

these will be foremost and forefront issues for the Congress to consider. Now is the time to solve problems and not pass them on. This is my message today. It'll be my message to Members of the United States Congress. We have come to Washington to serve, to solve problems and do the hard work so that when it's all said and done,

they'll look back and say, well done, you did your job.

Thank you all for coming.

NOTE: The discussion began at 9:32 a.m. at the Ronald Reagan Building and International Trade Center. In her remarks, Ms. Sonders referred to Martin Feldstein, professor, Harvard University.

Remarks at the Closing of the White House Conference on the Economy *December 16, 2004*

The President. Thank you all very much. Go ahead and sit down. First, thank you all for participating in this important series of seminars and speeches. I really thank you for sharing your time during what is a busy season. I particularly want to thank those who served on our panels for speaking clearly and helping people understand some of the issues that face our country. You know, it may be just that the panel on tax and regulatory burden could become the beloved holiday tradition here in Washington. [Laughter]

I really appreciate the different backgrounds of the people who spoke. We had your entrepreneur. We had your academic. We had your corporate leader. We just had plain old citizens show up. And I really want to thank you. The panels I participated in I thought were great.

It seems like to me there's some common themes that came through the discussions. First, our economy has come through a lot, and it's growing. I think people realize that, and that's positive. And there's a reason why people say it's growing, besides me, and that's because the facts say it's growing. I mean, we're growing at a pretty healthy rate of 4 percent over the last year. New jobs are being added. The manufacturing sector appears to be stronger. After all, they added 86,000 new jobs since January. Housing ownership and

housing starts are still very robust and strong. Interest rates and mortgage rates are low. And there's the ingredients for growth available.

And what I also heard was that the good news shouldn't make us complacent. And I'm certainly not. The—one, I understand there's some areas of our country which are still struggling. I saw that firsthand during this past 90 days of active travel. There are some challenges as well that we heard about that we better get after and address now, before it's too late. And I intend to work with Members of the Congress and members here in this audience in the beginning of a new term to address the problems.

And here's how I see some of the problems. One, we need to update our Tax Code. It needs to be easier to understand and more simple. We need to make sure our health care system meets the needs of tomorrow. It's got to be flexible in its application. Consumers have got to have more say in the market. We need to reform our legal systems so the people, on the one hand, can get justice; on the other hand, the justice system doesn't affect the flows of capital.

Members of both parties are going to have to get together to work on this. This is not one of these series of issues that

require a—one-half of the body to participate. These issues are big enough for all of us to need to work together. These are compelling national issues that require a national response.

I will work hard as the President to get rid of zero-sum politics in Washington that says, “Old George does fine if this passes, and my party doesn’t.” We’ve got to get rid of that. It’s got to be that we all take risk and share risk and share in the rewards, so that this notion about one party benefits over the other if we happen to do something positive for our Nation no longer is the pervasive psychology here in Washington, DC.

And I will remind people here in Washington that now is the time to confront problems. It’s so much easier, in politics and in policy, to pass big problems on to future generations. That’s an easy pass. But I didn’t come up here to Washington—and I know a lot of people in my Cabinet didn’t agree to serve—to pass problems on. I like to confront problems. I like to work with people so that we can say we left behind a better America after it’s all said and done. And I don’t have that much time here in Washington, so I’m going to—so I’m ready to work. And I want to thank you all for helping us highlight the issues that we have to work on.

I want to thank the members of my Cabinet. I’m so pleased to be working on these problems with a fine Secretary of Treasury, John Snow. You still have a Ph.D., right? [Laughter] In spite of that, I’m confident we can get a lot done here in Washington. [Laughter]

I want to thank my friend Donnie Evans, who’s served so admirably here in 4 years. I’m going to miss him when he goes back to Texas. I appreciate Elaine Chao’s service as the Secretary of Labor, and I’m pleased she’ll be with this administration to work on these issues. Joshua Bolten, member of my Cabinet, head of the OMB—thanks for being here, Josh. Thanks for your good work. And finally, the Director of my Na-

tional Economic Council, Steve Friedman, has done a fabulous job. He has decided to go back into the private sector, for which I am a little hostile. [Laughter] But I appreciate your service, friend. Good job.

