

these developments make you any more inclined to endorse a constitutional amendment banning gay marriage?

President Bush. I strongly believe that marriage should be defined as between a man and a woman. I am troubled by activist judges who are defining marriage. I have watched carefully what's happened in San Francisco, where licenses were being issued even though the law states otherwise. I have consistently stated that if—I'll support law to protect marriage between a man and a woman. And obviously these events are influencing my decision.

Q. Are you close to a decision?

President Bush. I'm watching very carefully. But I'm troubled by what I've seen. People need to be involved with this decision. Marriage ought to be defined by the people, not by the courts. And I'm watching it carefully.

Stevie [Steve Holland, Reuters].

National Economy

Q. Mr. President, do you think the economy is strong enough to produce 2.6 million jobs this year, as your economic report projected?

President Bush. I think the economy is growing, and I think it's going to get stronger. I do think there are some things we need to do. We need to make sure the tax cuts are permanent. I look forward to continuing to talk about this issue. Uncertainty in the Tax Code could affect small-business planning. Uncertainty in the Tax Code will make it harder for our citizens to make rational decisions about spending money. We need to have an energy policy, open up markets for trade. We need less regulation. We need tort reform. There are things we can do to make sure the economy grows.

I'm pleased by the fact that since August there's been 366,000 new jobs, in one survey. There was another survey called the Household Account that's been more optimistic. But I'm mindful there are still people looking for work, and we've got to continue building on the progress we've made so far.

NOTE: The President spoke at 11:32 a.m. in the Oval Office at the White House.

Remarks Following a Discussion on the National Economy

February 19, 2004

The President. Thanks for coming. I want to thank the folks who have joined me here on the stage. We've just had a chat about their personal circumstances, and I'll share some of their stories with you.

We were talking about our economy and the hopes of families, how to keep the entrepreneurial spirit strong in America. I hope I conveyed to them my sense of optimism about the future of the country. After all, I've seen firsthand what we've been through, and we've been through a lot. And in spite of that, our economy is strong, and it's getting stronger. There's still room for improvement.

Let me walk you through right quick of what these families and small-business owners and large business and CEOs have dealt with, what the country has dealt with in the last 3 years. First, the economy began to slow down in March of 2000. The stock market started to go down. That affected people's savings. And if you watch your savings accounts go down, it tends to have a negative effect on people's attitudes.

Then the country got into—went into a recession, early of 2001. Recession means that people's incomes, at the employer level, are going down, basically, relative to costs, people are getting laid off. It's a slowdown. It's a time of—it's a tough time for risktakers. It's a very tough time for workers. A lot of industries felt like they needed to lay off people, which created uncertainty.

And then on September the 11th, the country got attacked, a vicious attack by brutal killers that affected the Nation's psychology. It affected how I view the world, by the way. When we see gathering threats, the country now must take them very seriously. We can't let threats become imminent. We can't trust madmen with the security of the American people.

September the 11th attacks hurt the economy. We began to recover. I mean, this is a strong nation. The entrepreneurial spirit is really strong. You might remember the attitude after September the 11th: No terrorist is going to hold this country down or hold us back. I saw that spirit firsthand when I

went to New York shortly after the attacks. It was just such an uplifting experience in the midst of tragedy and horror, to see the will of the American people.

Then the economy got affected because some of our citizens forgot to tell the truth. They assumed positions of responsibility and behaved irresponsibly. Corporate CEOs didn't tell the truth to employees or shareholders, and that affected the economy. Capitalism is based upon trust, open books, honest accounting. And a lot of citizens were beginning to wonder what went on. Fortunately, we passed tough laws, and those who betrayed the trust are now paying the price for having done so. There needs to be serious consequences for people who are—don't tell the truth.

And then, as you know, I made the very difficult decision to deal with Saddam Hussein. It's the right decision. The country is more secure. The Iraqi people are free from the clutches of tyranny.

