

NATIONAL SUMMIT ON AMERICAN COMPETITIVENESS

Panel 1: The Competitive Challenge For America in the 21st Century

Comments by Michael E. Porter and other Panelist

Sandy Baruah- good morning everyone.

we are off to a terrific start and I promise you that we are gonna keep the momentum going throughout the day.

we have an outstanding program for you today.

we have with us the leading thinkers on competitiveness. people like **Michael Porter**, **Daniel Yergin**, Deborah Wince-Smith. we have the leaders of America's most respected and most competitive companies. places like DuPont, Netgear, Intel, Wal-Mart.

we have the leading voice for entrepreneurship with us. we have one of America's most dynamic governors. we have leading academics. throughout the day, we'll be hearing from these leaders and many more. and at 3:45 today, during our town hall session, they will be hearing from you. so be thinking about the questions you want to ask our panelists

during our town hall session, led by secretary Gutierrez, and education secretary, Margaret Spellings. so let's get started, and we're gonna start strong.

what is America's challenge in the 21st century?

the moderator of our first panel is just the person to lead our discussion to address this issue. **Maria Bartiromo** is one of the world's most watched and most respected business journalists. she is the anchor of cnbc's popular closing bell with **Maria Bartiromo**, and is both host and moderator of "the wall street journal report," the most watched financial news program in America. in fact, while Maria is with us here today, she's still on the clock with her day job.

she'll be broadcasting live on cnbc throughout the day right outside this auditorium. and will host her show, "closing bell," this afternoon from this location. earlier this year, in conjunction with ibm, Maria hosted a critically acclaimed special series on cnbc called, "the business of innovation." this series examined the same competitiveness themes that we are examining here today. in addition to her extensive work on television, Maria can be found on the radio with her daily your money matters reports. she can be found in print, with her regular features with reader's digest, the financial times, the new york post, Newsweek, and others. and of course, she's on the internet. while she may be everywhere, she's with us here today. ladies and gentlemen, **Maria Bartiromo**.

Maria Bartiromo- thank you so much. hi, everybody.

great to see you. thank you for being with us.

I'm so excited to be here to be talking about, really, one of the most important issues that we all face today, and that is the competitiveness of this country.

we'll get into education, we'll get into healthcare, globalization, the expense of doing business in this country with some of the top thinkers in the world. on that note, let me introduce you to **Chad Holliday**, chairman and ceo of DuPont.

Floyd Kvamme, partner emeritus, kleiner perkins.

dr. **Michael Porter**, Harvard business school professor.

Daniel Yergin, chairman, Cambridge energy research.

gentlemen, good to see you. thank you for spending the time. and **dr. porter**, I'd like to kick it off with you because so many times we hear ourselves talking about the competitiveness of this country. and yet, it seems like things are going well.

I mean, sure the stock market is nervous, but we are the largest economy, we have great innovation, technology; why do we keep talking about this, and this is at the center of our conversation?

Michael Porter- well, Maria, I think there's a real paradox now that the U.S. economy, by virtually, almost every measure, has performed just stunningly well for the last 15 or 20 years. I was surprised to know-- learn, for example, that we accounted-- the U.S. alone accounted for 1/3 of all of economic growth in the world in the last 15 years.

we have truly been the engine, there have been substantial improvements in income and wealth, rapid productivity growth. it's easy to grow productivity when you're coming up. it's hard to grow productivity when you're at the top. we've been able to do that.

we have extraordinarily low unemployment, particularly youth unemployment, where many other countries have tremendous issues. our unemployed tend to get back to work faster than almost anywhere in the world. we've pulled away from Japan, from Europe, from Canada. we simply pulled away. we've been more productive, we've been driving economic prosperity faster.

but the whole process of adapting to the global economy has created an enormous amount of dynamism and stress and strain and insecurity. you know, we create about 30 million jobs a year and we lose about 30 million jobs a year. and the difference has been positive, as the secretary said, net eight million over the last period.

but the churn of jobs has created enormous insecurity and the bar has been rising. today, you don't get much benefit just from being an American. it used to be that if you were in America, you could get a good job because you are an American. now, in the global economy, you have to have skill, you have to have training. if you don't have training, you're more vulnerable. and then, we have these issues that are making people insecure about the adjustment process of healthcare, lack of healthcare, issues about their pensions, a training system that is not that efficient.

So, I think that we have this juxtaposition of enormous economic success but growing insecurity. and I think that that is the age of globalization that we're now in.

Maria Bartiromo- and it's interesting because globalization, I guess, has hit America the hardest.

Michael Porter- well, you know, we, in America, really led the process of globalization. our companies were the first, the fastest to spread their value chains around the world, to restructure, to outsource, to do all the things that we now associate with the global economy.

our multinationals have been extraordinarily successful, the most successful of any country in the world at this process.

but in the process, we've been the most open, we've been the most flexible, but we've also felt the heat, the pressure, the wind-- the headwinds first. and so, I guess that's the lot that America has in the world.

Maria Bartiromo- Chad, you wear a couple of hats. you're obviously the chairman and ceo of DuPont, operations all over the world, so you have a fantastic vantage point. but you're also the chairman of the council on competitiveness as well as the--a member of the national academies' committee that produced the "rising above the gathering storm" report, which really put a lot of this stuff in context. what do you think are the most important issues facing us today?

Chad Holliday- well, I think the "rising above the gathering storm" title captured it very well. I agree with **Michael** totally, we're ahead today, but we got a storm coming. it's over warm water and it's really gathering steam very fast. I had to look through all this work that we've done, three things stand out to me personally that I think are critical for us to overcome that storm.

the first one is around free flow of capital to the very best ideas. this nation of immigrants is the most creative nation in the world based on our 70 countries DuPont does business in. but we've got to have that capital flowing very fast to the opportunity and flowing away from the bad ideas just as fast. and that's got to work for DuPont. and we'll have to work for Maria, llc. you know, whatever the right combination is, it's got to work for all strata of what's happening.

the second one that really stands out to me is rule of law. you know, that is our bedrock, it's our strength, it's our liberty, it's why we're here. many times, your greatest strength can become your greatest weakness. we have to watch the overregulation tendency we have now and how that would slow us down, and I think if I had to coin a phrase, we're in, kind of, lawsuits gone wild. all you have to do is watch television in the off hours and you'll see all these ads, for "come sue somebody." and I think if we don't find some way to keep our bedrock strength in law and watch these ballots, we're going to be in deep trouble.

and the third one, which is very close to us in DuPont, is our science and technology leadership. we have that leadership today. it's probably the greatest opportunity we have ever seen in the last 200 years. to apply that leadership, we see so many technologies like biotech, nanotech, and climate change technology that are just infants in what's going on. if I had to try to put in some kind of perspective-- personal opinion, if I put it in human life terms, talk about a newborn today and assume they have 80-years life, I would put biotech, a toddler about three years old, a lot of room to run, every reason why this country should win. that's what nanotech, about six months, hadn't quite learned to walk yet, but tremendous potential and what it could-- solve the problems. if I look at climate change technology, it's still in the womb, but it's kickin' and it wants to come out. so-- [laughs] in those new technologies of the future.

Maria Bartiromo- so is this largely the government's responsibility or the private sector? I mean, you mentioned immigration, you mentioned the cost of doing business and all this, you know, lawsuits and litigation going on, and then sciences. who is to lead in all of those areas? private sector or government?

