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Secondly, I am very impressed by the civic spirit of the people here. People understand that when you live in a community, you have an obligation to help that community realize its full potential. I'm real proud of the Reverend, who has taken a tough neighborhood here in Peoria and helped revitalize that neighborhood by utilizing his skills, his talent, and a power higher than himself.

The Congressman told me that when I came back to Peoria, I'd find a community that's vibrant and strong and optimistic, and people around this table are vibrant and strong and optimistic. And I can't thank you enough for sharing your concerns, talking about your hopes, and I can't thank you enough for working hard to really make America the great country that it is.

So God bless, and thanks for your time.

NOTE: The President spoke at 9:12 a.m. at the Sterling Family Restaurant. In his remarks, he referred to Rev. Timothy E. Criss, pastor, City of Refuge Worship Center, Peoria, IL. The Office of the Press Secretary also released a Spanish language transcript of these remarks.

Remarks on the National Economy in East Peoria, Illinois

January 30, 2007

Thank you all. Thanks for letting me come by. Please be seated. Thanks for the warm welcome. It's good to be in the heartland of America. Thanks for coming to let me visit with you a little bit about our economy. I really want to thank the good folks at Caterpillar for letting me come by. I like it when they say, "Team Caterpillar." That's a good sign. It means people are working together for the common good.

You know, people from Texas like to say, things are better in Texas. Well, when you tour the Cat plant here, it's—I'm having second thoughts about if things are better in Texas. [*Laughter*] I'm impressed by the machinery I have seen. More importantly, I'm impressed by the workers I have met who are putting the machines together. I thank them for—[*applause*]. And I'm impressed by a culture of excellence and accomplishment that is the spirit of Caterpillar. I also appreciated the chance to drive a D–10. If you've never driven a D–10—[*laughter*]—it's a cool experience. [*Laughter*]

I'm going to go to New York City tomorrow to deliver a speech on the state of the economy, but I really want to spend a little time here in Peoria to see how things are going. I was at Sterling Brothers—Sterling Family Restaurant today—Sterling Brothers?—Sterling Family, yes, run by two brothers—and met with some small-business owners, social entrepreneurs, as well as business entrepreneurs. I wasn't surprised by what I heard. It reminded me about the greatness of America. I heard about people willing to work hard to achieve dreams and people realizing that when they achieve dreams, they have an obligation to help others. It seems like to me the community spirit here in Peoria, Illinois, is strong.

And that's the way our economy is as well. It's a strong economy. And the fundamental question is, what are we going to do to keep it strong? It's one thing to say, today's economy is strong—I say it because inflation is down; interest rates are down; wages are on the increase; unemployment rate nationally is low; people are working and putting more money in their pocket. And the question facing the country is, what are we going to do to make sure it's strong tomorrow? As I said to Congress, we don't need more Government; we need more enterprise. And so I want to spend a little time talking with you today, talking about the economy.

Before I do, I want to thank Congressman Ray LaHood. He's been bugging me ever since I got elected President. Well, I didn't tell you what he's bugging me about. He's bugging me to come to Peoria. He said, "When are you going to show up?" [*Laughter*] I kept saying, "As soon as possible." The moment has finally arrived, and I'm glad I came. Thank you for the invitation.

I appreciate Jim Owens, the chairman and CEO of Caterpillar. I thank Bob Williams for helping me with the tour. I thank Gerry Shaheen, who is the group president of Caterpillar. I want to thank the workers I met with today. I spent some time with people on the line, talking about the education programs here at this fine company. I thank the leaders of the UAW who have welcomed me here. I thank the folks up and down the line

who put up with me and all the cameras. I just don't travel alone these days, in case you've noticed. [*Laughter*]

I want to thank Mayor Jim Ardis, mayor of Peoria, Illinois. I met him at the airport. It was about minus 10. [*Laughter*] I said, "Do you want to get in the limousine?" He said, "As fast as possible." [*Laughter*] So we drove over to the Sterling Family Restaurant together. I was impressed by your young mayor. I want to thank the local and state officials who've joined us. I appreciate you serving. I appreciate you doing what you think is right for the community that you represent. But most of all, thanks for letting me come.

