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ASSET MANAGEMENT

AIMS ALTERNATIVE INVESTMENTS
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SECRETARY OF STATE
HILLARY RODHAM CLINTON

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P R O C E E D I N G S

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MR. O'NEILL: Welcome. This has been a great day and a half here at the AIMS Symposium, and it is my distinct honor to introduce today's lunch conversation. Please join me in welcoming Secretary Clinton, who will be hosted in a discussion with our own Tim O'Neill, who is the cohead of investment management.

Well, thanks again, Madam Secretary. Everyone is very interested in what you have to say, so why don't we get right to it and start talking about the political process in Washington, D.C.

I think it's fair to say that the government shutdown and debates that surrounded it were not the finest hours in political history, but democracy is an evolving process, and nobody has a more refined perspective of that than you, having served in the executive branch as well as Congress.

So my first question is: How do we get past this partisan gridlock?

SECRETARY CLINTON: Well, Tim, thank you. Thanks for having me here to have this conversation with you. And I know we have many people who are not Americans who are here from other parts of the world.

So let me start by saying that we have evolved our system, it is a durable, resilient system, and from the outside, it can look quite dysfunctional from time to time, but it has a capacity for regeneration and focus that has really stood up in good stead for so many years.

What happened in the last two years, really, three years was a growing sense on the part of some who are very ideologically disposed, to try to move out of the usual order in the Congress where you win some, you lose some, you keep working. You can't win on legislative issues, you win elections, you have a rhythm to it, and it requires a certain

amount of compromise and acceptance because of the broad cross-section of views and experiences that our country embodies.

Back in July of 2011, I was in Hong Kong during the last debate over our debt limit. And it was very striking to me how the business leaders I was speaking with in a big conference there were quite concerned. At that time, I could be very reassuring, I said, don't worry, we'll get through it, we're going to work it out, we would never default.

So we fast-forward to this last episode, and it is troubling that there is a hard core of extremist politicians who have views about decisions as monumental as shutting down our government and defaulting on our debt that have a small but a disproportionate influence on the debate in Washington.

So what you saw was a relatively small group in the House of Representatives and very few in the Senate who were trying to achieve one objective, namely make a political point about the health care law by holding hostage the entire rest of the government and putting the full faith in credit of the United States at risk.

Although it went up to the last hour, the fact that they were a minority and that there were much more level heads, even in the same political party, that the business view started speaking out after having been relatively silent, thinking this is going to work out, but then people of experience and expertise began speaking out, it was possible to get through that crisis.

But it does raise the larger issue about what to do. And I think there are three answers to that. Voters have to quit rewarding people who take uncompromising stands in the face of reality and

evidence, and that is something that each one of us can contribute to.

Obviously I'm a Democrat, but there are a lot of level-headed, smart Republicans who were biting their nails over this. They should be rewarded, not threatened by the far right and people who either don't know or don't care about the importance of our being in reserve currency, about the importance of our paying the bills that we've already run up, about the importance of confidence in the global economy should pay a price, and you pay that price at the ballot box.

Secondly, running for office in our country takes a lot of money, and candidates have to go out and raise it. New York is probably the leading site for contributions for fundraising for candidates on both sides of the aisle, and it's also our economic center.

And there are a lot of people here who should ask some tough questions before handing over campaign contributions to people who were really playing chicken with our whole economy.

And thirdly, I think that there has to be greater education and understanding about what's at stake. I think too many people for too long thought raising the debt limit was so you could borrow more and spend more instead of pay bills you've already incurred. That's a pretty big. The guy goes out, has a really nice meal, puts it on his credit card, the restaurant turns the credit card in, and the company gets paid, the company bills the guy, and the guy says, you know, I didn't like that meal very much after all, I'm not paying, and that in a very small, microcosmic way is what people who were willing to default were basically saying.

So it's a worrisome situation, but I always come back to my first point, I mean, that we always have a way of righting ourselves and getting back

into that great big messy middle that you've operated in for more than 200 plus years, and I think that's where this will move towards, everybody, citizens as well as leaders do their part.

MR. O'NEILL: Part of that process is called compromise, so let me just test that hypothesis to an issue that you know a lot about, health care reform.

So obviously the Affordable Care Act has been upheld by the supreme court. It's clearly having limitation problems. It's unsettling, people still -- the Republicans want to repeal it or defund it. So how do you get to the middle on that clash of absolutes?

SECRETARY CLINTON: Well, this is not the first time that we rolled out a big program with the limitation problems.

I was in the Senate when President Bush asked and signed legislation expanding Medicare benefits, the Medicare Part D drug benefits. And people forget now that it was a very difficult implementation.

As a senator, my staff spent weeks working with people who were trying to sign up, because it was in some sense even harder to manage because the population over 65, not the most computer-literate group, and it was difficult. But, you know, people stuck with it, worked through it.

