

Remarks to the National Governors Association Conference February 24, 2003

Thank you very much. Thanks for coming back. I hope you enjoyed our dinner last night as much as I did. It was really a lot of fun. [Applause] Thank you.

Obviously, we take your business seriously. I've asked my Cabinet to show up to visit with you about ways that we can work together. What I thought I'd do is share some things that are on my mind right now and then answer any questions you have.

What's on my mind is to make sure this country is strong and safe. One way to make it strong is to do everything we can to encourage job growth. My attitude is—I'm sure you share the same attitude—is that if somebody is looking for work and can't find a job, it means we've got a problem. And therefore, to the extent that government influences job creation, we've got to do everything we can to create an environment for the entrepreneur to flourish.

I believe strongly in the notion that if a person has more money in their pocket, I know they're likely to demand a good or a service, and when they do so, in a market-oriented economy, somebody is likely to produce that good or a service, which means somebody is more likely to find work.

That's the whole principle behind that which I laid out for the country in '01. It's a principle which the Congress listened to and passed meaningful tax relief, because we were in a recession at the time. I worked—we worked with Congress in '01, and they phased in this tax reduction plan over a period of years.

My attitude is, since the economy is not as good as we like it to be, we ought to accelerate the tax relief which they've already planned. That will put about \$70 billion immediately into our economy, since I intend to ask for this plan to be made retroactive to January 1st of this year.

It's got a lot of positive effects in it. First of all, you know, I'm always startled to talk about the marriage penalty in the Tax Code. I don't know why we penalize marriage in the Tax Code. It doesn't make sense. It seems like we ought to encourage marriages. We ought to accelerate that aspect of the tax relief. We've increased the child credit to \$1,000. It ought to be done this year and not in the out-years.

And as importantly, when you reduce the tax rates at the individual level, you also provide capital for small-business growth. See, most companies are—most small businesses are sole proprietorships or limited partnerships or Subchapter S's. And therefore, that entity pays tax at the individual tax rate. And so the reduction of all rates, not just a selected few but the reduction of all rates, provides needed capital in the small-business sector of our economy.

Secondly, I'm asking Congress to allow for the deduction of up to \$75,000 worth of capital expenditure for small businesses, which will have a stimulative effect on our economy.

And thirdly, I believe we ought to get rid of the double taxation of dividends. It's bad for—when you tax something twice, it's unfair tax policy. It's fair to tax corporate profits. It's unfair to tax the senior who receives the dividend from the corporation you've already taxed.

I think getting rid of the double taxation of dividends will not only help our seniors—I know it will help our seniors—it will be stimulative in the sense that it gets 20 billion into our economy this year. But more importantly, it helps capital formation, in a society which—if jobs equal capital, we ought to be working on policy to encourage more capital formation.

It's a positive—it'll also have the positive effect of corporate reform. After all, we went through a period of time when people

said, "Invest in my company because the sky is the limit, see. We may not have any cashflow, but our story is a good one. You know, we may not be able to show tangible assets, but we've got a wonderful story, so buy on us." When you have a dividend-oriented policy, the only thing you can distribute is cash, not false promises. And so the elimination of the double taxation of dividends will, in itself, serve as a corporate reform measure, which is important.

So this is the plan that I'm asking Congress to pass, and I believe we're going to get a lot of it passed. And I believe it's going to encourage growth. As a matter of fact, you know, these economists predicted in the blue-chip forecast that the economy would grow at 3.3 percent if Congress responded to a stimulative package—if it responded. And so you just need to know that jobs are on my mind, and I'm going to work hard to get Congress to pass the package. And I'm optimistic about it.

In this town, you hear a lot of early noise which sometimes fades when a Chief Executive starts taking the message to the people. And that's what I intend to do. And I know you do the same things, when you sell your packages at home. It's got a good effect, and I'm just beginning to make the case.

Secondly, I understand we've got an issue with our own budget, and you've got issues with your budgets. We can talk about that. Our budget is in a deficit. It's because we went through a recession, and we're at war. So I'm going to do everything I can to mitigate the deficit by encouraging, on the one hand, more revenues coming into our Treasury through economic growth but also limiting the spending to reasonable amounts. And I thought a 4-percent discretionary spending increase was the right amount.

And I look forward to working with Congress. As you know, appropriators are appropriators. They live up to their name, whether they be Republicans or Demo-

crats. They like to appropriate, and our jobs as chief executives is to make sure they appropriate within reasonable levels. And I intend to work hard to encourage them to spend within reasonable levels and set priorities.

One of the interesting things about the '04 budget I've submitted is that there's \$400 billion worth of grants to States. That's a 9-percent increase. As a matter of fact, the grants to States have been growing by 9 percent since I've been the President of the United States. We can discuss whether that, in your mind, is enough or not. I suspect I may know the answer. But nevertheless, it put things in perspective. Of the 4-percent increase in discretionary spending, \$400 billion, or a 9-percent increase, goes directly to the States. That's a bigger increase than 4 percent, I guess is the point I'm trying to make to you.

I look forward to working with you on health care matters, on Medicare. Look, Medicare is an issue that is a vital issue for our country. It is a—Medicare is an old system. It's hidebound with rules, and it really doesn't address the needs of many seniors because of its age. I like to put it this way: Medicine's changed; Medicare hasn't. And we've got to deal with it. And we will deal with it. And Medicaid is also an issue that we will discuss with you, and work with you.

Tommy—I don't know if you've had the Tommy briefing yet or not. Well, he's got a good vision, a good idea. We'll work with Congress. We got the bill out of the House already. The welfare reform bill is out of the House, and we hope we can get it out of the Senate this time.

