

Remarks to the Economic Club of Chicago in Chicago, Illinois January 6, 2006

Thanks for the warm welcome. It's nice to be back. Congratulations to the White Sox, all you longtime White Sox fans and you recent converts. [Laughter] We choppered in—the Speaker said, “There’s the home of the Cubs.” I said, “Well, Mr. Speaker, maybe next year.” [Laughter]

I did come here 3 years ago, and I appreciate the chance to come back. Three years ago, I came and said that we had an economic plan to help this country move forward after the devastating attacks, that we had an idea as to how to help this economy grow. And the cornerstone of that speech was to tell Congress they needed to accelerate the tax relief we passed. And they did, and the plan is working.

We got some new numbers today to show our economy added 108,000 jobs in December, and it's added more than 400,000 jobs in the last 2 months. The unemployment rate is down to 4.9 percent. Americans are going to work. This economy is strong, and we intend to keep it that way.

I appreciate the Economic Club of Chicago inviting speakers to come and talk about economics. I appreciate you giving me a chance to come back. I want to thank Miles White.

I'm proud to be traveling with the Speaker, Denny Hastert. He's a good, solid American. And he's doing a heck of a job as the Speaker of the House of Representatives. I appreciate being here with the senior Senator from the State of Illinois, Dick Durbin. I think the chairman is here—Mr. Chairman, Henry Hyde, thank you for being here, sir.

Congressman John Shimkus is here, from the south part of your State. Thanks for coming all the way up here. Congresswoman Judy Biggert is with us. Judy, good to see you. Thanks for coming. Congressman Mark Kirk is with us. I appreciate

you all. You do what the Speaker tells you to do. [Laughter]

I appreciate Charlie Carey; he's the chairman of the Chicago Board of Trade. I just went there. A guy yelled out, in the corn pit, “Hook 'em, Horns!” [Laughter] So I hooked 'em—[laughter]—and now I own a lot of corn. [Laughter]

I want to thank the members of the Chicago Board of Trade. I thank Terry Duffy, who is the chairman of the board of the Chicago Merc, where I had the honor of traveling in March of 2001. Thank you all for giving me a chance to come.

The American economy heads into 2006 with a full head of steam. Our economy grew at more than 4 percent in the third quarter. We've been growing at nearly that rate for 2 years. The American consumer is confident. More Americans now own their home than at any time in our Nation's history. Minority homeownership is at a record high. Real disposable income is up. New orders for durable goods like machinery have risen sharply. Shipments of manufactured goods are up as well. Business activity in our manufacturing sector reported its 31st straight month of growth. Our small businesses are thriving. In 2005, the American economy turned in a performance that is the envy of the industrialized world. And we did this in spite of higher oil prices and natural disasters.

We're strong, and I'm optimistic about the future of this economy. And one reason I am is because of the rise of American productivity. We're an incredibly productive nation. Our productivity has been growing at 3.5 percent for the last 5 years. American workers are now more than 17 percent more productive than they were in 2001. And why is that important? That's important because productivity means America

will remain the leader in the world. Productivity is important because it helps people live a better life.

From 1973 to 1995, productivity grew at 1.4 percent per year. At that rate, it would take 50 years to double the standard of living for Americans. Our economists now project that productivity will grow by 2.6 percent over the long term. And at that rate, we can double the standard of living of Americans nearly twice as fast. And that's important. We want to be able to compete, and we want our people being able to realize their dreams. In short, we're productive, we're innovative, we're entrepreneurial, and the role of government is to keep it that way.

Our goal in Washington has got to make sure America is the leader in the world when it comes to economic vitality, the best place to realize your dream in the world. And the best way to make sure economic opportunity reaches throughout our land is to make sure that we have economic growth. My administration has pursued and we'll continue to pursue pro-growth economic policy. American businesses and farmers, workers, and entrepreneurs create the wealth in this country. Government does not create wealth. The role of government is to create an environment where the entrepreneurial spirit flourishes and where small businesses can grow to be big businesses and where people can dream about owning their own home and have it become a reality. That's the role of government.

In our economy, the most precious resource is the talent and ingenuity of the American people. And there's no limit to what the American people can achieve when they have the skill sets to compete and the freedom to make a better life for themselves and their family.

