

The Economic Club of New York Centennial Celebration Dinner

100th Year

391st Meeting

Thursday, June 7, 2007

**Waldorf=Astoria
New York City**

Program

GUEST OF HONOR

THE HONORABLE DR. CONDOLEEZZA RICE
United States Secretary of State

PRESIDING OFFICER

BARBARA HACKMAN FRANKLIN
Chairman of the Club

Special Remarks by

Lionel Barber
Editor, Financial Times

Paul Gigot
Editorial Editor, The Wall Street Journal

Centennial Award Presentation to

Alan Greenspan
Former Chairman, Federal Reserve System

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Barbara Hackman Franklin – Presiding Officer:

Good evening, everyone. I'm Barbara Hackman Franklin: Chairman of the Economic Club of New York, and it's my great pleasure to welcome each and every one of you, our members and our guests, to this, the 391st meeting in the 100 years of this esteemed club. This is our centennial and we're especially pleased to welcome tonight America's Secretary of State: the honorable Condoleezza Rice. It seems fitting that we have a new leader of the 21st century, a truly remarkable individual, and she is with us this evening. I know you're all eager to hear from her, and that will happen in just a very few minutes. We extend a special welcome to those of you joining us for the first time tonight and I would offer a few words of introduction about our club. The Economic Club of New York is the nation's leading nonpartisan forum. We're now first century. Our members and guests have heard illuminating and enriching exchanges from a host of world leaders. Over the years the club has changed with the times, but its essence remains the same. Membership is still drawn from the senior ranks of the business finance and professional communities. Meetings provide a forum for the insights of top leaders representing a broad spectrum of points of view. More than one thousand guest speakers have appeared before this club over the last century and have established a strong tradition of stature and excellence that we aim to continue over the next 100 years. And now, before we proceed any further, there is a

special guest who couldn't be here in person, but has a few words he wants to share with you. Please refer to the screens in the ballroom.

[Video Not Transcribed]

Barbara Hackman Franklin: Well, you just never know who's going to drop in for dinner. And now, for a centennial toast to the club. I'm pleased to introduce a 30-year club member. A chairman of this celebration, former head of Goldman Sachs, former Deputy Secretary of State, and someone we know affectionately as Mr. New York: John Whitehead.

John Whitehead: Thank you very much and good evening all. My function tonight is to propose a toast to the club on its 100th anniversary. It's been my pleasure to be part of the club for 30 years, as Barbara said, if not for 100 years and to be an honorary chairman of this celebration. Now, I ask you to stand and to join me in a toast to the club. To the members of the Economic Club, past and present, who have made this a venerable New York Institution, and to the speakers, who have enlightened us through the past century, and now, onto our second century. Thank you.

Barbara Hackman Franklin: Now, what you've been waiting for: to Secretary Rice. She was born in Birmingham, Alabama and graduated from both the University of Denver and the University of Notre Dame with multiple degrees. In 1981 she joined the Stanford University

faculty as a Professor of Political Science. Then, in 1986 she interrupted a promising academic to serve as special assistant to the director of the Joint Chiefs of Staff in the Department of Defense. And, at the same time, she was a Fellow at the Council on Foreign Relations. In 1989, she interrupted her academic career again. This time, to serve on the national security staff of President Bush 41, that's President George H. W. Bush. She was Director, and then Senior Director of Soviet and East European affairs. And finally, she was Special Assistant to the President for National Security Affairs. This is when I first heard about her, as someone of brilliance and great promise. Dr. Rice returned to Stanford in 1991 and, 2 years later, was named University Provost. She was the first woman, the first minority, and the youngest person ever to hold that number two position. She turned a budget deficit around in short order, wrote numerous articles and books, and served on a variety of corporate and not-for-profit boards. Then, when President Bush 43, George W. Bush, made his run for the presidency, she took a leave of absence from Stanford and joined his campaign as his foreign policy advisor. When he was elected, she returned to the White House as National Security Advisor, and, in 2005, became America's 66th Secretary of State. In that high office, she has been tireless and determined in her efforts to protect and enhance America's interests around the world. She's been named by Forbes Magazine as the second most powerful woman in the world. And, when she says of foreign policy, that peace begins with strength, she could be talking about herself. She brings both strength and grace to the diplomatic arena. We admire her personal courage, knowing the obstacles she has overcome to arrive at this position of leadership and influence, and we admire her valiant efforts in the service of our country. We are honored to have her with us tonight.

Please join me in welcoming the United States Secretary of State: the Honorable Condoleezza Rice.

Secretary Rice: Thank you, thank you very much. Well thank you Barbara for that kind introduction, and I'd like to thank you very much for putting me on the dais with such an august group. There are a few economists here who must be wondering what they're doing sitting with a political scientist. That's a sort of joke from inside the academy. But, I'm most honored, in particular to be sitting with one economist, my good friend Alan Greenspan. Alan, you know, as the former chairman of the Fed, as the eminent economist, as the person who spoke in Delphic qualities to lead our nation into economic growth and strength, but I know him as a very good friend who loves Brahms, and that means he's got soul. Distinguished guests, ladies and gentlemen, it's an honor to join you tonight to help you celebrate your centennial anniversary. For 100 years now, the Economic Club of New York has been one of the intellectual capitals of the most dynamic cities in the world. You shake the world of ideas. You've done so with reason and passion and civility, and you helped to guide America thoughtfully and confidently through times of change and challenge. One such time was the turn of the 20th century when this club was founded. America was in the throes of a massive structural shift: the transition from an agricultural to an industrialized society. We were working to assimilate the largest wave of immigration in our history. Cities grew, but so did slums. Labor unrest was common. A new era of global trade and commerce was creating great wealth, but also dislocation. And, beyond our borders, the landscape of geopolitics was shifting. New powers were rising; others were falling.