Chad Holliday- I think the secretary say it-- well-- it has to be a partnership, it has to be a partnership where we're listening to both, because we can't be a nation that leads a great portion of our population behind as we do that; government has the role of making that happen. but I think it has to become together, but government's--got to play a leadership role they can't always be following.

Maria Bartiromo- Floyd, that's my question to you actually. what is the proper breakdown in terms of government versus the private sector or business to ensure that this country stays as competitive as it needs to?

Floyd Kvamme- well, first of all, we are very competitive. I think **Michael** and Chad both indicated that. and I think our competitiveness advantage comes from a number of factors that are, perhaps, I think about it from being in the west. part of the-- "go west young man" kind of thing. we have honored 20-year-olds in this economy, in this country. a lot of other countries don't do that.

if you look back at most the major developments that have happened in the tech industry, they started with 20-year-olds, and that's possible in America. it isn't really all that common outside of the united states. we have to keep that in mind, because 20-year-olds are really what we're talking about, in a whole lot of this technology stuff. so you're talking to a wrong crowd, by the way. [laughter] but--talking about the government piece, 20-year-olds, you know, they just care about their idea, and where they get it, they got it from a close intersection with government, namely the education establishment, because our universities, our k-12 schools, the research that goes on in universities is heavily sponsored by government research.

and you know, people talk about tech transfer. tech transfers in the heads of 20-year-olds. that's where it takes place and that's what we've honored, that's what we've backed, and that's what's been very, very successful. so we have to keep that strong. government r&d has been very strong.

Chad mentioned nanotech, we spent a billion one in nanotech, we spend about three billion, information technology, and a lot of billions and a lot of other areas, the nih, of course, spends a lot of that. so that's a very, very important factor. I'd agree with what Chad is saying on the tax and regulatory thing. you know, we put facilities outside the united states far more for tax and regulatory reasons than for any other reasons.

we did a report that showed, that in a \$3-billion investment for a semiconductor factory, the return on capital employed over a 10-year-period is \$1.3 billion better if it was done in china. and what was that 1.3 billion-- what made it up? seventy percent of it was tax differential, 20 percent was regulatory, and the rest was tiny things. we have to care about manufacturing and know that there may not be a lot of jobs in the companies, but we have to care about it, because some carpenters, some electricians, some plumbers built that place, and those are important jobs to keep.

somebody has to maintain that thing or those plants, and I think that's very, very important. so those are two areas I'd specifically mentioned where there's a government involvement, policies that have to do with tax and regulatory, policies that advance education and keep our r and d engine going.

Maria Bartiromo- manufacturing is a really important point to bring up. I mean, how are we gonna stay competitive if it is so much cheaper and more cost-effective

Floyd Kvamme- to have those factories offshore? but it's only cheaper and more cost-effective because of our tax structure primarily. seventy percent of the cost, like I said, in that delta I gave you was tax structure. I mean, when you're looking at a return like capital employed, and you have to give 40 percent to the government as supposed to five percent, that makes a whale of a difference in structuring your plants.

I assure you that if we-- look at all the activity we go through putting companies in the Cayman islands and the Bahamas and all that kind of stuff. that's not very productive stuff. but we spend a lot of time at it. why we--why do we do it? because we have the highest tax rates on corporations. and by the way, corporations don't pay taxes. the buyers of their products pay those taxes. so, why don't we recognize that? everyone looks at Ireland. what a miracle. Ireland's a miracle for one simple reason. they have a 10 percent tax rate. get with it.

Maria Bartiromo- and what you said about 20-year-olds, I mean, you know, some people might say, sure, they're coming up with innovation,

but the experience, the know-how is with the 40, 50, 60, 70, and beyond."

Floyd Kvamme- ah, but 20-year-olds don't know what can't be done. when I was at apple--

Maria Bartiromo- they're taking the risk.

Floyd Kvamme- absolutely. when I was in apple, if you brought forward the notion that you were gonna come up with this new product called a personal computer and you were gonna distribute it through whom? there was no such thing as a distribution mechanism. they invented one. because they didn't know what couldn't be done. and that is the principle things-- and what--we learned a lot of things that can't be done in the course of our experience.

I'm not saying experience is all bad. that's why you need, you know, boards of director to kind of help. but you got to let them go. and they do great things.

Maria Bartiromo- and one of the biggest issues that we face today, in terms of being competitive, is the cost of energy, the access to oil around the world. Dan, you have been a student of this for so long. give us your standpoint, where you sit in terms of oil, the issue of staying competitive in the face of, what are we talking about today? \$80 a barrel of oil.

Daniel Yergin- \$80, \$81 a barrel of oil is pretty amazing from where it was just a few years ago. I think that from the viewpoint-- if we think about it in two ways, one is what does it mean to our society, our economy? you know, we've seen a lot of resilience, I think, surprising resilience in terms of what happens to the price of energy and our ability to absorb it. because, in a way, what we're seeing now, the primary reason for this kind of driving of the up of energy prices is not the kind of disruptions that people think of from the past, but it's because of the success of globalization, what we've been talking about. a lot of people, hundreds and hundreds of millions, billions of people lifted out of poverty.

so that's what's driving it. from the viewpoint of the U.S. economy, however, at--in terms of energy, we need to think about-- is that my microphone?

Maria Bartiromo- I don't know.

Daniel Yergin- well, somebody will fix it, I bet. that's my assumption. yeah. is there a 20-year-old in the audience here who can come up and take care of this?

I think in the energy industries, what we're talking about and what Floyd talked about the role of education, we're missing a generation in the energy industry because of downsizing in the past. so, there's a real shortage of people. secondly, we just-- the national petroleum council just came out with a study which found that within 10 years, 55 percent of the technologists in the U.S. oil and gas industry can retire. so, there's a people issue.

I think two other big issues that are out there, one is access, the ability to develop resources where we need them. a second one is the cost, just the cost of everything going up because of the shortage of people.

but I think what ties it all together and goes back to-- I think everyone on this panel is involved with--to me, I've come up with this phrase called the great bubbling because I've never seen so much effort going into innovation, all along the energy spectrum, from conventional energy to alternatives to renewables to energy efficiency.

it's never happened before, and you all are involved in it. and I think that out of that some very interesting and important things will come. yeah.

Floyd Kvamme- the venture capital industry has found the energy sector. and they are going like gang busters. I mean, it was a zero 10 years ago, percentage of our investments. and it's double digit now and growing very, very rapidly. and it's all sectors.

Maria Bartiromo- I think I spoke with bill joy--yes. --a couple of years ago, and I said, bill, what's the next Google? and he said, "you're darn right, there's gonna be another Google, and it happens to be energy alternatives.

Floyd Kvamme- yeah. true and it's across the board. I mean, it's from solar to fuel cells to all kinds of new ideas in the biofuels field. we're relearning what combustion is really all about. I mean, it's just-- it's exciting.

Daniel Yergin- yeah, 'cause you've had the traditional, you know, universities, companies, research institutions. now you have this discipline of you and your colleagues, Floyd, who are bringing a different perspective to it, and that will bring results. and, Chad, you know, I think you're doing really interesting things here that may surprise us in five years.

Chad Holliday- you know, as we look at, you know, ethanol today and the differences made in brazil, the differences made in this country, and then once that ground started, now we see we can take the cellulose, we can take the cob and the stalk of the corn and make ethanol out of it. next generation is biobutanol. that's one piece of the energy equation.

but photovoltaic, tremendous opportunity, more research going on there today than we ever would have guessed. and DuPont, we make seven materials that go into a photovoltaic cell. I can show you the economics all day long on why it doesn't work, but I know my sales are doubled what they were at the same time last year. so there is something going on here that's very special.

