The market will work. But what a potential witch's brew we risk in the process — more inflation, strained markets, lower stock prices, and a recession, too. That can't be the way we want to proceed."*



Two conference participants discuss the issues.



Paul Volcker makes a point with John Medlin and Henry Frye.

Volcker: *"Are we explaining to (the) American people what the real choices are?"*

Alan Murray of *The Wall Street Journal* pursued the question of raising taxes.

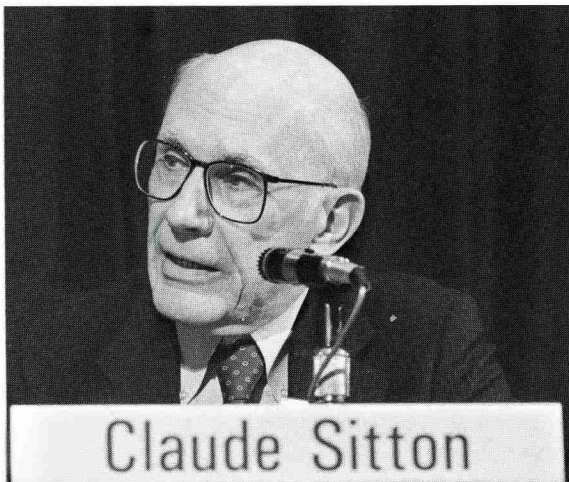
Petersen: *"Without a competitive work force, we cannot hope to have competitive industries or to be a competitive nation."*



Over 1,000 leaders from North Carolina and the nation attended the 1988 Forum.



Claude Sitton, editor of *The Raleigh News and Observer*, questioned Donald Petersen about Ford's overseas investments.



Petersen: *"After the Second World War, our nation envisioned and championed an open world economy. We assumed everyone would be eternally grateful and forever in our debt for promoting global prosperity. Now we seem to be forever in the debt of those we helped."*

Petersen: *"I believe that some of the American industry's current difficulties in closing the gap with foreign manufacturers can be traced to the shortcomings of our educational system."*

Petersen: *"We must work smarter and become more efficient and more resourceful to meet the challenge of worldwide competition. . . . No country has a permanent technology or product advantage. And American industry continually must innovate, update, and improve to keep pace in the competitive race."*

Petersen: *"Budget and trade deficits notwithstanding, perhaps our most pressing deficiency as a nation is what The National Journal once called an 'education deficit.'"*

John Medlin, First Wachovia Corp., and UNC President C.D. Splangler, Jr. enjoy an exchange.

Petersen: *"It's not just fair play for our trading partners to open their markets. It's essential to the preservation of the system."*



Clinton: *"We still waste more of our resources than our competitors. We waste time, and we waste money, and worst of all, we do the sorriest job of developing the capacities of our people of any major advanced country in the world."*



Lt. Gov. Bob Jordan talks with Anna Spangler at the Forum reception.



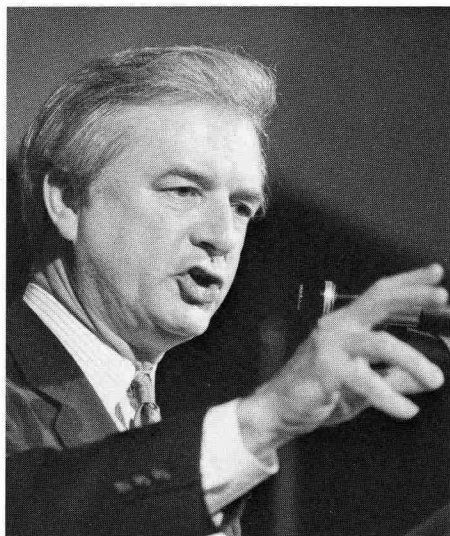
NCSU Student Body President Kevin Howell and Dean Carl Dolce at the head table.

Clinton: *"The free trade versus protectionism debate is . . . basically a bogus debate. . . . Our objective must be to have **more** trade because without **more** trade, we cannot have economic growth in the world and without economic growth in the word, Americans will continue to have downward pressure on their income."*

Clinton: *"We've been borrowing from the future to finance the present when we should be doing just the opposite. America has succeeded and overcome a Civil War and a Great Depression, both of which were tougher than this, because it is primarily an idea. We're not a race, we're not a fixed set of institutions; we're an idea that is continually in the process of recreating itself, and that idea requires a willingness to pay the price for the future."*

Clinton: *"We don't have a trading system worthy of the name."*

Jim Hunt described the conference agenda.



Hunt: *"We need to start preparing our own competitiveness agenda. . . . America needs to commit itself to that — setting an agenda and accomplishing it to get us competitive again. . . . And we must move now — not tentatively or half-heartedly, but boldly and with a commitment to have this nation, our plants, our industries, our farms, outcompete the world as it did years ago when we had that 2 or 3 percent increase in productivity every year."*

Hunt: *"We are the ones who must take control."*

The Emerging Issues Forum Concept

Charting the course for economic vitality



“North Carolina State University intends to lead the way in science, technology, and agriculture with innovations that will keep the United States in the forefront of the world economy.”

— Chancellor

Bruce R. Poulton

The challenge reverberates through every corner of the country: America's economic vitality depends on overcoming budget and trade deficits and on improving levels of productivity. More than that, however, it requires an ongoing search for answers to meet the new realities which influence the global economy. It requires productive capital investment, technological innovation, and a skilled workforce.

The Emerging Issues Forum helps chart this course. By bringing together the nation's most innovative thinkers with leaders in business, government, and education, it focuses debate on issues at the cutting edge of economic discourse. The Forum shapes that debate; it shapes ideas and opinions so that action will be possible.

Established in 1986, the Forum has addressed three central themes at annual conferences: “Innovation and Competitiveness: The Challenge to America” (1986); “Winning in the Global Economy” (1987); and “Taking Control of the Future” (1988). Its speakers have included such notables as Hewlett-Packard President John A. Young, entrepreneur H. Ross Perot, Massachusetts Gov. Michael S. Dukakis, and this year's outstanding slate: former Federal Reserve Chairman Paul A. Volcker, Arkansas Gov. Bill Clinton, and Ford chairman and CEO Donald Petersen.

The University's colleges and schools continue discussions throughout the year with programs and lectures relating Forum topics to their specific fields.

Reports of the annual symposia are published for broad distribution in the state and nation. The Forum issues other reports and papers as needed to enhance discussion of important concerns.

The Forum grows naturally from North Carolina State University's commitment as a land-grant institution to provide leadership in areas of economic and technological development. For more than 100 years, NCSU has educated many of the leaders of North Carolina, and it has become a nationally recognized center for research in science, technology, and agriculture. The Forum further enhances the University's mission by placing NCSU at the forefront of public policy debate.

The economic problems facing the United States are not simple ones. Success cannot depend on yesterday's formulas, or even today's. America must bring forth new ideas, new approaches, new visions. At the podium and in the audience of the Emerging Issues Forum are the people who create the answers.

“We must set the agenda that will enable us to stage an economic comeback of unparalleled success, to show that we can once again out-compete the world.”

— former N.C. Governor James B. Hunt, Jr., Forum chairman

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Alan Murray and Donald Petersen debated issues with conference participants.

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