Now, this is on -- it's on a different scale and it is more complex because it's trying to create a market. In Medicare, you have a single market, you have, you know, the government is increasing funding through government programs to provide people over 65 the drugs they needed.

And there were a few variations that you could play out on it, but it was a much simpler market than what the Affordable Care Act is aiming to set up.

Now, the way I look at this, Tim, is it's either going to work or it's not going to work. We have an election next November, make it an issue. If it doesn't work, it's been, as you said, voted on, you know, signed by the President, passed by -- on constitutionality by the supreme court, so it's the law of the land.

Everybody knows there are problems getting the software right and getting the information in. They'll either work it out or they won't. You know, by February, March, you'll either see that the system is working, because if you compare the federal system, which for all kinds of reasons has to be more complex, the state systems that ran their own exchanges, states like New York, California, Maryland, et cetera, are actually rolling it out quite sufficiently because they had a smaller universe, they had a better collection of the data, and they had willing participants on all sides of the transaction.

But when you have huge states like Texas, which is dead set against it, and you have a large state like Florida, which is ambivalent, you know, it's difficult to run a federal exchange, you know, being able to get the information, get it up and get it out.

So I think the way our system is supposed to work is if, by next November, people running for office are either defending or not the Affordable Care Act, it will be an electoral issue. And if it is still unacceptable to people or not running right, then the Congress that will come in after, will have every right in the world to go after it and figure out what they can do.

Now, if they still have a Democratic President in the White House, who may not want to go as far as some would, in fact, I'm sure of that, but

then there can be a discussion about, okay, what worked and what didn't work.

But, you know, elections are about winning and losing and who gets to make decisions. The President is a two-term President. We have a Democratic senate and a Republican house, so people had to compromise.

And on the Affordable Care Act, I think there's going to be a few months to see whether or not it can be operating the way it should, and then people can have a rational discussion about what, if anything, can be done, and then they can be arguing it out in the election.

MR. O'NEILL: So can I follow up on that perspective of President Obama's role in all of this process.

Do you think that if he were more personally engaged with Congress on these issues, that we would have a different result?

SECRETARY CLINTON: I don't know, Tim. I mean, I've obviously been asked this and I've seen the critique. You know, different presidents have different strengths, they bring different life experiences.

I had the opportunity of working with the President closely for four years on some very tough national security issues. He's an incredibly intelligent, thoughtful, decisive person in pursuing the agenda he sets.

But he may not, you know, be someone who we think of as spending a lot of time in a give and take of politics; however, I know that he spent a lot of time early on in the first term with the Republicans in trying, as you recall, to put together the brand barbie (phonetic) and it turned out that the Republicans' side, particularly in the house, couldn't deliver on even a small market.

So you can get to the point of saying, okay, we can live with this, you say you can live with that, I can sell it to the Democrats, you sell it to the Republicans, and the answer would come back, I can't sell it to Republicans, so we have to jigger it around somehow. Whether that was a negotiating tactic or the hard reality that it was hard to sell it to the caucus, I don't know.

But I do remember quite well the President working diligently to reach out to people and trying very hard on the health care bill, for example, spending more time than a lot of Democrats wanted him to, trying to figure out how he can get some Republicans on board.

So let me switch gears for a minute and go back to the '90's with my husband, and there isn't anybody that I can think who would doubt that my husband is an incredibly active engager of people, whatever side of the aisle, (audible over laughing) and ask their opinion on something, he's going to have you over, he's going to play golf with you, et cetera, et cetera. That didn't stop them from trying to destroy him. And his agenda and his economic program was passed without a single Republican vote after an enormous amount of personal effort to get some Republican, you say you care about the deficit, at that time we had \$250 billion deficit, help me bring it down. The arithmetic I learned in Little Rock, Arkansas is you add and subtract with both revenues and cuts, let's work together, nowhere.

So it's not always that being, you know, personally engaged and working with people is going to get you the results you want if the people on the other side are doing their political calculations that is in their interests not to compromise, not to give in.

So, you know, there's always -- you can always try more things, you can work harder at it.

I'm a big believer in that, but it's not always the case you will get it done.

Now, back in the '90's when, you know, Republicans shut the government down twice with Bill in the White House, and he did just what President Obama did, I will not negotiate with you until you open the government, I'm not going to be put into that position. They opened it once and then demanded that he agree with them on some issues he wouldn't agree with them on. They shut it again. And he took the same position, I'm not going to compromise in this posture, I'll be glad to talk to you later.

So got the government back opened, began to try to work together. And there's a lot of theater in politics just as there is in any other human enterprise.

So Newt Gingrich was the speaker, and he would rail against Bill and occasionally me all daylong beyond -- I think we had at least one cable station back then, but we seemed to be on there when it was being broadcast, and then 9:00 o'clock at night, he'd sneak into the White House, I mean, you really can't sneak into the White House, it wouldn't be advertised, let me put it that way. So he would go into the White House, go up to the second floor, and he and Bill would pound things out for a couple of hours trying to work towards welfare reform, and eventually, a couple years later, a balanced budget, et cetera.