Our trust in the American people has brought us through some tough times. We've been through a lot. In the past 5 years, this economy has endured a stock market collapse, a recession, terrorist at-

tacks, corporate scandals, high energy costs, and natural disasters. They're all shocks to our economy, and they deserved swift action, firm resolve, and clear thinking.

Here's how I started to address—the perspective I took when it came time to addressing these challenges. I said, “The American economy grows when the American people are allowed to keep more of their own money so they can save and they can invest and they can spend as they see fit.” So I called on the Congress, as I mentioned to you earlier, to cut the taxes, and Congress responded. It's been a while since that happened. Let me review what took place. *[Laughter]*

We lowered the taxes so Americans—so American families could thrive. We cut the taxes on the families by lowering the rates and by doubling the child credit and by reducing the marriage penalty. I can't imagine a Tax Code that penalizes marriage. It seems like to me we ought to be encouraging marriage through our Tax Code.

We thought it was unfair to say to a farmer and a small-business owner, “The Government is going to tax you twice.” So we put the death tax on the road to extinction. We cut the taxes, and by doing so, we helped raise after-tax income for a person by 7 percent since I've been your President. Real after-tax income per person is up by 7 percent. And that's good for our families. We want our families to have more money in their pocket.

These tax cuts make a real difference in the lives of those who work hard in this country. By cutting taxes on income, we helped create jobs. You see, when people are allowed to keep more of their own money, it means they're going to demand more goods and services. And in the marketplace, somebody will produce that—those goods and services to meet demand. And when somebody meets the increased demand in the marketplace, it's more likely somebody is going to be able to find a

job. Cutting taxes helps people find a job in the United States of America.

We cut taxes on small businesses. Most small businesses pay individual income tax rates, sole proprietorship or a limited partnership or a subchapter S corporation. So when you reduce individual rates, you're really increasing the amount of capital available for small businesses to expand. And that's important because 70 percent of the new jobs in America are created by small businesses. And when you couple the tax—reduction in tax rates with incentives for small businesses to invest in new equipment, you can understand why this economy is strong. The small-business sector of the United States of America is flourishing. The entrepreneurial spirit is widespread, and more and more Americans are starting their own company.

American families have benefited from the tax cuts on dividends and capital gains. Let me repeat that. American families all across this country have benefited from the tax cuts on dividends and capital gains. Half of American households—that's more than 50 million households—now have some investment in the stock market, either by owning shares in individual companies or through owning mutual funds. By cutting the taxes on dividends and capital gains, we have boosted confidence in our economy. More people have more money to invest. As a result, the stock market has added nearly \$3 trillion in value.

I'll never forget going to an automobile manufacturing plant in Mississippi. It was a very diverse group of workers. I said, "How many of you own your own 401(k)?" In other words, "How many of you have a stock portfolio?" Nearly 90 percent held their hands up. When you cut taxes on capital gains and you cut taxes on dividends, you're helping the lineworkers in the automobile plant.

Part of making sure this economy grows is to understand who owns the wealth in the United States of America, and it's becoming widespread all throughout our soci-

ety. Cutting taxes has reduced—on capital gains and dividends has reduced the cost of capital. If you want your economy to grow, you want the cost of capital down. And reducing the cost of the capital has made it easier for investment, and investment has increased the productivity of the American worker, and the productivity increases for the American worker increased the standard of living for the American worker.

There's a mindset in Washington that says, "You cut the taxes, we're going to have less money to spend." Well, the growth, the economic vitality that has been set off by the tax cuts has been good for our Treasury. Since we cut taxes on income, tax revenues from income has jumped by 17 percent. Tax revenues from dividends and capital gains has increased an estimated 50 percent. By cutting the taxes on the American people, this economy is strong, and the overall tax revenues have hit at record levels.

Now, there are a lot of people in Washington that don't believe in tax cuts. As a matter of fact, they didn't believe the tax cuts would work. Critics said our economy was the worst since the Great Depression. The truth of the matter is, by cutting taxes when we did, we've had the fastest growing economy of any major industrialized nation. Critics said the tax cuts are ruining the economy. They're just wrong. The facts say otherwise.

Since we cut the taxes, household wealth is on the rise; people are doing better; we're creating jobs. One Democratic critic described the day the House voted for tax relief this way: She said, "Today the Congress of the United States will vote on a reckless, irresponsible tax plan that will undermine opportunity in our country." Since that Congresswoman had uttered those words, the economy has added more than 4.5 million new jobs.

