

made our—the United States has made its choice; Germany has made its choice; Russia has made her choice; Japan has made its choice. We've made our choice; the choice is theirs. And I would hope that these leaders would recognize that there is—there's benefits for their people. They truly care about their people. There's benefits for their people.

You know, one of the most moving moments of my Presidency came when the young—when the mother of—young daughter was kidnaped by the North Koreans. Imagine. Anybody got children here? Imagine if some foreign nation ordered your child to be kidnaped, just removed. And never—they never heard from the girl again. They went—she was telling me, she was wondering whether she was murdered, and they searched everywhere. It's unbelievable, isn't it? It turns out that they believe that she was in North Korea, a regime that just felt like there was no accountability and no regard for human rights and just took this young child.

So the mother was sitting there in the Oval Office with me. It was incredibly emotional. After all these years, she still felt this pain in her heart. And my point is, is that there's a better way forward than that, to live in a society like that. And the choice is his to make, in North Korea's case. I hope he makes the right choice. It's important for all of us to continue to make that very clear. If he chooses the other way, he'll be isolated and his people won't benefit.

Okay. Thank you all. I enjoyed it.

NOTE: The interview was taped at 2:30 p.m. in the Roosevelt Room at the White House. In his remarks, the President referred to Chancellor Angela Merkel and former Chancellor Gerhard Schroeder of Germany; President Vladimir Putin of Russia, and his wife, Lyudmila; President Luiz Inacio Lula da Silva of Brazil; Prime Minister Nuri al-Maliki of Iraq; Chairman Kim Jong Il of North Korea; Prime Minister Romano Prodi and former Prime Minister Silvio Berlusconi of Italy; Prime Minister Junichiro Koizumi of Japan; Shamil Basayev, a Chechen separatist leader, who was killed on July 10; and Sakie Yokata, mother of a Japanese woman abducted by North Korean authorities. Reporters referred to Prime Minister Tony Blair of the United Kingdom; Usama bin Laden, leader of the Al Qaida terrorist organiza-

tion; Secretary-General Kofi Annan of the United Nations; and Prince Zeid Ra'ad Zeid al-Hussein of Jordan. The transcript was released by the Office of the Press Secretary on July 11. A tape was not available for verification of the content of this interview.

Remarks on the Office of Management and Budget Mid-Session Review

July 11, 2006

The President. Thank you. Thanks for coming. The White House is the people's house, and I'm here to talk about the people's money. We're glad you're here. As you know, every year, my administration produces a budget that lays out our priorities and our goals. And every summer, the Office of Management and Budget releases a report called the Mid-Session Review that tells the American people how much progress we're making towards meeting our fiscal goals.

Today OMB Director Rob Portman released the latest review. I'm pleased to report that it's got some good news for the American taxpayer. This economy is growing; Federal taxes are rising; and we're cutting the Federal deficit faster than we expected.

This good news is no accident. It's the result of the hard work of the American people and sound policies in Washington, DC. This morning I'm going to discuss the way forward; I'll explain why our progrowth policies are vital to our efforts to reduce the Federal deficit, what my administration is doing to work with Congress to eliminate wasteful spending, and why we need to confront the unsustainable growth in entitlement spending.

I appreciate our new Secretary of the Treasury, Hank Paulson, joining us today. Mr. Secretary, you've been on the job one day, and you've got a pretty strong record. I'm proud that Rob Portman is here, and he brought his lad with him. [Laughter] I thank the Senate President pro tem, Senator Ted Stevens, for joining us. Senator, thanks for coming. I'm proud you're here. Thank you for your leadership. I also want to thank David Dreier, Conrad Burns—Senator Conrad Burns, excuse me—

Senator Burns. That's okay. [Laughter]

The President. —Congressman Joe Knollenberg, Ander Crenshaw, Marilyn Musgrave, thank you all for coming. Pence is with us; thanks for coming. I'm proud you're here, Mike. Thank you all for taking time to be here to hear this good news. You're responsible, in many ways, for creating the conditions for the good news we're about to talk about.

When I came to Washington, taxes were too high and the economy was headed into a recession. Some said the answer was to centralize power in Washington and let the politicians make the decisions about what to do with the people's money. That was one point of view.

