Congress and to arrange for its publication in the *Federal Register*.

George W. Bush

NOTE: This memorandum was released by the Office of the Press Secretary on February 8.

Remarks Following Discussions With King Abdullah II of Jordan

February 8, 2006

President Bush. Your Majesty, welcome back. I have had two good discussions with His Majesty. Last night His Majesty and the Crown Prince came to have dinner with Laura and me and some Members of Congress, and we had a really good discussion. We had a little time by ourselves to talk strategically about the world and our deep desire for this world to be peaceful.

Of course, we talked about Iraq, Iran, the Palestinian territories. And I appreciate your vision and your desire to achieve a better world for the people in your neighborhood.

We also talked about a topic that requires a lot of discussion and a lot of sensitive thought, and that is the reaction to the cartoons. I first want to make it very clear to people around the world that ours is a nation that believes in tolerance and understanding. In America, we welcome people of all faiths. One of the great attributes of our country is that you're free to worship however you choose in the United States of America.

Secondly, we believe in a free press. We also recognize that with freedom comes responsibilities. With freedom comes the responsibility to be thoughtful about others. Finally, I have made it clear to His Majesty, and he made it clear to me, that we reject violence as a way to express discontent with what may be printed in a free press. I call upon the governments around the world to stop the violence, to be respectful, to protect property, and protect the lives of innocent diplomats who are serving their countries overseas.

And so, Your Majesty, thank you for coming. I'm proud to share the moment with you.

King Abdullah. Thank you very much for your kind words. And I would just like to echo what the President said. We've had some very fruitful discussions, and we're appreciative of the vision and the desire that the President has for peace and stability in our part of the world. He has always strived to make life better for all of us in the Middle East, and I tremendously appreciate that role.

The issue of the cartoons, again, and with all respect to press freedoms, obviously, anything that vilifies the Prophet Mohammed—peace be upon him—or attacks Muslim sensibilities, I believe needs to be condemned. But at the same time, those that want to protest should do it thoughtfully, articulately, express their views peacefully. When we see protests—when we see destruction, when we see violence, especially if it ends up taking the lives of innocent people, is completely unacceptable. Islam, like Christianity and Judaism, is a religion of peace, tolerance, moderation.

And we have to continue to ask ourselves, what type of world do we want for our children? I too often hear the word used as, tolerance. And tolerance is such an awful word. If we are going to strive to move forward in the future, the word that we should be talking about is acceptance. We need to accept our common humanity and our common values. And I hope that lessons can be learned from this dreadful issue, that we can move forward as humanity, and truly try to strive together, as friends and as neighbors, to bring a better world to all.

President Bush. Thank you, Your Majesty. I appreciate you.

NOTE: The President spoke at 9:26 a.m. in the Oval Office at the White House. In his remarks, he referred to Crown Prince Hussein of Jordan.

Remarks to the Business and Industry Association of New Hampshire in Manchester, New Hampshire

February 8, 2006

The President. Thank you for the welcome. It's good to be back here in New Hampshire. We had a little problem scheduling a room here in this State. It turns out a lot of Judd's colleagues are prebooking for the '08 elections. [*Laughter*]

I really appreciate you giving me a chance to come by. I want to spend a little time on our economy. I want to talk about your money; I want to talk about the budget I submitted. I hope at the end of this discussion you'll have a better feel for why I make the decisions I've made. You know, one of the interesting things about my job is, you get to make a lot of decisions. My buddies from Texas come up and they say—after they get over the initial shock of me being in the White House in the first place—[*laughter*]—they say, "What's the job like? What's it like to be President of the United States?"

The best thing I can tell them is, it's a job that requires decisionmaking. Decisionmaking is based upon—good decisionmaking is based upon standing for something, making decisions based upon certain principles that won't change even though the political circumstances may appear to be changing. Decisionmaking means listening to people, surrounding yourself with excellence. Decisionmaking means doing what you think is right, not what may be politically expedient.

And so today I hope I give you a sense of why I made some of the decisions that I made on the budget I've submitted to the Congress and why I believe it'll help the American people.

Before I begin, I do want to thank Judd. The guy is a great friend—he's a great friend of mine; he's a great friend of the people of New Hampshire. I've gotten to know him really well. He's a good man—and he married well too, by the way. [*Laughter*] So did I. Laura sends her best. She's winging her way, by the way, to Italy, to represent the United States at the Winter Games, which is pretty unusual for a woman who was raised in west Texas, where it rarely snows. [*Laughter*]

I'm also proud to be traveling today with Senator John Sununu. He, too, is a fine man and a great Senator for the people of New Hampshire. I'm proud to be here with the two Congressmen, Jeb Bradley and Charlie Bass. I'm looking forward to flying them back to Washington. It's amazing what people will do to get a free flight. [*Laughter*]

I want to thank the speaker who is here; Doug, thank you for being here. I remember going to your farm a while back. You know, I don't follow New Hampshire politics that closely these days, at least statehouse politics, but I do know this is a guy who loves his family, and he's got a lot of family to love; I've met them all. Appreciated his hospitality.