One of the tests of leadership at all levels of government is to confront problems before they become a crisis. And we’ve heard about some of the problems. Let me refresh your memories about the problems we have discussed. First, we’ve heard a lot about the growing burden of lawsuits. We have a litigious society, and it is a problem that is clear and a problem that we will confront.

According to a recent study, frivolous litigation has helped drive the total cost of America’s tort system to more than \$230 billion a year. That’s a lot of lawsuits. The figure is more than twice the amount Americans spent on automobiles in 2002. A study published this summer showed that tort liability costs for many small businesses run at about \$150,000 a year. That is a significant burden for a small business to bear. We believe, and many of you have—believe that that money can be better spent, that it’s possible to have a justice system that is fair and balanced, that if you have a claim, you should be able to go to an uncluttered court to have your claim adjudicated.

Tort costs in America are far higher than any other major industrialized nation. That is bad news for America. It means that other nations are able to have a judicial system that is fair and balanced, and we’re not. It puts us at a competitive disadvantage. And in a world that is more closely knit, America and American workers cannot afford to be at a competitive disadvantage.

And lawsuits can just plain ruin somebody’s life. Donnie headed a seminar yesterday, and I happened to be there, and we heard the story of Hilda Bankston. I think Hilda is probably still here. There you go. First of all, Hilda was born in Nicaragua—*verdad*?

Hilda Bankston. Guatemala.

The President. Guatemala—see, I wasn't paying very close attention. [Laughter] Maybe I'll get the rest of the story right here. [Laughter] It's okay to correct the President, just not in front of all the TV cameras. [Laughter]

She and her husband, Mitchell, owned a drugstore in Fayette, Mississippi. I've never been to Fayette. I suspect it's one of those classic town squares in a southern city where the pharmacist is an integral part of the community. People come and go; people probably like to hang out and dig the latest gossip and all that—talked about the high school football team. The store got swept up in massive litigation just because it dispensed prescriptions—certain prescriptions. Small pharmacy, main square, Fayette, Mississippi, and a class action lawsuit sucks them into the legal system. She sold the pharmacy 5 years ago. She has spent countless hours being drug into the court system.

Here's what she said. She said, "My husband and I lived the American Dream until we were caught up in what has become an American legal nightmare." She went on to say, "I'm not a lawyer, but to me, something is wrong with our legal system when innocent bystanders are little more than pawns for lawyers seeking to strike it rich."

All Hilda asked for is a fair system, and the system right now isn't fair in this case. And we've got to do something about it. We've got to do something about it to make sure we're competitive. We've got to do something about it to make sure that there's not excessive costs, and we've got to do something about it to make sure people like Hilda don't get hurt by a system that was designed to protect people, not hurt people.

The people in Congress must know that excess litigation is not only a drag on our economy, but it is a constant source of fear and uncertainty—creates fear and uncertainty for people in the business community. To keep the economy growing strong

in the future, we have got to lift the burden and reform our legal systems. The Nation needs class action lawsuit reform. The Nation needs to have asbestos legal reform. And this Nation needs medical liability reform. I'm looking forward to working with Congress to get legal reform done quickly in the upcoming legislative session.

We also heard about the rising cost of health care, which restricts access for our families and it makes it harder for employers to cover their workers. This problem is clear, and it will be confronted.

More than half of the uninsured Americans work for small businesses. Small-business owners know their employers well, and the ones I've talked to understand they have an obligation and a duty to help take care of them. But there's some times they're just not able to do so, particularly in the society in which we live today. After all, health care premiums have risen by 83 percent per employee over the last decade.

I just mentioned medical liability reform. There is no doubt in my mind, by passing real, substantive medical liability reform, it will help control the rising costs of health care. I believe small businesses should be allowed to join together to pool risk so they can negotiate for health care contracts just like big companies are able to do. And I'm pleased to report that we're—health savings accounts are beginning to work their way through our markets. After all, I just signed up for one 2 days ago. When it makes it to my level, you know it's going to be widespread these days. [Laughter] HSAs are making a difference.

