

The Economic Club of New York

The Honorable James B. Hunt
U.S. Governor, State of North Carolina

and

The Honorable Mario M. Cuomo
U.S. Governor, State of New York

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Questioners: Eugene Sullivan
Chairman and Chief Executive Officer, Borden Company

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Chairman and Chief Executive Officer, IBM

Introduction

Chairman F. Ross Johnson

The Economic Club of New York has always been nonpartisan. Seven weeks ago we had as our speakers two distinguished Republicans, the Doles, Bob and Elizabeth, whose fame and influence are growing day by day. You don't ordinarily find two governors in the same place at the same time. But because of this location here, one of the governors present could be regarded as the host governor, so we will start off with the other governor, the guest governor.

Not only is our first speaker one of the most successful vote getters in North Carolina's history, but he is also that state's only governor ever elected to serve two consecutive four-year terms, and in each campaign he got more than 60% of the ballots cast. Since taking office in 1977, he has also elevated North Carolina to a position of national leadership in education and in economic growth. Indeed, his state has become one of the most successful in competition for new businesses, particularly those involved in high technology operations. His efforts to recruit new industry have brought in \$13 billion in investments and he has provided North Carolina with over 200,000 new jobs. His reputation for getting things done is unexcelled anywhere in the nation. Ladies and gentlemen, it gives me great pleasure to introduce to you the much talked about governor of the great and growing state of North Carolina, the Honorable James B. Hart.

The Honorable James B. Hunt

U.S. Governor, State of North Carolina

Well, thank you very much, Ross, for that very kind introduction. Governor Cuomo, my friend and my colleague, Governor Wilson, ladies and gentlemen, I want to thank you for the honor of speaking here tonight to the Economic Club and, of course, for the chance to share the podium with your very distinguished Governor of New York. I want to also commend you for your recognition of Ed Pratt and to point out to you that he's a graduate of a great North Carolina university, Duke University, which he continues to serve very ably I might add, particularly with respect to their School of Engineering.

In his very kind introduction, Ross Johnson didn't mention it, but early in life I thought for a time about becoming a minister. And then I came across a little known passage in The Bible which says, "Thou shalt walk among false prophets, and bargain with the money-changers, and dwell in the house of strife and discord." So I decided to go into politics. (Laughter)

Being here with you this evening gives me the opportunity to speak about two of my favorite topics – education and the economy – and how those two are bound together. The authors of *Global Stakes: The Future of High Technology in America*, set forth a new theory on the shift in America's resources and power structure. They say, "Whereas American wealth and power have traditionally been based on natural resources and on capital investment in physical plant and machinery, the balance is now tipping towards investments in people and knowledge as our key

resources.”

To me that means the strength of our future economy can be found in the revitalization of our schools and the education of our most important resource, people. Now that’s what we’ve been about in North Carolina. And last year, I’m proud to say that our state led the nation in the number of new plants announced in North Carolina by U.S. corporations. We had a total of 88. Texas was number two with a total of 64. We led the nation in terms of new plants announced in any state in America with a total of 19 from foreign corporations. We were number four in the number of expansions by existing industry.

And I think a major reason for that has to do with the emphasis that we’ve been placing on education in North Carolina. We know and you know as business leaders that we must have researchers who make breakthroughs in science. We must have design engineers, technological innovators, who translate research into excellent products. We must have workers in business and manufacturing who work more productively. And we must have political leaders and citizens who make more informed, long-range decisions about the difficult political issues facing a society in transition.

I had the opportunity, as some of you know, last year to serve as the chairman of a National Task Force on Education for Economic Growth. Brad Bradshaw of RCA, Frank Cary of IBM, and many other business, government, and education leaders on our task force became convinced in

the course of that study that real innovation, the kind of innovation that built American technological excellence comes from the ability to think broadly and can see specifically.

We felt that American education needed to be revitalized with a broad understanding of the fundamentals and a pragmatic approach to problem solving. We recommended that every state develop a plan, a specific plan of its own, to improve its schools. Forty-seven states in America have done it since that recommendation was made. While we insisted on better use of existing resources, we recognize that every state, in every school, must dramatically improve how they recruit and train and pay teachers. And we urge that exceptional teachers, the best, receive exceptional rewards and not just the same pay as every other teacher who has taught the same number of years.

We know that our schools need better math and science instruction in particular. We know we must balance math and science with the fundamentals of language and the arts and humanities. We know that we need better facilities, better laboratories. We need to make learning exciting and creative, yet disciplined. And we can do that, we can do that in this country with improved leadership in our schools, and we can get top leadership if we reward it adequately.

But schools cannot accomplish this feat alone. We must overcome, in this great public enterprise of education; we must overcome the old rivalries that have handcuffed us in the past – government versus business, business versus labor. We need the cooperation of teachers and parents and students and community leaders. And with its great strength, business cannot stand

apart as a passive consumer of the education product. Business must become involved in that enterprise of education. And I know that many of you here tonight have done a great deal of that. As my good friend, Dick Monroe, President of Time, Inc., has said, we need to regard support for education as the most crucial investment we can make in our economic future. Far more important even than new factories and machinery.

A hundred and fifty years ago America's path to prosperity was characterized by a westward movement, by exploring and developing the frontiers of a vast land. Today our frontiers are the frontiers of knowledge and innovation, of marshaling all of society's resources to explore new economic opportunities.

America's future economic strength depends on the commitment we make to our schools today. We must understand that lead time and the fact that if we expect to be competitive, world competitive in the years ahead, we've got to be about this business of making schools excellent right now.

Now I happen to be an optimist about most things and I see some hopeful signs that we can and will make that commitment in this country. Last year several national commissions, including the one which I chaired which involved so many leaders of business and industry, publicized school problems and highlighted the economic importance of solving them. You read about many of those. Then at the state level, following on those national studies and reports, at the state

level there's been an explosion of innovation and improvement in education.

In the last few years, nearly every state has begun major efforts to upgrade its schools. For example, California enacted an \$800 million school reform package with the help of the California roundtable of business leaders. Under Governor Cuomo's leadership, New York has provided a major advance in school funding and improvements. In two weeks, I will take to a Special Session of the North Carolina Legislature a broad reform and improvement package, the biggest and the most significant in our history that's based on the work of our State Commission on Education for Economic Growth.

And note how we keep tying these things together so that our people will understand that their jobs depend on their schools. It isn't always easy to get people excited about improving education. It is easy to get people excited about their jobs and especially when they see so many of America's jobs going to other countries.

