

Withdrawn/Redacted Material

The George W. Bush Library

DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
001	Memorandum	Historical Review of the Effort to Reform Social Security - From: Chuck Blahous	10	N.D.	P5;
002	Draft	The Effort to Strengthen Social Security	2	N.D.	P5;
003	Memorandum	Historical Review of the Effort to Reform Social Security - From: Chuck Blahous	6	08/28/2008	P5;
004	Routing Memo	[Letter Regarding Attached Memorandum] - To: POTUS - From: Harriet E. Miers	1	04/17/2001	P5;
005	Memorandum	Social Security Commission - To: POTUS - From: Chuck Blahous	2	04/17/2001	P2; P5; P6/b6;
006	Memorandum	Social Security Commission - To: POTUS - From: Chuck Blahous	2	04/17/2001	P2; P5; P6/b6;
007	Memorandum	Interim Report of Social Security Commission - To: POTUS - From: Chuck Blahous	2	07/25/2001	P5;

COLLECTION TITLE:

Staff Secretary, White House Office of the

SERIES:

Von Der Heydt, Thomas (Tommy) - Bush Record Policy Memos

FOLDER TITLE:

National Economic Council: A Timeline (2001 - 2008) [3]

FRC ID:

14346

RESTRICTION CODES

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

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008	Memorandum	Final Report of Social Security Commission - To: POTUS - From: Marc Sumerlin	5	12/21/2001	P5;
009	Slides	Fixing Social Security and Personal Accounts	2	N.D.	P5;
010	Memorandum	Policy Time - Social Security - To: POTUS - From: Allan Hubbard	2	01/21/2005	P5;
011	Memorandum	Social Security Strategy Questions - To: POTUS - From: Keith Hennessey	3	01/21/2005	P5;
012	Slides	Recommendations for Administering Personal Accounts	2	N.D.	P5;
013	Memorandum	Details of Personal Accounts Phase-In and Administrative Structure - To: POTUS - From: Keith Hennessey and Chuck Blahous	3	01/30/2005	P5;
014	Memorandum	Policy Time - Social Security - To: POTUS - From: Allan Hubbard	2	01/31/205	P5;

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015	Talking Points	Talking Points for Meeting	1	N.D.	P5;

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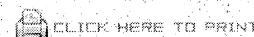
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For Immediate Release
Office of the Press Secretary
May 2, 2001

Remarks by the President in Social Security Announcement

The Rose Garden

[Listen to the President's Remarks](#)

10:27 A.M. EDT

THE PRESIDENT: Please be seated. Mr. Secretary, thank you for coming. Members of the newly-formed Social Security Commission, I want to thank you all for being here. And I want to thank your family members who are here, as well.

Social Security is one of the greatest achievements of the American government, and one of the deepest commitments to the American people. For more than six decades it has protected our elderly against poverty and assured young people of a more secure future. It must continue to do this important work for decades to come.

Yet, it has been apparent for many years that Social Security, itself, is becoming insecure. Social Security was designed for an era when few Americans lived much past the age of 65, and when families of three or four children were more than the exception.

When Social Security was created there was about 40 workers paying Social Security taxes for every one retiree receiving benefits. Today, there are three workers for every retiree; soon, there will be two. Long life is a blessing. Smaller families are an individual choice. But the consequence of this blessing and this choice is that the Social Security payroll tax, which was once 2 percent, has now passed 12 percent.

Economists calculate that it will have to rise past 18 percent if the baby boomers are to receive the same benefits that Social Security has promised, unless we take steps soon to reform the way Social Security is financed.

The threat to the stability of Social Security has been apparent for decades. For years, political leaders have agreed that something must be done. But nothing has been done. We can postpone action no longer. Social Security is a challenge now; if we fail to act, it will become a crisis. We must save Social Security and we now have the opportunity to do so.

Our government will run large budget surpluses over the next 10 years. These surpluses provide an opportunity to move to a stronger Social Security system. Two months ago, in my address to Congress, I described the principles that must guide any reform of Social Security. First, Social Security reform must preserve the benefits of all current retirees and those nearing retirement.

Second, Social Security reform must return the Social Security system to sound financial footing. Third, Social Security reform must offer personal savings accounts to younger workers who want them. Today, young workers who pay into Social Security might as well be saving their money in their mattresses. That's how low the return is on their contributions. And the return will only decline further -- maybe even below zero -- if we do not proceed with reform.

Personal savings accounts will transform Social Security from a government IOU into personal property and real assets; property that workers will own in their own names and that they can pass along to their children. Ownership, independence, access to wealth should not be the privilege of a few. They're the hope of every American, and we must make them the foundation of Social Security.

Today, I am naming a Presidential Commission to turn these principles into concrete reforms. This task is not

easy, but the mandate is clear: strengthen Social Security and make its promise more certain and valuable for generations to come. I have asked the Commission to deliver its report later this fall.

Social Security does not belong to any one political party, so the Commission is drawn from both parties. Social Security does not belong to the government or to the politicians, and so my Commission has members from many different walks of life. It will be chaired by two outstanding Americans: Senator Daniel Patrick Moynihan and Richard Parsons, of AOL-Time Warner.

Senator Moynihan has been aptly described as the nation's best thinker among politicians since Lincoln, and its best politician among thinkers since Jefferson. A profound mind, a compassionate heart and a far-seeing imagination have distinguished him throughout his career.

Our task today is to preserve what is the best in Social Security, while updating it, and for a new time. And nobody will do that job better than this great student of Social Security's history, and stalwart champion of Social Security's principles.

As Co-Chief Operating Officer of AOL-Time Warner, Richard Parsons is one of the leaders of this nation's Information Age economy. Few people have served more tours of duty in the American government and business; a senior aide in the Ford administration; managing partner of a distinguished law firm; CEO of a major savings bank, before becoming president of Time Warner.

Mr. Parsons serves his community as ably as he's served his country. He chairs the Upper Manhattan Empowerment Zone Development Corporation, where he mobilized the creativity of the private sector to bring jobs and opportunity to people in need. And he sits on the boards of Howard University and the Lincoln Center.

Richard Parsons represents in our time the spirit of business statesmanship at its highest. Fourteen other fine Americans have joined the Moynihan-Parsons Commission; seven of them are Republicans and seven are Democrats. They include a former aide to Robert Kennedy and a former aide to Ronald Reagan; political leaders, entrepreneurs, eminent experts on the Social Security system.

Every one of these fine men and women is passionately committed to the safety, success and long-term security of Social Security.

I'm giving this Commission a great task and its members have my full faith. When it makes its report, the Congress and I will face some serious decisions, but we must be inspired by the example of the founder of Social Security, President Franklin Delano Roosevelt.

In his Fireside Chat of September 1934, shortly before Congress enacted Social Security, he warned that there will always be those frightened by boldness and cowed by the necessity for making decisions. They will complain, he said, that all we have done is unnecessary and subject to great risks.

But now, as then, bold action and serious decisions are necessary and we in our time must rededicate ourselves to the great ideal Roosevelt defined 67 years ago: greater freedom and greater security for the average man than he has ever known before in the history of America. That's our charge and we must keep it.

And now, one of the Co-Chairmen of this Commission, Senator Daniel Patrick Moynihan. (Applause.)

* * * * *

THE PRESIDENT: I now have the honor of signing the commission into being.

(The executive order was signed.)

THE PRESIDENT: Thank you all very much. Thanks for coming. (Applause.)

END 10:38 A.M. EDT





For Immediate Release
Office of the Press Secretary
May 2, 2001

Executive Order

President's Commission to Strengthen Social Security

By the authority vested in me as President by the Constitution and the laws of the United States of America, including the Federal Advisory Committee Act, as amended (5 U.S.C. App.), and to preserve Social Security for senior Americans while building wealth for younger Americans, it is hereby ordered as follows:

Section 1. Establishment. There is established the President's Commission to Strengthen Social Security (Commission).

Sec. 2. Membership. The Commission shall be composed of sixteen members appointed by the President, of which no more than eight shall be members of the same political party. The President shall also designate two members of the Commission to act as co-chairs. The two co-chairs shall not be members of the same political party.

Sec. 3. Mission. The mission of the Commission shall be to submit to the President bipartisan recommendations to modernize and restore fiscal soundness to the Social Security system according to the following principles: (a) Modernization must not change Social Security benefits for retirees or near-retirees;

(b) The entire Social Security surplus must be dedicated to Social Security only;

(c) Social Security payroll taxes must not be increased;

(d) Government must not invest Social Security funds in the stock market;

(e) Modernization must preserve Social Security's disability and survivors components; and

(f) Modernization must include individually controlled, voluntary personal retirement accounts, which will augment the Social Security safety net.

Sec. 4. Administration. (a) The Social Security Administration shall, to the extent permitted by law, provide administrative support and funding for the Commission.

(b) Members of the Commission shall serve without any compensation for their work on the Commission. Members appointed from among private citizens of the United States, however, while engaged in the work of the Commission, may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in Government service (5 U.S.C. 5701-5707), to the extent funds are available.

(c) The Commission shall have a staff headed by an Executive Director, who shall be selected by the President. To the extent permitted by law, office space, analytical support, and additional staff support for the Commission shall be provided by executive branch departments and agencies as directed by the President.

(d) The Commission shall receive input from and provide briefings to the Congress, by procedures determined by the President in consultation with the congressional leadership and the Commission. Public hearings shall be held at the call of the co-chairs, in consultation with the President.

(e) The functions of the President under the Federal Advisory Committee Act, as amended, except for those in section 6 of that Act, that are applicable to the Commission, shall be performed by the Social Security

Administration, in accordance with the guidelines that have been issued by the Administrator of General Services.

Sec. 5. Reports. The Commission shall submit reports to the President as follows: (a) Interim Report. An interim report shall describe the challenges facing the Social Security system and the criteria by which the Commission will evaluate reform proposals. These criteria may include but are not limited to: solvency, sustainability, benefit adequacy, fair treatment across generations and demographic groups, total annual cost obligations, net impact on the Federal budget, impact upon national savings, impact on workforce participation, impact on employer-provided pension plans, rates of return, and protections against poverty.

(b) Final Report. The final report will set forth the Commission's recommendations, in accordance with its stated mission in section 3 of this order, regarding how to strengthen Social Security with personal accounts. The Commission shall submit its final report during the fall of 2001. The submission date shall be determined by the co-chairs in consultation with the President.

Sec. 6. Termination. The Commission shall terminate 30 days after submitting its final report.

GEORGE W. BUSH

THE WHITE HOUSE,
May 2, 2001.

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FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Memorandum	Interim Report of Social Security Commission - To: POTUS - From: Chuck Blahous	2	07/25/2001	P5;

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COLLECTION:

Staff Secretary, White House Office of the

SERIES:

Von Der Heydt, Thomas (Tommy) - Bush Record Policy Memos

FOLDER TITLE:

National Economic Council: A Timeline (2001 - 2008) [3]

FRC ID:

14346

OA Num.:

14456

NARA Num.:

14245

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

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**THE WHITE HOUSE
WASHINGTON**

MEETING WITH SOCIAL SECURITY COMMISSION CO-CHAIRS

**Tuesday, October 30, 2001
3:45 p.m. – 4:05 p.m.
Oval Office
Lawrence B. Lindsey**

I. PURPOSE

To discuss the progress of your Social Security initiative with the Co-Chairmen of the Commission you created to develop options for Social Security reform.

II. BACKGROUND

According to the enabling executive order you signed last spring, the President's Commission to Strengthen Social Security must report recommendations for improving the Social Security system to you by the end of autumn. The executive order requires the Commission to reach all substantive policy decisions through a process of public deliberation. To date, Commission hearings have consisted of testimony from experts and from the interested public. The Commission's next three meetings, which will occur on November 9, November 29, and December 11, will involve substantive deliberations by the Commission so that it can complete its work on time. Commission subcommittees have gathered information on the financing and administration of personal accounts and are preparing to present options for the full Commission's consideration at the approaching meetings.

III. PARTICIPANTS

Daniel Patrick Moynihan, Former U.S. Senator, Commission Co-Chair
Richard Parsons, AOL/Time-Warner, Commission Co-Chair
Chuck Blahous, Executive Director, Social Security Commission
Lawrence Lindsey, Director, National Economic Council

III. PRESS PLAN

Closed

IV. SEQUENCE OF EVENTS

None

V. REMARKS

Talking Points

VI. ATTACHMENTS

Talking Points

TALKING POINTS

- Thank you and the rest of the Commission for your hard work.
 - The Commission is truly an outstanding group, and we are very proud of them.
 - The Commission's report can help us to move the ball forward, and to bring Congress closer to an understanding of why reform is essential.
 - I believe that personal accounts are truly empowering. We are effectively telling individuals that we trust them with their money, whereas opponents say that only government can be trusted. Part of our trust is expressed in our giving individuals the right to choose between a personal account, and staying in the current system.
 - I hope that the bulk of the Commission's report can stress the advantages of personal accounts – for young people, women, lower-income households.
 - I also hope that the report can be written in a way that keeps different options on the table. The Commission's report won't be the end of the discussion. In many ways, it is just the beginning.
 - I understand that everyone on the Commission is comfortable with embracing personal accounts within Social Security. It would be tremendous if the report emphasizes that common area of agreement. With respect to getting to a financially sustainable system, it would be helpful if different options could be presented, to preserve my flexibility.
 - I also hope that we can count on the Commissioners to promote the concept of reform during this critical next year of discussion. The national discussion after the Commission's report will be just as important as the report itself.
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FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Memorandum	Final Report of Social Security Commission - To: POTUS - From: Marc Sumerlin	5	12/21/2001	P5;

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THE WHITE HOUSE
PRESIDENT
GEORGE W. BUSH



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For Immediate Release
Office of the Press Secretary
March 17, 2003

President Commends the Social Security Board of Trustees

On the 2003 Report of the Social Security Trustees

[en Español](#)

I commend the Social Security Board of Trustees for their hard work on their annual report.

As in last year's report, the Trustees confirmed that benefits for today's seniors are safe and secure. Promises made can and will be kept. The Trustees also once again have delivered a sobering message -- Social Security, in its present form, is unsustainable for the long term. I share the Trustees' view that we need to explore new ways to ensure that Social Security remains strong and financially secure for America's children and grandchildren.

I am encouraged by the unprecedented level of bipartisan interest in Social Security modernization. Many comprehensive proposals have been put forward to strengthen Social Security for the long term. Although these proposals differ in details, they are consistent in showing that if we give workers the opportunity to invest a portion of their wages in personal accounts, Social Security will be able to offer higher benefits than would otherwise be the case.

To repeat what I told Congress in the State of the Union address this year: "As we continue to work together to keep Social Security strong and reliable, we must offer younger workers a chance to invest in retirement accounts that they will control and they will own."

Social Security protects beneficiaries with disabilities, retirees, widows, and widowers. It also affects the lives of millions of taxpaying workers, the beneficiaries of tomorrow. As the report makes clear, Social Security faces long term problems that demand bipartisan solutions.

I hope that Members of Congress will join with the Social Security Administration and other interested parties in a national dialogue about how best to strengthen and protect Social Security. I look forward to working with Congress to see that Social Security remains sound and strong for today's and tomorrow's retirees.

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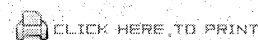
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2003 Social Security Trustees' Report
Talking Points
Draft #2

- Thank you for the outstanding work you have done in assembling this year's Trustees' Report.
- Responsible legislative action to strengthen Social Security will only occur if first there is adequate understanding by Congress, the public, and the press about the real problems facing Social Security.
- The Trustees' report is a once-a-year opportunity to remind the public and press that Social Security faces serious long-term challenges.
- The annual report also has the virtue of being an independent assessment of Social Security's finances.
- It's important that while other priorities are at the top of the national agenda, your departments work to educate the public about what this report means. We will have a few days when the press will be interested in your findings, and it's important that you get the message out.
- I want to compliment you for the improvements you have made in this year's report.
- You have done well to focus on the issue of the fundamental sustainability of Social Security. Few understand what Social Security's "actuarial balance" is. What Americans need to know is whether the Social Security program will be around and stronger when their children, grandchildren, and great-grandchildren need it.
- I was also pleased to see that you noted that the past methods of raising taxes and cutting benefits did little more than provide a temporary fix to Social Security, and that we needed "creative thinking" to find a better way forward. Personal accounts embody the kind of creative thinking that we need.