I want to thank the president of the senate, Ted Gatsas, who is with us as well. Mr. Mayor, thank you for joining us today. The mayor said he just got elected; he's all excited and fired-up. Just fill the potholes, Mayor, and everything will be fine. [*Laughter*]

I want to thank all the other State and local officials. I want to thank George Gantz. Thanks for the introduction. I asked him what his middle name was—I was hoping it was W. [*Laughter*] But it wasn't. But, anyway, George, thanks for introducing me, and thanks for having me here. I want to thank Mike Donahue and all the other members of the board of the Business and Industry Association of New Hampshire.

I also want to thank the bankers who are here. Thank you for allowing me to horn in on your meeting. I hope it's worth your while to have me. Most of all, thank you all for giving me a chance to come.

Let me first start off with our economy. It's strong, and it's getting stronger. That's how I see it. I say that because we're now in our fifth year of uninterrupted economic growth. Last year this economy of ours grew at 3.5 percent, which is good—that's good, strong economic growth. We did so in the face of higher energy prices and natural disasters, which makes the growth even more extraordinary.

More Americans now own their home than ever before in our Nation's history. I love the fact that America is an ownership society. I think it's important for policy to promote ownership. Low interest rates, by the way, helps promote ownership. You'll be happy to hear that this administration doesn't intend to set the interest rates, but I did name somebody good, named Ben Bernanke, to head up the Fed, to replace Alan Greenspan, and I'm confident he will do a good job of being the Chairman of the Fed.

More minority families now own a home than ever before in our Nation's history as well. See, a hopeful society is one in which

all people see a positive future. There's nothing better than saying, "I own my own home; welcome to my home."

Real after-tax income is up by 8 percent—nearly 8 percent per person since 2001. New orders for durable goods like machinery are rising, which is a good sign. Shipments of manufactured goods are up as well. The productivity of the United States was strong last year, and that's important. A productive society is one in which the standard of living rises. It's important for us to have policies in place that keep us the most productive society in the world.

Small businesses are thriving. We've added 4.7 million new jobs over the last 2½ years. The national unemployment rate is at 4.7 percent, the lowest level since July 2001. I was interested to see that your unemployment rate is still unbelievably low; it's at 3.5 percent. A recent survey of your businesses said that nearly two-thirds of the CEOs expect revenues to increase this coming year. In other words, there's a positive feel here in New Hampshire and around a lot of parts of our country as well.

I like to say it's an exciting time for the economy. We're productive; we're innovative; we're entrepreneurial. And the role of Government is to keep it that way. That's the role of the Government. The global economy—we're the leader. We're growing faster than other major industrialized nations, and in the past 2½ years, we've created more jobs than the EU and Japan combined.

Now one of the interesting things we face here in America is, in spite of the numbers and the economic growth, there is uncertainty. Some of the uncertainty comes as a result of competition from places like India and China. The temptation with uncertainty and competition is to say, "We can't compete; let us kind of wall ourselves off." If you look at the history of the United States, the economic history, there have been periods of protectionism and isolationism, in the hopes that that will lead to a better lifestyle for our citizens. I strongly reject the notion of becoming a protectionist nation. I don't think this country ought to fear the future. I don't think we ought to fear competition. I know we ought to shape the future with good policies out of Washington, DC, and make sure that we're the preeminent economy in the world.

There's also, you know, kind of a debate in Washington about how to handle your money. There are some that, frankly, whose policies would make us look more like Europe than we should, and that is kind of a centralization of power. The surest way to centralize power is to take more of your own money to Washington. And so I want to talk a little bit about why our economic policies, in my judgment, should reject the centralization of power, particularly through the budget process, and let the folks at home make the decisions about their own money.

You see, Government doesn't create wealth. A lot of my decisionmaking is based upon this principle: The role of Government is not to try to create wealth but an environment in which the entrepreneur can flourish; is to create an environment in which people are willing to risk capital; an environment in which a person feels comfortable with making a decision to start their own business. That's the role of Government. It's a role of Government that says, "We trust people to spend their own money wisely."

And so in the State of the Union Address, which I gave last week, I outlined a series of steps that encompass that philosophy and steps that I believe that will keep America the preeminent economy in the world, the leader in the world, which is what we should be. If we want our people to prosper, if we want lifestyles to improve, if we want our standard of living to go up, America must remain the leader.

I've talked about health care and the importance for us to have a health care system that takes care of the elderly and the poor, but a health care system that strengthens the relationship between doctor and patient, a health care system that provides transparency into pricing, a health care system that uses information technology to bring the medical profession into the 21st century.

You know, some are going to say, "What do you mean by that?" Well, I mean, when you're writing your files by hand, it means you're not in the 21st century. And since most doctors can't write too well, there's a lot of information that didn't pass—[*laughter*].