And he -- and Gingrich was a very forceful leader of the Republicans, but he had people to his right that didn't want any negotiation or any compromise.

At one point the then, I think he was -- I don't know if it was Tom DeLay or Dick Armey told Gingrich, we don't want you going to the White House any longer talking to Bill alone. You make too many deals. We're going to stop that.

So it's a constant effort. And I think the presidents that I've known and even my working with President Bush, you know, different styles, but every president I've ever known well has really tried to put the pieces together.

MR. O'NEILL: There's no doubt that the President has a tough job, but as you said, politics is not for the fainthearted, but probably the most impossible job is the speaker's job.

SECRETARY CLINTON: Yes.

MR. O'NEILL: Would John Boehner even try to sneak into the White House?

SECRETARY CLINTON: Well, I personally like Speaker Boehner. I've sympathized with him because he's in a tough spot, and I don't pretend to understand all of the dynamics in the Republican caucus, but I do think that, you know, the speaker needs to try to figure out how to exercise more direction for his caucus.

I think his theory this time was, you know, these guys are going to exhaust themselves, we'll get to the 11th hour, the senate will save us, we'll pass something, we'll get beyond it. And that's pretty much the way it played out.

And that wasn't a, you know, that wasn't a wrongheaded view on how it would unfold, because even though the people leading the charge of the shutdown and default got a lot of air time, they did not get a lot of support beyond what they had to start with.

So the speaker wasn't wrong about that. The problem is, we can't keep doing this. This is really, you know, this is really dangerous to our entire system.

So I think the speaker has to see if he can figure out a way to isolate as much as possible the really hard core, absolute evidence deniers and get them over here and then try to bring the rest of the caucus with him.

It may mean that it will threaten his speakership, but my view on that, and it's easy for me to say, he will be historically a more important figure if he stands up to his own extreme wing and makes clear that he is putting his country first. He's obviously a rock solid Republican, conservative, but he's not going to (inaudible) go so don't even think about all of you guys ever doing this again while I'm the speaker. And I personally think he would stay in office, but, you know, that's not for me to say.

MR. O'NEILL: Well, we can all hope for a profile (inaudible) encourage speaker for, Madam Secretary, but let me take a different prospective as foreign governments were watching all of this, what do you think they were saying and thinking about the United States?

SECRETARY CLINTON: Well, I think we know, because some of them went public with what they were thinking about. And it was painful because it's difficult to see a self-inflicted wound like the one we just went through having such consequences.

And it's not just what they were saying at the moment, it's what they were planning for the future. When, you know, you see countries saying that we don't know how reliable the United States is, they don't know how much we can count on us and our leadership, that has real consequences. It has economic consequences but also has consequences when you read that, you know, one of the high-ranking Chinese officials who publicly commented on it, said, look, it's time to de-Americanize the world. These people can't run their own country, why should they be permitted to exercise a disproportionate influence on the rest of the world.

So it was something that I regret, and probably the best symbol of it was because the government shutdown, President Obama could not go to

the East Asian Summit or the Asia-Pacific Economic Committee, two of the linchpins of what we call the Asia pivot, which was our desire to both reassure and reassert American presence and power in the Pacific as a balance and as a duty to those with whom we have treaties, Japan and South Korea, Philippines and Thailand and Australia.

And so because of the shutdown, it wasn't just the fact of the shutdown, literally a lot of the people furloughed who would do a President's trip couldn't work, just imagine, that is no way to run a great country, right?

And so the President didn't go, but, you know, President Putin was there, President Xi Jinping was there and, you know, it's a very symbolic moment when it's -- not because of any external problem, but it's because of the internal political dysfunction that keeps the President of the United States, I don't care what party, I don't care what your political preferences are, keeps the President of the United States from being on the world stage at a really important time, to look over the horizon about, you know, trading opportunities and the Trans-Pacific partnership, other kinds of work that needs to be done in the region to keep, you know, commerce flowing across the South China Sea to work with our friends in Japan and China to prevent further escalation over the contested islands. I mean, there's a lot going on in the region.

And it was a very sad commentary on what this kind of political standoff done for totally partisan and personal advantage does to our overall foreign policy.

MR. O'NEILL: We agreed there's a lot of going on in Egypt and in China, (inaudible) new leadership there. Your views?

SECRETARY CLINTON: Well, I've met the new president, and certainly I'm impressed by his, you

know, mental and physical energy and vigor. He seems to have created a stable transition from Hu Jintao power and the former leadership to the new team.

I think China has some big challenges that they're going to have to confront. You guys know more about economic challenges than most people, but there are other demographic challenges that feed into that. There's a lot of discontent in a growing middle class about, you know, what is the future holding for them, what kind of opportunities are they going to have, there's no real social safety net whatsoever, pensions and the like.

