

THE ASPEN INSTITUTE

ASPEN IDEAS FESTIVAL 2012

AFTERNOON OF CONVERSATION

Benedict Music Tent  
1000 N, Third Street  
Aspen, Colorado

Saturday, June 30, 2012



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P R O C E E D I N G S

MS. BOONE: Ladies and gentlemen. Ladies and gentlemen, could I ask you to take your seats. Thank you very much, we have a very long, wonderful, afternoon and I would love to get started.

By way of introduction; my name is Kitty Boone. I welcome you to the Aspen Ideas Festival. It's a privilege to be here.

(Applause)

This is our annual afternoon of conversation, where we part with those who joined us for the first half of the Aspen Ideas Festival and welcome those who are joining us this afternoon. Thank you to all of you who have been with us for the last few days, it's been fantastic -- I think -- and we appreciate your comments and feedback.

To those of you who are joining just today, some pointers. This is a festival of ideas; we really, as we

said on opening night, want you to go to things that you have never heard anything about; whether it's something about the frontiers of science, new information about the child in the 21st century, the future of military engagement, or why art matters. The Ideas Festival is going to bring you some remarkable thinkers for the next several days, who are going to enlarge your mind on issues you may not know a lot about, or take you deep into issues that you think you know a little bit about. So our advice is to try something new and really enjoy yourself and take some risks.

Some quick pointers are that we will -- for those of you that are brand new this afternoon, we do have ways of announcing schedule changes; we advise that you download your app on your mobile device, if you can, we are standing by with information about that, we hand out information everyday. So look for that every morning.

We could not be here if it weren't for David Bradley and The Atlantic. I want to thank him for his

great support of the Aspen Institute in co-presenting this event.

(Applause)

I have a great time working with his team, and I want to tell you this is an army of people that I will get into in a minute that produce this but The Atlantic is an extraordinary organization, with great editors and a great staff and it is a delight to work with them as our partners.

We also could not be here if it weren't for our remarkable underwriters who have presented this week and will continue -- who delivered us great exhibits and who have just been very galvanized by the notion that ideas and sharing ideas is important and many of them have been with us for several years; this is our eighth Ideas Festival.

So in only alphabetical order, for the starters, I would like to thank our lead underwriters Allstate, Booz Allen Hamilton, DLA Piper, Ernst & Young, the Legacy

Foundation, Mercedes-Benz, PepsiCo, Thomson Reuters -  
without a P, Shell and U.S. Trust. Thank you so much.

(Applause)

We also had the pleasure of having additional support this year by some new underwriters in the form of the American Federation of Teachers, the Electronic (sic) Software Association, General Electric, Southern Company, the Bill & Melinda Gates Foundation and USAID. Thank you all so much for your help.

(Applause)

I have been the recipient of a lot of very nice compliments which I greatly appreciate but I really do want to give you a message that this event takes -- I think we have 150 people deploy between The Atlantic and the Aspen Institute and volunteers from the Aspen community to support -- and I just want to take an opportunity in front of 2,000 people to tell them how much I appreciate the effort they put in. And I hope you'll all welcome -- join me in thanking the staff, who is

putting this on. Deborah Murphy and everyone.

(Applause)

We've been very fortunate to host individuals from around the world to the Aspen Ideas Festival from presenters to attendees. We are joined this week by individuals from all continents. Well, at least six.

(Music being played)

(Applause)

SPEAKER: Ladies and gentlemen Wu Tong. Wu Tong is playing an ancient Chinese instrument; 3,000 years old this instrument -- not his, his is 6 months old, he told me. This was a Random Act of Culture. This is a program that has been going on around the United States created by the Knight Foundation and this was Random Act of Culture, number 943, bringing art into the people's lives. Thank you, Wu Tong.

MR. TONG: Thank you.

MS. BOONE: We've been really thrilled to host a number of artists from China and Wu Tong was part of a

delegation that joined us with the help of the Asia Society and the Aspen Institute for a number of cross cultural conversations, a diplomatic effort and we -- you just saw the beauty of that.

I do want to take one more moment to introduce five young people, from another continent, who join us from five different countries across Africa as part of an initiative that the Bezos Foundation has done, which is to bring high-school students to the Aspen Institute every year for the Aspen Ideas Festival; Bezos scholarship program. Could these young people please rise and make yourself known?

(Applause)

MS. BOONE: To get the afternoon started I am very proud and pleased to introduce to you Gillian Tett and Lawrence Summers.

(Applause)

MS. TETT: Good afternoon everybody, and welcome to an entirely un-random act of economics. My name is

Gillian Tett, I'm the U.S. managing editor of the *Financial Times*. And with me today, as all of you know, is Larry Summers, a man of many impressive titles including U.S. Treasury secretary, president of Harvard University, advisor to the White House under the latest Obama administration, and now a Harvard professor of economics. And also, I should say, a *Financial Times* columnist. So thank you very much indeed for joining us on stage.

Now, you recently said in one of your columns that the breakup of the euro could potentially be the defining catastrophe of our generation. And we have once again had today's newspapers dominated by stories on the future of the euro it's all over the television as well. So as a man who has spent much of his career handling crises and catastrophes, and also handling numbers, I'd like to start by asking you the most basic question, which is that, what probability do you now give to the chance of that breakup occurring?

MR. SUMMERS: Harold Wilson famously told economists that they should name a date or name a number, but never name both. I'd say the chances of the euro staying together are in the same range as the chances of the *Financial Times* remaining independent Gillian. That's to allow both possibilities.

Look, I don't think there's anybody that represents nearly a critical mass that wants to see the euro collapse. So in some deep sense there's a lot of political will to keep it together. But I think there are two problems. One is that there are laws of economics, like laws of physics, and sometimes they say that certain things just won't work. And there's also the risk of accidents, and some kind of accident where there's a miscalculation.

And so I think one would have to say that at this point there were very real risks of what happens with respect to the euro that those risks probably cannot be completely eliminated no matter what policymakers do. But

if policymakers can get themselves ahead of the problem, rather than continuing to lag behind the problem, the chances of a good outcome are increased.

MS. TETT: Well, we'll come on to the -- in a minute about the question of what policymakers are doing, but just in very broad ballpark terms, do you think there's more than a 50 percent chance that all the existing members of the euro zone will be there in a year's time?

MR. SUMMERS: Gillian, I'm a kind of numbers person, so I sort of get it if you go plus or minus 50 percent and then you go plus or minus 25 percent. You've pretty soon got the guy to give the probability that he refused -- that he --

MS. TETT: Well, I'm a journalist -- so there you go.

MR. SUMMERS: -- that he refused to give. I think I'd leave at -- that the risks are very real. I think they are obviously much greater that Greece will

leave at some point, which is at least plausibly an event that can be managed and wouldn't represent a fundamental change in economic arrangements in Europe.

Then the much more serious question of, if Spain or Italy left? You'd then be looking at a very different monetary arrangement in Europe than the one we have today. And I think risks of Greece leaving would have to be quite substantial and that there would be significant risks beyond Greece.

MS. TETT: And one of the problems in covering the euro as a newspaper is it feels a bit like Groundhog Day, I mean we've had summit after summit after summit that's supposed to fix the problems, and nothing has actually really worked. Do you think the latest summit that we saw yesterday has actually fixed it?

MR. SUMMERS: I think it has bought time for the next summit. I don't think it has fixed the problem. Look, one of the things I read many, many years ago about public policy that has stayed with me was an essay that

Dan Ellsberg wrote about the Vietnam War. And it was -- Dan Ellsberg was the guy who wrote much of the Pentagon Papers, and then was radicalized and leaked them.

And he wrote a very thoughtful essay about their lessons. It was called "The Stalemate Myth and The Quagmire Machine." And its argument was that at every important juncture in Vietnam, the structure was the same. Policymakers were told that if they did nothing the system would collapse into surrender. If they wanted to have a realistic prospect of winning the war, or establishing a reasonable peace they needed to do A, B, C, and D; though that would not guarantee success, it would give a good chance of success.

And then they were told that if they did E, they would avoid catastrophe for the next 6 months, but there was no realistic chance that E alone would put them on the path to victory. And at every juncture they chose option three, which was to kick the can. And that's a very natural decision-making process for public officials

assigned responsibility for making very difficult choices.

And the only thing that makes it more likely that you'll choose option three, is if there's no official with responsibility for the outcomes, but if decision making is by committee. And that's of course what happens in the 17-country euro. And so the structure is that they keep pushing and doing things that buy time, you know, they did some things that bought a few months, they reached kind of a new low 2 weeks ago when they did a Spanish bank bailout that held for 4 hours.

The summit on -- the announcements that came Thursday night, our time, clearly held all the way through the day on Friday. And my guess is that they will hold a while more, but I don't think that the most fundamental issues have really been addressed.

Look, suppose we -- here's a way to think about this -- and this oversimplifies it, but it captures some of it. Suppose we formed the Aspen dinner club, and the rules of the Aspen dinner club were that everybody in this

room would go out to dinner together. Let's say there are 1,000 people in this room, we could each bring as many guests as we wanted, and we would each pay one/one-thousandth of the bill. What would happen?

Everybody would order steak and very good wine, everybody would actually invite all their friends, a few among us who are really kind of clever would charge people to come with us because we'd understand that it would only pay one/one-thousandth of the bill and we could collect more than that by charging people to come with us. And the logic of it would drive to a place where all of planet earth would be eating dinner through the Aspen dinner club, which would be moving towards bankruptcy.

Now, how do you solve that? There are only two ways to fix the Aspen dinner club. One way is to say there are 1,000 separate checks that the restaurant has to produce. And the other is to say that General McChrystal and General Musharraf will order for all of us and decide what we're going to have and how many guests there are.

Those two ways work, and no other way works. And that is the challenge in Europe; you either have to move towards much greater accountability at the local level or you need to have a much greater degree of central control.

Now, central control in Europe has profound challenges too. It's -- these are countries that are still proudly autonomous. And there's a deeper problem, which is, is central control or federated Europe code for German control -- that has some historical resonances that are unfortunate. Or is central control mean that it's sort of one-person-one-vote in Europe. And if you think about all the countries that aren't included in the euro zone it's not clear that majority rule is going to take you towards terribly responsible economic and financial policies.

So the kinds of political consolidation that are necessary are very, very difficult. The kinds of economic consolidation that are necessary are very, very difficult. How do we make this work? How does the American monetary

union work? After all, just like there are shocks between Germany and Spain, there are shocks between Illinois and Texas. But the American monetary union has two things going for it that make it work. One is large numbers of people move back and forth between Illinois and Texas, and the other is that the federal government -- when Texas earns an extra dollar, the federal government takes 30 cents of that dollar in higher taxes and gives it to Illinois, which is struggling. Those are very large transfers relative to what's been discussed traditionally in Europe.

So the chances of success can be substantially increased but it will take measures that are very difficult in both the political and the economic sphere. And even then there is no guarantee of success.

MS. TETT: Well, there is of course a third option, which is that you could simply shutdown the Aspen dinner club altogether or actually put it into bankruptcy. But since you've refused to speculate on the probability

of that happening in the euro zone, can I turn to the U.S. and ask, just how damaging is this lowish chance of success in the Europe for the U.S. economy?

Because we're now sitting here in Aspen for the third year, in which things have started out relatively well in the spring, newspapers have been full of clichés about green shoots, and then either because of the euro zone crisis or last year's tragic events in Japan, we get to summer and green shoots are shriveling up pretty fast. Do you think the U.S. is heading for recession in the autumn?

MR. SUMMERS: No, I think the good news is that recession in the United States is very much odds off, quite low probability. I think the bad news is that the most likely outcome is probably growth at a rate that is insufficient to keep pace with population growth and productivity growth. And so you're likely not looking at substantial reductions in unemployment, you're not looking at substantial increases in the fraction of the population

that are working. And so it's not likely to feel, over the next 6 months, terribly dynamic.

I think there is risk. I thought, in the spring, that the Middle East had become a much greater threat to U.S. recovery than Europe. And a combination of the fact that there's been more oil produced and therefore a substantial falloff in the price of oil. And the fact that Europe has held itself together less effectively than I expected in the spring means that I was wrong. And Europe is now back as the principal external risk to the United States.

But look, this isn't that complicated in the -- at one level it's hugely complicated, but at another level it's not that complicated at all. We had a huge financial crisis. People were way overconfident. They built too much. They borrowed too much. Then they got shocked. And so now they don't want to spend, and they want to pay down their debts. And when everybody wants to pay down their debts the result is less spending, which means less

income, which means a contraction.

And what we need to do is find ways to engineer increased demand. Part of that is about what the government needs to do in the short-run. How can it make any sense at all that the United States has construction unemployment approaching 18 percent? The United States can borrow money for 30 years, in dollars, at 2.7 percent. If you adjust for inflation, it's more like three-tenths of 1 percent. We can borrow the money for 30-years.

Now, look at Kennedy Airport. How can it make sense that able to borrow at essentially nothing, with those kinds of unemployed resources, we are not fixing the Kennedy airports that exist across the country?

(Applause)

How can it make sense that we tell our kids that nothing is more important than their education, and in a number of states they only go to school for 4 days a week, and in tens of thousands of schools across the country the paint is chipping off the walls.

MS. TETT: And yet, people like Glenn Hubbard would say, and you've had a very lively exchange in the pages of the *Financial Times*, they would say that anymore spending at the moment is tantamount to fiscal irresponsibility. And that the kind of -- and I think he -- Glenn Hubbard accused you of acting as if you were on a Jeopardy game show recently, chucking around numbers that didn't add up properly. What would you say to that? Is there really room for the U.S. to borrow more, with the current fiscal burden?

MR. SUMMERS: Well, at least my economics isn't slapstick comedy. Sorry about that.

(Laughter)

MS. TETT: But on a serious note, I mean you know, there are many people who would say, debt to GDP is already exploding, how can you possibly argue for more borrowing when we've not yet got a credible budget plan?

MR. SUMMERS: Look there's nothing more important -- there's no issue of patriotism, or of

morality, or of economic prudence that's more important than what we leave to our children. What I cannot understand is why people think that what we have left to our children is measured only by the number of dollars there are in the national debt.

That it's not measured by whether their schools are decent and of quality. That it's not measured by whether we bequeath them an infrastructure that is repaired. It's not measured by whether we bequeath them a world in which American leadership has been perpetuated. But it is only measured in terms of the number of dollars of the deficit.

But even if you accept that premise, the truth is that if we increase the growth rate of our economy by 1 percent over the next 5 years, that's \$3 trillion less in the national debt.

MS. TETT: Right.

MR. SUMMERS: If we are successful in stimulating our economy it's not even going to leave

behind a greater debt burden, because of the extra tax collections that are going to come, because of the reduced need for benefit payments. And every one of us knows that you don't just look -- if you think about a family, you don't just look at the size of the debt. You look at the size of the debt relative to the size of the income.

And so, yes, we're going to need to take actions, a set of very important actions, both in terms of entitlements and in terms of tax reform, down the road to bring spending and revenues into greater balance. But right now, the greatest economic threat to the United States, the greatest security threat to the United States, and the greatest moral threat to America's children is continued stagnation of our economy. And that's why policies directed at more economic expansion is so imperative.

(Applause)

MS. TETT: Well -- on one level it's a pity you've got me on the platform rather than Glenn Hubbard,

because you would have a really lively economic debate. But the fact that you and someone like Professor Hubbard are so divided in your opinions on the budget does reflect a much more profound split.

So having dodged your question about the euro zone, what probability would you give to the United States going off that fiscal cliff at the end of the year, or early next year?

MR. SUMMERS: Low. Not zero, but very low. Winston Churchill said wisely of our country, that the United States always does the right thing, but only after fully exhausting the alternatives.

(Laughter)

And I think that captures an important bit of wisdom. Let me -- since you keep coming back to Glenn Hubbard. Let me give you kind of a -- I'm not going to make another wisecrack -- let me give you kind of a serious statement about where it seems to me people ought to be able to agree and where --

MS. TETT: And this more about the economy's debate, it's not about personality it's just simply because --

MR. SUMMERS: Yeah, understood.

MS. TETT: Anyone who wants to understand the difference they'll have two, you know, important mainstream economists disagreeing in this way is a very good way of capturing the issues.

(Laughter)

MR. SUMMERS: Look, I think there are -- what should everybody be able to agree on? Everybody should be able to agree that when we look at projected budgets, when we look at the economic projections for the country they should be based on what the best technical experts think are the consequences of different actions. And you don't get credit for saying, I'm going to balance the budget but I'm not going to tell you, how I'm just going to cut expenditures.

