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NEW MEDIA, INFORMATION TECHNOLOGY AND INSTITUTIONAL REFORM:

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P R O C E E D I N G S

MR. WEST: Okay, thank you very much. I'm Darrell West, vice-president of Governance Studies and director of our Center for Technology Innovation here at Brookings, and I have to say, the members of this panel occupy what has to be the most dangerous position of the day because we are the last session between you and lunch.

But we'll try and keep this interesting for you. Just consider us your intellectual appetizer for the meal that is coming up.

One of the themes today has been innovation and we're pleased to have three individuals with tremendous expertise in this area.

Peter Grauer, to my immediate right, is the chairman of Bloomberg L.P. He joined the Bloomberg board in 1996 and was named chairman of the board in 2001 succeeding Michael Bloomberg. He joined the firm as a full time executive in 2002.

Since then he has led the company's growth as one of the most influential sources of business, government, and financial news. Prior to his Bloomberg position he was managing director of Donaldson, Lufkin & Jenrette and managing director and senior partner at Credit Suisse First Boston.

Next to him is Ted Leonsis, who's the founder, chairman, and CEO of Monumental Sports and Entertainment. He is the major owner of the Washington Capitals hockey team and the Washington Wizards basketball team. And, believe me, when we're discussing innovation in our nation's capital, we could use a few more wizards, Ted. He also operates the Verizon Center in downtown D.C.

Prior to his foray into professional sports, he was vice-chairman at America Online. He's active in many different areas. He is the founder and chairman of SnagFilms, which produces and distributes documentary films, and he's had some huge successes in that area. He also serves as vice-chairman of Groupon and on the board of directors of American Express and a number of other companies.

He has a well-known blog called Ted's Take, which always has lots of interesting material on it. I was looking at it yesterday and it featured a quote from Winston Churchill, which, I believe, one of his season ticketholders had sent to him and the quote said, “When you’re going through hell, keep going.” And that sounded like good advice to me.

Bill Galston holds the Ezra Zilkja Chair in Governance Studies at Brookings. He’s the author of numerous books and articles on institutional reform, government performance, and various types of public policymaking. He is putting out a paper today entitled *Political Dysfunction & Economic Decline,* we’ll spend a little bit of time talking about that. The paper looks at the growing political polarization between our parties and the diminished capacity of Congress to address important issues.

Bill is very honest and direct about many things in part because in his earlier life he served as a sergeant in the U.S. Marine Corps, which I always thought was an important part of his biography.

What I’d like to do is start with Peter. I mean, you lead one of the major media outlets in the country and so you have seen the virtual revolution that has taken place in the media industry. How has the proliferation of new media changed the way in which providers create content?

MR. BRAUER: Thank you, Darrell, and I think on behalf of the three of us we’re leased and flattered, honored, Strobe and Glen, to be here. But it’s a formidable topic and, in fact, Dominic and I were having dinner last night in New York and I said to him that I really have gone through a pretty methodical process, so I’d like to take us through a little voyage, if I may, and start with the fact that certainly in the area of shifting media and how do content providers provide for these various platforms, clearly the sand is shifting between our feet.

The digital revolution, as you all know, just look at you in this room, Glen is on his iPad, Strobe is on his Blackberry, I mean, if we went through the room --

SPEAKER: (Inaudible) Bloomberg.

MR. GRAUER: Of course, I know you are, but I asked this question in St. Petersburg last year at their version of the World Economic Forum, because I was giving these incredibly pithy and thoughtful remarks, literally everybody in the audience was looking down at their laps. And I said, come on, give us a break -- no, I’m kidding, but the digital revolution has clearly transformed how information is created, distributed, shared, and displayed.

In the past, as we all know, and particularly those of us in the older generation, we received our news from offline, traditional stand alone media -- radio, television, print sources, newspapers, magazines. Today everyone, all of you in this room, basically assemble your own media mix integrating traditional sources with email alerts, websites, social networking feeds from Facebook and Twitter, and other technology, like the Bloomberg Terminal.

