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**Hillary Rodham Clinton
First Lady of the United States**

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(Begin transcript)

PROFESSOR KLAUS SCHWAB: Dear Madam First Lady, dear Mrs. Hillary Clinton, it is with purpose that I address you in those two forms, because we welcome you here not only as the representative of a country which is the greatest power in the world, but we welcome you as a personality who in her own right has won high recognition for the causes you stand for as a relentless advocate for those who are disadvantaged and who need to be integrated into our efforts to improve the state of the world.

We have launched here, in Davos, a comprehensive initiative Prestige 21, to take on the challenges in the transition of human kind into the 21st Century. We are eager to hear from you. How you see the individual and collective priorities for our common future. Ladies and Gentlemen, let's welcome again Mrs. Clinton, a most remarkable, a most courageous woman of our times.

FIRST LADY HILLARY RODHAM CLINTON: Good evening, thank you very much Professor Schwab, and thank all of you for the invitation to address this forum. I appreciated greatly the opportunity to come and be part of these sessions, and to speak with you about the priorities for the 21st Century, as seen perhaps from a slightly different perspective from the one that brings many of you here to this conference.

After having looked at the program, and seen some of the sessions, I think it is probably more appropriate to refer to this gathering as the World Economic, Political and Social Forum, because certainly in the discussions that I have been privileged to hear about and to hear directly, it has struck me that there is a very strong awareness of how interdependent the economic, political and social spheres of life happen to be. It is something that I think we need to pay even closer attention to. Certainly when one thinks about the economy, whether it is the economy of a business, of a nation state, or of our entire globe, one talks a great deal about the importance of and the significance of the free market. And I believe that as we end this century, any doubt about the effectiveness of organizing our economy along the lines of a free market, have finally been put to rest. That is one of the major accomplishments, perhaps, of this past century. That we now understand that the greatest capacity to create employment, income, wealth and investment is derived from a free market.

At the same time, I hope we have also recognized as we end this century, that we need effective, functioning, competent governments. Governments that are neither oppressive, nor too strong

and authoritarian, nor on the other hand, so weak that they can neither deliver goods and services for the public good to their citizenry or play the kind of partnership role that they should in connection with a vital free market.

But if that's all we were to speak about, the economy on the one hand, and government on the other, we would be leaving out one of the most important aspects of what we should turn our attention to as we move into this new century, that is society, civil society, because between the marketplace and the government, is what exists that makes life worth living. It is the stuff of life. It is the family, it is the religious belief and spirituality that guide us. It is the voluntary association of which we are a member. It is the art and culture that makes our spirits soar.

I think as we look at the end of this century and the beginning of the next, it behooves all of us, no matter what our perspective or experience, to think hard about how we create conditions in which the economy, governments and the civil society all flourish. Think of it, if you will, as a three-legged stool. We are not stable if we are only on one leg, no matter how strong the economy might be, no matter how strong a government might be. We are also not stable if we rest merely on two legs of the stool. Rather we need to see the independence and connection among the economy, the government and the civil society. And more than that, I think we need to recognize the ways in which each of those spheres of influence are affected by the other. I know there has been a great deal of useful conversation here about what needs to be done to help manage crises such as the Asian crisis, how to better provide technical assistance for banking supervision and the regulation of markets in many countries around the world, even suggestions as to what could be done to create more of a global regulator atmosphere along the lines perhaps of a new Bretton Woods.

These are all very important conversations. And I hope that the economic and political leaders gathered here will certainly follow up on them through the various entities that exist, and perhaps some that are yet to be born, so that we can address these very important problems that are posed by the state of the economy today. We have also heard how important it is for governments to work with the economies of their countries and regions and globally, and how significant it is to find the right balance between regulation that permits real competition to flourish and that which stifles entrepreneurship. So there is much for governments also to ponder coming out of this conference. How can they do a better job to unleash the energies of their people to provide environments in which businesses can flourish? How do they become more transparent? How do they stand against corruption? How do they create the instruments that are needed for governments today to provide the kind of support for the economy at the same time that they provide the sort of capacity for their people to be able to thrive in this new economic environment? I will leave it to others, many of whom have addressed you, to speak about how we can do more to make sure that our markets do what they should do, and to make sure that our governments do likewise.