(Applause)

Everybody ought to be able to agree on that. There are sins on both sides with respect to that. Frankly, on this one I think the president has very much the edge, maybe he has the edge because he's morally superior, but he has the edge because he's got the obligation -- whether he is or is not -- he's got the edge because he's got the obligation to put forth a budget, which his technocrats score and which the Congressional Budget Office scores. Whereas, when you're running for president you kind of have much more freedom of arithmetic because there's no water. I think we ought to be able to agree that we score things as accurately possible.

I think we ought to be able to agree that we need a dynamic private sector with businesses that are flourishing and succeeding if the country is going to work and the country is going to be prosperous and anyone who denies that in either party is making a great mistake.

I think we agree that there needs to be a strong government that assures that we defend ourselves as a

nation, that assures that we are able to collect taxes, that assures that the least among us are assisted. We all ought to be able to agree on that. And then there is a disagreement, there is a disagreement about just what the right scale and scope of that government is. I believe it's imperative that in the United States like in every other industrialized country everyone have access to health insurance.

(Applause)

But that comes with costs and economic consequences, you can't have that without paying for it. And according to other people's values it may be better to just let people keep more of their money and have some people be without health insurance and that's a debate. And that's the kind of debate that this election will be framed -- will be framed around at the margin what's the right scale for government. And I look at the quality of the nation's sports stadiums and its office buildings. And then I -- and its malls -- and then I look at the

quality of its airports and its schools and I think that there are things where we need to have the public sector do more. But that's why I'm on the political side that I'm on and that's a good debate.

MS. TETT: Okay, right. Well, unfortunately we're going to have also agree that we're out of time. But we can also all agree that it's been a very lively conversation. So thank you very much indeed.

(Applause)

MR. BRADLEY: Good afternoon. Good afternoon, my name is David Bradley and I'm with The Atlantic. And I have with me here President Pervez Musharraf the former president of Pakistan.

(Applause)

MR. BRADLEY: The president has gone to some effort to be with us. He's come from London; he's brought with him his wife, Mrs. Musharraf, who's here in the second row. And their --

(Applause)

MR. BRADLEY: -- their son, their daughter-in-law and their two grandchildren. We very much appreciate you doing this.

(Applause)

MR. BRADLEY: So I want to begin our 25 minutes of allotted time to set this up sympathetically. It is not as easy to be head of state as one might imagine. And so my example of this is, our globally celebrated journalist, Jeffrey Goldberg, took me last month to Israel, where he was interviewing 20 Israeli leaders about what are they going to do about the problem of Iran. And towards the end of the interviews we ended up with -- a little over an hour with Shimon Peres, the president of Israel.

And the president is 88 years old, he is in the high autumn of his life. He's beloved in Israel, he's beloved internationally, and he was in a very expansive mood. So he hosted us for tea in his Jerusalem garden. And it was on the record so it was recorded. And Jeff

gave me this excerpt, which I thought I would read you.

So it's -- the president of Israel, Shimon Peres, his very winning communication director, Jeff and I. So here's Peres speaking, "And we see that in a world of rapid globalization the contributions of someone like Mark Zuckerberg are worth more than a" -- now, the spokeswoman interrupts, in Hebrew. "Shimon, enough with globalization and Zuckerberg already; they want to know about Iran, why don't you talk to them about that." Peres, "But this is so very important." Spokeswoman, "It's too much already, they're busy they have to go to other meetings." Peres -- and I thought this was very effecting -- "They can stay a few more minutes." Spokeswoman, "Okay, but Zuckerberg isn't the only subject in the world." And then you hear my voice on the recording saying to Jeff, "Is she yelling at the president?"

(Laughter)

MR. BRADLEY: And Jeff Goldberg says, "Yes, she is." So I'm going to give you a real quick run through the -- of the general's life. Because the scale of his life is larger than an average sampling around, I suspect. Born in 1944 -- '43 excuse me, 4 years later he remembers a train ride -- that was the train ride of his family, leaving India, to go to -- what had just been created Pakistan. The partition had taken place.

The family lived in two rooms with 18 people in the room. His father worked for the foreign office; they were transferred to Turkey, where President Musharraf learned Turkish. He was at Hill Union High School (phonetic) -- I guess this is useful if you go into a military career. He built small time bombs in high school. Career military; two wars, 13th chief of army staff, briefly the chairman of the joint chiefs of staff; a bloodless coup in 1999, became chief of state, the 10th president of Pakistan. He's had seven executed assassination attempts on him; he's had 10 foiled attacks

and others that aren't known publicly. He has one marriage, one son, one daughter, two grandchildren, two German Shepherds; that's all I've got.

(Laughter)

MR. MUSHARRAF: Thank you.

MR. BRADLEY: So just to begin with a personal narrative, tell us about the bloodless coup. It's 1999, you're 56 years old, you've just been chief of army staff. You had been in Sri Lanka, you're flying back to Pakistan that night on a commercial plane, and then something happens.

MR. MUSHARRAF: Yes, indeed. I was coming from Sri Lanka and when I -- on a commercial flight which had about 300 passengers, I think about 100 of them were students -- children from the American school by the way. And when we approached Karachi and we were about to land we had descended to about 7,000 or 8,000 feet the pilot called me into the cockpit. And when I went there he said that the ground air traffic control is not allowing us to

land and they are telling me to gain height and go up to 21,000 feet. So I said, what is the problem? They said, I don't know. They were saying, you can't even land anywhere in Pakistan so you get out of Pakistan's air space.

So when we climbed to 21,000 feet the pilot said, we cannot go out of Pakistan airspace, we don't have enough fuel. So I told him to tell the air traffic control, that is what he said. But they were insisting that you cannot land in Pakistan because they had done a blackout of all the airfields of Pakistan, and also at Karachi they had put fire tenders on the runway. So therefore, in spite, of my telling the pilot to take the risk of landing at the runway with full lights on, he said, we can't because we'll crash into the fire tenders. So that happened.

And when we climbed to 21,000 feet and we told them that we cannot go out anywhere they told us to go to the -- to another recovery airfield, which was nearby

Karachi called Nawabshah. We turned -- I told the pilot to go ahead and go to Nawabshah. When we were mid way to Nawabshah from the ground control, there was a general who came on the wireless and he said that -- he asked the pilot to come back, that everything is all right at the airport now.

So I didn't know whether this was true or maybe a bluff going on. So -- but I knew the general on ground. So I knew that he knew two beautiful Pekingese dogs that I had. So to confirm whether it is the same general, I asked him -- I came on the air and I asked him whether -- what are the names of my dogs. So he said its Buddy and Dot. So I knew it's that general. And then we turned back to Karachi. We landed safely at Karachi because Karachi airport was taken over by the army. And well, I was in charge of the country when I landed.

MR. BRADLEY: I didn't mean to --

(Applause)

MR. BRADLEY: When I touched his knee, I didn't actually mean for him to stop just there. Something else happened and then suddenly you're the chief of state of the country. So that was a fine evening.

I have a friend who does counseling for men in crisis when they're suddenly jobless or they've gone bankrupt, they're divorced, they get a diagnosis of some kind of terminal disease. And he says regularly, life just breaks your heart. So at partition, the founder Jinnah looking at what Pakistan could be, he didn't imagine what it would be today.

And during those first years of your presidency when the economy was going very strongly you couldn't have envisioned what's going on today; the violence, the political unrest, the growing Islamic insurgent movement. What's the root cause problem, what's going wrong in Pakistan?

MR. MUSHARRAF: Well, if you start from the beginning in a short -- in the short period that we have

to interact, Pakistan is a country which is self-sustainable. It has the potential, it has the resources to stand on its own feet. And this I say very confidently because of the 10 years that I've governed Pakistan. We are self-sufficient in water, in energy, in food, in natural resources; what more does a country want?

So what really is happening in Pakistan, if I may be allowed to speak on the issue, is that the people who come into governance through election, through the democratic practices do not govern well. That has been the history of Pakistan.

Therefore, we have suffered a dilemma, a dilemma of the constitution and the state. Constitution is more sacrosanct. Obviously, everyone knows it's the most sacred document, but its sanctity is as long as the state exists. Unfortunate reality is when the state is going down people run to the army to save the state. So without the state the constitution is a piece of paper.

So what the dilemma that the military suffers always whether it was in the '50s -- the late '50s under Ayub Khan or President Zia-ul-Haq or under me that we had a dilemma, save the state in order to save the constitution. So this has been the dilemma and unfortunately the military takes over in order to save the state in order to then save the constitution.

May I also say that this was the view of even President Abraham Lincoln. I know that he had violated the constitution because his responsibility was to the state, to protect the state and therefore protect the constitution. So this has been the dilemma of Pakistan all through its history. And even now the state is being run to the ground at the moment with all its potential. And people are again running to the military to save the country.

So what -- it is a dilemma with the army chief. Should he save the country and do something unconstitutional or allow the constitution to function and

let the state go down. So this is the dilemma unfortunately that Pakistan always suffers from. We have to introduce sustainable democracy in Pakistan. That is the task that we have to undertake.

MR. BRADLEY: Let's go to a particular -- a particularly acute problem for Pakistan and for the United States. Let's go to the whole western border with Afghanistan and the tribal areas North West Frontier, FATA, Waziristan, and the sanctuaries they've provided for al-Qaeda, for the Afghan Taliban, for the Pakistani Taliban, for the Haqqani Network. The U.S. government at the highest levels is mindful of how strong support of the Pakistani military has been as it's been going after al-Qaeda and at times after the Taliban. But they are mindful of a more complex thing too.

They are of the view that Pakistan has not done all that it could to address the problems of these insurgent areas, sanctuaries at the border. And they believe that elements of Pakistan, probably in the

intelligence service have provided pro active help of some sort; funds, logistical support, training, clearance to cross the border back into Afghanistan for the insurgents the al-Qaeda and the Taliban. Do you think there's any chance that any part of the Pakistani government or military or ISI, even if it's only a small renegade group, is in fact playing a double game that there's some complicity?

MR. MUSHARRAF: I can't -- one can't 100 percent say that there is no element within an organization -- a rogue element within the organization which maybe doing something underhand. However, if anyone can -- I can't even imagine that as a policy the ISI or the government would be encouraging the Taliban to go and attack American troops or the coalition forces. That is not a possibility at all. So at the policy level at the strategic level I am very confident, very sure that there is no such policy.

However, as I said there maybe some rogue elements. But may I say that the -- that the situation is

much more complex it's not simple. The situation is not as simple as we think. And I personally feel that the problems arose between 2002 and 2004, David, if I'm allowed to point that out. I think that was the time into -- after 9/11 that the military action took place in Afghanistan. And the military succeeded, it defeated the Taliban and al-Qaeda. Taliban and al-Qaeda ran into the mountains and cities of Pakistan and we were chasing them there.

In Afghanistan there was a vacuum; a military vacuum and a political vacuum. Now, this was the time when we should have converted the military success, a military victory into a political victory. And this window of opportunity was available to us for 2 long years, 2 years because this vacuum existed and Taliban resurgence started in 2004.

We didn't do these in these 2 years. When I say convert military victory into a political military I mean thereby we have to install a legitimate government in

Kabul and the government will be legitimate only when it is dominated by the Pakhtun majority of Afghanistan. You cannot rule Afghanistan with a minority 7 percent or 8 percent Panjshiris, which is being done at the moment. So therefore, we wasted these 2 years between 2002-2004. We could not convert a military victory into a political victory. Therefore, resurgence of Taliban started.

It didn't end there, stop there with this resurgence, the Taliban and the tribal agencies of Pakistan, the Taliban in the settled areas of Pakistan, they all have developed a nexus with the Afghan Taliban. And more than that the mujahideen who are operating in Kashmir in freedom struggle against the Indian Army they have developed a nexus with the Taliban also. So the complexity of the issue has increased and we are dealing with a very complex situation now.

MR. BRADLEY: Forgive me for taking one more run of this. This is very hard for Americans. The Americans think of Pakistan as an ally, our militaries think of the

Pakistani military as an ally. They do joint-exercises together they do joint training together. We spend \$2 billion in support of army operations.

No one believes -- not you, but no one believes the Pakistani government. The White House doesn't believe it, the Defense Department doesn't believe it, our intelligence agencies don't believe it, western reporters there don't believe it, think-tank analysts don't believe it. No one believes that the government, at least in whole, has quite a cleaner hands as the government says.

So let me take one more time and then I won't push it. If I were a Pakistani general and you and I were back in Islamabad and we were going to a dinner with other Pakistani generals. And we were chatting and the topic came up, is anybody supporting anyone in these western tribal areas, do we think any element of the Pakistani army or intelligence is supporting? Would we all be shocked by the question or would there be an honest conversation about, well, it's a complex situation?

MR. MUSHARRAF: Well, at the moment now we've come into a stage in 2012 that we are talking of quitting Afghanistan in 2014. So obviously, now the complexity for Pakistan increases now. What do you leave in 2014 in Afghanistan? I personally believed that there are three possibilities.

Either, when you quit in 2014 Afghanistan goes back to 1989, when all ethnic groups were fighting among themselves and ravaging the country, or it goes back to 1996 when Taliban emerged. Then it became the Taliban versus Northern Alliance; Northern Alliance being the minority Uzbek, Tajiks and Hazaras. Or thirdly if you leave a force behind, a force composed of air element -- air support elements, helicopter gunship elements, special forces elements on call to increase strength of Afghan national army -- and I know their strength is being increased to 350,000. Then a status quo will prevail, probably the Taliban versus the present government forces, it will continue.

Now, why I have said all this is? What does Pakistan do for itself? And may I say here -- may I introduce here that the India-Pakistan equation has to be taken into account also. India is being encouraged to play a more important role in Afghanistan. India certainly is on the side of the Northern Alliance, the present government, which is fighting the Taliban. And India certainly wants to create an anti-Pakistan Afghanistan. This they have done since the 1950s with the Soviets. They have always been trying to balkanize Pakistan and Pakistan has been -- has joined the West for its own security.

Now, the same situation will arise there. So what does the -- how does Pakistan fend for itself? A status quo fight going on between government and Northern Alliance and Taliban, India trying to assist the Northern Alliance and the government against the Taliban and trying to create an anti-Pakistan Afghanistan. What does Pakistan do in this situation?

So this -- I think any thinker -- think-tanks in Pakistan would evaluate which is the group, which is the force which can defend Pakistan's interests now. So therefore, while -- I would like to conclude by saying that strategically Pakistan certainly is on the side of defeating Taliban and al-Qaeda and also fighting against terrorism and extremism. But how to do this is the modalities and tactics involved, which -- where views in Pakistan may differ from views here.

MR. BRADLEY: If I may I'm going to switch from Afghanistan to Iran. There's a very interesting story from 2006 when President Musharraf was still acting president of Pakistan, when he began a little known peace effort to bring some kind of peace between Israel and Palestine. And traveled the Middle East and visited Washington. And proposal had to do with finding three Arab states and three non-Arab Muslim states, including Pakistan and Turkey, which could serve to enforce a peace settlement there.

And as he was doing this negotiation there was a decision, Iran isn't going to be part of this. And so President Musharraf took a flight to Iran and sat down with President Ahmadinejad. Could you tell us a little bit about your time with him?

MR. MUSHARRAF: Yes, my idea was to bring peace and contribute towards peace in the world that involved rapprochement with India -- between India and Pakistan and also resolution of the Palestinian Arab -- that Palestinian-Israeli dispute where I thought non-Arab states like Pakistan, Turkey, Malaysia and Indonesia should be involved. But then why was Iran not involved. Iran is a very important Muslim country. So I thought this -- I must go to Iran and explain to President Ahmadinejad myself, and also to their spiritual leader Mr. Khomeini.

So I went to Iran and my idea was to tell President Ahmadinejad why he is not a part of this peace process. And I told him very frankly, you're not because

I think the countries that I'm talking of have all -- are all prepared to accept the reality of Israel in exchange for bringing peace and doing justice to the resolution of the Palestinian Israeli dispute. So Iran, I told President Ahmadinejad is not on -- has not accepted the reality -- is not prepared to accept the reality under any circumstances.

But then I also took this opportunity of telling him why he is on a confrontationist course? Why doesn't he adopt a conciliatory course for the sake of his own country and for the sake of the peace in the region and peace in the world? Well, I don't think I got any positive response here. His response was, that the world or the West or the United States does not know the resolve of the people of Iran. And in the Iran-Iraq War the resolution --

MR. BRADLEY: Excuse me for just a second. Were you talking about Iranian nuclearization at that point or was it just general hostility?