Chris Krupinski owns an art and design studio in Fairfax. I talked to her last night. She's pretty enthusiastic about HSAs. If you didn't hear her talk, you should have. First of all, she is a—she went to insurance agent after insurance agent after insurance agent trying to find something she could afford, and eventually, she was paying \$900 a month for insurance for she and her family. Then she heard about health savings accounts, innovative ways for people to cover

catastrophic care for their family, at the same time manage the cashflow needs—their own cashflow needs so they can provide primary care as well. Now she pays \$340 a month for a high-deductible plan, and she puts \$290 a month into her HSA—puts her own money in, money that will earn interest tax-free, money she can take out tax-free, money that's her own money, and she's saving money for her family at the same time. In other words, this innovative plan enables her to control her own destiny when it comes to health care and, at the same time, provides her comfort in knowing that if there is a catastrophe, the health insurance will cover it for she and her family. She's paying less overall. She chooses her own doctor. She saves her own money, and she makes the health care decisions.

Fast-rising medical costs are a drag on this economy, and so there are some things we need to do together: One is expand health savings accounts; two, promote association health care plans—Congress needs to allow small businesses to pool risk; three, pass medical liability reform; four, continue to expand information technology throughout the health care system; five, move generic drugs faster to the market. In all we do, in all we do to reform health care, we've got to make sure the decisions are made by doctors and patients, not by bureaucrats in our Nation's Capital.

A lot of talk in this conference about the Tax Code and Federal regulations and the fact that regulations and the Tax Code cost billions of dollars a year. In the campaign, in the course of the campaign, I said to people, "The Tax Code is a complicated mess." Most people understood what I was talking about. Americans spend about 6 billion hours a year in filling out their tax returns, or at least trying to fill them out. *[Laughter]* The short form takes more than 11 hours to prepare. That's about the same amount of time it took to fill out the long form 10 years ago.

In the last 4 years, we passed major tax relief, and some of it is getting ready to expire. Take, for example, the death tax. It's getting ready to—the relief is getting ready to expire. In other words, the tax—death tax in 2011 is going to come back into being. Frankly, it's going to make estate planning awfully interesting in the year 2010. *[Laughter]* I want you to know that the death tax takes up more than 300 pages of laws and regulations in the current Tax Code. By getting rid of the death tax forever, we have simplified the code by 300 pages.

And not only that, I think it's good public policy. And so does Craig Lang. I met him before. He's a dairy farmer from Brooklyn, Iowa. His family farm has been in the family since 1860. That's when his great-great-grandfather arrived in Iowa. I wonder if he arrived from Brooklyn, New York. That would have been interesting, wouldn't it? *[Laughter]* Kind of the life goes full cycle thing. Anyway, Craig wants his children, of course, to inherit the farm. When we talk about the family farm, one way to make sure the family farm remains a family farm is that family members run the farm after the current generation moves on. He now, in order to deal with the death tax, which I hope expires forever, is now working with a lawyer, a CPA, and an insurance agent, just so he can structure things correctly to keep the farm in his own family.

Here's what he said. He said, "We pay property taxes. We pay income taxes, and we pay sales taxes every year. It's simply not fair to be taxed again for creating wealth." I think Craig has got a lot of dairy farmer wisdom. *[Laughter]* I believe, in order to keep this economy growing, in order to send the right message to people who are willing to risk capital, all the tax relief we passed must be made permanent. And that includes the repeal of the death tax.

But I also understand that in order to deal with budget deficits, which we discussed the morning—this morning, we

need to be tough when it comes to Federal spending. I look forward to working with Josh. Josh's job is to develop a budget that meets priorities and shows fiscal restraint. We believe it's possible to do so. As a matter of fact, we not only believe it's possible; we believe it is necessary to do so. It is important for our fellow citizens to know we're willing to prioritize. It's important for the markets to see that we've got enough discipline in Washington, DC, to make hard decisions with the people's money.

I look forward to finishing our budget deliberations inside the White House. Upon completion, Josh will be sharing the news with the Members of Congress and the public. You will see fiscal discipline exercised inside the Oval Office this coming budget cycle.

We understand the effects of paperwork on our administration. Again, Josh is in charge of making sure that this administration culls out, as best as possible, unnecessary regulation.

I used to tease people when I was campaigning. We'd have these small-business forums—I see one of our participants over here—and I would say that I know you fill out paperwork, but what I don't know is whether anybody ever reads it in Washington. [*Laughter*] So one thing for certain is we've got to make sure that the paperwork which is never read is eliminated to the best extent possible, so our small businesses, in particular, and big businesses are able to focus their energies and their time and their capital on job creation.