And, in 1914, it all went off the rails, when the Guns of August began. All this change took a toll on many working Americans who felt a pervasive sense of uncertainty: a sense that perhaps we were losing our identity, losing our way. Perhaps our future would not be as bright as our past. To sum, the early 20th century looked like the beginning of America's decline, but in retrospect to us, it looks unmistakably like the beginning of the American century. In no small part, the person we have to thank for that is the man who joined us earlier, Teddy Roosevelt, who busted the trusts and built the great white fleet, who fought to conserve the natural beauty of America, and who led our nation to rise as a global power. In terms of foreign policy, Teddy Roosevelt is often misunderstood. Some see him as a progressive idealist; others as a cold-eyed realist. After all, the same Teddy Roosevelt, who sent the marines to Cuba, also won the Nobel Peace Prize for helping to end the war between Russia and Japan. The same Teddy Roosevelt, who built the Panama Canal by any means necessary, also used American power to eradicate Yellow Fever, and support public health in the Philippines and in parts of the Americas. And the same Teddy Roosevelt, who spoke softly to our enemies, never hesitated to carry a big stick. This is realism to be sure, but it was something greater, something nobler, a disposition that perhaps we should call a uniquely American realism. It is this idea that I'd like to spend a few minutes talking about tonight. American realism is approached in the world and arises, not only from the realities of global politics, but from the nature of America's character. From the fact that we are all united as people, not by a narrow nationalism of blood and soil, but by universal ideals of human freedom and human rights. We believe that our principles are the greatest source of our power, and we led into the world, as much by our moral ideas, as by our material interests. It is for these reasons,

and for many others, that America has always been, and will always be, not a status quo power, but a revolutionary power: a nation with new world eyes that looks at change, not as a threat to be feared, but as an opportunity to be seized. American realism recognizes that human beings are flawed and fallible by nature, and that makes democratic ideals more precious and democratic institutions more important. American realism affirms the decisions about war and peace, poverty, and prosperity. Depend as much on the domestic institution of states as on the distribution of power between them. And it is a guiding conviction of American realism that we achieve our greatest and most endearing goals when we unite power and purpose together, for as Teddy Roosevelt said, “Power undirected by high purpose spells calamity, and high purpose by itself is utterly useless, if the power to put it into effect is lacking.” That is not to say that there will never be tensions that will easily bring day-to-day interests into perfect harmony with our ideals, but that is the challenge for policy, not a license to ignore our principles or our interests. It is a toll to recognize, in the long run, that the 2 are inexplicably linked. In short, American realism deals with the world as it is, but strides to make the world better than it is: more free, more just, more peaceful, more prosperous, and ultimately safer, not perfect, just better. It was American realism that informed the work of American statesmen in the early years of the Cold War. People like Truman and Vandenburg, and Marshall and Acheson, and Kennan and Nittze. It informed for years later by Kennedy and Reagan, people who understood that we had to deal with the reality of Soviet power but should never forget the malignant nature of that state’s character. It was American Realism that led them to create an open international order, rooted in free minds and free markets, self-determination and national sovereignty, not just to defend

peace and prosperity and freedom for us in the United States, but to expand it for others. And, of course, it was American Realism that led Secretary of State, George Marshall, to visit Harvard, 60 years ago this past Tuesday, to lay out a visionary plan to rebuild Western Europe as a pillar of a free world. Over the past six decades, we have seen the success of this open international order. It has turned communists into capitalists, global rivals into emerging partners, and it has enabled more people across the world to live with dignity and opportunity than at any other time in human history. Today, economically, the international order is undeniably better off than ever. The global economy is experiencing unrivaled growth. But, politically, it is increasingly clear that the international system is perhaps unequal to our present challenges. Transnational crime and terrorism, energy insecurity and climate change, the spread of disease and weapons, global threats that are testing, not only our international institutions, but the state institutions of every country on Earth including our own. Many weak and poorly governed states are falling behind. Some are outright failing. And, in today's interdependent world, when governments cannot defeat threats within their own borders, their problems quickly become our problems. So, what must be our objective? I would suggest that it is indeed transformation to expand the circle of well-governed states that enshrine liberty under the rule of law, that provide for their people, and that act responsibly in the international system. America cannot do this for other countries, nor should we. It must be their choice, and their initiative. But, we can help, and we must help. This is partnership, not paternalism. To be sure, this is not a status quo objective. But, that does not make it impractical. Indeed, helping states to transform themselves to improve themselves is the most realistic approach to the problems we now face. For in today's world we are led both by our

interests, and our ideals to the following conviction: that liberty and justice within states leads to peace and stability between states. Freedom is not an abstract principle. It is the most practical way for states to organize themselves successfully, to adapt to change, and to grow economically. To achieve this goal, we are working multilaterally with our friends and allies. We are drawing upon the full spectrum of our national power. We are creating incentives that reward and encourage transformation and we are doing this in the manner of American Realism. With American Realism, we are using free trade to help states transform, by expanding opportunity and prosperity for their citizens. During the Cold War, there was a solid, bipartisan consensus in America that trade was not only critical for economic success, but also for national security. We need to regain that broad perspective, because today more than ever, free trade is a vital tool of our foreign policy. Trade is an engine, not only of economic growth, but also a political transformation. Integrating into the global economy helps to open closed societies. It helps new democracies to deliver on the high hopes of their people. And it gives governments a stake in the international system. This is how we should view the trade agreements now before Congress, for Peru, Panama, Columbia, and Korea. Asia is changing dramatically. New despots in Latin America want to drag the region back into authoritarianism. Our free trade agreements will help key allies to become democratic anchors of regional and global stability. And there is one more task in that regard: we need to complete the Doha Round, which would help to lift tens of millions of people out of poverty worldwide. Failing to realize the promise of Doha would go down in history as one of the world's great missed opportunities. With American Realism, we are also using our foreign systems to help states transform by promoting good governance and