Drafted by Chuck Blahous, NEC, 456-6888





For Immediate Release
Office of the Press Secretary
November 4, 2004

President Holds Press Conference

11:17 A.M. EST

President's Remarks

THE PRESIDENT: Thank you all. Please be seated. Yesterday I pledged to reach out to the whole nation, and today I'm proving that I'm willing to reach out to everybody by including the White House press corps.

[listen](#)

This week the voters of America set the direction of our nation for the next four years. I'm honored by the support of my fellow citizens, and I'm ready for the job.

We are fighting a continuing war on terror, and every American has a stake in the outcome of this war. Republicans, Democrats and independents all love our country, and together we'll protect the American people. We will preserve -- we will persevere until the enemy is defeated. We will stay strong and resolute. We have a duty, a solemn duty to protect the American people, and we will.

Every civilized country also has a stake in the outcome of this war. Whatever our past disagreements, we share a common enemy. And we have common duties: to protect our peoples, to confront disease and hunger and poverty in troubled regions of the world. I'll continue to reach out to our friends and allies, our partners in the EU and NATO, to promote development and progress, to defeat the terrorists and to encourage freedom and democracy as alternatives to tyranny and terror.

I also look forward to working with the present Congress and the new Congress that will arrive in January. I congratulate the men and women who have just been elected to the House and the Senate. I will join with old friends and new friends to make progress for all Americans.

Congress will return later this month to finish this current session. I urge members to pass the appropriations bill that remain, showing spending discipline while focusing on our nation's priorities. Our government also needs the very best intelligence, especially in a time of war. So I urge the Congress to pass an effective intelligence reform bill that I can sign into law.

The new Congress that begins its work next year will have serious responsibilities and historic opportunities. To accelerate the momentum of this economy and to keep creating jobs, we must take practical measures to help our job creators, the entrepreneurs and the small business owners. We must confront the frivolous lawsuits that are driving up the cost of health care and hurting doctors and patients. We must continue the work of education reform, to bring high standards and accountability not just to our elementary and secondary schools, but to our high schools, as well.

We must reform our complicated and outdated tax code. We need to get rid of the needless paperwork that makes our economy -- that is a drag on our economy, to make sure our economy is the most competitive in the world.

We must show our leadership by strengthening Social Security for our children and our grandchildren. This is more than a problem to be solved; it is an opportunity to help millions of our fellow citizens find security and independence that comes from owning something, from ownership.

In the election of 2004, large issues were set before our country. They were discussed every day on the campaign. With the campaign over, Americans are expecting a bipartisan effort and results. I'll reach out to

everyone who shares our goals. And I'm eager to start the work ahead. I'm looking forward to serving this country for four more years.

I want to thank you all for your hard work in the campaign. I told you that the other day, and you probably thought I was just seeking votes. (Laughter.) But now that you voted, I really meant it. I appreciate the hard work of the press corps. We all put in long hours, and you're away from your families for a long period of time. But the country is better off when we have a vigorous and free press covering our elections. And thanks for your work. Without over-pandering, I'll answer a few questions. (Laughter.)

Hunt.

Q Mr. President -- thank you. As you look at your second term, how much is the war in Iraq going to cost? Do you intend to send more troops, or bring troops home? And in the Middle East, more broadly, do you agree with Tony Blair that revitalizing the Middle East peace process is the single most pressing political issue facing the world?

THE PRESIDENT: Now that I've got the will of the people at my back, I'm going to start enforcing the one-question rule. That was three questions. (Laughter.)

I'll start with Tony Blair's comments. I agree with him that the Middle East peace is a very important part of a peaceful world. I have been working on Middle Eastern peace ever since I've been the President. I've laid down some -- a very hopeful strategy on -- in June of 2002, and my hope is that we will make good progress. I think it's very important for our friends, the Israelis, to have a peaceful Palestinian state living on their border. And it's very important for the Palestinian people to have a peaceful, hopeful future. That's why I articulated a two-state vision in that Rose Garden speech. I meant it when I said it and I mean it now.

What was the other part of your question?

Q Iraq.

THE PRESIDENT: Oh, Iraq, yes. Listen, we will work with the Allawi government to achieve our objective, which is elections, on the path to stability, and we'll continue to train the troops. Our commanders will have that which they need to complete their missions.

And in terms of the cost, I -- we'll work with OMB and the Defense Department to bring forth to Congress a realistic assessment of what the cost will be.

Q Thank you, Mr. President. How will you go about bringing people together? Will you seek a consensus candidate for the Supreme Court if there's an opening? Will you bring some Democrats into your Cabinet?

THE PRESIDENT: Again, he violated the one-question rule right off the bat. Obviously, you didn't listen to the will of the people. But, first of all, there's no vacancy for the Supreme Court, and I will deal with a vacancy when there is one. And I told the people on the campaign trail that I'll pick somebody who knows the difference between personal opinion and the strict interpretation of the law. You might have heard that several times. I meant what I said. And if people are interested in knowing the kind of judges I'll pick, look at the record. I've sent up a lot of judges, well-qualified people who know the law, who represent a judicial temperament that I agree with and who are qualified to hold the bench.

The second part of your two-part question?

Q Any Democrats to your Cabinet, by any chance?

THE PRESIDENT: I haven't made any decisions on the Cabinet, yet.

Q How else will you bring people together?

THE PRESIDENT: We'll put out an agenda that everybody understands and work with people to achieve the

agenda. Democrats want a free and peaceful world, and we'll -- and right away, right after September the 11th we worked very closely together to secure our country. There is a common ground to be had when it comes to a foreign policy that says the most important objective is to protect the American people and spread freedom and democracy. It's common ground when it comes to making sure the intelligence services are able to provide good, actionable intelligence to protect our people. It's not a Republican issue, it's a Republican and Democrat issue. So I'm -- plenty of places for us to work together.

All right, Gregory.

Q Thank you, Mr. President. On foreign policy, more broadly, do you believe that America has an image problem in the world right now, because of your efforts and response to the 9/11 attacks? And, as you talked down the stretch about building alliances, talk about what you'll do to build on those alliances and to deal with these image problems, particularly in the Islamic world.

THE PRESIDENT: I appreciate that. Listen, I've made some very hard decisions: decisions to protect ourselves, decisions to spread peace and freedom. And I understand in certain capitals and certain countries, those decisions were not popular.

You know, you said -- you asked me to put that in the context of the response on September the 11th. The first response, of course, was chasing down the terror networks, which we will continue to do. And we've got great response around the world in order to do that. There's over 90 nations involved with sharing information, finding terrorists and bringing them to justice. That is a broad coalition, and we'll continue to strengthen it.

I laid out a doctrine, David, that said if you harbor terrorists, you're equally as guilty as the terrorists, and that doctrine was ignored by the Taliban, and we removed the Taliban. And I fully understand some people didn't agree with that decision. But I believe that when the American President speaks, he'd better mean what he says in order to keep the world peaceful. And I believe we have a solemn duty, whether or not people agree with it or not, to protect the American people. And the Taliban and their harboring of al Qaeda represented a direct threat to the American people.

And, of course, then the Iraq issue is one that people disagreed with. And there's no need to rehash my case, but I did so, I made the decision I made, in order to protect our country, first and foremost. I will continue to do that as the President. But as I do so, I will reach out to others and explain why I make the decisions I make.

There is a certain attitude in the world, by some, that says that it's a waste of time to try to promote free societies in parts of the world. I've heard that criticism. Remember, I went to London to talk about our vision of spreading freedom throughout the greater Middle East. And I fully understand that that might rankle some, and be viewed by some as folly. I just strongly disagree with those who do not see the wisdom of trying to promote free societies around the world.

If we are interested in protecting our country for the long-term, the best way to do so is to promote freedom and democracy. And I -- I simply do not agree with those who either say overtly or believe that certain societies cannot be free. It's just not a part of my thinking. And that's why during the course of the campaign, I was -- I believe I was able to connect, at least with those who were there, in explaining my policy, when I talked about the free election in Afghanistan.

There were -- there was doubt about whether or not those elections would go forward. I'm not suggesting any of you here expressed skepticism. But there was. There was deep skepticism, and -- because there is an attitude among some that certain people may never be free -- they just don't long to be free or incapable of running an election. And I disagree with that. And the Afghan people, by going to the polls in the millions, proved -- proved that this administration's faith in freedom to change peoples' habits is worthy. And that will be a central part of my foreign policy. And I've got work to do to explain to people about why that is a central part of our foreign policy. I've been doing that for four years.

But if you do not believe people can be free and can self-govern, then all of a sudden the two-state solution in the Middle East becomes a moot point, invalid. If you're willing to condemn a group of people to a system of government that hasn't worked, then you'll never be able to achieve the peace. You cannot lead this world and our country to a better tomorrow unless you see a better -- if you have a vision of a better tomorrow. And I've got

one, based upon a great faith that people do want to be free and live in democracy.

John, and then I'll get to Terry. No follow-ups today, Gregory.

Q Thank you, sir.

THE PRESIDENT: I can see one -- yes.

Q Would you like it? Now that the political volatility is off the issue because the election is over, I'd like to ask you about troop levels in Iraq in the next couple of months leading up to elections. The Pentagon already has a plan to extend tours of duty for some 6,500 U.S. troops. How many more will be needed to provide security in Iraq for elections, seeing as how the Iraqi troops that you're trying to train up are pretty slow coming on line?

THE PRESIDENT: Yes, first of all, the -- we are making good progress in training the Iraqi troops. There will be 125,000 of them trained by election time. Secondly, I have yet to -- I have not sat down with our Secretary of Defense talking about troop levels. I read some reports during the course of the campaign where some were speculating in the press corps about the number of troops needed to protect elections. That has not been brought to my attention yet.

And so I would caution you that what you have either read about or reported was pure speculation thus far. These elections are important, and we will respond, John, to requests of our commanders on the ground. And I have yet to hear from our commanders on the ground that they need more troops.

Terry.

Q Mr. President, your victory at the polls came about in part because of strong support from people of faith, in particular, Christian evangelicals and Pentecostals and others. And Senator Kerry drew some of his strongest support from those who do not attend religious services. What do you make of this religious divide, it seems, becoming a political divide in this country? And what do you say to those who are concerned about the role of a faith they do not share in public life and in your policies?

THE PRESIDENT: Yes, my answer to people is, I will be your President regardless of your faith, and I don't expect you to agree with me necessarily on religion. As a matter of fact, no President should ever try to impose religion on our society.

A great -- the great tradition of America is one where people can worship the way they want to worship. And if they choose not to worship, they're just as patriotic as your neighbor. That is an essential part of why we are a great nation. And I am glad people of faith voted in this election. I'm glad -- I appreciate all people who voted. I don't think you ought to read anything into the politics, the moment, about whether or not this nation will become a divided nation over religion. I think the great thing that unites is the fact you can worship freely if you choose, and if you -- you don't have to worship. And if you're a Jew or a Christian or a Muslim, you're equally American. That is -- that is such a wonderful aspect of our society; and it is strong today and it will be strong tomorrow.

Jim.

Q Thank you, sir. Mr. President, you talked once again this morning about private accounts in Social Security. During the campaign you were accused of planning to privatize the entire system. It has been something you've discussed for some time. You've lost some of the key Democratic proponents, such as Pat Moynihan and Bob Kerrey in the Congress. How will you proceed now with one of the key problems, which is the transition cost -- which some say is as much as \$2 trillion -- how will you proceed on that? And how soon?

THE PRESIDENT: Well, first, I made Social Security an issue -- for those of you who had to suffer through my speeches on a daily basis; for those of you who actually listened to my speeches on a daily basis -- you might remember, every speech I talked about the duty of an American President to lead. And we have -- we must lead on Social Security because the system is not going to be whole for our children and our grandchildren.

And so the answer to your second question is, we'll start on Social Security now. We'll start bringing together

those in Congress who agree with my assessment that we need to work together. We've got a good blueprint, a good go-by. You mentioned Senator Moynihan. I had asked him prior to his -- to his passing, to chair a committee of notable Americans to come up with some ideas on Social Security. And they did so. And it's a good place for members of Congress to start.

The President must have the will to take on the issue -- not only in the campaign, but now that I'm elected. And this will -- reforming Social Security will be a priority of my administration. Obviously, if it were easy it would have already been done. And this is going to be hard work to bring people together and to make -- to convince the Congress to move forward. And there are going to be costs. But the cost of doing nothing is insignificant to -- is much greater than the cost of reforming the system today. That was the case I made on the campaign trail, and I was earnest about getting something done. And as a matter of fact, I talked to members of my staff today, as we're beginning to plan to -- the strategy to move agendas forward about how to do this and do it effectively.

Q If I could, Mr. President --

THE PRESIDENT: Yes -- no, no, you're violating the follow-up rule. It would hurt Gregory's feelings. King.

It's a new --

Q Mr. President, thank you.

Q That's always one of my concerns.

THE PRESIDENT: Hurting Gregory's feelings? He is a sensitive guy. Well centered, though. (Laughter.)

Q I'm not going there. Mr. President, you were disappointed, even angry 12 years ago when the voters denied your father a second term. I'm interested in your thoughts and the conversation with him yesterday as you were walking to the Oval Office, and also whether you feel more free to do any one thing in a second term that perhaps you were politically constrained from doing in a first.

THE PRESIDENT: At 3:30 a.m. in the morning on, I guess, it was the day after the election, he was sitting upstairs, and I finally said, go to bed. He was awaiting the outcome and was hopeful that we would go over and be able to talk to our supporters, and it just didn't happen that way.

So I asked him the next morning when he got up, I said, come by the Oval Office and visit. And he came by and we had a good talk. He was heading down to Houston. And it was -- there was some uncertainty about that morning as to when the election would actually end. And it wasn't clear at that point in time, so I never got to see him face-to-face to watch his, I guess, pride in his tired eyes as his son got a second term.

I did talk to him and he was relieved. I told him to get a nap. I was worried about him staying up too late.

But -- so I haven't had a chance to really visit and embrace. And you're right, '92 was a disappointment. But he taught me a really good lesson, that life moves on. And it's very important for those of us in the political arena, win or lose, to recognize that life is bigger than just politics, and that's one of the really good lessons he taught me.

Q Do you feel more free, sir?

THE PRESIDENT: Oh, in terms of feeling free, well, I don't think you'll let me be too free. There's accountability and there are constraints on the presidency, as there should be in any system. I feel -- I feel it is necessary to move an agenda that I told the American people I would move. Something refreshing about coming off an election, even more refreshing since we all got some sleep last night, but there's -- you go out and you make your case, and you tell the people this is what I intend to do. And after hundreds of speeches and three debates and interviews and the whole process, where you keep basically saying the same thing over and over again, that when you win, there is a feeling that the people have spoken and embraced your point of view, and that's what I intend to tell the Congress, that I made it clear what I intend to do as the President, now let's work to -- and the people made it clear what they wanted, now let's work together.

And it's one of the wonderful -- it's like earning capital. You asked, do I feel free. Let me put it to you this way: I earned capital in the campaign, political capital, and now I intend to spend it. It is my style. That's what happened in the -- after the 2000 election, I earned some capital. I've earned capital in this election -- and I'm going to spend it for what I told the people I'd spend it on, which is -- you've heard the agenda: Social Security and tax reform, moving this economy forward, education, fighting and winning the war on terror.

We have an obligation in this country to continue to work with nations to help alleviate poverty and disease. We will continue to press forward on the HIV/AIDS initiative, the Millennium Challenge Account. We will continue to do our duty to help feed the hungry. And I'm looking forward to it, I really am.