We had a different point of view. I believe that the economy prospers when we trust the American people to make their own decisions about how to save, spend, and invest. So starting in 2001, my administration worked with the United States Congress, and we delivered the largest tax relief since Ronald Reagan was in the White House. We cut rates for everyone who pays income taxes. We reduced the marriage penalty; we doubled the child tax credit; and we cut the death tax. We cut the tax paid by most small businesses, because we understand that most new jobs are created by small businesses. And we encouraged economic expansion by cutting taxes on dividends and capital gains.

Together, these tax cuts left nearly \$1.1 trillion in the hands of American workers and families and small-business owners, and they used this money to help fuel an economic resurgence that's now in its 18th straight quarter of growth. The tax cuts we passed work.

Last year, our economy grew at 3.5 percent, and in the first quarter of this year, it grew at an annual rate of 5.6 percent. Over the past 3 years, our economy has grown by more than \$1.3 trillion, an amount that is larger than the size of the entire Canadian or South Korean economy.

Since August 2003, the U.S. economy has added more than 5.4 million new jobs. Our unemployment rate is down to 4.6 percent. People are working. Behind these numbers, there are American workers who start each day with hope because they have a job to help them build a better life. Behind these

numbers, there are more families with more money in the bank for college tuition or a downpayment on their homes. Behind these numbers are small-business owners who are hiring more workers, expanding their businesses, and realizing the great promise of our country.

Our job in Washington is to keep this expansion growing—going and to promote progrowth policies that let Americans keep more of their hard-earned paychecks and aid us in reducing our fiscal deficit.

In order to reduce the deficit, you got to set priorities. And in working with Congress, we've set clear priorities. And the number-one priority of this administration and this Congress is to make sure men and women who are defending the security of the United States and helping to spread peace through the spread of liberty get all the help they need from our Government. We will always fund the troops in harm's way.

In an age when terrorists have attacked our country and want to hurt us again, we will do everything in our power to protect the American homeland. Those are the clear priorities of this administration, and the clear priorities of the United States Congress.

Fighting a war on terror and defending the homeland imposes great costs, and those costs have helped create budget deficits. Our responsibility is to win this war on terror and to keep the economy growing. And those are the kind of policies we have in place. Some in Washington say we had to choose between cutting taxes and cutting the deficit. You might remember those debates. You endured that rhetoric hour after hour on the floor of the Senate and the House. Today's numbers show that that was a false choice. The economic growth fueled by tax relief has helped send our tax revenues soaring. That's what's happened.

When the economy grows, businesses grow; people earn more money; profits are higher; and they pay additional taxes on the new income. In 2005, tax revenues grew by \$274 billion, or 14.5 percent; it's the largest increase in 24 years. Based on tax collections to date, the Treasury projects that tax revenues for this year will grow by \$246 billion, or an 11 percent increase. The increase in

tax revenues is much better than we had projected, and it's helping us cut the budget deficit.

One of the most important measures of our success in cutting the deficit is the size of the deficit in relation to the size of our economy. Think of it like a mortgage. When you take out a home loan, the most important measure is not how much you borrow; it is how much you borrow compared to how much you earn. If your income goes up, your mortgage takes up less of your family's budget. Same is true of our national economy. When the economy expands, our Nation's income goes up and the burden of the deficit shrinks. And that's what's happening today. Thanks to economic growth and the rise in tax revenues, this year the deficit will shrink to 2.3 percent of GDP. That's about the same as the average over the past 40 years.

Here are some hard numbers: Our regional projection for this year's budget deficit was \$423 billion. That was a projection. That's what we thought was going to happen. That's what we sent up to the Congress: "Here's what we think." Today's report from OMB tells us that this year's deficit will actually come in at about \$296 billion.

That's what happens when you implement pro-growth economic policies. We faced difficult economic times. We cut the taxes on the American people because we strongly believe that the American people should lead us out of recession. Our small businesses flourished; people invested; tax revenue is up; and we're way ahead of cutting the deficit—Federal deficit in half by 2009.

