

Assuring Kansas Strength

United Way of Greater Topeka Annual Meeting

Topeka Kansas
March 27, 2008

Remarks of
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Good afternoon.

My warmest thanks to Governor Sebelius for her extraordinary leadership on behalf of Kansas' next generation, my compliments and thanks to the United Way of Greater Topeka for everything you are doing, and congratulations to Chairman Joe Aleshire, to new board members and to all the inspiring people awarded today.

And, Nancy Perry, I add my congratulations to the many you've received today on a remarkable career and my appreciation for everything you've done for the United Way and Kansas kids.

Today I'll talk about just two things -- how to obtain better economic outcomes for Kansas and America, and the Partnership for America's Economic Success

Kansas and Virginia

In my home state, Virginia, we spend millions of dollars for special education, remedial education, tutoring, disciplinary action, truancy and teen and adult crime. We also spend millions on healthcare costs that arise from inadequate attention and treatment early in life. Former Governor Mark Warner, concerned about what this would mean for Virginia's future economic success, convened a business-led Virginia Early Learning Council to study all the economic and scientific findings regarding early care and education. I was honored to co-chair that council.

What we learned was stunning..! At every level it was clear – if Virginia invested more in the earliest years of a child's life, the returns would be many times the expenditure, and with a full commitment, we could drive down K through 12 education and adolescent criminal justice costs, significantly increase high school graduation rates, college attendance, and job success, and assure Virginia has the workforce it will need in the future. The net benefits long-term would be many of millions of dollars.

* These views are solely those of the speaker and should not be presumed to reflect the views of Tudor Investment Corp. or any part of the Tudor Group.

Governor Tim Kaine followed-up Governor Warner's efforts with the Start Strong Council focused on assuring the availability of quality pre-kindergarten for every Virginia kid.

The Virginia Early Learning Foundation and the Start Strong Initiative are firmly backed by business people across the state.

Why the support from business leaders?

Two reasons –

First, as business people we could see that Virginia's workforce needs are changing. Ten, fifteen years from now, Virginia will need workers who are more literate, numerate, team capable and change accepting than any workforce in Virginia's or even America's history. The only way to get such a workforce is to raise it ourselves and attract it from other states (including Kansas..!) by persuading good parents and families that their kids will do better living in Virginia than any place else in the US...!

Second, many of us distrusted the trends we were seeing and worried that hard times were coming. If we were right, we wanted as many people as possible to understand that the best economic recovery strategy for Virginia would be to increase spending on early care and education – and invest in Virginia kids.

Not just any spending, however. The spending has to be for disciplined investments. The investments have to put kids first. They have to involve parents and families. They have to have clear goals and measurement and have performance evaluation built into program designs from the beginning. And the investments have to be scalable – that is, start small and grow if successful and be evaluated against similar programs in other states.

Partnership for America's Economic Success

What is the evidence that investing in kids is the best way to strengthen a state's economy?

I'll answer this by first mentioning the Partnership for America's Economic Success.

As we know only too well, there is a 15-year gap between the time an early child hood investment takes place and the point when benefits are clearly evident. There are some near-term effects, like lowering education costs by reducing classroom disruption, special education needs, and grade repetition, but the big payoffs don't show up until children reach early adulthood. Fifteen years is beyond the planning horizon of most CEOs. It is beyond the re-election horizon of politicians. And it is far beyond the horizon of journalists in today's 24-hour news cycle.

To grab the attention and win the support of people who live by short deadlines, we have to be able to show them - in black and white, dollars and cents – that investing in children is smart and will pay back economically.

The Partnership for America's Economic Success is doing this. The Partnership is developing the economic case and the documentation to informationally “weaponize” business people like you and me, so we can overcome ignorance and short sightedness and persuade legislators to vote for what’s truly best for our economy. To see what the Partnership is doing and become a member, go to www.PartnershipforSuccess.org

The Partnership needed to know how economic development strategies focused on early care and education stack up against traditional state business subsidy strategies. They contacted the most talented developmental economist in the country, Timothy Bartik, at the Upjohn Institute for Employment Research, and asked him to look into the matter. His findings can be found on the Partnership website under Research tab.