I've talked, as well, about the need to get legal reform in the medical industry. Look, we've got too many lawsuits, pure and simple. We've got a real problem in the country because docs and hospitals are getting sued. A lot of good docs are being driven out of business. I said an appalling—a statistic that I think is appalling in my State of the Union. Do you realize there are 1,500 counties in America without an ob-gyn? And that's wrong. And one of the reasons that's happening is because there's too many lawsuits driving good docs out of practice. We need a medical liability system that is fair to medical providers in the United States of America.

When I first went to Washington, I thought it might be a State issue. And then I realized that all these lawsuits are causing doctors to practice defensive medicine as well as running up premiums, which costs the Federal Government a lot of money. And so I've decided this is a national issue that requires a national response. And the United States Senate needs to be pass medical liability reform this year.

Part of our plan for a patient-doctor system, one that gives you choices to make and counts on you for making rational choices, is to expand health savings accounts and make sure that individuals and small-business employees can buy insurance with the same tax advantages that people working for big businesses now get. And we're going to make sure those health savings accounts are portable. One of the things about our economy, which is interesting, is that there's a lot of turnover when it comes to jobs. People are changing jobs a lot, which creates uncertainty. And one way to deal with that uncertainty, to bring certainty to people in the workforce, is to make sure they can carry their health savings account with them from job to job, so they don't fear losing their health insurance.

So I've got a lot of ideas on health care that I'm going to be talking to the Nation about in the coming weeks. Also as we continue to make sure this country is whole, we're going to make sure that we repair parts of our country that have been hurt by natural disaster. Thus far, the Federal Government has committed $85 billion to the folks who got hurt by Katrina. I went down there in Jackson Square, and I said, "The Federal Government is going to help you," and we are helping—$85 billion is a lot. It may not be all it takes, but I want to compliment the Congress for making a strong commitment to helping the people down there get on their feet and get this important part of our country up and running again.

I talked about a very important issue that I think surprised old Judd a little bit—you know, he knows I'm from Texas, a little concerned about my views on energy, I think, at times—prejudged me the wrong way. I meant what I said; we've got to get off our dependence on oil. To stay competitive, this country cannot be reliant upon oil from unstable parts of the world. And therefore—as I said in the State of the Union, we're spending $10 billion so far to come up with ways to wean ourselves off of oil.

I talked about clean coal technologies. We have got to promote safe nuclear power. We have got to continue our investment in solar energy. But I want to spend a little time—I mean, a little time—on making sure that you understand that I am serious when it comes to spending money so that—to be able to develop the technologies necessary to be able to convert saw grass and wood chips and refuse into energy. It's coming. We believe this technology is close to breakthrough status.

I also want to tell you something interesting that I didn't say in the speech, is that there's 4½ million automobiles on the road today that are flex-fuel automobiles that can switch from gasoline to ethanol already. In other words, the technology is available for the automobiles. When we have the breakthrough, when it comes in ethanol, I'm convinced that this country is going to become what we want it to be—not reliant upon Middle Eastern oil.

It's exciting times. It's important. This is not only an economic security issue, it is a national security issue. And we're intent at the Federal Government to promote research dollars to see to it that we achieve this important objective.

I also talked about education. One of the things we've got to understand here in America is that if our children don't have the skills

necessary to fill the jobs of the 21st century, those jobs are going to go somewhere else. We live in a competitive world, and as I told you, I recognize that competition creates uncertainty, but we've got to be certain about the goal to make sure our children are educated.

And so, laid out a math and science initiative, which embodies a lot of the principles in the No Child Left Behind Act, which basically says, "Look, we're going to measure, and if we determine that you're falling behind in middle school in math, we'll provide extra money so you can catch up." We need more AP teachers trained in the classrooms for our high schools. We're going to have 30,000 adjunct professors from private industry and/or retired scientists to go and excite our children about math and science.

And, as well, we've got to lead the world in basic research. I committed our Government to doubling the basic research for sciences over a 10-year period of time, as well as we've got to understand that most of the money invested in research is done at the private sector. And that's why we've got to make sure the research and development tax credit is permanent. You see, the research and development tax credit expires annually. Now, how can you possibly plan for an aggressive research budget if you're uncertain as to what the Tax Code is going to allow you to do? Congress has got to understand that CEOs of companies that are investing to make our life better can't make sound decisions with uncertainty in the Tax Code. And so they've got to make the research and development tax credit permanent.

And so there are some ways to make sure that we remain competitive, and I'm going to work with Members of Congress to make sure we get these initiatives passed.

Today I'm going to focus on the budget strategy. We're on our way to cutting our deficit in half by 2009. And I'm going to give you some ideas as to how we can do that. The budget strategy has three parts. The first part is to promote economic growth by keeping taxes low. The second part is to restrain spending. And the third part is to insist that Federal programs produce results. That may sound odd to you. [*Laughter*] But I'm going tell you how we—we've got interesting ideas how to promote results-oriented programs in Washington, DC.