MR. MUSHARRAF: That was -- it was -- it did involve nuclearization, yes.

MR. BRADLEY: It was nuclear. And so he said, they didn't --

MR. MUSHARRAF: That was the issue of nuclearization that I said that you should not adopt a confrontationist course, you should adopt a conciliatory course for the sake of the world and the region. And that is what -- when he said that it's -- they don't know the resolve of the people of Iran.

But I did tell him that this not going to be a war between infantries like Iran-Iraq War, it's going to be a high technology war; where maybe missiles, which you don't know where they are coming from are going to hit targets in your country. And your country will suffer. So that was the message that I took to him -- well, I discussed with him. But unfortunately the same views I discussed with the spiritual leader Khomeini, and I did not succeed, frankly.

MR. BRADLEY: What -- your estimate -- is there a reasonable possibility, given the current regime in Iran, that they can be dissuaded from developing nuclear weapons?

MR. MUSHARRAF: Well, they are determined to develop a nuclear arsenal. Although, I did also say and I also think that they don't have a reason to develop it. Because generally countries like Pakistan who developed a nuclear capability was because of the threat that was posed to them. And Iran is not posed any threat, therefore, they need not go nuclear.

But, however, they are determined to develop a nuclear technology at the moment.

MR. BRADLEY: And would your guess be that we will see a nuclear Iran within the next few years?

MR. MUSHARRAF: Well, nuclear -- frankly, I can't say much about that, except, that I don't know how much they've developed. Mere enrichment of uranium is not the end all of developing nuclear technology. Enrichment

of uranium to weapon grade is only the start point. You have enriched uranium in the form of a saw dust. To join it into a bomb is a totally different technology which nobody has.

MR. BRADLEY: So by the clock, which is right behind these speakers in case you wonder what's really governing the afternoon, we're in our last minute. Let me go back to the observation of "Life just breaks your heart." So personal closing question. You've loved the army, and presumably you loved leading Pakistan, and you love Pakistan. And now you are in exile and you are at legal risk if you go back. Is this hard, what's the -- none of us has lost a country, even if, only temporarily. Tell us something about this hour in your life?

MR. MUSHARRAF: Well, I think seeing myself I'm quite comfortable outside living in London and Dubai and being called on lecture circuits around the world --

MR. BRADLEY: This wasn't the direction I meant you to go actually.

(Laughter)

MR. MUSHARRAF: But however, may I say that, there is always a cause greater than self. I know I've seen Pakistan and governed Pakistan and I know that it has all the potential to do well for itself. Now at this moment it's being run to the ground. Therefore, I love my country, I love the people of Pakistan. And I thought I must go back to at least try to recover from this malaise that it is suffering from.

And then I am reminded of the oath to the -- I took at the -- after I left the military academy. The oath was, "That I will go by land, air or sea, wherever ordered, even to the peril of my life." So therefore for this cause, the cause of the people of Pakistan, cause of the country of Pakistan, which I love so much, I will go back even to the peril of my life.

MR. BRADLEY: The president plans to return to Pakistan by some time next year when there will be parliamentary elections. And whether you would vote with

or against the president in any race you have to admire somebody who says, "Okay, it's been seven attempts at my life, let's give the dice one more roll."

I wanted to read you a quote from Douglas MacArthur. So given the -- let me read the quote first, Douglas MacArthur, 1950 MacArthur was trying to convince the White House to let him do the Incheon landings in North Korea. And he wrote this, "I can almost hear the ticking of the second hand of history, we must act now or we will die." So here's my thought for you, given the era of history and the place in history geographically that you led a country there must be moments when you had that same MacArthur sense that, "I can almost hear the ticking of the second hand of history." And we're very glad you had time with us today.

Thank you.

MR. MUSHARRAF: Thank you. Thank you very much.

(Applause)

MR. ROSE: If I can get your attention just for a moment only because we have a fascinating program following this. And I want to give them plenty of time and I also want to take time. I'm Charlie Rose and I want to first of all congratulate --

(Applause)

MR. ROSE: -- you'll recognize my son, Mitch Rose, won't you? I want to congratulate David and The Atlantic and Walter and the Aspen Institute, because it has become really a remarkable place for conversation about where we are and where we have to go as a people. And they deserve our applause and our appreciation.

(Applause)

Mitch Daniels is the former governor, still governor until January of the great state of Indiana. He was born in Pennsylvania of a Syrian grandfather moved to Indiana, then became an aide to Mayor Richard Lugar, then Senator Richard Lugar, then was in private sector and then became the director of the Office of Management and Budget

for President Bush-43. In 2004 he went back to Indiana and he ran for governor having never had elective office. And guess what, he won.

He went across the state on an RV and stayed in people's home something that he continues to do when he's going throughout his state. And somebody said that he was "Physically focused, budget cutting, pragmatic thinking, wonky, slightly stiff, pro business, a funny guy, motorcycle riding, pork-eating good governor of Indiana." That's what they said about him and he still rides a motorcycle.

He also has been out front in terms of what we have to do terms of our issues of the debt and economic issues, and also how he ran the state of Indiana. They still have unemployment issues, but at the same time, they have a AAA credit rating and businesses coming to Indiana.

He has just taken the job of president of Purdue. For many of us, we thought it would be another president that he might be seeking, and so my question

really is not why didn't he do that, but why did you take the job of the president of a university with all your experience, and what happens if a presidential nominee comes to you and says I need a running mate? And you cannot refuse the opportunity to serve your country.

MR. DANIELS: Well, the answer to the second question is no, it won't happen, but if it did, I'm spoken for it, and I've made it very, very plain.

MR. ROSE: The due decision eliminates that possibility?

MR. DANIELS: Yeah, commitment is a commitment. And the answer to the first question I probably will be trying to resolve for myself for a long time, Charlie, but in my wise-guy moment, when a mutual friend of ours called and said what, I said, look, President of the United States looked too easy, I wanted a challenging job like --

(Laughter)

MR. DANIELS: -- president of a university and -- but I know it will -- as Monty Python used to say now for

something completely different, and so I'm looking forward to the adventure. I -- I'm also remembering that this at least -- maybe it's apocryphal, but supposedly when Woodrow Wilson went the other way from president of a university to governor of New Jersey and they asked him why, he said, I couldn't stand the politics any more.

(Laughter)

MR. ROSE: But you've enjoyed a public life going from a staff guide to a public -- to an elected guy.

MR. DANIELS: Yeah, I've been in and out. I've been in two White Houses. And -- but then a long stretch in the private sector in between; all three sectors of society, ran a non-profit research -- contract research organization for a while. And in my own notion, I think it's a great beauty of our system is that it makes room for people to come and go from public life and bring their experiences, different perspectives with them.

My own view has always been I admire some people who make a life of it, but I never intended to and always

told the people of my state that I was going to give them for the job -- for I hoped 8 years of the best work I could and then go back and live under the laws I've been part of --

MR. ROSE: States are a laboratory for reform, are they not?

MR. DANIELS: They are. It's a great phrase. I think Justice Brandeis maybe, but anyway very apt phrase when --

MR. ROSE: I steal it wherever I can find it.

MR. DANIELS: Where -- so do governors, by the way, that really one of the -- part of the -- I think genius in the federal system is it's a natural place for plagiarism, and good ideas travel, bad ideas are exposed and tend not to be replicated. It has a self-correcting mechanism built-in. I think we're seeing it now, we see it in all eras probably, but you know, states that make bad choices sooner or later will -- their citizens will decide to excuse the people who made those and invite

someone else to try something different.

MR. ROSE: States are affected by what happens at the federal level having to do with decisions that Congress makes as well as decisions that the Supreme Court makes. What did you think of the decision that came down on health care and what does it mean for the states?

MR. DANIELS: I was surprised as think virtually all people were by the nature of the decision, but now at least we know and there are big implications particularly because something I was glad to see, the court reaffirming the role of the states by saying that the indirect version of the Medicaid portions of the bill --

MR. ROSE: States cannot be penalized.

MR. DANIELS: That's right, it has to be optional, and that will create a big decision for each state on top of the decision whether to try to run one of these exchanges or let the federal government try their hand at it.

MR. ROSE: With respect to the Commerce Clause saying that there was a majority saying and the chief justice part of that, you know, said that the Commerce Clause cannot be used for an expansion of congressional power.

MR. DANIELS: Right, I wish there'd been more than five votes. I think it's so important to establish. If we are a nation of laws, then the fundamental law has got to mean something. And it was written to enumerate powers and it was written to draw a boundary line around government -- there has to be a boundary somewhere.

And the question the government never was able to answer in this whole endeavor was if the government can do that, the federal government, then what can it not do? And they got all tongue-tied every time somebody raised that.

MR. ROSE: But is it -- why do you think Justice Roberts made the decision he did to be part of the majority and in a sense kick it back to the political

process?

MR. DANIELS: I can't psychoanalyze Justice Roberts.

MR. ROSE: Just guess.

MR. DANIELS: Yeah. Well, I think I am persuaded by the very eloquent guesses, assessments of other people, Charles Krauthammer is one, who believe -- and it seems to jive with the facts that the chief justice and others also wanted to protect the court for the long haul. And frankly, to leave room, you know, legislators have to be able to make mistakes.

I happen to think they made a mistake here, but time will tell. So I believe that he -- I believe that assessment is -- makes more sense to me than any other that I've seen. And I just want to say that I have wished for a long, long time that we could -- we have never got into this position of people rather loosely looking at the Supreme Court as though just another partisan legislature or something, referring to everybody as -- by labels and

even party labels. I don't think the justices, whatever their views, think of themselves that way, and I hope one day as a citizenry will stop thinking of it.

MR. ROSE: I read what Krauthammer said, and he suggested that perhaps Justice Roberts wanted to avoid some of the criticism that came from *Bush versus Gore* which was taken in some quarters as a political decision.

MR. DANIELS: Right, I mean, we need a court which is non-political. I think we probably have one, but we've been treating it as though it were. I guess that's what I'm saying and if this decision, whatever its merits, whatever we decide about it 10 or 20 years from now, does nothing else, I hope it will say to a lot of Americans, hey, you know, these are people who are trying their very best to apply the law of the land best they understand.

MR. ROSE: When you look at the country today, what ought to be the debate in this upcoming election in your judgment and how pivotal is this election?

MR. DANIELS: Pivotal, yes, it's --

MR. ROSE: Significant than the previous election?

MR. DANIELS: No, much more so. It said every election year, but this time it's probably true. And I say that not as a matter of policy judgment, as a matter of arithmetic. You know, the issue in this election is will we remain a self-governing people? Do we have the capacity, as the citizens of a free republic, to discipline ourselves in the interests of the future? We are administering an incredible shafting to the young people of this country.

We are handing them debts that cannot possibly be repaid already before we make them any worse. The law that is now going to become the law of the land is going to multiply the premiums, insurance premiums paid by young people in my state by three to four times, just adding to a generational injustice. Now, I don't know very many Americans -- most Americans just don't see that.

No one in public life has successfully communicated to them the nature of what we're doing. I have to believe most Americans would absolutely support a constructive prescription that says no, that's not what we intended. We want to turn over an America that's better than the one we found and we want our children to have opportunities beyond those we had.

MR. ROSE: Would you think it's a good idea for everybody to have access to health care and do you think it's a good idea for people for preexisting conditions to be able to get insurance?

MR. DANIELS: Of course, and you know, among many confusions in this area, Americans have access to health care. The way we pay for it, the way we insure ourselves is a little klutzy and could stand a lot of improvement. I don't think personally that the approach of this particular bill is the right way to go. It takes the worst features, the most costly and inefficient features of the current system and makes them even larger.

I would have preferred a way more consumerist and frankly one that gives greater credit to the decision-making ability of individual citizens, does not treat them as hapless victims who couldn't possibly make a smart choice for themselves. And I won't take the audience's time, but in our state, we have one of the biggest experiments, if you want, in self-directed health care in the country.

Every state employee, or 94 percent of our state employees and everybody in an insurance plan we created for the near-poor is in a effectively a health savings account. Guess what, they can make very wise, prudent decisions about their own health care just like people in this audience.

MR. ROSE: You've --

(Applause)

MR. ROSE: So with respect to what Congressman Ryan has proposed, do you think that's a wise way? Some kind of voucher system which he calls a premium.

MR. DANIELS: Yeah, I think that heads down the right path. Let's ensure with high priority to the lowest-income citizens special priority to those with acute health care problems or preexisting conditions if you will, and let's empower them to make choices for themselves. Let's make sure that those choices are available and you know, let the market work. When we've tried that it has tended to lead to positive outcomes.

MR. ROSE: Does Medicare work?

MR. DANIELS: Not very well. Not as well as it could. No, no, no. Well, it's --

(Applause)

MR. DANIELS: Let's define work. You know, does it work? You know, people get care, but at an extraordinary cost. It doesn't work as well as it could and my view is, no, it could work far better.

MR. ROSE: Okay, it could work better in terms of what way? I mean you could -- it could change the fee-based system, but everybody wants to do that, don't they?

MR. DANIELS: I don't know if everybody wants to do that. I know they -- the -- when I look at health care, we had tried to design a system, Charlie, to run up costs and which inevitably impinges on care, couldn't have done it much better than what we have. We pay people for the quantity of what they do, not the quality of their work.

We make it appear free to the recipient, so of course people ask for as much as they can -- as they can. We -- just to make sure it costs too much, we have a legal system that runs riot and produces no socially valuable outcome for the extra cost it imposes, and so why should we be surprised that it's 18-19 percent of our economy when --

MR. ROSE: Of our GDP.

MR. DANIELS: -- when it probably could be much less.

MR. ROSE: The largest sector of our economy.  
When you look at this election, what is it -- what's your criticism of President Obama?

MR. DANIELS: Now, Charlie, you know I've taken a vow of celibacy.

MR. ROSE: Yes, I know. You could be celibate and still explore around the edges, can't you?

MR. DANIELS: Consistent with -- consistent with my new -- well, I'm not going to criticize anybody here.

MR. ROSE: But I mean, you've called it and what you have said on the record, he believes in trickle-down -- in trickle-down economy and he believes in statism and that if he is reelected, we will see statism run rampant; that's what you've said, approximately.

MR. DANIELS: Of course. Let me just say leaving the candidates out of it for a minute, I think that --

MR. ROSE: The idea that they were --

MR. DANIELS: -- the imperative that I would hope Americans who disagree sincerely about so many other questions ought to come together around is this. If the private sector of this economy does not begin to grow much faster than it is, school is out. I don't care what your preference is, if you believe in limited government as I do, a very -- a much more active and expansive and expensive government as many people do, 1.9 is not going to cut it.

If we're going to pay out the bills we've already piled up, if we're going to pay for extensions of what government does, like the new health care plan, then we ought to be calling every close one and breaking every tie in favor of a private sector that grows much more rapidly, till further notice, and that's probably years off. And so when I look --

MR. ROSE: But the private sector is sitting on a lot of money they're not investing. So why aren't they investing, and what is the economy -- and what should take

place in order for the private sector to start investing their money that they have plenty of and can borrow plenty of?

MR. DANIELS: We've got to hit the pause button on an avalanche of regulation that's already happened or is scheduled to happen. Nobody even knows what it is so everybody's learned the word uncertainty in recent years, and it's a very material factor. We ought to absolutely, I think, optimize on the energy. You know, Yankee ingenuity has come through for us again and this is of course an important lesson of history.

Every time, people, you know, from Malthus on down predicted doom and gloom, they overlooked the discontinuous change generally that technology brings. One reason I'm so excited about going to Purdue University which is one place where breakthrough technologies come from. And so it's happened again. This time it wasn't in the exotic world of silicon or biotech, but in the old-fashioned world of energy extraction.

And all the equations are different, and the last 3 years about what the reserves are, what the cost of getting them out is. This is the best break our economy and the world have gotten in a long time.

MR. ROSE: And it may very well make the United States energy-independent from the Middle East.

MR. DANIELS: And bring in income to people who needed jobs of the middle class kind that we want. I'm from the most manufacturing-intensive state in the country, proud to say. We make things in Indiana. And there is no single variable more important than affordable, reliable energy. So low natural gas prices, and perhaps affordable electricity related to that huge possible -- positive. All I'm saying is in that situation we ought to kick out all the jams, and --

MR. ROSE: Are you suggesting regulations stand in the way of this moving forward? Is this is a shocking concept?