The march to war affected our economy. When you turn on your TV screen in the summer of 2002 and it says, "America's March to War," that's not very conducive for investment. Marching for war doesn't instill a lot of confidence in the future. It creates uncertainty. People who employ people don't like uncertainty. We need certainty in order to have a—to have risktakers feel comfortable about taking risk.

We've been through a lot. But we acted here in Washington. I led. I convinced the Congress to cut the taxes on the people, because I felt like, during this time of uncertainty and economic slowdown, if people had more of their own money, they would demand an additional good or a service. And in our marketplace, when that happens, a producer will produce that good or a service. And when that happens, the economy gets moving; somebody is more likely to find work. And that's what happened.

We cut the taxes on everybody who pays taxes. I don't think it makes sense for tax-cutters to say, "Okay, you win, and you lose." My attitude was, if you pay taxes, you ought to get relief. And we cut all taxes, and one of the important things about cutting all income taxes is we really affect the capacity of small businesses to grow, because many

small businesses pay tax at the individual income tax level. A sole proprietor pays tax at the individual income tax. The Subchapter S pays tax at the individual income tax level. So when you cut all rates, you're not only affecting the purchasing power of families and individuals; you're affecting small-business capital formation. And it helped, and it worked. And at the same time, I asked Congress to increase the limit for deductibility of \$100,000 from \$25,000 to encourage capital investment in the small-business sector.

And why did I focus on small businesses, or why did the Congress focus with me on small business? And the answer is, most new jobs are created by small businesses in America. Some estimates say up to—and if you're interested in job creation, why not focus on the job creators? So the tax relief was passed not only to help individuals but to help our small-business sector. We also increased the child credit to \$1,000. We reduced the marriage penalty. I like to remind people that the Tax Code ought to encourage marriage, not discourage marriage. *[Laughter]* Seems like we want people to stay married, and the Tax Code ought to encourage that.

We helped on dividend and capital gains to encourage investment and particularly to help the elderly. We put the death tax on its way to extinction. I'm going to talk a little bit about that in regards to one of our guests, but the death tax is a bad tax—bad tax.

Think about all the people who are starting their own businesses, who are working hard to realize the American Dream. They're preparing their estates to leave something to their—whoever they chose to, a son or a daughter. And it becomes awfully difficult to do so because the Government is taxing assets twice. They tax you when you earn. They tax you when you die, and it's a bad tax. It's bad for farmers. It's bad for ranchers. It is particularly bad for small-business owners. Fortunately, the Congress heard the call. We've still got a little issue to make sure it stays gone forever that I'll talk about here in a minute.

The tax relief we passed—111 million* taxpayers this year will save \$1,586* off their

* White House correction.

taxes. That's a lot of money that will be in circulation as a result of individual decision-making. See, there's a fundamental debate here in Washington. It's who do you want spending money? Look, we need money here. There's plenty of money in Washington. We need money to fight the war and win the war on terror. We need money to protect the homeland. We need money to meet priorities, but I felt it was important to let people spend their own money. I think the collective decisionmaking of the American people with their own money is wiser than the decisionmaking of the Federal Government.

Twenty-five million small-business owners will receive an average cut of \$3,000 this year. That's important. A lot of companies being started up in garages—it's kind of the American Dream, isn't it? I remember when my friend Michael Dell started his computer company in a garage. [*Laughter*] Who knows where the next Michael Dell will be, but perhaps this \$3,000 will help that person achieve his or her dream about building their own company.

Nearly 5 million taxpayers will be off the rolls as a result of the tax relief this year. What's interesting is that the tax relief lowered rates, but the amount withheld from the paycheck was not adjusted until summertime last year. And so the Treasury Department estimates Americans will receive an additional \$50 billion in higher refunds and lower tax payments when they file their taxes in April—April 15th of this year. That's positive news, to help keep this momentum, this economic momentum, alive and well.

Tax relief is working. Factory orders are up. Housing is strong. Unemployment rate is down from 6.3 percent last June to 5.6 percent in January. Things are positive.