As a matter of fact, we're a year ahead of fulfilling a pledge that I told the Congress and the American people. I said to the American people, give this plan a chance to work. We worked with Congress to implement this plan. I said, we can cut the Federal deficit in half by 2008—or 2009. We're now a full year ahead of schedule. Our policies are working, and I thank the Members of Congress for standing with us.

See, we cannot depend on just a growing economy, though, to keep cutting the deficit. That's just one part of the equation. We also got to cut out wasteful spending. See, it's okay to create revenue growth; that's good. But if we spend all that revenue growth on

wasteful programs, it's not going to help us meet our objectives. And so the second half of the equation is for this administration to continue working with the Congress to be wise about how we spend the people's money.

Every year, Congress votes to fund the day-to-day spending of the Federal Government. That's called discretionary spending. In other words, the Congress decides how much to spend on these types of programs on an annual basis. Every year since I took office, we've reduced the growth of discretionary spending that's not related to the military or homeland security. I told you, our priorities are our military and protecting the homeland. But on other programs, we've reduced the growth of that discretionary spending. The last two budgets have actually cut this kind of spending.

The philosophy is clear: Every American family has to set priorities and live within its budget, and so does the Federal Government. And I thank the Members of Congress for making the tough votes, setting priorities, and doing the hard work on behalf of the taxpayers of this country.

We made good progress with the emergency spending bill that Congress approved in June. You might remember the debate leading up to that supplemental bill. And there was a good, constructive debate. And I weighed in. I said that we got to make sure that the emergency funding in the bill supported our troops and provided help to citizens that were hit by last year's hurricanes and to prepare for the dangers of an outbreak of pandemic flu.

The onset—I also set limits that I thought were acceptable. In other words, we came up with our view of what would be a rational spending limit for this important piece of legislation. And I made it clear to the Congress, they sent me a bill that went over the limit, I'd veto it. We got good relations with Congress. People took that threat seriously because I meant it. Congress responded by removing nearly \$15 billion in spending that had been added to the bill. By meeting the limit I'd set, Congress ensured funding for vital programs and provided a good example of fiscal discipline.

The next test is whether or not we can get a line-item veto out of the United States Senate. A line-item veto is an important tool for controlling spending. See, it will allow the President to target unnecessary spending that sometimes lawmakers put into large bills. Today, when a lawmaker loads up a good bill with wasteful spending, I don't have any choices. I either sign the bill with the bad spending or veto the whole bill that's got good spending in it. And I think it would be wise if we're seriously concerned about wasteful spending to enable the executive branch to interface effectively with the legislative branch to eliminate that kind of wasteful spending.

And so we've proposed a line-item veto that the House of Representatives passed. Under this proposal, the President can approve spending that's necessary; redline spending that's not; and send back the wasteful, unnecessary spending to the Congress for a prompt up-or-down vote. In other words, it's a collaborative effort between the two branches of Government, all aimed at making sure we can earn the trust of the taxpayers.

Listen, the line-item veto works. Forty-three Governors of both parties have this authority, and they use it effectively to help restrain spending in their State budgets. I've talked to some of these Governors—used to be a Governor. I know what I'm talking about when it comes to line-item veto being an effective tool. The line-item veto provides a lot of advantages, and one of them is, it acts as a deterrent. See, when legislators think they can slip their individual items in a spending bill without notice, they do it.

If they think that they're going to try to slip something in that gets noticed, it means they're less likely to try to do so. We want to make sure that the system we have here in Washington is transparent and above-board and fair to the people's—taxpayers' money.

And one way to do so is to make sure that the President can work with the Congress through the line-item veto proposal I submitted. I strongly urge the United States Senate to take this matter up and pass it into law.

We're dealing with the short-term deficit, but there's another challenge that we face. In the long run, the biggest challenge to our Nation's economic health is the unsustainable growth in spending for entitlement programs, mandatory programs such as Social Security, Medicare, and Medicaid. Millions of our fellow Americans rely on these programs for retirement and health care needs. They're important programs. But the spending for these programs is growing faster than inflation, faster than the economy, and faster than our ability to pay for them.

To solve the problem, we need to cut entitlement spending. We need to do something about it, is what we need to do. One reason Secretary Paulson agreed to join this administration is because he wants to get something done about these entitlement programs, and I want to work with him.