So I think that he has his job cut out for him. He's very much committed to coming up with some plans. I know there will be a meeting shortly to try to look at the plans for the next five to ten years, so I think he's shown steady leadership, which is very welcome, both inside China and outside China, but I also believe that there's growing nationalism in China and in Japan and in other places in the region that we have to be watchful about.

This dispute over what are called by the Japanese as Senkaku Island has really unleashed some very old grievances and a lot of heated rhetoric going back and forth between China and Japan that needs to calm down. It is not in anyone's interest that this spiral out of control.

Similarly, Korea and Japan have disputes over Takeshima (phonetic/audible) and some territory, again, without the United States playing a leading role in making sure there's an opportunity to resolve this. North Korea, which under its new leader, seems unpredictable at best, and I think even the Chinese leadership today recognizes that.

And you go down the roll call, and there are so many tremendous opportunities, but in order for those opportunities to be realized, it requires a rules-based order. I mean, everybody from the

biggest China, to the smallest Singapore, to the most developed, to the least developed, which is why I spent so much time in the region trying to knit together the sort of regional rules-based order that I think is important for the people in the region first and foremost, but for all the rest of us.

And it will all come down to whether China wants to exercise that (inaudible) that responsible stakeholder position.

And I think eventually that will be the decision of the Chinese government, because it's in their interest because while they focus on internal challenges, they don't need a lot of agitation and problems on their borders and outside, so it's something that we watch carefully, and we obviously want China to be successful and to be responsible.

MR. O'NEILL: Within the administration, do you think there's any risk that the Asia pivot focus that you started, Madam Secretary, loses momentum because of the Middle East and the shift there?

SECRETARY CLINTON: Well, Tim, I hope not. I mean obviously there's a lot going on in North Africa and the Middle East that requires our attention, but I've said repeatedly that the real future lies in the Asia-Pacific, and no country is better situated to take advantage of what happens in the Asia-Pacific than we are because we are a Pacific nation, just like we are an Atlantic region, thanks to the gift of our geography.

But it was troubling that the President couldn't go to that event. That signaled to a lot of academics and scholars, well, that so-called pivot I went around talking about is certainly slowing down, that it's not realizing the continuity that is required to establish policy.

You know, if you look at what we did in Europe with NATO, our promotion of the European Union, our close alliances with many countries there,

our constant support for freedom behind the old Iron Curtain and our willingness to help fund and help the countries that came out from behind it get on their feet, we had a long-term strategy.

If you look at Korea, after the Korean War, we could have said, man, we have a world war, now we have a Korean War, we're done, we're going home, but we had very, you know, very smart leadership that said, okay, we've protected the lower half of the peninsula, they need a chance to develop.

And think about what they went through. I mean, South Korea has coups, have assassinations, have, you know, really terrible politics for a very long time. They didn't become what we would consider a functional democracy overnight, but we never gave up. We had troops there, we had aid there, we had a presence of American business there. We were there for the long run.

And what I worry about is that in a time of shrinking resources and well-deserved demands that we pay attention here at home to what's happening to the American people, that we're not going to maintain that continuity of attention and support that is needed in Asia and elsewhere.

So I'm hoping that it, you know, certainly is maintained despite the hiccups, but it takes time and resources to do that.

MR. O'NEILL: So let's go to the Middle East, complicated, could spend hours talking about it. I think all the problems -- the big problems for this group are sort of hiding in sight from our view, Iran, Iraq, Syria, Egypt.

What would be most helpful to us, given your intimacy with the issues and the personalities in the region, if you give us a six to 12-month look in the region and say, if this happens, that's important, or what is your biggest worry because opportunity wasn't (inaudible) influence?

SECRETARY CLINTON: Well, one thing I've learned is that there's no one that knows what's going to happen in the Middle East, and that even became clear after the Arab Spring, but I'll take a stab at it.

It's really important that Egypt stabilizes, and whatever one thinks about the military intervention that happened, it's a fact, but it's not at all clear to me that that military intervention has resulted in stability or in quashing a lot of the continuing uprisings from Islamists and even Jihadists.

So how Egypt navigates through this next six to 12 months is crucial for the entire region. There are a lot of proxy battles going on, you know, there's proxy battles between the Saudis and the Iranis and the Jordanians and the Iranians and the Turks and, you know, it goes on and on, and you can look at individual countries and try to sort out who is on what side.

So in Egypt, the election of Morsi was not by any means an overwhelming mandate, in fact, it was a rather small turnout in the second election. And instead of recognizing that, Morsi and the Freedom and Justice Party, which was the political arm of the Muslim Brotherhood, really began to try to consolidate their own games.

And again, I -- kind of the manual for foreign policy is, you know, human nature. People had been on the outs, they've been in prison, they've been abused under Mubarak. They won an election in part because the other side was so poorly organized and would not get their act together, despite our best efforts to encourage them to.