But there's more that Congress should do to keep the momentum alive. One, we need an energy plan. If you're a manufacturer, you need reliable sources of energy. I've talked to a lot of small manufacturers who explained what it means to have their power disrupted as a result of an antiquated electricity grid. Unreliable supplies of energy creates uncertainty for price. There needs to be certainty. We need an energy plan. Congress needs to

get me a bill. They need to stop talking. They need to get a bill to my desk.

We need tort reform. Too many small businesses are—like you, I'm concerned about the cost of providing decent medical care to your employees and yourselves. Medical costs are up. Some practical things we can do—health savings accounts are a very practical way for small-business owners and employees to deal with increasing costs. I urge you to look at those.

Associated health care plans are vital for small-business owners and small-business plans. Medical liability reform at the national level will help control health care costs. It's stuck in the Senate, of course. There's some special interests here in Washington that simply are not interested in seeing reasonable medical liability law passed. There are very powerful interests here in Washington that prevent the kinds of laws to pass that will help control costs. And I'm going to continue working, and I think it's an important issue—I know it's an important issue for small-business owners and employees.

We need to continue to open up markets. Our markets are relatively open compared to the rest of the world, and if our markets are open, let's open up other markets so people can sell. We're good at things. We ought to be selling them to other people around the world. There needs to be free trade, and there needs to be a level playing field when we trade. There needs to be less regulation in Washington, DC.

But one thing's for certain, is we need to make the tax cuts permanent. Interestingly enough—I don't know if you're aware of this, but all the tax cuts we passed are set to expire. But the Congress giveth; the Congress taketh away. [*Laughter*]

And these tax relief will be—will expire on an irregular basis. In other words, they don't all expire at the same time. For example, this coming year, the child credit—the tax relief we put in the child credit goes away. The penalty in the marriage penalty gets worse. And the expanded 10 percent bracket will go away. See, if Congress doesn't do anything, there will be tax increases on the American people. That's what that means. When you hear, "We're going to repeal the Bush tax cuts," that means tax increases.

That's what that is. "I'm going to raise your taxes," is what they're saying.

There's a philosophical difference here. Who would you rather spending your money, you or the Federal Government? And that's the debate I look forward to taking across the country.

Raising taxes at this point will hurt our economy. When the economy is coming out of recession, it's beginning to grow. It makes no sense to raise the taxes on the people. If the Congress doesn't act, the tax relief would be an increase of about \$28 billion on the American people for the year 2005. That's \$28 billion going into the U.S. Treasury out of your pockets—be reducing demand by that amount, be taking capital out of small-business coffers if that happens.

That's part of the debate. "Let's raise your taxes so we have more money to spend on programs in Washington, DC." That's the debate, and I believe strongly that the tax relief needs to be permanent. You see—listen to this story, if you're a family of four earning \$40,000, when those provisions expire in 2005, it'll be a \$915 tax increase for that family. That's a lot of money for a family making \$40,000. The small-business deductions expire in '06. These have been really effective. Congress needs to make them permanent.

And so I talked to some folks up here today about what tax relief has meant to them. And maybe the best way I can make my point to the tax-raisers and spenders here in Washington is to listen to the stories of people like Amy Cofer. She is a mom of two, soon to be a mom of three. Amy is right there. Joe is a police officer. Joe is out there dedicating his life to the protection of our fellow citizens. They saved \$1,700 in taxes in '03.

That probably doesn't sound like a lot when you're up here, when you're dealing with a lot of zeroes behind the numbers. It's a lot for that family, though. She talked about paying her son's preschool tuition with that. She made a choice to send her son to a school that she thought was good. That's a whole other subject, by the way—parents being—[laughter]—but it helped pay for her son's tuition. The money meant something to them. It made life easier by being—that money, to help pay for the preschool tuition. It took pressure off of their bill paying. If

Congress doesn't act, there will be a \$1,000 tax increase on this family. It's a new family, a new child coming, doesn't make sense to have this family pay a thousand dollars. See, Congress has got to make the tax cuts permanent. It helps families like the Cofers.