Now just as encouraging as those things that are happening in our various states, perhaps even more encouraging to me is the healthy format of new efforts to involve business in improving schools. And that is in large measure because people respect the opinions of business leaders, particularly when it comes to spending money and making commitments. I doubt if you, in this Economic Club, have any real concept of how much state legislators, for example, respect what is said by business leaders. I think Mario and I would both say sometimes it's a lot more than

what they hear from governors.

But it's really so crucial that business be involved and it is being. In Houston, more than 10,000 volunteers from local businesses are directly involved in public schools contributing both their time and their know-how. In this city, the New York City Partnership has helped found new theme schools, like The Academy of Finance and other programs to provide a direct path to careers, careers that have a future. The Federal Reserve Bank of Boston, and I think this is really exciting, actually secured a compact with their school system in which the school system agreed to meet performance standards and businesses agreed to hire 1,000 graduates who met their standards. From corporate boardrooms, from state capitals, there's been a surge of responsible, constructive, tangible leadership on behalf of educational systems.

And yet all of these efforts will fall short of what our country needs unless we make this truly a national commitment, unless we reverse the declining Federal role in education and training. Our human capital problems aren't just New York or North Carolina problems, they are national problems. They're problems for the United States of America, and they directly involve our national interests.

Yesterday I traveled around my state in what we call Military Appreciation Day. I visited Fort Bragg and Pope Air Force Base and Camp Lejeune and Cherry Point and Seymour Johnson. And in every case I was traveling with the Commanding Generals, and we were talking about their

programs of education. And they were telling me the problems with the fundamental education that those young people come in with. And we had a lot in common because they know what I've been about as governor. And they know the needs that they have and how much remediation they have to pay for and commit resources to. So it involves our national interests in a lot of ways.

You know and you've heard about the wave of state and local tax increases for improving schools. But I want to say to you tonight that those tax increases have barely made up for the cuts in Federal support. Not much of those high revenues will go into anything but treading water.

Yet our nation's history has been marked by dramatic advances in education because the Federal government responded to national problems. We have the world's strongest farm economy, in part because of Federal land-grant colleges and I attended one of them. We began Federal vocational training programs because we didn't have enough skilled workers in World War I. We began a Federal school lunch program because we were shocked by the widespread malnutrition of the young men applying for service in World War II. We began Federal aid to elementary and secondary schools because we decided that a child in the Mississippi school should have just as good a start in life as anyone else.

The role of the Federal government in education, though not tremendously large, and it doesn't need to be tremendously large, but that role has been a positive and distinguished one. And I

contend that when we drastically cut aid to education, we are endangering the nation's future economic growth. We are jeopardizing our efforts to become more productive.

Now please don't understand my overall objectives. I'm a firm supporter of reducing the huge Federal budget deficits. I'm a governor who has submitted seven balanced budgets, some of them in years of deep, deep recession. I know that America is on an economic collision course, that private credit demands are thundering down the track toward the Federal government's deficit funding requirements. That black hole that is swallowing up larger and larger chunks of this nation's available credit. And unless we put the brakes on this train, we're going to have a crackup, and after the dust clears we, in this nation, will be faced with higher interest rates, sluggish levels of investment, growing inflation, and the undermining of America's ability to compete in the world market. (Recording issue)...in real Federal spending on education, then we cut our own potential to grow in the way that provides real growth, and that is increases in our productivity.

Now, of course, money is a problem in education. And I've cited a number of commitments around this country where local businesses and communities have taken up the cause and all of that needs to be joined together. But we must have more progress on a wider scale all over the country. And I want to say to you tonight that as national business leaders, with your subsidiaries and your plants in 50 states, and your lobbyists in the halls of the Congress, you can do an awful lot to make that happen.

My message to you tonight is that the incredible scope of the economic battle in which we are now joined demands a partnership of equal size and strength. If we're to set this nation's economy on a high growth, high productivity path, then we must forge an economic partnership between education and business and government that is equal to the task. I believe American business must stand together and say the time has come for us to meet a national challenge. The time has come for us to become involved 100% in the education of our people, our national workforce, to meet the challenges of the 21st century.

To reach that high ground, to achieve that kind of unity on behalf of the noble cause of education, that I believe is America's true challenge for this century. H.G. Wells often said, "Human history becomes more and more a race between education and catastrophe." I believe we can win that race. I believe we can build a vibrant, dynamic American economy, an economy that will catapult us back into our role as the world's technological leader and innovator. We can do these things in the 1980s if we have the political will and the national wisdom to forge a business, education, and government partnership committed to the promise that education offers this nation. Thank you. (Applause)

Chairman F. Ross Johnson: Thank you Governor Hunt. Our next speaker is a confirmed Northerner, but he does have a touch of that southern charm so evident in our previous speaker. (Recording issue) He defeated Ed Koch – he should have read the book – in the gubernatorial

primary, and Lew Lehrman in the general election and was elected Governor of the State of New York. His speeches, and particularly his Inaugural Address, have been both eloquent and effective. The New York Times recently credited him with having “a superb gift of oratory.” The Times also attributed to him, “a keen passion for hard work and a keen ear for the voice of the people.” Certainly he has proved to be a friend of New York business devoting much of his time to attracting new industry to the state and developing a climate conducive to business operations. Ladies and gentlemen, I’m honored to present to you the Governor of New York State, the Honorable Mario M. Cuomo.

The Honorable Mario M. Cuomo

U.S. Governor, State of New York

Thank you very much, Ross. Governor Wilson, Governor Hunt, distinguished guests on the dais, ladies and gentlemen, it’s an honor to be invited here under any circumstances, but particularly so when it means sharing the stage with one of the country’s great governors, Jim Hunt.

Governor Hunt, I can tell you, has won a national reputation for what he’s achieved in North Carolina. He has the admiration of his constituents – that’s obvious – and just as obvious to me is the fact that he has the respect of his colleagues in state houses across America. I personally look forward to seeing his intelligence, his experience, and his vision added to the United States Senate after this November.

I’d like to thank Chairman Ross Johnson and Vice-Chairman Dwayne Andreas for the high

compliment of inviting me here along with Governor Hunt. I'd also like to congratulate one of New York's finest, Ed Pratt, on his award. Ed has made a difference in New York. His service as the Chairman of the State Business Council is helping us to draw up a workable and long-range program for economic development, but his importance to the state goes beyond that. He's been there when we needed him, advising and counseling, giving more of his time and efforts than we could ever reasonably have expected of him, and I want to express my personal gratitude and admiration to Ed.