It's been a -- it's been a fantastic experience campaigning the country. You've seen it from one -- perspective, I've seen it from another. I saw you standing there at the last, final rally in Texas, to my right over there. I was observing you observe, and you saw the energy. And there was just something uplifting about people showing up at 11:00 p.m. at night, expressing their support and their prayers and their friendship. It's a marvelous experience to campaign across the country.

Mike.

Q Mr. President -- thank you, Mr. President. Do you plan to reshape your Cabinet for the second term, or will any changes come at the instigation of individuals? And as part of the same question, may I ask you what you've learned about Cabinet government, what works, what doesn't work? And do you mind also addressing the same question about the White House staff? (Laughter.)

THE PRESIDENT: The post-election euphoria did not last very long here at the press conference. (Laughter.)

Let me talk about the people that have worked with me. I had a Cabinet meeting today and I thanked them for their service to the country and reminded them we've got a job to do and I expected them to do the job.

I have made no decisions on my Cabinet and/or White House staff. I am mindful that working in the White House is really -- is exhausting work. The people who you try to get to leak to you spend hours away from their families, and it is -- the word "burnout" is oftentimes used in the -- in Washington, and it's used for a reason, because people do burn out.

And so obviously, in terms of those who are -- who want to stay on and who I want to stay on, I've got to make sure that it's right for their families and that they're comfortable, because when they come to work here in the White House, I expect them to work as hard as they possibly can on behalf of the American people.

In the Cabinet, there will be some changes. I don't know who they will be. It's inevitable there will be changes. It happens in every administration. To a person, I am proud of the work they have done. And I fully understand we're about to head into the period of intense speculation as to who's going to stay and who's not going to stay, and I assured them that -- today I warned them of the speculative period. I said, it's a great Washington sport to be talking about who's going to leave and who their replacements may be, and handicapping, you know, my way of thinking.

I'll just give you -- but let me just help you out with the speculation right now. I haven't thought about it. I'm going to start thinking about it. I'm going to Camp David this afternoon with Laura, and I'll begin the process of thinking about the Cabinet and the White House staff. And we'll let you know at the appropriate time when decisions have been made. And so, nice try, Mike.

Yes, Ed, and then --

Q What you learned --

THE PRESIDENT: Learned and not learned about the Cabinet?

Q What works, what doesn't.

THE PRESIDENT: Yes, well, first I've learned that I put together a really good Cabinet. I'm very proud of the people that have served this government, and they -- to a man and a woman, worked their hearts out for the American people. And I've learned that you've got to continue to surround yourself with good people. This is a job that requires crisp decision-making, and therefore, in order for me to make decisions, I've got to have people who bring their point of view into the Oval Office and are willing to say it.

I always jest to people, the Oval Office is the kind of place where people stand outside, they're getting ready to come in and tell me what for, and they walk in and get overwhelmed in the atmosphere, and they say, man, you're looking pretty. And therefore, you need people to walk in on those days when you're not looking so good and saying, you're not looking so good, Mr. President. And I've got -- those are the kind of people that served our country.

We've had vigorous debates, which you all, during the last four years, took great delight in reporting, differences of opinion. But that's what you want if you're the Commander-in-Chief and a decision-maker. You want people to walk in and say, I don't agree with this, or I do agree with that, and here's what my recommendation is. But the President also has to learn to decide. You take, you know -- there's ample time for the debate to take place, and then decide and make up your mind and lead. That's what the job's all about.

And so I have learned how important it is to be -- to have a really fine group of people that think through issues, and that are not intimidated by the process, and who walk in and tell me what's on their mind.

Ed, and then Stevens.

Q Good morning. Sir, does it bother you that there's a perception out there that your administration has been one that favors big business and the wealthy individuals? And what can you do to overcome that, sir?

THE PRESIDENT: Ed, 70 percent of the new jobs in America are created by small businesses. I understand that. And I have promoted during the course of the last four years one of the most aggressive, pro-entrepreneur, small business policies. Tax relief -- you might remember -- I don't know if you know this or not, but 90 percent of the businesses are sole proprietorships or subchapter-S corporations. (Laughter.)

Q We've heard it.

THE PRESIDENT: Tax relief helped them. This is an administration that fully understands that the job creators are the entrepreneurs. And so in a new term, we will make sure the tax relief continues to be robust for our small businesses. We'll push legal reform and regulatory reform because I understand the engine of growth is through the small business sector.

Stevenson.

Q Sir, given your commitment to reaching out across party lines and to all Americans, I wonder if you could expand on your definition of bipartisanship, and whether it means simply picking off a few Democrats on a case-by-case basis to pass the bills you want to pass, or whether you would commit to working regularly with the Democratic leadership on solutions that can win broad support across party lines?

THE PRESIDENT: Do you remember the No Child Left Behind Act? I think there the model I'd look at if I were you. It is a -- I laid out an agenda for reforming our public schools. I worked with both Republicans and Democrats to get that bill passed. In a new term, we'll continue to make sure we do not weaken the accountability standards that are making a huge difference in people's lives, in these kids' lives.

But that's the model I'd look at, if I were you. And we'll -- there's a certain practicality to life here in Washington. And that is, when you get a bill moving it is important to get the votes, and if politics starts to get in the way of getting good legislation through, you know, that's just part of life here. But I'm also focused on results. I think of the Medicare bill -- you might remember that old, stale debate. We finally got a bill moving. I was hoping that we'd get strong bipartisan support -- unfortunately, it was an election year. But we got the votes necessary to get the bill passed. And so we will -- I will -- my goal is to work on the ideal and to reach out and to continue to work and find common ground on issues.

On the other hand, I've been wizened to the ways of Washington. I watched what can happen during certain parts of the cycle, where politics gets in the way of good policy. And at that point in time, I'll continue to -- you know, I'll try to get this done, I'll try to get our bills passed in a way, because results really do matter, as far as I'm concerned. I really didn't come here to hold the office just to say, gosh, it was fun to serve. I came here to get some things done, and we are doing it.

Yes, Big Stretch.

Q Thank you, Mr. President. I know you haven't had a chance to learn this, but it appears that Yasser Arafat has passed away.

THE PRESIDENT: Really?

Q And I was just wondering if I could get your initial reaction? And also your thoughts on, perhaps, working with a new generation of Palestinian leadership?

THE PRESIDENT: I appreciate that. My first reaction is, God bless his soul. And my second reaction is, is that we will continue to work for a free Palestinian state that's at peace with Israel.

Yes.

Q Mr. President, as you look at your second term domestic priorities, I wonder if you could talk a little bit about how you see the sequence of action on issues beyond Social Security -- tax reform, education. And if you could expand a little bit for us on the principles that you want to underpin your tax reform proposal -- do you want it to be revenue neutral? What kinds of things do you want to accomplish through that process?

THE PRESIDENT: I appreciate that. I was anticipating this question; that, what is the first thing you're going to do? When it comes to legislation, it just doesn't work that way, particularly when you've laid out a comprehensive agenda. And part of that comprehensive agenda is tax simplification.

The -- first of all, a principle would be revenue neutral. If I'm going to -- if there was a need to raise taxes, I'd say, let's have a tax bill that raises taxes, as opposed to let's simply the tax code and sneak a tax increase on the people. It's just not my style. I don't believe we need to raise taxes. I've said that to the American people. And so the simplification would be the goal.

Now, secondly, that obviously, that it rewards risk and doesn't -- it doesn't have unnecessary penalties in it. But the main thing is that it would be viewed as fair, that it would be a fair system, that it wouldn't be complicated, that there's a -- kind of that loopholes wouldn't be there for special interests, that the code itself be viewed and deemed as a very fair way to encourage people to invest and save and achieve certain fiscal objectives in our country, as well.

One of the interesting debates will be, of course, in the course of simplification, will there be incentives in the code: charitable giving, of course, and mortgage deductions are very important. As governor of Texas, when I -- some time I think I was asked about simplification, I always noted how important it was for certain incentives to be built into the tax code, and that will be an interesting part of the debate.

Certain issues come quicker than others in the course of a legislative session, and that depends upon whether or not those issues have been

debated. I think of, for example, the legal issue -- the legal reform issues, they have been -- medical liability reform had been debated and got thwarted a couple of times in one body in particular on Capitol Hill. And so the groundwork has been laid for some legislation that I've been talking about. On an issue like tax reform it's going to -- tax simplification, it's going to take a lot of legwork to get something ready for a legislative package. I fully understand that. And Social Security reform will require some additional legwork, although the Moynihan Commission has laid the groundwork for what I think is a very good place to start the debate.

The education issue is one that could move pretty quickly because there has been a lot of discussion about

education. It's an issue that the members are used to debating and discussing. And so I think -- all issues are important. And the timing of issues as they reach it through committee and floor really depend upon whether or not some work has already been on those issues.

A couple more questions. Bob.

Q Mr. President, American forces are gearing up for what appears to be a major offensive in Fallujah over the next several days. I'm wondering if you could tell us what the objective is, what the stakes are there for the United States, for the Iraqi people, and the Iraqi elections coming up in January?

THE PRESIDENT: In order for Iraq to be a free country those who are trying to stop the elections and stop a free society from emerging must be defeated.

And so Prime Minister Allawi and his government, which fully understands that, are working with our generals on the ground to do just that. We will work closely with the government. It's their government, it's their country. We're there at their invitation. And -- but I think there's a recognition that some of these people have to -- must be defeated, and so that's what they're thinking about. That's what you're -- that's why you're hearing discussions about potential action in Fallujah.

Heidi.

Q Thank you, sir. Many within your own party are unhappy over the deficit, and they say keeping down discretionary spending alone won't help you reach the goal of halving the deficit in five years. What else do you plan to do to cut costs?

THE PRESIDENT: Well, I -- I would suggest they look at our budget that we've submitted to Congress, which does, in fact, get the deficit down -- cut in half in five years, and is a specific line-by-line budget that we are required to submit and have done so.

The key to making sure that the deficit is reduced is for there to be, on the one hand, spending discipline, and I -- as you noticed in my opening remarks, I talked about these appropriations bills that are beginning to move, and I thought I was pretty clear about the need for those bills to be -- to be fiscally responsible, and I meant it. And I look forward to talking to the leadership about making sure that the budget agreements we had are still the budget agreements, that just because we had an election, that they shouldn't feel comfortable changing our agreement. And I think they understand that.

And secondly, the other way to make sure that the deficit is -- decreases, is to grow the economy. As the economy grows, there will be more revenues coming into the Treasury. That's what you have seen recently. If you notice, there's been some write-downs of the budget deficit. In other words, the deficit is less than we thought because the revenues is exceeding projections. And the reason why the revenues -- the revenues are exceeding projections -- sometimes I mangle the English language. I get that. (Laughter.)

Q Inside joke.

THE PRESIDENT: Yes, very inside. (Laughter.)

The revenues are exceeding projections. And as a result, the projected deficit is less. But my point there is, is that with good economic policy that encourages economic growth, the revenue streams begin to increase. And as the revenue streams increase, coupled with fiscal discipline, you'll see the deficit shrinking. And we're focused on that.

I do believe there ought to be budgetary reform in Washington, on the Hill, Capitol Hill. I think it's very important. I would like to see the President have a line-item veto again, one that passed constitutional muster. I think it would help the executive branch work with the legislative branch, to make sure that we're able to maintain budget discipline. I've talked to a lot of members of Congress who are wondering whether or not we'll have the will to confront entitlements, to make sure that there is entitlement reform that helps us maintain fiscal discipline. And the answer is, yes; that's why I took on the Social Security issue. I believe we have a duty to do so. I want to

make sure that the Medicare reforms that we've put in place remain robust, to help us make sure Medicare is available for generations to come.

And so there is a -- I've got quite an active agenda to help work with Congress to bring not only fiscal discipline, but to make sure that our pro-growth policies are still in place.

Herman. I'm probably going to regret this. (Laughter.)

Q I don't know if you had a chance to check, but I can report you did eke out a victory in Texas the other day.

THE PRESIDENT: Thank you, sir.

Q Congratulations. I'm interested in getting back to Steven -- Stevenson's question about unity. Clearly, you believe you have reached out and will continue to reach out. Do you believe the Democrats have made a sincere and sufficient effort to meet you somewhere halfway, and do you think now there's more reason for them to do that in light of the election results?

THE PRESIDENT: I think that Democrats agree that we have an obligation to serve our country. I believe there will be goodwill, now that this election is over, to work together. I found that to be the case when I first arrived here in Washington, and working with the Democrats and fellow Republicans, we got a lot done. And it is with that spirit that I go into this coming session, and I will meet with both Republican and Democrat leaders, and I am -- they'll see I'm genuine about working toward some of these important issues.

It's going to be -- it's not easy. These -- I readily concede I've laid out some very difficult issues for people to deal with. Reforming the Social Security system for generations to come is a difficult issue; otherwise, it would have already been done. But it is necessary to confront it. And I would hope to be able to work with Democrats to get this done. I'm not sure we can get it done without Democrat participation, because it is a big issue, and I will explain to them and I will show them Senator Moynihan's thinking as a way to begin the process. And I will remind everybody here that we have a duty to leave behind a better America, and when we see a problem, to deal with it. And I think the -- I think Democrats agree with that.

And so I'm optimistic. You covered me when I was the governor of Texas. I told you that I was going to do that as a governor. There was probably skepticism in your beady eyes there. (Laughter.) But you might remember -- you might remember, we did -- we were able to accomplish a lot by -- and Washington is different from Austin, no question about it. Washington -- one of the disappointments of being here in Washington is how bitter this town can become and how divisive. I'm not blaming one party or the other. It's just the reality of Washington, D.C., sometimes exacerbated by you, because it's great sport. It's really -- it's entertaining for some. It also makes it difficult to govern at times.

But nevertheless, my commitment is there. I fully -- now more seasoned to Washington, I've cut my political eye-teeth, at least the ones I've recently grown here in Washington. And so I'm aware of what can happen in this town. But nevertheless, having said that, I am fully prepared to work with both Republican and Democrat leadership to advance an agenda that I think makes a big difference for the country.

Listen, thank you all. I look forward to working with you. I've got a question for you. How many of you are going to be here for a second term? Please raise your hand. (Laughter.)

Good. Gosh, we're going to have a lot of fun, then. Thank you all.

END 11:57 A.M. EST

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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE WHITE HOUSE

WASHINGTON

MEETING WITH MEMBERS OF CONGRESS ON SOCIAL SECURITY REFORM

Monday, December 6, 2004

3:30 p.m. – 4:30 p.m.

Cabinet Room

David Hobbs

**COPY
FROM ORM**

I. PURPOSE

To discuss the issues facing Social Security with a bipartisan and bicameral group of Members of Congress.

II. BACKGROUND

This meeting presents you with an opportunity to discuss and define the problems facing the Social Security system to the bicameral congressional leadership and relevant committee chairmen.

The House and Senate reconvene the week of December 6th to conclude their legislative work for the 108th session of Congress.

This meeting immediately follows your meeting with ~~Senate Finance Committee Chairman Chuck Grassley (R, IA)~~ and House Ways and Means Committee Chairman Bill Thomas (R, CA-22).

III. PARTICIPANTS

See attached list

IV. PRESS PLAN

~~Press at Top~~ 

V. SEQUENCE OF EVENTS

The Members will arrive in the West Wing Lobby, where they will be greeted by Office of Legislative Affairs staff and escorted to the Cabinet Room. You enter the Cabinet Room and greet the Members. The press enters the meeting for brief remarks and

departs. At your request, Keith Hennessey and Chuck Blahous will deliver a presentation.