Maria Bartiromo- yeah, it's interesting because the theme I feel like that is developing here is "upsets force innovation." so we've got a bit of an upset and sort of a challenge when it comes to oil. you have very high oil prices. you have a little bullying going on around the world, right? some countries are saying, well, it's gonna cost you more money to access our oil. that can also be seen in health care, right?

Floyd Kvamme- talk to **Michael** about substitution. he wrote the book.

Maria Bartiromo- that's what's happening.
well, I mean, and even in health care, where you're seeing innovation being forced because there is a problem. is that the way you see it?

Michael Porter- well, let me back up just a little bit.
I think that what we've said is America has some core competitive strengths that are truly distinctive here.

one is innovation. the science, technology, and innovation system-- I think, as was said, we actually need to keep reinvesting in that 'cause there are some signs that we're not reinvesting quite as heavily as we could, but that's really strong. it's the best in the world.

entrepreneurship, we have this incredible deep system for entrepreneurship. the 20-year-olds get financed here, you know? and it's culture, it's venture capital, it's angels, it's a whole system. we're great at that.

we have the-- I've traveled and worked all around the world. we have the greatest belief in this country in competition, that you should have to compete, that it should be open.

we have this incredibly decentralization. each region is very vital and focuses on its strengths and tries to improve its economy. we have these great capital markets. but what's--but I think we have three big risks.

one: we're encumbering some of these fundamental strengths with some unnecessary costs and complexities. I wonder if that's me. I'm so sorry. I don't know.

Maria Bartiromo- let me turn it, turn this off.

Michael Porter- we're encumbering these strengths with litigation, with regulatory burden, and with unnecessarily high costs in areas like energy and health care and--

Maria Bartiromo- I will get this fixed. you continue. sorry. let's check on that everybody. excuse me.

Michael Porter- so, you know, the entrepreneurship and the innovation and the competition only work if we don't get in the way.

and I think that's what we were saying earlier. number two: I don't think we've talked yet enough about our human resource issues. the people that are retiring now are better educated than the people that are coming into the workforce. we have lost our lead in k-12 education. we used to be the place where there was the most college-educated people in the workforce. we're no longer in that place anymore. access to higher education is very difficult.

so, I think that without the human resource engine of-- that kind of feeds the people that do all this activity, again, our uniqueness is going to be hard to sustain.

and then I'd say, finally, nobody has yet talked about this. I'm sure we all understand it. the international trading system needs to be improved to work better for us.

we have to be able to protect our intellectual property. right.

our job in the world is to innovate. we have to protect our intellectual property. if we can't protect our intellectual property, the system doesn't work for us. we've got to have access to markets, the subsidies and all these encumbrances in the international trading system that we're working so hard to try to improve.

these things are really big problems for us because America is the most open country. we have the largest trade deficit in the history of the world. I mean, in absolute terms. and we've got to make that trading system work.

so, I guess I'm confident that we can retain our core advantages. what I'm less confident about is these issues like human resources and the international trading system.

Daniel Yergin- well, let me, I mean, and go back to where **Michael** started because, of course, we're talking about the tremendous benefits that we, as a country, have had from an open trading system, globalization. but the other side of it is the dislocations, the backlash against it. what do you do to have a system where you have this kind of relentless change, where people maintain their confidence, feel that the rules are fair, feel that they're protected and that they're not powerless in terms of all these changes that are coming?

'cause I think, for us to-- that is, perhaps, one of the biggest threats against globalization, losing people's support and confidence.

Maria Bartiromo- just--

Michael Porter- and that's what I think-- and healthcare plays in very big there. yeah.

and one of the big reasons people are insecure is they're worried about losing their health benefits. they're worried about something happening to their pension.

Americans are being subjected to this incredible churn and dynamism and restructuring, you know, all around them.

Daniel Yergin- and-- and it's very easy to blame trade.

Michael Porter- it's--you blame trade. you wanna slow down the change, you know? you wanna protect yourself, and that creates, sort of, insidious pressure to start getting in the way of what actually makes us strong.

we've got to find a way to create the systems and the rules that will allow people to make those transitions without such extreme insecurity, and healthcare is a big part of it.

Maria Bartiromo- and if workers felt secure that, "okay," you know, if one portion of the economy's jobs goes overseas, it's flexible enough. there is a strong education in place so that that job can be flexible, that person can move easily into another industry or learn new things. it wouldn't be--

Daniel Yergin- as scary. as scary, and there wouldn't be as much upset.

Chad Holliday- and so, we've got to have the systems that support that. but because **Michael's** statement about how many jobs we create and how many we lose is so important, but we put very much on the individual to do that. and I think that's where government, private partnerships can make a difference. and what we find is some countries around the world do that very, very well. Singapore does that extremely well. and so, I think we ought to model some of these smaller, very fast growing countries in what they're doing. I--

Daniel Yergin- Chad, is there an example of-- I mean, when you look at Singapore, what do you see there that they're doing that we're not?

Chad Holliday- what I see in Singapore is a country that probably shouldn't exist if you, kind of, look at natural resources, except for a great harbor.

Daniel Yergin- don't tell them that. [laughs]

Chad Holliday- yeah. now--but what I find when we go there-- I'll never forget my first trip, the first plant we sighted there. I was at lunch, Chinese table, round. and I started asking these questions 'cause I was worried about infrastructure and ports and electricity and telephone. and the head of the phone company, the port, everything was sitting around the table.

and every question I would ask, they'll say, I'll take care of that. when? "this afternoon." and so, that simplicity that they've been able to create-- and we say we can't do it because we're so large. yes, we can.

you know, states are starting to do it now. states are competing with each other. we got to find ways to do that. and we'd like to go back to intellectual property, 'cause I think one of the biggest things we've got to have-- and that's where government must work closely with the industry-- is find a way not to make sure our trading partners have the laws, but they also have the enforcement mechanisms and there are penalties for not enforcing.

so, china has a great set of laws. they do not have the enforcement mechanisms. and that's something where our government should work with business to make sure they put that in place.

Maria Bartiromo- but how, Chad? I mean, that's the whole point. this is all related, right? I mean, we want to have open trade with china and all other nations, but what are the penalties?

how far should this country be going if, in fact, we aren't seeing protection of our intellectual property?

Chad Holliday- lead paint in toys will get fixed very fast coming out of china. china can fix it when they want to. and so, we have just got to insist that they've got to take those actions to avoid the copying issues that we see.

Floyd Kvamme- you got to use your market power. I mean, you know, we are a huge market. and if you use that, you can help some of these things. 'cause this is not an old-- this is not a new problem. it's a very, very old problem. it's been going on for many, many, many years from, you know? and I think we've just got to be tougher on our-- on using the fact that, what **Michael** said, 30 percent of the market is here. you got to use that.

Maria Bartiromo- how?

Floyd Kvamme- well, you know, the stuff has to come over the border, and that's what we-- the federal trade commission has done a pretty good job in those kinds of things over the years. yes, it gets lax; yes, it gets more complicated.

but you also have to understand, I mean, what we're also saying is we have a huge market. you can't name a tech company that doesn't do over half its business outside the united states. they all do. I mean, just look at the numbers. this year, what is it? one--1.2 billion cell phones will be made? well, every American isn't buying seven of them, and yet there's a-- well, almost, but-- but what's happening is our parts are in those cell phones, a lot of American technology there. and that's what--we wanna protect that, of course. but we are a large part of that market.