fighting poverty. During the Cold War, there was a debate about international development that reflected the broader division of that struggle. Some saw foreign aid as a tool to influence strategic partners; others, as a means of doing good in the world. Today, this old division is giving way to a new unity of purpose. In a world where some of the greatest challenges we face emerge within states and not between them. Global development is both the moral ideal and a national interest. As a result, with the full support of Congress, President Bush has launched the largest international development agenda since the Marshall Plan. In the past six years, we have nearly tripled our foreign assistance worldwide, quadrupled it for Sub-Saharan Africa, providing food to the hungry, medicine to the sick, and giving girls and boys of every race and religion, class and culture, their first experience in a classroom. We have embarked upon a \$1.2 billion initiative to fight malaria, because no one should die for lack of a \$2 mosquito net. And we have launched a \$15 billion contribution to the global fight against AIDS, doubled now by the President to \$30 billion. The President's Emergency Plan is the largest effort by one nation to combat a single disease. As we increase the quantity of our foreign assistance, though, we have worked to improve its quality. Our foreign assistance needs to be an incentive for transformation, not a source of dependency. It must support the efforts of developing countries themselves to govern justly, reform their economies, and invest in their people. This is the idea behind the Millennium Challenge Account. We are now working to bring a similar logic to all of our assistance. And that goal is simple: we'd like to get out of the business of foreign aid entirely, but the way to do that is by helping countries meet their own needs through the development of effective democratic institutions and economic institutions. Finally, with American Realism, we are using

all the elements of our power to help states transform, because in the face of violent enemies, those who seek freedom sometimes need more than persuasion to prevail. In Darfur, victims of genocide are grateful for our humanitarian relief, but they also know that the United States will continue to sanction the Sudanese government until the violence against innocence stops. In Columbia, a state that was on the verge of failure just five years ago, our democratic ally needs the trade agreement we promised, but it also needs the military assistance to finally win its long war against narco-terrorists. In Afghanistan, the freely elected government of Kabul does not want another feasibility study. It wants U.S. and NATO troops to fight at the side of the new Afghan army until we break the back of the Taliban together. And of course in Iraq, on the front lines of the war on terror, we are fighting for democratic future for the Iraqi people and a safer future for us. I know that the American people are weary of the violence and the sacrifice, and so are ordinary Iraqis. Iraqis want democracy to work for them. They want their neighborhoods to be safe, and they want their country's future to belong to patriots, not to foreign terrorists. A stable Iraq will be a pillar of a different and better Middle East, and when we, and our Iraqi partners succeed, it will have been because we clearly understood our interests, because we stayed true to our principles, and because we persevered to win the day. In all these endeavors, the United States has joined great power with great purpose. We are writing a new chapter in the history of American Realism. But, to continue as a force for good in this world, we must also look to one more task, and that is to make certain that we are, in fact, strong at home. It is fitting that we celebrate your centennial this year, for the challenges America faces now, in 2007, are not completely unlike those we faced in 1907. Today, as before, our way of life, our way of

relating to one another, is in the midst of another tectonic shift. This time, from an industrial to an information based society and economy. Today, as before, we are working to assimilate a new wave of immigrants. Today, as before, a new era of globalization is creating unprecedented opportunities for prosperity. But, clearly, many Americans don't really feel that they're sharing in those opportunities. And today, as before, the landscape of geopolitics is shifting beneath our feet. As in 1907, there is a real sense of uncertainty among many Americans today; a concern that our common identity is shifting somehow, that changes abroad may be hurting, not helping us here at home. This is even leading some to speculate again, that the American Century is giving way to the era of American decline. This mood hangs over many of those articles and those reports that we see these days about the rise of China and India, and perhaps, the coming of somebody else's century. We are to believe that America has had a good run, but it must be all downhill from here. Well, I think it won't surprise you that I don't believe that for a minute. I'm optimistic about America and about America's future. I'm optimistic, because Americans value success, and we cheer success in one another. We push one another toward greater achievement. We're competitive people. I'm optimistic, because in America, it does not have to matter where you came from. It only has to matter where you want to go. I'm optimistic, because America's pioneer spirit is stronger than ever, our ability to adapt to change and rise to challenges, our desire to get in the game, not sit on the sidelines. Our national disposition so always look upon the future with hop, not with fear, as something that we will shape, not something to which we will submit. I'm also optimistic, because I think from time to time about vignettes from our history. I spent some time a summer ago reading some of the biographies about founding fathers,