(Applause)

MR. DANIELS: Well, we had --

MR. ROSE: I'm asking --

MR. DANIELS: Yeah, the answer is yes, of course.

MR. ROSE: Well, in every case?

MR. DANIELS: Regulation and anything that adds to the cost of hiring somebody right now as taxes do, as regulation, you know, indisputably does, we ought to really be examining, this is not a moment to denigrate the priorities that -- of the next, you know, environmental improvement or the next control on financial institutions or any of that. It's just to say right now we all share, everyone of us, an incredible stake in an economy that grows faster, that restores hope. Once you're going to wave that around --

MR. ROSE: I'll get to that.

MR. DANIELS: Huh?

MR. ROSE: I'll get to that.

MR. DANIELS: Well, when you do, this is the point I'm trying to make, if the American dream is going

to remain alive, then it has got to start with a top priority on the engine that pays the bills.

MR. ROSE: I'm not going to wait. This is Walter's favorite magazine. It's called TIME. They did a thing called the making of America -- the "History of the American Dream" written by the former editor of Newsweek, Jon Meacham. It is called "Is It Still Real," and that's what I was going to say at the end of this conversation, do you believe the American Dream is still real?

MR. DANIELS: Charlie, I do, but you know, but it's fragile in a way that it hasn't been. And it's a really important question that people are asking because, you know, call them animal spirits, what you like, but whether people believe in the dream is going to be one factor along with all these policies we're debating here in whether the dream remains alive and functioning. And now I absolutely do believe it is. There's not a country on earth I think we would want to trade places with.

MR. ROSE: Right.

MR. DANIELS: Yes, we've got problems. They are more solvable than our political class on either side I believe --

MR. ROSE: Then why aren't we solving them?

MR. DANIELS: Well --

MR. ROSE: You're part of the governing elite.

MR. DANIELS: Well --

(Applause)

MR. DANIELS: In my soon-to-be-past life, I've expressed in various media, including a book, just exactly why I think there is a non-painful successful way forward. My confidence -- I can't prove it, but I have some basis for believing this based on my last 8 years of experience, in our state we have -- I'm not equating the dimension of the problem or the -- or even it's nature, but we came into a mess. We have leveled with the people of our state. You can tell them the plain facts. You can say we can't do everything for everybody all at the same time, doesn't mean your ideas is not an important one. Just

means it may have to wait a while in the interests of us all and live to tell about it.

MR. ROSE: Okay, fair enough and you have done that in terms of cutting budgets, and you've also in Indiana in a sense done a significant -- made significant policy positions on public unions which you do not believe should be -- should have a role, correct?

MR. DANIELS: I stand in interesting lineage there, FDR and George Meany --

MR. ROSE: Right.

MR. DANIELS: -- and others said exactly the same thing. I do believe there's a fundamental difference, dichotomy between the private and the public sector and all over America, we're seeing the unhappy consequences of government becoming in essence its own special interests sitting on both sides of the table, at a table the taxpayer doesn't get to sit at. So you know, Charlie, you and I -- you reminded me that sometimes I say I believe that both the most responsible approach to

elections like the one we're about to have and frankly an efficacious one, at least from my experience, is to campaign to govern, not simply to be elected.

MR. ROSE: Indeed. Can I just interrupt you on that, because you said it even in a different way? The question is what advice would you have for Governor Romney? And you basically said if Governor Romney thinks that he can win by not being Obama, that's the wrong way to go. That what he should run to govern, not to win, and he ought to lay out to the country what he wants to do, rather than simply indicting the President.

(Applause)

MR. ROSE: And that's the kind of debate in which both candidates ought to say because in your particular case, you know, the issue of the debt and deficit will ruin us of our future, will deny us our future. Now, Larry just had some questions about that and basically said we don't have growth and in the immediate future they will be in a very bad place too.

MR. ROSE: Yeah.

MR. ROSE: And if we just cut and reduce the deficit alone without looking after our education and looking after our infrastructure, we'll be in a bad place.

MR. DANIELS: We have to do all these things and more boldly than most people have suggested so far. But you have to eat this elephant, you know, one bite at a time, and I'm just eager to see us get started. Yes, we have to have a all-out growth program. We didn't talk about tax reform here, but that's something I see agreement, you know. I bet Larry Summers and I agree pretty darn closely on the basic elements of tax --

MR. ROSE: Which ought to be, in the broader sense?

MR. DANIELS: Far fewer exemptions and exceptions, more rates.

MR. ROSE: Which would add to revenue?

MR. DANIELS: Yeah, and by the way --

MR. ROSE: So revenue is not sacrosanct. You're not one of those people who says don't worry about the revenue side, we can't look at that. We only have to look at cutting entitlements in order to get to the deficit.

MR. DANIELS: No, of course not. You know, the -  
- we need a lot more revenue. The question is what's the best way to get it? Jacking up rates in a dysfunctional loophole-ridden tax system is the wrong way to do it. It won't work. First of all, it's grossly unfair. One way, by the way, to make sure that this audience contributes to the national recovery that we have to have is to close some of those exceptions and exemptions which are much more widely used by people of means. And so it's both the growth and inequity components of that.

(Applause)

MR. ROSE: In looking at you, and I know I'm over here, so I -- in looking at what you have said, you've said a couple of things. Number one, you talked about Social Security and reform in terms of increasing

the age, and also making it so that the wealthy -- the wealthiest among us should not receive Social Security benefits.

(Applause)

MR. ROSE: So the idea is that in some cases the wealthy should be treated different, and to treat the wealthy different is not to be engaged in some kind of class warfare. To ask more of them is not to engage in class warfare.

MR. DANIELS: No, exactly right. I thought -- I always -- at the start of this confession I unlike probably everyone sitting here, did not watch one minute of any of the debates, just --

MR. ROSE: The Republican debates?

MR. DANIELS: Any of it, yeah, right.

MR. ROSE: Well, there have only been Republican

--

(Laughter)

MR. DANIELS: There was always, you know --

MR. ROSE: Well, can I tell you one thing that happened?

MR. DANIELS: ESPN always had something better on, so.

MR. ROSE: They asked all the candidates if they could see a ratio of 10 --

MR. DANIELS: No, no, that's --

MR. ROSE: -- \$10 in spending and \$1 revenue what they bought, and not one would raise their hands.

MR. DANIELS: Well, that's what I was getting to because I read about them and that as far as I know was the single most interesting question asked. And somebody should have raised his hand or signaled it, you know, not necessarily say, I'll take it site unseen, you know, tell me more. Are the spending cuts real or are they phony-baloney like Washington's known for? If you posit that they're real, if -- and what kind of revenues? If it comes from the kind of reform you and I just mentioned, bring that on.

MR. ROSE: Reductions.

MR. DANIELS: If it -- so someone should at least have said, tell me more. You know, my attitude towards this whole thing has been if you -- if somebody should want to know what I think is the best way to address this, I've laid it all out there a bunch of times, but here's the deal. Having told you what my first set of choices would be, if we can't do that, let's talk about second choice or third choice because, you know, I do not choose -- I would not like to stand in the wreckage of our republic saying I told you so and you should have done it my way.

MR. ROSE: You're basically saying don't let perfect be the enemy of good.

MR. DANIELS: Yes sir.

MR. ROSE: Right. You've also said the following. You -- the philosophy is never take a dollar without a very legitimate purpose for it which is part of the philosophy. So we've got this fiscal --this is my

last question -- we've got this fiscal clip coming up and we've got the question of a new debt extension and we've got the Bush tax cuts. Do you think there is the political will now or in the future in Washington to do this?

MR. DANIELS: Well, I choose to believe the answer is yes. I'm just going to broaden the answer slightly. I believe the will is there or is latent at least in the American people to make the decisions we have to make, to not do a terrible injustice to our progeny, and to not undo this beautiful experiment in self-government that America gave to the world.

I -- and therefore, I believe that if our candidates this fall, each in his own way, will simply lay out specifically what they would do to take us out of the terrible corner we're in, that the American people would respond positively to that. And that's the kind of debate they deserve to have and that our candidates are -- each would -- many of our current officeholders, let's broaden

it, are selling the American people short when they believe that it simply --

MR. ROSE: They do not want to be told reality?

MR. DANIELS: The debates come a long way, Charlie, thanks (inaudible) bulls, thanks Simpson, thanks a lot of people, thanks Paul Ryan, things that were supposed to be third rail, can't-mention-them subjects even a year-and-a-half or 2 years ago are now in the debate. So it's not moving fast enough to suit me, but people are talking about the right question. We do have to save the safety net.

The enemies of the safety net, the people say just leave it alone. It's going to implode, folks. And that's not responsible if you really care about low-income people. You can -- when I say to people in my home state, why are we sending Bill Gates -- we're going to send Bill Gates a pension check. Why are we going to pay for Warren Buffet's health care? That's not a hard point to make, and they grasp the need for change and let's get on with

it.

MR. ROSE: Thank you very much. Mitch Daniels, the new president of Purdue University.

(Applause)

MS. BOONE: Okay, you could stand up for like 30 seconds. We're going to start with our next presenter. What? I'm not doing yoga. Ladies and gentlemen, can we get your attention please? It's fine if you want to go in and out, but if you could give us your attention.

The *Washington Post* calls our next speaker, the single-best explainer of abstruse ideas in the world today, it's my pleasure to introduce you to Brian Greene.

(Applause)

MR. GREENE: So thank you. It's a pleasure to be here with you this afternoon. In the early hours of July 4th, next Wednesday here in Aspen, there's going to be a press conference taking place in Geneva, Switzerland at CERN, the particle-collider in Geneva, where scientists are going to update the world on the search for the long-

sought Higgs particle.

This follows a previous announcement that you may recall back in December where the scientists gave preliminary evidence that this elusive Higgs particle had been found and around the world right now there are physicists who are eagerly anticipating that on Wednesday that earlier preliminary result will turn into a definitive result.

And we will have found the so-called "God particle." Or in the poetic words of Lynda Resnick, to quote from an e-mail that Lynda sent me last week, "Physicists have finally found God in little tiny particles." Now I should say at the outset that while the media loves this term, this name, the "God particle," since there is no connection to God or religion, we physicists don't really like this name at all. The term itself actually comes from Nobel laureate Leon Lederman, who says that the actual nickname that he coined for this cagey, elusive particle was the "Goddamn particle."

(Laughter)

MR. GREENE: But he was writing a popular book on the subject at the time and the publishers convinced him that this wasn't the best title for the book, so he was willing to accept this shortened form. But putting names and nicknames to the side, we may be on the verge of a historic discovery. So what I want to do in the brief time that I have here is tell you a little bit about what's going on. And I'll do it in three parts. In part one, I'll tell you about what the Higgs particle is and how we've been looking for it.

In part two, I'll describe why this particle is so important to us physicists. And finally, in part three, I'll describe why you should care. Now, you'll know I put the "Why you should care?" part at the end because in the off chance that I don't convince you that you should care, the talk will basically be over any way.

Okay. Part one, what is the Higgs particle? Well, this story -- this part of the story begins with a

seemingly simple sounding question which is where does the mass of elementary particles, electrons and quarks, where does their mass come from? I mean, we look around the world and all objects have mass which you can think of as the resistance which those objects offer to having their speed increased or decreased. Right?

So for example, imagine I have in my hand a baseball or a shot put, right? And I want to speed it up. And as I try to throw it, it offers resistance. I feel that resistance in my hand, in my arm, in my muscles and that resistance is the mass of that object.

Similarly, if I had an elementary particle, an electron or a quark, if I try to push on it, it also would offer some resistance. That would be its mass, but the question is where does this resistance come from, where does the mass of the particles come from? Now, one answer that you could put forward is elementary particles have mass because they do. You can just say this is an intrinsic part of the way the universe is put together.

End of story.

Now look, you can take that approach. But physicists don't find that kind of an answer satisfying. We don't like just-so stories. We want to find a mechanism by which particles acquire the mass which experiments reveal them to have. And in the 1960s, a group of physicists, working independently largely from one another, came up with just such a mechanism which over the decades has been most closely associated with the English physicist Peter Higgs. What I'd like to do is tell you about this Higgs mechanism for giving particles those mass.

Here's the idea -- here's Higgs' idea, here's how it goes. Higgs imagines that all of space is uniformly filled, suffused with an invisible substance, an invisible substance, sort of like an invisible molasses that permeates every nook and cranny of space. And the idea is that as a particle, like an electron, tries to move through this molasses, when you try to speed it up,

its interaction with the molasses, the resistance that it feels as it tries to burrow through the molasses, that's what we interpret as the mass of the particle.

And in fact the idea is that different particles would have a different degree of stickiness which means they would experience a different amount of resistance as they try to borrow through this pervasive molasses, which would mean that these particles would all have different masses, which is just what the experiments show. So that's the basic idea according to this Higgs' proposal of how the elementary particles would acquire the mass that they do.

Now, to be sure this is a strange, peculiar sounding idea. Among other things it would rewrite the very meaning of nothingness, of empty space because it says that if you were to vacuum a region of space moving all of the matter down to the very last atom, it wouldn't be completely empty, at least not in the conventional sense.

There'd still be this pervasive Higgs field, this Higgs' molasses which you can think of, therefore, as a kind of essentially un-removable occupant of space. Now, that may ring a bell for those of you who have studied anything about the history of science, is a long-discredited idea that sounds kind of similar, right, the ether, right? Sounds sort of like the ether.

So scientists were not at first willing to jump on board this strange idea. In fact, the first paper that Higgs wrote on the subject, it was rejected by the journal to which he submitted it. But over time Higgs was able to convince the community of physicists, largely based upon theoretical considerations based in the math and I'm going to briefly summarize for you in just a little moment, he was able to convince physicists that this was the best explanation that we had for giving the particles the masses that they have.

So much so that when I began graduate school in the mid-1980s people spoke about this Higgs' idea with

such confidence, such nonchalance that for many months I had no idea that it was hypothetical. But it was hypothetical back then and it is still hypothetical today, but that may all change on Wednesday as this idea may migrate to the arena of confirmed scientific fact. Now, how would that happen? How are we looking for this invisible Higgs field, this molasses that is meant to permeate all the space?

Here's the idea. There is this big accelerator in Geneva, the large Hadron Collider, about 18 miles around. And what happens in that collider is that protons are sent cycling around the collider in opposite directions, near the speed of light, so fast that they can traverse that 18-mile race track more than 11,000 times each second. And these particles engage in head-on collisions.

Now the math suggest the idea is that if the Higgs' proposal is right, then when the particles collide, the energy of that collision can kind of jostle this

Higgs' ocean, jiggle it, kind of flick off a little droplet of the Higgs' ocean. And that little droplet would be what we call the "Higgs particle."

Now, the scientists would not actually see the Higgs' particle itself because the mathematics shows that these particles are highly unstable. They quickly fall apart. They decay into more familiar particles, photons, electrons, and neutrinos. But the idea is that by playing a kind of CSI game, looking at the particles that are produced, scientists can reconstruct the process that gave rise to them and in that way be able to pinpoint that there was a Higgs' particle there. That's the idea that they are pursuing.

Now, framing it that way it sounds maybe kind of straightforward. But this is a monumental challenge to carry out this procedure. These protons are slamming together more than half-a-billion times each second. So to try to find this delicate little signature of this little Higgs' particle falling apart against this chaotic

maelstrom of other particle processes that are taking place, well, that's like trying to hear a tiny, delicate whisper over the thundering, deafening din of a NASCAR race, terribly difficult to do.

But over the decades, physicists have developed techniques -- technology. They've built these enormous, mammoth detectors that surround the collision point and can capture all of the particles, the relentless splash of particles that are being sent out every second. Take that data, feed it in to some of the most powerful computers that exist which are running millions of lines of dedicated computer code in an effort to show that this Higgs idea, this Higgs particle is real. And this may result in a definitive discovery that we'll be looking for next Wednesday.

Now, that's what the Higgs' feel -- Higgs' particle idea is all about, how we're looking for it. Why do we physicists really care about this, or framed differently, why have we convinced governments around the

world to spend \$10 billion to build the Large Hadron Collider to look for this particle? Or framed in another way still, is this Higgs idea really progress or have we simply substituted for the earlier question "Why do particles have mass?" the new question "Why is there a Higgs field and a Higgs particle?"

Well, it is real progress. It takes a little bit of background to understand why. So let me quickly describe it for you. Back in the 1960s, when scientists were examining the output of the then most powerful particle colliders, they found that the blindingly chaotic and complex data that was emerging could only be understood using one key idea.