For people like myself with little formal training in economics addressing an audience like this one can be a bit intimidating. Economics seems to me not just a dismal science but a disputed one where the arguments are often so esoteric and complex that beyond a certain level we have difficulty, or at least I do, following them. The sheer profusion of theories and schools of thought are enough to confuse a small mind like mine. I brought this up with one of my economic advisers when we discussed the appearance here tonight and she was reassuring. The audience, she said, will break down, Governor, into three basic groups. And if you watch carefully, you'll be able to tell them apart. The Keynesian, she said, is the one who orders the most expensive thing on the menu and then leaves before the check comes. (Laughter) The supply-sider is the one who eats everything on his plate and then on your plate because he says he wants you to have room for dessert. (Laughter) And the Marxists are the easiest of all to identify, they'll be in the kitchen trying to organize the waiters. (Laughter)

But you didn't invite me here to discuss how to tell economists apart. The topic I've been asked to talk about is state government and economic development. And there are many ways to approach that topic, but the most accurate way I think is to begin where all public policy begins, with politics.

The obvious truth is that the ability to govern depends upon the ability to get elected. That's politics. You can't have a policy for economic development unless you can first convince the people that you've got a policy that will work. You must persuade people, many of whom aren't terribly interested in things like pension reform, deregulation, or public financing, and who don't even pay much attention to such things. They're distracted.

So the tendency is for the politician, the candidate or the incumbent, to use shorthand, to use slogans, reducing complex truths to simplistics, to labels, to images. This tendency, at least a temptation, is made worse by the fact that the political calendar is different from the one you're accustomed to in business or economics. There in business, for example, you can plan, you should in terms of five, or twenty, or even fifty years. In politics, for many of us, the calendar has one date on it, Election Day. The temptation for the politician is to live in two or four or six-year bursts. The future ends on the next Election Day and that's all you plan for. So the net result, not surprisingly, is that our politics has become infected with a kind of unreasonableness. Slogans replace analysis. Shortsightedness producing expediency and long-term failure.

And I think, respectfully, 1980 was a good example of this. It was a year you'll recall when our preeminence in the world seemed to be unraveling, when the challenges we faced seemed to exceed our capacity to deal with them. A time of great complexity and a time when the American people were particularly susceptible to placebos. It was then we were offered a plan so elegantly simple, the logic so cut and dry, that no one had to struggle either to explain or to understand it. We were told we would cut taxes across the board by \$750 billion. And this would spark an economic resurgence that would lift millions automatically out of poverty. There would be more jobs than ever before and less need for programs to feed or to house people. And at the same time would have enough money to pay for the largest military buildup in the history of mankind, a defense budget of \$1.65 trillion. And beyond that the bottom line was that despite both of these extraordinary steps we would, in three years, be rich and secure and balance the budget.

Well, that won an election. And it was so persuasive it carried Congress along with it for the following year. You remember it. It certainly worked as a political device, no arguing about that. But it didn't work as well as an economic and fiscal plan. That was because it was more than simple, and elegantly simple, it was simplistic. In the short run we had a record number of bankruptcies, the worst unemployment since the 30s, and a significant increase in the numbers of those living in poverty. And in the long run which we're now in the midst of, the bludgeoning the economy suffered brought down inflation but produced the biggest deficits in our history. Two hundred billion dollar deficits, in David Stockman's words, as far as the eye can see.

Those deficits made it hard to predict how long inflation will stay under control. Nobody in this room knows. And they suggest the most memorable thing about this recovery, God forbid, is apt to be its brevity. The truth is that neither the supply side experiment nor the nascent recovery we're experiencing at the moment has solved the real recurrent weaknesses in our economy or the international economy of which we are part. High interest rates still threaten to choke off growth here and abroad. And these rates look like they'll go even higher in the months ahead. No one knows for sure.

Our balance of trade remains way out of whack and is worsening. The world's banking system continues to lurch from crisis to crisis and we're patching together rescues without addressing the fundamental problems. And unemployment is still at unacceptably high levels no matter how you count unemployment, and that's debatable.

The short and sad story of the supply side experiment provides an almost perfect model of what I believe is wrong with our politics. The strength of the slogan and shibboleth strategy is the ease with which its proponents can communicate it and have. You can go with two or three extremely simple notions. You can deny complexity and eclipse the issues with images that if they parody the truth are nonetheless seductively attractive.

But the strategy's weakness is the same as its strength because it is simplistic, because it promises more than it can deliver, faster, with less effort and less thought than any of the

alternatives because it doesn't admit the depth and reach of our real problems. It can get you elected, but it can't solve the problems you were elected to solve. And it traps you. It requires an absolute commitment to a political orthodoxy that you can't abandon without risking the support that keeps you in office.

Now none of this is unique to the present administration. Maybe the sheer scale of it was new but not the temptation. Every politician faces it. In politics you begin with labels. You're a Liberal or a Conservative or a Liberal Democrat or a Conservative Republican. And then you construct answers that are consistent with the labels because that's expected. I had this problem in the last election. I was Mario Cuomo, Liberal Democrat. The New York Times said so. What I said was supposed to conform to this. And when it didn't, when I said things about crime that didn't sound liberal enough, or when I talked about the pain that we'd have to face in balancing the state budget, some of my supporters were upset. They said you're disillusioning expectations. They warned me that I was blurring my image, turning off that little light that should go on in the voter's heads when they hear your name. So I began prefacing my speech with the explanation that what I was going to say might not be entirely what people expected to hear.

The problem, I said, is we had all become so accustomed to images – donkeys versus elephants, bleeding hearts versus stone hearts – that maybe what we needed was a whole new political party with an entirely new approach, a platform with only one promise in it, reasonableness. I said let's call the new party, the Common Sense Party. Let's take a profile of Thomas Paine and use it as

the party symbol and say that from now on our politics wouldn't be right or left or new or old or neo-anything. And if people insisted on a slogan, on one phrase to flash on the TV screen under Paine's profile, then I'd give them one. I'd call my new party's slogan, Progressive Pragmatism.

And what would Progressive Pragmatism mean? Well, that would depend on the question. If the Liberals ask what Progressive Pragmatism said about the role of government – a favorite question – how do you feel about the role of government in society? I would say if a Liberal asked me, well, I believe we should have all the government we need. And then if a Conservative asked, I would answer, we should have only the government we need. And then if an Independent asked, I would say, well, I believe that we should all the government we need but only the government we need. And I wouldn't be lying to anyone. I must have used these lines at different times, 100 different times in the campaign. And the surprising thing was the response. People began to call up my headquarters, they wanted to send money. Believe it or not, though, the Common Sense Party, the Tom Paine Party, they wanted to know where they could sign up for it. I think if I had kept it up, I might have elected Tom Paine as governor. The response, I think, was symptomatic, and significant.