VI. REMARKS

Prepared by the Office of Legislative Affairs and the National Economic Council

VII. ATTACHMENTS

Participants List
Talking Points

PARTICIPANTS LIST

The Vice President

John Snow, Secretary of Treasury

U.S. Senate

Senator Bill Frist (R, TN), Majority Leader

Senator Harry Reid (D, NV), Minority Leader

Senator Mitch McConnell (R, KY), Assistant Majority Leader

Senator Richard Durbin (D, IL), Minority Whip

Senator Rick Santorum (R, PA), Chairman, Senate Republican Conference

Senator Debbie Stabenow (D, MI), Secretary of the Democratic Caucus

~~Senator Charles Grassley (R, IA), Chairman, Finance Committee~~

Senator Max Baucus (D, MT), Ranking Member, Finance Committee

U.S. House of Representatives

Congressman Dennis Hastert (R, IL-14), Speaker of the House

Congressman Tom DeLay (R, TX-22), Majority Leader

Congresswoman Nancy Pelosi (D, CA-08), Minority Leader

Congressman Roy Blunt (R, MO-07), Majority Whip

Congressman Steny Hoyer (D, MD-05), Minority Whip

Congresswoman Deborah Pryce (R, OH-15), Chairman, House Republican Conference

Congressman Robert Menendez (D, NJ-13), Chairman, House Democratic Caucus

Congressman Bill Thomas (R, CA-22), Chairman, Ways and Means Committee

Congressman Charlie Rangel (D, NY-15), Ranking member, Ways and Means Committee

White House Staff

Andrew Card, Chief of Staff

Joshua Bolten, Director, Office of Management and Budget

Harriet Miers, Deputy Chief of Staff

Karl Rove, Senior Advisor

Dan Bartlett, Director of Communications

Stephen Friedman, Director, National Economic Council

David Hobbs, Assistant to the President for Legislative Affairs

Scott McClellan, Press Secretary

Brian Montgomery, Cabinet Secretary

Brenda Becker, Assistant to the Vice President for Legislative Affairs

Eric Pelletier, Deputy Assistant to the President for Legislative Affairs

Daniel Keniry, Deputy Assistant to the President for Legislative Affairs

Matthew Kirk, Deputy Assistant to the President for Legislative Affairs

Keith Hennessey, Deputy Assistant to the President for Economic Policy

Chuck Blahous, Special Assistant to the President for Economic Policy

Ginger Loper, Special Assistant to the President for Legislative Affairs

Peter Rowan, Special Assistant to the President for Legislative Affairs

Congressional Staff

Scott Palmer, Chief of Staff to the Speaker of the House

Eric Ueland, Chief of Staff to the Senate Majority Leader

Susan McQue, Chief of Staff to the Senate Minority Leader

George Crawford, Chief of Staff to the House Minority Leader

TALKING POINTS

- Social Security is an extremely important part of our retirement system. Millions of Americans rely on Social Security to keep them out of poverty.
- But it cannot be sustained if we don't fix it. The world has changed a lot since the program began in 1935, and Social Security has not kept pace.
- People are living longer, and that's a good thing. But it also means that Social Security pays benefits for a longer time, and that places financial pressure on the system.
- And the Baby Boomers are about to retire. The number of people on Social Security is about to start climbing rapidly.
- The simple truth is that the taxes now being collected for Social Security won't be enough to pay for all the benefits being promised to today's younger workers. If we don't fix Social Security for our children and grandchildren, they will face dramatic tax increases or drastic benefit cuts. And the longer we wait, the more painful such changes will be, and the less time today's workers will have to plan for those changes.
- I think we need to make Social Security permanently sustainable. We should not pass this problem on to the next generation, as people before us have done.
- I ran on some principles, and they're very important to me. I think we need to make no changes for current and near retirees. I don't think we should raise payroll taxes, and I don't think the government should invest in the stock market.
- Finally, I believe that individually controlled, voluntary personal accounts are the key to making today's younger workers better off. I think that personal accounts should be a part of a plan to fix Social Security for our children and grandchildren.
- Now I think those are the right principles, and you should expect me to stick to them. But I understand that some of you may not agree with me on all of those principles. I'm not asking you to sign up to support them today. I am asking you to work with me on telling the American people that we need to fix Social Security for our children and grandchildren, and working with me on a permanent solution.
- I think that the best way, and maybe the only way, to fix Social Security is to be bipartisan. I want to work with any and all of you who want to join me.
- I'd now like to ask Keith Hennessey and Chuck Blahous to walk through a brief presentation, and then I'd like to hear your thoughts.



THE WHITE HOUSE

WASHINGTON

**MEETING WITH REPUBLICAN CONGRESSIONAL LEADERS
ON SOCIAL SECURITY REFORM**

Thursday, January 6, 2005

10:35 a.m. – 11:35 a.m.

Cabinet Room

David Hobbs

**COPY
FROM ORM**

I. PURPOSE

To discuss Social Security reform with the Republican leadership of the House and Senate.

II. BACKGROUND

This meeting gives you an opportunity to discuss and define the problems facing the Social Security system to the bicameral Republican congressional leadership and relevant committee chairmen. This meeting is also a chance to engage the leaders on the broad principles for reform and the possible timing of legislative action.

The House and Senate were sworn in to office for the 109th Congress on Tuesday, January 4.

This meeting immediately follows your meeting with Senate Finance Committee Chairman Chuck Grassley (R, IA).

III. PARTICIPANTS

The Vice President
John Snow, Secretary of Treasury

U.S. Senate

Senator Ted Stevens (R, AK), President Pro Tempore
Senator Mitch McConnell (R, KY), Majority Whip
Senator Rick Santorum (R, PA), Chairman, Senate Republican Conference
Senator Jon Kyl (R, AZ), Republican Policy Committee Chairman
Senator Elizabeth Dole (R, NC), National Republican Senatorial Committee Chair
Senator Robert Bennett (R, UT), Chief Deputy Whip
Senator Charles Grassley (R, IA), Chairman, Finance Committee

U.S. House of Representatives

Congressman Dennis Hastert (R, IL-14), Speaker of the House
Congressman Tom DeLay (R, TX-22), Majority Leader
Congressman Roy Blunt (R, MO-07), Majority Whip
Congresswoman Deborah Pryce (R, OH-15), Chair, House Republican Conference
Congressman Eric Cantor (R, VA-07), Chief Deputy Whip
Congressman Chris Cox (R, CA-48), Republican Policy Committee Chairman
Congressman Jack Kingston (R, GA-01), Republican Conference Vice Chairman
Congressman Rob Portman (R, OH-02), Chairman of the Elected Republican Leadership
Congressman David Dreier (R, CA-26), Chairman of the Rules Committee
Congressman Tom Reynolds (R, NY-26), Chairman of the National Republican
Congressional Committee
Congressman Bill Thomas (R, CA-22), Chairman, Ways and Means Committee

White House Staff

Andrew Card, Chief of Staff
Joshua Bolten, Director, Office of Management and Budget
Harriet Miers, Deputy Chief of Staff
Karl Rove, Senior Advisor
Dan Bartlett, Counselor to the President
David Hobbs, Assistant to the President for Legislative Affairs
Nicolle Devenish, Assistant to the President for Communications
Scott McClellan, Press Secretary
Scooter Libby, Chief of Staff to the Vice President
Brian Montgomery, Cabinet Secretary
Brenda Becker, Assistant to the Vice President for Legislative Affairs
Daniel Keniry, Deputy Assistant to the President for Legislative Affairs
Matthew Kirk, Deputy Assistant to the President for Legislative Affairs
Keith Hennessey, Deputy Assistant to the President for Economic Policy
Charles Blahous, Special Assistant to the President for Economic Policy
Peter Rowan, Special Assistant to the President for Legislative Affairs
Michael Smythers, Special Assistant to the President for Legislative Affairs

Congressional Staff

Scott Palmer, Chief of Staff to the Speaker of the House
Eric Ueland, Chief of Staff to the Senate Majority Leader

IV. PRESS PLAN

Closed

V. SEQUENCE OF EVENTS

The Members will arrive in the West Wing Lobby, where they will be greeted by Office of Legislative Affairs staff and escorted to the Cabinet Room.

VI. REMARKS

Talking Points prepared by the Office of Legislative Affairs and the National Economic Council (in folder)

VII. ATTACHMENTS

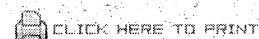
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TALKING POINTS FOR MEETING WITH REPUBLICAN CONGRESSIONAL LEADERS ON SOCIAL SECURITY REFORM

- We have spent a lot of our effort over the past four years working together to bring our economy out of a recession and to provide tax relief. We succeeded and the American people recognized that success by sending us back to solve more problems.
- Now it's time to work on the important long-term challenges facing our economy. I would like to start by fixing Social Security, then move on to fixing our tax system.
- The world has changed a lot since the program began in 1935, but Social Security has not kept pace.
- The simple truth is that the taxes now being collected for Social Security won't be enough to pay for all the benefits being promised to today's younger workers. If we don't fix Social Security for our children and grandchildren, they will face dramatic tax increases or drastic benefit cuts. And the longer we wait, the more painful such changes will be, and the less time today's workers will have to plan for those changes.
- We need to make Social Security permanently sustainable. We should not pass this problem on to the next generation, as people before us have done.
- I ran on some principles, and they're very important to me. I think we need to make no changes for current and near retirees. I don't think we should raise payroll taxes, and I don't think the government should invest in the stock market.
- Finally, I believe that individually controlled, voluntary personal accounts are the key to making today's younger workers better off. I think that personal accounts should be a part of any plan to fix Social Security.
- I think this is the toughest legislative challenge that I will face in my time here in Washington, and I believe we can succeed if we work together.
- We must convince the American people that Social Security needs to be fixed and that we've got the right answer. I'm going to take this on like I tackled my own campaign, traveling the country to make our case and using all the powers and prestige of this office to make sure we succeed.
- This White House and Administration will work with all our allies and friends so that Members of Congress have the support in their districts to make the case and win.
- I'd like to ask for your support in this effort, and to talk about a schedule. I'd like your commitment to accomplish this in 2005.





For Immediate Release
Office of the Press Secretary
January 11, 2005

President Participates in Conversation on Social Security Reform

Andrew W. Mellon Auditorium
Washington, D.C.

In Focus: Social Security
 [en Español](#)

10:50 A.M. EST

THE PRESIDENT: Listen, thanks for coming today. As you can see, I am joined by some fellow citizens here on the stage who have come to talk about one of the great causes of our generation, and that is how to strengthen and save Social Security for generations to come.

I know this is an issue that some would rather not be talking about. It's an issue that is kind of -- I think some think has got too much political danger attached to it, and so, therefore, let's just kind of, maybe, move it down to the next group of people coming to Washington, or maybe things will get better by ignoring it. That's not what I think. And today I want to talk about why we have an issue with Social Security, why I believe those of us who have been elected to office have an obligation to do something about it, and then I want -- and give some ideas, some constructive ideas to Congress as to how to deal with the issue, and then I want others to share with me their ideas.

And we've got some people who have come a long way -- flown all the way to Washington, D.C., to share some thoughts with the President. And I think you'll find their stories interesting. I certainly did, when we had a little discussion a little bit ago.

First, let me tell you how much, I understand, Social Security has meant for generations of Americans. I mean, Franklin Roosevelt, in thinking boldly, envisioned a Social Security system where Social Security would help seniors with their retirement. And the system worked for a lot of people. And it's been a -- an incredible achievement, if you think about a piece of legislation being relevant for nearly 70 years.

The problem is, is that times have changed since 1935. Then, most women did not work outside the house, and the average life expectancy was about 60 years old -- which for a guy 58 years old, must have been a little discouraging. (Laughter.) Today, Americans, fortunately, are living longer and longer. I mean, we're living way beyond 60 years old, and most women are working outside the house. Things have shifted.

The Social Security system is not a personal savings account. The Social Security system is not an account where money is earned. The Social Security system is an account where money comes out to pay for retirees and is put in the system by people who are working. And that's changed. More and more retirees have taken out money relative to the number of people putting money in. In the '50s, there were 16 workers for every beneficiary. So the system was in pretty good shape. Today, there's three workers for every beneficiary. Relatively quickly, there's going to be two workers for every beneficiary. And that's a problem. And that's a problem because in the year 2018, in order to take care of baby boomers like me and -- (laughter) -- some others I see out there -- (laughter) -- the money going out is going to exceed the money coming in.

That's not a good thing. It means that you're either going to have to



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raise the taxes of people, or reduce the benefits. And the longer you wait, the more severe the pain is going to be to fulfill the promise for a younger generation of workers coming up. As a matter of fact, by the time today's workers who are in their mid-20s begin to retire, the system will be bankrupt. So if you're 20 years old, in your mid-20s, and you're beginning to work, I want you to think about a Social Security system that will be flat bust, bankrupt, unless the United States Congress has got the willingness to act now. And that's what we're here to talk about, a system that will be bankrupt.

Now, I readily concede some would say, well, it's not bankrupt yet; why don't we wait until it's bankrupt? The problem with that notion is that the longer you wait, the more difficult it is to fix. You realize that this system of ours is going to be short the difference between obligations and money coming in, by about \$11 trillion, unless we act. And that's an issue. That's trillion with a "T." That's a lot of money, even for this town.

And so I'm looking forward to working with Congress to act. We've got an expert from the Social Security system that will talk about "the problem." And I'm going to talk about "the problem." You know, the problem is that some in Congress don't see it as the problem. They just kind of think that maybe things will be okay. But the structure of Social Security is such that you can't avoid the fact that there is a problem. And now is the time to get something done.

Now, I've talked about this, and I want the people to clearly understand, if you're a senior receiving your Social Security check, nothing is going to change. Those days of politicizing Social Security, I hope, are in the past. A lot of people who ran for office and if they even mentioned the word, Social Security, there would be TV ads and flyers and people knocking on doors saying, so-and-so is going to ruin Social Security for you. There is plenty of money in the system today to take care of those who have retired or near retirement. The issue really is for younger folks.

That's why we've got some younger folks up here. Not all of us are younger folks, are we? (Laughter.) Most of them are younger folks. I no longer qualify. (Laughter.) But younger people are listening to this issue. You know, I've traveled a lot. I campaigned on this issue of Social Security, and the need to strengthen it and reform it. I didn't shy away from it in 2000; I certainly didn't shy away from it in 2004. I laid it out there for the people to hear. I said, vote for me, and I'm going to work with Congress, see if we can't get something done to solve the system.

This is part of what -- this is part of fulfilling a campaign pledge. I wouldn't be sitting here if the people said, we don't want anybody to touch it; we think it's okay. Most younger people in America think they'll never see a dime. That's probably an exaggeration to a certain extent, but a lot of people who are young, who understand how Social Security works, really do wonder whether they'll see anything. My attitude is, once we assure the seniors who will receive Social Security today that everything is fine, I think we've got a shot to get something done, because younger Americans really want to see some leadership.

I said we're not going to run up the payroll taxes. I think running up payroll taxes will slow down economic growth. This economy is beginning to kick in, it's beginning to make sense. I think we can solve the problem without increasing payroll taxes. (Applause.)

I also threw out another interesting idea -- it's certainly not my idea, because others have talked about it, and that is to allow younger workers, on a voluntary basis, to take some of their own money and set it aside in the form of a personal savings account -- a personal savings account which is their own; a personal savings account which would earn a better rate of return than the money -- their money currently held within the Social Security trust; a personal savings account which will compound over time and grow over time; a personal savings account which can't be used to bet on the lottery, or a dice game, or the track. In other words, there will be guidelines. There will be certain -- you won't be allowed just to take that money and dump it somewhere. In other words, there will be a safe way to invest, to be able to realize the compounding rate of interest.

I've heard some say, well, this is risky to allow people to invest their own money. It's risky to let people say, you can take your money that's supposed to be for a retirement account and put it on the lottery, I realize that. But it's not risky. Federal employees -- the Thrift Savings plans invest under certain guidelines, and I don't hear them screaming it's risky. It makes sense to try to get a better rate of return on your money, if you expect there to be a Social Security system which is going broke. And that's what we're talking about.

