

NOTE: The President spoke at 10:45 a.m. in the Room of Five Hundred at the Palazzo Vecchio. In his remarks, he referred to Prime Minister Massimo D'Alema of Italy.

## Remarks at Afternoon Session One of the Conference on Progressive Governance for the 21st Century in Florence

*November 21, 1999*

So many wise things have been said, I feel ill equipped to compete with lunch. But I would like to very briefly, and in summary fashion, address two subjects which we have discussed: first, how we are dealing with this new economy among ourselves. I agree with what Lionel Jospin said. We are here because we affirm the importance of the nation-state as necessary to provide the conditions of community and humanity in this very different world. The question is what Tony Blair always says: We have to do to what works. We have to do something that enables us to fulfill our traditional mission in a very different world.

Now, let me just make a couple of very specific suggestions for where our work might go. I don't think we have studied enough what each other has done and how it might relate to our own experience. For example, in the countries here represented, taking Brazil to the side a moment—just let's take the EU and the U.S. and Canada. We all take somewhere between 30 percent and 45 percent of national income for government purposes. But we spend this money in very different ways.

Now, we know that if you look at France and Germany, you can achieve quite a high level of growth with GP expenditures in the public sector above 40 percent. You can still have high growth. But we haven't looked enough—the right will say, “Well, the more you spend, the worse it is.” What we should do is to analyze how this money is spent. I would like to know, for example, more than I know about how the unemployment support system in Germany differs from the unemployment support system in France or Britain. I think these things would help us a lot.

We're sitting here in this wonderful medieval building, built in the late 13th, early 14th century. I would like to know why northern Italy has the highest per capita income in Europe and whether it has anything to do with the com-

bination of creativity and cooperation in business that is rooted in the medieval guilds that flourished in Florence hundreds of years ago and that are replicated now in many of the business practices here.

We don't know enough about what is actually going on in our own countries and how it compares with other countries to make the best decisions about what the way forward is. And I think we ought to make sure that when we leave here, we have a strategy of finding that out.

Now, let's go to the global issues and the issues represented here by Brazil. And I would like to talk very briefly about, one, international institutions; two, what the emerging economies, themselves, have to do; and three, what the rich countries ought to be doing.

First, on the international institutions, I completely agree that the IMF, the World Bank, the multilateral development banks were inadequate to the financial crisis of the 1990's and particularly the Asian financial crisis, which collapsed Russia as well and which have terrible effects on totally innocent bystanders, especially in Latin America and particularly Brazil.

Now, what caused this? Number one, as Tony Blair pointed out, you can't run a modern economy without a global financial system that moves money around, a lot of money in a hurry. The volume of currency trades every day is roughly 15 times the volume of trade and goods and services, over \$1 trillion every day. We have to do that. The system won't work without it.

Now, what caused the problem? A lot of loans were made which should not have been made because there was not an honest system of risk assessment. And then, when those loans went bad, two things happened. One, market panic—so it's like the old phenomenon of, once a cat gets burned sitting on a hot stove, it won't sit on a cold stove either. So if we lost money in a developing economy in Russia, or in Asia,

then we better take our money out of central Europe and Latin America.

The second thing that happened, which has been less analyzed, is that a lot of these loans were highly leveraged, through derivatives and other mechanisms, so that people who lost their money in Russia, let's say, had to cover their losses, when they had only put up 10 percent of their losses. So they were very often liquidating their investments in Latin America through no fault of Latin America, but because they had to have cash to pay off their debts.

Now, in the last 2 years the truth is that all of our nations have worked very hard to deal with this. The IMF and the World Bank, we have made some substantial changes in policy; not everything we need to do, but I think that a lot of reforms have been made.

Now, the question is, can domestic economies—can Henrique do things that would help this? Chile had a capital control system that worked pretty well, to try to regulate radical movements of money in and out of the country. But the only reason it worked well is, Chile had a system that was recognized as having integrity and effectiveness, so that people still wanted to put their money there even if there was some control on how rapidly it could move in and out. The same with Malaysia in the Asian financial crisis—people thought you could make money in Malaysia, so they would put up with the capital controls. On the other hand, if when the Russians tried to control money—even the Russians were sending money out of Russia, in record amounts, because they didn't believe at the moment that the system would work.

So should we continue to reform the IMF and the World Bank and the multilateral development banks? Absolutely. But we should not minimize the fact that you've got to move a lot of money around every day.

Second thing: domestic systems matter. Governments have to have good, honest financial systems, because you can't make people put their money in a place they don't want to spend it, and you can't make people keep their money in a place they no longer have confidence in. And governments have to have greater capacity; this is something the old—the so-called old left and the new left ought to agree on. The truth is, in most developing countries, governments are too weak, not too strong.