After weighing all the tax and spending offsets, feedbacks, multipliers, and everything else economists study, Bartik shows that even under the most conservative assumptions, a package of well-designed early care and education programs will do more to strengthen a state’s economy in a sustainable, long-term way, than business subsidies. Particularly important, he shows that over time many early childhood program increase job creation for state residents more than traditional business subsidy strategies do.

It should be no surprise that Bartik’s findings are completely consistent with Kansas’ recent legislative post-audit finding that standard old-style business development incentives just are not as effective as thought.

Unlike Virginia, Kansas continues to do well economically. Now is the time to make the commitment to solidly build the workforce Kansas will need in the future and develop your economy. Now is the best time for Kansas business people to call on the legislature to enact Governor Sebelius’ early care and education program.

Larger Issues

We have talked so far only about a way to strengthen Kansas’ economic growth. This is certainly important to the one million households in Kansas. But there are deeper questions our country faces, and these questions underscore that Governor Sebelius’ early care and education program should be enacted this year..!

At the federal level, in fifteen years or so the budget lines will cross and all federal revenues will be absorbed by interest on the debt, entitlements, and tax expenditures. There will be nothing left to pay for national parks, block-grants to states, agricultural subsidies and programs, or even national security.

That’s right. Every penny of federal government revenue will have to go to paying the interest on the government’s debt, paying benefits to Medicare and Social Security

recipients, and silently paying subsidies to the beneficiaries of hundreds of tax loopholes and gimmicks. Nothing will be left for anything else.

The revenue and spending lines have been moving closer for many years, and this movement accounts for much of the increasing rancor and bitterness in national politics. Smart people saw what the future holds and they've been pushing and shoving, trying to position themselves better for what's coming.

To understand what's coming it is important to keep in mind that government budgets are about more than just money. Budgets reflect relationships among Americans – who gets what, who owes what, who pays for what. If budgets were just about money, we could all sit around the national kitchen table and save more and spend less. But budget imbalances are not about money. They are about economic and social relationships among American citizens. The more out of balance budgets are, the more strained and stretched the relationships among Americans are, and the harder and more painful the imbalances are to resolve.

Resolving the extreme imbalances among Americans is the central problem of the next presidency. It will be a very difficult period in US history, and it will not be our first. We have had four previous civil imbalance resolutions, and none of them were completed without lives being lost.

The first imbalance resolution was the American Revolution. The issue was the imbalance between American citizenship and British citizenship. Britain refused to compromise, we pulled out, fought a war, won, and formed our own country.

The second resolution was the Civil War. The issue was the imbalance between free and slave Americans.

The third was Women's Right to Vote.

The fourth was the Civil Rights Movement.

The fifth will be what we go through over the next ten years.

To get through it we will need a principle to guide how tough spending choices are made. Let me give you an example. When Abraham Lincoln was running for president, he was often asked what the highest priority of his presidency would be. He said the principle that would guide his policy choices would be to preserve the Union. He chose that principle because he knew that if he could preserve the Union, he would be able to preserve the Constitution and the ideal of the Declaration of Independence that we are all created equal would ultimately become a historical reality.

We face a similar situation. We need a principle that will guide our spending choices.

This principle should be one that makes solid long-term economic sense. It should also make sense in the context of our common history as Americans. And since we are

talking about a deeply political matter, it needs to make sense politically. That is, it needs to be a principle voters understand and support at the most personal and fundamental levels.

For some of us, the principle that best meets these tests is this: Spending choices at every level of government should be made with an eye on what is best for the life wellbeing of every American child. This is the kids-first principle.

To succeed in making America kids-first and economically strong and true to its origins, we need at least a million people across the country who understand the economic facts and have the personal conviction to attend election town-hall meetings and engage candidates on their principles and voting records. We need people who can make this an election shaping issue. We need those who work in and who are served at child-service sites, including everything from obstetrics offices to high schools, to make kids-first candidates winners in every election in this country.

It can be done. On average in every Congressional district there are 1000 child service sites. There are enough people who work in these sites – pediatricians, teachers, and the business people who supply these sites -- and enough people who are served by them – all the parents and family members who love and care about the kids who are cared for and educated at this sites. There are enough people to tip enough campaigns to make Congress and state legislatures kids-first.