So they think, okay, we want to now get all our people, you know, give them the position in the government, make the decisions that will please our supporters. They ignored the economy. They wouldn't

make the tough decisions that the IMF was demanding for many months, still to this day, and they began to do things which really raised concerns among the vast majority of nonactive Islamists in Egypt. And you all know that the military then basically came in, but they had a 22 million signature petition asking them to, so it was all very unusual.

So the military's in, what are they going to do? Are they going to be any better at developing the country than Mubarak was? Mubarak and his wife were people I knew quite well, had many conversations starting in the '90's literally up until weeks before he left, but there was no plan. You know, the literacy rate did not go up, the education rate for the average Egyptian did not improve. Women's positions did not change. Agricultural got worse. They started importing wheat instead of exporting. You go down the list and the military controls a significant percentage of the economy. Some say 40 percent, some say 50 percent.

So some of what you're seeing is not just political and patriotic, it's just purely self-interest, you know, we don't want anybody going after our industries and our resources.

So my hope is, and I really can't tell you how realistic a hope it is, is that whoever runs, and it's likely to be a general, and it's more than likely to be el-Sisi taking off his uniform running for president, probably given the way that they're managing the system, get elected, but then what? What is he going to do? What role is he going to play? So Egypt is (inaudible).

If you look at what's happening in Syria, it's clearly a multiply leveled proxy battle. We've got Iran with their agents in Hezbollah, and they're being taken on by indigenous rebels but increasingly a collection of Jihadists who are funded by the Saudis, funded by the Emiratis, funded by Gotter

(phonetic), and you have the Turks that were very active in the beginning, but then began to be concerned by some of the development inside Syria, particularly among the northern and northeastern Kurdish population in Syria.

So there is a lot of maneuvering still going on. I'm hopeful that there will be success with the chemical weapons peace, and I'm hopeful there will be a peace conference, but I'm doubtful that Asad will move out of the way, so I think you're in for six to 12 months at least of further stalemate where it is still a very active, you know, civil conflict.

I think that the other places that you have to watch is what's, you know, what's happening in the gulf, both the Saudis and the (inaudible) becoming much more active participants in Egypt, in Lybia, in Syria. There's a lot of moving parts here. Gutter (phonetic) with the new premiere is, you know, finding his way, he's been very active under his father, we'll see what he does.

And then we have the peace process which, you know, Secretary Kerry and his team are plugging away on, but moving over all of it is Iran, and the, you know, the fact that the Israelis and the Saudis are both in the same boat without being suspicious of anything that could be agreed to by the Iranians, give you some sense of how the calculation here is in a state of constant motion.

The Iranians are on their charm offensive. If it's real, which is hard to tell, then you could see a breakthrough of some sort by the international community. Whether that would meet the demands of Israel and Saudis, who knows, but at least they're talking and trying to explore it.

And, you know, I think it's very tough to reach a credible deal with Iran, but I think you have to try. And I just don't think you can walk away

from that possibility. And so I hope that something can come of it.

MR. O'NEILL: Speaking of that term, as President Reagan once said about the Russians, trust but verify. Recently in response to the Iranians turn if he was smiled but enriched.

SECRETARY CLINTON: Well, I think you got it, I think if -- the Iranian's position for as long as I've been closely following it and involved in it is we have a right to enrich. Now, technically they don't. They're signatory to the nonproliferation, they do not have a right to enrich, but that is their bottom line demand, and that's what they're trying to obtain international recognition for.

And it will be very difficult for the right safeguards and conditions to actually be constructed that would hold water enabling them to do that, but there are really three things you should look at.

We should look at the uranium production through centrifuges, (inaudible) are the two major centers, but you should also look at their continuing work to build a heavy water reactor in a place called Arak, A R A K, which is a half form of plutonium which is the fastest path for weapons-grade material for nuclear bomb.

And you have to look at their missile program, because why do they continue to develop intercontinental ballistic missiles that work on miniaturizing warheads if they don't have some intention of being prepared at least to hold out the threat over their neighbors and beyond.

So this is, I mean, you know, if you had an arms expert here, he or she would go into great detail about how difficult it is to find all of the production, to control all of the production that Iranians keeping saying they have a Fatwa against nuclear weapons.

And the problem with that is even if you were to believe it, and there are some very skeptical, smart people who do believe it, who believe that the Fatwa is legitimate, it doesn't go on to say, and we will not construct the pieces to give us the nuclear capacity whenever we choose to assemble them. It just says, no, we will not build nuclear weapons.

So it's a wicked problem, as we like to say, because Iran is not only troubling because of its nuclear program, although that's the foremost threat, it's the primary conductor and exporter of terrorism.

I mean, if you had a big map here behind us, literally from North America to Southeast Asia, there are so many thoughts, so many bombs, so many arrests that are all traced back to the Iranian revolutionary guard, and their constant efforts to sell (inaudible).