and I took a couple of things away from that. First of all, a lot of our founding fathers didn't like each other very much, but they still managed to come together to give us a basis for this more perfect union. I came away thinking that by all rights, by every stretch of the imagination, facing the greatest imperial power of the time, the United States should really have never come into being. Then, a few months ago, I read a wonderful book about Abraham Lincoln and the Civil War. And again, I thought, "We should never have survived that, either, our violent divisions, and come out free." Both of those events, those outcomes, must have seemed impossible at the time. And then more recently, in my own history, I stand before you tonight as a woman born in Birmingham, Alabama, the Birmingham of Bull Connor and the Klu Klux Klan, the Birmingham of church burnings, and police dogs, and water cannons, the Birmingham in which my little classmate, Denise McNair, died in the bombing of 16th Street Baptist Church by homegrown terrorists. Yet, I stand before you tonight as the 66th Secretary of State. And, should I finish my term, I would say to you, and don't start thinking that we need affirmative action. There would not have been a white male secretary of state for 12 years. (Applause) I also take optimism from our history in the world. In 1989 until 1991, I was lucky enough to be the White House Soviet Specialist at the end of the Cold War. It doesn't get much better than that. I was there for the liberation of Eastern Europe, the Unification of Germany, and the beginnings of the peaceful collapse of the Soviet Union. And it was a heady experience, because everyday you came in and the world was going our way. But, I realized in retrospect, of course, we were just harvesting good decisions that had been made in 1946 and 1947 and 1948. I realized that it must have been very tough to see that vision of a future. In 1946, when the question was not: could communism

be stopped in Eastern Europe, but could communism be stopped in Western Europe; when the communists won 48% of the vote in Italy, and 46% of the vote in France; when in 1947, two million Europeans were still starving because of failed reconstruction, the Turks had civil conflict, the Greeks Civil War; when in 1948, a young Jewish state had to be recognized by Harry Truman; Germany, permanently divided by the Berlin Crisis. Czechoslovakia, the last free country in Eastern Europe, to fall to a communist coup; in 1949, when the Soviet Union exploded a nuclear weapon five years ahead of schedule; the Chinese communists won their civil war; and in 1950, the Korean War broke out. I have to say that few would have thought that freedom was on the march in those days. And yet, somehow, because the architects of our great Cold War victory kept faith with our highest principles, supported them with national power, kept their optimism, and practiced a brand of distinctly American Realism. We had the chance in 1989 and '90 and '91 to see the emergence of the Europe for which they had hoped. It is also the case that, in 2006, I was fortunate to go with President Bush to a NATO summit in Latvia. Who would have ever thought it possible? You see, I'm really optimistic, because, in the large course of human events, when the tectonic plates are indeed shifting, things that seem impossible one day very often, in retrospect, seem quite inevitable. And so, I am quite certain that if America stays true to her principles and practices this brand of American Realism, decades from now people will look back on this time and say, "Who could have ever doubted freedom's triumph?"

At the dawn of the 20th century, Teddy Roosevelt sent a message to our ambassador in Great Britain. "Our nation," he wrote, "glorious in youth and strength, looks into the future with eager eyes and rejoices as a strong man to run a race." America has now entered a new century. A new

global race has begun, and as always, we will run it with optimism and vigor and purpose. And, as in the past, not only will our people succeed, so will our principles. Thank you very much.

(Applause)

Barbara Hackman Franklin: Well, Secretary Rice, we thank you most warmly and gratefully for the wisdom you shared, the illumination of American Realism and especially for your optimistic view of our country's future. You have inspired us. You are an inspiration. We thank you for your service to our country. We wish you well in all of the challenges ahead. We know you will be rising above them. Thank you very much for being here this evening. (Applause)

And now, your dinner is served. Please enjoy it and your table companions.

(DINNER)

While you're finishing your dessert and your coffee, let's come back to the program. There's more to come. Typically, at such events, we do not introduce distinguished guests, because there are simply too many of them. But, tonight we're going to break that tradition, because it's a special evening, and introduce a few. First, I want to acknowledge our four very distinguished honorary chairmen of this event. Henry Kissinger, who launched our centennial year with a speech last month, and he happens to be out of the country tonight. Peter G. Peterson, whom you will hear from a little bit later. David Rockefeller, our longest-serving member: 61 years. He's unfortunately not here, but sends his regards. And, John Whitehead, whom you have heard from.

Thank you all. Now, besides David Rockefeller, our next longest serving member is a 53-year veteran. He's behind me on the dais. It's Marquette de Bary. Would you stand up? Also, with us on the dais are five former chairmen of the club. Superb individuals all. They're right here: Bill McDonough, Jack Hennessy, Dick Voell, Rand Araskog, and Pete Peterson. We salute you. (Applause) And, I must acknowledge our centennial planning committee. Thanks to all of you: Co-chairs, especially Co-chairs Harold Burson up here, and Gene McGrath, and Vice Chair, Jeanette Wagner. (Applause) A job well done. We really appreciate it. And thanks, too, to our table sponsors. I'm not going to read all of them, the list is too long, but they're in your program. We thank you very much. And finally, our President, Paul Batemen and his assistant, Ann MacDonald ought to get a hand too. (Applause) Also, on the dais behind me, is Professor Edmund Phelps of Columbia University, the 2006 Noble Prize laureate in economics. He is here as a special guest. We are honored to have you. Would you please stand? And in the audience tonight we have the U.S. Permanent Representative to the United Nations: Ambassador Zalmay Khalilzad. He's here somewhere. Where are you? (Applause) And, the Deputy Mayor of New York, Kevin Sheekey. (Applause) We appreciate the mayor's proclamation about our centennial, which is on the back page of your program. And finally, I want to recognize the members of our newly formed Centennial Society. Last summer, several dedicated club members sparked the formation of this society in order to ensure the stability of the club as the nation's premiere speaking platform into this second century. Thus far, 73 club members have made a personal contribution of \$10,000 to the centennial fund, and are being honored as the founders of the Centennial Society. Their names are in your program tonight, and will be listed in all of our

programs and our website well into the future. Our goal is to have 100 members of the Centennial Society before the end of the year. Now, I'd like to invite the members of the Centennial Society up here and then the audience to please stand and be recognized for your generosity. (Applause) Thank you. Thank you very much. Well, this is indeed a special occasion. And, a centennial provides us the opportunity to look at our past as well as to think about our future. So, before introducing the next speakers who will take us into the future, let's take a brief look at some of the highlights from the club's past. Please look at the screens.