Owning your own personal savings account does two other things. One, it allows you to pass on your savings to

whoever you choose. You can't do that in Social Security today. If you pass away earlier than expected, that money that you put in the system is gone. And at the same time that you manage your own account, you own your own account. I love promoting ownership in America. I like the idea of encouraging more people to say, I own my own home, I own my own business, I own and manage my health accounts, and now I own a significant part of my retirement account. Promoting ownership in America makes sense to me to make sure people continue to have a vital stake in the future of our country.

And so I want to thank you all for coming today to give me a chance to address the Social Security issue. I plan on talking about it a lot. This isn't the first time I've talked about it since the campaign is over, and it's certainly not going to be the last, because I believe it is a vital issue. And I know that if we don't address the problem now, it will only get worse with time. And I believe there is a fundamental duty, for those of us who have been given the honor of serving the American people, to solve problems before they become acute, and not to pass them on to future Presidents and future generations.

Now, I want to talk to Andrew Biggs. He is the Associate Commissioner for Retirement Policy at the Social Security Administration. To me, that says, expert. (Laughter.) I don't know if that's fair to call you an expert or not.

* * * * *

THE PRESIDENT: Yes, that's good. How old are you?

MR. BIGGS: I'm 37.

THE PRESIDENT: Man, I wish I was 37. (Laughter.) Thirty-seven, talking to the President. That's great. (Laughter.) You ought to be concerned. I mean, you're one of these people -- yes, good. Well, I appreciate you helping.

You see, what he just said is, there is a problem. I happen to believe people who have been elected to office who ignore problems will face the price at the ballot box. I think more and more people recognize we have a problem. We've got a 37-year-old person here describing a problem. More and more people understand we have a problem. And the more people see it, the more it's expected we do something about it. And as Andrew said, he said, we better start now. That's why it's important that we have this dialogue. And that's why I'm going to continue dialoguing and talking to the leadership in Congress about, let's solve it now, let's do our duty.

Let me talk to Scott Ballard. He is from the great state of Washington. That's a long way away.

MR. BALLARD: That's right.

THE PRESIDENT: Brought your lads with you, I noticed.

MR. BALLARD: Yes.

THE PRESIDENT: Your sons. Yes, they had never been to Washington -- I said, have you ever been to Washington? He said, I live in Washington. (Laughter.)

MR. BALLARD: Yes. (Laughter.)

THE PRESIDENT: Pretty good line, you know? I meant, the District of Columbia, Washington. So what do you do, Scott?

MR. BALLARD: Well, my brother and I own and operate a private ambulance service. It was started by our parents in 1967. And my brother and I purchased it from them in 1986.

THE PRESIDENT: And why are you here? Besides bring your lads to the other Washington?

MR. BALLARD: Right. Well, first of all, I'm in a fairly unique situation, in that probably two-thirds of our customers

are on Social Security. Yet the majority of my work force are in their early 20s, some of them are in their early 30s. So we have a lot of people that I work with currently who are on Social Security, and a lot of younger employees who will be impacted by these proposed changes.

THE PRESIDENT: So, like, if they were here, what would your younger employees say about Social Security? Do they ever talk about it? Do they ever think about it, do they ever --

MR. BALLARD: Not really. They don't talk about it too much, but I think if some of the changes that you are proposing are implemented, I think they will talk about it a lot more, and I think they'll take a much greater interest in it. We've seen that with our company 401(k) plan. Most of them, they don't talk about retirement at all, but once they start seeing something on paper, saying, oh, that's mine, and it's been in there a few years and they start to see it build, they become more interested in it, and they start doing whatever they can to manage it and make it grow so it's there when they retire.

THE PRESIDENT: That's kind of an interesting thought, isn't it -- when you see it on paper, the value of something, you begin to actually pay attention to what causes values to go up -- good policies that enhance growth. And what Scott just said is, he talked about the first change in retirement in America was the movement toward defined contribution plans, which 401(k)s, which really has promoted an ownership society, hasn't it? I mean, people wake up and they look at their account, and say, I'm so sure this person's policies are beneficial to my being able to earn a better rate of return. You pay attention because it's their own money. It's one of the benefits of a personal account in Social Security.

* * * * *

THE PRESIDENT: Right. Good. I appreciate you sharing that. (Applause.) Make sure you tell your customers -- tell your customers, nothing changes with Social Security for them. And tell your younger workers, they can do something about it. They can write their senators, they can write their congresspeople. You can let them know you expect the members of the United States Congress to hear the fact that there's a problem, and then to do something about it. That's what they can do.

We've got with us Bob McFadden. Looking sharp. (Laughter.) I didn't come close, I know. (Laughter.) Thanks for coming. I appreciate you taking time to be here. You are from Medford, New Jersey.

MR. McFADDEN: Yes, sir.

THE PRESIDENT: And why have you come from Medford, New Jersey to share some thoughts?

* * * * *

THE PRESIDENT: The 1 or 2 percent that the money inside the Social Security trust now earns -- is that right? Is he right at -- is it even as high as 1 percent?

MR. BIGGS: No, it's -- right now it is low because interest rates are low. Over the long-term, we're looking at around 3 percent. So you still do have a --

THE PRESIDENT: So it's more than double. But right now, it's, like -- yes, never mind. (Laughter.) Don't worry about it. (Laughter.) You can still keep your job. (Laughter.) Go ahead. Seven and a half percent since 1924. That's a great rate of return. Imagine if you're 50 years old and you start -- if you start -- if you hold that money for 50 years at that rate, it compounds and grows and ends up being a lot of money, is what you're saying.

MR. McFADDEN: Yes, sir.

THE PRESIDENT: Yes, okay. I'm glad I invited you. (Laughter.)

* * * * *

THE PRESIDENT: Let me say this. You brought up a very interesting point. There's kind of an assumption that only a certain group of people at a certain income can manage an account. It's -- it's as if you've got to have a net worth of "X" before savings becomes a real part of your life. I reject that. Bob rejects that.

Secondly, the interesting -- there's a -- African American males die sooner than other males do, which means the system is inherently unfair to a certain group of people. And that needs to be fixed. It's not a -- (applause.)

MR. McFADDEN: I agree, Mr. President, because from the minimal research that I've done, the average African American male right now is -- the life expectancy is 69, and I may be off a little bit. But if you're telling me that it's 69, and the age is going to go to 67, you do the math. (Laughter.)

THE PRESIDENT: Right.

MR. McFADDEN: That's two years. (Laughter.)

THE PRESIDENT: Glad you came. Thanks. Welcome, girls. Glad you all came. (Applause.)

Okay, I thought we would try to find somebody who represents the youth movement. I'm not saying you all are old, but we have found us a dairy farmer from the great state of Utah, Josh Wright. Welcome, Josh. Thanks for coming. He asked me if I could fix the BCS -- (laughter and applause.) No, I'm not going there, Josh. I'm staying on Social Security. It may be a little easier to fix, anyway. (Laughter.)

MR. WRIGHT: But he said that they wouldn't be able to take Texas, and --

THE PRESIDENT: Wait a minute. You don't need to talk about private conversations. (Laughter.) Okay, you're a dairy farmer?

MR. WRIGHT: That's correct.

THE PRESIDENT: Good. Milking those cows.

MR. WRIGHT: Yes. Not today, obviously. I made my dad stay home and do it. But we have a dairy farm in central Utah, and you can fit the whole town in this building here.

THE PRESIDENT: Kind of like Crawford.

MR. WRIGHT: There's a lot more cows than there are people, so I spend a lot of time talking to animals. (Laughter.)

THE PRESIDENT: Are they talking back yet? (Laughter.) When they start talking back, give me a call. (Laughter.)

MR. WRIGHT: Not when I have a stick in my hand, they don't say a lot. (Laughter.)

* * * * *

THE PRESIDENT: Do you think he's listening? Have they got C-SPAN out there in Utah?

MR. WRIGHT: I don't know. (Laughter.)

THE PRESIDENT: See that red dot? That's him, if he's listening.

MR. WRIGHT: He's probably watching the horse channel. He loves that channel. (Laughter.)

THE PRESIDENT: I appreciate you coming.

MR. WRIGHT: Thank you for letting me.

THE PRESIDENT: If nothing happens, at your age, it will be bust by the time it comes time for you to retire. That's why we have a person in the mid-20s here -- besides the fact the guy's got a pretty good sense of humor. (Laughter.) If nothing takes place, if Congress says, oh, don't worry, we'll just push it down the road; why do we need to deal with it, there's no crisis -- if nothing happens, and we don't start moving on it now, by the time Josh gets to retirement age, the system will be flat broke.

And that's not right, it doesn't seem like to me. It seems like people who have been elected to office must say, we want it to be wholesome and healthy, like it has been for other generations. Oh, I know there's a lot of politics here in Washington, and people are -- some are afraid to touch it, some don't want to touch it, some provide excuses not to touch it. I know, I've heard it before. But I believe that the President has a responsibility for setting the agenda, and I believe people who have been elected to the House of Representatives and the United States Senate has an obligation to confront problems head on. (Applause.)

By the way, tell the old man, 1946 was a great year.

MR. WRIGHT: It was a great year.

THE PRESIDENT: You wouldn't be sitting here if it wasn't, you know. Anyway. (Laughter.)

We've got a mom and her daughter with us. I'm so glad you both came. Thanks for being here. Sonya is the daughter. Rhoda is the mom. And I want the Stone women to talk about their lives and how it relates to Social Security. If you don't mind, Sonya, why don't you start? What do you do?

MS. STONE: Sure. I'm a chief financial officer for a firm here in Washington. But I'm really here as a mom. I happen to be a divorced mom, raising three children -- two wonderful boys, Jeff and Eric, that are here with me -- and I have a beautiful daughter, Emily, who is also here with me. She's nine years old. Emily has been severely disabled since birth, both mentally and physically, and she will be dependent on Social Security for her lifetime. And I would like to make sure that Social Security is going to be there for her as its been for my mother.

THE PRESIDENT: Good. A CFO, like, you know something about numbers?

MS. STONE: I know a little bit about numbers, and I --

THE PRESIDENT: I presume you've looked at the numbers.

MS. STONE: I have looked at the numbers. And I would very much like to see the current Social Security system improved with the establishment of personal accounts, so that families could harness the power of the capital markets to allow them to build a nest egg over the course of their lifetimes that could then be passed on to their families. And I know that if my father, who paid in for over 40 years, had had the opportunity to establish an account like that, that would then have grown and survived him, and been available to not only provide for my mom, but ultimately for his grandchildren and his granddaughter, who he never knew, I think that would have made him very happy.

THE PRESIDENT: Sure. I think it's important for people to understand compounding rate of interest. In other words, if you take a dollar, set it aside and it grows at three percent over 30 years or 40 years, and compare that to the same dollar that grows at 7 percent on an average basis over 30 years, there is a huge difference in money.

So it matters how much money -- how much interest, or how much rate of return your money earns. We're kind of throwing around these words as if everybody understands compounding rate of interest and rate of return, but what people need to understand is that the money that's now -- your money in the government is earning much less than it's capable of generating under safe conditions. Safe conditions -- I think that's what you're saying.

MS. STONE: That's what I'm saying. And I would just add that, as a mom, I know what it's like to lay awake at night and worry about the future of your children. And I know one thing about moms, they know how to make

tough choices; we make them every day, on everything from health care to education to which bill to pay next. And I think we understand that whenever you're faced with a difficult problem, the sooner you start and the more honest you are about the nature of the problem, the greater chance you have of success. So I'm very hopeful that we would get started.

THE PRESIDENT: Good, thanks. Well done. (Applause.) Now what about your -- introduce your mom.

MS. STONE: I would like to introduce my mom. This is my mother, Rhoda Stone. And she is grandmother of three, and originally from Helsinki, Finland, and has been here over 40 years.

THE PRESIDENT: Fantastic. Same age as my mother.

MS. STONE: Just turned 80.

THE PRESIDENT: Is she still giving you instructions?

MS. STONE: Every day, and I do my best.

THE PRESIDENT: It never stops, does it? (Laughter.) No.

MRS. STONE: It shouldn't stop.

THE PRESIDENT: That's right. (Laughter.) Let her rip.

* * * * *

THE PRESIDENT: Thank you for saying that. Good job.

Yes, I think one of the interesting things that Rhoda talked about is the need for people to understand that Social Security is a part of retirement income. That's why it was created, and therefore, the idea of developing the habits early -- necessary to make sure you've got that which is necessary to live on, such as saving money, is important. I happen to believe that once personal savings accounts are part of the Social Security system, that it will encourage other savings to take place, as well. People will be able to see the benefits of savings, understand how important it is as a dad to, say, two beautiful little girls, to start setting aside money for college education is a way to save, not necessarily for retirement in this case, but to be a good -- to be a good dad and do your duty as a father.

And so I appreciate that point. In other words, it's a point that says that people have got to understand you have a responsibility to set aside money so that you can live comfortably. And it worked in your case. Thankfully you had a wise husband.

MS. STONE: I wish we would have had a chance to put --

THE PRESIDENT: As additional -- as addition to the savings you set aside out of the personal savings accounts. I agree.

And that's -- so it's a -- this is a -- I hope you've -- I hope you have come away with a better understanding of the importance of this issue. I mean, we've got people of all generations here, people who say, look, this is an issue. And the fundamental question confronting the people elected to the United States Congress is, will they act? I will assure you, I'm going to ask them to act. I think that one of the reasons I'm sitting here is because I said to the people of the country, we have an issue with Social Security, we have a problem, I think it's important to be a problem solver; give me four more years, and I intend to work with people of both parties and solve problems. And there is a problem with Social Security. (Applause.)

I see a problem. I also see a solution. And I realize that it's going to require bipartisan cooperation. And I look forward to working with members of both political parties in both Houses, to come together and do our duty.

(Applause.) I realize it's not going to be easy. This isn't easy. If it were easy, it would have already been done. It kind of makes it fun, though, doesn't it? Take on the tough jobs.

Members who will work -- constructively work with us will be able to look back and say, I did my duty. I came to Washington to be more than just a place holder. I came to Washington to analyze a problem, to deal with a problem, and to leave a legacy behind of fixing the problem. And so I'm looking forward to working with the members of Congress.

I want to thank our panelists who are here. I want to thank our audience for coming. May God bless you all. (Applause.)

END 11:33 A.M. EST

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Staff Secretary, White House Office of the

SERIES:

Von Der Heydt, Thomas (Tommy) - Bush Record Policy Memos

FOLDER TITLE:

National Economic Council: A Timeline (2001 - 2008) [3]

FRC ID:

14346

OA Num.:

14456

NARA Num.:

14245

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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FOLDER TITLE:

National Economic Council: A Timeline (2001 - 2008) [3]

FRC ID:

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OA Num.:

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Slides	Recommendations for Administering Personal Accounts	2	N.D.	P5;

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COLLECTION:

Staff Secretary, White House Office of the

SERIES:

Von Der Heydt, Thomas (Tommy) - Bush Record Policy Memos

FOLDER TITLE:

National Economic Council: A Timeline (2001 - 2008) [3]

FRC ID:

14346

OA Num.:

14456

NARA Num.:

14245

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Memorandum	Details of Personal Accounts Phase-In and Administrative Structure - To: POTUS - From: Keith Hennessey and Chuck Blahous	3	01/30/2005	P5;

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FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Memorandum	Policy Time - Social Security - To: POTUS - From: Allan Hubbard	2	01/31/2005	P5;

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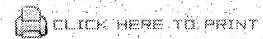
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R



For Immediate Release
Office of the Press Secretary
February 2, 2005

State of the Union Address

Chamber of the U.S. House of Representatives
The United States Capitol
Washington, D.C.

In Focus: State of the Union 2005

9:10 P.M. EST

President's Remarks

THE PRESIDENT: Mr. Speaker, Vice President Cheney, members of Congress, fellow citizens:

As a new Congress gathers, all of us in the elected branches of government share a great privilege: We've been placed in office by the votes of the people we serve. And tonight that is a privilege we share with newly-elected leaders of Afghanistan, the Palestinian Territories, Ukraine, and a free and sovereign Iraq. (Applause.)