I think it was symptomatic of a willingness on the part of the electorate to acknowledge complexity. A willingness that politicians don't often reach because most often we don't believe it's there frankly. I want to be careful here. I don't want to imply that to be reasonable you must take all the positions I take, not at all. That's a definition I'd like, but it would make

reasonableness into what we should be trying to get away from, just another slogan.

Reasonableness doesn't preclude differences. But it does mean stepping away from arbitrary extremes and recognizing that our system of governing depends more than anything else on intelligent compromise, on seeking solutions that work, rather than those that perfectly duplicate some ideology.

Again, take what happened in 1980. Reasonableness wouldn't have required that the proponents of Reaganomics totally abandon the parameters of that program. Not at all. They could have promised tax cuts or targeted cuts designed to spur investments and savings, not Draconian across the board ones that were too big, too quick, and not discreet enough. They could have made a strong case for selectively improving our defense. Instead they projected spending increases not on the basis of real military need, but arbitrary percentage increases that didn't relate to actual needs but were designed to show that we were tougher and stronger, this new administration, than the administration that they were replacing. It's a little like someone deciding that we're going to show that we know more about nutrition than our neighbors by going to the supermarket and buying everything on the shelves.

Now in 1980 they could have talked about balancing the budget. It didn't have to be, however, in three years, which was too short a time to achieve it, and which drove the Congress to savage the social side of the budget. They could have begun a serious discussion of social spending that dealt with a great bulk of that spending, entitlements, rather than indicting the poor with

anecdotes, half of which were made up. But to do that, they would have had to challenge the electorate. They would have to talk intelligently to the electorate. They would have spoken of the problems that neither tax cuts alone nor spending reductions alone could solve. They would have had to offer something more substantial than the expectation of miracles. But think of the time such a discussion might have spared us, and think of the pain it might have saved us.

The irony is that Progressive Pragmatism is where we usually end up, especially between elections when the extremes have been tried and abandoned and reality forces people back to the middle, to the reasonable ground. Consider the experience in New York State. We came out of the 1960s as the state of good intentions. If an idea sounded good, we tried it. And we did some magnificent things, but the cost made us the most heavily taxed state in the nation. We became so expert at using the golden eggs we forgot about the geese that laid them. And the geese flew south and west. Thousands of businesses and residents got tired of tax increases that pushed the state to the limits of its capacity and perhaps beyond those limits. We went further and further toward one extreme until we had an economy increasingly dependent on the public payroll but with revenues that were no longer growing fast enough to support it.

At this point in the recession of '74, '75, when all the bills came due and we couldn't pay them, a Democratic Liberal Progressive Governor from Brooklyn arrived on the scene, Hugh Carey. How did he begin? By controlling expenditures, by cutting hundreds of millions of dollars of program growth out of the budget, by keeping any increases in spending below the rate of

inflation. And once he had controlled expenditures, he cut taxes. Took the income tax down from 17.5% with a surcharge to 10%, abolished the unincorporated business tax, did so carefully in a targeted way that allowed us to balance the budget. We had a reasonable supply side experiment in New York. It worked so well, and this is the truth, that when Hugh Carey was considering running for a third term and figured that Jack Kemp would be his opponent, he was worried. Everybody said Kemp was going to be tough.

I went to him with Jude Wanniski's book, *The Way the World Works*. I never forgot, I gave him Jude Wanniski's book, and I said, Hugh, memorize the head notes in this book. This man is the guru for all. Just memorize all of that. It has all the magic supply side talk. It has a picture of the tablecloth with lapis curve on it. Just memorize the book and we'll run against Kemp and we'll beat him with a single slogan. The slogan will be, Carey was Kemp before Kemp was Kemp. Because you don't have to refute the supply side argument, you invented it in New York State.

And I believe targeted tax cuts still make sense. And Ed Pratt and I and a lot of people in this state are working on getting that done for next year. We weren't able to include them in our state budgets for '83 or '84. It was due in large measure to the severity of the national recession that caused our revenues to plunge and left New York facing a potential gap of \$1.8 billion. We closed that gap. We did it with actions that didn't make the purists of the right or the left very happy, but they worked. We cut 9,000 positions from the state payroll. I'm a Democratic Liberal Progressive Governor. We asked state agencies to do more with less without the increases in

appropriations that they asked for. Measures that pleased some Conservatives. The rest of the money to balance the budget came from revenue increases. That shouldn't have pleased the Conservatives. Except that none of the increases were in the state's three broad-based taxes that are of most concern to the decision makers in the business community. George Weissman wasn't particularly happy about some of our taxes, but none of them were the three broad-based taxes.

Where it made sense to spend more, we spent it, on the state's version of defense, for example. We have a defense budget. We call it the Corrections Budget. In our state that means money going to prisons, prison construction. And we spent a lot there.

Since 1975 I've been working to take New York away from the extremes and back to the middle. And the strategy I think of Progressive Pragmatism is working here. New York moved from 12th place to 4th in Inc. Magazine's annual rating of the states most favorable for the development of small businesses. And we've moved up to second behind California in the growth and expansion of new electronic industries. Our credit rating went up this year. For the first time in a decade we gained population instead of losing it. And there are over 230,000 New Yorkers working this year who weren't working a year ago. It's a strategy we intend to continue, in fact, to expand.

And although Progressive Pragmatism steers away from ideological arbitrariness, it is predicated on certain basic values or principles that define it. Let me just briefly mention those principles. The first Jim Hunt has already described. It's called partnership. We learned about partnership

the hard way in this state – in the middle of the fiscal crisis that threatened the future of unions and banks and government itself. We learned that in this complex world we must understand and make use of our interdependence if we wish to survive, and certainly if we wish to thrive.

Partnership means government must depend on the private sector for expertise and advice, for help in carrying out its essential functions. It means the private sector can look to government for support in creating capital resources, in leveraging investments, in rebuilding the underpinnings of our prosperity.

Here in New York this partnership is embodied in the Council on Fiscal and Economic Priorities which brings leaders from the private sector into the work of helping government plan for the future. We've created – did you know this – a \$20 billion multi-year infrastructure rebuilding program, \$20 billion. It'll be implemented according to a carefully designed long-range capital investment program and will be financed by a creative mix of state, federal, private and user revenues. We've assembled a combination of public and private agencies to provide more than \$345 million in research aimed at spurring the development and application of new technologies.

On a national level it seems to me that the principle of partnership would make just as much sense. Why not create a tripod-type economic development board consisting of business and labor and government that could bring some coherence to the current jumble of tax policy and capital investment and industrial strategy. Why not think about a national development bank that would be empowered to finance the modernization of old industries that are still viable and to

capitalize the development of new ones.

