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Thank you to all the Board and Staff of the Center for inviting me to come here today, and talk to you about what I've learned through two difficult but interesting years as the Governor of New Jersey. It was Will Rogers who once said that "Even if you're on the right track, you'll get run over if you just sit there."

I think that warning carries a special urgency today. Because America is on the wrong track. And the train is barreling down on us. We need to make some fundamental changes in government if we're to reverse the feeling too many people have in this Nation--the feeling that opportunity is dying and our best days may be behind us.

Today, I would like to talk with you about the underlying illness as I see it in our political system; the values I believe we share for a vigorous government and economy; and finally, a new prescription for using the powers of the governor's office to bring our system back to health.

John F. Kennedy said, "We have no greater asset than the willingness of a free and determined people, through its elected officials, to face all problems frankly and meet all dangers." That's still our greatest strength. But to exercise it, we must be unflinchingly honest about the challenges facing us, because we live in an age of unprecedented problems.

Our first and biggest problem is that our economy -- and our hopes for the future -- are hobbled by a \$4 trillion national debt. The interest alone eats up more money than this nation spends on all state and local spending -- combined.

Second, our nation's health care system is in crisis. I foresee this issue as the dominant national issue of the '90s. In my own state, the cost of health care is expected to devour 22 percent of all state spending next year. And the plight of the 37 million Americans who have no health insurance offends our idea of a decent society. These are the folks not poor enough for be on Medicaid, not old enough for Medicare, and not lucky enough to get health insurance at work or on their own.

The hidden costs of health care are hurting our economic competitiveness. We know that \$1,000 of the price of a new care made in the U.S. reflects health care cost.

Third, we've lost one of the engines that drove our economy for half a century. The Cold War is over. A rising military budget will no longer help ensure a rising tide of economic opportunity. And we have not yet replaced it with new growth in the business or public sector.

The result is that for the first time in the history of polling, Americans don't expect their children to live as well as they have. That carries some awful implications. It means the promise of progress that has been our reason for being as a nation is at

risk. We have reached what may be a time of unprecedented peace for our Nation; now we need to bring peace of mind to our people. And replace their current apprehension about the future.

The problem isn't that leaders in our country disagree about what's wrong. Leaders in both parties, many in business, labor and other fields all agree on the core problems that are haunting the American economy. The problem is that, too often, our perceptions of the problems don't square with public perceptions. When it comes to what's wrong with our economy, the people and their leaders aren't speaking the same language.

And so we remain stuck in our tracks. This lack of common understanding presents a special challenge for Governors in our nation -- and special opportunities. Two years ago, when I was elected Governor of New Jersey, we faced such a leadership test. The perception was that the State was in fairly good health when we started out. But we quickly discovered, as other states would, the patient was bleeding internally with fiscal and legal emergencies. Three billion dollar budget gap. A court-determined unconstitutional school aid system. National recession. And an ocean that was so choked with pollution that beach closings were becoming routine and hurting our \$13 billion tourism industry.

We needed to perform major surgery on the status quo--fast. So we offered some strong medicine. We cut the budget dramatically. We raised taxes. We faced the tough issues and made decisions in 1990. As a result, over these last two years we've been able to start investing again in our people and our long-term needs. We've withstood the national recession. And we're restoring our strength.

I believe our progress provides a microcosm of how our nation can begin to rebuild its economy and how leaders can change the way government works.

I know what you're thinking: If we have the right description in New Jersey, why were people so angry and so afraid about the future?

The national recession certainly is one big reason for the lingering unhappiness. But there's another, even more fundamental reason. And that's the need for a different type of leadership. And we are starting to provide it. Instead of leading our people into the process of judgment-making when we came to office, we assumed they would understand why our actions were necessary.

We had the right medicine, but a lousy bedside manner. I failed to see how important it is for leaders to listen to people, and be accountable to them. And we paid a price. We faced tax protests and a media firestorm. What I've learned is that, if leaders are going to really address a crisis, we have to work to build consensus between opposing viewpoints in government, and between leaders and the people.

We must search for a new common ground, a common language, that will enable us to agree on the nature of our problems, choose a course of action, and pursue it. Maybe Daniel Yankelovich, the pollster, put it best when he wrote that "the public and leadership have entirely different pictures of how the economy works and what steps will produce the economic prosperity both groups desire."

For a Governor today, there is no more urgent challenge than bridging that gulf of understanding between people and government. There's a reason for that. Much of what's wrong with America today can be traced to a fundamental misunderstanding of the role of government. That misunderstanding has its roots in what I call "the Great Society gone awry." Instead of guaranteeing opportunity, we tried to guarantee outcomes. In the process, we bled our system of the middle class values from which we have always drawn our strength and replaced them with a growing culture of entitlement to outcomes.