I'm going to appoint a citizens panel to study the Tax Code and recommend simplification proposals. Secretary Snow will be charged with that effort. The members of the panel will, of course, include tax experts. It will also have people who aren't experts—well, they're experts; they'll be experts in paying tax. [*Laughter*] The idea is to take a look at what's possible, what is necessary, and work with Congress to get something done to simplify the Tax

Code. Now is the time to take on this important task.

In the conference, we heard much about the problems in the education system, which is not fully preparing our citizens for the jobs of the future. There is no doubt in my mind that if we expect to remain competitive in the world, we must educate every child.

Here is a startling statistic: Most new jobs in America are filled by people with at least 2 years of college. That's startling. What makes it even more startling is the fact that only one in four of our students gets there. That's a learning gap that must be closed. Twenty-five of the thirty fastest growing jobs in America require an education beyond high school. The median salary for someone with college experience is 69 percent greater than for someone who never attended college. That's a pretty good selling point, to say to somebody, "We want you to go to college."

Kay Haycock described the challenge—Kati Haycock described the challenge this way here at this forum. She said, "There are a huge number of American kids who are doing all the things they're supposed to do in high school and don't come close to having the skills and knowledge they need to succeed."

We started to change the system here in Washington with the No Child Left Behind Act. I understand that it's created some consternation. And it's created consternation because, in return for increased Federal spending, we finally started asking the question, "Can you read and write and add and subtract?" It's never seemed to me—for some, that's called an unfunded mandate. To me, that's called a necessary mandate, to make sure our children can learn.

All people who understand the importance of accountability are people who need to meet a bottom line, are people who are held accountable for signing up more accounts. Accountability is, in my judgment,

crucial to making sure no child is left behind. How can you determine whether or not the curriculum—the reading curriculum you are using is working if you don't measure? How do you know whether or not the teacher training is working if you cannot measure to determine whether or not the pupils of a particular teacher are able to meet certain standards? How do you know how your school is doing relative to the school next door to you? How do you know how your State is doing relative to the State next door to you? How do you know how your children are doing relative to the world? You don't, unless you measure.

Secondly, measuring allows you to correct problems early. And so what we have done here in Washington, DC, is we have said, "In return for extra Federal money, we are going to insist that you measure." Notice I didn't say there would be a Federal test. That removes accountability away from those who are responsible for educating. It says, "You develop a test. You develop accountability standards". We'll norm it around the country in a reasonable way without undermining local authority, but we want to know. We want to know. And where there's success, we'll help you heap praise upon those who deserve success. But where there's failure, we will collectively blow the whistle so that we start getting it right.

There is nothing worse than a school system—and I—you know, I was a Governor at one time, and I remember excuse-laden school systems. And I remember people going, "Oh, my goodness, all of a sudden we're graduating children who can't read." And so we decided to do something about it, and that is get it done early, before it's too late. The No Child Left Behind Act is going to make a significant difference so long as Congress doesn't try to water it down.

And now we need to bring high standards and accountability to our high schools. And we've got to make sure our job train-

ing programs are working, that the job training programs actually train people for the jobs that exist, which means consolidation and flexibility.

I'm a big believer in the community college system in America. I think community colleges can help us address the needs and fill the achievement gap. I know community colleges are market-oriented places of higher education. They're affordable. They're accessible, and they're able to adjust to the demands of the local economy.

Some of the most hopeful moments I've had as President have gone into communities and have seen the curriculum of a community college that has been adjusted to the demands of the local employer base, so that if jobs were lost, for example, in the North Carolina textile industry, there was an active, viable, vibrant community college system able to train workers to become nurses in the health care industry that was creating enormous amounts of jobs. The community college system and higher education, itself, must become—every young person must access our community college system and be prepared to do so—or higher education, in order for our economy to remain competitive as we head into the 21st century.

Social Security reform, entitlement reform is an important topic we discussed today. You know, there's a—we talk about the deficit, and there is a short-term deficit here in Washington, which we're going to close in half over a 5-year period of time. But there is a long-term deficit as well. And that long-term deficit really is the unfunded liabilities of the entitlement programs which make up roughly two-thirds of the United States budget.