But what I want to address is this third leg of the stool. A leg of the stool that I think is too often given short shrift in such conversations as those that take place here, or perhaps marginalized as being something less than important to the significant business of governing and creating economic opportunity.

Our founders in the American republic at the end of the eighteenth century left us with some very good advice that they enshrined in our founding documents and which we have over our centuries of development attempted to adapt to modern conditions. They warned us about unaccountable power, they warned us about creating checks and balances, and they set up a system that they thought would create a balance of power. I think that is what we have to see in creating such a balance among our economic interests, our governmental and political activities and the civil society. One without the other will create an imbalance.

I have been privileged to travel over the past several years to many of the new democracies around the world, particularly in the former Soviet Union. I have seen what has happened to people whose spirits have been crushed, whose economies have been driven into the ground, whose governments were authoritarian, as they attempt to rebuild a sense of potential and opportunity for themselves. It is very clear if one visits these countries that economic opportunity will certainly provide jobs and income but not necessarily long-term stability or governments that understand their duties to their citizens. It is also clear that stable governments, as important as they are, may not bring about those conditions that are essential to creating long-term social stability.

So in my travels I have focused on this third leg of the stool, the civil society, and I have seen many changes within the last several years, as governments and economic interests understand that there must be created within society, the work ethic for capitalism to thrive and continue, a sense of citizenship for governments to be stable and succeed one another peacefully. And so how do we nurture this civil society? Why is it in the interest of business leaders, such as many of you, to worry about whether in the countries in which you do business there is an effort being made to create these civil society functions and institutions? Why should you care whether women are given the opportunity to go to school, or have health care, or vote? Why should you worry whether or not children are being taught basic lessons about democracy or not? Well, I would argue again that it is in your long term interests to do so: to have conditions in the countries in which you do business supportive over the medium and long term of what we mean by a free market, and to have governments that understand their appropriate roles.

So I would urge that as we look towards the end of this century, as many of you work on the important issues of helping to perfect the imperfect mechanism of a free market, worrying about the many inherent problems that have been pointed out, that lead often to instability, particularly in financial markets today. Those of you who are directly involved in helping governments in Asia and elsewhere understand why it is imperative that they reform themselves, that you also think about what we can do to strengthen civil society. How do we create conditions for families to be strong in an age where family values and where the kinds of ideas one would wish to pass on to one's children face very stiff competition from the consumer culture, from propaganda, and from a media that stresses short term gratification. How do we support religious freedom, making it clear that we will honor the spiritual beliefs and journeys of people different from ourselves? How do we work together to create conditions in which tribal and ethnic and racial and other differences among people can be controlled and kept in check. And how can we create opportunities for common enterprises that go beyond the differences that too often divide us? How do we nurture non-governmental organizations in societies have no history of voluntary or

charitable activity? How do we create associations that stand between the marketplace and the government, but give people an opportunity to exercise their own skills to become good citizens?

All of these are questions that are being addressed in various ways by many organizations around the world. I have stood in barrios in Latin America and in villages in Asia and Africa where I have seen the effects of micro-enterprise on the capacity of women to make an income for themselves, and not only to make an income, but to feel empowered so that they can become citizens of their village and of their country, so that they can begin to understand not only how a market works, but how a society and a political democracy work as well. I have watched creative projects all over the world that have taken the very poorest of the poor, and empowered them to learn about what it means to live in a democracy. And I have talked with students on every continent about their hopes and aspirations that they will be able to navigate what to them seems like a very difficult journey into the next century. And they have asked for help and guidance, whether it is mentoring or internships or opportunities to work with businesses and government, so they can learn from adults about what works and what they can follow in their own lives and careers.

There are many large problems that confront us as a world. It is impossible to think of any corporation, no matter how large, or any government, no matter how powerful, addressing these alone. Whether we like it or not, we are more interdependent today than we have ever been. I believe that interdependence is a good development. And it should be respected by governments and businesses alike. Because through it we can meet mutual challenges of environmental degradation or security threats, and we can also work together to help build up strong, functioning markets, governments and civil societies.