Our most potent weapon in this effort is something that has little to do with scientific or economic findings. It is the deep visceral concern that every person, every voter, has about the life success of their own children and the children in their families and communities, whether they are communities of neighborhoods, ethnic groups or of faith.

If we can succeed in bringing this deep visceral priority into what and how we talk about our budget goals, we'll succeed in making it a political reality. If we ourselves are kids-first, if we explicitly make the life success of every American child our highest priority and express it in our budget efforts, we'll draw people to our aspirations.

I'm just one Virginia businessman. But your hopes for Kansas and Kansas kids are my hopes. If we can link up with millions of others who want America to be a kids-first nation, we'll all succeed.

Conclusion

For Kansas, the issue is simple – it's a matter of time and money.

Time and money -- just what the ten year old boy learned while sitting alone in church. You know the story.

While the boy was sitting there waiting for his family and looking around, he realized God was sitting next to him.

With a ten-year-old's élan, he turned to God and said "Wow, you're so powerful and infinite. What's a million years like to you?" God smiled and answered, "Well, for me a million years is just a second."

The boy then asked, "What's a million dollars like?", and God answered, "Hmm, for me a million dollars is but a penny."

The boy leaned forward and said, "God, can I ask you for something?"

God said, "Of course." And the boy said, "Can I have one of your pennies?"

God, smiled slowly and replied, "Sure, just a second."

It's just a matter of time and money. The sooner you start the better off you are.

You at United Way don't want to wait years to get on the path to make Kansas strong. You don't want to wait a year or even a second.

Talk to your legislators today and tell them to assure Kansas' future strength. Tell them you want them to approve Governor Sebelius' early care and education program now in this session..!

Thank you very much.

ROBERT H. DUGGER

Managing Director
Tudor Investment Corporation

Rob Dugger has had a long and varied career in business and public service. For the past fifteen years he has been a managing partner and director of the Washington office of Tudor Investment Corporation, a global asset management company responsible for approximately \$18 billion of investor funds. Tudor is active in currency, bond, equity, and commodity market trading and venture capital investment worldwide. Rob is an expert on government policy assessment and the effects of policy on domestic and global markets and financial institutions.

Prior to Tudor, Rob served as Policy Director at the American Bankers Association, where he led a panel of bank officials in developing a plan that became the RTC and the solution to the U.S. Savings & Loan problem. Rob began his career at the Federal Reserve Board of Governors in the early 1970s and served as a senior staff member of both the House Financial Services Committee and the Senate Banking Committee in the 1980s.

Rob's philanthropic commitments are in two areas – investing early in the lives of American children, and wildlife conservation in Africa. In the United States, Rob is a founder of the Partnership for America's Economic Success, chairman of the Invest in Kids Working Group, and a Trustee of the Committee for Economic Development – all projects focused on ascertaining and communicating the economic growth and job creation value of investing early in the lives of children. Information about the Partnership for America's Economic Success can be found at www.PartnershipforSuccess.org. In his home state of Virginia, Rob is a member of Governor Kaine's Strong Start Pre-Kindergarten Council, served as co-chair of Governor Warner's Virginia Early Learning Council, and is a founding board member of the Alexandria Community Trust.

In Africa, Rob is board chairman of Grumeti Reserves Ltd, a Tanzanian eco-tourism company organized to preserve the Wildebeest migration route in a 450,000 acre game reserve adjacent to the Serengeti National Park in Tanzania. Grumeti's commercial tourism activities are done in partnership with the world's number-one rated hospitality company Singita Game Reserves www.Singita.com. Rob is also vice chairman of its NGO affiliate, the Grumeti Community and Conservation Fund.

Rob is also a board member of the Democracy Alliance, a partnership of business and philanthropic leaders committed to strengthening progressive policy infrastructure and leadership in the United States. The Democracy Alliance has invested over \$100 million in progressive institutions and civic engagement in the past three years. Rob is also a member of the board of directors of Generations United, an association of the heads of the nation's top children and senior citizen advocacy groups.

Rob received his BA from Davidson College and his Ph.D. in economics from the University of North Carolina at Chapel Hill on a Federal Reserve Dissertation Fellowship.