Partnership doesn't mean that government has the same purpose as business because it doesn't. The purpose of business is to make profits, period, and that's good. But government's purpose goes beyond that. Government is designed for people to do for themselves collectively what they can't do or can't do as well individually. Government has the fundamental obligation to help people – the woman grown too old to work, the child born blind, the young person who is trapped in a ghetto, who doesn't have a job and can't afford an education – they are government's obligation.

The basic challenge to our democratic system is to give government the resources it needs to fulfill these obligations and purposes without smothering or damaging the free enterprise economy whose profits generate those resources. We call that in this state, the ideal cycle. Maintaining it requires a second principle – balance. Balance requires a government to know when to involve itself in the economy and when not to, that it understand the difference between intelligent regulation and unnecessary meddling, that it pay careful attention to the effects of its policies on the growth of the private sector, investing wisely, taxing prudently. That's why in New York we chose to cap our big three taxes last year even though we had close to a \$1.8 billion deficit. That's why even with the deficit, we chose to repeal the state's unitary tax on oil companies. And let me note this for the record, because I think too many people are not aware of this. While my opposition to the unitary tax is shared by President Reagan, and I announced it

again in my last State of the State, it is not shared by the Republican Conservative Governor Deukmejian of California who has a unitary tax and likes it and has no intention of repealing it. So much for labels.

Balance is why in the year ahead I will ask the legislature to join me in returning to a program of targeted tax cuts. In some cases, the principle of balance translates into less government. In New York, acting on the recommendations of the DeWind Commission, we're seeing the deregulation of the banking, insurance, and financial service industries. In other instances, balance requires better, not less, but better regulation. Health care is an obvious case. And we've proposed a hospital cost containment program to control the punishing growth of these expenses, and government is going to have to do that.

On a national level, balance could and should be applied to a central issue that concerns us all, Jim has mentioned it, bringing down the deficit. Pete Peterson and his colleagues are dead-right on this subject. Recently Pat Moynahan, Jim Robinson, Chairman of American Express, who works with us too on the Council on Fiscal and Economic Priorities, proposed a National Deficit Commission. Much like the bipartisan Social Security Commission that two years ago produced a reasonable solution to our Social Security financing crisis. I think it's a good idea and should be pursued.

Finally, there is the principle of family. Now the hard-nosed experts on my staff winced when I

first mentioned family. But I kept using it because I think it is the best and most accurate metaphor we have for expressing not only what we should be trying to do as a society, but how. Everybody understands the word. Talk to Conservatives about the social imperative of mutuality and they write you off as a Liberal theorist who should have a beard and a pipe. Talk to them about family and they know immediately what it means. They appreciate immediately the relationship it suggests. Family is more than intelligent and self-interested cooperation. It insists on an even more fundamental obligation – an obligation to the old, to the very young, to the distraught and disabled, to people without work, without enough to eat, sometimes without a roof over their heads. Family isn't a slogan. It's a reality.

Look at what we did here in New York State. At the time we struggled with that budget gap of \$1.8 billion, we began the largest program for the homeless anywhere in the United States. Republicans and Democrats alike adjusted their priorities so that there would be more money for feeding people who could not feed themselves, for retraining the unemployed, for helping people in wheelchairs.

Family is a principle we can't survive without. And I wouldn't hesitate to apply it to all the situations we face, to the attempt to weave states and nations together through world trade, to the struggle to balance order and justice, to the urgent task of halting an arms race that threatens the destruction of each one of us.

Now perhaps the best way to sum up all I've tried to say to you is with two quotes, both from men named Smith. The first is from Adam Smith. He saw business and trade as not only a device for creating the wealth of nations but also for creating peace. And Adam Smith said this.

“Humanity requires the exchange of goods and manufactures that will bind nations and societies together by slow gradation, though it proceeds with a good deal of reserve and introspection.”

New York has for two centuries been one of the main instruments of that process in binding. First, as the world's greatest port and the gateway to the American hinterland, now as the world's center of banking and communication and finance. That preeminence was not a gift. It was achieved. And I believe that working together we can and will maintain it, in the process benefitting ourselves and the entire world.

The second is Al Smith, the descendant of impoverished immigrants, a grade school dropout from the Lower East Side who became one of the most remarkable governors in New York State's history, maybe in the nation's history. Smith's legislative record here in New York became the model for much of the New Deal. But it was attacked in the 1920s as hindering free enterprise. Smith answered his critics with these simple words. He said this. “It's a fallacy that there is an inconsistency between progressive measures protecting the rights of the people, including the poor and the weak, and a just regard for the rights of business, great or small.”

Adam Smith saw trade creating wealth and peace. Al Smith saw social justice strengthening trade and the growth of business. They were, I believe, both right. Their shared truths contain our

hope for New York and for the entire world of which it's upon. It's a challenging future, but an exciting one. And I extend a sincere invitation to you to work with us in making it happen.

Thank you for having me. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN F. ROSS JOHNSON: Thank you Governor Cuomo. Now in the tradition of the club, two members are appointed as interlockers to question our speakers tonight. On my left we have Mr. Gene Sullivan, the chairman and chief executive officer of Borden, also a professor at St. John's, Governor Cuomo. And on my right, John Opel, the chairman and chief executive officer of IBM. We will start with Mr. Opel.

JOHN OPEL: Thank you Ross. Governor Hunt, you spoke about the many states that have in the last few years improved or given great emphasis to the improvement of their education systems. And I think most of these efforts have been aimed at the secondary schools. I'm curious since, it seems to me there is a great deal of need in both vocational training and continuing education. I'm curious as to what you, whether you regard this as something that needs attention and how you see this developing on a state-by-state basis? Or whether you think it's something that should be done with a national program?

THE HONORABLE JAMES B. HUNT: Mr. Opel, I think that both of these things need doing.

Let me say to you that I think the most important thing we must do is to help children, and that means when they're young, get a good, solid, general education. They must learn to communicate orally and in a written form. That fundamental good, solid basic education needs to come first. Then we need to provide vocational education as needed. I think it plays a key role in the public school, for example in the high schools. During the eight years that I've been governor of North Carolina, I have worked as a school volunteer one morning each week. Right now I'm working in a dropout prevention program counseling some young people. We have sort of what's called a partnership program – an adult who is interested and wants to help a young person who is sort of at risk, a potential dropout – they sort of pair up as a team and work together every single week. I know that an awful lot of our young people need good vocational training. Not only to learn the skills, but also to keep them interested while they're in school. It can be a very motivating thing. I would suggest that an awful lot of young people who intend to go to a four-year college need to learn to do some things with their hands and they use their minds and their hands together. Obviously vocational training in our community colleges and technical colleges beyond the high school is critically important. So I think that is very important in our society. And I think we need to make it first-rate. Too often vocational training has been the red-haired stepchild, and we really have not put the funds into it. This morning in the Governor's Mansion in North Carolina, I was urging my legislative leaders in our session coming up to put funds in for first-rate vocational equipment, the kind that is needed in the jobs of the future, not the jobs of the past, because we tend to have old equipment in high school vocational courses and that won't do. Among other things it makes young people think that those jobs aren't exciting or

interesting. So I think that's important. Continuing education obviously is something, is one of the new challenges that we face today, and that is one of continuing to educate yourself and be current and update your skills and find out new things that are available. So I think those are both critically important. But I want to go back and say again that basic education, we're finding that about one-fifth of the young people who graduate today or who go through our schools – many of them drop out – come out without a skill that usable in our economy. And that I think has got to be changed by a general upgrading of our regular curriculum, what we call that basic education.