One of the things that we heard today from experts was that the Social Security system is safe today but is in serious danger as we head down the road of the 21st century. And this problem has got to be confronted now. And we heard from people that know what they're talking about on this stage this morning, saying that it is

a far easier problem to manage today than it will be if we continue postponing solutions.

In 1950, there were 16 workers paying for every beneficiary. Today, there are about three, and when the younger workers retire, there will be only two workers per beneficiary. That should be a warning signal for those of us who are charged with having to confront problems and not pass them on to future Congresses or future generations. The system becomes untenable within a relatively quick period of time. The Social Security system is in the black today but in the long term has \$10.4 trillion in unfunded liability. That's trillion with a "T." That means that a 20-year-old worker today is being promised retirement benefits that are 30 percent higher than the system can pay. By the year 2018, Social Security will pay out more in benefits than the Government collects in payroll taxes. And once that line into red has been crossed, the shortfalls will grow larger with each passing year. We have a problem.

Now, some will say, "Well, that's 2018. I'm not going to be around." But I don't think that's what a good public servant thinks—should think. I think somebody who is charged with responsibly representing the people must look at the data that I just described and say, "Now is the time to work together to confront the problem." I understand how Government works. Congressman Penny was talking about the last time we dealt with the Social Security issue in a real earnest way was when there was a crisis.

A lot of Government, if the truth be known, is crisis-oriented management. You know, we wait and wait and wait, and then the crisis is upon us and everybody demands a solution. The problem with that when it comes to a modernization of Social Security is, is that the longer we wait, the more expensive the solution becomes. And so one of my jobs, one of my charges is to explain to Congress as clearly as I can, the crisis is now. You may not feel it. Your

constituents may not be overwhelming you with letters demanding a fix now, but the crisis is now. And so why don't we work together to do so. I will also assure Members of Congress that this is an issue on which I campaigned, and I'm still standing. In other words, it's a—[applause].

If anybody is interested in the politics of Social Security, here's my view. First of all, what has made Social Security a difficult issue to discuss is that many times when you discuss it, a flier would follow your discussion telling certain people in our society, generally those who have been on Social Security, that they're not going to get their check. I mean, that is fairly typical politics in the past. It really has been. And so people were afraid to address the issue, and I can understand why. If you talk about reforming Social Security, modernizing Social Security, you would get clobbered politically for it.

But that dynamic began to shift recently—recently being, I think the 2000 election. President Clinton, after the '96 election, had a lot of very important panels on the subject. He began to lay the groundwork for substantive, real change. He felt comfortable discussing it. I felt comfortable campaigning on it in two elections. I'll tell you why: Because once you assure the seniors that nothing will change, you're really speaking to people that don't believe they're going to get a check at all, and that is the younger generation coming up. And therefore, the dynamic has shifted. And therefore, there's millions of people wondering whether or not the Government has the courage to do something to make sure a younger generation will have a viable retirement system available when they retire. And that's how I see the issue.

I did talk about some principles during the course of the campaign: One was, nothing will change if you're retired or near retirement; two, I do not believe we should raise payroll taxes to try to fix the system; three, I do believe younger workers ought to be allowed to take some of their own

money, some of their own payroll taxes, and, on a voluntary basis, set up a personal savings account, an account that will earn, an account that they manage, an account that earns a better rate of return than the current—that their money earns inside the current Social Security trust, an account that they can pass on from one generation to the next—in other words, it's your asset—and an account the Government can't take away.

I am—one of my strong beliefs is that all public policy, to the extent possible, ought to encourage ownership in America. I believe in owning things. I think it will be healthy for our system for people to own and manage their own retirement account. It will cause them to have a vital stake in public policy. People will ask more questions about fiscal responsibility than ever before. People will want to watch carefully decisions made by Government at all levels if they have a vital stake in watching their portfolio grow.

I will also say again, like we said this morning, that people are not going to be allowed to take their own money for their retirement account and take it to Vegas to shoot dice. *[Laughter]* This is going to be a managed account, similar to the Thrift Savings Plans that we Federal employees have available to us now.

These challenges I've just discussed are important challenges. They are big agenda items, but they should be. I mean, why think little when it comes to making sure America is still the center of excellence in the world? Great economies do not get weak all at once. They're kind of eaten away, you know, year by year, by challenges that people just refuse to meet. Slowly but surely, an economy, a great economy, can be eroded to the point of mediocrity. This Nation must never settle for mediocrity. This Nation must always, always strive for the best and leave behind a better America for our children and our grandchildren.