And we have a lot of friends around the world, even people who say, look, I need their oil, I need their gas, I don't particularly trust them or like them, but I'm going to do business with them, besides that's an American problem, that's Israeli's problem, it's a Middle Eastern problem. It's not.

They want (inaudible), they want as broad a span of control as they can have, so even if a miracle were to happen and we came up with a verifiable nuclear deal, there would still be problems that Iran is projecting and causing around the world that had real consequences for our friends and ourselves.

I mean, they did hire, you know, they did hire that gunman to kill the Saudi ambassador, and people thought that was so outrageous. It was made up. We're sitting around the situation room saying, let's think of something really bad about the Iranians, like you had to think of something, and,

okay, let's make up a story that they sent agents to Mexico to hire a drug cartel enforcer and fortunately they were led to somebody who was a double agent working for the drug administration -- the Drug Enforcement Administration in the United States, so we were able to capture the guy when he came to Texas to transfer the money, but they were going to kill the ambassador from Saudi Arabia in Washington, and the plan was to get him when he was at a public place, a big restaurant some of you may know, Cafe Milano. I mean, absurd.

And we had -- the guy, once he was caught, gave names and dates and money transfers and all the rest, but people kind of shrugged it off like, oh, that's so ridiculous. Who would do that? The Iranians, they do it all the time.

So yeah, trust but verify and then verify again, again and again. We have to figure out some modus vivendi with them but not at the risk of putting ourselves and others under their thumb.

MR. O'NEILL: Let's come back to the US. Since 2008, there's been an awful lot of seismic activity around Wall Street and the big banks and regulators and politicians.

Now, without going over how we got to where we are right now, what would be your advice to the Wall Street community and the big banks as to the way forward with those two important decisions?

SECRETARY CLINTON: Well, I represented all of you for eight years. I had great relations and worked so close together after 9/11 to rebuild downtown, and a lot of respect for the work you do and the people who do it, but I do -- I think that when we talk about the regulators and the politicians, the economic consequences of bad decisions back in '08, you know, were devastating, and they had repercussions throughout the world.

That was one of the reasons that I started traveling in February of '09, so people could, you know, literally yell at me for the United States and our banking system causing this everywhere. Now, that's an oversimplification we know, but it was the conventional wisdom.

And I think that there's a lot that could have been avoided in terms of both misunderstanding and really politicizing what happened with greater transparency, with greater openness on all sides, you know, what happened, how did it happen, how do we prevent it from happening? You guys help us figure it out and let's make sure that we do it right this time.

And I think that everybody was desperately trying to fend off the worst effects institutionally, governmentally, and there just wasn't that opportunity to try to sort this out, and that came later.

I mean, it's still happening, as you know. People are looking back and trying to, you know, get compensation for bad mortgages and all the rest of it in some of the agreements that are being reached.

There's nothing magic about regulations, too much is bad, too little is bad. How do you get to the golden key, how do we figure out what works? And the people that know the industry better than anybody are the people who work in the industry.

And I think there has to be a recognition that, you know, there's so much at stake now, I mean, the business has changed so much and decisions are made so quickly, in nano seconds basically. We spend trillions of dollars to travel around the world, but it's in everybody's interest that we have a better framework, and not just for the United States but for the entire world, in which to operate and trade.

You know, I remember having a long conversation with Warren Buffett, who is obviously a

friend of mine, but I think he's the greatest investor of our modern era, and he said, you know, I would go and I'd talk to my friends and I'd ask them to explain to me what a default credit swap was, and by the time they got into their fifth minute, I had no idea what they were talking about. And when they got into their tenth minute, I realized they didn't have any idea what they were talking about.

I mean, Alan Greenspan said, I didn't understand at all what they were trading. So I think it's in everybody's interest to get back to a better transparent model.

And we need banking. I mean, right now, there are so many places in our country where the banks are not doing what they need to do because they're scared of regulations, they're scared of the other shoe dropping, they're just plain scared, so credit is not flowing the way it needs to to restart economic growth.

So people are, you know, a little -- they're still uncertain, and they're uncertain both because they don't know what might come next in terms of regulations, but they're also uncertain because of changes in a global economy that we're only beginning to take hold of.

So first and foremost, more transparency, more openness, you know, trying to figure out, we're all in this together, how we keep this incredible economic engine in this country going. And this is, you know, the nerves, the spinal column.

And with political people, again, I would say the same thing, you know, there was a lot of complaining about Dodd-Frank, but there was also a need to do something because for political reasons, if you were an elected member of Congress and people in your constituency were losing jobs and shutting businesses and everybody in the press is saying it's

all the fault of Wall Street, you can't sit idly by and do nothing, but what you do is really important.

And I think the jury is still out on that because it was very difficult to sort of sort through it all.