It is, as we all know, a great time to be a consumer of news. The advent of these new technologies have opened the door to a plethora of new news sources and tools for distributing the news.

The way we gather news has changed too. What used to take a film crew with large equipment can now be done from an iPhone, and as we look at the gentleman in the back filming this activity, our head of news was in Cairo when the Arab Spring broke and basically broadcast from his iPhone digital quality video that people put on the air.

So, the need to have a camera crew with lots of satellite hook up equipment and various other things has changed quite dramatically.

Citizen journalism, as we all know, the consumer is now basically in control. The expansion and the choice and number of media outlets available has led to consumers spending more time consuming media. They choose when and where to get content, how to share it, some even report it themselves, as we know. They can get content on demand when they're ready to consume or in real time through desktop, tablet, phone, or TV, in text, video, still images, audio, or an infinite combination.

Data has become customizable. Readers can set parameters as they wish. Based on their particular interests, their results are tailored for them. But there are, as we all know, crosscutting trends that are going through this. TV is on the phone, Internet is on the TV, newspapers on the tablet, the world of converging media, we see lines being blurred every single day.

The implications of this change on content providers are the following, and that is: the medium today drives the message. Consumers are able to demand that content providers deliver content to their preferred platform and device in various formats -- audio, text, graphics, and video -- but providers just can't pour the same content into a different wrapper. The challenge is creating content tailored for each of these sources.

We have to constantly re-conceive how we deliver the same message and figure out what works in each place. Think of content today as software, it needs to be optimized for the device or platform to which it's being delivered, and this has changed the way media gathers and disseminates news. Media and information technology companies who fail to do this, as we all know, will become obsolete. Words and images and platforms are all so intertwined, to consider individual parts of the public process in isolation is to miss transformative connections between gathering, writing, delivering, consuming, and sharing.

Few, if any companies, have to think through the ramifications of each new medium the way and to the extent we do at Bloomberg. We are, I would underscore, totally agnostic. We don't care how you want it, where you want it, and when you want it, but we're going to deliver it. And let me give you a couple of examples. Our terminal users, 315,000 subscribers in 170 countries around the world, are sitting at their terminals, in most cases, between eight and twelve hours a day. They're busy. They're interested only in the facts, and the prose of future stories is not what they want to see when they're sitting there worrying about key decisions in the financial markets.

But our tablet reader, where we provide *Bloomberg Business Week, Bloomberg Markets Magazine, Bloomberg Television Plus,* and *Bloomberg Radio*, are usually seated, relaxed, and prepared to spend time absorbing information. We have their full attention, which gives us an opportunity to tell a much deeper and longer story.

In our web audience, Bloomberg.com and BloombergBusinessWeek.com, believe it or not, we get most of our traffic from 11:00 a.m to 2:00 p.m., a lunchtime audience. They want information quickly, but they also want a diversion and are much more likely to watch a video.

On mobile, people don't want to read a long story on a small device, we need to shorten those stories.

So, what does this mean in terms of the shift of our focus? In the past, the value of a provider's URL was the most important factor. You always wanted to drive traffic back to your website and your homepage. Today, you, the average news consumer in this room, go through nine to eleven different sites every day looking for news.

We have so many distribution channels we don't necessarily need to drive them back to the homepage. We're happy as long as they're reading our content and don't care where they find it -- homepage, search engine, Facebook, Twitter feeds, et cetera -- and once the content is on the web, others will share it and this enables providers to reach readers they may otherwise have had no reason to interact with.

Our current model, by the way, for our online offerings, one-third homepage, one-third search engine, and one-third social media. And keep in mind, as we all know today, Facebook reaches more people than any other U.S. media outlets combined, a great way to distribute our content, they do some of the work for all of us. It's a very -- and continues to be, a very meritocratic world where everybody is competing with everybody, the best story usually wins. This is good for us as a quality content provider and as a new player.