Two weeks ago, I stood on the steps of this Capitol and renewed the commitment of our nation to the guiding ideal of liberty for all. This evening I will set forth policies to advance that ideal at home and around the world.

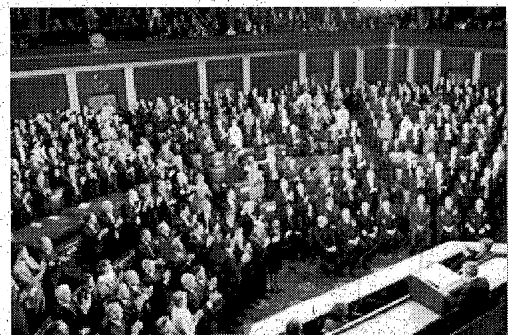
Tonight, with a healthy, growing economy, with more Americans going back to work, with our nation an active force for good in the world -- the state of our union is confident and strong. (Applause.)

Our generation has been blessed -- by the expansion of opportunity, by advances in medicine, by the security purchased by our parents' sacrifice. Now, as we see a little gray in the mirror -- or a lot of gray -- (laughter) -- and we watch our children moving into adulthood, we ask the question: What will be the state of their union? Members of Congress, the choices we make together will answer that question. Over the next several months, on issue after issue, let us do what Americans have always done, and build a better world for our children and our grandchildren. (Applause.)

First, we must be good stewards of this economy, and renew the great institutions on which millions of our fellow citizens rely. America's economy is the fastest growing of any major industrialized nation. In the past four years, we provided tax relief to every person who pays income taxes, overcome a recession, opened up new markets abroad, prosecuted corporate criminals, raised homeownership to its highest level in history, and in the last year alone, the United States has added 2.3 million new jobs. (Applause.) When action was needed, the Congress delivered -- and the nation is grateful.

Now we must add to these achievements. By making our economy more flexible, more innovative, and more competitive, we will keep America the economic leader of the world. (Applause.)

America's prosperity requires restraining the spending appetite of the federal government. I welcome the bipartisan enthusiasm for spending discipline. I will send you a budget that holds the growth of discretionary spending below inflation, makes tax relief permanent, and stays on track to cut the deficit in half by 2009. (Applause.) My budget substantially reduces or eliminates more than 150 government programs that are not getting results, or duplicate current efforts, or do not fulfill essential priorities. The principle here is clear:



Taxpayer dollars must be spent wisely, or not at all. (Applause.)

To make our economy stronger and more dynamic, we must prepare a rising generation to fill the jobs of the 21st century. Under the No Child Left Behind Act, standards are higher, test scores are on the rise, and we're closing the achievement gap for minority students. Now we must demand better results from our high schools, so every high school diploma is a ticket to success. We will help an additional 200,000 workers to get training for a better career, by reforming our job training system and strengthening America's community colleges. And we'll make it easier for Americans to afford a college education, by increasing the size of Pell Grants. (Applause.)

To make our economy stronger and more competitive, America must reward, not punish, the efforts and dreams of entrepreneurs. Small business is the path of advancement, especially for women and minorities, so we must free small businesses from needless regulation and protect honest job-creators from junk lawsuits. (Applause.) Justice is distorted, and our economy is held back by irresponsible class-actions and frivolous asbestos claims -- and I urge Congress to pass legal reforms this year. (Applause.)

To make our economy stronger and more productive, we must make health care more affordable, and give families greater access to good coverage -- (applause) -- and more control over their health decisions. (Applause.) I ask Congress to move forward on a comprehensive health care agenda with tax credits to help low-income workers buy insurance, a community health center in every poor county, improved information technology to prevent medical error and needless costs, association health plans for small businesses and their employees -- (applause) -- expanded health savings accounts -- (applause) -- and medical liability reform that will reduce health care costs and make sure patients have the doctors and care they need. (Applause.)

To keep our economy growing, we also need reliable supplies of affordable, environmentally responsible energy. (Applause.) Nearly four years ago, I submitted a comprehensive energy strategy that encourages conservation, alternative sources, a modernized electricity grid, and more production here at home -- including safe, clean nuclear energy. (Applause.) My Clear Skies legislation will cut power plant pollution and improve the health of our citizens. (Applause.) And my budget provides strong funding for leading-edge technology -- from hydrogen-fueled cars, to clean coal, to renewable sources such as ethanol. (Applause.) Four years of debate is enough. I urge Congress to pass legislation that makes America more secure and less dependent on foreign energy. (Applause.)

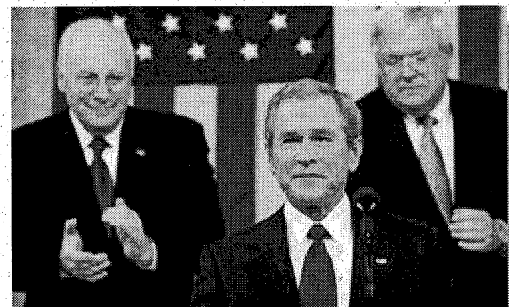


All these proposals are essential to expand this economy and add new jobs -- but they are just the beginning of our duty. To build the prosperity of future generations, we must update institutions that were created to meet the needs of an earlier time. Year after year, Americans are burdened by an archaic, incoherent federal tax code. I've appointed a bipartisan panel to examine the tax code from top to bottom. And when their recommendations are delivered, you and I will work together to give this nation a tax code that is pro-growth, easy to understand, and fair to all. (Applause.)

America's immigration system is also outdated -- unsuited to the needs of our economy and to the values of our country. We should not be content with laws that punish hardworking people who want only to provide for their families, and deny businesses willing workers, and invite chaos at our border. It is time for an immigration policy that permits temporary guest workers to fill jobs Americans will not take, that rejects amnesty, that tells us who is entering and leaving our country, and that closes the border to drug dealers and terrorists. (Applause.)

One of America's most important institutions -- a symbol of the trust between generations -- is also in need of wise and effective reform. Social Security was a great moral success of the 20th century, and we must honor its great purposes in this new century. (Applause.) The system, however, on its current path, is headed toward bankruptcy. And so we must join together to strengthen and save Social Security. (Applause.)

Today, more than 45 million Americans receive Social Security benefits, and millions more are nearing retirement -- and for them the



system is sound and fiscally strong. I have a message for every American who is 55 or older: Do not let anyone mislead you; for you, the Social Security system will not change in any way. (Applause.) For younger workers, the Social Security system has serious problems that will grow worse with time. Social Security was created decades ago, for a very different era. In those days, people did not live as long. Benefits were much lower than they are today. And a half-century ago, about sixteen workers paid into the system for each person drawing benefits.

Our society has changed in ways the founders of Social Security could not have foreseen. In today's world, people are living longer and, therefore, drawing benefits longer. And those benefits are scheduled to rise dramatically over the next few decades. And instead of sixteen workers paying in for every beneficiary, right now it's only about three workers. And over the next few decades that number will fall to just two workers per beneficiary. With each passing year, fewer workers are paying ever-higher benefits to an ever-larger number of retirees.

So here is the result: Thirteen years from now, in 2018, Social Security will be paying out more than it takes in. And every year afterward will bring a new shortfall, bigger than the year before. For example, in the year 2027, the government will somehow have to come up with an extra \$200 billion to keep the system afloat -- and by 2033, the annual shortfall would be more than \$300 billion. By the year 2042, the entire system would be exhausted and bankrupt. If steps are not taken to avert that outcome, the only solutions would be dramatically higher taxes, massive new borrowing, or sudden and severe cuts in Social Security benefits or other government programs.

I recognize that 2018 and 2042 may seem a long way off. But those dates are not so distant, as any parent will tell you. If you have a five-year-old, you're already concerned about how you'll pay for college tuition 13 years down the road. If you've got children in their 20s, as some of us do, the idea of Social Security collapsing before they retire does not seem like a small matter. And it should not be a small matter to the United States Congress. (Applause.) You and I share a responsibility. We must pass reforms that solve the financial problems of Social Security once and for all.

Fixing Social Security permanently will require an open, candid review of the options. Some have suggested limiting benefits for wealthy retirees. Former Congressman Tim Penny has raised the possibility of indexing benefits to prices rather than wages. During the 1990s, my predecessor, President Clinton, spoke of increasing the retirement age. Former Senator John Breaux suggested discouraging early collection of Social Security benefits. The late Senator Daniel Patrick Moynihan recommended changing the way benefits are calculated. All these ideas are on the table.



I know that none of these reforms would be easy. But we have to move ahead with courage and honesty, because our children's retirement security is more important than partisan politics. (Applause.) I will work with members of Congress to find the most effective combination of reforms. I will listen to anyone who has a good idea to offer. (Applause.) We must, however, be guided by some basic principles. We must make Social Security permanently sound, not leave that task for another day. We must not jeopardize our economic strength by increasing payroll taxes. We must ensure that lower-income Americans get the help they need to have dignity and peace of mind in their retirement. We must guarantee there is no change for those now retired or nearing retirement. And we must take care that any changes in the system are gradual, so younger workers have years to prepare and plan for their future.

As we fix Social Security, we also have the responsibility to make the system a better deal for younger workers. And the best way to reach that goal is through voluntary personal retirement accounts. (Applause.) Here is how the idea works. Right now, a set portion of the money you earn is taken out of your paycheck to pay for the Social Security benefits of today's retirees. If you're a younger worker, I believe you should be able to set aside part of that money in your own retirement account, so you can build a nest egg for your own future.

Here's why the personal accounts are a better deal. Your money will grow, over time, at a greater rate than anything the current system can deliver -- and your account will provide money for retirement over and above the check you will receive from Social Security. In



addition, you'll be able to pass along the money that accumulates in your personal account, if you wish, to your children and -- or grandchildren. And best of all, the money in the account is yours, and the government can never take it away. (Applause.)

The goal here is greater security in retirement, so we will set careful guidelines for personal accounts. We'll make sure the money can only go into a conservative mix of bonds and stock funds. We'll make sure that your earnings are not eaten up by hidden Wall Street fees. We'll make sure there are good options to protect your investments from sudden market swings on the eve of your retirement. We'll make sure a personal account cannot be emptied out all at once, but rather paid out over time, as an addition to traditional Social Security benefits. And we'll make sure this plan is fiscally responsible, by starting personal retirement accounts gradually, and raising the yearly limits on contributions over time, eventually permitting all workers to set aside four percentage points of their payroll taxes in their accounts.

Personal retirement accounts should be familiar to federal employees, because you already have something similar, called the Thrift Savings Plan, which lets workers deposit a portion of their paychecks into any of five different broadly-based investment funds. It's time to extend the same security, and choice, and ownership to young Americans. (Applause.)

Our second great responsibility to our children and grandchildren is to honor and to pass along the values that sustain a free society. So many of my generation, after a long journey, have come home to family and faith, and are determined to bring up responsible, moral children. Government is not the source of these values, but government should never undermine them.

Because marriage is a sacred institution and the foundation of society, it should not be re-defined by activist judges. For the good of families, children, and society, I support a constitutional amendment to protect the institution of marriage. (Applause.)

Because a society is measured by how it treats the weak and vulnerable, we must strive to build a culture of life. Medical research can help us reach that goal, by developing treatments and cures that save lives and help people overcome disabilities -- and I thank the Congress for doubling the funding of the National Institutes of Health. (Applause.) To build a culture of life, we must also ensure that scientific advances always serve human dignity, not take advantage of some lives for the benefit of others. We should all be able to agree -- (applause) -- we should all be able to agree on some clear standards. I will work with Congress to ensure that human embryos are not created for experimentation or grown for body parts, and that human life is never bought and sold as a commodity. (Applause.) America will continue to lead the world in medical research that is ambitious, aggressive, and always ethical.

Because courts must always deliver impartial justice, judges have a duty to faithfully interpret the law, not legislate from the bench. (Applause.) As President, I have a constitutional responsibility to nominate men and women who understand the role of courts in our democracy, and are well-qualified to serve on the bench -- and I have done so. (Applause.) The Constitution also gives the Senate a responsibility: Every judicial nominee deserves an up or down vote. (Applause.)

Because one of the deepest values of our country is compassion, we must never turn away from any citizen who feels isolated from the opportunities of America. Our government will continue to support faith-based and community groups that bring hope to harsh places. Now we need to focus on giving young people, especially young men in our cities, better options than apathy, or gangs, or jail. Tonight I propose a three-year initiative to help organizations keep young people out of gangs, and show young men an ideal of manhood that respects women and rejects violence. (Applause.) Taking on gang life will be one part of a broader outreach to at-risk youth, which involves parents and pastors, coaches and community leaders, in programs ranging from literacy to sports. And I am proud that the leader of this nationwide effort will be our First Lady, Laura Bush. (Applause.)

Because HIV/AIDS brings suffering and fear into so many lives, I ask you to reauthorize the Ryan White Act to encourage prevention, and provide care and treatment to the victims of that disease. (Applause.) And as we update this important law, we must focus our efforts on fellow citizens with the highest rates of new cases, African American men and women. (Applause.)

Because one of the main sources of our national unity is our belief in equal justice, we need to make sure

Americans of all races and backgrounds have confidence in the system that provides justice. In America we must make doubly sure no person is held to account for a crime he or she did not commit -- so we are dramatically expanding the use of DNA evidence to prevent wrongful conviction. (Applause.) Soon I will send to Congress a proposal to fund special training for defense counsel in capital cases, because people on trial for their lives must have competent lawyers by their side. (Applause.)

Our third responsibility to future generations is to leave them an America that is safe from danger, and protected by peace. We will pass along to our children all the freedoms we enjoy -- and chief among them is freedom from fear.

In the three and a half years since September the 11th, 2001, we have taken unprecedented actions to protect Americans. We've created a new department of government to defend our homeland, focused the FBI on preventing terrorism, begun to reform our intelligence agencies, broken up terror cells across the country, expanded research on defenses against biological and chemical attack, improved border security, and trained more than a half-million first responders. Police and firefighters, air marshals, researchers, and so many others are working every day to make our homeland safer, and we thank them all. (Applause.)

Our nation, working with allies and friends, has also confronted the enemy abroad, with measures that are determined, successful, and continuing. The al Qaeda terror network that attacked our country still has leaders -- but many of its top commanders have been removed. There are still governments that sponsor and harbor terrorists -- but their number has declined. There are still regimes seeking weapons of mass destruction -- but no longer without attention and without consequence. Our country is still the target of terrorists who want to kill many, and intimidate us all -- and we will stay on the offensive against them, until the fight is won. (Applause.)

Pursuing our enemies is a vital commitment of the war on terror -- and I thank the Congress for providing our servicemen and women with the resources they have needed. During this time of war, we must continue to support our military and give them the tools for victory. (Applause.)

Other nations around the globe have stood with us. In Afghanistan, an international force is helping provide security. In Iraq, 28 countries have troops on the ground, the United Nations and the European Union provided technical assistance for the elections, and NATO is leading a mission to help train Iraqi officers. We're cooperating with 60 governments in the Proliferation Security Initiative, to detect and stop the transit of dangerous materials. We're working closely with the governments in Asia to convince North Korea to abandon its nuclear ambitions. Pakistan, Saudi Arabia, and nine other countries have captured or detained al Qaeda terrorists. In the next four years, my administration will continue to build the coalitions that will defeat the dangers of our time. (Applause.)

In the long-term, the peace we seek will only be achieved by eliminating the conditions that feed radicalism and ideologies of murder. If whole regions of the world remain in despair and grow in hatred, they will be the recruiting grounds for terror, and that terror will stalk America and other free nations for decades. The only force powerful enough to stop the rise of tyranny and terror, and replace hatred with hope, is the force of human freedom. (Applause.) Our enemies know this, and that is why the terrorist Zarqawi recently declared war on what he called the "evil principle" of democracy. And we've declared our own intention: America will stand with the allies of freedom to support democratic movements in the Middle East and beyond, with the ultimate goal of ending tyranny in our world. (Applause.)