Maria Bartiromo- let me switch from intellectual property to accounting and the cost of doing business in this country. I mean, a lot of people say, this is why we're seeing companies go to Europe, go to Asia, list on those exchanges, and avoid America, frankly. is accounting broken?

Floyd Kvamme- it is totally broken. father pastorelli, or whatever his name, was who invented it, is flipping in his grave, as we speak. and I think the problem is an obvious one. I do not have a solution. but if you think back to the original concept of accounting, there's a balance sheet. it's supposed to show the value of something. balance sheets in a tech company today don't show you anything. look at Cisco's or Microsoft's or oracle's.

it shows you their cash and that they own a few buildings. it doesn't talk about their intellectual property, don't talk about people, doesn't talk about the corporationships, doesn't talk about anything. and now, we've even mixed the capital section of the accounting with the operating section of the accounting, it--and you know?

and for a company's less than a billion dollars in revenue, a report just came out, we're paying three times as much as we did five years ago. a million dollars compliance cost \$3 million, and I think the numbers are even more confusing to the average public.

I wouldn't buy a stock based on a p and I today if my life depended on it. I look at the cash flows, and those aren't perfect, but I certainly don't believe in pnl any longer.

Maria Bartiromo- **Michael**, what do you think? yeah.

Michael Porter- I think, you know, if you look at the surveys, I'm the chair of the global competitiveness report and we survey leaders around the world, and, you know, you look at the cost of doing business studies and so forth.

the U.S. is just driving up the cost of doing business. and, you know, often in response to some abuse, or some, you know, disaster that happened, but we always overshoot, and so we've keep layering on more and more and more and more cost and complexity.

so, the number one, you know, cost of doing business that most executives would cite would be these--the--kind of litigation and regulatory costs, and we've just let those creep up.

and it seems like we have to be--we had to find a way to, you know, kind of recalibrate and make much more efficient that whole regulatory process, because--it actually is now, in a global economy, providing really more of a bite, in the sense that businesses are just saying, "gee," you know, I don't wanna bear this cost.

our capital markets are a precious asset-- yeah.

and yet, we are starting to encumber the process of capital raising and capital allocation with the sufficiently high level of, again, cost that we're literally seeing people do ipos in other countries now.

I mean, this is a wake-up call, at least to me, about, again, recalibrating the system.

but I--but as important as these costs are, I still-- I think we have to come back to the question of human resources. we had a report 25 years ago or more called "nation at risk," identified our education system as a fundamental emerging weakness to America. we've had hundreds and hundreds and hundreds of initiatives in every corner of this country trying to fix the education system.

does anybody think we found the answer? do we have a path to truly having a world class, high quality education system?

that, frankly, is my biggest concern. these other areas, I think we can deal with energy costs, because I think we're gonna innovate our way around that. I think, hopefully, our government leaders can come up with ways of, sort of, addressing these unnecessary costs of doing business that we've been talking about. education is--

Maria Bartiromo- education is fundamental. --a huge, huge issue, and it's fundamental. I think, Floyd, you're talking about something different. let me get back to what you said before we delve into education, because that's a big, big subject. profit and law statements, Chad, why are they so difficult to understand? we know this is not brain surgery, why can't these companies be clearer?

Chad Holliday- if you would just read a cue or a 10k and ask yourself the question, "who is being served by these 40 or 50 pages of detailed legalese?" and I think you'll find not anyone. and when you realize as I have to sign off every quarter, with the fear of wearing stripes, if I don't sign it off right, you know?

and you are looking at every word and you're debating whether, "do I give my competition a lead because I give them a clue as to what I'm doing, or do I properly disclose? and that's what every company is fighting every day, and other countries aren't fighting that every day. and so, I just don't believe we are really serving overall. the actual cost in dollars added up, it's not that big a number.

the cost in mindset, distraction, lack of focus, I think it's much bigger.

Floyd Kvamme- for smaller companies, it's a big number, though. yeah. it's a triple.

Maria Bartiromo- but if it were more transparent, wouldn't companies get a wider investor base? if more people understood the business plan, understood where the company was going based on that p and l.

Floyd Kvamme- the holdings of small companies today are far more institutional than they used to be. you'll say, "why is that true?" I don't think people can understand it. I think that's a big issue with understanding. I think the other thing that's a real problem is-- I don't know if we started it, but certainly in the valley, we've--we always had from the very, very first days, 1959, everybody got a stock option, everybody was a owner, everybody had a piece of the rock, so to speak.

and there were methods that were done, there was a type of option that you had to hold it to get the best tax advantages. those things have been frittered away because somebody is afraid somebody might get rich. and they've changed those laws so much that it has become more complicated. I truly believe that having your employees be owners of the company is a huge plus, it also teaches them.

when you meet with them, they're interested in those things. when you take that away, and it's-- by the way, it is being taken away. the option change of last year, company after company after company is not granting ownership to rank and file workers, and I think that's a travesty. that's what the west-- that's what the valley was built on, and we are frittering it away. and I think we're gonna pay a great price for that, by the way, if we don't fix that.

Maria Bartiromo- all companies are just technology.

Floyd Kvamme- and I--it--well, I only know the tech industry. I--for--you know, and we were very rich in having a hundred percent of the people have-- be owners of the company. and because of these charges that are hard to figure out, I mean, paid-in capital used to mean paid in capital. it doesn't mean paid-in capital any longer. I mean, everything is changing; it's nuts.

Chad Holliday- I think-- yeah, you know, 10 years ago, every employee in DuPont worldwide had options, not today. that--it just changed, it just does not make sense for us to do it today. I think we've all lost something by doing that.

Maria Bartiromo- which country is our biggest competitor when it comes to talent, when it comes to resources, when it comes to whatever you think is most important to business?

Daniel Yergin- well, I don't know if you can say a single country, but clearly, as we look out what's happened--that phenomenon of china, I was just there last week again every--either every few months, it's changed again, how quickly by 2020, how different it's going to be, its scale of it. and I think that for us as a country, us as a part of the global economy, us as a global power, one of the two or one--maybe it's the top question for the 21st century, on a global basis, is the accommodation of china in the system, and in particular, the relationship between the united states and china.

Maria Bartiromo- is that what you think, Chad? china?

Chad Holliday- I think china and India-- I was walking down the hall in our research laboratory in India just last month, I bumped into two colleagues that I knew, but they looked out of place, 'cause I thought they were U.S. employees, they were originally from India. they had opted to come on their own, quit our company there, rejoined in India, showed me the economics on why that made more sense for them.

and so I think that is a real live example of the competition that we have. I think India and china are both-- I think you cannot ignore south Korea, Taiwan. there are some other real strength in those countries too.

Maria Bartiromo- and, of course, you mentioned china, that really is the country driving demand in terms of energy, isn't that right?

Daniel Yergin- the--driving all commodities. it's one giant construction site, and it's just-- the commodities, and it's gonna do it for at least another decade and a half.

Maria Bartiromo- should we be afraid of that, **Michael**? should we be afraid of India and china?

Michael Porter- well, I don't think so.