Katie Powers is here as well. Katie and—there she is—Katie and David have two children, Nicholas and Allison. They had tax relief of \$3,500. The tax burden will go up by \$2,000 if they doesn't make the tax cuts permanent. When you hear people say, "Let's just let the tax cuts expire," that's a tax increase. It's a code word for, "I'm raising your taxes to increase the amount of money we have to spend here in Washington on new programs, on programs that meet a particular political desire of the appropriators." That's what they're telling you.

Shemetra Washington—Shemetra is a—started a new job this month, by the way, at New Technology Management in Virginia. [Laughter]

Audience member. Yea! [Laughter]

The President. About time you hired her. [Laughter] She's got the toughest job in America. She's a single mom. She's raising Raegan and Lauryn. She is going to grad school, a human resource person who's going to get a master's degree. She's been taking—she's working, raising her family, and going to grad school to upgrade her skills so she can make more money. She got a tax cut of \$1,700 in 2003. She said it went to help pay for her education, helped her upgrade her skills so she becomes a more productive person, which means she'll get better pay as time goes on.

Again, if they don't make the tax cuts permanent, she has to pay \$1,000 more in taxes. I don't think we want Shemetra paying \$1,000 more in taxes—[laughter]—when she's struggling with her family, raising that family.

See, there's a human dimension to all the talk about numbers, and it's important for the people here in Washington to think about the people whose lives will be affected if they don't act—they don't act—they don't act to make it easier for families to raise their children and to realize their dreams.

Guy Donaldson is with us. He's got an interesting story. He is a fruit orchard man out

of Pennsylvania, apples, cherries, and peaches. [Laughter] I was lobbying for some of them to be sent over here for breakfast. [Laughter] See, he is—he, by the way, is a partnership, so his entity is taxed at the individual income tax rate level. But he's more concerned about the death tax. His dream is to keep this farm in his family. It's been in his family now for the fourth generation. That's part of his dream. That's what he has decided that he would like to do with his assets, and he wants to leave the orchard to his kids.

I said, "Are they here today?" He said, "No, they're pruning trees." [Laughter] But the problem is, is that when you're asset-heavy in your small business or on your farm, it's really hard to leave it to your—the death tax makes it nearly impossible to leave to a family without having to mortgage the future so heavily or to sell off parts of the farm in order to pay the Government again.

The death tax is an unfair tax to farmers and ranchers and small-business people. The Congress put it on its way to extinction. However, it comes back to life in 2011. It's hard to explain the rules of the Senate that allow that to happen, but it does. It just doesn't make sense. It doesn't make sense, as Guy was talking about, for him to have such uncertainty about an asset he loves and uncertainty about his family. And yet because Congress won't act, there is uncertainty. And that's not right, and it's not fair. They need to put the stake in the heart of the death tax forever, and get rid of it.

Rex Hammock is with us—last stander—from Nashville, Tennessee. He started his own company. I love the entrepreneurial spirit. Don't you love to be in a country where people feel comfortable about—where people feel comfortable and free to start their own business? And by the way, Government's role is to create an environment where the entrepreneurial spirit is strong, where people feel free and comfortable doing that.

And he did, and he's got what is called a Subchapter S corporation. Many of you know what that means, but for those who don't, it means that you get taxed at the individual income tax level. So when we cut the rates on everybody, not just a few, it helped

Rex, made him a little more comfortable in his ability to plan.

But more importantly, by raising the level of deductibility for small businesses to \$100,000, it provided incentive for him to invest. And so this year, he told me, he's going to spend \$100,000 on computers, scanners, and software to help his employees in his publishing business become more productive. It means they're more competitive. When you're more competitive, you've got a more productive workforce, and when you're competitive, it means you're more likely to stay in business. And it means you're more likely—your workforce is more likely to have steady work. And if you really get productive and can compete, it means you add employees. And he added two last year, and he plans on adding five this year.