First, we're going to keep the taxes low to make sure the economy grows. My philosophy is this: When Americans are allowed to keep more of their own money to spend and save and invest, that helps the economy grow, and when the economy grows, people can find work. If entrepreneurs have more money in their pocket, they're going to use it to expand their businesses, which means somebody is more likely to find work. If consumers have more money in their pocket, they're likely to demand additional good or services. And in a marketplace economy when somebody demands a good or a service, somebody meets that demand with product or the service. And when that demand is met, it means somebody is more likely to find work. Cutting taxes means jobs for the American people.

We're a confident nation, and one reason we are is because we've overcome a lot. I want you to think about what this economy has been through in a relatively quick period of time. We've been through a recession, a stock market collapse, terrorist attacks, a war, and corporate scandals. And I told you how strong the economy was going. I think one of the reasons why this economy is as strong as it is, is because Congress wisely cut the taxes for the American taxpayers.

We lowered taxes, and in doing so the message was and the philosophy is, you can spend your money better than the Government can spend its money. We want you making decisions for your families. We want you making investments. And so we cut taxes on families by lowering income tax rates and doubling the child credit. We reduced the marriage penalty. I've never understood a Tax Code that penalizes marriage. Seems like to me we ought to be encouraging marriage in the Tax Code. We put the death tax on its way to extinction. My view is, is that if you're running a small business you ought not to have to pay taxes twice, once while you're living and once after you die. If you're a farmer or a rancher, you ought to be allowed—the Tax Code ought to encourage you to be able to pass your property on to whomever you choose.

We cut taxes on small businesses. An interesting part of the debate that a lot of people in America haven't focused—didn't focus on is that when you're cutting individual income tax rates, you're also cutting a lot of taxes on small businesses. See, most small businesses are sole proprietorships or subchapter S corporations, and therefore, they pay tax at the individual income tax level. And so when you reduce all rates, you're really interjecting capital into the small-business sector of the country. And that's important because two-thirds of new jobs in America are created by small businesses. It makes sense, doesn't it, if you're worried about people finding work, if you're trying to overcome economic hardship to fuel the engine of growth that will provide work—and that's the small-business sector of the United States.

One of the interesting things we did is we understand it's important to encourage investment, particularly for small businesses. And so we raised the amount of investment a small business can deduct immediately from $25,000 to $100,000. And why do you do that? Well, one, you want your small-business sector to remain productive. Investment yields enhanced productivity, which means it's easier to compete and stay in business. We want more productivity. Productivity will yield a higher lifestyle for the American citizens.

Secondly, we want people to invest because it means somebody is going to have to produce the product that they buy. And so this—raising the deduction had a positive effect not only in the small-business sector but throughout the economy. By the way, this deduction is set to expire, and so part of my budget proposal is to double the deduction to $200,000 to help small businesses and to make this a permanent part of the Tax Code so small-business entrepreneurs have security in planning.

We also lowered the taxes on dividends and capital gains. One of the interesting statistics and why this is such an important initiative is that half of America, now 50 million households, have some investment in the stock market. Think about that. Half the households in America have got a stake in the stock market. They either own shares in individual companies or through mutual funds. By cutting the taxes on dividends and capital gains, we helped add nearly $4 trillion in new wealth to the stock market. In other words, it invigorated the markets. That's positive, particularly if you're one of the one-half of the American family that owns stock. When those stocks go up, you see the value increase in your IRAs or your 401(k)s or your mutual funds.

These gains help American families. See, there's a correlation between cutting taxes on dividends and capital gains, and increase in the market and increase in individual net worth. When that happens, that helps American families be able to afford a down payment for a home, or helps a family be able to afford a college tuition, or it helps a family in retirement enjoy a better life. In other words, there is a direct correlation between cutting taxes on the capital gains and dividends and quality of life all across America.

The tax relief on dividends and capital gains has also helped families that don't own stocks. And the reason why is, people out here understand—capital flows will tell you that cutting taxes on dividends and capital gains has reduced the cost of capital. That's economic talk for meaning the money that you borrowed doesn't cost you as much, and that helps investment. An economy in which there is ample investment is an economy in which people are able to find work. So this has been a positive part of our tax plan.

One of the interesting things that I hope you realize when it comes to cutting taxes is, this tax relief not only has helped our economy but it's helped the Federal budget. In 2004, tax revenues to the Treasury grew about 5.5 percent. That's kind of counter-intuitive, isn't it? At least it is for some in Washington. You cut taxes and the tax revenues increase. See, some people are going to say, "Well, you cut taxes; you're going to have less revenue." No, that's not what happened. What happened was, we cut taxes, and in 2004, revenues increased 5.5 percent. And last year those revenues increased 14.5 percent, or $274 billion. And the reason why is, cutting taxes caused the economy to grow, and as the economy grows, there is more revenue generated in the private sector, which yields more tax revenues.