You know it's so much—easy just to shove these problems down the road. The easy fix is to say, "Let somebody else deal with it." This administration is going to continue trying to work with Congress to deal with these issues. That's why I ran for office in the first place, to confront big problems and to solve them. That's why Henry Paulson made the tough decision to leave the comfort of private life to come in and do something good for this country. And the United States Congress needs to feel that same sense of obligation. The time of playing politics with Social Security and Medicare and Medicaid is over. We need to fix this for younger generations of Americans to come.

I'm optimistic about the future of this country, because I'm optimistic about the—because I understand the nature of the people we got here. I mean, we are an entrepreneurial people. We're a hard-working, decent group of citizens. And the role of Government is to foster the entrepreneurial spirit. It's to encourage people. And one way you do that is to keep people's taxes low, let them keep more of their own money.

We've got great faith in the people's ability to spend their money wiser than the Federal Government can do. And our faith in the people has been proven by the numbers we're talking about today.

We said we got an economic issue, and we're going to let you have more of your own

money to help us recover from recession, the stock market correction, and terrorist attacks and war and natural disasters. And the people haven't let us down, have they? This economy is strong.

We also said, let's just be patient about solving this Federal deficit; we're not going to take money out of your pocket; let's grow our way out of it. Let's keep—let's set priorities when it comes to spending and keep the people's taxes low, and these revenues will catch up into our Treasury. And they have. And we're reducing that Federal deficit, through the people's hard work and the wise policies in Washington, DC.

Today is a good day for the American taxpayer. Tax relief is working; the economy is growing; revenues are up; the deficit is down; and all across this great land, Americans are realizing their dreams and building better futures for their families.

I want to thank you all for supporting our policies. Thank you for giving me a chance to come to visit with you. I thank the Members of Congress for doing good work. God bless you all.

NOTE: The President spoke at 9:45 a.m. in the East Room at the White House.

Remarks at Allen-Edmonds Shoe Corporation in Port Washington, Wisconsin

July 11, 2006

The President. John, thanks for the shoes, and thanks for—

John Stollenwerk. You're welcome.

The President. —employing people.

Mr. Stollenwerk. You're welcome.

The President. We're at one of America's great companies. It's a privately held company that is making a good product. This is a company that has benefited because of the tax cuts. It's a subchapter S company. You've often heard me talk about cutting taxes on individuals benefits small businesses; this is a company that had benefited from the tax cuts. It's also a company that made additional investments because of the tax relief we passed.

And when you make investments, it makes your company more productive. And when

you're more productive, it makes you more competitive. And so the tax cuts we passed have helped this company. It made a lot of sense. They've also helped our country. This economy of ours is growing. The unemployment rate is 4.6 percent nationally, and that's good news for workers. People are making more money, and that's good news for workers.

And as a result of a growing economy, we collected more money for the Treasury. I told the American people we would keep spending down and keep progrowth policies in place to help cut the deficit in half by 2009. As a result of the Mid-Session Review, the numbers that came out of the Mid-Session Review, I'm able to tell the American people, we'll cut the deficit in half by 2008. The projected budget deficit over—of over 420 billion is now assumed to be 296 billion. See, what happens is, when you grow the economy by cutting taxes, more tax revenues come into the Treasury, and that's what we're seeing here.

I'm looking forward to working with Congress to make sure that we continue to hold spending down, to set priorities, and to be wise about how we spend the money. And one of the problems we have in Congress is, sometimes Congressmen and Senators stick unnecessary spending into bills. And I believe the President needs a line-item veto to help make sure that there's fiscal responsibility in Washington, DC.

I'm traveling with Congressman Ryan. He is the sponsor of the House bill, and I appreciate his leadership on this issue. The United States Senate needs to get the line-item veto to the President's desk so that the American people can have confidence in our ability to be wise about how we spend the money. This practice about stuffing stuff into these bills that never gets a hearing or the light of day is just—it's just not right. And one way to bring fiscal sanity to Washington and fiscal discipline to Washington is to give the President the line-item veto.

I'm thrilled to be here at Allen-Edmonds. I'm thrilled with my new shoes. [Laughter] I wish I had them on the Fourth of July. [Laughter]

Mr. Stollenwerk. You're a little late.