And, of course, I don't, you know, I know that banks and others were worried about continued liability and other problems down the road, so it would be better if we could have had a more open exchange about what we needed to do to fix what had broken and then try to make sure it didn't happen again, but we will keep working on it.

MR. O'NEILL: By the way, we really did appreciate when you were the senator from New York and your continued involvement in the issues (inaudible) to be courageous in some respects to associated with Wall Street and this environment. Thank you very much.

SECRETARY CLINTON: Well, I don't feel particularly courageous. I mean, if we're going to be an effective, efficient economy, we need to have all part of that engine running well, and that includes Wall Street and Main Street.

And there's a big disconnect and a lot of confusion right now. So I'm not interested in, you know, turning the clock back or pointing fingers, but I am interested in trying to figure out how we come together to chart a better way forward and one that will restore confidence in, you know, small and medium-size businesses and consumers and begin to chip away at the unemployment rate.

So it's something that I, you know, if you're a realist, you know that people have different roles to play in politics, economics, and this is an important role, but I do think that there has to be an understanding of how what happens here on Wall Street has such broad consequences not just for the domestic but the global economy, so more thought has

to be given to the process and transactions and regulations so that we don't kill or maim what works, but we concentrate on the most effective way of moving forward with the brainpower and the financial power that exists here.

MR. O'NEILL: So let me talk a little bit about an issue that you've been very articulate and inspirational on, and that is women's rights. From 1994 in Beijing --

SECRETARY CLINTON: '95.

MR. O'NEILL: Beijing not only humans rights you've been a very forceful advocate of the economic empowerment of women. Can you give us a mark to market progress report?

SECRETARY CLINTON: Well, Japan is doing well, because Prime Minister Abe, as part of his economic plan, became convinced that encouraging more women to get into the workforce would be a big boost to the Japanese GEP.

So there are leaders around the world who are coming to this recognition because of the evidence that is being presented, the IMF has done some really good work on this, obviously the World Bank and other organizations as well, but the bottom line, when you talk about economic empowerment, is that there are three big objectives, one, tearing down the still existing barriers, legal, regulatory, cultural barriers to women's participation in the economy.

The IMF has just done a study about the legal obstacles to women working in professions all over the world, and some countries have very few, other countries are surprising, like I think Russia has 150 jobs that women can't be employed.

So instead of saying, you know, here are the -- if you are going to be a miner in Siberia, here's the pack you have to carry and the work you're

going to have to do. If you can do it, fine. If you can't, no. Man or woman, doesn't matter.

So there are existing legal obstacles. There are regulatory obstacles. You know, a lot of countries back in '95 did not allow women to inherit property. They couldn't inherit from their fathers. They couldn't inherit from their husbands. And this was particularly onerous on small holder women farmers who do all the work. Sixty to 80 percent of the women farmers in the world, depending upon the region you're in, are women, and they're farming, you know, 2, 3 acres maybe at the most, but they're the ones in the field, the baby strapped to their back, they are the ones taking the food to market after they feed their family. If their husband dies, it goes to his father or his brother, and in many instances, the woman and her children have to leave.

So there were legal obstacles we were able to break down, but then in practice, nobody enforced them. There weren't the regulations or the expectations that it would be carried through on.

And then there are the, you know, lingering cultural barriers. And, you know, Angela Merkel last spring, who is a very conservative, cautious politician whom I deeply admire, I think she is an incredible leader, she said she favored a requirement that German companies have 30 percent women on their boards.

Now, when somebody as cautious and conservative as Angela, who I have known for 20 years says that there's a problem. The problem is that (inaudible) is there's not a pipeline, it doesn't have enough people in it, but the fact is that there are a lot of women now who have achieved in their careers, who have a lot of great attributes to contribute to boards, but they're not being sought out, they're not being invited, they're not assuming that role. And the same, you know, in the CEO ranks.

So whether it's legal obstacles, sort of regulatory, judicial obstacles or cultural attitudes, we have to continue to try to remove those.

And I don't say this just because, you know, I think it would be wonderful if every girl in the world got the education she needed and the health care she needed and access to credit and politics, I think that would be great, and it's a moral imperative, but it is an economic imperative.

And the work that Goldman has done that the OACD had done, the IMF has done shows unequivocally that we're leaving money on the table at the time of slower-than-hoped-for growth globally. And one of the reasons is that women are not encouraged and permitted in many instances to be full participants in the economy.

So I go around making this case to a greater or lesser agreement, but I keep making it because I think it's very much in our interest and it's in the interest of our economic system globally to do more to make sure those doors are opened.

MR. O'NEILL: Thirty years, now you're officially a private citizen, again, outside the bubble, flying commercial, I assume. So does the world look differently?

SECRETARY CLINTON: The world looks different, yeah, Tim, I'm glad to be back in the world, I have to confess, and I'm glad to be on the shuttle instead of on a 16-hour flight somewhere, you know.