See, people say, "Why would you want to go to Peoria," and I just told you—I want to get out of Washington and sit down with folks that are really the backbone of this country. And I wanted to come to one of America's great companies, and that's Caterpillar.

The good folks here show others that in the manufacturing world, we can compete. And that's really what Americans wonder, can you compete in a global economy? And my answer is, darn right you can, with good policy. And in this company, you've shown how to compete. And I want to spend some time explaining that to the American people, why competition is important, and why America can compete with anybody, anytime, anywhere, and why it's in our interest to do so.

First of all, it's important for people to know that Caterpillar employs 48,000 workers across America. Secondly, more than half those workers are here in Illinois, 17,000 of them right here in Peoria. Caterpillar has great workers because it has got good training programs. Caterpillar can employ new people because it makes good product that people want.

I appreciate very much the notion that you all are in this deal together. That's what "team" means, that everybody works together for the common good, and if it benefits one, it benefits all. And that's the spirit I have found here. And our job in Government is not to get in your way; our job in Government is to put progrowth economic policies in place that mean companies like Caterpillar, which do the right things, can succeed. And let me talk about—some of what that means.

First, it means keeping taxes low. Oh, there's a debate in Washington that says, we need more taxes. We don't need more taxes. It's important for you to keep your own money. You work hard for your money, and I understand workers are saying, "Am I going to have more money in my pocket?" That's what we want. And one way to make sure you don't have more money in your pocket is for the Government to raise your taxes.

And so we cut taxes. Listen, we've been through a tough economic period in this country. You remember it—right after the—we headed into a recession in early 2001, then the terrorists attacked us. And the question was, could we recover? And I worked with Congress to cut taxes before the terrorist attack and after the terrorist attack. And I believe one reason why the recession we went through was one of the shallowest in American history is because we cut the taxes. See, when you have more money in your pocket to spend or save and invest, the economy benefits, as far as I'm concerned. And so one of the challenges we face is making sure that we keep the taxes low.

We cut the taxes on everybody who paid taxes. We increased the child tax credit. Look, if you've got a child, we want to help you. We reduced the marriage penalty. I didn't like a Tax Code that penalizes marriage. I thought we ought to be encouraging marriage, not penalizing marriage in our society. We cut taxes on capital gains and dividends, cut the taxes on small businesses.

And all those tax cuts affected the performance of Caterpillar. You see, the tax cuts helped your workers have more money in their pocket. I happen to believe that if the workers have got more money in their pocket, they're going to be a more satisfied worker. I know it sounds not very sophisticated to say that, but I suspect it's true. If you got a safe workplace, a workplace where people are working together—you're a better satisfied worker if you're keeping more of what you earn. And that's what the tax cuts have helped provide.

We helped small businesses with expensing provisions. That's an accounting term that

says, if you buy new equipment, you get a tax benefit for buying new equipment. That helps people in Caterpillar, because it encourages small businesses to use your products. It also helps make sure the small-business sector remain vital. Seventy percent of new jobs in America are created by small businesses. And if you're interested in coming out of a recession and interested in people working, it makes sense to provide tax incentives to help the small-business owner in America. And that's what we did.

Capital gains and dividend tax cuts benefit people who invest in your company. One of the things—reasons this company is strong is, you're able to attract capital. People say, "Well, I like what the workers are doing; I like the product that's being put together. We want to invest; we want to work alongside of the good people here in Caterpillar." And the tax incentives that we provided by cutting capital gains and dividends encouraged that kind of investment.

We extended the research and development tax credit. I mean, one reason why Caterpillar is a modern, competitive company is because you're always investigating new methodologies; you're investing in research. And therefore, in the Tax Code, we tried to encourage research and development. And so the tax cuts have worked. And I hope you don't fall prey to people in Washington saying, we need more of your money in order to balance the budget. I don't think so.

