

Remarks on Fiscal Responsibility and Pay-As-You-Go Legislation

June 9, 2009

Thank you, everybody. Please have a seat. Thank you. Thank you all for joining us here in the White House. Before I begin, I want to comment briefly on the announcement by the Treasury Department with regard to the financial stability plan.

As you know, through this plan and its predecessor, taxpayer dollars were used to stabilize the financial system at a time of extraordinary stress. And these funds were also meant to be an investment, and they were meant to be temporary. And that's why this morning's announcement is important.

Several financial institutions are set to pay back \$68 billion to taxpayers. And while we know that we will not escape the worst financial crisis in decades without some losses to taxpayers, it's worth noting that in the first round of repayments from these companies the Government has actually turned a profit.

Now, this is not a sign that our troubles are over—far from it. The financial crisis this administration inherited is still creating painful challenges for businesses and families alike. And I think everybody sees it in their own individual districts. But it is a positive sign. We're seeing an initial return on a few of these investments. We're restoring funds to the Treasury, where they'll be available to safeguard against continuing risks to financial stability. And as this money is returned, we'll see our national debt lessened by \$68 billion, billions of dollars that this generation will not have to borrow and future generations will not have to repay.

I've said repeatedly that I have no interest in managing the banking system, or, for that matter, running auto companies or other private institutions. So today's announcement is welcome news to me. But I also want to say, the return of these funds does not provide forgiveness for past excesses or permission for future misdeeds. It's critical that as our country emerges from this period of crisis, that we learn its lessons, that those who seek reward do not take reckless risk, that short-term gains are not pursued without regard for long-term consequences.

At the same time, as we seek greater responsibility from those in the private sector, it's my view and the view of those who are standing behind me today, as well as those in the audience, that greater responsibility is required on the part of those who serve the public as well.

As a nation, we have several imperatives at this difficult moment in our history. We're confronting the worst recession this country has faced in generations, and this has required extraordinary investments in the short term. Another imperative is addressing long-deferred priorities—health care, energy, education—which threaten the American economy and the well-being of American families. And we've begun to tackle these problems as well.

But we are also called upon to rein in deficits by addressing these and other challenges in a manner that is fiscally responsible. This, in part, requires the kind of line-by-line review of the budget that is ongoing to remove things that we don't need and make the programs we do need work more efficiently. There are billions of dollars to be saved this way. But much of our effort will entail going after the big-ticket items that drive the deficits.

By ending unnecessary no-bid contracts and reforming the way Government contracts are awarded, we can save the American people up to \$40 billion every year. In addition, Secretary Robert Gates has proposed a badly needed overhaul of a defense contracting system riddled with hundreds of billions of dollars in cost overruns, and the cancellation of superfluous defense systems unnecessary to combat the threats of the 21st century.

We're also going to eliminate unwarranted subsidies currently lavished on health insurance companies through Medicare, which will save roughly \$177 billion over the next decade. And this is part of broader health reform, about which I'll have more to say in the coming days, which will both cut costs and improve care.

So all told, in the next 4 years, the deficit will be cut in half. Over the next decade, nondefense discretionary spending will reach its

lowest level as a share of our national income since we began keeping records in 1962.

But we must go further, and one important step we can and must take is restoring the so-called pay-as-you-go rule, or PAYGO. This is a rule I championed in the Senate and called for time and again on the campaign trail. Today, with the support of these legislators, including the Speaker of the House, my administration is submitting to Congress a proposal to codify this rule into law, and I hope that the House and Senate will act quickly to pass it.

The pay-as-you-go rule is very simple: Congress can only spend a dollar if it saves a dollar elsewhere. And this principle guides responsible families managing a budget. And it is no coincidence that this rule was in place when we moved from record deficits to record surpluses in the 1990s, and that when this rule was abandoned, we returned to record deficits that doubled the national debt. Entitlement increases and tax cuts need to be paid for. They're not free, and borrowing to finance them is not a sustainable long-term policy.

Paying for what you spend is basic common sense. Perhaps that's why here in Washington it's been so elusive. Of course, there have been those in Washington leading the charge to restore PAYGO, and many of them are here today. I want to recognize Congressman George Miller, who introduced the first PAYGO bill in the House. I want to thank the House Blue Dogs and their leader, especially Baron Hill, who has been a driving force in favor of PAYGO. I want to acknowledge Senator Claire McCaskill, who's shown real leadership on this issue in the Senate. And as I said, I want to acknowledge the Speaker of the House, as well as leader Steny Hoyer, who are here because they understand the importance of this principle and are fully supportive of our efforts.

In fact, 2 years ago, a new Democratic Congress put in place congressional rules to restore this principle, but could not pass legislation without the support of the administration. I want you all to know you now have that support.

The fact is there are few who aren't distressed by deficits. It's a concern that crosses party lines, geographic boundaries, and ideological divides. But often, in the give-and-take of the political process, the vested interests of the few overtake the broader interests of the many. The debate of the day drowns out those who speak of what we may face tomorrow. And that's why pay-as-you-go is essential. It requires Congress to navigate the ebb and flow of politics while remaining fixed on that fiscal horizon.

The reckless fiscal policies of the past have left us in a very deep hole, and digging our way out of it will take time, patience, and some tough choices. I know that in the face of this historic challenge there are many across this country who are skeptical of our collective ability to meet it. They're not wrong to feel that way. They're not wrong to draw this lesson after years in which we've put off difficult decisions, in which we've allowed our politics to grow smaller as our challenges grew ever more daunting.

But I think everybody understands this is an extraordinary moment, one in which we are called upon not just to restore fiscal responsibility, but to once again live up to the broader responsibilities we have to one another. And I know that we can summon that sense of shared obligation, that we have the capacity to change and to grow and to solve even our toughest of problems.

And that's at the heart of why we're here today. I appreciate the work of the people in this room who've shown a willingness to make hard choices and do the hard work that's essential to overcoming the challenges of the present, while leaving our Nation better off in the future. So this is going to be a lift. We know it's going to be tough. I think we can get it done, especially with the extraordinary leadership that is on display here today.

Thank you very much, everybody. Take care.

NOTE: The President spoke at 1:07 p.m. in the East Room at the White House.