Revenues from dividends and capital gains are up by an estimated 50 percent. Think about that. We cut the taxes, so if you got a dividend or you sell your stock after a period of time and pay capital gains—and the revenues from those two areas have gone up—the economy kicked into high gear, and we're getting more money in the Treasury.

Now, this tax relief I mentioned to you is set to expire. In other words, when Congress passed it, it wasn't permanent. Kind of like the R&D tax credit, it's kind of—it may be permanent, it may not be permanent, depending upon whether or not Congress acts.

If you're a small-business owner that's not good for you, to be wondering what your taxes are going to look like. You cannot plan your future if you're a small-business owner if you wonder whether or not your tax rates are going to go up in the short term. I don't think families are looking forward to any tax increases. I think they agree with me; we've got plenty of money to spend in Washington, and we just need to make sure we set our priorities.

If Congress doesn't act, your taxes are going to go up—and you're not going to like it, and it's going to hurt the economy. And so Congress needs to make the tax relief we passed permanent.

You will hear the argument during the budget debates, you know, all the noise coming out of Washington, that you need to raise taxes in order to balance the budget. I've been there long enough to tell you, that's not the way Washington works. They're going to raise your taxes, and they're going to find new ways to spend your money. The best way to reduce the deficit is to make sure we have progrowth economic policies in place and be smart and wise about how we spend your money.

So the second thing I want to talk to you today about—the strategy behind the budget and the decisions I made for the budget—is how we can be wise with your money. In the State of the Union, I outlined priorities. One way you're wise with your money is, you set priorities. You know what it's like to manage your own family budget. Of course, you'd like to take a vacation every week, you know, some exotic place—but you've got to set your priorities; you can't do that. You want to do this or do that, go to a fancy restaurant every night, but that's not setting priorities. Families set priorities. Individual Americans set priorities. Business people set priorities all the time when it comes to setting the budget, and that's what the Federal Government needs to do.

And the first priority of our Government is to make sure our troops in harm's way have all they need to complete their mission for the sake of peace.

The budget I've submitted has got other priorities; I mentioned some of them. A priority is to make sure that we help the folks down South get on their feet, those suffering from Hurricane Katrina. I talked about the need to have education as a priority, particularly in math and science. I talk about the priority to spend research money so we become less dependent on Middle Eastern oil. Those are priorities.

Now, when it comes to budget talk, there are two types of spending in Washington. There's called discretionary spending and mandatory spending. Discretionary spending is the kind of spending Congress votes on every year. Mandatory spending is the kind of spending that happens based upon fixed formula. We made good progress in discretionary spending. In the last year of the previous administration, nonsecurity discretionary spending rose by 15 percent. Every year of my Presidency, we've reduced the growth of that spending. And last year, Congress responded to my request and passed bills that actually cut nonsecurity discretionary spending.

There's no question, the war and the hurricanes have stressed our budget—all the more reason to set priorities and to be wise with your money. And so we submitted a budget. The budget I submitted this year proposes to cut discretionary spending that's not related to defense and homeland security. We will keep the growth in overall discretionary spending below the rate of inflation so we can cut the deficit in half by 2009.

One reason we're able to do so and meet priorities is because we've identified $14 billion in savings from programs that aren't performing very well at all. I'm going to talk a little bit later about that.

The biggest challenge we've got, however—and this is very important for our citizens to understand—when it comes to deficits. The deficits, the unfunded liabilities inherent in our mandatory programs, such as Medicare and Social Security and Medicaid. And the reason why there's a lot of unfunded liabilities in those programs is because a baby boom generation is fixing to retire, and I'm one. As a matter of fact, I turn 62 in 2008, which is a convenient year for me to be retiring. [*Laughter*] Old Judd is a baby boomer. I think he's 7 months younger than I am.

And I'm looking around, and I see a couple of baby boomers out there. And we're getting ready to get into the system. And there is a lot of us. A huge number of retirees are getting ready to get on Social Security and Medicare. And there is not a lot of—relative to those of us who retire, the number of payers in the system is shrinking. And there's a burden. The math doesn't work. It's a problem, particularly for people who are going to be having to pay for baby boomers like me.

Medicare recently was modernized. I'm not talking about the recent modernization program—which is the right thing to do, by the way. If you make a commitment to America's seniors, which Lyndon Johnson did and this country has honored, then it makes sense to make sure the health care system you provide the seniors is modern and up to date. A commitment means a commitment of modern medicine, and that's precisely what we did when we provided prescription drug coverage for seniors.

Imagine a system that said, "We will pay for an invasive surgery but not for the drugs that will prevent the surgery from being needed in the first place." It didn't make sense. Medicare was old and antiquated, and I'm proud to have signed the reform. Twenty-four million seniors are now enrolled in this new program. Tens of thousands of more are signing up each day. The prescription drug benefit is saving the typical senior more than $1,100 on medicine a year. And the average expected premium that seniors pay has gone down by a third, from $37 per month to $25 a month. It's amazing what happens when you interject competition into the health care system.