I think what we need to do is to set priorities like you set priorities with your money and make sure we focus on that which is necessary to do. And the most important priority we have is to defend this homeland from attack. And we better make sure that when we have a man or woman in our uniform in harm's way, they get all the equipment, all the support they need to defend the United States here in the 21st century.

I have an obligation to submit a budget. It's one thing to stand up here and say, "We don't need to increase your taxes; we can set priorities and balance the budget"—so next Tuesday, I'm going to do just that. I'm going to submit a budget for Congress to look at that shows how we can balance the budget in 5 years and keep your taxes low.

I want to talk a little bit about trade. Trade is an important subject here at Caterpillar, and the reason why is because a lot of the product you make here, you sell to somebody else, sell overseas to another country. That's trade. And yet it's a topic of hot debate. The temptation is to say, "Well, trade may not be worth it. Let's isolate ourselves. Let's protect ourselves." I think it would be a—I know it would be a mistake for Caterpillar workers to do that. I think it would be a—I know it's a bad mistake for the country to lose our confidence and not compete.

Let me give you some interesting statistics. First of all, we're the largest exporter in the world. Last year, we exported a record $1.4 trillion worth of goods and services. Now, in order to export something, somebody has to make it. In other words, when I talk about numbers, behind the numbers is people who are providing the service and/or making the product. So the more one exports, the more likely it is people are going to be working.

Exports account for about 11 percent of our economy. One in six manufacturing jobs in the United States depends on manufacturing exports. We also benefit when people invest here. There are people who have good-paying jobs as a result of somebody saying, "I want to invest in the United States." And so when I'm talking about opening markets, I'm making sure that not only is our market open, but somebody else's market is open. And we expect people to treat us just the way we treat them. All we ask for is, be fair with the American people.

We've got free trade agreements. That's how you make sure that we're treated fairly. Our market is open, and we want their market open. We got—these free trade agreements really represent only a small fraction of the GDP. In other words, they're not necessarily with significant economies, and yet they account for 42 percent of American exports.

One way to look at trade is this: We're 5 percent of the people of the world; that means 95 percent live outside of America, and shouldn't we try to put ourselves in a position where we can sell goods and services to those 95 percent? I think it makes sense to do so.

We've pursued trade agreements. The way it works is, you have bilateral trade agreements, in other words, with the United States and, say, Chile. And then we have regional trade agreements and world trade agreements. One world trade agreement is called the Doha round of the WTO. It's basically attempting to make sure that everybody gets treated the same way, in the same fashion, so that the world markets are open.

Again, I repeat to you: I strongly believe that if we can compete with people on a level playing field, nobody can compete with us. And so the key is to make sure the rules are fair. We had bilateral agreements with three countries when I first became President; they're now up to 13, and we've got 3 more in the mill.

Let me talk to you about Caterpillar. Half the products you make in America are exported. It's an interesting statistic, isn't it? You walk by one of these things; it's sold right here in the United States; but the other one right here is sold overseas. Cat sells more than 300 products in foreign markets. It's just not the D–10 I drove that gets sold overseas; there's 299 other products manufactured by this company, by American workers, that are sold overseas.

Free trade agreements are helping. We did a free trade agreement with Chile. Chile has become Caterpillar's fifth largest export market since that free trade agreement. In other words, because we lowered trade barriers, and said, "You treat us the way we treat you," it has enabled this company to sell more product than ever before, which means people are working, when you have to make the product.

The free trade agreement completed with Australia took effect in 2005. Caterpillar exports to Australia have grown by 26 percent. In other words, opening markets benefits people who produce goods that people want. And people want Caterpillar product. Why? Because they work. They generally don't break down; the master craftsmanship is great; and there's a demand for them.

Opening China's market—I understand trade with China is considered controversial. I know that. But I want to tell you something, if you're a Caterpillar worker or a Caterpillar shareholder, what that has meant—it meant that Caterpillar exports to China have increased by 40 percent since the market was opened. That's helped to create more than 5,000 new jobs right here in America.

We're going to continue to negotiate free trade agreements. And by that I mean, we just want people to treat us fairly. I'm confident in our ability to sell American product and services overseas if the playing field is level.