Now, there's a lot of Rexes in the country, and you put two on here and five on there, and all of a sudden, there's a lot of people beginning to find jobs. And that's important. That's how jobs grow, through the individual decisionmaking of thousands of entrepreneurs and employers around the country.

He wants to invest in '05 and '06, same amounts. But as I told you, this aspect of the tax relief package will expire unless Congress acts. He said it's really hard—and he's right, by the way—really hard to be a planner with—in the face of tax uncertainty. How can you plan if you're not certain about what the Tax Code looks like? And there are entrepreneurs all over the country who are uncertain about what the Tax Code will look like after '06 because the tax relief plan has got uncertainties built into it. And an important aspect of the tax relief plan is the deductibility for small businesses. Then it goes away. Congress needs to make all aspects of the Tax Code permanent so people can plan their businesses and their lives.

And so it's time for them to step up on Capitol Hill. I'm ready to continue to lead on tax relief. They need to follow. They need to listen to the voices, not just of me but of the people here on the stage. It's a time for action. It's a time to make the tax relief permanent. It's a time to listen to the voices of the hard-working families in America. It's a time to listen to the entrepreneurs of this country. It's a time to keep this recovery

strong by doing what's right with the Tax Code.

I want to thank you all for coming today to give me a chance to spell out a practical way to make life a more hopeful place for America and small-business owners. Congress needs to act.

Thanks for coming.

NOTE: The President spoke at 3:09 p.m. in Room 450 in the Dwight D. Eisenhower Executive Office Building. In his remarks, he referred to former President Saddam Hussein of Iraq; Amy Cofer, homemaker, and her husband, Joe, U.S. Supreme Court police officer; Katie Powers, senior staff accountant, and Shemetra Washington, human resource administrator, New Technology Management, Inc.; Guy Donaldson, fruit grower, Orrtanna, PA; and Rex Hammock, president, Hammock Publishing.

**Letter to Congressional Leaders
Transmitting a Report Relating to
the Interdiction of Aircraft Engaged
in Illicit Drug Trafficking**

February 19, 2004

Dear Mr. Speaker: (Dear Mr. President:)

Consistent with the authorities relating to official immunity in the interdiction of aircraft engaged in illicit drug trafficking, (Public Law 107-108, 22 U.S.C. 2291-4), and in order to keep the Congress fully informed, I am providing a report prepared by my Administration. This report includes matters relating to the interdiction of aircraft engaged in illicit drug trafficking.

Sincerely,

George W. Bush

NOTE: Identical letters were sent to J. Dennis Hastert, Speaker of the House of Representatives, and Richard B. Cheney, President of the Senate. This letter was released by the Office of the Press Secretary on February 20.

**Statement on the Appointment of
William H. Pryor, Jr., To Serve on the
United States Court of Appeals for
the Eleventh Circuit**

February 20, 2004

Today I exercised my constitutional authority to appoint William H. Pryor, Jr., to serve on the United States Court of Appeals for the Eleventh Circuit. Bill Pryor has served as the attorney general of Alabama since 1997 and has had a distinguished career as a public servant and practicing attorney. His impressive record demonstrates his devotion to the rule of law and to treating all people equally under the law. He has received widespread bipartisan support from those who know him and know his record. I am proud to name this leading American lawyer to the appellate bench.

Attorney General Pryor was nominated more than 10 months ago but still has not received an up-or-down vote in the Senate. A bipartisan majority of Senators supports his confirmation. If Attorney General Pryor were given a vote on the floor of the Senate, he would be confirmed. But a minority of Democratic Senators has been using unprecedented obstructionist tactics to prevent him and other qualified nominees from receiving up-or-down votes. Their tactics are inconsistent with the Senate's constitutional responsibility and are hurting our judicial system.

As a result of today's recess appointment, Attorney General Pryor will fill a seat on the Eleventh Circuit that has been designated a judicial emergency. He will perform a valuable service on a court that needs more judges to do its work with the efficiency the American people deserve and expect. Again I call on those in the Senate who are playing politics with the American judicial system to stop so that my nominees receive the up-or-down votes they deserve.