MR. WEST: Thank you, Peter. Ted, you work in both the technology and in the entertainment business and you're very skilled in your personal use of social media and public outreach. For those of you who don't know, Ted has over 22,000 followers on Twitter, and anyone interested in following him can sign up @tedleonsis. Mine is a lot fewer than that in terms of the people following, so I have to admit I suffer from Twitter envy when I go onto Ted's site.

So, let me just ask you about social media. How are social media transforming what you do in the sports and entertainment area? And then one of the things that I think you do especially well is you talk to fans but you also listen to fans, and so I'm also curious your views about how technology enables two-way communications and how that affects the way you do business?

MR. LEONSIS: Well, thank you. It's an honor to be here and it's really interesting, the Brookings Institute kind of at the epicenter of really the new economy. We forget we're living in this world where everyone lives their life on the net and our government really initiated and launched this birth of a new economy, the internet economy.

And we're living in a very sobering time right now where we're not connecting the dots well enough between government and private industry, especially to try to focus on the number one problem facing our country, which is how do we get America working again.

And, so, what I wanted to talk a little bit about is a little round trip and lead to a political discussion about what's happened right before our eyes and how we know these facts and statistics happen but we become numb to what the big picture change really means for us.

So, today there are two and a half billion people around the world connected to the

Internet, two and a half billion. The United States has 300 million Internet connections, so we are becoming a very small player in an overall connected world that changes the (inaudible) in terms of not only social adoption and change in IP and the educational materials that are available now, really, will have staggering impact for us.

The good news is that from a business standpoint, it's U.S. based companies that have been driving the innovation and, frankly, the business models, and they've created great franchises.

Probably in autumn of 2012 Facebook will hit one billion users. Google and all of its sites already has one billion users. That means their revenues will start to mirror their usage and where their customers are, and so all of these great Internet franchises, the Amazons, the Ciscos, the Googles, the Facebooks, the Groupons, more and more of their business is being generated outside of the U.S. They're hiring more and more people outside of the U.S., that's where their growth is coming.

And that's troublesome right now because their revenues get taxed in their sovereign country, and so one of the things that, I think, we have to look at politically and from a tax system is how do we get these great companies that were initially venture capitalized with risk capital, who then went out and hired lots of people and now are hiring lots of people outside of the U.S., to take some of those profit dollars that have already been taxed, and bring them back to the United States and maybe have some kind of tax moratorium if they invest those dollars in private equity firms and venture capital firms, that continue the cycle to invest in young, innovative companies.

Four years ago a young entrepreneur visited me. There were four people in his company. His name is Andrew Mason. He'll actually be featured on *60 Minutes* this Sunday, so tune in, and he had this idea about social shopping and the ability, in a bad economy, to be able to aggregate up the power of people seeking discounts. But more importantly it also was a way to get cash back into the system to support small businesses.

Banks had stopped lending to small businesses. Factoring and receivables financing was drying up. And so he started a company called Groupon. Groupon became a phenomenon. *Forbes* named it the fastest growing company ever. It IPOed. We now employ about 12,000 people around the world, and basically it's created a new local shopping commerce phenomenon.

More than 50 percent of its business, very quickly, is outside of the United States. And, so, I really do think we need to not lose sight of, we were advantaged because we were the early adopter of the Internet and the web and web 2.0 kinds of activities and technologies, but now that genie is out of the bottle on a worldwide basis, and we have to drive lots and lots of new policy, new partnerships between government, between private industry, between the banking system, to make sure that it doesn't get away from us and that we can continue to drive innovation and create jobs for our economy.

If I was running for reelection, that would be one of the major programs, the Start-Up America Initiative that one of my friends and partners, Steve Case, is running, I think is vital for our country because it is small businesses that are venture capitalized that are hiring people. And so the more money and more support that we can offer that system to grease those skids, I think the better off our economy will become.

In regards to what's happening in social media, I think that it's even more dramatic than people understand. I started to make some movies a couple of years ago and I was stunned at how this $8 billion industry, an industry that defines what are culture is like around the world, one of our biggest distribution products around the world, how antiquated it had become.