A little bit on health care—you've got a good health care plan here, thanks to Caterpillar employees. A lot of small businesses don't. The cost of health care is on the rise; you know it. Some things we can do to make the health care system better is to make sure that customers, the patients, are more in charge of their lives and their plans. I'm worried about frivolous lawsuits that are running up the cost of health care. Do you know that there's about 1,500 counties in America where the ob-gyn has left because of frivolous lawsuits, and when somebody gets sued all the time, they practice more medicine than is necessary, and it runs up your cost?

Health care needs to have new information technologies. I met some people on the floor that are running some pretty sophisticated computer ware, and we need information technology in health care. The old system of carrying handwritten files is not efficient, runs up the cost of medicine for you, and leads to errors. Most doctors can't write very well to begin with. [*Laughter*] It's hard to read their writing. We need to change the Tax Code in a fair way that treats everybody fairly. In other words, I've got a plan I'm going to spend a little more time with in New York tomorrow.

I want to talk about energy tomorrow in New York. I'll give you the summary here. Dependency on oil puts us in a position that—where terrorists can harm our economy. When you're dependent on a product, and you import that product, if somebody were to inflict damage on a energy infrastructure, it could cause the price of your energy to go up. Or if you're dependent upon product from a hostile regime, it means you're in a position of vulnerability.

And so I'm going to work with the Congress to spend some of your money on technologies that will change the way we live.

One of the interesting things that's happening is, is that there's some new battery research taking place. And I believe within relatively short order, Americans will be able to drive the first 20 miles, and eventually 40 miles, on a new battery. And you can imagine, particularly in the big cities, if people are using electricity to drive their car—and by the way, the car is not going to look like a golf cart. [*Laughter*] Not exactly looking like one of these things, but nevertheless—[*laughter*]—it will be normal size, something you actually want to use. But you can imagine how this battery technology can change our dependence on oil, because if we reduce the use of gasoline, you reduce your use of oil. And if most of your oil coming from overseas, you're reducing your dependency upon oil from overseas.

I'm a big believer in ethanol. You've got a lot of farmers around here who—[*applause*]. Fifteen years ago, or 20 years ago, if people stood up here and said a lot of people would be using a corn product to drive their cars, they'd have said, "Man, what—the guy has kind of lost it, hasn't he?" But it's happening. We're up to about 6 or 7—I think it's 6 or 7 billion gallons of ethanol per year now.

We're going to run into a constraint pretty soon, though. It turns out, corn is needed for more than just ethanol. You got to feed your cows and feed your hogs. And that's why we're spending some of your money on what's called cellulosic ethanol research, so we can use wood chips or other agricultural wastes to make ethanol, to power our automobiles.

I believe we can reduce our consumption of gasoline by 20 percent over the next 10 years, in order to be able to meet a goal of becoming less dependent on oil. And it's coming. These are new eras, and it's exciting times.

This is a global issue, obviously. It's an issue—for example, when demand for oil goes up in a place like India or China, it affects the price that you pay at the pump. And therefore, it makes sense for us to help these developing countries with new technologies that will not only make them less dependent on hydrocarbons but better stewards of the environment.

And so I appreciate what Caterpillar has done. They're involved with what—we set up what's called the Asia-Pacific Partnership on Clean Development and Climate. I don't know if you know this, but you've sold more than $50 million worth of equipment to a large coal mine in China to help capture methane gas and turn that into energy. In other words, you're not only making Cats, you're making interesting product that will enable us to be better stewards of the environment. And I thank you for that.

And my only point to you is, is that in order for us to be competitive, in order for us to remain the economic leader of the world, we're going to have to promote new technologies that make us less dependent on oil. And it's coming. These are exciting times. I'm very optimistic about meeting the future because of new technologies.

I do want to say one thing about education. I really appreciate the worker program—the education program for the workers here. I think Cat spends about $900 a worker to help make sure our workers have the skills necessary to be competitive in the 21st century. But good education starts early. And we need to make sure our public schools, particularly in the early grades, get it right.

