

# THE BUDGET MESSAGE OF THE PRESIDENT

America is a country of opportunity. Throughout our history, we have overcome great challenges by drawing on the strength, creativity, and resolve of the American people. We have adapted to change—while maintaining our commitment to freedom and an open economy.

Our economy is strong and growing, Federal revenues are robust, and we have made significant progress in reducing the deficit. The Budget I am presenting achieves balance by 2012. My formula for a balanced budget reflects the priorities of our country at this moment in its history: protecting the homeland and fighting terrorism, keeping the economy strong with low taxes, and keeping spending under control while making Federal programs more effective.

As Commander in Chief, my highest priority is the security of our Nation. My Budget invests substantial resources to fight the Global War on Terror, and ensure our homeland is protected from those who would do us harm. We will transform our military to meet the new threats of the 21<sup>st</sup> Century and provide the brave men and women on the front lines with the resources they need to be successful in this decisive ideological struggle. The Budget will support a new strategy in Iraq that demands more from Iraq's elected government, and gives American forces in Iraq the reinforcements they need to complete their mission. And it will continue to provide the tools necessary to keep America safe by detecting, disrupting, and dismantling terrorist plots.

The U.S. economy is strong. Since August 2003, 7.2 million jobs have been created. Unemployment is low. Wages are growing. Productivity is strong. Inflation and interest rates are low. And we have seen tremendous progress despite a series of challenges, including recession, the terrorist attacks of 2001, corporate scandals, the costliest natural disaster in our Nation's history, energy price spikes, and a temporary slowdown in the housing sector. The resilience of our economy is a tribute to America's workers and entrepreneurs. And well-timed, pro-growth tax policies helped create the right climate for innovation and entrepreneurship.

The Federal deficit is declining and on a path to elimination. Last year, we successfully met our goal of cutting the deficit in half, three years ahead of schedule. This occurred because tax relief helped the economy to recover and grow, resulting in record-high revenues while we restrained non-security discretionary spending. With continued strong economic growth and spending discipline, we are now positioned to balance the budget by 2012, while providing for our national security and making tax relief permanent.

My Budget proposes to keep non-security discretionary spending below inflation for the next five years. My Budget also reforms projects and spending that don't get the job done. We need lawmakers' support to help us accomplish this goal—including reforms that will improve the Congressional budget process.

To bolster public confidence in the Government's ability to manage taxpayers' money successfully, Congress should adopt earmark reform. The earmark process should be made more transparent, ending the practice of concealing earmarks in so-called report language never included in legislation. The number and cost of earmarks should be cut by at least half by the end of this session. I have also called on Congress to adopt the legislative line-item veto, which gives the Legislative and Executive Branches a tool to help eliminate wasteful spending. These common-sense reforms will help prevent billions of taxpayers' dollars from being spent on unnecessary and unjustified projects.

To keep this economy strong we must take on the challenge of entitlements. Social Security, Medicare, and Medicaid are commitments of conscience, and so it is our duty to keep them permanently sound. If we do not address this challenge, we will one day leave our children with three bad options: huge tax increases, huge deficits, or huge and immediate cuts in benefits.

In the short term, my Budget works to slow the rate of growth of these programs, saving \$96 billion over five years. This Administration is also actively working with Congress to comprehensively reform and improve these vital programs so they will be strong for the next generations of Americans.

I am optimistic about the future of our country. We are an entrepreneurial and hard-working Nation. And while we face great challenges, we enjoy great opportunities. This Budget reflects our highest priorities while reducing the deficit and achieving a balanced budget by 2012. I am confident that this approach will help make our country more secure and more prosperous.

GEORGE W. BUSH

February 5, 2007