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Barbara Hackman Franklin: Thank you. This centennial does celebrate the club's contribution during the past hundred years, but one of the key contributions of the club has always been to help its members and guests see more clearly what lies ahead. So for tonight, we have two astute observers, both preeminent journalists with a global perspective, both known for objectivity and insight, and they're joining us to share their thoughts about the challenges that await us in this 21st century. They are Lionel Barber, editor of the Financial Times who has come from London to be with us this evening. And Paul Gigot, editorial page editor of the Wall Street Journal and a member of the club. I'm going to first call on Paul Gigot. (Applause)

Paul Gigot: Thank you very much Barbara, and by the way, thank you very much for the, or as well for the great job you're doing on behalf of the club, you and Paul Bateman. (Applause)

Secretary of State, Rice, congratulations to Chairman Greenspan. Lionel Barber, welcome back to New York, it's good to see you again. Distinguished guests, ladies and gentlemen, it is an honor to be here with you tonight at this historic club. When Barbara Franklin first called to invite me she said I had ten minutes to address the main challenges of the next 100 years. My response was, "Why so much time?" So, she promptly cut it to eight minutes. I truly am grateful to have been asked to speak about the 21st century, especially as someone who represents a 18th century invention called a newspaper. In the current environment I want to say thank you for caring. (Applause) Tonight I am also mindful of what an admirer once said about Leon Trotsky, one of my personal favorite philosophers, which is that proof of his farsightedness is that not one of his predictions had yet come true. So, I will make no predictions here tonight. I have heard that all of you have your own lists of challenges that will confront America in this century. There is radical Islam and weapons of mass destruction. The financial burden from the baby boomer retirement, the rise of China and India, the moral dilemmas posed by advances in biotechnology and of course lest, former Vice President Gore will allow us to forget, global warming. But, I am not going to talk about any of these challenges tonight. Not because I only have eight minutes, but because all of these problems are eminently solvable. In fact, I think the great lesson of the club's first 100 years is that these problems will be solved. Or, to put it differently, they will be solved if Americans recall the policy lessons of the first 100 years, and we stay confident in our principles and our purposes. And, on that point I want to talk a little bit tonight about our current prosperity and its discontents. We live today in a spectacular age of discovery and wealth creation. The computer chip is doing for our age what the steam engine did 230 years ago,

transforming our lives at home and work. The revolution in biotechnology is, as you all know, equally as transformational if you believe Ray Kurzweil, scientist and writer, 90 years of age will soon be the new 40. Personally, I'm not sure I'm ready for that, but there it is. This is also an age in which more people are getting richer more rapidly as Secretary of State, Rice, said than at any time in human history. The International Monetary Fund tells us that the world economy has grown faster in the last four years than at any time since the early 1970's. Hundreds of millions of people in China and elsewhere, literally, hundreds of millions used to dig dams with sticks, are now joining the global middle class of prosperity. And America remains the most consequential and indispensable driver of this world prosperity. As Chairman Greenspan has instructed us, one of the lessons of recent years is how resilient our economy has become. In this decade alone, the U.S. economy has survived the ".com" implosion, 9/11, \$70 oil, a persistent terrorist threat, corporate scandals, Sarbanes Oxley, and even Attorney General Elliott Spitzer. (Laughter and Applause) I don't know about you, but I prefer Mr. Spitzer as governor. No subpoena power. In any case, the United States remains the most powerful and prosperous nation in the world. And, yet, we also seem to be miserable. We're wealthy and we're not very happy about it. According to the opinion polls, Americans are nervous about the president and fearful about the future, instead of celebrating the fact that more Americans are getting richer, we fret about inequality and talk about raising taxes to redistribute income. Instead of seeing China's growth as vindication of our own free market system, we see a threat and we talk about tariffs challenging China. Instead of seeing immigration as proof that America is still the land of opportunity, we talk about building a border fence and maybe even deporting Mexicans.

Sometimes, we even project our distemper onto our soldiers fighting abroad in a way that diminishes their sacrifice. The author Peter Callier recently wrote that one newspaper put the Abu Ghraib scandal on the front page for 32 days in a row. Yet, when marine corporal Jason Dunham received the Congressional Medal of Honor for saving lives by falling on an enemy grenade in Iraq, his story ran on page three of section B. My point is not to criticize the editor's who made those decisions, because I think those decisions also reflect our current public mood, which is to find a cloud in every silver lining, a crisis inside every opportunity. Yes, certainly some of this is due to the troubles we've had in Iraq, but I think we've also seen this mood before. The great Austrian economist, Joseph Schumpeter described it as the paradox of prosperity, by which he meant that capitalism creates great new wealth, but it does so through innovation and disruptive change, which in turn, creates anxiety and a reaction against the policies and the beliefs that create wealth. He called this Creative Disruption. And, speaking as a newspaper man these days, I can tell you it's a lot easier to extol the creativity in editorials than it is to live through destruction when it's hitting your industry. But American history does seem to be marked by these cycles of growth and resentment. My former boss at the journal, my mentor, Bob Bartley, called them decades of greed followed by decades of envy. Thus, in the last century, the Andrew Mellon tax cuts and the roaring 20's gave way to the Smoot-Hawley terror, tax increases, and the Great Depression. The Kennedy tax cuts and the boom of the 1960's was followed by the inflation, wage and price controls, and the malaise of the 1970's. Ronald Reagan, Bob Bartley, and many others, including many in this room led us out of that intellectual wilderness and back to the growth of the 1980's. And we now have had, with one or two bumps