In fact, you shoot a film in digital and then you turn it into an analogue product, which amazed me. I'd spent my career taking analogue products and turning it into digital. And you then mail it out to a movie theater and people buy tickets and the industry is pretty archaic. And, so, I started a company called SnagFilms, and I'm very proud of what it's doing under the term of what I call film anthropy.

There are so many movies now that are being made that want to shine the light on a tough subject, that want to activate volunteerism, that want to right a wrong, that want to raise money around a cause.

And, so, SnagFilms, in three years, we now have 3,000 full-length free movies. You can go to SnagFilms and watch a movie for free. It's on your iPad, it's on Roku, Boxee, Hulu, Blackberry and the like. If you like the film, you can snag it and you can open a virtual movie theater and you can show that movie to your friends, on Facebook or on your blog or your webpage or your editorial page.

We now have close to 200,000 virtual movie theaters open. That compares to 30,000 physical screens in North America. We're streaming, literally, 20 to 30 million films per month. We're supporting 550 charities and we embrace the filmmaker. We've created, literally overnight, a brand new infrastructure through streaming and distribution of these good work films.

And I think you're just going to see example after example of new technology activating great new applications and opportunities that really shake up the status quo of traditional media companies.

MR. WEST: Thank you, Ted. Bill, the other panelists have focused on IT and media innovation. You think a lot about political dysfunction and the need for institutional reform, and, as I mentioned, you're putting out a paper today. The title of your paper is *Political Dysfunction and Economic Decline*, so I was wondering if you could explain both parts of that, the political dysfunction part, and then the impact on the economic and innovation.

MR. GALSTON: Well, I'll do my best, Darrell. Let me begin by saying that it's an honor to share this platform with two such distinguished private sector leaders and I hope that what I have to say will add a little bit of value to the tremendously important things that you've already put on the table.

I actually thought the most useful thing I could do as the last presenter, before lunch, would be to try to connect some of the dots from what has been said this morning and connect those dots up to the topic on which I'll be focusing.

Ted Leonsis just said at the beginning of his remarks that we live in sobering times. Indeed, we do, and I think that's a very good way of describing them. Not only because of the Great Recession, which, God willing, will end someday, but also because, on a more fundamental and secular, as opposed to cyclical, basis, the American economy and society are being buffeted by the twin forces of globalization and technological innovation.

These forces are transforming our economy and our society and they are also posing a tremendous challenge for our political system.

In the face of these dizzying changes, the question is: How are we doing? How effectively are we responding? My answer to that question is: Not well at all. And I didn't hear a lot of dissenting views this morning. I heard various amplifications of that judgment that we're not responding very well.

So, what I'd like to do is just to unpack that sense that we're not doing very well in responding to these challenges by making four points.

Point one, we are enduring a very high level of political dysfunction in our national politics. A good portion of my paper is devoted to spelling out some of the details. If anybody disagrees with that judgment, please raise your hands, and I will be happy to go into greater detail. I don't really think it's necessary.

Everybody remembers the debt ceiling fiasco, but it goes far beyond that. We heard references this morning to the atmosphere of political uncertainty that is hindering long-term investment decisions. We heard multiple references to the most serious challenges that we are really not confronting with the scope and scale that they deserve. And it occurred to me that, you know, when I was younger, political risk analysis was something that American analysts did about foreign countries, and now it's something that foreign analysts do about the United States. This is a sea change and a very unwelcome one.

My second point is this, and it is foreshadowed in the title of the paper that's being released today, political dysfunction is the enemy of economic growth. These two processes cannot be decoupled. There is no way for the economy to go around politics. Like hell, it's something you must go through.

Now, I made just a list of all of the different linkages that people this morning talked about and it is a long, impressive, and depressing list. It includes immigration policy, education and training, infrastructure, trade, taxation, regulation, what a couple of panelists called directed public investment. Well, I'd like to ask you the following question: How on earth are we going to mobilize resources for directed public investment if we're on an unsustainable fiscal source and seem incapable of coming to grips with that simple, massive brute fact?

It's not a rhetorical question, it's a troubling question.