By letting people keep more of what they earn, this economy is strong. Unfortunately, just as we're seeing the evidence of how

the tax cuts have created jobs and opportunity, some in Washington are saying we need to raise your taxes. See, that's either by saying, "We're not going to make the tax cuts permanent"—in other words, they're going to expire—or, "Why don't we repeal the tax cuts right now." When you hear somebody say, "Let's don't make the tax cuts permanent," what they're telling the American worker and the American family is, "We're going to raise taxes on you." If that were to happen, a Chicago family of four making \$50,000 would see Federal income taxes go up by nearly 50 percent.

Just as this economy is getting going, there are some in Washington who want to take the money out of your pocket. They think they can spend it better than you can. To keep this economy growing, to keep the entrepreneurial spirit alive, to make sure that the United States of America is the most productive nation in the world, the United States Congress must make the tax cuts permanent.

There's been a lot of discussion about the budget in Washington; there should be. You'll hear the folks say, "Why don't we just raise the taxes to balance the budget?" Folks, that's not the way Washington works. They will raise your taxes and increase Federal spending. The best way to deal with the budget deficit is to have progrowth policies in place and be fiscally sound with taxpayers' money.

Listen, we're at war. And by the way, we're going to win the war. And so long as we've got our kids—and so long as we've got our men and women in uniform in harm's way, this Government will support them with all the resources that are necessary to win that war. That means we've got to show extra discipline in other areas of the Federal budget.

Now, our budget has two kinds of spending—it's called discretionary spending and mandatory spending. And thanks to working with the Speaker and others, we've shown real progress on being fiscally wise when

it comes to discretionary spending. We've now cut the rate of growth in nonsecurity discretionary spending each year since I've been in office. Last February, my budget proposed an actual cut in nonsecurity discretionary spending. It's the most disciplined budget proposal since Ronald Reagan was the President.

We ended or reduced about 90 low-priority or poorly performing Government programs. We cut nonsecurity discretionary spending and kept overall discretionary spending growth below the rate of inflation. That's what the American people want us to do. They want us to set priorities, be wise with the money. And by doing this, we are still on track to cut the Federal deficit in half by 2009.

The bigger challenge to this budget is the long-term deficits driven by mandatory spending, or what they call entitlements. And these entitlements include Social Security and Medicare, both of which are growing faster than our ability to pay for them. The costs of these programs are growing faster than the economy. The cost of these programs are growing faster than the rate of inflation. The costs of these programs are growing faster than the population is growing. It's unsustainable growth, because a lot of people like me are getting ready to retire. *[Laughter]* In my case, I turn 60 in 2008—that's a convenient date for me—*[laughter]*—62 in 2008, 60 this year, unfortunately.

Projected deficits of these programs when these baby boomers like me retire are fixing to grow and grow and grow. And we don't have enough people paying into the system to cover them. It's what's called unfunded liabilities. And they're a problem for our children and our grandchildren, and we can solve this problem. It just takes political will, political courage. We don't need to cut the programs; we need to slow their growth. That's what we need to do.

Oh, I know some in Washington would like me to stop talking about it. I'm not going to. I believe the role of the President

of the United States—[applause]. I believe my role, and I believe all our roles in Washington is to confront problems now and not pass them on to future Presidents and future Congresses.

Congress has an opportunity to show its commitment to controlling entitlement spending when it comes back off its recess. Before Members of the House and the Senate left Washington, they agreed to rein in future spending on entitlements by nearly \$40 billion. They did this by reforming programs and eliminating waste and reducing the rate of spending growth. Now Congress needs to finish the work on this important bill. And, Mr. Speaker, I want to thank you for your leadership on this important bill.

Listen, we got a lot of people in Washington who preach fiscal discipline and then they go on to vote against spending restraint. By passing the first reduction in the growth of entitlement spending in nearly a decade, Congress can send a clear signal that the people's Representatives can be good stewards of the people's money.

As we work to keep taxes low and restrain spending, we've also got other challenges. One big challenge we face is energy. Again, I want to thank the Speaker and the Congress for putting an energy bill on my desk that I signed that encourages conservation, alternative forms of energy, encourages the exploration for natural gas in environmentally friendly ways. It's a good start. But the truth of the matter is, technology is going to lead this country away from our dependence upon hydrocarbon, and the United States Government can help speed up technology.