in the road, one of the longest sustained booms in history. But the change in the growth had become so rapid that they are also contributing to public unease. Robert Fogel of the University of Chicago, has a wonderful chart some of you may have seen on the history of technology. I can't show you the chart without a computer, but the timeline basically flows from left to right, starting at 9,000 B.C. with a agricultural revolution, stays flat through the development of mathematics 7,000 years later and it remains flat until, really, about 200 years ago. And then the invention line on the chart just shoots straight up. Starting with James Watt's Steam Engine in 1775, then Germ Theory, the telephone, the automobile, Penicillin, nuclear power, computers, and of course, the Blackberries most of you carry. The point of the chart is that modern change is so fast and so disruptive that it's no wonder we have a hard time keeping our bearings. I don't have any grand solution for this prosperity paradox; there really isn't one. The point is to recognize, however, that our current anxieties are not unprecedented and that they are the consequence not so much of our failure, but in large part because of our success. Schumpeter, himself, was a pessimist; he predicted that capitalism would not survive the disquiet and hostile intellectual class that it created. I also once asked Vermont Royster, another former Wall Street Journal editor, if he was an optimist. And Royster replied that he was a short-term pessimist, but a long-term optimist, as long as you define the long-term as a couple of hundred years. He was a crusty fellow. But I think the final decades of the 20th century have proved that Schumpeter was wrong, at least about America. Starting in the 1980's, America experienced a capitalist revival that rebuilt the United States, it's strength and confidence, broke the back of Soviet communism, inspired the Chinese to embrace the global economy, and as even perhaps most miraculous of all,

was the Europeans to reconsider their welfare estates. Yes, our current challenges are different, and they are often daunting, but the worst mistake we could make would be to lose confidence in our own economic model of low taxes, free trade, free movement of capital in people, and especially in American global leadership. Just when the rest of the world is emulating us more than it has for decades, and just when the world really is desperate for that leadership, even when they disagree with us on this or that issue, they want our leadership. I thought I'd finish tonight with a story, because it's a personal memory, and because it's about Ronald Reagan who did so much in the 1980's to restore American confidence. In his presidency, for a year I spent some time as a White House Fellow, which means I was 15, 20, or 30 degrees below Secretary of State, Rice. I was a very lowly White House Aid. But, once in a while I was allowed to write a decision memo for the President, which meant putting together the pros and the cons of an issue and the different policy options and then, as a bonus, I'd be allowed to sit as a fly on the wall in the Cabinet Room and watch the debate unfold. One of the issues I handled was a very minor matter, called a Super Conducting Super Collider. I told you I was a lowly aide. But it was a giant atom smasher to be built in Texas. So, Reagan is there in the Cabinet Room and he listens to the debate for about 15 minutes or so as his advisers go at it, until he finally said, "Well, you know, that reminds me of a story." Really, he said that. I'm not making this up. And then he read what he called a personal creed of the 19th century author, Jack London, which went like this, "I would rather be ashes than dust, I would rather burn out in a brilliant blaze than I should be stifled in dry rot. I would rather be a superb meteor with every atom in me in magnificent glow, than a sleepy and permanent planet." I was kind of wondering, "What's this all about?" Then the

President says that London's creed had once been read to Ken Stabler, the quarterback of the Oakland Raiders, who was asked what it meant. And Stabler thought about it and said, "Throw deep." It's a true story, and I was there to record it. But that's what Reagan did with his presidency; that's what I think America has done for the last hundred years, and I think that's the best counsel I can give for the next hundred. Thank you very much.

Barbara Hackman Franklin: Thank you very much Paul, very illuminating. Now Lionel Barber.

Lionel Barber: Thank you Barbara. Madam Secretary, distinguished guests it is indeed a great honor to speak here tonight. And as Paul said, with just 8 minutes to address the world's problems, just 8 minutes, I am reminded of the old Chinese proverb, "May you live in interesting times". So in recognition of the Economic Club's Centennial I offer an alternative. May we live in financial times. I am sorry Paul. Now before I say a few words about the future, let me pause for a moment on the present. Both of our nations are in a political transition. As some of you may have noticed the 2008 presidential campaign is upon us. Prime Minister Blair is still in office but no longer in power. Prime Minister-elect Brown is in power but not yet in office. Tony Blair has been the most pro-American Prime Minister in 50 years, barring probably Mrs. Thatcher. I am sure many of you are wondering if Gordon Brown is proAmerican. Well here is what senior Blairite told me the other day, Brown, he is not pro American, he is pro Cape Cod. Now let's just get it on the record, in all seriousness, I can assure you, Gordon Brown's support