And so we've got to confront the problems I just talked about, and I want to

thank you all for coming to highlight the problems. I assure you that I understand that success in dealing with these problems will require strong cooperation in Washington, that I have a responsibility to reach out to members of both political parties, and I will meet that responsibility. I look forward to working with you all to help make clear that not only are the problems existing but there's reasonable solutions to solve them.

In all we do, we've got to make sure that the American economy is flexible. One of the reasons why we're a great place in the world for people to do business and realize their dreams is because we have a flexible economy. We've got to make sure that we're always a competitive economy, we're willing to accept competition and take competition on. I happen to believe competition makes this a better world rather than a worse world. We've always got to stay on the leading edge of innovation. There's always got to be a proper role between Government and the economy. The role of Government is not to create wealth. The role of Government is to create an environment in which the entrepreneurial spirit is strong and vibrant.

And as I said this morning, when we meet these challenges, we can say to ourselves and perhaps other generations will eventually say about us, "Well done. You did the job you're supposed to do."

Thank you for helping us do our job. God bless. Thank you all.

NOTE: The President spoke at 1:27 p.m. at the Ronald Reagan Building and International Trade Center. In his remarks, he referred to Kati Haycock, director, Education Trust, Washington, DC; and former U.S. Representative Timothy J. Penny, senior fellow, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota. The Office of the Press Secretary also released a Spanish language transcript of these remarks.

Remarks on Signing the Intelligence Reform and Terrorism Prevention Act of 2004

December 17, 2004

Good morning. In a few minutes, I will sign into law the most dramatic reform of our Nation's intelligence capabilities since President Harry S. Truman signed the National Security Act of 1947.

Under this new law, our vast intelligence enterprise will become more unified, coordinated, and effective. It will enable us to better do our duty, which is to protect the American people.

I want to thank the Members of Congress who have worked hard on this legislation. I particularly want to thank the leader of the Senate, Bill Frist, Speaker of the House Denny Hastert, and their counterparts in both bodies. I appreciate Senator Susan Collins from Maine and Senator Joe Lieberman from Connecticut for steering this legislation through the United States Senate. I appreciate Congressman Pete Hoekstra and Congresswoman Jane Harman for their leadership on this important issue as well. Welcome.

I want to thank all the Members of Congress who have joined us today for your good work on this legislation. I appreciate the members of my administration who helped, and that would be Director Porter Goss, Director Bob Mueller, Condi Rice, and Fran Townsend. I particularly want to thank the 9/11 Commission, ably led by Tom Kean and Lee Hamilton. I want to thank the Commission members who are here as well.

I pay my respects and offer our gratitude to the family members of the victims of September the 11th. Thank you for working hard on this issue. Thank you for remembering your loved one.

Nearly six decades ago, our Nation and our allies faced a new—the new world of the cold war and the dangers of a new enemy. To defend the free world from an armed empire bent on conquest, visionary

leaders created new institutions such as the NATO Alliance. The NATO Alliance was begun by treaty in this very room. President Truman also implemented a sweeping reorganization of the Federal Government. He established the Department of Defense, the Central Intelligence Agency, and the National Security Council.

America, in this new century, again faces new threats. Instead of massed armies, we face stateless networks. We face killers who hide in our own cities. We must confront deadly technologies. To inflict great harm on our country, America's enemies need to be only right once. Our intelligence and law enforcement professionals in our Government must be right every single time. Our Government is adapting to confront and defeat these threats. We're staying on the offensive against the enemy. We'll take the fight to the terrorists abroad so we do not have to face them here at home.

And here at home, we're strengthening our homeland defenses. We created the Department of Homeland Security. We have made the prevention of terror attacks the highest priority of the Department of Justice and the FBI. We'll continue to work with Congress to make sure they've got the resources necessary to do their jobs. We established the National Counterterrorism Center, where all the available intelligence on terrorist threats is brought together in one place and where joint action against the terrorists is planned.

We have strengthened the security of our Nation's borders and ports of entry and transportation systems. The bill I sign today continues the essential reorganization of our Government. Those charged with protecting America must have the best possible intelligence information, and that information must be closely integrated to form the