I would, sort of, not point to any one country as our across-the-board competitor. I think in various different things, different countries have enormous strengths.

so, you know, India is much more a force in the I.T. area and china is much a force in manufacturing.

but it is true that these countries have created, at least for a moment in history, an incredible value proposition. that is, they have very, very skilled people who are very, very inexpensive. and this has created--and they have very, very large markets, so they've created, sort of, a discontinuity. now, what we know from history is that it's very easy to grow very rapidly and improve your productivity when you're--when it's low, but the higher and higher you get, the harder and harder it becomes.

so I think it would be a real mistake to just linearly project, you know, china's and India's current performance forward. so, I think all those exercises, I think, will be proved to be flawed. we're also starting to see the acceleration of cost in china and India.

now, their wages are growing up, the cost of real estate is going up, the cost of renting an office park is going up. so there are natural forces that will, I think, start to, sort of, temper a little bit the explosiveness of the most--but the thing that is most concerning to me, again, is back to education, back to human resources.

it's this tremendous pool of human resources that are eager, that are well-educated, that are gonna be the 20-year-olds of the future, you know? and our system, I think, is just not cranking out the quality of people that we need.

Daniel Yergin- well following to that, Maria, let me go back to something that Chad said about seeing the scientists in India, and Floyd would know this. I mean, if you look at the innovation machine in the united states today, look at the valley. how much of it really depends upon this integration, particularly with china and India?

without those two countries, would we still have the same kind of innovative machine that we have today?

Floyd Kvamme- oh, it's true. I mean, you--we talk about those folks coming here and that's been going on for 50 years. Fairchild was founded with an immigrant, and a couple of other folks, you know? in 1963 when I joined Fairchild, if you didn't understand foreign languages, you were lost in r&d. I mean, you know, at least, you had to be good at accents. [laughs]

and by the way, the reason for that was that when you graduated, as I did from Berkeley, you know, if you're a U.S. citizen, most of work went in the defense activities and the--and those who didn't have citizenship went to the semiconductor industry. that's how the whole thing started. so, this is not a new situation. but let me take you back to something that **Michael** was just saying, because I think it's very, very important, 'cause china and India are very different in my mind.

India has gone-- I like it said for I.T., they've gone for low-capital investment kinds of businesses primarily. the Chinese have gone for high-capital investment. they've made it very, very easy for you to put a very large plant there. they've given you incredible incentives. and a lot of people aren't employed in those plants. but those plants also aren't moving. when you put a \$3-billion semiconductor plant in, you don't uproot that and move it, you know, next door, next week, or the next country. and I think that's been a very, very interesting thing, and they have done the incentives that we talked about.

now, who's losing on that? well, I think we're losing some of our expertise, but also all those service jobs, I mean, like I said before: the electrician, the carpenter, the plumbers that built that thing. we don't count those. do you realize that there are lights-out plants in china, where there are no workers in the factory that American companies have put in there? lights out, means no employees.

so why did they go there? they didn't go there for employment wages. they couldn't have; there are no employees. okay. they went there for capital cost kinds of reasons and those are fixable by policy.

Maria Bartiromo- but, what **Michael** is saying is, if they do go there and they have these lights-out plants, the job in America that you had is gone.

Floyd Kvamme- that's right.

Maria Bartiromo- I mean, the issue that you're pointing out when it-- as it relates to education, is that if you have skill, you're fine. but globalization has unmasked the people without skill and they are the losers. and that's why we need a stronger education in-- a system in place, so that they can get the flexibility that they need. is that—

Michael Porter- correct.

and we know what to do on part of it. we know on higher education, we have a pretty good higher education system and the big issue is access.

how do we get access? how do we get more people into it, afford it? how do we get underrepresented groups into that system?

so that one we kind of know what to do, we just have to do it. the big imponderable, of course, is the k through 12 systems.

Floyd Kvamme- but **Michael**, you know, I was looking at a report, and Margaret's gonna be here later, secretary spellings is gonna be here later, and I don't know if somebody wants to ask her this question. but the interesting thing is, people have thought they knew what to do for k-12. the report I was on that said there are over 200 federal programs for stem, science, technology, engineering, mathematics programs in American high schools. over 200 programs. how can that possibly make any sense?

Michael Porter- well, there's probably 20,000 programs if you add all the private sectors-- yeah. what I mean---efforts, and the company initiatives. and we've been at this for many, many years, and there's no—

Floyd Kvamme- how about a base closure commission? well, we need some discontinuity, so-- from-- which 15 of them work?

Michael Porter- yeah. exactly. I think we need-- use the same amount of money. we need to have is some structural changes here I--for example, we're the only major country in the world that has this school system with a lot of local school boards running the school system. that cherished, you know, American historical fact. you know, local school board, you know, good.

Maria Bartiromo- but the principals can't really even put the best team together. I mean, let's face it. principals in schools today, if they want to, you know, follow sort of what a corporation does and get the best talent in place and the greatest teachers around, they can't. they're not even choosing their teachers. right.

Michael Porter- so, I think that if I were to identify, that wake up in the middle of the night, you know, really sweating about the future of America, this is the issue. and we are so strong on these other areas that even though this has been a creeping issue for 20 or 30 or 40 years, we've--so far, we've been--our innovative strength has overcome the weaknesses on our human resource system. but I think, as this china and India come on the scene, I think it's a time bomb.

Chad Holliday- **Michael**, you're absolutely right, agree totally. why aren't we addressing that? it's so obvious.

Michael Porter- but see, the funny thing is we are addressing it, I mean, there's endless, countless--programs.

Chad Holliday- but successfully addressing it.

Michael Porter- okay, I don't know--

Maria Bartiromo- but because we have healthcare to deal with, because we have energy to deal with, because we have all of these other major, major issues that probably also, in some sense, get fixed once you fix education, but, I mean, is health care more pressing than that?

Chad Holliday- we can't pick and choose. we've got to deal with each one of those. we can't be paying twice as much for health care in this country and getting the same results-- it doesn't make sense. but we know in education, it's around the teachers, and science and math, where DuPont spends a lot of time. we've got to have a teacher that embraces it, loves it, gets people excited about it when in the first, second, and third grade, 'cause we can't just rely on the Georgia techs and the MITs.

we're gonna have to have many more scientists and engineers. we know some factors at work. we see examples. we have a charter school for math and science in Delaware, it's outstanding. so we see these models at work, but somehow, we don't have a national will around it. and I think **Michael's** on a point, this local ownership protecting that is a key barrier. and you could understand why people feel that way, but we've got to find some way to get across that with all the money we're putting into education.

there must be some way to make this balance work.

Floyd Kvamme- let me give you a hopeful note, okay? at Berkeley, they introduced a program, because we had a very large increase in number of kids wanting to go into I.T. during the boom, and then the bubble burst, and nobody wanted to go into I.T. it just fell off.

they introduced a program called "the center for information technology research in the interest of society. citris. kids are flocking to it. they don't wanna be electrical engineers maybe, but they wanna do something in the interest of society. now, "in the interest of society, "it turns out, involves technology, and they end up having to become--guess what--engineers of various sorts, but they're looking at it from a slightly different way.

as I talk to people like Wayne Clough of Georgia Tech, who's gonna be here, and the folks at Berkeley, etcetera, etcetera, I think this move toward multidisciplinary education is a very, very promising one. Because the other problem we have is-- I'm a son of a carpenter. We used to drive through San Francisco with my dad-- an immigrant carpenter, by the way-- and he'd say, we built that one, we built that one, we built that one.

Talk to tech people today and ask them how much trouble they have explaining to their kids what they do for a living. It's a murderous job because it's complicated, and so we don't do a very good job of that. Now, and to me, it's no wonder, more kids go into school-- you know, college undeclared, but they wanna do something for society. I think this multidisciplinary movement is something.