Here's my third point, and this is really the affirmative and forward-looking section of the paper that I'm releasing today. Institutional innovation is a key, I would say, indispensible part, of the response to political dysfunction. We can't sit around hoping that political leaders and political parties will join hands and sing *Kumbaya* around the fabled campfire.

We are going to have to change institutions so that the incentives of actors within these key political systems are changed so that they will behave differently, so that they will produce better results for all of us. And in my paper I lay out three key baskets of institutional innovation.

One basket directed towards making Congress work again, I can talk about the details of that if you're interested, but it deals with everything from, you know, the confirmation process to filibuster reform to the restoration of majority rule to linking Congressional pay to the performance of basic Congressional duties, such as producing an annual budget on time.

The second basket deals with the budget process itself, and I lay out a number of options for reforming the budget process, which was put in place, let us recall, through the 1974 Congressional Budget Act, which is almost 40 years old and worked better at the beginning of those four decades than it is now.

And, finally, reforms to the electoral process to begin the process of de-polarizing our hyper-polarized and gridlocked political system.

Point four, and finally, and this is a direct response to some of the things that I heard this morning, not only can we not de-couple politics from economic policy, we cannot de-couple governing politics from electoral politics. What is said during political campaigns is a very good leading indicator of what you're going to get out of the political system and not get out of the political system, and to be blunt, if it's not discussed in the campaign and it's a matter of any significance, it is extremely unlikely to happen during the governing process, during an administration.

What people say, matters. What the President says in his forthcoming State of the Union Address, matters. What appears in the platform of the opposition party later this summer, matters. What is discussed in the general election, matters, and I have to say, and this is my closing thought, there is an almost complete discontinuity between the very important topics that have been discussed in this room this morning, and anything that has been discussed in national political discourse at a level of visibility during the past year or right now, during the presidential nominating process. And these are bad leading indicators for the kind of discussion that we're likely to get in the fall.

Bottom line, there are many people in this room who are capable of influencing what is discussed in our nation's politics. This is a very important election, this is a very important moment. If you want the topics that you care most about to be on the public agenda, you are going to have to act affirmatively to put them there.

MR. WEST: You know, I like Bill's idea of linking Congressional pay to actually producing federal budgets on time. I mean, that might actually change the incentives in a significant way.

I'd like to follow up on this exercise of connecting the dots and throw out a couple questions. Any of the panelists who want to jump in, feel free to do so, and then we'll open the floor to the audience after that.

How well is government doing on innovation, in particular, and what should the government, if anything, be doing to promote innovation? Any of our panelists. And you can talk about innovation either in public sector, private sector.

MR. GRAUER: You know, I was asked earlier in 2011 by someone who I consider to be an incredibly thoughtful scientist engaged in trying to combat a very important disease and he said, you know, who would you introduce me to in Washington so that we can try and get some of these programs moving? And I'm ashamed to say in front of this group that I told him that I thought to the extent he could avoid Washington that was probably the best outcome for him.

And my sense is that there is very little that would induce the private sector to really reach out to government to try and figure out how to solve a problem. And that may be an incredibly parochial and naïve view, but I think it's -- you know, we are to a certain degree, on our own. I think one of the great lifebloods of this country, as Ted was talking about before, and certainly we see every day in our company at Bloomberg, is this incredible power of innovation that occurs regardless, almost, of what the external environment is like. And, so, I'm ashamed to say that with the malaise that exists in the world of politics and government, that to the extent you can avoid that beat, I think you're better off and have a much shorter path between development and ultimately success. But I don't know, Ted, whether --

MR. LEONSIS: You can't measure it, you can't manage it, and if we're serious about innovation, we have to create national database and make it transparent to see how we're doing. And you could, very quickly, come up with some signposts. It could be numbers of start-ups, how much venture capital is flowing in to start-ups, how many patents have been filed, how many new product launches have there been, how many new plants have been opened -- you can make a list -- how many jobs have been created, and I don't think we do that.

