Let me add my welcome to the one you've already received from Chairman Davies. A special welcome to the leaders of the business community who are joining us this evening. You are all individuals who have made important contributions to the University of California and to your communities, and this is an opportunity to thank you and to get to know you a little better.

These are good times for the University of California. Although we face some major challenges--among them ensuring diversity in a post-Proposition 209 world--it is clear that UC is a remarkably strong institution. We have a superb faculty. The quality of our students is better than at any point in our history. Our research programs are outstanding and highly competitive; UC's share of federal contract and grant funds is greater than it has ever been. Despite a decade that has brought California more deficits than surpluses, we have maintained the quality of the University.

Our most recent budget from the State of California provides for a 15.6% increase, the largest in many years. This reflects not only California's returning economic vigor but also the fact that the governor, the legislature, and the public believe that UC contributes to the quality of life in this state. And apparently our alumni and friends agree: for the fourth year in a row, private giving reached record levels.

Tonight I want to talk briefly about one of the important contributors to UC's success: the traditions that have made this a distinguished institution and that have sustained us in good times and in bad. I spoke recently about this topic to the members of the Order of the Golden Bear on the Berkeley campus, on the occasion of my initiation into that body. The Order of the Golden Bear is first and foremost a student organization, although over the years it has come to include some faculty, alumni, and staff among its members. It is itself one of UC's wonderful traditions, having been founded by President Benjamin Ide Wheeler in 1900.

UC was still a young institution in 1900, and Wheeler had high ambitions and a strong commitment to quality. He was one of the presidents who put UC on the road to international recognition. Yet I doubt that Wheeler, or anyone else in 1900, could have imagined the size, scope, and significance UC would attain a century later. It would be interesting, from today's perspective, to speculate on the significance UC will have 100 years hence.

I told the members of the Order that though there are many University traditions--Charter Day, the UC hymn, and so forth--I would focus on three.

The first tradition is free speech--the proposition that a university must be an open marketplace for ideas. We stuttered occasionally along the way, especially during the loyalty oath controversy in the 1950s, but with few exceptions UC has lived by the highest standards in this domain.
The second tradition is shared governance--the idea that responsibility for the University is a partnership among faculty, administration, and Regents. It is no accident that the University of California's first real steps toward greatness coincided with the introduction of shared governance over 75 years ago. It has played a pivotal role in the University's history and in the history of American higher education. In embracing shared governance, UC pioneered a path that other universities were to follow. Most American universities now agree on the importance of shared governance, even though the specific processes and mechanisms may vary from those at the University of California.

The third tradition is academic excellence. Among universities generally, UC's level of quality is unusual. Among public universities, it is unique. And that quality exists across an entire system of nine (soon to be ten) campuses, not just one or two. I am convinced that during the terrible budget years of the early 1990s the University's tradition of excellence was a powerful factor in the loyalty displayed by so many distinguished faculty members who could easily have gone elsewhere but chose to stay.

Further, UC's excellence is reflected in the three national laboratories we manage for the Department of Energy. Our stewardship of the national laboratories was and is a tremendous contribution to the security of this nation. The outcome of the Cold War was dependent on the quality of supervision we provided, the people we attracted, the programs we mounted, all of which have contributed to world peace. As The Regents know from reports by Professor Drell--chairman of the President's Council on the Department of Energy Laboratories--UC's stewardship has been of critical importance. It allows the laboratories to maintain the breadth and independence of their R&D activities, as the research agendas of federal agencies tend to change on short time scales. It also permits them to attract the best scientists and engineers because of the greater freedom of inquiry our management fosters.

These three traditions--freedom of speech, shared governance, and academic excellence--are the bedrock on which the University of California is built. They have played an indispensable role in making UC admired and respected throughout the world. No matter where I go, I find that the University's reputation has gone before me.

Last week my travels took me to Washington, D.C. A meeting I was scheduled to have with the First Lady to explain UC's outreach efforts was canceled because of the fast-breaking political developments of that week. I participated in another event at the White House, however--the unveiling of a report by the Council on Competitiveness--that I'd like to describe briefly.