Why is Uganda the only country in Africa that can drive the AIDS rate down? How can—

why shouldn't we be out there promoting a system where once a country in a developing area of the world solves a problem we more speedily make sure that is done everywhere else, and we help people do that. This is crazy. I mean, just—AIDS is just one example, but—I mean, it's convulsing African countries—but here's Uganda proving that you can get the rate down, and, oh, by the way, they have economic growth at 5 percent or 6 percent a year. So national policies matter.

The third thing is, what are we going to do to help? Very quickly. One, we ought to support everybody, from the Pope to Bono, who's recommending debt relief for the poorest countries in the world. It's insane to keep these poor countries spending all their money making interest payments. They can't even pay off the principal. They'll never be able to grow, and they have no money to buy our products. So the G-8 initiative on debt relief is right. We should do that. Two, we ought to vigorously support economic empowerment initiatives that work in developing nations. I have been in Sao Paulo and Rio, two of the largest cities in the world, two of the most wonderful places on Earth. But there are millions of children there that will have no future unless their families can make a decent living.

Now, the United States, this year, funded 2 million microenterprise loans, mostly to poor urban and rural village women. We know what works in poor developing economies. I wish we were funding 20 million loans. I think the rich countries should be funding literally 2 or 3 hundred million microenterprise loans a year. If you wanted to do something useful at an average of \$50 or \$100 apiece in Europe—I mean, in the poor countries of Latin America and Asia and Africa, and even the poorest countries of Europe, that would make a huge difference.

Three, we ought to do everything we can to get more cell phones and computer hookups out there. The people in Africa are no different from the people in America. If you give people access to technology, a lot of smart people will figure out how to make a lot of money. And the more you can make dense the availability of cell phones and computers in poor countries, the bigger difference it would make.

Four, we ought to all ratify the child labor convention and do more to protect the interest of women and young girls. Get the girls in school, end child labor, put women in the work

force. Example: in Pakistan—we worked with Pakistan to put thousands of their children back in school who were making soccer balls. And they discovered that, when they got the kids back in school, they made thousands of jobs for poor village women who were dying to go to work, and began to sustain their families. The rich countries of the world ought to ratify the child labor convention and do more to help women and to get little girls in school.

And finally, I think the WTO coming up ought to lead to more open markets. We ought to buy products from these countries. If we—you know, it's politically sensitive, but if you want to help these poor countries, they have to make a living. We've got to buy more of their stuff.

Last point before we go to lunch. Gerhard Schroeder said something that I want to reemphasize. The liberal left parties in the rich countries should be the parties of fiscal discipline. It is a liberal, progressive thing to balance the budget and run surpluses if you're in a rich country today. Why? Unless you have total deflation like Japan, you should always be running a balanced budget.

Why? Because it keeps interest rates down for your own people, which creates jobs and lowers costs. The average American has saved \$2,000 in home mortgages, \$200 in car pay-

ments, and \$200 in college loan payments since we cut the deficit.

Two—this is the most important point for Henrique—if all the rich countries in the world were running a surplus in times of growth—just when we're growing—then we not only would lower the cost of capital for our own business communities, we would make it so much cheaper for Henrique to get money in Brazil. It's the number one thing we could do to get money to poor countries at affordable rates is to start running surpluses.

I am trying to convince both parties in my country, before I leave office, to make a common commitment to pay off the public debt of America over the next 15 years for the first time since 1835. This is now a liberal thing to do. It helps poor people; it helps working families; it helps the poor countries of the world. If we could embrace that goal, I think it would be a very good thing to do.

Thank you very much.

NOTE: The President spoke at 12:23 p.m. in the Room of Five Hundred at the Palazzo Vecchio. In his remarks, he referred to Prime Minister Lionel Jospin of France; Prime Minister Tony Blair of the United Kingdom; President Fernando Henrique Cardoso of Brazil; Pope John Paul II; Irish musician and peace activist Bono; and Chancellor Gerhard Schroeder of Germany.

## Remarks at Session Two of the Conference on Progressive Governance for the 21st Century in Florence

*November 21, 1999*

Well, first let me—excuse me. I would like to compliment Professor Meny on his paper, which was presented to this conference, and on his remarks.

I think I should begin by noting that he quoted that wonderful section from Machiavelli, where he says something to the effect that there is nothing so difficult in all of human affairs than to change the established order of things. The next part of the quote is also very important, where Machiavelli goes on to say that is so because the people who will gain from the change are uncertain of their benefit, but the people who will lose are absolutely sure of the

consequences and will go to any lengths to avoid them. So that calls for a little humility here in our enterprise.

But let me say the points that Yves Meny made were the following: Democracy is an unfinished business, still to be perfected. I agree with that. Democracies will be different, depending on the circumstances they face and their cultural and historical differences. I agree with that. We need transnational civil society institutions to bring mutuality and interdependence and responsibility to the fore. I certainly agree with that. And we will have to have