for America is not in doubt. So now we have covered the special relationship. I would like to turn to my main topic tonight and it is something that Paul Gigot alluded to. And it is a serious case for continuing American leadership in the 21st century. It has become passionable to argue that America's days as top dog are numbered. The rise of China is now so rapid that no less than an authority than Goldman Sachs recently predicted that China will overtake the U.S. by 2027 in dollar terms, at least eight years ahead of the original estimate. And the same study suggests that Italy's economy will be larger than the U.S. by 2050. And remember, we are talking decades here not centuries. As economic power shifts east, one should expect a rebalancing of political power. The post-World War II order was built around American based or American dominated institutions. NATO, the United Nations, the International Monetary Fund, the World Bank, this order will be challenged. Recently we had an example with the contravasty of the World Bank. Nevertheless, American primacy, while not a given, is likely to continue. Every other pretender to the mentor of Hedgemore must tackle their own weaknesses. How would you like to relocate, educate and employ 600,000 displaced farmers in China. In similar fashion, India faces the challenge of lifting hundreds of millions out of poverty and illiteracy. Energy rich Russia is resurgent, but its population is declining. And its model of managed democracy unappealing. And remember, however strong the European Union continues to be, it will never become a superstate. It lacks credible military power, and Europeans, yes Paul, even well meaning Europeans, have acknowledged the limit of soft power. As well as the challenge of reaching agreement among 27 countries with different languages and cultures. We must remind ourselves that American leadership does not in itself equal unilateralism. The former implies willing allies.

The latter, reluctant followers. The Iraq war has exposed a painful reality. America cannot dictate terms to the rest of the world. Nor impose order through military power alone. Now just to be clear, I am not espousing mindless multi-lateralism. Nor, multipolarity, ala Francois or ala Rouse. As Secretary Rice has said, multipolarity has never been a unifying vision. It is a theory of rivalry, of competing interests, and at its worse, competing values. And what are the differences. Whatever our differences, we should be clear, Europe and America do share the same values. As Editor of the Financial Times, I see four major challenges this century. We wrestle with these issues every day at the FT as we seek to make sense to readers around the world of the news. And one thing we do know is that each challenge will require leadership by America. First, globalization. Now some suggest that globalization is irreversible. I tend to agree. Globalization has brought benefits to consumers, hope to the developing world's poor, and it has expanded the world's workforce by 2.5 billion people. But globalization also brings with it dislocation and disruption through immigration, off shoring, and volatile capital. Let's just revisit the issue of China's rising power. At the last count I noted 27 anti-Chinese protectionist bills introduced in the last two sessions of Congress. This serves to highlight the erosion of the free trade majority in Washington. So on both sides of the Atlantic we must decide whether to defend a liberal trade order or to revert to a bigger they neighbor free for all which will be disastrous for the world economy. Second, the environment. President Bush's proposal to set a long-term goal to reduce greenhouse gasses is a welcome change of heart. There could be no serious effort without the full participation of China, India and the U.S. This was one of the flaws in the KYOTO protocol. So now it is to be hoped, we have a second

chance to reach a credible deal, once KYOTO expires in 2012. The third challenge, nuclear proliferation. At the end of the Cold War, the U.S. led a successful effort to reduce the numbers of members of the Nuclear Club. Now we see a reversal of this trend in some of the most dangerous and volatile regions of the world. The consequences could be catastrophic. Containing nuclear proliferation requires collective resolve under U.S. leadership. And finally, the challenge of the Islamic world. In my view the term clash of civilizations between the west and Islam is misleading. The conflict lies largely within Islam itself. On the one side, the radical fundamentalists who seek to destroy, on the other, those such as the Gulf states who seek to preserve their traditional faith while embracing the modern world. This is less, much less than a classic military contest. Though force may at times be required. It is in the end a battle of ideas and those who argue that democracy is part of the answer, are correct. The autocratic regimens of the Middle East have indeed proved to be incubators of terrorism. But those who preach democracy and the Rule of Law Abroad, must also be careful to respect the same at home. And Guantanamo Bay has not been a good example. The overriding issue is the means to the end. How to combat terrorism while continuing to mobilize a tolerant Islam, whatever it takes. Ladies and gentlemen, virtually all of the challenges I have mentioned here tonight, cannot be resolved by a single power acting alone. We see the prospect of new leadership in Europe, in Berlin, Paris as well as London. And as a born again optimist who has lived and worked in America for more than a decade, I believe firmly in American leadership in the future and in the future of the Trans-Atlantic Alliance. This is nothing less than the reconstitution of the West. It is a noble goal and one on which I hope we can unite tonight. Thank you very much.

Barbara Hackman Franklin: Thank you very much Lionel. And thanks to both of you, you got a lot packed into those eight minutes each. But for a most thoughtful and illuminating view of our future we really thank you both very much. Please join me in a round of applause for Paul and Lionel. (Applause) Well the Economic Club rarely gives awards. The last one was bestowed at the Club's 50th anniversary. But we think a Centennial Award is very much in order. We had only one person in mind to receive such an award and he is here. It is Alan Greenspan. So to present that award, I am pleased to call on the Senior Chairman of the Blackstone Group, a former U.S. Secretary of Commerce, a past Chairman of this club, and an honorary Chairman of this Centennial, our good friend Pete Peterson.