In order to make sure this economy grows, we've got to have a reasonable health care system. I view the role of the Federal Government is to help the elderly. And we got good Medicare reforms done. And I believe the role of the Federal Government is to help the poor. And that's why we've got Medicaid. But I do not believe the role of the Federal Government

is to tell doctors how to work and patients what to do. We need to make sure we connect the doc—the patient-doctor relationship to inventive programs like health savings accounts. This Congress needs to expand health savings accounts on behalf of good health care in America.

To make sure this is the most competitive country in the world, we've got to get rid of some of these junk lawsuits that are running capital out of America. We've got a real challenge; the trial bar is tough. You need to speak up. You need to let people understand the consequences of all these lawsuits.

Now, I want to thank the Speaker again, and the Senate; we got some legal reform done. We got a good class-action piece of legislation. We got good bankruptcy law. I hope that this year, we can get a good asbestos reform out of the United States Congress. But one thing is for certain: People around this country have got to understand we need a balanced legal system if Americans want to be able to find good-paying jobs.

A growing economy means we've got to have a private pension system that is fully funded and one in which those who pay into the private pension system keep the promises they make. I'm going to talk more about these issues as the legislative session begins.

I want to talk about two things real quick to make sure that this country remains the leader in the world when it comes to economic growth, and the first is education. We've got to make sure that our citizens have the skills they need to be able to fill the jobs which will be created in the 21st century. This country has a moral and an economic obligation, a moral and an economic interest in seeing that our people have the skills they need to succeed in a competitive world. You see, if we don't make sure our people have the skills they need in a competitive world, the jobs are going to go somewhere else. And that's what we've got to understand.

Making sure that people have got a good basis of education and capacity to fill the jobs which will actually exist really, it's important, particularly given the fact that our economy is one that is so dynamic and so vibrant that people are changing jobs all the time. Do you realize that if the recent pattern continues, the typical American worker will have held at least 10 jobs between the ages of 18 and 38? This job market of ours is churning. It's creating opportunity. We've got to have the skills to be able to fill these new jobs. And that's the challenge ahead of us. And having good skills begins with making sure our children can read and write and add and subtract. The best job training program begins early in life.

We came together in Congress—with the Congress and passed what's called the No Child Left Behind Act. I'd like to remind you about the spirit and the philosophy behind that act. It basically says, "Let's raise the standards, and let's measure." And the reason the Federal Government has got a right to call for measurements is because we spend a fair amount of money from Washington, DC, at the local level. And so we simply said, "If you're taking our money"—it's actually your money—[laughter]—"do you mind showing us whether or not the children can read or write?" I don't think that's too much to ask, is it? Unless you believe that certain kids can't learn to read and write.

I remember when I was the Governor of Texas, I found some school systems that simply, I guess, didn't believe that certain kids could read and write, so they just shuffled them through. They said, "It's much easier than taking on the tough task of analyzing and correcting, so let's just quit. Let's just say, okay, we'll just kind of socially promote you." It makes us look good on paper, but it's not treating American families well. And it's not setting that foundation to make sure our children can get the job skills necessary to fill the jobs of—

or the skills necessary to fill the jobs of the 21st century.

And so the No Child Left Behind Act came into being. And we're now measuring, and it's beginning to work. There's an achievement gap in America that is beginning to close. You know why I know? Because we're measuring. There's what's called the NAEP test. It's a standardized test across the country. It's called the Nation's Report Card. It gives us a chance to measure. It has shown that American children have made strong gains over the last 5 years, especially in the early grades. The results have showed that our fourth and eighth graders have improved math scores for not only Anglo students but African American students and Hispanic students. As a matter of fact, the math scores were the highest ever for African American kids and Hispanic kids. Overall scores for fourth grade reading matched the alltime high.

There is an achievement gap in America that is inexcusable, and it's beginning to close. And I think one of the main reasons it's closing is because we are now measuring. We're posting scores on the Internet for people to see, and we're saying to school districts, "If you've got a problem, correct it early, before it is too late. And if you can't figure out how to correct it, give parents a different option than keeping their child in a school which will not change and will not teach."