I would just end these remarks by reminding us tonight that there isn't any perfect human institution. There is no perfect market except in the abstract theories of economists. There is no perfect government except in the dreams of political leaders. And there is no perfect society. We have to work with human beings as we find them. And we have learned a lot about what works. And the lesson of the global economy will certainly be that those who ignore the lessons that we have learned about effective functioning markets and political and governmental leadership will pay a steep price. That may be a necessary part of the learning curve. But as we go into the 21st Century, if we can keep in mind the balance of power among these three spheres that effect all of our lives, and if we can look for ways to work cooperatively together, then I think the doomsayers and the pessimists will be proven wrong. I wouldn't want to be more optimistic than conditions warrant, but I think based on the conversations that I've heard coming out of this conference, from people in a position to affect economic and governmental action, there is every reason to believe that there is a new awareness growing among the decision makers around the world about the steps that must be taken in order to ensure stability and sustained growth. I'll only ask that in that calculus, we remember the billions of men, women and children who are effectively without a voice, often without a vote, and that we understand that our long-term success, either economically or governmentally, will ultimately depend upon whether we empower them as well, to take their rightful places in forums around the world where they plan their own futures. Thank you very much.

SCHWAB: Mrs. Hillary Clinton, you have reminded us of our obligations, of our obligations toward society. As the First Lady, you have pursued an incredible active agenda to promote the social progress. Now, looking at the future, and I may ask you a very personal question, what is your personal priority for the remainder of the 21st Century in this respect.

CLINTON: You mean what will I do for the next three years?

SCHWAB: What will you in your own work put emphasis on?

CLINTON: I think I will continue to emphasize the issues that I have tried to speak out about, worked on, and addressed in my writing, and that is the need to invest in the future of children around the world. I don't know how many Americans in the audience heard Larry Summers say yesterday as it was reported to me that a child in Shanghai has a better chance of living to the age of five than a child born in New York City. But I hope if you did hear it, it caused some pause among you.

Of course it is not only in our own country where we have not done all we should to provide the opportunities for health and education and well-being for our children. It is certainly a problem that affects most if not all the nations of the world. And I believe it is the best investment we can make in long-term stability to provide opportunities for education, and healthcare, to work on thorny issues like family planning and environmental degradation that affect the well-being of children, and to do all we can to provide the best possible beginning for as many children as we can reach, and that is what I will continue to work on and speak out about.

SCHWAB: In this context, you have heard in front of you many of the CEOs of leading American companies, and you have been a proponent of moving toward the program of universal health coverage. The program to date has met mixed success, and generally little enthusiasm from the business community. So my question would be, why should the business community have this program as a priority? What would you tell the business leaders here in this respect?

CLINTON: Well I think your characterization of it meeting with mixed success was too kind. I still believe that economically, politically, socially, and morally, the United States would be better off if it provided universal health care coverage for all of its citizens.

I think the economic arguments will again come to the fore. There was a pullback in the cost of health insurance to the major providers of it in our country, which our employers during the last several years ... but that apparently is about to turn around, and the cost of insurance will once again begin to rise. There has been, since 1993, an increase in the number of uninsured Americans, and an increase in the number of underinsured Americans. I believe that should pose a question for all of us as to whether or not we think it is appropriate for our country, as rich and powerful as it is, to be denying access to the kind of preventive and chronic health care coverage that many people miss out on.

It is true that most people will be taken in by an emergency room, perhaps not the first one they visit, if they are not insured, but perhaps the second or third one if they are lucky enough to still

be around by the time they arrive. And that if that were the only assessment we would make, we would say, well eventually everyone gets care. But we are paying a very big price for those who do not get timely or preventive care.

In addition, there is another problem, which is that there are many functions of the American medical system which have helped us to attain the high level of quality that it currently enjoys, which can never be profitable. There is no way for most research to be profitable. There is no way for the education and training of young physicians or nurses to be profitable. And there is no way for charity care to be profitable. And those functions are primarily performed in our country by our great medical schools and medical centers. Because they cannot turn a profit on performing those functions which are performed to the benefit of our entire system, they are at great financial risk. They are being forced into mergers, and they are finding themselves in a position of having to cut back on those functions. That is like eating the seed corn of the American health care system, in my view.