And, so, we leave it to the singular, heroic, romantic figures. It's why we were, as a country, in national mourning with the passing of Steve Jobs. You know, Walter Isaacson's book -- I was on vacation, and people reading it, it was like the Bible. We are desperate, as a people, to recapture what made the company great. We're a start-up nation. We're, at our heart, entrepreneurs. The country was based on innovation. Our Founding Fathers really were our first entrepreneurs, and so I do think that Washington, because of this political gridlock, gets in the way more than it helps, and that's, really, the biggest issue.

One of the big intellectual fights is, do you want government to create jobs or do you want industry to create jobs? It's pretty binary, and if government creates jobs, how do we know that we're getting our money's worth? Because we, as taxpayers, in essence, are becoming the venture capitalists. And will the government be able to manager those functions and those businesses and investments well?

We know there's infrastructure and management and leadership on investing and trying to make these companies successful. And, so, you know, I'm ashamed to say that I'm agree whenever I'm asked, what's the best thing that government can do to help entrepreneurial business I say, do nothing, get out of the way because speed, innovation, fresh ways of looking at things, is what differentiates a start-up from an institution, and the government is going, truly, the other way in terms of not being able to move quickly on things and over-regulating things, especially to blunt young companies to scale.

MR. WEST: Bill?

MR. GALSTON: Well, I hope everybody was listening very, very carefully to those last two remarks because they bear eloquent testimony to one of the perverse consequences of political dysfunction, and that is that important parts of the private sector, if I heard correctly, are basically giving up on government.

And it seems to me that if there's any key question that we face in this day of discussion and as a country, it is whether that represents an adequate response to the challenges we face.

Is it simply a matter of government getting out of the way, to quote? That may work for some purposes, but for others, others that, you know, throughout human history have required effective public investment starting with infrastructure but not ending there. It's unlikely to be sufficient.

I believe, Ted, you were telling a story about your inability to figure out who controls the traffic lights in Washington, DC, which is a business issue, right? And that's a micro example of political dysfunction that has a bearing on your customers.

So, you know, I could multiply example after example, and just to be contentious, I don't think it is binary, you know, government creating jobs or business creating jobs, because there's a third possibility, which I actually think is the truth. Mainly, that the environment of incentives and opportunities and prohibitions and regulations that government creates, either facilitates or impairs the growth of business, and that has certainly been the case throughout American history.

You know, go back to the 19th century, you know, with the system of canals, facilitating commerce built with, you know, built through the public sector, and Henry Clay's American plan, and all of that, the whole land-grant college system, Abraham Lincoln's finest achievement other than, perhaps, winning the Civil War. In other words, the idea that the best thing that government can do is get out of the way is -- may be a sad truth, but it is also the symptom of a deep disease that I don't think we can live with as a country.

I'm putting it just as starkly as possible, and if you don't agree, please say so. That's why we're here.

MR. WEST: Ted, jump in.

MR. LEONSIS: I think, too, what we're seeing is a forcing of business leaders to pursue double bottom line initiatives, that you're trying to run a business, but you're also starting to run these enterprises like they were governments.

You know, Facebook is going to be China and have a billion people with some centralized command. It can communicate to its citizens in a very efficient fashion. What do governments do? They have to defend their citizens. Facebook, honestly, is concerned about its citizens' safety and security. It creates currency. Facebook is creating its own currency.

We're starting to see organizations take a lot of what government should do into our own hands, might be in a virtual way, but we really are seeing that we have to take care of our employees. Howard Schultz is on the board of Groupon and I've become good friends with Howard, and he basically has taken on a “we” have to do the work, “we” have to be articulate and deliver the votes, “we” have to communicate to government, but we have to deal with our people and our customers as if we’re our own governing body, and if we can be exemplars in the way we run our businesses, maybe that’s a good proxy for what we should be asking for government.

I was mayor of my town for several years in Florida and, you know, I learned a lot about local government, and then when I was president of AOL I used to say, I’m running the fastest growing city in the world. We would go from one million to four million to seven million to twelve million people, and governing, really, is a function of focusing on the vital few.