But the real problem for Medicare is the long-term problem of baby boomers coming into the system. There is going to be 78 million of us. And interestingly enough, we've been promised greater benefits than the previous generation. People ran for office who said, "Vote for me; I'm going to make sure that you get a better Social Security deal or a Medicare deal." And sure enough, Congress passed that. Do you realize that if we don't do anything on fixing this problem—and by the way, if you're a senior, you don't have anything to worry about, you'll get your check. I'm talking about knowing the system is going broke and walking around this country and talking to people who are paying payroll taxes into a broke system. And that's not right. It just doesn't make any sense to me for us not to take care of this problem.

In 2030, spending on Social Security, Medicare, and Medicaid alone will be almost 60 percent of the entire Federal budget. I mean, there is a problem. One of the tricks in Washington is just to pass them on to future Congresses and future Presidents. That's not my style. I want to get something done. I believe the job of a President is to confront problems and not say, somebody else can take care of it. That's why I ran. That's why Judd ran and Sununu ran as well, by the way. And they're strong advocates of doing something about this before it's too late.

Listen, I understand that Congress didn't act last year on the Social Security proposal I laid out, but that's not stopping me from doing what I think is right. I see a problem. And so do the American people, by the way. They see a problem, and they expect us to put aside all that needless political rhetoric, that partisanship and get something done. And I'm serious about it.

So I'm looking forward to putting together a group of both Republicans and Democrats from the Senate and the House—people who can get something done—and sitting down at the table and doing what the American people expect us to do and solve this problem for a generation of Americans that are coming up in our society.

In the meantime, we've got to do what we can do to make sure that we keep spending under control. Later today we're flying back

to Washington, and I'm going to sign a bill that will rein in spending on entitlements, on mandatory spending, by nearly $40 billion over 5 years. And I applaud Judd and Members of the House and the Senate for putting fiscal sanity back into the budget. By the way, it's hard work up there to get everybody in the same direction. Everybody thinks their own program is special. And the noise can get a little loud up there when you're making some decisions that are apparently tough decisions for some.

Let me talk about the Medicaid decision that was made. Medicaid is an important program. It's a program that's a part of our commitment to the poor and the elderly. People talked about how the decision to reform Medicaid was immoral. Well, it's not immoral to make sure that prescription drug pharmacists don't overcharge the system. You're a taxpayer, you expect the Medicaid person we're helping to be able to buy drugs at a reasonable cost. But it turns out that there was inflated markups for people who had Government help to buy drugs. That doesn't make any sense, so we reformed that. The people are still going to get their drugs, but the taxpayers aren't going to have to pay inflated prices. That seems to make sense, seems to be fair.

They talk about us slashing resources for the elderly. No, there are resources for the elderly in Medicaid, but what we did was, we said, "We're going to try to stop you from transferring assets from the parent to the child," so that the parent's apparent poverty enabled them to get on Medicaid. That's not fair. You work hard for your money. We want to take care of the poor, but we don't want to reward people who game the Medicaid system. And so we saved money for the taxpayers by making rational reforms in Medicaid. We're able to keep the commitment to the poor, and that's important for you all to understand. And at the same time, by putting commonsense reforms in place, we saved the taxpayers $4.7 billion of entitlement reform.

Let me talk about the student loan program. I remember going to Kansas State recently, and a young lady stood up and asked me a question. She said, "Well, here you are on a college campus; why are you cutting our loans?" I said, well, I didn't think we were—as a matter of fact, I thought we were helping you get student loans. She was talking about the reforms within the budget I'm going to sign today.

Let me tell you what those reforms were. There were too many subsidies to folks who were providing loans to the students. And so we decided to reform those subsidies to make it more rational for the taxpayers and, at the same time, to help the students. By reducing the cost of lending, we saved the taxpayers $22 billion, of which $10 billion will be used to increase student loans. So here is an example of staying focused on the mission, providing money for loans, and, at the same time, providing relief for the taxpayer.

The new budget I submitted builds on our progress in controlling mandatory spending by proposing another $65 billion in entitlement savings. I'm looking forward to working with Judd to get this passed out of the Senate and the House. It's an important part of maintaining fiscal discipline. Thirty-six-billion dollars of that comes from Medicare, and let me tell you how we achieve that.

The annual growth of Medicare spending is about 8.1 percent. Now if you think about inflation, the growth in that program far exceeds inflation. And the budget I submitted suggests that we slow that growth down to 7.7 percent. That doesn't seem too unreasonable to me, if you're trying to bring fiscal sanity into Washington—to slow the growth of the program down from 8.1 percent to 7.7 percent. This isn't a cut. People call it a cut in Medicare. That's not a cut. It's slowing down the rate of growth. It's the difference between slowing your car down to go the speed limit or putting your car in reverse.

In Medicare, we believe that payments ought to be made to the individual we're helping in a reasonable way. If there are productivity gains and savings to be had at the hospitals, for example, those savings ought to be given to the taxpayers, not to the hospitals. Reform means making health care providers bid and compete for services. That seems to make sense. Competition and bidding creates transparency in the process, but it also helps the taxpayers.