The Council on Competitiveness is composed of 140 leaders from universities and the corporate and labor sectors who are committed to working together on a national action agenda to keep the United States competitive in today's knowledge-based economy. The Council's report, "Going Global," includes case studies of five industries, based on interviews with CEOs about the current state of U.S. innovation and the factors essential to maintaining it. There were variations among the different industries in terms of investment patterns, personnel structures, and research needs. But there were also four common themes that related to universities:
• All the CEOs surveyed are very concerned about meeting industry's needs for educated people, in terms of the quality of undergraduates generally and especially engineering and computer science students. This country faces a tremendous shortfall of engineers, computer scientists, and other specialists. Together, universities in the United States graduated 25,000 majors in computer science last year—down 25 percent from just 10 years ago. We are having trouble drawing students into these critical fields. I was pleased to report that UC has made a commitment to expand engineering enrollments by 40 percent over the next eight years, and even more pleased to report that our faculty have responded so positively. California has the most knowledge-intensive economy in the world, and expanding the supply of scientists and engineers is a contribution to the state's competitiveness that UC is uniquely qualified to make.

• The CEOs surveyed clearly recognized the key significance of university research. Every industry pointed to its dependence on university research to pursue its opportunities in innovation. This is a turnaround from attitudes 15 years ago, when so many complained that the country would be better served if research universities would concentrate exclusively on undergraduate teaching. Today the role of the research university as a driver of economic growth is well understood by CEOs, governors, and legislators around the country, perhaps especially here in California.

• Another strong theme was the immense value of cooperation between universities and industry and the need for closer collaboration. UC has been extremely active in these efforts. The Regents are well aware of the Industry-University Cooperative Research program, which has received special funding from the legislature for the past several years. But there are many other instances of cooperative efforts throughout the University. Clearly, the most longstanding are in the area of Agriculture and Natural Resources, where numerous well-established cooperative programs exist. I have considered doing a cross-cut on UC's budget to get a better estimate of all university-industry activities, but it would be a lengthy undertaking because there are so many different places where these exchanges occur. There is no question that we are in a leadership role in the area of cooperative research with industry.

• CEOs were unanimous in emphasizing the importance of K-12 education and the critical importance of the early years--points that were also made forcefully during the report on outreach at today's Regents' meeting. When The Regents adopted SP-1, they made a clear commitment to focus on diversity, to use means other than race to ensure that the University reflects California's diverse society. The responsibility of the Outreach Task Force mandated by SP-1 was to examine and rethink our current programs and to create a strategy for ensuring UC's diversity in today's post-Proposition 209 era. The Task Force estimated that, to make real progress, we would need to double our expenditures on outreach from the then-$60 million a year to $120 million within five years. I enthusiastically agreed to that goal, though not without some concern about our ability to achieve it. But I am pleased to report that we have had strong support for our programs from the private sector, the governor, and the legislature, and as a result we will be spending about $141 million next year on outreach--well ahead of our five-year schedule. I am also pleased to note that at today's Regents' meeting we had a key report--a very exciting one--on the strategy we intend to use in expanding our partnerships with K-12 schools, students, and their families. I confess to having misgivings some months ago that the magnitude of the challenge was so great that it would be difficult for the University to make significant
contributions. But since then I have seen amazing examples of UC people and programs that are bringing enormous energy, enthusiasm, and creativity to the task, and a determination to succeed no matter what the odds. Some of these efforts involve computers and the Internet and draw on UC's national leadership in educational technology. These technologies are making it possible for us to collaborate with the schools on a scale that would have been unimaginable even a few years ago. We have a wonderful opportunity to work with the K-12 schools to raise academic achievement throughout California, and together we can succeed.

These are exciting times in which to be president of the University of California. I am proud of what we have accomplished throughout this century and believe there are many opportunities to contribute even more in the next century. Among public universities, we have played a special role in maintaining quality. We must continue to focus on that UC tradition of excellence as we move into the next century. It is our quality--our outstanding instructional programs, research, and faculty--that makes us so important to the state and the nation.

Thank you for all you do on behalf of the University of California. Your involvement has contributed to the greatness of this institution and in turn to the well-being of all Californians.