And what I think has happened is that there’s so much noise in our system right now that we’ve lost sight of what the big, vital deliverables of the government is. And, you’re absolutely right, there should be a partnership and a simplifying of the best ways for the private sector and government to work around goals that are measurable. And that’s the thing that I keep coming back to.

If you’re a small business, mid-sized business, biggest industry in the world, you have shared goals and metrics, and you, on a daily, weekly, monthly, quarterly basis, you can review to see how you’re doing. And the company with the biggest budget of all time, we don’t do that. And I just don’t get it.

And, so, I think if we could force that kind of accountability where we all had a national scorecard around what the big deliverables are and how we were doing, it certainly would make your election vote easier. It wouldn’t be based on rhetoric, it would be based on deliverable, and I think that would be a way that we can start, maybe something that Brookings could help with.

MR. WEST: In fact, not only do we not have metrics, in some areas we’ve actually weakened our data collection and data analysis capacities. Did you want to jump in --

MR. GRAUER: No, I just wanted to add, and everyone in this room is sensitive to this fact, but one of the things that clearly the web has done for all of us with the instantaneous flow of information around the world, is given us a much better understanding as to what’s going on in other parts of the world. And being lucky enough to be in a position to run a company that is very global in scope, the one thing that I come back -- when I come home after a trip, whether it’s to Asia or South America or the Middle East or wherever -- or Africa or wherever it may be, is the lack of sense if urgency that exists here in dealing with some of these issues, and dealing with these issues in a much more highly competitive world than we've ever operated in.

And if we, which I hope we never do, give up the role that we play in the global economy, we are at risk today of ceding that responsibility to others, and I think, to a large extent, some of that will be our fault, and I think that adds a further complication to what both Ted and Bill were saying, and that is, the world is flat, it's smaller, and it's just a lot different than it was when many of us in this room were growing up, and we have to factor that in when we think about the competitive implications of what goes on, whether it be in the private sector or the public sector.

MR. WEST: Okay, why don't we bring the audience into this? We have a question right up front. There are microphones coming around.

MR. ROBINSON: Jim Robinson. Let me make an observation, because today is in stark contrast with yesterday. We're here at Brookings, we had the metro program, the focus on mayors, the focus on governors, and the feeling that it's a Brookings moment because we are generating metricies, we are having examples, significant examples, of public/private initiatives, leadership by governors, mayors to make a difference, because they realize just what we're saying here: the federal government has gotten themselves to the point where they're irrelevant, at best irrelevant, at worst, which is what is happening, they're in the way.

So, how do you deal with this paradigm? And it's got to happen at the local level, in state and local, and it is happening and I'm optimistic about that as much as I'm pessimistic about the thought that we, somehow, are going to change and break that dynamic between the political process as counterproductive with economic development and job creation.

That's just an observation, but I wanted to make it because yesterday was quite upbeat in that regard.

MR. WEST: Any reactions?

MR. LEONSIS: I've lived in Virginia for a long time, I just moved into Maryland, but Virginia kind of has it right. It's been ranked the top managed state year after year after year. It has great business practices and I think there's a direct correlation between their governor can only run and serve for one term, and so when they get in, they have to work as hard and as fast as they can.

It's also unlimited giving, which I find interesting. I thought that that would be a detriment, but they've had a series of really good governors, the state runs well, and it's kind of, you're in, you've got your 100 days to articulate your plan, you sprint to that fourth year, and you're gone. Next guy comes in.

So, I agree with you. I think a centralized version of running things versus a decentralized, high tech, high touch, I can understand why yesterday was more upbeat than today.

MR. GRAUER: Jim, I can assure you that this natural bias will be seen by everyone very quickly, but if you look at what the mayor of New York has done in the ten years that he's been there and the entrepreneurship, the most recent example, which many of you have seen, is the Cornell project, which obviously has been spearheaded by Mike, but it does show, if you have an ability to make decisions and have the authority to execute those decisions, you really can have a significant impact.

