

to let our people get lost in a blizzard of statistics.

Since the election we've learned even more about the difficulty of the budgets and the difficulty of putting together an economic program that puts people to work in the short run and deals with the long-term problems of this economy.

Just today we got the news about the economic indicators for the month of December being the best in 10 years and yet the disturbing prospect that a lot of new jobs are not being created. How could this be so? Well, partly because there's been no inflation in the economy and interest rates have been down for some while; people are now beginning to refinance their home, debts, or buy and sell new homes, so that generates a lot of economic activity. And partly because we have an inordinate number of companies in our free enterprise system who have gotten more and more productive and therefore earning more money. The problem is that a lot of them are doing what we need to do, which is to gradually downsize. A lot of them are not hiring new people, even though their incomes are going way up.

Now, during the eighties that happened to the Fortune 500 companies, which reduced employment by over a couple hundred thousand a year all during the eighties. But all those jobs were made up for in the eighties by small businesses hiring new people. And yet, now small business hiring is dropping, too, as small businesses are loathe to hire new people because they can't afford to pay for health care or because they can't get credit from their local banks.

So we have this anomalous situation where the economy seems to be growing but employment is not, and where more and more middle-income workers are working harder and harder every year but their wages aren't keeping up with inflation, and the costs of health care and education are outstripping inflation.

So we have this perplexing dilemma. How can we build on what the free enterprise system is doing that is good, get small business growth going again, and increase investment so that we generate more high-wage jobs, so that the economy can grow, not just in the overall statistics but in the real lives of real people? That's important to you, not only because of your mission at OMB but because how you do is a reflection of how the taxpayers do, since they pay your bill.

So you have an immediate as well as a long-range interest in the success of what is our economic commitment: to do something which the American people have never before had to do, to increase investment and bring down the deficit at the same time. That is our challenge.

And on February 17 we're going to start anew in an effort to meet that challenge. We've got to turn this country around to build a long-term stable growth of jobs and income. We cannot go 10 more years with insufficient jobs and insufficient income growth for people who are working hard, playing by the rules, willing to become educated and trained in ever-new skills, meeting ever-new challenges.

That is our challenge. And we are doing our best to meet it. Since no one has ever tried to do both these things at once, to get the job base going, which we want to do with a modest stimulus program in the beginning, increase permanently investment in people and jobs and growth, and reduce the deficit, it is not always clear exactly what specific decisions we must make. But the general path we have to follow is clear, because if we don't do something about investment, we won't have the kind of high-wage jobs that will shape a good future for ourselves and our children. If we don't do something about the deficit, it will eventually overwhelm our ability to borrow money at affordable rates and to have any money left in the public purse to take care of people in need and to invest in our future.

So we have no choice but to embark on this course, but it is an uncharted course. No one has ever tried to do both things at the same time before. President Roosevelt elected to pursue investments in putting the American people back to work; deflation was so bad he didn't have to worry about the deficit. And before he had to deal with it, we were in a world war with full production and a massive deficit that then dropped dramatically as a percentage of our income for the next 35 years for the simple reason that we were growing so fast we didn't have to worry about it. Now we need a new commitment to investment, but we cannot ignore our debt.

We have to remember a few basic things, I think, in putting this program together. The first is that while every American is willing to make a contribution, the contribution we ask of every American must be viewed against what