But if the Great Society gone awry chipped away at the American soul, the New Federalism run amok smashed away at it with a sledgehammer.

The "don't worry, be happy" economics of the 1980s made people feel good for the moment. But it dropped us down for a crash landing. Two professors at Harvard Business School have said that "the key to long-term success, even survival, is what it has always been: to invest, to innovate, to lead, to create value where none existed before."

What Washington has done during the 1980s is just the opposite. According to the professors, we've been "managing our way to economic decline;" servicing existing markets instead of creating new ones; selling off for short-term profit instead of investing in our technology, our industry and our future. After more than a decade of this shortsightedness, we're starting to see clearly what the Reagan-Bush era has wrought.

The reality is, the least responsible element of our business community effectively got to rewrite the rules and suit themselves. And they let working people fend for themselves. The result was that for many Americans, their middle-class status was put at risk. And the myth of help for the middle-class may have been the most damaging of all the results of the 1980s.

Because when families have nothing to pay the bills at the end of the month but the money they planned to put away for their kids' college or for their retirement, they are going to be angry. And they are going to lash out against the institutions that failed them. And they are going to be angry with the people below them on the economic ladder who suddenly seem to be biting into their piece of the pie.

That's what we're seeing today. The situation we face is not very different in some ways from our predicament 100 years ago, when the concentration of wealth in the hands of big oil, trusts, monopolies and banks precipitated a political struggle over the role of government in the economy. Industry was flush then with new wealth. But ordinary people, the people who were doing the work, were being left behind.

Another New Jersey Governor, Woodrow Wilson, described the crippling effect of this economic imbalance. He said: "The growth of the nation, therefore, and all our activities are in the hands of a few men who necessarily by the very reason of their own limitation, chill and check and destroy genuine economic freedom."

I like that phrase, "genuine economic freedom." Restoring genuine economic freedom and expanding economic opportunity, I believe, is the first principle for a Governor and a leader. And I

might add, hopefully for a President. Government can't guarantee the economic well-being of all. But government must be a catalyst for economic opportunity for all. And it should be.

Not just because it is morally right. But because it is pragmatically and practically essential. Because, when economic opportunity withers our whole democratic system breaks down. When we start fighting over the crumbs instead of expanding our economic pie, democratic government becomes paralyzed.

And the best way for a leader to end that paralysis is to return to the bedrock values of America, the values that guided our people as they built a society offering more opportunity to more people than any society, anywhere in the world.

Leaders can help build those middle-class values in public policy. I'm talking about the basic values of not spending more than you have. Of investing in the future. Of working hard so you can get ahead. Of compassion and helping those who cannot help themselves--but of nurturing self-reliance. Of teaching someone to fish, rather than giving them a fish for a day. And of taking part in our democratic process.

These are the values that have guided our actions in New Jersey these past two years. When husbands and wives sit down to balance their checkbooks at the end of the month, they know they have to make some tough choices. In New Jersey, we're making these same tough choices in state government. We're undertaking the biggest downsizing effort in the history of our state government. We've cut 5,000 government jobs over the last two years, and found \$250 million in productivity savings. And we're not finished yet.

Last year, 40 out of 50 governors had to either raise taxes, cut services or both. And this year, 30 states are running deficits. But the steps we've taken in New Jersey have allowed us to maintain our fiscal integrity. We've submitted two budgets in a row with no tax increases, and increased our investments in people and communities. We've retained our credit rating, the highest in the Northeast and one of the highest in the nation.

Another bedrock value we all share is saving for tomorrow and investing in our future. In New Jersey this year, we're rebuilding \$1.3 billion worth of our roads, bridges, highways, and airports to make our state strong. We're investing in high-tech infrastructure to compete for cutting-edge industry. A bill I signed last month clears the way for us wire every home and business in New Jersey with fiber optics cable by the year 2010 -- five years ahead of the Japanese plan.

And in 1991, we provided businesses with almost \$500 million worth of financing out of our Economic Development Authority to generate a record \$1 billion of investment in New Jersey. Our transportation and public works investments are putting more than 10,000 people to work. And we're working with business and labor to help train our workers today for the high tech jobs of tomorrow through customized training programs.

We know that our kids need to be ready for the future. So last year, we found the will and the wallet to increase State aid for schools by 22 percent. This year and last, we've increased aid by \$1.2 billion. We believe that if you work hard, you should get

ahead. Our first time middle class homebuyers program helps young people leap that first hurdle of the downpayment and obtain a good mortgage--for as little as three percent down.