So there are a number of problems in my view, and I think that there is an ideological opposition among many in the American business community to the American government being any part of providing universal care. But of course we provide universal care to our citizens over the age of 65 through Medicare. And we provide it at the cheapest overhead and administrative cost of any insurance program in the United States. I daresay if you went back and you talked to your benefits people or your CFOs, and you asked them what percentage of the health care dollar you were spending on your employees, that went to administration and overhead and profit, compared with the two cents out of the dollar that goes to Medicare, you would have to ask yourself, is this an ideological opposition that no longer makes economic sense, or shall I hang on to it while I find my capacity to provide health insurance for my employees further diminished, thereby creating more instability in the system. So I hope that we will continue to address these issues in the future.

SCHWAB: Under your husband's leadership, the US has emerged as a world leader in technology, finance, military power. What are the domestic key factors and priorities that you believe are required to maintain this leadership in the long run.

CLINTON: Well, I think my husband very well outlined those priorities in his State of the Union last Tuesday evening. He was able to address the remaining issues that he believes should be at the forefront of the American political debate, both domestically and internationally. And I think that if one were to look at them they would fall roughly into the categories that he has already outlined and has been speaking about for many years.

The first is to provide conditions that offer economic opportunity to as many of our people as possibly can be reached, and that has been I think very effectively accomplished during my husband's administration. We are very lucky, I believe, in having a president who understands not only politics, but economics, and has a very experienced, seasoned team, which is able to implement that policy. And the result is that we have, as you all know, reversed some rather disturbing trends that we saw in the late eighties and early nineties and emerged very strong economically.

But it is certainly clear that we have not by any means finished the job that has begun, and the President spoke about providing better educational opportunities, so that we have more of our people trained so that they can take the jobs that are available in the global economy. He has continued to press for more trade agreements and opening markets because he believes that America can compete and do very well internationally and he will continue to press that argument in the future. He has also spoken about trying to make it possible to put a floor, a social safety net, under some of our people, who are poorly educated, who are left out of the global economy through increasing the minimum wage again, and he has also talked about providing economic support for social security, child care, which is a very big issue in our country, with so many women working, and single women who are the sole support of their families, and our two parent families.

So I think he has outlined a very clear agenda for trying to provide more opportunity. At the same time, he has asked for more responsibility. Probably the clearest example of what that responsibility means is our continuing effort to reform our welfare system, to move people from welfare to work. He has also advocated strongly that Americans must be prepared to take their responsibility as citizens seriously and has advocated campaign finance reform so that our electoral system can have the confidence of the people, which it should.

Finally, he sees very clearly the role of the United States in building a community within our country and being part of building a community around the world. He has put on the table a race initiative to address the still unfinished business of race in the United States. It is controversial. It is challenging many people to think hard about what they believe. But it is very important if we are to try to create, among our very diverse population, a sense of common destiny and shared purpose.

He has also tried to help the American people understand why the United States must remain engaged around the world. And here I would also address the American business leaders in this audience. It is imperative that those of you who understand the global economy, who visit and do business in many countries, share your knowledge of what you see occurring around the world with members of Congress, with leaders of your community, with anyone who you can reach, because we cannot build a public consensus for American engagement if the American business community is not a strong supporter of that engagement. And I would just ask that you think hard about what you can do to try to have your voices heard. One quick example, during the last session of Congress, when the President's plan for the United States to pay its debts to the United Nations, and to replenish our commitment to the IMF, came before the House of Representatives, it was not voted on because of a debate over whether or not the United States should continue to give family planning aid around the world to any organization that had anything however remotely to do with abortion. It was voted down. There was a coalition among people who believe the United States should not be engaged in the world, as well as those who are against abortion. There was a deafening silence from the American business community. I saw no press conferences. I saw no ads in newspapers. I saw no signed joint statements saying "we know what faces the United States around the world and we understand how important it is for America to lead and be engaged and we therefore raise our voices on behalf of American support for the United Nations, IMF and other multilateral institutions."

our session. The first question is the following. If you had three concrete wishes to be shared here with the business community, actually which you want to be seen executed by the business community, what would be those wishes. In really concrete form, what would you wish the audience to do over the next year or going away from Davos.