So we brought these reforms into place recognizing that the choices will be tough for Members of Congress—but necessary choices. That's what you expect, it seems like to me. You ought to expect us to ask the tough questions, to make sure the programs focus on the people we're trying to help, and, at the same time, achieve savings, if possible to do.

Congress is working on earmark reform, and I appreciate that a lot. It's a necessary part of making sure the budget process is rational. I look forward to helping them. I've got some ideas of my own, in terms of budget reform.

One, I believe any time Washington makes a spending commitment that our children and grandchildren will not be able to afford, I propose that Congress offset those expenditures in entitlement spending. In other words, if they make a commitment to increase entitlement spending somewhere, they've got to decrease it elsewhere, in order to make sure we have rational budgeting.

Secondly, I believe we ought to sunset Federal programs. That means that they ought to be reviewed at a certain period of time to determine whether or not they're meeting the objectives that Congress set them out to be. And if not, get rid of them.

And finally, I'd like to have the line-item veto.

I mentioned to you getting good results. Let me talk about the last part of our budget strategy. We have worked hard to insist upon results. Perhaps the most vivid example of that is in the relationship between the Federal Government and the State government when it comes to public school education. I was always worried about a system that never asked the question, "Are we getting results for our money?" It's a legitimate question, particularly when it comes to schools.

When I was the Governor of Texas, I remembered what it was like to be the Governor of a State where people just got shuffled through, and we didn't know whether they could read or write, add and subtract, until it was too late. And it was a real problem, and it's been a problem throughout our society. And so we came to Washington with a spirit of innovation and reform, worked with Judd on that bill as well. I don't mean to be mentioning your name too often, Judd, but if it helps you, fine. [*Laughter*]

But we had a new spirit when it came to funding schools, and that is, in return for Federal money—I mean, we spend a fair amount of money, not nearly as much as State and local governments, of course. About 10 percent of all the money spent nationwide is spent at the Federal level—but in return for that money, I thought it made sense to say, "Why don't you show us whether or not a child can read." That seemed to make sense. It wasn't that difficult a request.

It turns out it's a pretty difficult request politically. You know, "How dare you measure; all they're doing is teaching the test; it's racist to measure." No, it's racist not to measure. It's racist not to know whether a curriculum is working. It makes sense for the Federal Government to demand results for money spent.

We didn't tell the people of New Hampshire how to teach. We didn't design the test, nor should we, from the Federal level. I believe in local control of schools. I believe in aligning—but I darn sure want to know. And the interesting thing about these tests—we test three through eight, or we demand that the schools test three through eight. One of the parts of the test that I find most important, and I hope you do as well, is that when we find a child deficient in reading, that family gets supplemental services, extra help, where they can go get tutoring at a private or public institution. In other words, there's a focus on every child, making sure that we solve problems early before it's too late. And you can't solve a problem unless you measure. We're going to apply that same thing to the math and sciences agenda, as I mentioned to you earlier.

And so that's the spirit of asking for reform. And so I've got a group of folks that are constantly analyzing whether or not the Federal Government is doing what you're doing—doing what you expect us to do. You realize we spend $2.7 trillion a year, and there are more than 1,000 Federal programs. That's a lot, that's a lot of programs. And it makes sense to make sure that they're working. See, good intentions aren't enough, as far as this administration is concerned.

We're insisting that people show us, program managers show us, whether or not they're achieving—these programs achieve results.

Last 4 years, we've had what we call the President's Management Agenda. Employees have been working to help ensure that the programs are doing what we expect them to do. That's what they do. They spend a lot of time on this. We ask Federal managers to achieve good results at reasonable costs, and we measure them. The point is, is that if they can't prove they're achieving good results, then the programs, in my judgment, ought to be eliminated and/or trimmed back. That's why I told you earlier, we found 141 such programs. And we did the same thing in last year's budget as well.

One of the interesting innovations that we have put forth is a new web site, called expectmore.gov. It's a program where—it's a website where we start to put the measurement results up for everybody to see. Nothing like transparency into the Federal bureaucracy to determine whether or not a program is working. And so I think you'll find it innovative—I do—that the White House has put this web site up. And you'll be able to see whether or not results are being achieved for the money spent.

I'll give you one example of what we're talking about. I'll give you two examples—one example of money poorly spent, and one example of money well-spent, as a part of this management initiative—the analyzation as to whether or not the programs are actually delivering results we want.

One of them is, the Department of Energy runs the natural gas technology program that is designed or was designed to help businesses increase natural gas supplies. That sounds reasonable, doesn't it? Let's have a program at the Federal Government that says to producers, produce more natural gas. The problem is when we found out—when we analyzed the program, we found that it's impact on production is minimal. It's not working. It sounds good. Somebody thought of it, had a good title to the bill, but it's not delivering results. The private sector has got better incentives to provide natural gas for you; it's called price, not the Federal Government's program.