And we know that nothing is more important to economic opportunity than getting a good college education. That's why we're investing more than any other state in college tuition assistance programs. We're bringing college back within reach of middle class families with low-interest loans and tax-free savings bonds. And, while many other states are imposing double-digit tuition increases, I've submitted a proposal to hold tuition hikes in New Jersey to no more than the rate of inflation.

We believe that we must help those who cannot help themselves. And in New Jersey, we believe that if you get sick, you should be able to see a doctor. In the 1980s, New Jersey became the first state in the nation in which a person can't be refused medical help for lack of money. In the 90s, we're taking new steps to address the health care crisis. We started where we could make a real difference: controlling costs.

Our reforms cut away at the waste in New Jersey's health care industry and imposed needed discipline on health care providers. They're not totally happy. But, in the last six months of 1991 we've been able to cut \$85 million off our tab for uncompensated care as a result of our new Health Care Cost Reduction Act.

We also affirm the bedrock value of self-reliance and hard work. Nothing defines America more than the values of individual opportunity and freedom from dependency. It was Franklin Roosevelt who said that "continued dependence upon relief" is "fundamentally destructive to the national fiber," a "narcotic, a subtle destroyer of human spirit."

In New Jersey, about 400,000 people--5 percent of our population--are locked into the dependency prison that is the welfare system. Put aside the failures of the humanitarian goals of current welfare policy. Put aside the desire to preserve the family--undermined by the current system.

An equally fundamental question is: Can this economy and this nation, afford the anchor around our neck of a substantial portion of the population that is not contributing to a productive economy? In New Jersey, we think not.

We're asking people on public assistance to live by those critical American values of self-reliance, self-respect and opportunity. Our welfare reforms empower people by providing them with job training and the health and day care services they need to become self-sufficient. We're requiring people to get a high school diploma or GED. We offer help, but people must help themselves.

Our reforms strengthen families by removing the barriers to marriage, and by increasing self-reliance through allowing welfare recipients to earn more money from their jobs without losing benefits. We're building incentives, not dependence. We're asking families who receive welfare to make the same decisions everyone faces. To assume the responsibilities for the consequences of one's actions. Because the welfare system should have the same values driving it as the rest of society.

While other Governors are cutting back and hurting people, we're giving back and helping people. We made tough choices so we could hold up under tough times. But we need to do more. We can only really unleash our potential if we rededicate ourselves to America's original promise--participatory democracy. As Governors, we have the unique opportunity to make our system more responsive to people's needs, and give communities greater control over the levers of government.

People tell me we need to shift more of the authority for making decisions about our communities to our communities. They tell me they want better services and more choices about the things that matter in their lives. And that's what we're providing in areas like community policing, school-based management and community health care. My Administration is giving our towns and cities the power to choose. We must empower our people to make the best choices in their lives without Trenton or Washington looking over their shoulder, or in their bedrooms.

If we're going to make leadership relevant again, we've got to make it responsive again. If you talk to the people in my state, an increasing number of them will tell you that we may have been right two years ago when we made hard decisions. But we got out too far ahead of people. I suppose that's better than where Washington is -- too far behind the people. But in either case, the result is that the gulf between people and their government is too wide.

As a Congressman, I made it a habit to meet face to face with many people in town meetings, coffee klatches and senior centers. That kind of personal interaction is harder for a Governor, especially in a state with 7 1/2 million people. But it's no less important or valuable.

I've been out on the road for the last four months. I've held community meetings, office hours and town meetings all over New Jersey. It has become clear that leaders can't make policy based on opinion polls. But we can't make policy work without the support of the public. And what is that common ground that a Governor and the public must find to meet our toughest challenges?

That common ground is found in those enduring values I spoke about before. If we are to heal our divisions and our economy, we must re-establish in our policies these time tested values. Basic values. Common sense values. Like, not spending what you don't have; Working hard so you can get ahead; Investing for the future; Encouraging a spirit of self-reliance; Rejecting dependency.

With Washington in gridlock, Governors must embrace this new responsibility to lead us to this common ground. In New Jersey, we are building bridges to restore that genuine economic freedom that Woodrow Wilson spoke of. So I believe our best days are ahead of us--in New Jersey and with leadership, across the Nation. To reach them, we need to set aside outmoded practices and challenge the status quo that no longer speaks to the economic and political realities of the world we face.

We must preserve only those bedrock values that work, and wed them to forward-looking policies that will put people to work. In New Jersey, we're investing for economic growth. We're bringing government closer to people. We're fighting to give people new optimism for the future.

We're moving ahead, on the right track. And we're looking forward to tomorrow. As it did during the Progressive era, the nation might be well advised to look to New Jersey.

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