GENE SULLIVAN: Governor Cuomo, at a recent black tie affair you arrived in a business suit and explained that your predecessor had taken the state tuxedo when he left Albany. (Laughter) As a taxpayer, congratulations on getting it back. (Laughter)

THE HONORABLE MARIO M. CUOMO: I got this one from Governor Wilson.

GENE SULLIVAN: Also as a New York State taxpayer, I congratulate you, not only on your skill in negotiating the state budget through the legislature on schedule which is an oddity, but also for putting the state on a sound fiscal footing. Now one of the places we're not competitive in getting business in New York State is taxes. And you hinted at this, but can you keep the state on a sound footing and still have us look forward to lower business taxes?

THE HONORABLE MARIO M. CUOMO: I think the way you put the question it suggests that there is a competition between creating a sound footing and lowering taxes, it's just the opposite. In order to create a sound footing, you must lower the taxes. And that has been our philosophy for all the ten years I've been in public life. I started with Hugh Carey in 1975, and all those cute lines about Kemp and Carey are absolutely accurate. He was an intelligent supply-sider. What Hugh did was to say that if we ought to compete with, especially the states around us; we need to reduce our taxes. We did it very successfully for a period of time, ran into trouble with the recession. I started my term with a \$1.8 billion budget gap, and we were tempted as Progressive Democrats to raise the income tax to close that gap. We resisted that temptation because we know it is essential that we bring down our income taxes, that we make this a more competitive state. We are exactly on the schedule that I predicted in the campaign in 1982. I said to Ed Pratt just a few moments ago that someone sent me a clip from the Daily News editorial. I think it was October 20, 1982, in which they quoted me as saying in the campaign that it would take us two years to balance the budget because we're in trouble, that we couldn't reduce taxes for those first two years, we couldn't afford it. But that I wouldn't raise taxes, the three broad-based ones, and after that we'd get back to our tax cut. That's next year. So, yes, I suspect that the legislative leadership is going to agree with me that you'll have reduced taxes next year. And you must in order to be competitive. (Applause) You see how you get applause here, Jim.

JOHN OPEL: Governor Cuomo, some states have passed spending limitation programs based on prior levels of state spending, percentage of personal income growth, or formulas designed to

coordinate spending with the state economy. I'm curious; do you favor a specific spending cap for your state based on some performance criteria? Or would a spending cap help you solve the political problems of pressures on creating new programs? Or would a spending cap help you manage the government more effectively? Or would it limit your effectiveness? What is your view on spending caps?

THE HONORABLE MARIO M. CUOMO: An expenditure cap would, and let's get some basics down, we are required by constitutional law to balance our budget on a cash basis and pretty soon I hope on an accrual basis. If we do it right next year, we're going to have it balanced both ways. We have it balanced now on a cash basis. It would, it seems to me, help politically to have an arbitrary limit on how much you could spend because that denies you a lot of options and then you'd be in a position of being able to cop out with the constituencies by saying, I'd love to do it, I can't, the law requires I spend no more. And we proposed an expenditure cap. In 1982 it was rejected universally by the legislature that has more confidence in the process than I had and said, no, we can do the right thing. Now, we came up with something that slipped through almost unnoticed. We had a Democratic governor and a Republican Conservative comptroller with a striped suit and a vest and the whole short haircut. And there was no question that he was a Conservative, Ned Regan. And I proposed something, I proposed something in 1983 that worked and achieved the same result as an expenditure cap. The traditional problem, I don't know about North Carolina and maybe Governor Hunt will tell us, but the traditional problem here is that the governor takes a fairly realistic view of the revenues on one occasion, the legislature tempted to

spend more than you actually have simply increases the estimates. It's like Matilda telling you in the beginning of the month, no, I can spend that money on clothes because I know you'll have a good month. And that's what the legislature says. Well, you projected a 7% growth, we were told by the econometric group from...that it's going to be 13% and we'll spend that. That's how you get deficits. That's how we got a \$1.8 billion gap. So what we tried was something different. I took a chance. I said I asked the Republican Conservative right-to-life comptroller with the vest and the short hair; he should come and look at my figures. Whatever he says we have is what I'll spend. (Laughter) And it worked. Ned came, he looked at the books. He says, I think you've got \$12. And I said, that's what we'll spend. (Laughter) And the legislature – what could the legislature do – disagree with a Democratic Progressive Liberal Governor and a Republican Conservative vested comptroller? They couldn't do it. And so we set in effect a cap. Now the only way it could have gone wrong is if Ned Regan had been arbitrary. Well, you know how long he would have survived as a comptroller if he had been wrong on the numbers and produced a deficit. And then the second year he did it for us again. He didn't do it as readily the second year, Jim, because it didn't take the Republicans long to figure out this didn't work out so well for them, to have the Democratic Progressive Liberal Governor and a Republican agreeing and everybody smiling. That confused all the Republicans. So when Ned did it the second year, he equivocated. He said the governor – I loved the expression - he said the governor's projections are in the “mid-range of reasonableness” which nobody knew what that meant so they took the number. So in effect we had an expenditure. Now I don't know what's going to happen next year, but I'm going to invite the comptroller once again to come in and look at my

projections. And what's he going to say? So we didn't get the expenditure cap but I got the same result by inviting in the Republican. I don't know how it works if, God forbid, he should lose to a Democrat, but I'll worry about that if it happens. (Applause)

GENE SULLIVAN: Governor Hunt, you obviously are very successful in attracting foreign business to North Carolina since your state leads all the others. One of the magnets for business has been the micro-electronic center that you established. You're turning Tobacco Road into Silicon Valley. However, my question is this, how do you reconcile the desirability of attracting foreign investment with the risk of giving foreign companies access to valuable research data? As an example, Sumitomo Electronic Industries, the world's third largest producer of optical fibers is building a \$10 million research center in your state. Will that technology be exported?