And tell your brother, tell your brother I appreciate his understanding of the need to challenge the status quo when it's failing the kids of Chicago.

And if you hear them talking about getting rid of the accountability standards, say to the local school folks, "Don't do it." You see, we've all got to challenge the soft bigotry of low expectations. We cannot revert to a system which quits on kids too early in life. As business leaders and community activists, you must stand strong for strong accountability systems and systems which correct problems early, before it is too late.

We've got a problem in our high schools. We're beginning to make progress at the elementary school level, over the 5 years, the test scores have risen. But we've got a problem in our high schools. Our high school American students rank below students from around the world when it comes to math and science. We measure fine in junior high grades, but for some reason, between junior high and high school, our kids are falling behind. And that's a problem. If we want to be competitive and if we want our children to be able to fill the jobs of the 21st century, we must do a better job in high school.

I think one place to start is to bring the spirit of No Child Left Behind, which is K through eight, into the high schools and insist upon measuring early and to say, "If you've got a problem, develop remediation programs today." Because we just can't guess anymore in America. If we want to be competitive, we've got to know, and we've got to measure.

We've got programs to bring professionals from math and science into the classrooms as adjunct teachers. We're going to help teachers—particularly in low-income schools—have the training they need to teach advanced placement courses. What I'm telling you is, is that we're going to take that very same spirit that's beginning to work in elementary school and put it in the high schools.

And then we've got to make sure our kids go to college. And that's one of the important programs that we've worked with both Republicans and Democrats alike in Congress, to increase the number of Pell grants available for students by a million people. And that's important.

One of the real assets in our country is the community college system. I spent a lot of time going to the community college system because, as I tell people, they're available; they're affordable; and unlike some institutions of higher education, they know how to change their curriculum to meet the needs of society.

In other words, what's interesting about the community college experience is that if you're living in an area where there's a need for health care workers, and you got a chancellor of the community college system that is any good, that person will devise a program with the local health care providers that will help train nurses or whatever is needed. I mean the health care—the community college system is a fabulous job training opportunity for the American people. It's a place to find—to match people's desire to work with the jobs that actually exist.

There's an interesting story about a woman named Julie Duckwitz here in this area. She had been a bookkeeper for 11 years, and she's a single mom—which happens to be the hardest job in America, by the way—and she's laid off. And she doesn't know what to do. You can imagine being a single mother with two kids—two young kids—and you get laid off your job.

Fortunately, she went to the job training counselors, and they steered her to Lake Land community college. Lake Land had received a Federal grant to help fund training programs, and she enrolled in a nursing program. Why? Because Lake Land understood there was a need for nurses. In other words, it's a demand-driven curriculum in the community college system. And they adjusted, not just for her, but for others. And she got a nursing degree. And she said, "Now I feel I can move upward. When I lost my old job, I was as high as I could go with that position, but health care offers me many more avenues for the future."

Gaining additional education to enhance your chance to get a job means more productivity. It means you're a more productive worker, which means higher pay, which means better news for the American economy. This Government must utilize our community college system to make sure people have the skills necessary to fill the jobs of the 21st century. I'm looking forward to Congress to fully fund my request

for these job training grants to the community college system of our country.

I want to tell you one other thing, and then I'll let you eat. [Laughter] I want to talk about trade. It's a pretty controversial subject in some people's minds. Here's how I think about it. We're home to 5 percent of the world's population. That means that 95 percent of our potential customers live abroad. I believe this country ought to do everything it can to open up markets for our products overseas. I know it's going to be necessary to make sure this economy grows, short term and long term, to open up markets for our manufacturers, our farmers, and our entrepreneurs.

I believe that trade opens up opportunities for people here at home. Now, we've got some people in Washington who are what I call economic isolationists. They have a different point of view—good people, just a different philosophy. They don't believe trade is good. They believe that it's okay to wall ourselves off from the rest of the world. I disagree strongly. And that's why my administration has pursued free trade agreements around the globe and will continue to do that.

Do you realize that more than 350,000 people in Illinois have jobs that depend on exports? In other words, there's a market overseas; somebody is meeting the demand for the product or the good and service and are manufacturing right here in Illinois, which means somebody is working out there, because there's a market overseas. One in every five manufacturing jobs in this State is supported by exports.