Pete Peterson: Introductions of this kind is such a cliché and travesty to say this person needs no introduction and then proceed to recite a long list of well-known biographies. For example, is there anyone anywhere who does not agree with the fact that *The Chairman*, as I call him, is one of the world's most admired, brilliant and iconic central bankers ever. And one of the longest serving ever, for 19 years, and named by four consecutive presidents. Is there anyone who doesn't know that 16 months after leaving office when *The Chairman* speaks or even whispers the market listens. Is there anyone that does not know that *The Chairman's* most notable achievement is persuading Andrea Mitchell to marry him. We all know people who are very smart, but not always nice. Just as we know very nice people who are not very smart. There is no one I know who is nicer and smarter than Andrea Mitchell. Andrea's charm and generosity

are exceeded only by her devotion to *The Chairman*. For example when I called her recently, she responded with, Oh Great One, how are you? Andrea I said, what then is your husband? Instantly, she purred, he is the Greatest. Andrea will you please stand and accept our warm welcome. (Applause) James Shannon, the Nobel Prize winner, once described real information as surprise. Now what I am about to tell you may be in the nature of information, some or all of it may surprise you. What may not be known is the Chairman's remarkable sense of humor. Particularly about himself. For example, self-deprecating humor about the Chairman's reputation for creative and constructive ambiguity, which is of course legendary. On one occasion he was asked what techniques he would use for confronting irrational exuberance in the financial markets. He responded, mumbling with great incoherence. On another occasion a friend at a conference casually asked him how he was doing. He replied, "I am not allowed to say". On still another occasion he reported that he had to propose to the wonderful Andrea three times before she understood that he was asking her to marry him. Not all of his trenchant humor is aimed at himself. Sometimes some of the rest of us are beneficiaries. Recently I was whining about the melancholy fact that his advance on his books was 85 times the size of mine. I asked him to explain it. Without a pause he said, "Pete, it is just one more example of how well the market really works". Tonight, we salute the Chairman for his unsparing commitment to the Economic Club of New York. When he was first named as Federal Reserve Chairman, Dr. Greenspan was the Economic Club's Vice Chairman. He has addressed the club 11 times, more than any other person in its history. For his many and unique contributions to the well-being of

the nation, the world, and the Economic Club of New York, the Economic Club is proud to present the Centennial Award to the very honorable Alan Greenspan.

Chairman Greenspan: So I gather this is my 12th speech and I am delighted to say that I have a special new, 45-minute dissertation. But my wife has very thoughtfully dissuaded me. So I thought instead I would take a look back at the history of this organization, very specifically in the context of a very extraordinary year in which it started. 1907 happens to be a seminal period in American finance. In the sense that while the Federal Reserve Act was obviously enacted into law in 1913, it was actually conceived in the rubble of the fantastically sharp contraction of economic activity and financial activity in 1907. 1907 brings to an end a very protracted period when all forms of financial and economic crises, especially financial, were overseen by bankers and private citizens, who in one way or another, righted the situation. And of course, the most famous individual of all was the last one in that sequence, John Pierpont Morgan who essentially resolved almost single handedly the 1907 crisis, which was a very severe one, for those of you who have read economic history. Or some who may have lived it, I don't know who was around then. I am reasonably close. But out of the 1907 crash came the Aldrich Freeland Act and the National Monetary Commission, and eventually, the Federal Reserve. What happened was, we moved from people solving crises, essentially bankers, to an institution, which essentially is a broad and historic one, which is the Federal Reserve System. And I thought to myself, has this been an improvement. And I look back and I say, well let's take a look at how Morgan handled it and how the Fed handled a similar situation, essentially 80 years later. Because remember the

crash of October 19th, 1987 was very much like what happened in 1907. And I read in history books that when the New York Stock Exchange was in severe difficulty, bids have disappeared and the President of the Stock Exchange came up to Morgan and said, “Well we are going to have to shut down the New York Stock Exchange, we are not getting orders here.” And he said, “Don’t you dare.” And the Stock Exchange stayed open. In 1987, I got a call from John Phil and he says, we are going to have to shut down the New York Stock Exchange, there are not enough bids and I would say please don’t do that, it is not a good idea. How are you going to reopen it? Well, check one for John Pierpont Morgan. Then, a similar situation, there was this crisis which Bill McDonough oversaw which was long-term capital management, which brought together a group of bankers and essentially put them in a room and served them coffee and said, you solve the problem. Was that what John Pierpont Morgan did? Of course not. He brought all the bankers that were relevant into the Morgan library and locked the door. And then proceeded to badger them until they got to the point where when Morgan offered his pen to Ed Kennedy(?) who was the head of the so called Press Company Group, which was creating all of the problems, he just reluctantly signed whatever he had to sign to resolve the issue. The one I found frankly basically most debilitating was in the October of 1987 crash. The Federal Reserve came out with a statement that we would supply liquidity for the economy and the financial system. But Morgan trumped us. In his period, he called in all of the religious leaders of New York City and counseled them that on their sermons the following Sunday, they were to essentially make sure that calm was in their viewpoint of the world. And I have now concluded Morgan-3, Federal Reserve -0. Now if that is an improvement, maybe. I guess one has to argue,

we are better off, but I am really not sure. Thank you very much ladies and gentlemen. And thank you very much for the award and I am delighted to be here.

Barbara Hackman Franklin: Well, thank you Alan for that little bit of history. We appreciate that. It is just a privilege to honor you and I should tell you, the award is a Steuben Bridge. The symbolism is that Chairman Greenspan has been a bridge over economic waters, troubled and calm and for that, we are eternally grateful. Alan, thank you so much. Well we are coming to the close of our celebration. Special thanks to Secretary Rice, to Chairman Greenspan, to Lionel Barber, to Paul Gigot, for being with us for this historic occasion and really, most special thanks to our members. Whose leadership and generosity make this club the venerable institution that it is. We are proud of the club's last 100 years and tonight we launch the next 100 years of the Economic Club of New York. May the next century be as productive and successful for the club and for our country, the United States of America. Thank you for sharing the evening and goodnight.

END OF MEETING