THE HONORABLE JAMES B. HUNT: Mr. Sullivan, I don't know the answer to that. First of all, we have not as yet had a request from Sumitomo or Mitsubishi or any of these other companies that are coming in to use our Micro-Electronic Center of North Carolina which involves a lot of American companies. But I'll just say this to you; many of these companies, now Sumitomo has put strictly a research facility in that you had referenced to, other companies are doing both manufacturing and research. But I think many of them intend to produce for the American market. Many of them intend to produce here for the American market. And so one might assume that a good bit of whatever kind of research they do and whatever kinds of things they pick up and things like our state-supported center which involves both basic research and a

great deal of application and technological innovation, that a great deal of that will be used for the American market using American workers. I frankly don't worry about that a great deal. I think maybe some of the gentlemen in this room who have facilities around or who are involved in that center perhaps do worry about that a little bit. I think we want to watch that very carefully, but I want us to go out and do the best job we can. I'm willing to compete with any country in the world anywhere. I think we can have the most productive people. I think we can do the best job of basic research which I think we're already doing. I think we can do the best job of technological innovation. And frankly that doesn't worry me a great deal. I think we can beat them. (Applause)

JOHN OPEL: Governor Hunt, in addition to asking you to perhaps comment on the spending cap question, I would like to enlarge that a bit regarding budgeting. As businessmen we are faced with resource allocation decisions and investment choices as a part of our ongoing enterprises. And the criteria we employ are fairly well known, known to you, and are economic in a very concrete way, the return on investments, the kind of return on assets, our financial measurements. But as chief political officer of a large enterprise, a state, you too make those kinds of resource allocation decisions and I'm curious, and I suspect your measurements are somewhat different. I'm curious as to how you would articulate those measurements? And further, how much of your budget in your planning is really available for those decisions and how much of it is really preconditioned by prior decisions? Marginally, do you have 5%; do you control 5%, 10%? So to recap, both the budgeting measurements and rules you use, how much of

it is there, and whether you prefer a spending cap?

THE HONORABLE JAMES B. HUNT: First of all, I do not prefer a spending cap. I might feel different about it if I had Mario's New York Comptroller with the vest and the short haircut. But our experience has been that not only do we have the balanced budget, but we have a legislature that does not overspend. Sometimes I have to push them to get them up to a realistic level. And we have a very conservative-minded General Assembly. And frankly, we just have not seen the need for a spending cap. I think also in our state, one that's still sort of pulling itself up by its bootstraps, that needs a lot more investments in basic education and training and those kinds of things, I would be afraid that our legislature would be inclined to set a spending cap too low. And we're still having to make a lot of investments in people, more than you're probably having to make here in New York. So I would have a different view from Mario on that. With regard to resource allocation and the second question that you put, John, I would say that I couldn't give you a figure in terms of how much is preconditioned. But in terms of the amount that we have each year of new kinds of spending with a \$6 billion budget, for example, this year, we're going to have about \$500 - \$600 million additional funds available to spend next year. Now we will find that about two-thirds of that can be spent in continuing operating expenses, about a third of that will have to be spent on capital kinds of things because we do not anticipate that recurring. We would make a decision in terms of where do those expenditures primarily affect our economy. We do have to look at the human factor, the people who are blind and who are sick and who have all the kinds of human problems that are not going to necessarily give us a return,

though the people who get good vocational rehabilitation may be able to come in to the job market. Certainly we want to look out for those instances where we need to be compassionate and just decent to human beings. But we basically look at it in terms of where do we put it, in terms of education, in terms of training, in terms of expenditures on the infrastructure, whether that be roads or bridges or water systems or sewer systems, whatever they may be. Those things that will build our economy. Those things that will result in more new industry, more new jobs, and more income for families. That's what we would typically look at and very frankly we look at it in a very sort of hard-nosed economic kind of way, what will give us the largest return and help us to grow in the future. That's why I have suggested we ought to look at education in that way. What's it going to do for economic growth in the future? And for that reason, I think we've made good progress. I think our people have been responsive. And that's the way I would hope that this country would begin to look at it more.

GENE SULLIVAN: Governor Cuomo, I'm sure you're not surprised that an Irish former governor left you a few hot potatoes, but a hot nuclear power plant should have gone with the state tuxedo. (Laughter) Yesterday the LILCO chairman spent a lot of time in Albany saying LILCO will be out of business by September if he couldn't start the Shoreham plant. I think the solution is going to be unpopular. Do you think that there's a solution?

THE HONORABLE MARIO M. CUOMO: An unpopular one, yes. We have nuclear power plants in the state. They're operating. We have one that's not operating called Nine Mile 2,

upstate, that involved five IOUs, investor-owned utilities, one of which was LILCO. LILCO got into trouble with Shoreham and pulled out of the combine that was doing Nine Mile 2, 18% worth. The IOUs who already overinvested in Nine Mile 2 because they miscalculated dramatically and are spending a lot more than they thought they'd have to, they didn't know what to do. I recommended that the state pick up the 18% interest by LILCO in that combine and that we find a way to pick up that obligation, to take the pressure off LILCO, to take the pressure off the other IOUs and to allow Nine Mile to go forward. I did that because I think we can use the energy from Nine Mile 2 – although we don't need it at this moment – I think we can use it especially after 1992 and also because, as an economic proposition I thought it made sense. I had no impediment to doing that on the safety side because there is not an evacuation problem at Nine Mile 2. Shoreham is an entirely different, now I make that point to make clear that my position is not an absolutist position about nuclear. I would prefer not to have nuclear. And we have a moratorium in this state against nuclear power plants prospectively, and I'm pleased at that. But the reality of a \$4.5 billion investment in Nine Mile and something like that at Shoreham which you're in the midst of, you know, changes some things. Here's the situation at Shoreham. It was not only a debacle in terms of prospective judgments and cost figures. It's way over original estimates, much more than LILCO thought it was going to cost, much more than it could afford. More than that, you have a law, not a judgment by the governor, but a federal law that says assume an accident at this plant, assume the danger. So all the argument by the Brookhaven scientists and the businessmen and The New York Times and the Daily News and The Post that say, and Hodel, the Secretary of Energy, that says evacuation is a technicality is