CLINTON: That is an impossible question, and I will do my best to answer it. I think that I would hope that going away from Davos, the leaders who have gathered here, both from business and government, will take seriously the challenges that many have issued from this and other stages to look for ways to try to make sure that our markets function effectively and we do what we can through individual businesses, nation states and globally, to ensure that that comes to pass, whether it is being part of providing technical assistance to governments and businesses that need to learn how to be transparent, how to be able to operate in a regulated environment to their benefit, and there is much work that can be and I hope is done and I hope business leaders will urge government leaders through entities like the G-8 and the IMF and others, to try to move towards some kind of consensus about how we need to address these issues that the market has presented us with.

Similarly I hope that governments will be encouraged to be as transparent, as reform-minded as possible, wherever necessary; and that business leaders will support government reform in doing so, and that we will have the kind of functioning partnership that is so necessary for the next century, between business and government throughout the world, and that we will do away with the false debate and the false choice that too often dominates our debate in America, where there is an unnecessary and I believe false antagonism created between business and government. They need each other, they need to support each other for the kind of long-term stability that both require to function well.

And finally I hope that business and government leaders will do more to support the civil society. In your own countries, and throughout the world, wherever it is possible. There are many good ideas and programs that are working. I wish everyone of you could have been with me at a village in Bangladesh, or at a women's bank in India, or at a lending project in Africa, or in a very poor neighborhood in South America, to hear what a difference a little bit of credit makes in the lives of the poor. We now have a proven track record from institutions such as the Grameen Bank in Bangladesh, that the poor, if given credit to buy another milk cow or a goat, or hire a rickshaw to go into business, are the best credit risks in the world. Most commercial banks particularly in today's environment, would die for a repayment rate of 96 to 98 percent, and that is what the poorest of the poor in these countries and in these programs have proven themselves capable of doing, at market interest rates.

Secondly, invest in opportunities for women around the world. If you look at any developing society that is making progress, there is a correlation between those societies that invest in women and those that are demonstration economic and political development and stability. In many instances women are still left out or shut out. We cannot go into this new century with half the world's population not empowered to act in their own best interests and in the best interests of their families. And that is what you will get when you invest in women. The investment will be very well taken care of, based on all we know, because it will in turn be invested in the

community and in the family, and particularly in the children.

Thirdly, do not think of education, health care, and other issues as tangential or marginal. In many respects they will determine the long-term stability of the countries in which you do business, in the quality of the workforce that you employ, in the capacity of the consumers to whom you wish to sell your goods. It is in all of our interests to be more effective in investing in education and health care throughout the world, and wherever there is a particular pocket of poverty in an advanced economy, to take what we have learned about welfare reform and other strategies, and attack them through empowerment zones or tax credits or breaks for investment that can begin to provide opportunity in even the most destitute of communities.

And finally, I guess I would ask that we all be more thoughtful in looking at the world in which we live. That we work very hard to rid ourselves of preconceptions and assumptions and stereotypes. That we shelve our ideologies, whether it is of a conservative or a liberal bent. That we realize that conditions have changed, and with it must change also how we see the world, and how we interact politically, economically, and socially. So not to rest on old conventions, but instead to be questioning them as well.

We have a great opportunity, as all of you know or you would not be here, to be, as Professor Schwab has titled it, trustees for the 21st Century. But we can only fulfill that responsibility if we understand that we are doing it not for ourselves but for generations to come. And so those, in a very general way, would be my three wishes.

SCHWAB: That was the best answer and the best end of such a highlight of our annual meeting. Nevertheless, nevertheless, I would take on one other question which came from the audience, and it says, don't you think it is time at the beginning of the next century for the U.S. to elect and support a strong, brilliant, woman for the job of the President?

CLINTON: Yes, and I look forward to voting for her!

(End transcript)