

we have begun to have two pieces of good economic news. One is that productivity is increasing, and that's good. Companies are making more money. They're figuring out how to compete in a tough international environment. Two is that there's a lot more economic activity around housing as low interest rates finally are letting millions of Americans refinance their home mortgages, others get into buying homes, and that's all been good.

Then since the election, there have been two good pieces of economic news that I think the election can fairly claim some credit for. One is that consumer confidence started going up in November and exploded in December, and it's going to be strong in January. The second is that the financial markets generally are upbeat about the direction that our administration has outlined, which means they take us seriously that we're going to try to do what many say is impossible, which is to increase investment and reduce the debt at the same time.

So, that's the good news. The bad news is that in this economy, the downsizing of big firms is continuing apace. It started in the 1980's, when every year of the 1980's the Fortune 500 together reduced employment in the United States by about 400,000 people per year, big, big reductions in employment. In most years, that was offset by job increases in small and medium-sized companies. Now that is not happening, even though this recovery is in place. So you have this strange thing where the economic indicators are going up in the last quarter like crazy, but the unemployment rate is higher than it was at the depth of the recession. And for 14 months we've had a national unemployment rate over 7 percent. Why is that?

I think there are several reasons, but let me just say there are plainly three. One is that small business cannot afford to hire new workers and make up the slack from big business cuts because of the exploding costs of health care. Two is that the small businesses that want to hire workers can't get credit because of the credit crunch, which is more heavily concentrated in some places than others and particularly in California and southern Florida—Mayor Lanier, still in Texas—but generally across the country. The third is that the defense cutbacks have accelerated the loss of high-wage manufacturing jobs without any offsetting industrial strategy or conversion strategy in America, which has been particularly devastating for

southern California, for Connecticut, and for one or two other places, but has been generally felt across the country.

So the first thing I've got to try to figure out how to do is how to keep this economic recovery with all these big numbers going but to actually help real people out of it. How are we going to generate some more jobs? One way is to put some more money into basic construction, which would affect you. We're going to try to accelerate the funding of ISTEA, which would help you. We're going to try to put some money into this stimulus package. It will be modest because we don't want to be accused of ignoring the economic indicators, but it will be substantial to several areas.

And the other is to outline a 5-year investment plan which will increase our investment in infrastructure, which will have a defense conversion plan, and which will attempt to address these very serious problems that are killing small business, namely controlling health costs and providing basic health care to all Americans and trying to break open the credit crunch.

If you think about it, two best things I could do for you are both indirect. If we could bring health costs in line with inflation and get banks to lending again, economic activity would pick up among people who would then pay taxes to your local government, and you could take that money and do what you need to do.

The best thing I could do for the private sector, if we could bring health costs in line with inflation between now and the year 2000, we would save the private sector 2½ times as much as the public purse, freeing hundreds of billions of dollars a year to be reinvested in the economies of this country.

So, what I'm going to try to do is just that. It's never been done before in this country, having to bring down the deficit and increase investment at the same time. It's going to require some very tough choices. I spent 2 hours yesterday trying to cut the budget in areas that I thought were inessential in order to free up monies that would be invested. And obviously most of our investment money goes directly back to State and local government.

I'm sure that a lot of you will wish we were spending more. But let me say that it is critical, I'm convinced, that we show some discipline in bringing down this deficit, because every point we drop long-term interest rates frees up \$50 billion for new investment in this economy.