This is a matter of making sure that there are proper incentives, particularly for people to find work. We believe, in this administration, work and dignity go hand in hand. We want to encourage work and training for work.

And at the same time, I want you to know that I'm—feel just as strongly about

the Faith-Based Initiative today as when I first came into office because I understand a modern welfare system must understand the power of our faith-based institutions and their ability to change lives and help people who need. I don't talk about a particular faith. I talk about all faiths.

Some of you have done some great things. I know that Virginia and, I think, Jersey—I've gone there—Florida, I hope—anyway, have done good things with the faith-based offices. I encourage you to take advantage of this initiative. I encourage you to go into your inner cities and find some of these neighborhood helpers and healers and empower them. Tell them that if they decide to help a neighbor in need, government is not going to make them take the cross off the wall or the Star of David off their wall. Encourage their faith-based initiative to go forward. It is an integral part of saving lives in America.

I had a little—Congress, they balked a little bit on the Faith-Based Initiative. So I put out an Executive order that said there will be a level playing field for any faith-based program with Federal agencies. If you've got a housing initiative based upon a faith-based initiative, HUD will treat you fairly. They're not going to fund you if it's a lousy deal, but you'll be treated fairly coming in. And I just urge you to do this. I'm absolutely confident—well, I know one of the great strengths of the country is the heart and soul of the American people. And there are thousands of our fellow citizens who will answer a call to love a neighbor in need.

I want to work with you on education. It's a subject I spent a lot of time on as the Governor of Texas. It is the most important thing a State does, as far as I'm concerned. Today I look forward, if you've got any questions on the No Child Left Behind bill, I'll be glad to answer your questions.

But you're going to hear a guy who is not going to relent when it comes to making sure we measure whether every child

can read and write and add and subtract, because you can't cure unless you measure. And there are too many of our children who cannot read and write and add and subtract, and we better figure out how to not only figure out who can't read and write but how to cure it now, before it's too late.

Margaret tells me we've talked about the Head Start initiative to help you better coordinate the early childhood development programs. I firmly believe that those children can be taught the basics for reading now and should be, and people ought to be held to account as to whether or not they are being taught the basics of reading now.

I look forward to working with you on our homeland security initiatives. I was disappointed that the Congress did not respond to the 3.5 billion we asked for. They not only reduced the budget that we asked for; they earmarked a lot of the money. That's a disappointment, a disappointment when the executive branch gets micromanaged by the legislative branch. You may have had that experience yourself. [*Laughter*]

But we'll do everything we can to not only get that money out quickly but figure out ways to get as much of the money to you in ways that will help you respond to the threats this country faces.

I want to thank you very much for working on these Joint Terrorism Task Forces. They're effective tools to help prevent attack. The culture of the FBI has changed from one that said, "We're going to find criminals and arrest them," to one, "We're going to do everything we can to"—let me start over. That's still an important function of the FBI. But it's now—its primary function is now to prevent attack.

I say that because America is still a battlefield. You know, after September the 11th, our perspective had to change about the world. I remind your constituents when I travel around the country that prior to September the 11th, oceans would protect

us. That's what we thought, at least—that we were safe. September the 11th, we learned that we're vulnerable to attack. It's just the nature of the world we live in. As leaders, our job is to remind the American people that—of the reality of the dangers we face and do everything we can to prevent attack.

So we're doing everything here at home. I hope you feel the level of coordination is good. If it's not, we need to hear about it, so we can continue to button up the homeland to the best of our ability. The best way to protect America is find the killers before they kill us. And that's what we're going to do. That's why this war—the budget I asked for Congress had a lot of defense spending in it, because we're on the hunt, and we're going to stay on the hunt until we bring terrorist networks to justice. That's what we owe the American people.

As we speak today, we are not only providing help to the people of Afghanistan; we're hunting down the remnants of Al Qaida. And they're on the run. And it doesn't matter how long it takes, they will be brought to justice.

The war on terror is more than just chasing down shadowy terrorist networks. The war on terror is recognizing that weapons of mass destruction in the hands of brutal dictators also threatens the American people. I've come to the conclusion that the risk of doing nothing far exceeds the risk of working with the world to disarm Saddam Hussein. I came to that conclusion because of the new realities we all face as American citizens who love freedom and who aren't going to change.

Today we're going to submit a resolution to the U.N. Security Council that spells out what the world has witnessed the last

months. The Iraqi regime is not disarming. The Iraqi regime is not disarming as required by last fall's unanimous vote of the Security Council. Saddam Hussein's refusal to comply with the demands of the civilized world is a threat to peace, and it's a threat to stability. It's a threat to the security of our country. It's a threat to the security of peace-loving people everywhere.

We're going to work with the members of the Security Council in the days ahead to make it clear to Saddam that the demands of the world and the United Nations will be enforced. It's an interesting moment for the Security Council and the United Nations. It's a moment to determine for this body, that we hope succeeds, to determine whether or not it is going to be relevant as the world confronts the threats to the 21st century. Is it going to be a body that means what it says? We certainly hope it does.

But one way or the other, Saddam Hussein, for the sake of peace and for the security of the American people, will be disarmed.

We face common challenges. I look forward to working with you all to meet those challenges. The country expects leaders to lead. And that's exactly what we all are going to do for the good of mankind, for the good of the American people.

Thank you very much.

NOTE: The President spoke at 11 a.m. in the State Dining Room at the White House. In his remarks, he referred to Health and Human Services Secretary Tommy G. Thompson; Assistant to the President for Domestic Policy Margaret Spellings; and President Saddam Hussein of Iraq. The Office of the Press Secretary also released a Spanish language transcript of these remarks.