Let me add one other point. There is an interesting other factoid. We talked about solving the problem from the fourth grade, and I agree that's a big problem. Do you realize that for every seven students that enter engineering school in this country as a freshman, only two get a degree?

They get discouraged after the first year, and we can blame it on K-12, that they weren't properly prepared. We can also blame it on the fact, the first time away from home and engineering's hard, okay? and it's no fun. Other students--

Daniel Yergin- and you got to do it every day.

Floyd Kvamme- yeah, and you got to do it every day, you know, kind of thing. I think if we can put some emphasis on those seven kids, if we just double the graduation rate of those seven, therefore, we double our engineering output. I think that's another place to start because there are kids matriculating in those areas, by the way, heavily--immigrants or immigrant's kids, because for some reason, engineers in this country, over 40 percent are either immigrants or the kids of immigrants. That might be a way to look at it.

Maria Bartiromo- should the private sector be taking this on?

Floyd Kvamme- they are.

Maria Bartiromo- more so. Is this a government issue or should the private sector be trying to do more? Yeah, how have private sector schools done?

Chad Holliday- it's done, but I think if we relied just on the private sector, a company like DuPont is gonna look at the best place to operate anywhere in the world. And if we find the talent somewhere else, we're gonna have to use that. We owe it to our shareholders.

So we can make a contribution, we could show the way. A very simple thing we could do in the private sector, is I have thousands of retired scientists and engineers who would love to come back in the classroom and help and could get people excited about it, but there are barriers to that, 'cause they're not gonna go back and take a two-year education experience to get back in the classroom. There must be some way we can use that talent, private sector can help with that.

Maria Bartiromo- what about the private sector when it comes to energy, Dan? We haven't spent enough time on the issue of access. Do you think what **Michael** said is true; innovation will take care of the energy issue? and how come there really isn't an energy policy in this country?

Daniel Yergin- well, we've had so many efforts in energy policy, I think it's 'cause energy covers so many different things. Everything from electric power to what you put in your automobile. So to have that sort of single coherent energy policy is a pretty hard thing to do. But I think that the heart of it is to recognize-- and this is what really came out from this new national petroleum council study, you've got to do everything. You've got to address production, you've got to address access, you have to be able to develop resources, you've got to address efficiency, you

got to address alternatives, and so, kind of all of them. and I think that one of the things that we've seen, it's--sometimes it feels like we're kind of reconnecting with the past. you need consistency, you need to be able to stick with things, 'cause the energy business is a pretty long term business. from initial, kind of, innovation to commercial application, wide-spread commercial applications like 16 years. so, you do need to kind of be able to stay with it as well. and I think, you know, these big issues of energy security, and this ties back into our larger question, 'cause I think--I mean, there are things we need to do. we need to bring India and china into the energy security system; we need to look at the whole supply chains. but you know, one of the big, I think, discoveries that it's hard for people to really recognize that one of the biggest sources of security and energy is large, flexible markets, and having confidence in the ability of markets to work. and that's something that other countries need to learn, and I think it's something that we need to learn too.

Maria Bartiromo- well, I mean, large, flexible markets. OPEC comes out just last week and says, look, we're gonna put more oil onto the market, right? you would think that that would be a positive and send prices lower; it didn't. no one—

Daniel Yergin- there wasn't a lot of oil that they put on-- [laughter] is that why everybody-- it's only that much; not that much.

Maria Bartiromo- or nobody really believes, and that's-- there is supposed to be a part of a large, flexible market.

Daniel Yergin- yeah. yeah. well, I think what we're seeing is that there is a big lag. I remember, I think it was George Schultz who said that "an economy's lag is a politician's nightmare." but we're seeing a big lag here, in terms of because of the shortage of people, the shortage of scientists and engineers we've seen; the shortages of equipment. and so, the system is not responding on a global basis as fast as you would've otherwise thought.

Michael Porter- just to add something, Maria. we also are energy-inefficient as an economy. we use more energy per unit of GDP than we should, and so, it's just-- we're just kind of throwing away-- competitiveness.

Daniel Yergin- yeah. --and I think, if I can jump in there, I think the thing that I see that's really new on a global basis is this emphasis on energy efficiency that **Michael's** talked about. and it's not only here. in china, it's the number one thing they're talking about. chancellor Merkel in Germany has said that that's her number one thing, and that's a big change. now of course, the question, how do you do it, because it's all the individual processes in a company, and there's a question, is it regulation? do you use prices? do you use taxes, which also address the climate change thing. I think that's, in the policy arena, is where there's gonna be a lot of debate next few years.

Floyd Kvamme- it is important to realize that some companies are going to china for energy security. because they don't think they're gonna get adequate energy, and they're being promised energy. I mean, the three gorges dam-- correct me if wrong, Dan, is equivalent to what, 13 or 17 nuclear power plants, some huge number. it's a big, big number. **Daniel Yergin**- that's a big one.

Floyd Kvamme- and that's a big-- that's a big number. so, that's very-- but, you know, again, if I can give you a hopeful sign, energy policy act of 2005 called for a special incentives for the first six companies building new nuclear plants in this country, to get that baby restarted, 'cause I'm a big believer in that. I don't know how others feel. very clean, etcetera, etcetera. something like 30 different companies have applied for those six positions. our recommendation-- program I was in, proposing to the president was, or to the congress, let's move six to 36. let's give those incentives to get a lot more plants built. because there is an interest in providing that, but it's complicated as Dan said, and it takes some time.

Maria Bartiromo- it sounds like, with regard to energy, the innovation is obviously very, very helpful. people are aware, this is a part of the conversation we are addressing it.

education is a different, different issue. let's move on to immigration. we need-- we are a country of immigrants. absolutely. we need the best and brightest to wanna work here, right? otherwise, Chad, you're gonna hire the best and brightest wherever you're gonna find them wherever you're gonna find them, just like you said. what can be done about immigration?

Chad Holliday- visas. yeah. we had a marked change in our visa policy to make it very, very difficult for someone to get their education here and stay here. we need to attract the best and brightest. it's very important.

Maria Bartiromo- the visa situation changed after September 11th. right. that really was the main, sort of, you know, crux of the issue there. how do we make sure to encourage the best and the brightest to come here but not jeopardize our security?

Chad Holliday- we obviously have to go back and find out what we put in place that worked and what didn't. I think if we try to protect ourselves from everything, we will not be a success. so, we're gonna have to take a few risks on visas to get the best people in. I think we also have to recognize that many countries are facing this declining population. Japan, biggest issue is declining population. they will not open up to immigration like we have. if we, right now, seize the opportunity to open up the immigration, it can be our greatest strength going forward.

Floyd Kvamme- the compressive immigration bill that fell down had a lot of very good stuff in it relative to the issue of bringing in the best and the brightest.

it dramatically changed the number of h1bs that has to be taken up by the congress. they have to pass that section of law. if they can't figure out what to do with the undocumented, you know, that's a shame. but that section of the law moved 65,000 to 115,000 people.

it took care of providing for university students. I mean, go to our universities, we need immigrants, because a lot of them are teaching in our universities. but the other thing that you have to add to that is it's not only visas, it's green cards. because once you get a visa, the next step is to get a green card. and if you don't have green cards, you just keep people here on h1b for six years, and then you send them home knowing now, not only having been educated in the united states, but learned business in the united states, and now, they're real competitors. so, you got to make sure that that converts to a green card to citizenship.

and I think the amendment that senators kyl and cantwell put together on this was an excellent program. secretary Gutierrez was involved in that excellent program. we need that passed as a piece of stand-alone legislation-- you know, and--

Daniel Yergin- --if--Floyd, going back to what you said before, I think most people, if we're talking about innovation here, wouldn't really recognize or know the importance of educated people coming to this country as being one of the engines of innovation.

as you said, getting the best and the brightest here. and this isn't-- it is very interesting to hear you say, it's not a new phenomenon. it goes back to after world war ii, and it's--that explains part of the success of our economy ever since.