The United States has no right, no desire, and no intention to impose our form of government on anyone else. That is one of the main differences between us and our enemies. They seek to impose and expand an empire of oppression, in which a tiny group of brutal, self-appointed rulers control every aspect of every life. Our aim is to build and preserve a community of free and independent nations, with governments that answer to their citizens, and reflect their own cultures. And because democracies respect their own people and their neighbors, the advance of freedom will lead to peace. (Applause.)

That advance has great momentum in our time -- shown by women voting in Afghanistan, and Palestinians choosing a new direction, and the people of Ukraine asserting their democratic rights and electing a president. We are witnessing landmark events in the history of liberty. And in the coming years, we will add to that story. (Applause.)

The beginnings of reform and democracy in the Palestinian territories are now showing the power of freedom to break old patterns of violence and failure. Tomorrow morning, Secretary of State Rice departs on a trip that will take her to Israel and the West Bank for meetings with Prime Minister Sharon and President Abbas. She will discuss with them how we and our friends can help the Palestinian people end terror and build the institutions of a peaceful, independent, democratic state. To promote this democracy, I will ask Congress for \$350 million to support Palestinian political, economic, and security reforms. The goal of two democratic states, Israel and Palestine, living side by side in peace, is within reach -- and America will help them achieve that goal. (Applause.)

To promote peace and stability in the broader Middle East, the United States will work with our friends in the region to fight the common threat of terror, while we encourage a higher standard of freedom. Hopeful reform is already taking hold in an arc from Morocco to Jordan to Bahrain. The government of Saudi Arabia can demonstrate its leadership in the region by expanding the role of its people in determining their future. And the great and proud nation of Egypt, which showed the way toward peace in the Middle East, can now show the way toward democracy in the Middle East. (Applause.)

To promote peace in the broader Middle East, we must confront regimes that continue to harbor terrorists and pursue weapons of mass murder. Syria still allows its territory, and parts of Lebanon, to be used by terrorists who seek to destroy every chance of peace in the region. You have passed, and we are applying, the Syrian Accountability Act -- and we expect the Syrian government to end all support for terror and open the door to freedom. (Applause.) Today, Iran remains the world's primary state sponsor of terror -- pursuing nuclear weapons while depriving its people of the freedom they seek and deserve. We are working with European allies to make clear to the Iranian regime that it must give up its uranium enrichment program and any plutonium reprocessing, and end its support for terror. And to the Iranian people, I say tonight: As you stand for your own liberty, America stands with you. (Applause.)

Our generational commitment to the advance of freedom, especially in the Middle East, is now being tested and honored in Iraq. That country is a vital front in the war on terror, which is why the terrorists have chosen to make a stand there. Our men and women in uniform are fighting terrorists in Iraq, so we do not have to face them here at home. (Applause.) And the victory of freedom in Iraq will strengthen a new ally in the war on terror, inspire democratic reformers from Damascus to Tehran, bring more hope and progress to a troubled region, and thereby lift a terrible threat from the lives of our children and grandchildren.

We will succeed because the Iraqi people value their own liberty -- as they showed the world last Sunday. (Applause.) Across Iraq, often at great risk, millions of citizens went to the polls and elected 275 men and women to represent them in a new Transitional National Assembly. A young woman in Baghdad told of waking to the sound of mortar fire on election day, and wondering if it might be too dangerous to vote. She said, "Hearing those explosions, it occurred to me -- the insurgents are weak, they are afraid of democracy, they are losing. So I got my husband, and I got my parents, and we all came out and voted together."

Americans recognize that spirit of liberty, because we share it. In any nation, casting your vote is an act of civic responsibility; for millions of Iraqis, it was also an act of personal courage, and they have earned the respect of us all. (Applause.)

One of Iraq's leading democracy and human rights advocates is Safia Taleb al-Suhail. She says of her country, "We were occupied for 35 years by Saddam Hussein. That was the real occupation. Thank you to the American people who paid the cost, but most of all, to the soldiers." Eleven years ago, Safia's father was assassinated by Saddam's intelligence service. Three days ago in Baghdad, Safia was finally able to vote for the leaders of her country -- and we are honored that she is with us tonight. (Applause.)

The terrorists and insurgents are violently opposed to democracy, and will continue to attack it. Yet, the terrorists' most powerful myth is being destroyed. The whole world is seeing that the car bombers and assassins are not only fighting coalition forces, they are trying to destroy the hopes of Iraqis, expressed in free elections. And the whole world now knows that a small group of extremists will not overturn the will of the Iraqi people. (Applause.)

We will succeed in Iraq because Iraqis are determined to fight for their own freedom, and to write their own history. As Prime Minister Allawi said in his speech to Congress last September, "Ordinary Iraqis are anxious to shoulder all the security burdens of our country as quickly as possible." That is the natural desire of an independent nation, and it is also the stated mission of our coalition in Iraq. The new political situation in Iraq opens a new phase of our work in that country.

At the recommendation of our commanders on the ground, and in consultation with the Iraqi government, we will increasingly focus our efforts on helping prepare more capable Iraqi security forces -- forces with skilled officers and an effective command structure. As those forces become more self-reliant and take on greater security responsibilities, America and its coalition partners will increasingly be in a supporting role. In the end, Iraqis must be able to defend their own country -- and we will help that proud, new nation secure its liberty.

Recently an Iraqi interpreter said to a reporter, "Tell America not to abandon us." He and all Iraqis can be certain: While our military strategy is adapting to circumstances, our commitment remains firm and unchanging. We are standing for the freedom of our Iraqi friends, and freedom in Iraq will make America safer for generations to come. (Applause.) We will not set an artificial timetable for leaving Iraq, because that would embolden the terrorists and make them believe they can wait us out. We are in Iraq to achieve a result: A country that is democratic, representative of all its people, at peace with its neighbors, and able to defend itself. And when that result is achieved, our men and women serving in Iraq will return home with the honor they have earned. (Applause.)

Right now, Americans in uniform are serving at posts across the world, often taking great risks on my orders. We have given them training and equipment; and they have given us an example of idealism and character that makes every American proud. (Applause.) The volunteers of our military are unrelenting in battle, unwavering in loyalty, unmatched in honor and decency, and every day they're making our nation more secure. Some of our servicemen and women have survived terrible injuries, and this grateful country will do everything we can to help them recover. (Applause.) And we have said farewell to some very good men and women, who died for our freedom, and whose memory this nation will honor forever.

One name we honor is Marine Corps Sergeant Byron Norwood of Pflugerville, Texas, who was killed during the assault on Fallujah. His mom, Janet, sent me a letter and told me how much Byron loved being a Marine, and how proud he was to be on the front line against terror. She wrote, "When Byron was home the last time, I said that I wanted to protect him like I had since he was born. He just hugged me and said, 'You've done your job, Mom. Now it is my turn to protect you.'" Ladies and gentlemen, with grateful hearts, we honor freedom's defenders, and our military families, represented here this evening by Sergeant Norwood's mom and dad, Janet and Bill Norwood. (Applause.)

In these four years, Americans have seen the unfolding of large events. We have known times of sorrow, and hours of uncertainty, and days of victory. In all this history, even when we have disagreed, we have seen threads of purpose that unite us. The attack on freedom in our world has reaffirmed our confidence in freedom's power to change the world. We are all part of a great venture: To extend the promise of freedom in our country, to renew the values that sustain our liberty, and to spread the peace that freedom brings.

As Franklin Roosevelt once reminded Americans, "Each age is a dream that is dying, or one that is coming to birth." And we live in the country where the biggest dreams are born. The abolition of slavery was only a dream -- until it was fulfilled. The liberation of Europe from fascism was only a dream -- until it was achieved. The fall of imperial communism was only a dream -- until, one day, it was accomplished. Our generation has dreams of its own, and we also go forward with confidence. The road of Providence is uneven and unpredictable -- yet we know where it leads: It leads to freedom.

Thank you, and may God bless America. (Applause.)

END 10:03 P.M. EST

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STRENGTHENING
SOCIAL SECURITY
FOR THE
21ST CENTURY

FEBRUARY 2005

The Problems Facing Social Security

"One of America's most important institutions – a symbol of the trust between generations – is also in need of wise and effective reform. Social Security was a great moral success of the 20th Century, and we must honor its great purposes in this new century. The system, however, on its current path, is headed toward bankruptcy. And so we must join together to strengthen and save Social Security."

*President George W. Bush
State of the Union Address
February 2, 2005*

- **A Social Security System designed for a 1935 world does not fit the needs of the 21st Century.** Social Security was designed in 1935 for a world that is very different from today. In 1935, most women did not work outside the home. Today, about 60% of women work outside the home. In 1935, the average American did not live long enough to collect retirement benefits. Today, life expectancy is 77 years. (*2004 Report of the Social Security Trustees*, p. 81).
- **Social Security will not be changed for those 55 or older (born before 1950).** Today, more than 45 million Americans receive Social Security benefits and millions more are nearing retirement. For these Americans, Social Security benefits are secure and will not change in any way.
- **Social Security is making empty promises to our children and grandchildren.** For our younger workers, Social Security has serious problems that will grow worse over time. Social Security cannot afford to pay promised benefits to future generations because it was designed for a 1935 world in which benefits were much lower, life-spans were shorter, there were more workers per retiree, and fewer retirees were drawing from the system.
- **With each passing year, there are fewer workers paying ever-higher benefits to an ever-larger number of retirees.** Social Security is a pay-as-you-go system, which means taxes on today's workers pay the benefits for today's retirees. A worker's payroll taxes are not saved in an account with his or her name on it for the worker's retirement.
 - **There are fewer workers to support our retirees.** When Social Security was first created, there were 40 workers to support every one retiree, and most workers did not live long enough to collect retirement benefits from the system. Since then, the demographics of our society have changed dramatically. People are living longer and having fewer children. As a result we have seen a dramatic change in the number of workers supporting each

retiree's benefits. According to the *2004 Report of the Social Security Trustees* (page 47):

- In 1950, there were 16 workers to support every one beneficiary of Social Security.
 - Today, there are only 3.3 workers supporting every Social Security beneficiary.
 - And, by the time our youngest workers turn 65, there will be only 2 workers supporting each beneficiary.
- **Benefits are scheduled to rise dramatically over the next few decades.** Because benefits are tied to wage growth rather than inflation, benefits are growing faster than the rest of the economy. This benefit formula was established in 1977. As a result, today's 20-year old is promised benefits that are 40% higher, in real terms, than are paid to seniors who retire this year. But the current system does not have the money to pay these promised benefits.
 - **The retirement of the Baby Boomers will accelerate the problem.** In just 3 years, the first of the Baby Boom generation will begin to retire, putting added strain on a system that was not designed to meet the needs of the 21st century. By 2031, there will be almost twice as many older Americans as today – from 37 million today to 71 million. (<http://www.ssa.gov/pressoffice/basicfact>).
- **Social Security is heading toward bankruptcy.** According to the Social Security Trustees, thirteen years from now, in 2018, Social Security will be paying out more than it takes in and every year afterward will bring a new shortfall, bigger than the year before. And, when today's young workers begin to retire in 2042, the system will be exhausted and bankrupt. (*Summary of the 2004 Annual Report of the Social Security Trustees*, p. 1). If we do not act now to save it, the only solution will be drastically higher taxes, massive new borrowing, or sudden and severe cuts in Social Security benefits or other government programs.
- **As of 2004, the cost of doing nothing to fix our Social Security system had hit an estimated \$10.4 trillion, according to the Social Security Trustees.** (*2004 Report of the Social Security Trustees*, p. 58). The longer we wait to take action, the more difficult and expensive the changes will be.
- \$10.4 trillion is almost twice the combined wages and salaries of every working American in 2004.
 - Every year we wait costs an additional \$600 billion. (*2004 Report of the Social Security Trustees*, p. 58).
 - Today's 30-year-old worker can expect a 27% benefit cut from the current system when he or she reaches normal retirement age. (*2004 Report of the Social Security Trustees*, p. 8). And, without action, these benefit cuts will only get worse.

Strengthening Social Security Permanently

"We must pass reforms that solve the financial problems of Social Security once and for all."

*President George W. Bush
State of the Union Address
February 2, 2005*

- **In the State of the Union Address, President Bush called for an open, candid review of the options to strengthen Social Security permanently for our children and grandchildren.**
- **The President pledged to work with Members of Congress to find the most effective combination of reforms.** Former and current Members of Congress and a former President have suggested a variety of solutions to fix Social Security permanently, including limiting benefits for wealthy retirees, indexing benefits to prices rather than wages, increasing the retirement age, discouraging early collection of retirement benefits, and changing the way benefits are calculated. All of these ideas are on the table. The President recognizes that none of these reforms would be easy and has said he will listen to anyone with a good idea to offer.
- **The President believes that we must move ahead with reform, because our children's retirement security is more important than partisan politics.**
- **In the State of the Union, the President laid out basic principles to guide reform:**
 - **We must make Social Security permanently sound, not leave it for another day.**
 - **We must not jeopardize our economic strength by raising payroll taxes – higher taxes would slow economic growth.**
 - **Increasing payroll taxes is a band-aid, not a permanent solution.** Payroll taxes have been increased more than 20 times since 1935, and we still have not fixed the problem. The Social Security payroll tax, which was once 2%, is now 12.4%. To meet the needs of the 21st century, payroll taxes would have to be raised over and over and over again on American workers, stifling economic growth and job creation. Economists calculate that under the current system, the payroll tax would have to rise to more than 18% if our children and grandchildren are to receive their scheduled benefits. (2004 *Report of the Social Security Trustees*, p. 165).
 - **We must ensure that lower income Americans get the help they need to have dignity and peace of mind in their retirement.** Any reform should maintain the system's progressivity.

- **We must guarantee that there is no change for those now retired or nearing retirement.** For those Americans 55 and older (born before 1950), nothing will change, and nobody is going to take away or change their check.
- **We must take care that any changes in the system are gradual, so that younger workers have years to prepare and plan for their future.**
- **And, we should make Social Security a better deal for younger workers through voluntary personal retirement accounts.**

Personal Retirement Accounts

"As we fix Social Security, we also have the responsibility to make the system a better deal for younger workers. And the best way to reach that goal is through voluntary personal retirement accounts."

*President George W. Bush
State of the Union Address
February 2, 2005*

- **The President believes personal retirement accounts must be part of a comprehensive solution to strengthen Social Security for the 21st century.**
- **Under the President's plan, personal retirement accounts would start gradually. Yearly contribution limits would be raised over time, eventually permitting all workers to set aside 4 percentage points of their payroll taxes in their accounts.** Annual contributions to personal retirement accounts initially would be capped, at \$1,000 per year in 2009. The cap would rise gradually over time, growing \$100 per year, plus growth in average wages.
- **Personal retirement accounts offer younger workers the opportunity to build a "nest egg" for retirement that the government cannot take away.**
 - **Personal retirement accounts provide ownership and control.** Personal retirement accounts give younger workers the opportunity to own an asset and watch it grow over time.
 - **Personal retirement accounts could be passed on to children and grandchildren.** The money in these accounts would be available for retirement expenses. Any unused portion could be passed on to loved ones. Permitting individuals to pass on their personal retirement accounts to loved ones will be particularly beneficial to widows, widowers, and other survivors. According to the non-partisan analysis by the Social Security Administration's Office of Retirement Policy, the ability to inherit personal accounts provides the largest gains to widows and other survivors.
 - **Personal retirement accounts help make Social Security better for younger workers.** A personal retirement account gives a younger worker the chance to save a portion of his or her money in an account and watch it grow over time at a greater rate than anything the current system can deliver. The account will provide money for the worker's retirement in addition to the check he or she receives from Social Security. Personal retirement accounts give younger workers the chance to receive a higher rate of return from sound, long-term investing of a portion of their payroll taxes than they receive under the current system.