And that key idea is the idea of symmetry. Symmetry is an idea that we are, of course, all familiar with. It's a kind of pattern that exists between seemingly distinct entities. But when you realize the pattern, you see that they're part of a more complete and unified whole that's easier to describe. I mean, take my

face, right? Cut it in half. This side is the mirror image of this side more or less. You put it together, it's a more unified whole.

Take a snowflake, right? A snowflake has 5 distinct points, but you can rotate the snowflake taking one point into another realizing that they are all part of a more unified whole. Take a sphere, a nice silver sphere. It's got many different points on the surface, but by rotating this sphere you can take one point at any other point and in that way you see that they are all part of a more unified whole which makes it easier to describe that object.

Similarly, the scientists found that when they were examining the data from the particle colliders, they found that the data itself fell into interesting patterns, symmetric patterns that guided them to equations, simple, elegant equations that could describe what was going on. But the problem is this, when they studied those equations in detail they found that if particles had mass, the

symmetry between the equations would be spoiled. They no longer work. They'd fall apart.

There was a great tension between these beautiful equations on the one hand and the need to give particles a mass on the other. What Higgs showed is that you could have your cake and eat it too. And by that I mean if the mass of a particle comes from its interaction with an environmental influence, this Higgs ocean that surrounds us, then you can show that the equations can preserve their elegant symmetry and the particles can get their mass from this environmental effect. And with that, the standard model of particle physics was found.

The standard model particle physics is a simple, little equation. It can fit on a T-shirt, a simple equation that's able to describe all of the data coming from particle accelerators around the world. And by fitting on a T-shirt, I literally mean it can fit on a T-shirt.

Alec (phonetic) and Sophia (phonetic), come up here one second. So here, on this T-shirt is the standard model of particle physics, okay? The first term here describes the nuclear and electromagnetic forces. These are the particles of matter. And this guy over here, this symbol -- Sophia, what is that symbol meant to describe?

SOPHIA: A Higgs field.

MR. GREENE: A Higgs field. Yes, thank you very much.

(Applause)

MR. GREENE: And this term over here, what does that mean?

ALEC: A Higgs potential.

MR. GREENE: A Higgs potential. Thank you very much. You guys, head off over there.

(Applause)

MR. GREENE: And with that simple equation, we've been able to describe data with fantastic accuracy. And every feature of that equation has so far been

experimentally confirmed except for the Higgs part of it, and that's what we're waiting to have happen on Wednesday.

Now, that's one key reason why we are excited by this. But in the last few minutes, let me describe one more key feature as well. That Higgs particle is not just another particle in a long list of existing particles. It has fundamentally different characteristics. You see, we have learned that every particle in the world, electrons, quarks, muons, neutrinos, all of the particles in the world spin around sort of like a top. Not exactly, but quantum-mechanically, it's not a bad way of thinking about it.

And they all spin at a particular rate dictated by the identity of the particle. So electrons and neutrinos and quarks, they all spin at a rate that we call spin-a-half. Photons and other force-carrying particles, they spin at a rate twice as big, that we call one. The Higgs would be the first particle of matter that has spin-zero, the first fundamental spin-less particle, a new kind

of matter.

And the reason why that's exciting for us, over the past 30 years we have used the flexibility of those kinds of particles, the particles that don't spin, to put forward theories for a whole range of ideas, cosmological ideas for instance being primary among them because one of the issues in the Big Bang theory of cosmology is that the Big Bang says that way back in the beginning the universe went -- underwent this rapid expansion, right? We all have heard about this idea.

But the Big Bang mathematics leaves out something pretty important which is the Bang itself. It doesn't tell us what would have driven the outward expansion of space in the first place. Remarkably that kind of object, that kind of Higgs-like object, that kind of spin-less object, if you have enough of it in a little tiny region of space, you can show that it would yield the kind of repulsive gravitational push that would indeed drive everything apart, would indeed put a bang in the Big

Bang.

That's a speculative idea. I wouldn't want to have it married to the announcement on Wednesday because Wednesday, if in fact this particle is found, that's bona-fide science. But over the course of 30 years, we've made use of that kind of a field so profoundly that if indeed it is confirmed that it exists, we will have at least some circumstantial evidence that many of the ideas that we have developed over decades that they are heading in the right direction. So let me finish by turning to my third part, why you should care. You don't necessarily have to care.

(Laughter)

MR. GREENE: Right, I mean, maybe everything that I've said so far just so fires you up that you already care. That would be nice, but there's some people who just don't really care about these abstract, theoretical ideas, right? I have friends of that sort. You know, I've -- you know, frankly, my mother is like

that.

(Laughter)

MR. GREENE: Right? I mean she still wishes that I was a doctor. I tell her, well, I am a doctor. She says not that kind of doctor. You know it's this whole thing that just keeps on going. So she needs, and many others too, something more tangible. And I think a good way of thinking about a more tangible impact of this kind of detailed discovery and trying to understand the nature of the universe comes to us from an analogous historical discovery back in the 1920s and 1930s when the subject of quantum mechanics was discovered and experimentally confirmed.

Now, back then it could have felt that quantum mechanics was equally abstract and theoretical compared to the things that I'm talking about here today. But over the course of 80 years, a theory that began life by helping to understand molecules and atoms and subatomic particles -- that's what quantum mechanics is about -- has

been parlayed, has been harnessed by science and technology to yield all manner of spectacular technological wonders, right?

Anything that has an integrated circuit relies upon quantum physics. It was quantum physics that allowed us to be able to manipulate electronics through tiny, little wires giving rise to personal computers, cell phones, medical technology that saves lives around the world all the time which is just to say a fundamental discovery can have a profound impact on the way that we live our lives. You just have to wait for theoretical discoveries to turn into practical applications. And the history of science shows that that is the pattern that typically happens.

Well, let me finish by giving you one final thought, maybe a more personal thought, on why these ideas about the Higgs are so important, so exciting. Back when I was in high school and I was taking my first physics class, the teacher set us a problem of a piece of chewing

gum attached to a baseball and the ball was swinging and our challenge was to figure the motion of this ball as the chewing gum stretched and it swung back and forth like a pendulum.

I sat at my desk. It's not actually a hard problem to do. Anybody who takes a good course in physics I can do it. I solved the problem and I ran down the hall to my dad to show him, not because he cared about baseballs and chewing gum, but because of this idea that mathematics, a calculation that you do at your desk could describe something in the real world was such an amazing idea that mathematics can transcend so much of the world around us.

I mean, today you've already heard interesting, important conversations about politics, about economics, conversations that affect millions, billions of people around the world, but I tell you all of it is transitory. It doesn't mean it's not important. But it's transitory. A 100 years from now, there'll be another set of problems,

economic ones, environmental ones, political ones, and of course, we need to deal with them.

That's how we build the fabric of everyday life. But how exciting is it to sit at your desk and do a calculation that goes beyond everything that's transitory, calculations that might reveal fundamental features not about what happens here on earth, but about the entire universe, the entire universe. It's hard for me to imagine anything more thrilling than that. Thank you very much.

(Applause)

MR. SCHIEFFER: How are we doing here? Want just a second to kind of stretch?

(Applause)

MR. SCHIEFFER: I'm Bob Schieffer, everybody. And I have -- I don't often begin interviews by saying I have the honor to interview someone. But I am truly honored to be here with General Stanley McChrystal, retired four-star general.

(Applause)

MR. SCHIEFFER: He was the commander of our forces in Afghanistan. Before that, he came out of what is called the Joint Special Operations Command, JSOC, you call it. It is probably one of the most important components of the American military today and also one of the least understood, perhaps by design, because it started out very much in secret.

General McChrystal probably had more to do with shaping this force into the -- this incredible force that it has become today than any other single person. He talks a lot about leadership. Now he is teaching leadership in a course at Yale and that's what he likes to think about.

And General, I can't think of a better way to explain what JSOC is, how it works and the changing challenge that the American military has today, then to take you back before the days when you were in Afghanistan, in Iraq. Saddam Hussein had just been

caught. And your folks came to know about someone who was emerging as the leading al-Qaeda agent in Iraq. Tell us the story of how you heard about it, who this person was, and how your operation caught him.

MR. McCHRYSTAL: Bob, thanks very much. Bob and I were in the back before we came out talking about quantum physics and quantum mechanics.

(Laughter)

MR. McCHRYSTAL: I'm going to buy a new set of wrenches. That's as far as I got.

(Laughter)

MR. McCHRYSTAL: What we had was an interesting situation -- it's not many years ago, but it's in perspective now that strikes me in terms of leadership. We had been in Iraq as you remember for about 8 or 9 months when Saddam Hussein had been captured. And there were a lot of different views on it, but I'll give you a sense from what it felt like on the ground.

There was a hope that the capture of Saddam Hussein would cause things to calm down. But in fact what we found was some of the previous activities, terrorist attacks in the previous months, and the rise of a guy name Abu Musab al-Zarqawi, a Jordanian, was causing al-Qaeda in Iraq to get new power in the country. And so we began the force that I commanded which was made up of different parts of our counterterrorist forces in the U.S. military, were assigned to go after al-Qaeda in Iraq. and Abu Musab al-Zarqawi in particular.

He was an uneducated guy who'd grown up on the wrong side of the tracks in the small village of Zarqa in Jordan. Then he had become extremist when he was in prison. Then he had gone to Afghanistan to become a fairly hardcore member of al-Qaeda. But he had also become, despite his limitations in education, a very effective leader.

He led through many different ways. He leveraged the fears of Iraqi Sunnis with the future. He

leveraged other senses people had and he caused really the beginning of a wildfire of resistance both to the government of Iraq and of course to the coalition forces who were there. So we were tasked to go after him.

We started that really about the beginning of 2004. And if you remember in March and April of 2004, Iraq got much more difficult. In Fallujah, there were the murder of the contractors. There were all the different problems and then we also had the complication of the tragedy, the crime of Abu Ghraib came out.

And what that did was it caused people in the region to believe that everything that they heard negative about America was true. And it was extraordinarily negative for us because even though it was a fairly limited number of people who had done it, it was a precipitant, an accelerant for extremism.

And so we were faced with fighting a guy who now is getting himself an organized effort and he is creating absolute havoc. They brought in to me that month in April

into my office a laptop computer and they said, sir, you've got to watch this. We'd been going after a young American named Nick Berg, a civilian who'd been working in the country and he'd been kidnapped.

And what they showed me was a short video that al-Qaeda had posted of Nick Berg sitting in an orange jumpsuit and behind him were a number of black-clad individuals. They read some words while Nick sat there. And then at the end of that one of the individuals pulled out a large knife and beheaded Nick Berg.

I remember sitting there with my clinched fist watching it and we were starting in a new kind of war, a war that America wasn't really, mentally, physically, or organizationally prepared for. For the next 2-1/2 years, we hunted Abu Musab al-Zarqawi until June of 2006 when we killed him and we had -- en route to him we dismantled much of his organization.

But we had to do it in a way -- and this is where the leadership part came in -- we had to do it in a

way where we were on a moral plane that we were comfortable with. We were asking people to fight every night. The commanders that I led fought every night. And they went into difficult places. We suffered a lot of casualties, but we asked them to do it in a way not, only to treat detainees, but to treat everyone in a way that would put us in a position where we had a moral high ground and we could feel good about what we were doing.

We finally in the spring of 2006 had a position where we thought we had a tremendous amount of information on this guy and we captured an individual who started to tell us about his habits and where he was. Through an extraordinary collection of capabilities from across the intelligence community, supplemented by partner nations and whatnot, we were able to put together a picture of his what we could call pattern on life and finally track him to a location -- or track an individual going to him, watch that individual do a number of things like vehicle swaps en route and then finally able to kill him.

It was the evolution of a force that is difficult for me to describe to you. It's people who had grown up a sort of big knuckle, big shoulder commandos who instead had become a combination of intelligence operatives, social scientists, very refined thinking on legal matters of how you operate because you can't take part in the policy of the country unless you operate at a level of complexity we'd never seen before.

MR. SCHIEFFER: It's amazing, an amazing story. And it does to me kind of underline how leadership and the requirements of leadership have changed. A military commander now doesn't just say take that hill. Go do it. How is it different? You're different -- we are dealing with different kinds of young people.

MR. McCHRISTAL: Sure.

MR. SCHIEFFER: A different kind of culture maybe.

MR. McCHRISTAL: There is a perception that military leaders order people to do things. The entire

organization goes left, goes right. It's never been entirely true although Frederick the Great's cavalry, hundreds of years ago served behind his lines to keep people from deserting during the battle. But in reality what we find is although you are given the power to order soldiers to do things, soldiers only do what they want. They may fear you. They may fear their sergeant in training. They may fear their sergeant in garrison.

But when you're in combat they have a far greater fear. The enemy is a far greater fear. And so at that point soldiers only fight because they believe in the soldiers on their left and right, their comrades, and they have confidence in their leaders and a little bit more hazily confidence in the cause. It's much more focused in the people that they're around. So what you're really trying to do is get people to believe in each other.

MR. SCHIEFFER: General, one of the requirements of leadership is taking responsibility for what your people do. And after you were in Afghanistan things were

going very well. You took a break and went to Europe -- I think went to Paris it seems to me. And you took along a reporter from Rolling Stone Magazine. He heard some of your people say some pretty disparaging things about the President, and you were called to account. We all read about it, but as far as I know, I've never heard your side of what happened there. Would you share that with us?

MR. McCHRYSTAL: Sure. I don't have a subscription of Rolling Stone right now.

(Laughter)

MR. McCHRYSTAL: No, here is the background of what happened. When you are in a war like Afghanistan, a coalition war you have got to build support. You've got to explain that to the coalition nations. So what I was asked to do -- I wasn't -- was not a vacation. I was asked to go to capitals, and I'd done that a number of times before, to Brussels, to NATO headquarters. And then countries would ask me, come explain in face -- face-to-face as the commander there what is going on in

Afghanistan to maintain their support for the cause. So for that particular trip, we were going to Berlin, Prague, Warsaw, and to Paris.

As you remember, right before we took off, the tragic air crash killed the president of Poland and some of the other leaders. And so we cancelled that part of the trip, but the French had asked us to go. So we went to do that. And we did a number of sessions at the War College, with the parliament, met with key leaders. We had been doing a number of interactions with press and we did them constantly through the years -- through the year. And he was another one. Wasn't particularly unique, it was a desire in this case to have a story -- explain how we operated, and he was with us for certain periods.

Not constant, he saw us a couple of times in Afghanistan, he came to Paris, and intersected with us for a couple of days and that sort of thing. The story that came out, when it came out in June, was completely different from the story that I would have expected. I

was completely surprised.

And it was -- it depicted a team that I think was an unfair depiction of the people I worked with. I held them in far greater regard. But the real issue is -- at that particular point when the story came out it was clear to me the import of the story. My position as commander had two priorities. The first was the mission and the second was my commander-in-chief I worked for. And regardless of how I felt about the story, I have a responsibility to the mission, I have responsibility to my President, although I work for NATO and the U.S. President to not put him in that position.

And so what I did was flew back that day, offered my resignation to President Obama and I said, if you want me to stay, I'll stay, if you want to leave, I'll leave. I am absolutely at your desire for the mission because I think that's most important. Because I think at the end of the day what -- no matter how you feel about it, a commander is responsible whether you like what

happens or not. The one thing you can never and should never want to dodge is responsibility.

(Applause)

MR. SCHIEFFER: Let's talk a little bit about some news questions. I guess by the end of the year, will be back -- all of the surge troops that went to Afghanistan will be gone, but there'll still be about what, 68,000 Americans there. So I guess the question I would ask you, General, right now is how does this war end?

MR. McCHRISTAL: Yeah, it's -- of course no one knows for sure. I would remind everyone -- and people sometimes come to me and they say, we went to Afghanistan to help the Afghans. Well, the reality is we went to Afghanistan because we wanted to go to Afghanistan because of al-Qaeda. We did not go at their invitation. We went and in the process of driving out al-Qaeda, we upended Afghan politics, we drove out the Taliban regime, and a new regime took over.

So we had -- we were there. And the reality is you navigate from where you are and not from where you wish you were. Each year in Afghanistan there's been a growing gap between the expectations or desires of the Afghan people and what they see. Now, those desires may be unrealistic and we can have that view or not, but the reality is there's a gap between what they had hoped for and what they see as reality, politically, security-wise, economically, and whatnot.