Floyd Kvamme- yeah.

Maria Bartiromo- Michael?

Michael Porter- what I think is so complicated about the immigration discussion is yes, we need to use immigrants as-- use, I shouldn't say-- it benefit from immigrants as innovative force in our economy.

by the way, this-- immigrants do this everywhere in the world. I mean, if you look at the U.K. economy, some of the most innovative entrepreneurial people in the u.k. economy are immigrants to the u.k. as well.

so, we know that immigration is good. we know that we need to attract people with skill and energy and so forth. having said that, we've got-- we can't use that as a reason for not training our own people. no. no. see, and that's what concerns me, is that we have this huge cry to open things up, and that takes a little bit of the pressure off to actually solve what I believe, again, is this deep fundamental problem.

you know, we have this growing inequality in our country. and, you know, growing inequality is actually occurring in most all economies, advanced economies that are open to these globalization forces, because the value, the importance, the necessity of training and education have gone up. we've got this growing inequality, and this inequality is going to be our downfall. it's going to create political and social pressures that are-- I think, are gonna be one of our greatest obstacles--

Daniel Yergin- so--**Michael**, so-- --to dealing with some of these real issues we're talking about. well, how do you--so-- so is it--are you saying that-- so, how do you address that?

Michael Porter- there's only one way to really address it, and that is you have to help all Americans have a chance to get a good education, and, kind of, become active and successful participant in the market systems.

Maria Bartiromo- so, do you think Floyd is wrong, that corporation should pay zero tax?

Michael Porter- you know, I think that, you know, the economist are correct in the sense that there's a much better argument for the taxation being-- it become the ultimate-- user. and pragmatically, there are differences in tax rates, and we have become a high-cost tax-- corporate tax environment, not a low-cost one, which is what we used to be a long time ago.

but, you know, the--we-- by the way, we are not under investing in education in America. we have very high educational spending as a percentage of our GDP. so, I wouldn't link, Maria, the tax issue with the educational issue per se. but I wanna go back to immigration. a flood of low-skilled immigration actually makes it harder for our lower-skilled Americans to kinda rise up into the market systems.

so, I mean--we don't seem to wanna talk about that, but I, personally, I have spent 15 years working on inner city economic development, and I can tell you that inner city residents with low skills have to compete with all those low-skilled immigrants, many of whom are undocumented.

so, I think there's a complexity here about immigration. it--obviously, we want immigration in America. but I think we need to create a strategy and a structure that doesn't unwittingly either deter or actually make worse the core problems. at least, that's my perspective.

Maria Bartiromo- how do you think we should spread the wealth and help the lower-income and really make a dent into the income inequality?

Floyd Kvamme- four of the happiest words in the English language are: I got the job. [laughter] people want to work. never forget that. it works out their creativity. I've seen it around the world. well--you know, Chad mentioned Singapore. we put a plant in Singapore in 1967. believe me,

Singapore was different in 1967, but people flocked. it was, you know--I remember our Malacca, Malaysia plant.

literally, people came out of tree houses, and we put them into a semiconductor plant. and in five years, they were vying on a worldwide basis for advancements and winning them, 'cause people are smart, and they'll figure it out, but they need that start. that's why we need these low-skilled plants in this country.

and even if they're not working on that line, they're working on servicing the equipment-- you know, working with-- you know, painting it, seeing it. I mean--and they'll work up from that, and they'll encourage their kids, you know, the better job in this thing is to get that guy's job. go study that." and that's how the system works. that's why we're moving part of it, like the manufacturing sector part-- not that we don't manufacture in this country.

it's just that in my field, we don't do enough of it. I think that starts to address the problem. because, you know, we have this thing that people don't wanna work, or something like that. I don't believe it.

Maria Bartiromo- no, I don't believe it.

Floyd Kvamme- I don't believe it. I--it's just not true. I mean, walk or look-- drive through the fields south of where our silicon valley is, and those folks pullin'-- pickin' the strawberries. that's hard work. and they're singing along, doing their thing. but they don't want their kids there. they want their kids to become the next level up, the next level up. and that--

Maria Bartiromo- but most of the jobs in this country are created by small business.

Floyd Kvamme- that's--of course. that's always been true. I don't, you know, I mean-- and most small business, what do they wanna be? they wanna--big business. they wanna grow-- [laughter] --you know, so, you know, what's new?

Daniel Yergin- but, Maria, that goes back to what we're talking. therefore, what kind of environment do you need for small businesses that there are not too many burdens, too many difficulties, so that people are willing to take the risk? and I think it is true.

and I think, **Michael**, you said this about, you know, our country, the risk taking. people have always been willing to take more risk, and it's more socially acceptable to do it. I guess it goes back to your 20-year-olds, that there is something distinctive about the culture of our country that differentiates it from others, and it's one of the sources of vitality.

Chad Holliday- I think, try to wrap these together, go back on taxation. we could debate forever exactly what the rate should be. which shouldn't be a competitive disadvantage. disadvantage. and it should be predictable. the last thing business wants is too many things they can't predict.

it shouldn't be what the government might do to you to change the rules in the future. so, I think that's very critical. I think-- back on education and jobs, and putting it together. this might be the ideal time to stop and reexamine norms. the whole idea, you get your education very early in your life, then you go for a career, is may or may not practical anymore. if we look at one of our greatest strength is diversity in the workforce.

I work with a group called catalyst, which advances women in management. that could be a strength of this country, but we've got to allow for, maybe different patterns of getting your education. look at the major accounting firms today. when they have people withdraw, they wanna stay connected to them. they wanna provide them continuing education even while they're away for a few years 'cause they wanna attract them back. and I think patterns like that could be available to even small business, with a little bit of help, to make a big difference.

Maria Bartiromo- and companies can be more flexible, allowing people to work from home sometime. it's okay for the, you know, female to go, and, you know, focus on her family and then come back. I mean, you need more flexibility in business.

Daniel Yergin- and Maria, I think that if you-- if we're gonna think of-- look, we have a very relentless world economy right now. it's very competitive. and if we think it's only gonna be more competitive in order to build a foundation, a support where people really feel that it's beneficial, we have to ask about--not only as **Michael** said, the dislocations of today, what are the dislocations five or 10 years going to be and kind of anticipate them and have some sort of mechanism, so that people look around and say, "you know, this is really working. it's really quite extraordinary rather than that this is very threatening."

Floyd Kvamme- talking about dislocations in the future just to give an example of one that I've been doing a lot of thinking about. we've spent a lot of time, and it's been very, very well placed time; making sure that we have, you know, programs that keep women in the workforce, give them the proper positions and all that kind of stuff.

we got to recognize today 57 percent of college undergrads are women. in some communities, it's 2:1 women to men, in some communities. we got to get the men to start going to college then.

Maria Bartiromo- what's with those guys? [laughter]

Floyd Kvamme- I mean, seriously, I think it's a very serious problem. and we're not focusing on it at all.

