

Week Ending Friday, October 24, 2008

The President's Radio Address

October 18, 2008

Good morning. Our Nation is dealing with a serious financial crisis. Over the past month, Americans have witnessed fast-moving events involving complicated financial issues. I know many of you are concerned about your finances. So this morning, I want to tell you how we're addressing the uncertainty in our economy.

The Federal Government has responded to this crisis with systematic and aggressive measures to protect the financial security of the American people. These actions will take more time to have their full impact. But they are big enough and bold enough to work.

The primary focus of our efforts is addressing the underlying problem behind the freeze in our credit markets. Earlier this month, Congress passed bipartisan legislation authorizing the Treasury Department to use up to \$700 billion to help banks rebuild capital. This week, I announced that the Treasury will use a portion of that money to inject capital directly into banks by purchasing equity shares. This new capital will help banks continue making loans to businesses and consumers. In addition, the Treasury will use part of the \$700 billion to purchase some of the troubled assets that are weighing down banks' balance sheets and clogging the financial system. This extraordinary effort is designed with one overriding purpose: to help banks get loans flowing to American consumers and businesses, so they can create jobs and grow our economy.

I know many Americans have reservations about the Government's approach, especially about allowing the Government to hold shares in private banks. As a strong believer in free markets, I would oppose such measures under ordinary circumstances. But these are no ordinary circumstances. Had the Government not acted, the hole in our financial system would have grown larger, families and

businesses would have had an even tougher time getting loans, and ultimately, the Government would have been forced to respond with even more drastic and costly measures later on. So I decided that Government had to move, but that Government's involvement in individual banks had to have prudent limits.

The Government's involvement is limited in size. The Government will only buy a small percentage of shares in banks that choose to participate, so that private investors retain majority ownership.

The Government's involvement is limited in scope. The Government will not exercise control over any private firm, and Federal officials will not have a seat around your local bank's boardroom table. The shares owned by the Government will have voting rights that can be used only to protect the taxpayers' investment, not to direct the firm's operations.

The Government's involvement is limited in duration. It includes provisions to encourage banks to buy their shares back from the Government when the markets stabilize and they can raise money from private investors. This will ensure that banks have an incentive to find private capital to replace the taxpayers' investment, and to do so quickly.

I know many of you are also concerned about the price tag of this rescue package. Ultimately, we believe the final cost will be significantly less than the initial investment. Many of the troubled assets that the Government buys will increase in value as the market recovers. That means the Government eventually will be able to resell them for a higher price. In addition, the Government will receive quarterly dividends from the equity shares it purchases in financial institutions. If banks do not repurchase these shares within 5 years, the dividends they owe the Government will increase substantially. This provides a clear incentive for banks to buy

back their shares, thus returning the money to taxpayers as soon as possible.

In the long run, the American people can have confidence that our economy will bounce back. America is the best place in the world to start and run a business, the most attractive destination for investors around the globe, and home to the most talented, enterprising, and creative workers in the world. We're a country where all people have the freedom to realize their potential and chase their dreams. This promise has defined our Nation since its founding, this promise will guide us through the challenges we face today, and this promise will continue to define our Nation for generations to come.

Thank you for listening.

NOTE: The address was recorded at 7:45 a.m. on October 17 in the Cabinet Room at the White House for broadcast at 10:06 a.m. on October 18. The transcript was made available by the Office of the Press Secretary on October 17 but was embargoed for release until the broadcast. The Office of the Press Secretary also released a Spanish language transcript of this address.

Remarks Prior to a Meeting With European Union Leaders at Camp David, Maryland

October 18, 2008

President Bush. I want to welcome two friends to Camp David: President Sarkozy of France, who is representing the European Union, and President Barroso of the European Commission. We're really glad you're here.

I'm looking forward to an important discussion of the global financial crisis, which is having an impact on hard-working people all across the world. The first task is to stabilize the financial markets in our own countries. Given that the world has never been more interconnected, it is essential that we work together, because we're in this crisis together.

That's why over the past few weeks, the United States and our partners in Europe have cooperated closely to address this challenge. Earlier this month, the Federal Reserve, the European Central Bank, and four other central banks carried out a coordinated

interest rate cut. Last weekend, G-7 finance ministers and central bank governors approved a plan of action to stabilize our markets, rebuild confidence in our financial systems, and restore the flow of credit to our businesses and our consumers.

As part of this action plan, leaders in Europe have taken measures to provide financial institutions with additional capital, provide credit guarantees, and increase deposit insurance.

In the United States, we're taking systematic and aggressive steps to help banks rebuild capital and resume lending. For example, the Treasury Department will directly inject capital into banks by purchasing equity shares. The Federal Deposit Insurance Corporation has temporarily guaranteed most new debt issued by insured banks, which will make it easier for these banks to borrow needed money from each other. The Federal Reserve is launching a new program to provide support for commercial paper, a key source of short-term financing for America's businesses and financial institutions.

These are historic measures, suited to our system, which I believe will work. These measures will take time. We're dealing with a significant problem. But the American people and our friends around the world can know that we have confidence that the measures will work.

In addition, G-8 leaders issued a statement this week expressing support for an international meeting on the financial crisis. I've been in touch with Prime Minister Aso of Japan, who happens to be the President of the G-8, and we've been consulting with the Japanese. I look forward to hosting this meeting in the near future. Both developed and developing nations will be represented. And together we will work to strengthen and modernize our nations' financial systems, so we can help ensure that this crisis doesn't happen again.

For this meeting to be a success, we must welcome good ideas from around the world. So I'm looking forward to hearing from President Sarkozy and President Barroso this afternoon and from other leaders in the days ahead. And of course, I'll share my ideas as well.