So that's really what we're dealing with. The Taliban are not a popular movement. They're not a particularly strong movement. They derive their strength from the weakness of the government of Afghanistan and the weakness of Afghan society after 32 years of war. And so I really think where we are now is the Afghan people, hopefully with our help, not huge numbers of help, but hopefully with international help, I think can put them in a position where they can sort out a modus vivendi. It may not look exactly like we thought it would in December

2001. It may not look like we thought it would in even 2005.

But I think if it's something that includes all of the parts of the population as President Musharraf said, the Pashtun minority is 42 percent of the population. So it's a huge -- it's the biggest single ethnic group in the country. So they have to be a part of this. And so I think it's going to have to develop into a workable agreement. There are going to have to be some concessions made on every side. And Pakistan of course is going to have to be a big part of that. They are going to make some concessions, I would expect as well.

MR. SCHIEFFER: Did you favor going in on the ground to get Osama bin Laden?

MR. McCHRISTAL: I did. And I was very glad that they chose that particular method. There is a perception sometimes when America uses either drones or missiles from afar that we are striking without putting any of ourselves at risk. And whether or not that is a

good thing and -- because it protects American lives and from one standpoint it's very good and I protect -- I support us having that capability. There were times you've got to demonstrate your willingness to do that particularly to people around the world who don't know you as well as we know ourselves.

It's important to say this was so important we were willing to put Americans in harm's way. And it was important that we be able to prove that what we were doing was based on solid intelligence. So I think it was extraordinarily important we put those people at risk and of course they performed brilliantly.

(Applause)

MR. SCHIEFFER: Would you talk a little bit about the use of -- the increasing use of drones there becoming a -- we know they are very effective. How often should we be using drones?

MR. McCHRISTAL: Yeah. It's -- we should be using drones a lot because we can look at things. It

gives you an extraordinary ability to see and get one part of an understanding. But we need to understand what drones are not. If we were to have a drone above and providing what we call full-motion video to everyone in here of a location down the street you wouldn't know what was going on down there. You would have a view, but you wouldn't smell it, feel it, or understand it. You'd only have a one small view. But I think it adds to the picture.

So what I'd say is I hope we won't be a country where we use them to the exclusion of teaching people languages, sending people to live there, getting people to understand. A quick story on that; we made a grievous mistake one night in Afghanistan and we killed a civilian farmer in the middle of the night with an attack helicopter who was -- based upon what we got from an aerial platform. The guy was digging by the side of the road, a very dangerous road where we had a lot of IEDs. And we fired a missile and killed him. We thought initially, okay, that's a good thing; went down and found

out it's a farmer.

I took a laptop in to see President Karzai the next morning and I said, President Karzai, I think, we made a mistake and we killed someone with good intentions, but bad outcome. And I showed him the video and he said, that's a farmer out diverting the irrigation ditch in his neighborhood because each farmer gets a certain number of hours in the day and it's his responsibility to divert it to his field, then to divert it back.

And I said, well, Mr. President, we didn't know that. And he goes, that's the point. You have to know those things as you deal that the ability to get down and get your feet in the mud and understand the people is absolutely required for anything we do, not just counterinsurgency, for dealing with anyone.

MR. SCHIEFFER: General, how would you assess the state of the American military right now? I remember when we were talking about the surge and putting more troops into Afghanistan -- I was at a conference like this

and Colin Powell said, wait a minute, we're not talking about putting more troops into Afghanistan. We're talking about putting the same troops into Afghanistan. These wars have taken the toll -- a toll on the U.S. military. Would you talk about that a little?

MR. McCHRISTAL: Certainly, I will. I grew up in the Ranger Regiment. And last summer, a noncommissioned officer, a sergeant first class, was killed on his 14th rotation to combat. Now they do 3-month rotations, not years, but 14 times 3 months is a lot of rotations to combat. And he had joined the Rangers right at 2001.

So his whole career had essentially been at war. He had a wife and two children. He was doing what he did -- he was doing with the organization he left. But that's an awful lot of combat. We've never done an extended war with a professional army like this. We've got a very professional army, volunteer army and volunteer Reserve and they've done a lot.

So we're in uncharted territory. I would tell you it performs magnificently. The things that you do to support it -- and you do a great job of it -- are completely warranted. They are tremendous. But at the same time we have -- we've got two concerns in my view. One, we're running it very, very hard, and at a certain point you just can't expect it to go forever.

The second, it's less than 1 percent of America's -- touch by this -- less than 1 percent is in the service, has a child in the service, a spouse in the service, a father in the service. We don't have the same up-close touch of this and nor does the service have the same up-close connection with society that I think is important. And so for that reason I think we've got to do things, consider a draft and whatnot to try to get a better connection.

(Applause)

MR. SCHIEFFER: You know I'm very interested to hear you say that because I was at a -- at one of these

sessions this morning when Charles Murray was talking about the disconnect that is now developed between the very upper classes and the middle class. There seems to be no real common experience for Americans anymore that we can all share. I mean I'm old enough to remember World War II, and when everybody had an uncle or a father or somebody that -- everybody had a stake in it.

And it saddens me now to know that -- I actually know people, good people, who don't know a single person in the United States military. My guess is we're not going to get a draft through. But what is your take on some sort of mandatory national service?

GEN. McCHRYSTAL: I am becoming a little bit extreme on this each year. Right now I think everybody 56 years old and younger ought to have to serve 2 years. I'm 57.

(Laughter)

GEN. McCHRYSTAL: The -- no, what I really believe is I think we need National Service, and I think

you need it either at the conclusion of high school or university.

(Applause)

GEN. McCHRISTAL: I don't think people -- I don't think young people would really fight it if it was fair, if everybody did it. You can only take a small part of that, the military, so I'm not talking military, I'm talking about all kinds of things. But I also think that the payoff is not what they do, it's not whether they go build roads and parks or that sort of thing. It's what you put inside them. Because once you have contributed to something you have a slightly different view of it.

And I think that it would be good to have a shared experience if every person that's aged 25 and older gets -- meets in a play area and they all -- the first question is, hey where'd you serve, what did you do? If that's the start of the conversation I think it would be really powerful. I think Israel gets amazing value out of that.

(Applause)

MR. SCHIEFFER: How would you evaluate the state of America's security right now and what do you see is the greatest threat to our security?

GEN. McCHRISTAL: I thought --

MR. SCHIEFFER: Is it in -- does it come from Afghanistan, is it some place else, is it al-Qaeda?

GEN. McCHRISTAL: No, it's a lot closer. It's in our schools.

(Applause)

GEN. McCHRISTAL: Yeah. Let me scare you a little bit. You know I hate to use fear. A third -- almost a third of all high school kids don't graduate. They can't -- they're not eligible for the military. So you now have broken it to two-thirds or even "eligible."

And then you break it down with people who've got physical problems, obesity, different, you know, legal problems and you are really down to about 33 percent of the nation is actually even eligible to serve in the

military. And that's the same third that you're competing with Yale, Harvard, all those other places. So it's a national security issue, and I think that's the one that ought to really worry us. I think the other things around the world, we can sort those out, we can figure them out over time. We have the ability, the technology and the forces to do that. I'm much more worried about sort of the fundamentals.

MR. SCHIEFFER: General, it's a pleasure to interview you. Thank you, sir.

(Applause)

MR. ISAACSON: All right, let's hear it from the back. Hold on. Tom, would you bring back the microphone?

It's part of Bob Schieffer that he really doesn't want to give up that microphone. I'm Walter Isaacson, I know it's a disappointment that I'm not Gwen Ifill, but it's 104 degrees and there are storms all from Washington. I think there's a million houses without electricity and also the airport wasn't working. So I'm

subbing, I'm sort of the Ray Suarez of this thing, when Gwen Ifill can't, hers.

We have as our guest, Valerie Jarrett, the senior advisor to the President of the United States both for intergovernmental affairs and public outreach.

(Laughter)

MR. ISAACSON: That makes her one of the most important and influential people in Washington. She is also one of the smartest people in Washington. But Washington has a lot of powerful and smart people. She's also a very nice person. In the Venn diagrams of being nice, powerful and smart, there's only a few people in Washington like that, Valerie Jarrett is one of them. Thank you for being here.

MS. JARRETT: Thank you. Thank you, Walter, Good afternoon everybody, I'm delighted to be here.

MR. ISAACSON: Where were you when you heard the health care ruling?

MS. JARRETT: Oh, now, that's an interesting story, because as you know in Washington lots of things leak. Yeah, that's no surprise to anyone. So everyone was very surprised that we didn't actually have a heads-up and we did not.

So I was sitting in the office of Kathy Ruemmler, who's the White House counsel, with the former White House counsel, Bob Bauer, with Kathleen Sebelius and with her former general counsel, Mark Childress. And we all had our iPads out, tuned into SCOTUSblog, and we're watching every single second as it came out. So fortunately we were not looking at CNN, so we missed that scare. But somebody rushed in and said to Kathy, CNN just reported it, and so she thought well she better scoot down to the Oval House and make sure the President had the facts, and so off she went to tell the President.

MR. ISAACSON: How did it make you feel?

MS. JARRETT: Oh my goodness, well, I woke up that morning knowing it was a historic day, and just

thinking, you know, in a few hours the Supreme Court is going to make a decision that's going to be historic for our country. And so the first thing I thought about was just how many lives will be improved, the quality of health care for so many millions and millions of Americans as a result of the Supreme Court's decision.

(Applause)

MR. ISAACSON: The decision limits the expansion of the Commerce Clause however, and that really brings up something that Governor Daniels and we've been talking about a lot, which is the role of the federal government, how big and how expansive can it be. Do you think that it's gotten too big that there should be now a pause on how far the federal government should intrude?

MS. JARRETT: Well, actually, I think the paradigm is not wrong. I'm not sure -- not right -- I'm not sure whether it's too big or too small. I think we should step back and say what purpose does the federal government serve, what's it there to do. It's not there

to solve all problems, it's certainly not there to create problems.

But we are a society where we cannot make it without some help from the federal government. I mean, look at our roads, our bridges, our technology, the research grants, the technology advancements, there's so much the government does -- education, innovation. And so I think the more appropriate question is not how big or how small but smart, and what is the role for the government to play if we're going to be the kind of society that the United States has always been and that we hope to be in the future.

And so I think you might want to ask the question a little bit differently. And I think going forward the choices that we're going to have is really a vision for the future that involves the role of government. And I think government should only do what we cannot do on our own. That's where I begin.

(Applause)

MR. ISAACSON: And tell us where that will take you on health care now that this law has to be tweaked and we have to implement it?

MS. JARRETT: Well, so -- just so that we have a broad understanding and making sure that everybody is clear on what the Affordable Care Act will do, for the 250 million Americans who already have health care what it will do is provide you with more security and certainty.

And so, for example, the insurance companies will not be able to impose lifetime caps or drop you when you're sick. Right now, children with preexisting conditions have to be covered, and if you're a parent with a sick child, you shouldn't have to worry about whether or not your child is going to have health insurance.

Preventive care will be covered for free. So many people don't have the kind of regular check-ups that they need because they can't afford the co-pay. And so now whether it's mammograms or prostate screening or check-ups, all of that will be covered for free. So we're

trying to -- the whole design was to incentivize people to have good health.

In addition to that in 2004 once the -- 2014, once the exchanges are set up then we will cover everyone with preexisting conditions. And so the insurance companies will have additional people in the marketplace and that will allow them to insure everyone whether you're sick or not. And that's also important.

Something that was viewed controversial but I think is really an important part of the health care plan and it was what the Supreme Court ruled on most importantly, was that the view is that everyone who can afford health insurance should have it. Why is that? Because if you go into an emergency room and you don't have health care coverage and you're treated, who's paying for that? We are, we all are in the form of higher premiums.

If you go into a public facility and you're treated, who's paying for that. The taxpayer is. And so

we wanted to create an incentive for everybody who could afford insurance to get coverage. If you don't and it's your choice, well then you have to pay a penalty because the sense is that if you're -- otherwise you're just free-riding on the system and this is one where everyone should act responsibly.

Young people get to stay on their parent's plan. My own daughter when she finished school there was a gap between school and the time that she started work and so she was able to come on my plan. Now before she knew that she was out researching how much it was going to cost her to get health insurance, and she called me up and she said, mom, it's going to cost me a fortune. I said, no, darling, thanks to the Affordable Care Act you can come on my plan along with six million other young people already.

And then you know my mom is a senior citizen, she wouldn't like me to call her that but she is 83, and senior citizens on average have already saved \$600 to help on their prescription drugs. And so every component of

the plan was designed to make sure that all Americans have access to affordable quality care. It's just that simple.

(Applause)

MR. ISAACSON: The President acted unilaterally and somewhat surprisingly on immigration about a month ago. Why did he do that and why haven't we been able to get a comprehensive immigration?

MS. JARRETT: Well, that's a very good question. Just to give you a little historical perspective, during the last campaign when President Obama, then Senator Obama, was running, his opponent Senator McCain was supportive of immigration reform along with President Bush and along with 10 other Republicans in the Senate. And yet they weren't able to get comprehensive immigration reform done.

So the President made it very clear that this was going to be a priority for him, and he thought given the track record in the past we could get some momentum going. Unfortunately, we were not able to do that for

comprehensive immigration reform. In a lame-duck session 2 years ago, came up before Congress the DREAM Act, which would be just to allow young people who grew up in this country, thought they were American citizens -- many of them didn't find out until they applied for a job or tried to get in certain colleges that they weren't American citizens -- stick -- put them on a path to citizenship and unfortunately we weren't able to get a single Republican to vote for that.

And so we've been consistently reaching out and trying to engage in a dialog with members of Congress to solve the comprehensive immigration challenge. It's not going to go away and we have to do something about it. And the President has felt very strongly we are a nation of laws and we are a nation of immigrants and we have got to tackle this issue.

I have met maybe a year-and-a-half ago with about four DREAM Act kids -- I call them kids, they're actually young adults. They walked from Florida to

Washington, walked. And they wanted to see the President. And of course they couldn't come into the White House, because they're here illegally and they would have been picked up.

And so I ventured across the street, across the park to a church, and I met them in the church. And I've now met with them four or five times. And each time I would leave in tears, because they are exactly the kind of people we would want in this country. They work hard, they love their country, they want to be school teachers, they want to serve in the military, they want to run businesses, they have innovative ideas. They are the best that we have.

And the President's frustration with the fact that he couldn't get Congress to act on the DREAM Act just got to the point where he said I'm going to have to do what I can do. Now it's not a solution, it's stopgap measure. They're not on a path to citizenship. They can stay here. Every two years they have to reapply, so it's

not the solution. But you cannot look into the hearts of these young people and say there's nothing we can do when we actually did have the power to do something.

(Applause)

MR. ISAACSON: I embarrassed him, but I see John Doerr here. And when John Doerr set up, as many other people have, businessmen meeting with the President of the United States, business leaders meeting with the President, people from Silicon Valley, one of the things they kept pushing is why in the world, when people get a really great education and they become engineers and they get to help our economy, at that point we can't give them visas we just kick them out. Why don't we staple a green card to it.

And if I remember -- you can tell me if I was wrong -- the President's basic answer was you can't do that separate from the DREAM Act for these kids. Now that we've done the DREAM Act, partial solution, why don't we find a way to have that part of our immigration policy

changed?

(Applause)

MS. JARRETT: You can tell I'm in California -- a lot of you are from Silicon Valley. Well, John and I have had this discussion. In fact, the infamous dinner that you discussed in your book about Steve Jobs, that topic came up for conversation. Absolutely, we should figure out a way to staple a green card, absolutely we should do that and it does require an act of Congress. That we can't do without the support of Congress. But I think we could do that at the same time as we let these DREAM Act kids be on the path to citizenship. Now that we've taken the first step administratively let's package the DREAM Act with high-skilled immigration and we could get that done in five minutes. That's how long it would take to get that passed.

(Applause)

MR. ISAACSON: But I'm sorry, why don't we? I mean why don't you do it right now?

MS. JARRETT: We should. I mean believe me if I could wave a magic wand and get Congress to do what I want them to do, I would. It has to go through Congress, we cannot do that administratively.

MR. ISAACSON: No, I know but why couldn't that be a push --

MS. JARRETT: It could --

MR. ISAACSON: -- bipartisan right now?

MS. JARRETT: It could. It would be a terrific push if we could get it done. We've got to find --

MR. ISAACSON: And they'd be willing --

MS. JARRETT: -- Republicans who are willing to do it. I can assure you the Democrats would support that, we just have to get the Republicans to do the same.