contrary to the law. The law says assume an accident, and then tell us whether you can get the people ten miles around that plant evacuated. Were you ever on the Long Island Expressway? Can you imagine the Long Island Expressway after a snowstorm? Can you imagine an accident? Can you imagine elderly people at home without transportation and a snowstorm and a jammed expressway at the time of the accident? Can you say, Governor, that you can use your National Guard, four ex-Marines, and evacuate Long Island? And my answer was, as long as that is the law, as long as you're asking me to assume an incident, I'm telling you I can't evacuate them, and I'm not going to try, and I'm not going to misrepresent. Now if you don't think it's a problem, if you Brookhaven scientists and you businessmen and you people from Wall Street think this is unreal how unsophisticated and naive of you, there's more danger in sulfur dioxide in coal mines. That's a terrific argument. Go down to Washington, make the argument, say get rid of this absurd rule that assumes there's a problem. Change the law. Tell that governor he needn't hesitate over evacuation because we know we'll never need it. Well, the editorial writers who so boldly toss off the matter of safety and say, Governor, how are you going to pay the economic price, they're forgetting the law. The law tells me there's going to be an accident. I tell you I can't evacuate at Shoreham. That's the end of the argument. And you can talk all you want about how much is it going to cost, Governor? I don't know how much it's going to cost. Whatever it's going to cost, I'll have to pay because I haven't gotten past the first argument. Now, on the economic question. There is no doubt at all that we can supply all the energy you need on Long Island. There is no doubt at all that we can supply all the energy you need on Long Island at a proper rate. There is no question in my mind that whether it opens or closes, the cost

increase in that energy, the rate is pretty much within 8%, about the same. So whether it opens or closes is not terribly important in terms of the cost of the energy. Will LILCO go bankrupt? I hope not. Why? For the same reason I wouldn't want to see a candy store go bankrupt. It's bad for you. Now I could give you a lecture on bankruptcy and how literally it won't affect us at LILCO. Who gets hurt? The preferred, the common...the guy, he's got a \$1.6 million salary, who cares? It doesn't affect us economically. That's good in a classroom. The minute a utility goes bankrupt in this state everybody would be confused. They think that we failed. And it would be bad for business, and it would be bad for the market. And it would be bad for everybody just because they think it would be bad. And so I have to live with that perception, whatever the reality. I, therefore, am trying to avoid a bankruptcy if I can. How? We call in Dr. Catacosinos and the people who run Long Island Lighting Company, and we say, here we are the most accommodating government you ever met. Tell us what you need. Now I can't evacuate you because my four Marines can't do it, but tell us what else you need. (Laughter) Tell us if we can help you to finance. I'll take the burden off you at Nine Mile. We'll put a line under the Long Island Sound to get you hydro-power. We'll phase in the rate. Tell us what you need. Next week Dr. Catacosinos is coming in to tell us what he needs. Okay. Thank you.

JOHN OPEL: Governor Cuomo, when the Reagan administration took office there was a good deal of talk about new federalism. And even though there has not been much conversation about that lately, I would ask whether new federalism, namely turning decisions back to the states, especially as manifested in the president's first budget message, has had a practical impact on the

affairs of the state? In other words, have decisions, in fact, previously made at the federal level been turned back to you, and if they in fact have been turned back to you, how have they affected you in the way you run the state?

THE HONORABLE MARIO M. CUOMO: This is another, I think, good example of what I mean by shibboleth strategy. The new federalism was very attractive. It was like supply side, like Laffer curve. It has these wonderful, wonderful generic concepts that sounded good. We will bring the discretion down to the local level. We will cut out administrative costs. That will give you more money to spend on the real objects of government. That's not what it was. And that's not the way it's worked out. And I don't want to extend this too long, but go all the way back to the McGill Commission. The McGill Commission, the last years of Carter, the first year of President Reagan, the McGill Commission looked at the United States and said the Sunbelt is the place to invest. Get out of the Northeast. It said the Northeast is old. It grew old respectably, even nobly, by carrying the burden of the immigrants, all those cities. But now the infrastructure is deteriorating, the population is desiccating. You've got a lot of poor people. Everybody is moving out. High technology doesn't want to come to that part of the world. Invest in Waco. (Laughter) That's what they said. It was a kind of governmental euthanasia. That was the heart of the new federalism. It said the Northeast is growing old and dying. There's no point in trying to save it. Let's do a triage. Let's lop them off – Barry Goldwater, you know, was a kind of precursor of all of this – and we'll put our money in the rest of the country. New federalism resulted in cutting dramatically a lot of social programs. Not ones that Dallas understood, but

ones that the Northeast understood because these were programs for old people. They live in the Northeast. For poor, Black, and Hispanic people who live here in large numbers. The social programs that were reduced by this so-called new federalism affected disproportionately the old immigrant part of the United States. It's very interesting. If we had done that after the Civil War, if we had done a triage or a kind of governmental euthanasia, we would have simply lopped off the South and said, let's, you know, it's the Northeast that's strong. It's industrial. It's got all those smokestacks, all those working people. Immigrants come over here; they'll work all day for 12 cents. You know that's where we ought to put all our money. And we wouldn't have built the TVA or anything like it. So the new federalism was a disaster. It never worked the way it was supposed to work. Has it helped us? No. It's killed us in New York State. It has impacted us very unfairly, very severely, and to not much good purpose. (Applause)

GENE SULLIVAN: Governor Hunt, everybody who reads tomorrow's issue of Newsweek will see that they call your campaign against Senator Helms the nation's hottest senate race. In your mind, what is the most important single issue between the two of you?

THE HONORABLE JAMES B. HUNT: I think the most important issue really has to do with how we're looking at this country. Whether or not we are looking toward the future, the kinds of challenges and problems that face our economy, many of which I've talked about here tonight, that Mario has talked about, whether or not we're looking at how we're going to develop our people and the infrastructure of this country, how we're going to be more competitive. Of course,

involving things like the deficit and all the other things that affect how you operate business and how competitive you are. But basically I think it's a matter of whether we're looking toward the future or looking toward the past. Whether or not we believe in people working together with this partnership we've been talking about or whether or not we think folks ought to be set against each other, divided up, made distrustful of each other. Now that's sort of a general kind of issue. But I think it's the matter of the approach that the candidates have and how they would have government work in that sense, or how they'd have the society work, that is really the major issue. The people of North Carolina, I think, they like some of the things that Jesse Helms stands for. They think he's a fighter. He stands up to them. And they like that. People all over the country like that kind of thing. But they also want people who will be effective, who will get something done, who will help make the economy work, who will help provide opportunities for people. And those are things that I think as we get closer to election, that they'll get more serious about. But I think frankly that's the major issue in the race in North Carolina. (Applause)

CHAIRMAN F. ROSS JOHNSON: Thank you Governors. In the tradition of this club, we always end at 10:00 promptly. And also in the tradition of this club, I'd like to present to both of you our emblem, The Big Apple, here from New York, to each of you. I don't know how many the governor on the right has, but I hope this is the first for the one on the left. Ladies and gentlemen, the meeting is adjourned.

End of Meeting