There's a piece of law I signed that I'm very proud of called the No Child Left Behind Act. The spirit says, we're going to raise standards. If you have low standards, you get lousy results. I used to call it the soft bigotry of low expectations. If you don't believe a kid can learn, guess what's going to happen—he's not going to learn. And so inherent in—the No Child Left Behind Act says there is a role for the Federal Government. After all, we're spending a fair amount of money, and we ought to expect good results for that money.

So we said, "In return for Federal money, we expect you, the local districts, to set high standards and to measure." I've heard every excuse for not measuring: You're teaching the test; you're testing too much. How can you solve a problem unless you measure? And what we need to do is figure out who can read or write early, and have extra money to help those who can't read or write.

We have an achievement gap in America that we better do something about if we're

going to be competitive. And by that I mean, when you put out the test scores, the minority students test below white students. And that's not good enough. And we'd better make sure all our children can read early, not just a handful. And therefore, I like the idea of holding people accountable. And we say, we'll measure as a diagnostic tool to correct problems early. And at some point in time, if schools refuse to change, there needs to be a consequence. There needs to be accountability. This isn't anti-teacher; this is pro-teacher. And it's pro-parent, and equally importantly, it's pro-child.

And Congress needs to reauthorize this bill. It's working. The achievement gap is closing. How do I know? Because we're measuring; we can measure success in schools. It's in our interest as a country to make sure every child gets a good education, and it's important to start early.

Oh, I'm sure you've heard about all the reading debates, what works and what doesn't. Well, you're able to determine what works or what doesn't by measuring. And a measurement system says to a school, "We appreciate your hard work. Thanks for being in the classroom. But you might think about changing your curriculum since you're not meeting standards."

And then what this country needs to do is to recognize that we need to help poor students go to college. That's why we're expanding and increasing Pell grants. And then what this country needs to do is understand the importance of community colleges and support community colleges, to help older workers gain new skills necessary to fill the jobs of the 21st century.

In order to compete, we got to have an education system that makes sure all children from all walks of life have skills necessary to fill the jobs of the 21st century. We got to be confident and open up markets so that our companies that produce products, goods, and services that people want are able to sell them overseas; we got to have a Tax Code that keeps taxes low on the people who are working for a living. We got to have a health care system that is patient-centered, not government-centered; and we got to make sure that we don't lose our confidence. And if you really knew America like I'm able to see it, which is to see the compassion and the decency and the courage and the strength of the people, you'd share the same confidence I have about the future of this country.

I'm honored to be with you. Thanks for letting me come to the heartland of the United States. God bless.

NOTE: The President spoke at 11:52 a.m. at Caterpillar, Inc. In his remarks, he referred to Robert T. Williams, vice president, Caterpillar, Inc. The Office of the Press Secretary also released a Spanish language transcript of these remarks.

Remarks on the National Economy in New York City

January 31, 2007

Thank you all very much. Thanks for coming. Please be seated. Thanks for being here. I'm pleased to be back in Federal Hall. You know, I drove in, and there stood George Washington. I like to call him George W. [*Laughter*] It's nice to be back here.

Last week, I delivered my State of the Union. This morning I've come to deliver a state of the economy speech, and there's no better place to do it than in America's financial capital. More than two centuries ago, Alexander Hamilton led the U.S. Treasury Department from this building. Today, New York City is headquarters of global corporations; it's a center for capital markets; it's the home of three of the world's greatest stock exchanges. You have a mayor whose name is a fixture on trading floors across the world. [*Laughter*] And until I took him to Washington, you had Hank Paulson—who, by the way, is doing a fabulous job.

As we begin this new year, America's businesses and entrepreneurs are creating new jobs every day. Workers are making more money. Their paychecks are going further. Consumers are confident; investors are optimistic. Just today we learned that America's economy grew at an annual rate of 3.5 percent in the fourth quarter of 2006. That means our economy grew at 3.4 percent last year, which is up from 3.1 percent in 2005. Ladies and gentlemen: The state of our economy is strong. And with the hard work of the American people and the right policies