I think the biggest concern about the city of New York is when the mayor steps down and it goes back into much more of a political process, and unfortunately I think some of the gains may unfortunately unravel.

MR. GALSTON: Well, just a brief reflection on, you know, the dichotomy that you're observing, which is absolutely right, under our Constitutional system, there are certain large policy questions that only the federal government is empowered to address, and many of those questions have an impact on economic growth and innovation.

And I was listening this morning, as I'm sure everybody else was, a number of people, for example, talked about immigration policy, particularly in those areas that require a continual stream of high skilled people, you know, especially in the sciences and engineering, and despite the best efforts of a few of our states, immigration policy is still the exclusive province of the federal government.

And the last time I checked, states and localities did not have the power to negotiate trade treaties, the absence of which can, you know, have a very important, debilitating effect on export opportunities, et cetera, et cetera.

And, you know, so I don't -- in the same way that I don't think the private sector has the luxury of retreating from the public sector, so too I don't think our concern with governance has the luxury of retreating from national dysfunction to state and local function, right, because there's too much that's vital that's left languishing in this state of gridlock, which I don't think as a country and as an economy and as a society we can really afford.

And that's why I spend my time as a Brookings scholar beating my head against what most people in this room probably regard as a wall, a very hard, stone wall, because if we don't get through that wall, if we don't have a national government that can function once again, then our future is one of economic decline and, I would add, class division. I don't think that's a future that anybody in this room would like to see.

MR. LEONSIS: If we say innovation, job creation, or the deliverables, and we say, well, we need math majors, we need to graduate more than 20,000 mathematics PhDs per year, algorithmic work is the basic building block of everything that we're building in the new economy, from financial systems to media to marketing, it doesn't matter. We graduate 20-30,000 students per year and so if we said that's important then we would embrace bringing in more students who were mathematics PhDs and getting them to stay here and work for our companies.

Let's not forget, Sergey Brin, who's the co-founder of Google, hired a lot of people, they built a lot of value, his father was a Russian émigré, came to University of Maryland, he was an instructor at the University of Maryland. My dad's a Greek immigrant. He was a waiter, he wasn't a mathematician, but I just think that the discussion becomes politicized and gets away from the basic, what are we trying to accomplish, and right now the economy and unemployment are the two big drivers of the malaise that the country is under.

And, so, you know, we put people on the moon, we've been productive in Manhattan projects, mayors have proven that they can organize and turn major economies around. We can do it, I just think that you have to hold people accountable for what it is that we want done and then hold their feet to the fire to get those vital few things built.

MR. WEST: Okay, we have time for one more question. Right here. Antoine.

SPEAKER: Antoine (inaudible). Both in Palo Alto, when we went there with the board, and today, it was, I think, quite striking to hear that many of the panelists basically said that Washington had become an anachronism. So, my question is, what specific metrics and goal could Washington have to kind of regain its validness? What would be your view?

MR. LEONSIS: GDP. Knocking down unemployment. Having a quality of life index.

Bhutan has a happiness index. We're now the 13th least happy nation in the world. I mean, I do think that we can rally around some very, very important things. We've done it locally. You know, college education as the deliverable. Stunning. Forty percent of DC high school students don't go to college. So, that's a metric that people are rallying around locally because we know the biggest indicator of poverty is not getting a college education.

And, so, I do think that there are some glaring, big things that we can metric and measure, and, you know, maybe that is something that the board at Brookings can start to work on to have a national index that we can have dialogue over. And that probably would be more instructive and helpful to politicians who basically listen to the loudest minority voices that have been amplified by the web.

The downside of what we've created in social media and this plethora of new distribution is that, you know, if you have an opinion, you can now deliver it on Twitter and Facebook and on video and YouTube, and instead of it being one vote, one voice, it looks like a majority of the voices.

And, so, I do think that there's been an overhang, a negative overhang, from this plethora of communications on the political system.

MR. WEST: Okay, we're out of time, but I want to thank Peter Grauer, Ted Leonsis and Bill Galston.

(Applause)

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