I've traveled mostly in our own country since leaving the state department, and there's, you know, there are a lot of questions out there. People are struggling to figure out what we're going to do next and how we're going to get there.

And a lot of young people who are not employed where they thought they would be employed now, college graduates not really working in the area

they need to, sort of mismatched between the skills businesses need and what people are producing, so there are some structural issues that we have to address as a society.

And it's not all about what the federal government does with the budget, but mostly I'm impressed that we just keep moving forward. And we have to honor and celebrate that spirit of resilience we saw here in the city after 9/11 when it was so devastated and people were shocked for all that was happening before their eyes. And there were a lot of questions, would downtown ever come back, would they work here. If you look at it now, it's just extraordinary, and it's a tribute to everybody who helped to make that happen.

So when I look at the future of our country, you know, I'm an optimist by nature and I'm confident that we'll work our way through it, but it won't happen by accident. It will happen because both the public and the private sector decided it is in our interest to make some tough decisions. And the list of tough decisions are known to everybody from entitlement reform to revenues to future growth investments in R&D and, you know, education and skills and all the rest.

But I think that we will once again fulfill the comments that Winston Churchill allegedly made, that the Americans finally get around to doing the right thing after trying nearly everything else, we're in the trying everything else stage right now.

MR. O'NEILL: So last question, if -- what would you advise someone if he or she came to you and said, I'm thinking about running for the Democratic presidential nomination?

SECRETARY CLINTON: Another one of those hypotheticals. Well, I would probably say, are you crazy?

MR. O'NEILL: Wait, wait.

SECRETARY CLINTON: Look, I think whoever runs next time has to have a very clear idea of where he or she wants to take the country and has to run on those ideas, because the election cannot be about personalities, participants sniping, all of the irrelevant stuff the day after the election sort of dissipates, and you wake up and say, okay, now what am I going to do? It needs to be an election about the future.

So win or lose, people know what you want to do. You took it to the country, you tried to build a consensus for it, which can hopefully avoid some of the end runs that we've been seeing in the last few weeks, and then you have to have enough of an understanding of how government works to be able to execute the operational side of it, the slow, hard boring of hard boards as (inaudible) said about politics, there's nothing glamorous about it.

And a lot of what I did as secretary of state, you know, people say, oh, well, what were you doing, well, I was trying to protect internet freedom which is under attack from some of the countries around the world that don't want their people to have access to the internet. I was trying to figure out what we could do about climate change that we could get around the Congress because they weren't going to give anything dramatic, but also was going to fit with our economic impairments, you know, things that aren't -- they're not in the headlines, they're in trend lines. So you can't govern from the headlines, you have to be responsive to them, but you have to have a plan about what it is you think that the country can do and then how you can harness people's energies.

Now, I'll end with this. I mean, you know, my father was a veteran of World War II, he was in the Navy for five years. He gets out of the Navy, all he wants to do is restart his very small

business, he was a printer of drapery fabrics in Chicago, and start a family with my mother, that was it, you know, that was the GI dream, and get a nice house and raise the family.

So when Truman and Marshall said, you know what, we have to rebuild Europe and we have to support Japan, yes, you know, Germany and Japan were our enemies, and we just lost 400,000 plus people in the war and countless billions of dollars, but we have to do that.

So we're going to have to keep taxing you, Hugh Rodham, my father's name, to rebuild your enemies. My father, who was a lifelong Republican, is like, what is that about, you know, what do you mean? I mean, come on, give me a break.

But we had visionary leaders who said, trust us, and there was enough trust in the system so that people could. We are going to help create a world that will be a more peaceful, more prosperous world and good for the United States.

So when Truman and Marshall came up with what's known as the Marshall Plan, people were not immediately enamored, so they went to businesses, they went to the big banks and the industrial firms, and they sat down and they said, look, you guys are going to need markets, you're going to need consumers to be able to buy your stuff, if we don't rebuild, who knows whether that will happen.

And then a lot of our leaders in businesses and presidents of colleges fanned out across America and made the case. And everybody was speaking with one voice. And we spent about \$13 billion, which in, you know, current dollars is 120, 125 billion, rebuilding our enemies, and it was one of the best investments America ever made.

So somehow and I -- you know, look, I know we're more cynical. We have a television station for every prejudice, bias and bigotry anyone would want

to invest themselves in, so it's harder, it's harder to bring people together, but I think that's what is needed, and somebody would have to be willing to do politics differently than it's been done, win or lose, and say, look, here's what you get, no games, no hidden tricks, this is what we have to do, you know, if you agree with me, vote for me, if you don't agree with me, vote for somebody else, but I want to have a conversation with the country that is in keeping with who we are as a people.

MR. O'NEILL: Thank you, Madam Secretary, for today and everything that you've done for the country. Ladies and gentlemen, Hillary Rodham Clinton.

(Time noted: 1:50 p.m.)