And so I'm asking the erstwhile chairman to eliminate the program.

Senator Judd Gregg. It's done. [*Laughter*]

The President. If it was that easy, Government would be a breeze, wouldn't it?

I'm going to talk about an example of something that is working, based upon our analysis, and these are called community health centers. Community health centers are run by HHS. Their mission is to provide effective health care for the poor and the indigent. It makes sense. If you don't believe in the nationalization of health care, which I don't, then it does make sense to provide good care for people—primary care for people that are poor or indigent.

And so community health centers, which was an idea during the previous administration, is one that we've embraced. We have found that these health care centers work really well. I don't know if you've got one in Manchester, but they're good. [*Applause*] You know what I'm talking about. And so they analyzed the cost, relative to the benefit, and it's worthwhile to fund these. And so the budget that I'm submitting increases—has a 10 percent increase for community health centers.

And so that's it. That's why—I hope you get an idea of why I submitted the budget I submitted. You know, the budgets really kind of generally are numbers. They look at numbers, but you've got to understand, I look behind the numbers and see quality of life issues. When I think about the budget, I think about making sure that the economy grows. You can't be the preeminent economy in the world if your economy doesn't grow.

When I think about the budget, I think about taxpayers and always remember whose money we spend in Washington. It's not our money; it's your money. When I think about the budget, I think about difficult issues like mandatory spending in Social Security and Medicare and how we've got to have political will to not play "gotcha" with the issue but focus on solving it for a generation coming up. When I think about the budget, I think about people that suffer from Hurricane Katrina. When I think about the budget, I

think about our troops that are doing everything they can to spread freedom and democracy so we're safe at home.

And so the budget—you'll hear numbers this, numbers that, but you've got to know that those of us who put it together really do see the human dimension behind good budgeting. Ours is a nation that is a generous nation and a compassionate nation. Ours is a nation that I truly believe can achieve anything we put our mind to. And in terms of our economic future, we shouldn't fear it, because we're going to shape it and continue to lead the world so that people who are in this country have got a high quality of life.

I really appreciate you giving me the chance to come back up here to New Hampshire. May God bless your wonderful State, and may God continue to bless our country.

NOTE: The President spoke at 11:33 a.m. at the Radisson Hotel Manchester-Center of New Hampshire. In his remarks, he referred to W. Douglas Scamman, Jr., speaker, New Hampshire State House of Representatives; Mayor Frank C. Guinta of Manchester, NH; George Gantz, chairman, and Mike Donahue, chair-elect, board of directors, Business and Industry Association of New Hampshire.

Remarks on Signing the Deficit Reduction Act of 2005

February 8, 2006

Please be seated. Thanks for coming. Welcome to the White House. In a few moments, I will sign the Deficit Reduction Act of 2005. This important piece of legislation restrains Federal spending, and it will leave more money in the pockets of those who know how to use it best, the American people.

I appreciate the Vice President being here. Mr. Speaker, welcome, Leader Frist—thank you all for coming. Senator McConnell; Senator Santorum; Senator Judd Gregg, chairman of the Senate Budget Committee; Congressman John Boehner, the House Majority Leader; Roy Blunt, the House Majority Whip; Congressman Nussle, chairman of the House Budget Committee; I want to thank you all for coming. I appreciate the members of the Cabinet who are here, as well as all the Members of the United States Congress and the Senate who have come for this important bill signing.

Our economy is strong, and it's getting stronger. We're now entering our fifth year of uninterrupted economic growth, and last year our economy grew at a healthy 3.5 percent. Real after-tax income is up nearly 8 percent per American since 2001. Productivity growth is high. Small businesses are thriving. America has added 4.7 million new jobs over the last 2½ years. The unemployment rate is down to 4.7 percent—the lowest level since July 2001.

Our economy leads the world, yet we cannot be complacent. To keep our economic momentum, we need to look at the challenges down the road and respond with wise policies now. And one of the most important policies we need to pursue is spending restraint in Washington, DC.

Earlier this week, I sent Congress a disciplined Federal budget for 2007, and this morning I traveled to New Hampshire with Chairman Gregg, Senator Sununu, Congressman Bass, and Congressman Bradley to discuss the new budget proposal in detail. The budget strategy begins with keeping taxes low so that Americans can spend, save, and invest more of their own money—and that will help keep our economy growing and creating jobs. My budget funds our priorities, starting with funding the United States military, promoting alternative sources of energy, investing in math and science education and basic research, and helping to care for the poor and the elderly.

At the same time, my budget tightens the belt on Government spending. Every American family has to set priorities and live within a budget, and the American people expect us to do the same right here in Washington, DC.

The Federal budget has two types of spending, discretionary spending and mandatory spending. Discretionary spending is the kind of spending Congress votes on every year. Last year, Congress met my request and passed bills that cut discretionary spending not related to defense or homeland security. And this year, my budget again proposes to cut this spending. My budget also proposes again to keep the growth in overall discretionary spending below the rate of inflation,