MR. ISAACSON: Well that gets back to the question of the tone, the partisanship, the divisiveness that came somewhat as a surprise because three-and-a-half years ago we nominated the two candidates who seemed less divisive -- in McCain, Senator Obama, people who'd worked

across the aisle.

I don't want to get a whole lot of finger-pointing looking back saying here's who to blame for it. But looking forward, how do you change this tone so that if there is a second term you can have a government structure that's not just knee-jerk partisan.

MS. JARRETT: Well, that begins with all of you. It really does, because I think Washington has become detached from all of you. There are so many initiatives that the President presented to Congress that had popular support, and yet, we weren't able to get Congress -- frankly, the Republicans in Congress, to act.

I think after the next election when the goal isn't -- let's assume that President Obama wins -- and the goal is no longer "Let's try to keep him from getting a second term," and those aren't my words, those are the words of the leadership of the Republicans in Congress, when that's no longer the goal, if he's reelected, I think it kind of breaks the fever.

And there are some tough challenges that we have, bringing down the debt for example, figuring out what we're going to do to improve our public school system, figuring out how to make sure that our businesses here in the United States remain globally competitive, comprehensive immigration reform -- we have a lot of work to do. All of those problems are solvable if we have elected officials who come to the table in good faith and want to solve them. There's nothing we can't do if we put our minds to it.

And so we are hopeful that in the second term that the tone in the country will be one that puts pressure on Washington to do the right thing. Just to -- and I'm sure Secretary LaHood talked about this when he was up here because he talked about the importance of transportation and the fact that the transportation bill passed. And that's terrific, and it's going to create jobs and it's so important to improve our infrastructure around the country.

But also in that bill was the provision that we've been working on now for weeks to make sure that the interest rates on student loans didn't go up. Well the only reason why that was included in the bill is that so many young people particular around -- particularly around this country put pressure on their elected representatives to include it in the bill. And so I think we're going to see a lot more involvement like that with all of you around the country who are going to say wait a minute, I want you to be there to solve the problems that we have and to work constructively.

And these are not partisan problems, these are challenges that are American challenges and they're ones that we should be facing together.

(Applause)

MR. ISAACSON: Thank you -- Governor Daniels, others have said that this is the most important defining election of a lifetime. I'm not sure that's right, being an amateur historian, but I wanted your take on that. And

if so what is the great question that's supposed to be determined in this election?

MS. JARRETT: I agree with Governor Daniels completely. I think that the last election was important and in a lot of ways it was historic, but I think the next election is really pivotal and I think what we have before us are really two very different visions for America. And I believe President Obama's vision starts with being an optimistic vision.

The question was asked of Governor Daniels you know is the -- is the American dream still possible, is it still alive? We very much believe it is. And the President's vision of the dream is one where everybody gets a fair shot, everybody acts responsibly and does their fair share and everybody plays by the same set of rules and one where the government is there to support everybody being able to reach that goal.

And so it's one where we do invest in education. We do set standards so that our children who are in our

public schools are being funded in a way that creates an incentive for performance and good teaching, because we want them to finish school able to go to college, able to join the work force prepared for the jobs of the future.

And that's why for one example, in Race to the Top the president created an incentive for schools that focused on science and technology and engineering and math programs geared towards girls, because too many of our young girls are not going into those fields.

And so he believes that that's one of the roles of government is to try to make sure our work force is prepared. We have a whole initiative on our community colleges to make sure we're working with the private sector so that the community college curricula is preparing the young people or the older people whoever is in the college system for jobs when they finish. So many people go through programs and at the end there's nothing waiting for them because the curriculum wasn't designed by people who actually create the jobs. And so that's part

of the president's vision.

Immigration reform is part of his vision.

Making sure that we have the platform for laboratories of innovation, investing in science, investing in new technologies, making sure that our companies who can't afford to do some of that initial research we're helping fund it, whether it's medical breakthroughs or technology breakthroughs, these are all the things that we believe a government should do if we want to be competitive.

And then there was the conversation earlier about the tax system. We welcome a conversation about tax reform and I was heartened to hear a lot of what Governor Daniels was saying. I would differ with him on one thing. He said that President Obama believed in a "trickle-down" theory. He actually doesn't. The President believes that our tax system should be much fairer where those at the top do pay a little bit more; the middle class who is struggling right now as we come out of this recession, they should have tax advantages; we should have a fair

equal system, a broader base, get rid of the loopholes, we talked about that. If you're using the tax system to ship jobs overseas we don't think you should get a tax break. If you're bringing jobs back and investing here in America, we do believe that you should -- the tax system should work for you.

So these are -- this is the President's vision and I think the alternative vision and you need look no further really than Paul Ryan's budget as one where you reduce the taxes of the very upper income under the thought that it will trickle down. Well we've tried that before and it didn't work.

Another part of their vision is let's get rid of Dodd-Frank, let's get rid of all these regulations. I would have to correct one of the things Governor Daniels said. We've actually had fewer regulations under President Obama and in fact for the first time -- for the first time our President has asked all of the agencies including the independent agencies to do a look-back at

all of the regulations on the book. Because what -- companies will tell you it's not that one last regulation, it's the cumulative effect. So let's clear out all the stuff that is nonsense.

In the President's last State of the Union he mentioned that we regulate milk the way we do oil. Well you know what, we don't really need to do that. There's a lot of stuff that's on the books that we're going to clear out of the way which will save businesses billions and billions of dollars.

So if we believe in a future that's optimistic, that looks forward, that believes government does have a role, that we should be investing in our young people for a future that's optimistic, if you believe in a fair tax system -- well, then that's one direction. And if you believe that really the best solution is to preserve and reduce the taxes for those of the very wealthy and get rid of regulations so we can have another economic meltdown, well, we just tried that, and you know what, it didn't

work.

(Applause)

MR. ISAACSON: But the -- it sounds like a great vision, but so many businessmen and others have said that the message has become one of class warfare, attacking the rich, attacking people who make a profit, people who make jobs. Why is it that that tone has been set that people believe that this is a class warfare?

MS. JARRETT: Well, they may be watching one particular network.

MR. ISAACSON: CNN?

(Applause)

MS. JARRETT: No. I mean the President -- anyone who's heard him speak, he always says this isn't about class warfare. We are a country that has the best companies, the most innovative companies. We are the envy of the world. We cherish and want to nurture success. We just want to make sure that everybody has the opportunity to be successful, that it shouldn't be reserved for just a

very few.

This is a country that was built on a strong middle class. If we have a strong middle class, that's good for business. If you are hiring somebody at a company you want to make sure that they come into your business qualified. So they should have a good public education. So we celebrate that, but what we're also saying and there is a lot of support for this among people who have done really well, is that those folks could afford to pay a little bit more if they believe, if they have confidence that that money is going to be invested back in our future. And that's what this is all about. This is not about class warfare. This is about shared obligation for society in order to make sure that our country is a healthy country with a bright future. That's what it's about.

(Applause)

MR. ISAACSON: General McChrystal talked very elegant -- eloquently about national service. Why hasn't

that become something -- or what should we be doing on national service and why hasn't that become a focus of this administration?

MS. JARRETT: Well, it is a focus of this administration, and I'll tell you where I find -- and let's not just say national service, let's call it "service." Where I think it begins is in neighborhoods, in communities. And I think it begins by example. And so folks who get involved in their local community organizations, who go to meetings at night whether it's the PTA or whether it's a block club, whatever it is, you get a sense of a shared responsibility and that you are a part of something bigger than yourself. It's what drew me to government service.

It's a sense -- I was practicing law and not that there's anything wrong with practicing law in the private sector, but it just didn't make me feel as fulfilled as I felt in my little cubicle in City Hall in Chicago. And so everyone should find what is most

fulfilling to you. And it can begin at the community and then it can also take place at the national level. And I think that if you -- but you need that ground connection in order for it to be most fulfilling.

MR. ISAACSON: But do you think it should be expected the way it was in my father's generation that what --

MS. JARRETT: I think it should. Whether it's required, that I'm not sure. And it's something we should have a conversation about. But I think it should definitely be expected, because it's about the -- it's a part of the social contract. It's what makes us a society is that you have an obligation beyond yourself, the sense of, you know, I am my brother's keeper, I am my sister's keeper. And it really feels good. People who do it enjoy it, and so figuring it out at the national level, how we can have that conversation happen at the local level, I think, is very positive.

My daughter, when she was in high school, her school required community service, and they all rolled their eyes in the beginning, because you know, sophomores in high school are thinking about very little other than themselves. But after a few weeks of volunteering in an AIDS clinic she came home a different person. It changed her life. And it doesn't take much, it just takes a little. So one of the things we have to do is to figure out how to expose, particularly our young people to it. And they mirror what their parents do. And so if our -- if we do it too then that's another way of encouraging our young people.

MR. ISAACSON: Last question is a personal one. You serve a very unique two-hatted role. Very close personal friend for a long time of the President and also a government official, senior advisor. What is it like for you each day to be the President's personal friend and to be that -- have that be part of your duties?

MS. JARRETT: Well, I will close maybe with a story. In the last campaign, I traveled extensively with then Senator Obama, and the primary, as all of you will remember, was long and hard and hotly contested -- and we're so delighted now to have Secretary Clinton as our secretary of State. How about a round applause for her; she is amazing.

(Applause)

MS. JARRETT: And she was relentless. And so, in the dark days of the Texas primary, one morning, I was with the President. We were just leaving Texas and we'd been in the same hotel for about three days. And we went up and down in the elevator and an elderly black gentleman took us up and down each time. And so our last morning we were leaving early, and then Senator Obama had a cold. He's not actually a morning person -- don't tell him I told you that -- so he was a little grumpy.

So we get in the elevator and this gentleman clears his throat. And I thought, "This is actually not

the time to strike up a conversation." So he says, "Sir, I'd like to give you something." And Senator -- then Senator Obama said, "What?" And of course we are all nosy, so we are peering in to see what he's about to give him. And it was his military medal. And we looked at it and the President said, "Oh, there's no way I could expect that." And the gentlemen said, "No, I insist." And they go back and forth and back and forth, and finally the gentleman said, "Sir, I've carried this medal with me every day for 40 years, and it gave me the strength to serve our country. It's given me the strength to perform this modest job and you have a tough journey ahead of you" -- little did he know.

And he said, "And so, I want you to have this." Well, of course I burst into tears. And the President put it in his pocket. And later that day, I said, "What did you do with that medal? You know, how did it make you" -- "No, what did you do with it?" And he said, "I put it in my pocket." And I said, "No, no, don't be a guy" -- I

mean, "How did it make you feel? You know, this is somebody giving you something they've carried for 40 years, what did that do?"

Because at that point it was early on, people weren't doing those kinds of unbelievably generous acts. And he said, "I put it in my pocket." And then he said let me show it and he pulls out of his pocket about 10 other trinkets and he tells me the story about who gave him each one, where he was and what the circumstances were and why he put it in his pocket and why he treasures it, just as he treasured that gentleman's.

And every morning when I drive through the gates of the White House for the last 3-1/2 years, I think about him. And I think about his unselfish act, his service to our country, his unselfish gesture and belief that there was a better tomorrow. And that this person, President Obama, could be a part of that vision. And that he was playing a small role in helping to fulfill that vision.

And so, to have the honor of serving somebody who has been my close friend for 21 years, who I passionately believe is leading our country in the right direction under the most difficult circumstances, it's the honor of a lifetime. But every day when I think about that man, I say, "He is the reason why we are there." And that's what enables us to kind of put up with the Washington nonsense and the -- you know, the distortion of his vision, because we're there to serve that man. And so to be able to do that next to my friend, life just doesn't get any better than that.

MR. ISAACSON: Valerie Jarrett, thank you very much. Appreciate it. Thank you.

(Applause)

MR. ISAACSON: If everybody could take their seats, we will continue. It's a -- let's get everybody to clear out. It's a treat for me to be here this afternoon with Israel's defense minister, Ehud Barak. One of the most --

(Applause)

MR. ISAACSON: Not only one of the most seasoned veterans of Israel's cabinet, but certainly one of the real heroes of Israel's armed forces as well.

Ehud, I was thinking before you came that the last time I saw you we sat in your office at the Defense Ministry. I think it was around October 2011. Anything new since then?

(Laughter)

MR. BARAK: Nothing. It's the same. We experience something that did not happen since the collapse of the Ottoman Empire and nothing will be the same for the next generation, probably more.

MR. ISAACSON: Let's start out with really literally today's news; a new president of Egypt has been sworn in. He's from the Muslim Brotherhood party, now President Mohammed Morsi. My simple question to you is does Israel want the Muslim Brotherhood president of Egypt to succeed or fail?

MR. BARAK: We do not intend to intervene in what happens in Egyptian policy. We respect the decision of the Egyptian people and we expect -- and I think that we see the first signs of it in his first speech. We expect whoever rules Egypt to come to a balance with all forces and to live up to the international commitments of Egypt, be it all other international commitments as well as the peace with Israel. We strongly believe it serves the interests of both sides.

And especially, in brackets, I would say, to keep law and order in Sinai because the security in Sinai can be a source of deterioration.

MR. ISAACSON: Tell us actually a little bit about that? I think it's something that people here would be interested in that the Sinai has become a bit of a lawless zone between the Bedouin traffickers there and what not. How much of a security challenge is there for Israel in the Sinai and what nature does it take?

MR. BARAK: It was a challenge even during the Mubarak and Omar Suleiman period because they never kind of perfectly controlled the area, but it deteriorated dramatically in the last year. We see more smuggling of both weapons, drugs, labor from Africa, women from Ukraine, you name it. It's unbelievable.

MR. ISAACSON: All comes through the Sinai?

MR. BARAK: Yeah, it comes through the Sinai into Israel. We made the crash program to develop a fence -- more than just a fence, something like you have on your Mexican border. We sometimes think of hiring some of your toughest sheriffs over this border to help us. We are going to complete it within a few months. We hope it will be successful.

We have several incidents where rockets were shot from Sinai in terrorist attacks that were initiated in the Gaza Strip and worked more comfortably through Sinai. It's a major issue. We hope and believe that the Egyptians can take care of it, and we are watching it very

carefully.

But coming back to your question about Egypt, let me tell you it doesn't bode well. The pictures from the Tahrir Square were moving, I believe, to many people and in a way promising for the long range. But there is absence of real ripeness for Jeffersonian democracies in the Arab World. You cannot expect a Vaclav Havel kind of a moral beacon intellectual leading the country. And the opening that was opened by the youngsters in the Tahrir Square were following precedents in history taken over by the more organized power that wanted to come to power, and that's the Muslim Brotherhood.

It will change the landscape. It will resonate or project certain uneasiness into the Arab Peninsula; the Saudis, the Emirates, clearly Jordan. It will change the equation with the Hamas in Gaza. Mubarak as well as Omar Suleiman, despite them, with the new regime they might find a certain kind of brotherhood and different type of relationship. We have to worry.

You know, a person cannot choose his parents, a nation cannot choose its neighbors. You can go into Afghanistan, go into Iraq, and a decade later, decide that now the time had come to pull out of Iraq, pull out of Afghanistan. We are determined to stay there and survive and flourish, and it takes a lot of responsibility and a lot of vigilance.

MR. ISAACSON: Back on -- just one more question on Egypt I have, which is, you know, if you think of political Islam today, we have in Iran political Islam in power with oil to buy off a lot of the contradictions. Saudi Arabia has political Islam in power with oil to buy off the contradictions. Egypt will be the first case of political Islam in the Arab World in power without oil.

MR. BARAK: Yeah.

MR. ISAACSON: And that will be pay-per-view. That's going to be an amazing thing to watch. I think it's going to be a real challenge for the Muslim brotherhood, how do you deal with trade, tourism, foreign

direct investment. How do you see that from Israel's perspective?

MR. BARAK: First, though it will be a major challenge for them, we highly appreciate Mubarak and the previous regime for the success in holding the 80, 70 -- 80 million, now more than 80 million over the water, you know, over the -- with the --

MR. ISAACSON: Right, head above water.

MR. BARAK: It's demanding. You have to provide -- to produce a million new jobs every year, a million new mouths to feed probably every year and you don't have the oil. The sources of foreign currency for Egypt were \$11 billion from tourism, \$5.5 billion from the Canal and the next item is the \$2 billion from the United States. It needs a certain approach. And I believe that when the new president sits in his place, his -- he was educated here. He got a PhD from an American university.