Look, I know the manufacturing industry got hit hard here. All I had to do is listen to the Speaker every time I met him. He said, "We got a problem. The manufacturing base of this State is getting hit hard." He said, "What are you going to do about it?" I said, one thing I'm not going to do about it is deny opportunities for those who are able to export, and second, what we're going to do about it is make sure the playing field is level, make sure our manufac-

turers are treated fairly. That's all we can expect. We don't expect any special treatment, we just want to be treated fairly.

My view of trade is this: If we can get a level playing field, American workers and farmers and entrepreneurs can compete with anybody, anytime, anywhere in the world. And now we have a chance, through the World Trade Organization, the Doha round of the World Trade Organization, to see to it that this world trades more fairly and more freely.

And that's in our interests. I'm telling you, it's in the farmers' interests that we're selling soybeans in China. It's in our interests that we have a free-trading world. If we wall ourselves off from the rest of the world, a bunch of other folks are going to take the—take advantage of the opportunity of free trade.

This is an important issue for our country. We got to be confident in our ability to compete. We'll be tough when it comes to the policy to make sure you're treated fairly, but I refuse to allow walls to shut our producers and entrepreneurs off from opportunities around the world. Free and fair trade is an important cornerstone of strong and valid economic policy for the creation of jobs here in America.

So that's what I'm going to be talking about when it comes to our economy. We're doing fine, but I believe we can do even better. The right policies out of Washington, DC—policies that encourage growth, not stifle growth, policies that encourage entrepreneurship, not diminish the entrepreneurial hopes, policies that educate our folks so we can fill the jobs of the 21st century—will keep the United States the economic leader of the world. And that's the way I want it, and that's the way you should want it, and that's the way Members of the United States Congress on both political parties should want it as well.

I can't tell you how neat it is to travel the world and represent the United States of America. Ours is a land that is so unique, if you think about our country

where a person can start off with nothing except a dream, can start off with just a hope, and own something, own your own business, own an opportunity to thrive. And that's what we're about. That's what we have been about, and that's what we must remain about.

We've got to still be the greatest hope for mankind on the face of this Earth. We

are today, and with the right policies, we'll be tomorrow.

Listen, thanks for letting me come back. God bless.

NOTE: The President spoke at 11:44 a.m. in the Hilton Chicago. In his remarks, he referred to Miles White, CEO, chairman of the board, and director, Abbott Laboratories.

Statement on Signing the National Defense Authorization Act for Fiscal Year 2006 *January 6, 2006*

Today, I have signed into law H.R. 1815, the "National Defense Authorization Act for Fiscal Year 2006." The Act authorizes funding for the defense of the United States and its interests abroad, for military construction, and for national security-related energy programs.

Several provisions of the Act, including sections 352, 360, 403, 562, 818, and 2822, call for executive branch officials to submit to the Congress proposals for legislation, including budget proposals for enactment of appropriations, or purport to regulate or require disclosure of the manner in which the President formulates recommendations to the Congress for legislation. The executive branch shall implement these provisions in a manner consistent with the President's constitutional authority to supervise the unitary executive branch and to recommend for the consideration of the Congress such measures as the President judges necessary and expedient. Also, the executive branch shall construe section 1206(d) of the Act, which purports to regulate formulation by executive branch officials of proposed programs for the President to direct, in a manner consistent with the President's constitutional authority to supervise the unitary executive branch and to require the opinions of heads of executive departments. In addition, the executive branch shall con-

strue section 1513(d) of the Act, which purports to make consultation with specified Members of Congress a precondition to the execution of the law, as calling for but not mandating such consultation, as is consistent with the Constitution's provisions concerning the separate powers of the Congress to legislate and the President to execute the laws.

A number of provisions of the Act, including sections 905, 932, 1004, 1212, 1224, 1227, and 1304, call for the executive branch to furnish information to the Congress on various subjects. The executive branch shall construe such provisions in a manner consistent with the President's constitutional authority to withhold information the disclosure of which could impair foreign relations, national security, the deliberative processes of the Executive, or the performance of the Executive's constitutional duties.

Section 1222 of the Act refers to a joint explanatory statement of a committee of conference on a bill as if the statement had the force of law. The executive branch shall construe the provision in a manner consistent with the bicameral passage and presentment requirements of the Constitution for the making of a law.

The provisions in Title XIV in Division A of the Act are identical, except for a