Maria Bartiromo- what do you think is behind that? that's really an interesting point. why?

Floyd Kvamme- you know, I don't know-- I just don't think we do a very good job of explaining to people what a job is. [laughter] in many respects, they don't understand how it works. I mean, look at all the jobs that kids used to have. now, yeah, those industries have changed.

I mean, I carried-- my brother, and I carried 600 newspapers a morning just south of San Francisco. there are no-- there's no such thing as a newspaper boy anymore. okay. you remember the guys--

Maria Bartiromo- technology has worked. yeah.

Floyd Kvamme- yeah, we wrecked that one.

Maria Bartiromo- wow.

Daniel Yergin- you remember the movies where they-- and watch Maria instead.

Floyd Kvamme- where did all those guys go? okay. they're all gone. so, you got to face that, and you got to, you know, we got to bring them in. I encourage the companies I worked for to do summer employment situations, provide jobs, provide involvement. and by the way, open up the plant and have open houses, so the kids can see where their parents work, 'cause it's not like pointing to that building. it's a little complicated.

Maria Bartiromo- right. mentoring and having kids around--

Floyd Kvamme- yeah, sure.

Maria Bartiromo- so we talked about healthcare, we talked about education, we talked about litigation, and the expense in doing business in this country. let's, in the final few minutes we

have, go around and give me the number one thing that government can be doing to be most productive when it comes to attacking some of these issues. second thing I'm gonna ask you, number one move business can make in terms of attacking all of the issues that we discussed today, and I'm coming at you. Dan first.

Daniel Yergin- well, I think, from the government side, let me take that, is that there's a frontier between government, the state, government in business, and that's always shifting, but really being very attentive to not letting regulation on top of regulations, kind of, mindless regulation. I think that's a very important question. keeping it smart.

Maria Bartiromo- so number one move is to cut regulation, less government.

Daniel Yergin- well, make it smart. I guess the other question I just wanted to ask; it's really heretical. but why do we have quarterly performance for companies? I mean, that's--I've never really understood that, and I wish somebody could explain to me, 'cause at least it seems to me that a quarter goes by really fast. and if you have a big company it's a lot to, you know, it takes you away from the focus of business. so I just wanna leave that as a question there.

Maria Bartiromo- number one move business can make. number one move, you said government can make is less government--

Daniel Yergin- well--

Maria Bartiromo- --would be aware of-- what about business?

Daniel Yergin- well, I actually would just like to ask that question about quarterly-- is quarterly performance a-- the right--

Maria Bartiromo- do you think business should stop doing quarterly performance?

Daniel Yergin- I mean, where's the hours? I exactly-- it just the question--

Maria Bartiromo- you have the answer to this. --I'd like to ask.

Daniel Yergin- I never see it addressed. you know on cnbc.

Maria Bartiromo- look. everybody, I talked to CEOs, I recommend, don't give me quarterly guidance. I think it's ridiculous. I mean, I really do. I mean, I work on a network where 24/7 we're telling you what the stock market is doing. I get that. but we have to be there whenever you turn it on--

Daniel Yergin- well, of course.

Maria Bartiromo- --to tell you what's going on. but I think it's ridiculous.

Daniel Yergin- I'm not blaming--

Maria Bartiromo- you see, do you understand me?

Daniel Yergin- I'm not blaming television.

Maria Bartiromo- in three months, we're gonna make a \$1.50. yeah. I mean, it's so silly, of course.

Daniel Yergin- yeah, but it does that seem. and I just wanna know how much share of mind that takes from the more productive things.

Chad Holliday- but, Maria, why do you make such a big deal when I missed by a penny there?
[laughter]

Maria Bartiromo- because you told your analyst you were gonna make a penny more, and then you didn't know.

Chad Holliday- and that's really important?

Maria Bartiromo- make your-- I think it's ridiculous. I don't think it's important at all. as a shareholder, and I don't own a lot of stocks, but we own G.E., 'cause that's the parent company. and as a shareholder, I would like a long-term plan. where does my leader in the company that I'm invested, think he or she is taking this business over the long term, and how is he gonna get there over the short term being three years?

Floyd Kvamme- so, in your business, long-term, you're talking about what? a week?

Maria Bartiromo- no. the long-term I'm talking about--10 years.

Floyd Kvamme- okay.

Maria Bartiromo- ten to 20 years and beyond.

Chad Holliday- every business I know would love to answer that question. if they can answer it to your satisfaction, you shouldn't buy the stock, but you ought to have that plan and have those stage-gates just like we work in every one of our research programs. hit the stage-gates and then evaluate me on that.

Maria Bartiromo- right. now, I agree with you, Dan. I think it's highly silly, but you're not gonna get out of answering the questions on this panel. Chad, number one move that the government should do right now to attack the issues that we've been discussing.

Chad Holliday- simplify the bureaucracy and trust people to go after that job and do the right thing. don't protect them so much, and recognize that people are fundamentally good. they wanna do the right thing. what business must do is move faster. DuPont's 200 years old. you know, it took, you know, decades to make decisions before. now, we're talking hours. so I think business can help itself by moving faster, fund the great projects quicker and harder, and kill the bad ones faster.

Maria Bartiromo- Floyd?

Floyd Kvamme- I think government has to do something on its immigration front. I call for the kyl-cantwell amendment to become law. it will open things up. it'll help us to be more competitive. it'll bring back the best and brightest-- it is America. and so I would-- you know, obviously, there's about 27 answers I could give you to this, but that's one I will highlight. as far as business, I'd go back to what I was saying on the education front: open up. allow your employees-- I don't care what the insurance company says. allow your employees to bring their kids to work. open up, let them see what goes on in the company. let them see what you do. it'll raise their opinion of you as a parent, or of your employees as their parents, and it will give them some visibility, so they can make their choices in their timeframe.

Maria Bartiromo- and their curiosity.

Floyd Kvamme- and their curiosity. kids are curious.

Maria Bartiromo- yeah. **Michael.**

Michael Porter- given what's been said, I would say the number one thing I would want government to do would be to really take a fresh and strategic look at how we can make the international trading system work for America through protecting intellectual property, through avoiding the capital subsidies and the massive distortions that we still face.

and I think the, kind of, incremental, you know, free trade zone, free trade zone, free trade agreement model is, you know, step in the right direction.

but it seems to me, we need creative, new diplomacy and new insight here in terms of how to make the system work better for us. we have the largest trade deficit ever recorded in human history, so it's not working right now.

we have hundreds of billion of dollars in intellectual property that we should be paid for, that would solve our trade deficit, that we don't get paid for.

in terms of business, I'm gonna push-- go a little bit off the track here and back to something I ducked earlier. I think the private sector has to fix the health care system in America.

I think the private sector, our employer-based system is a strength, but employers have to understand that we need a universal-- we need insurance for all Americans, and we need to create a system which is not-- which has equality between employer-based insurance or individually purchased insurance.

and then employers have to start down the path. instead of trying to figure out how to reduce health care costs, they have to drive the system in a direction of how do we create more health.

and the leading employers now are on top of this. they're on top of wellness, screening, prevention, managing disease, improving lifestyles, getting more exercise, but it's frankly-- it's been long overdue. but I think the health care system is so complicated, that I think the private sector is going to have to step to the plate and start the fundamental restructuring we need there.

Maria Bartiromo- gentlemen, thank you. panel- thank you.

Maria Bartiromo- thank you. god bless America. thanks, everybody. [applause] thank you too. [music]