MR. ISAACSON: USC.

MR. BARAK: He understands the world and he will have to make decisions that are not sometimes typical Muslim Brotherhood decisions.

MR. ISAACSON: Ehud, as we sit here today Syria is unraveling. There are reports I was just reading coming over here that two top Syrian generals have been abducted by the opposition. How do you see the situation there developing and are you rooting for Assad to stay or to go?

MR. BARAK: I believe that it's not -- once again, it's beyond our influence or judgment. I believe that he is doomed. He can never resume legitimacy within his own people. He slaughtered his own people en-masse. The rebels now are more and more daring. A senior pilot defected with his jet to Jordan. Units are coming out of the armed services. It's not yet over. He can still survive for probably a month or two, probably a quarter. I cannot -- do not dare anymore to make predictions because a year ago I predicted he cannot stand for more

than two weeks, and he stood.

But I am confident that he will be out of power. It will be a major blow to the Iranians and to Hezbollah. These are the only guys who are helping him physically now. The Arab League made extremely courageous steps by publicly condemning him and probably they are helping with some physical support the rebels. The rebels attacked military installations, TV stations and they control quite significant parts of Syria.

MR. ISAACSON: How do you think the vacuum there will be filled and by whom?

MR. BARAK: The longer it stretches, the more chaotic the morning after will be. The blood that had been spilled will shadow any effort to come to normalcy once again. We strongly believe that once he is out the interests of the Syrian people, the region, probably the world is that Syria will be kept together and that somehow the bodies, the organs that are now functioning will function. I don't think that the world has to repeat the

mistakes that had been done in Iraq by dismantling the Ba'ath Party, by dismantling the armed forces, dismantling the intelligence, Mukhabarat, and so on.

And I think that in the Syrian case the three major players should be Russia, because they invested over two generations a huge amount of political capital as well as financial resource -- even prestige in the Assad family. They should have a role if we want it to end quickly. There is a need for American leadership from wherever you choose to lead, but certainly American leadership. It needs NATO and Turkey, especially Turkey. The Turks were the owners of the whole region for 400 years. They are still highly respected in Syria. And they will be very careful when a determined Turkish demand will be faced by them, even if it happens underneath the table.

MR. ISAACSON: How has Hezbollah been affected or do you think will be affected by the downfall of the Assad regime?

MR. BARAK: We are watching very carefully the possibility that when actually Assad will collapse in the very days before and afterwards, Hezbollah will try to grab some extremely advanced surface-to-air missile systems, ground-to-ground missiles of long range and heavy warheads and probably some chemical --

MR. ISAACSON: Interesting.

MR. BARAK: -- warfare means. We are watching it very carefully. As of now, it is not -- we are not yet do. But the Hezbollah will be weakened dramatically and it can even destabilize Lebanon, because the Hezbollah will -- some of the power role, influence in Lebanon stems out from the backing they got from Damascus and the open channels of logistic support and political support. It would be a different -- it's a great opportunity for the other Lebanese, the ones that you interviewed on -- I first met this guy as a small sized Jewish young reporter for the *New York Times* with a Beirut like moustache, much darker than this one, in Beirut. I was heading our

intelligence community and reading all the materials and knowing the Lebanese, and I was shocked by the clarity of observation and penetrating power of a young guy from Minnesota, and that's Tom Friedman.

(Applause)

MR. ISAACSON: Well, thank you. Thank you. So that actually sets up my next question, you know, because I came to Beirut in April 1982 for the *New York Times*, and shortly thereafter I heard a rumor that in the Syrian town of Hama a massacre had happened. It was all just a rumor. This was pre-cell phones. And I went to Damascus shortly after they opened the road from Damascus to Hama, and I hired a cab, and just went to Hama on my own, walked around, saw the city literally flattened. What a contrast that is to today. How do you follow events in Syria?

MR. ISAACSON: We are disturbed on two levels. One is what really happened and I described it. I think that there is a huge difference that stems out exactly from the level of connectedness of the world right now.

Assad Junior cannot repeat what his father did because -- for his father he first massacred them and then he took several weeks -- probably several months before the world became acquainted with it. Now it's on real time on the screens all around the world.

But there is a lesson that many in Israel noted to me. They say, "Look, even when the whole world informed in real time about terrible events that are totally unacceptable and that we are determined to prevent from happening rhetorically, and in terms of our real genuine beliefs, it doesn't mean that enough political will and enough unity among nations will be found in order to follow this strong belief by actions."

And Israelis, who happen to live in this tough neighborhood when there is no mercy for the weak, no second opportunity for those who cannot defend themselves, turned a little bit more open-eyed with this observation, that, even when events went that far in Syria, no one really moved to do something about it.

MR. ISAACSON: Let's skip to, you know, I know what's been a huge question for you, Iran. So for starters, give us, to the extent that you can, your strategic assessment of Iran's nuclear capabilities right now, where does the threat stand from Israel's point of view?

MR. BARAK: I believe that, first of all, we have to think of what it means to have Iran nuclear, and my judgment probably is somewhat similar to what General Musharraf cannot say is that if nothing will be done about it within several years Iran will turn nuclear. Probably somewhat similar way that the way that Pakistan turned nuclear in spite of Reagan administration reservations, and North Korea turned nuclear in spite of Clinton and the rest of the world reservation.

So I believe that we have to think, first of all, what it means. A nuclear military Iran is the end of any conceivable anti-proliferation regime, because the Saudi's will turn nuclear within weeks, the Turks will

turn nuclear within several years, and probably even new Egypt would find no way to avoid turning into a military nuclear power. And I don't mention the vision of Professor Allison Graham from Harvard, who said that we have to start to countdown towards weapon grade material in the hands of terrorist groups a decade down the stream, a nightmare that if ever material -- that we are already behind the wave to prepare ourselves for this.

Now it's not just the end of anti-proliferation it's the end of any controllable sponsors of terror, because they sponsor terror among Baluchi tribes in Afghanistan, among certain groups in Iraq and among -- with cooperating with Lashkar-e-Taiba with India, with the Houthis in Yemen, with the bandits in Somali, you name it, all around the world. And it's not going to be better but worse.

Now they will strengthen their proxies. If -- now we are facing Hezbollah militia that has members of parliament, enough ministers to put a veto on any decision

of the Lebanese government. But still they have independent foreign policy and they acquired some 50,000 or 60,000 rockets and missiles that covers all Israel, thousands of them can reach Tel Aviv. We think that this is crazy. It's not a simple challenge to deal with it when the time comes or if the time comes now, but try to think what it will mean to do with it when you prepare for it or when they challenge us. Iran -- a nuclear Iran will say an attack on the Hezbollah in Lebanon is attack on us.

So I propose to all those -- not to mention the leaders of the Gulf states, they are terrified. I have no other word. Terrified by the possibility that Iran will turn nuclear when America leaves Iraq and prepares to leave Afghanistan. That's terrible for them. It doesn't mean that they applaud if anyone who will do something about it, but they are terrified. And clearly, the Iranians will intimidate neighbors. In fact, they are starting to do it already now.

So I think -- I am reading almost any think-thank publication on this issue coming from this continent. I tell you, honestly, I strongly believe that however complicated dealing with Iran now is -- and it's complicated and can carry certain unintended consequences -- it will be much more complicated, much more dangerous, much more costly in terms of human life and financial resources if we start to realize the consequences or the meaning of it only after they will turn nuclear.

Now to the direct question you have -- you know, we have now no difference in the intelligence. Several years ago the NIE raised some questions, now everyone understands after the recent Amano IAEA in Vienna report, everyone understands. The Iranians are determined to turn into military nuclear power, number one.

Number two, that Khomeini had not yet ordered his people to start to build a weapon or an explodable device. The reason is most probably the fact that he thinks that he is penetrated in terms of intelligence and

that we and the rest of the world will know about it. And probably if he does it right now, he will end up having to face a certain probably operation led by America or by Israel or by something other combination.

So he basically thinks the following. We waited for thousand years to start nuclear ambitions. We are into it for some 20 years, so let's wait another 4 quarters or 4 years. But make sure that before we make this critical step that might ignite a response, we first of all have to be redundant enough, to have enough centrifuges, enough sites well protected dug into sides of hills, with enough kind of plans to produce new centrifuges and enough lowly enriched uranium to suffice for half a dozen weapons.

And it's clear to me that he is heading towards what we call zone of immunity, where Israel, and later on even the United States of America would not be capable of making any surgical attack to destroy this capability. Only then he will consider when to start the operation

itself.

Now, of course America has different capabilities than Israel. America has not just the kind of scalpel surgical capability, but also a chisel with ten pounds hammer kind of a surgical operations capability. So you are much more capable, so you can stretch it over a longer time. But that creates a built-in difference in the way we in Israel and you are looking at this issue. We sincerely believe that if nothing else works -- and both sanction and diplomacy are much more severe and sincere than in the past. But if this doesn't work -- and we don't have all the time in the world -- we'll have to contemplate what to do.

And because we now share the rhetoric, all of us are saying a nuclear military Iran is unacceptable, we are all determined to prevent it from turning nuclear. And we all say that no option except for containment should be removed off the table. I think that now comes the time where we strongly believe that sanctions should be

dramatically ratcheted up and the process of negotiations dramatically accelerated in a way that the moment of truth or point of culmination will arrive, where still both of us, the United States of America -- that can still drag it for another several quarters or probably several years -- and Israel will both be capable of passing a judgment. Because I believe that the higher layers of leadership here fully understands that we are looking at the issue of Iran slightly different from the way it is perceived here, and I fully trust the president to see it as an extremely serious challenge.

I have noticed that American fighting forces are preparing themselves in a much more systematic manner for any conceivable contingency. So it's not about lack of sincerity, but a decision has to be done at a certain point. And we strongly believe that when it comes to crucial issues related to the future and security of the state of Israel, we cannot afford delegating the decision even into the hands of our most trusted and trustworthy

allies, which are you.

MR. ISAACSON: Thank you.

(Applause)

MR. ISAACSON: Ehud, you raised the question of President Obama, and we are in a political season here. There are certain divisions within the American Jewish community about the President. Is Barak Obama a friend of Israel?

MR. BARAK: Yeah, clearly so. I believe that the administration is fully --

(Applause)

MR. BARAK: You know, I can judge it from the point of view of defense, the defense of Israel is supported in a way and it's ---

MR. ISAACSON: By President Obama?

MR. BARAK: By the administration headed by President Obama, as well as by the Congress. But I should add to it that that was the pattern in the past from president and Congresses with this majority or the other

kind of majority all along the years. We feel that we enjoy a bipartisan support in this country that stems out from a much deeper currencies independent of the President. But to tell the truth, this President and this administration supports Israel in a very forthcoming way.

(Applause)

MR. ISAACSON: Ehud, a couple of questions. The Palestinian-Israeli peace negotiations have been really stuck under this government. The Palestinians are insisting on a settlement freeze or have been before negotiations resume. What would be so bad about freezing settlements in order to get negotiations started? As you say, you know, there are now 500,000 settlers --

(Applause)

MR. ISAACSON: This --

MR. BARAK: It's true that there is no major breakthrough until now. We now have for several weeks a new government, unprecedented in (inaudible), covering some 80 percent of the Knesset, and we hope that it will

create a new opportunity to try to move forward with the Palestinians. But let me tell you, under this government what really happened. First of all, the Palestinians under Abu Mazen refused once and again to get into the room with no --- without any precondition and start putting core issues on the table and start to negotiate them.

Partially, it's their -- I believe that most of the responsibility is on their shoulders, some of the responsibility on the Europeans, and probably some on you and us, because the very idea that not a single brick should be put on a building in the settlements was drawn by Abu Mazen from Europeans and Americans. And he just quoted -- as he put to me, he said, "They pushed me to the top. I cannot afford being less Palestinian than the American president or the French president or the German chancellor or the Russian president."

And then they took the latter and asked me to come down. Now I could tell you, honestly, I believe that

no one went further in order to strike a deal with the Palestinians than myself as the prime minister some 12 years ago together with Clinton.

MR. ISAACSON: I would agree with that.

MR. BARAK: Later on Ehud Olmert did it with Abu Mazen. For some reason we could not do it. And unlike the urban legends, we didn't tell Arafat take it or leave it. We didn't try to dictate. We just put an offer on the table that covered metaphorically probably 90 plus percent of his wishes and told him we want you to recognize this as a starting point for negotiation. He rejected it bluntly and deliberately turned to terror. Something similar without the violence happened with Olmert, but we helped them to -- I don't want even to go into the details. We don't want to embarrass Salam Fayyad or others by portraying all the support we tried to give to them.

And they did a mileage. They built institutions of a state in embryo. They built security forces and a

chain of enforcing law, which is much better than the past. But having said that, I can tell you that when I was prime minister and we were negotiation very close, we built four times the pace that this government is building. When Olmert was in negotiation with the same Abu Mazen, we built -- I was minister of defense at the time -- twice the pace of this.

So this government is not building. It's just a legend. It's not building -- we are building in Jerusalem. We are building with what -- within what we call settlement blocks, always the next row of building close to the older one. And if after 45 years of being in control of this West Bank, Judea and Samaria as we call it, all together, all the Jewish settlement with all the 350,000 people doesn't cover even 2 percent of the area. It means that that's not the reason for blocking the agreement. It's more complicated.

(Applause)

MR. BARAK: I want you to draw a conclusion from what I have described. The very idea that because Israel is so kind of refusing or kind of rejecting any initiative that's the reason why everything is getting complicated is not true. It's just not just true. We are more open than we appear to be.

And the second -- probably a second lesson that we can draw from this whole picture. When you look at Egypt and Syria and what happens in Iraq and Iran and so on, to genuinely believe that the conflict between Israel and the Palestinians -- the source of all this is incongruent with reality. Even if Israel had for two generations a peace agreement with the Palestinians or the Six Day War had never happened because the Arabs would not try to defeat Israel --

MR. ISAACSON: The Arab awakening --

MR. BARAK: -- the Muslim Brotherhood will come to power at the right moment and the people would come and step against the autocrats. So we have to be more modest.

Israel is part of the region and we will remain there forever. We are the strongest country. But we are not the reason, the causal chain of anything which is complicated in the Middle East.

MR. ISAACSON: Last quick question, Ehud, which is that, you now, if you sit in Washington, where I live, you can see the prime minister of Israel still get a standing ovation in Congress. But if you go to --

MR. BARAK: He's an articulated orator.

MR. ISAACSON: But you can -- if you go to the University of Wisconsin or Berkeley or Harvard or Nebraska, a visit by the prime minister of Israel today is a controversial thing. It would produce a lot of protest. Do you worry that Israel's standing not only with Americans, but with young American Jews is being eroded and what do you think can be done about it?

MR. BARAK: I am worried. A generation ago I was a graduate student at Stanford. At the time, in every leading university, every second grade college there was a

cell of Israelis and Jews who were fighting for the Israeli cause. And nowadays I visited my alma mater and I traveled in some universities, it's different. A group of former Israelis together with Palestinians and sometimes some Jews are demonstrating. You don't need Bibi for this. They demonstrate against me. A very powerful decision as I've seen what they had done. (Inaudible).

So we are in a struggle. We shouldn't wink. You know, it's a part of the picture. We have to invest more in pushing our cause, and we have to bear in mind that we are living in a complicated world. The world expects Israel, because we control the Judea and Samaria, not the Arabs. The world expects us to be the source of initiative to change reality.

And it's clear to me I -- unfortunately, I cannot tell you that I have a majority in Israel but I'm part of those who believes strongly that we are not doing a favor to the Palestinians by trying to solve the issue for them. It's for both of us and that the future of

Israel is threatened by the deadlock, namely between the Jordan River -- ours, not the one in Utah -- between the Jordan River and the Mediterranean. There live 11 million people or probably 12 million; 5 million Palestinians, 7 million Israelis.

If there is only one political entity called Israel reigning over this area, it will become inevitably - - and that's the key word -- inevitably either non-Jewish or non-democratic, because if this block of millions of Palestinians with nation aspirations can vote for the Knesset, it's a bi-national state, (inaudible) probably will be with the majority of Palestinians in a generation. If they cannot vote, it is not the Jewish democracy we were dreaming about.

So basically, the real strength for the Zionist project is abandoning the two-state solution. And that's why we are trying to help our people to look further into the horizon and see the realities that are evolving and take action in order to avoid them.

MR. ISAACSON: Ladies and gentlemen, Ehud Barak.

Thank you very much.

(Applause)

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