- **Personal retirement accounts would be voluntary.** At any time, a worker could “opt in” by making a *one-time* election to put a portion of his or her payroll taxes into a personal retirement account.
 - Workers would have the flexibility to choose from several different low-cost, broad-based investment funds and would have the opportunity to adjust investment allocations periodically, but would not be allowed to move back and forth between personal retirement accounts and the traditional system. If, after workers choose the account, they decide they want only the benefits the current system would give them, they can leave their money invested in government bonds like those the Social Security system invests in now.
 - Those workers who do not elect to create a personal retirement account would continue to draw benefits from the traditional Social Security system, reformed to be permanently sustainable.
- **Personal retirement account options and management would be similar to that of the Federal employee retirement program, known as the Thrift Savings Plan (TSP).** A centralized administrative structure would be created to collect personal retirement account contributions, manage investments, maintain records, and facilitate withdrawals at retirement. The structure would be designed to facilitate low costs, ease of use for new investors, and timely crediting of contributions. This centralized investment structure would help minimize compliance costs for employers.
 - Contributions would be collected and records maintained by a central administrator. Similar to the TSP, private investment managers would be chosen through a competitive bidding process to manage the pooled account contributions.
 - The central administrator would answer questions from account participants and distribute periodic account statements.
 - The central administrator would also facilitate withdrawals and the purchase of annuities with account balances.
 - Like TSP, we expect participants to have easy access to investment information and to their accounts. Participants could easily check account balances and adjust investment allocations.
- **Personal retirement accounts would be invested in a mix of conservative bonds and stock funds.** Guidelines and restrictions would be put in place to provide sound investment choices and prevent individuals from spending the money in these accounts on the lottery or at the race track. Workers would be permitted to allocate their personal retirement account contributions among a small number of very broadly diversified index funds patterned after the current TSP funds.

- Like TSP, personal retirement accounts could be invested in a safe government securities fund; an investment-grade corporate bond index fund; a small-cap stock index fund; a large-cap stock index fund; and an international stock index fund.
 - In addition to these TSP-type funds, workers could choose a government bond fund with a guaranteed rate of return above inflation.
 - Workers could also choose a “life cycle portfolio” that would automatically adjust the level of risk of the investments as the worker aged. The life cycle fund would automatically and gradually shift the allocation of investment funds as the individual neared retirement age so that it was weighted more heavily toward secure bonds.
- **Personal retirement accounts would be protected from sudden market swings on the eve of retirement.** To protect near-retirees from sudden market swings on the eve of retirement, personal retirement accounts would be automatically invested in the “life cycle portfolio” when a worker reaches age 47, unless the worker and his or her spouse specifically opted out by signing a waiver form stating they are aware of the risks involved. The waiver form would explain in clear, easily understandable terms the benefits of the life cycle portfolio and the risks of opting out. By shifting investment allocations from high growth funds to secure bonds as the individual nears retirement, the life cycle portfolio would provide greater protections from sudden market swings.
- **Personal retirement accounts would not be eaten up by hidden Wall Street fees.** Personal retirement accounts would be low-cost. The Social Security Administration’s actuaries project that the ongoing administrative costs for a TSP-style personal account structure would be roughly 30 basis points or 0.3 percentage points, compared to an average of 125 basis points for investments in stock mutual funds and 88 basis points in bond mutual funds in 2003. (www.ici.org/issues/fee/fm-v13n5).
- The low costs are made possible by the economies of scale of a centralized administrative structure, as well as limiting investment options to a small number of prudent, broadly diversified funds.
 - Most of these administrative costs are for recordkeeping which would be done by the government, not investment management done by Wall Street. (*Report of the 1994-1996 Advisory Council on Social Security*, p. 171 & January 31, 2002 Memorandum from the Social Security Actuary in the *Final Report of the President’s Commission on Social Security*, p. 19).
- **Personal retirement accounts would not be accessible prior to retirement.** American workers who choose personal retirement accounts would not be allowed to make withdrawals from, take loans from, or borrow against their accounts prior to retirement.
- **Personal retirement accounts would not be emptied out all at once, but rather paid out over time, as an addition to traditional Social Security benefits.** Under a system of personal retirement accounts, procedures would be established to govern how account balances would be withdrawn at retirement. This would involve some combination of

annuities to ensure a stream of monthly income over the worker's life expectancy, phased withdrawals indexed to life expectancy, and lump sum withdrawals. Individuals would not be permitted to withdraw funds from their personal retirement accounts as lump sums, if doing so would result in their moving below the poverty line. Account balances in excess of the poverty-protection threshold requirement could be withdrawn as a lump sum for any purpose or left in the account to accumulate interest. Any unused portion of the account could be passed on to loved ones.

- **Personal retirement accounts would be phased in.** To ease the transition to a personal retirement account system, participation would be phased in according to the age of the worker. In the first year of implementation, workers currently between age 40 and 54 (born 1950 through 1965 inclusive) would have the option of establishing personal retirement accounts. In the second year, workers currently between age 26 and 54 (born 1950 through 1978 inclusive) would be given the option and by the end of the third year, all workers born in 1950 or later who want to participate in personal retirement accounts would be able to do so.
- **The President's personal retirement account proposal is fiscally responsible.** The President's proposal is consistent with his overall goal of cutting the deficit in half by 2009. Based on analysis by the Social Security Administration Actuary, the Office of Management and Budget estimates that the President's personal retirement account proposal will require transition financing of \$664 billion over the next ten years (\$754 billion including interest). This transition financing will not have the same effect on national savings, and thus the economy, as traditional government borrowing. Personal retirement accounts will not reduce the pool of savings available to the markets because every dollar borrowed by the Federal government to fund the transition is fully offset by an increase in savings represented by the accounts themselves. Moreover, the transition financing for personal retirement accounts should be viewed as part of a comprehensive plan to make the Social Security system permanently sustainable. Publicly released analysis by the Social Security Administration has found that several comprehensive proposals including personal accounts would dramatically reduce the costs of permanently fixing the system. (www.ssa.gov/OACT/solvency/index).
- **Establishing personal retirement accounts does not add to the total costs that Social Security faces.** Personal retirement accounts effectively pre-fund Social Security benefits already promised to today's workers and do not represent a net increase in Federal obligations. The obligation to pay Social Security benefits is already there. While personal retirement accounts affect the timing of these costs, they do not add to the total amount obligated through Social Security.

Thrift Savings Plan Background

- The Thrift Savings Plan (TSP) is a voluntary retirement savings plan offered to Federal employees, including members of Congress.
- It offers comparable benefits and features to those available to private sector employees in 401(k) retirement plans, including pre-tax contributions through convenient payroll withholding.
- The TSP currently has 3.4 million participants, and their investments have grown to \$152 billion. Participants voluntarily add \$1.3 billion per month in new contributions to their accounts.
- Participants have the choice to invest in any or all of five broad-based investment funds:
 - A stable value fund invested in U.S. Treasury securities
 - An index fund comprising investment grade bonds
 - Small and mid-cap stock index fund
 - Large cap stock index fund
 - International stock index fund
- These funds have the following 10-year compound annual rates of return:

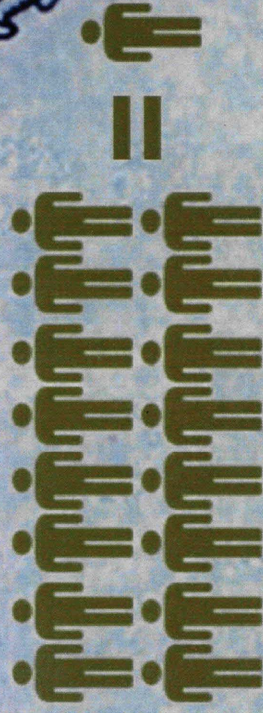
• G Fund (government securities fund)	6.04%	(3.67% real)
• F Fund (bond index fund)	6.95%	(4.58% real)
• C Fund (common stock index fund)	10.99%	(8.62% real)
• S Fund (small capitalization stock index fund)	9.70%	(7.33% real)
• I Fund (international stock index fund)	4.32%	(1.95% real)
- Beginning this summer, the TSP will offer lifecycle portfolios, each with a designated ratio of investments among the five TSP funds. This balanced, diversified portfolio will automatically reallocate as the participant's retirement date approaches.
- Administration and investment costs for the TSP are low at 6 basis points, or 60 cents per \$1,000 of account balance. A Senate hearing in 2004 discovered that many "low-cost" funds have expense ratios between 20 and 65 basis points. Other funds' costs are significantly higher.
- The TSP is administered by the Federal Retirement Thrift Investment Board. Governance of the Board is carried out by five independent part-time Presidential appointees and a full-time Executive Director whom they select. TSP funds are held in trust. As fiduciaries, the Board Members and the Executive Director are required to act prudently and solely in the interest of TSP participants and beneficiaries.

- The Board provides training and develops educational materials including publications, forms and videos. It maintains an interactive web site (www.tsp.gov) and a toll free telephone center for participants to obtain these materials, check account balances, change contribution levels, adjust investment allocations or request withdrawals.

THE DEMOGRAPHICS OF SOCIAL SECURITY

1950

**16 Workers paying for
every 1 Beneficiary**



TODAY

**3.3 Workers paying for
every 1 Beneficiary**



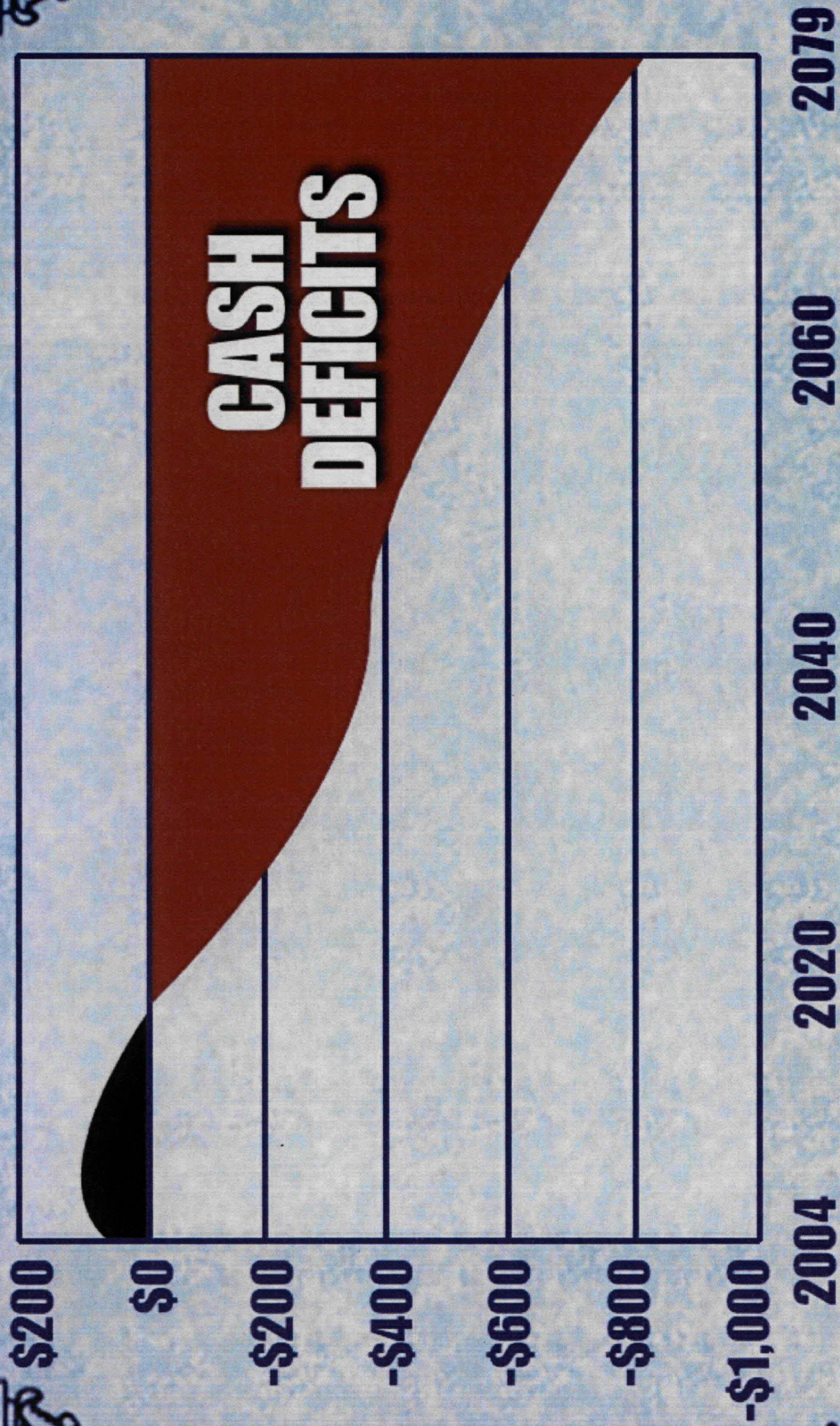
WHEN YOUNGER WORKERS RETIRE

**Only 2 Workers paying for
every 1 Beneficiary**

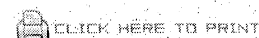


COST OF INACTION

\$ in Billions



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For Immediate Release
Office of the Press Secretary
February 3, 2005

President Participates in Social Security Conversation in North Dakota

North Dakota State University
Fargo, North Dakota

In Focus: Social Security

11:33 A.M. CST

THE PRESIDENT: Thanks for coming out. Please be seated. Thanks for coming. The Governor told me -- he said, you come over here to North Dakota, we might be able to get a few people around to discuss Social Security. I said, okay, I'll come. (Applause.) Governor, looks like you got more than a few.

I'm honored so many came out to hear what I think you're going to find to be an interesting discussion about a very important issue. It's an issue that relates to our children's future; it's an issue that will determine whether or not those of us in elective office have got the courage and the wisdom to solve problems now. And that's Social Security.

But before I talk about that, I do want to thank our host, Joe Chapman, and North Dakota State University, for welcoming us here. (Applause.) I'm glad a lot of the college kids are here because we're talking about something that's going to affect your life. That's what we're here to talk about. (Applause.) And I want you to pay attention. (Laughter.) Something I didn't necessarily do when I was in college. (Laughter.)

I know the Bison Women's Basketball Team is playing pretty well -- after all, undefeated. Congratulations. (Applause.) I want to thank the First Lady of North Dakota for being here. Mikey, welcome, thanks for coming. I'm proud of your -- proud of the job you're doing. (Applause.) Governor Hoeven is doing a fine job, as well, and like me, he married well. (Applause.)

I'm sorry Laura is not here.

AUDIENCE: Awww --

THE PRESIDENT: Yes, that's generally the reaction, which is like -- (laughter) -- why didn't you send her and you stay at home? I get it. (Laughter.) But she is an unbelievably beautiful woman, great wife, terrific First Lady. (Applause.)

I'm -- I was proud that the Governor was at the State of the Union address last night, and I was proud that he flew back from Washington with me, and I really enjoyed flying back, as well, with Senator Kent Conrad. I'm proud you're here, Senator. Thank you for coming. I enjoyed our visit. (Applause.) And Senator Conrad asked permission if he could bring a Senator with him from another state. I said, fine, who is it? And he said, well, that would be Senator Conrad Burns from Montana. I said, bring him on. Welcome, Senator. I'm glad you're here. (Applause.)

After here, we're going to Montana, then I'm going to Nebraska, then I'm going to Arkansas, and then I'm going to Florida. See, I think it's important to get out amongst the people and talk about important issues. And that's what



VIDEO Multimedia

President's Remarks

view



I'm doing. (Applause.) And Congressman Denny Rehberg is with us from Montana, as well. Denny, thank you for joining us, proud that you're here. (Applause.)

Guess what we spent a lot of time talking about -- with the Senator -- both Senators and the Congressman and the Governor. We spent time talking about beef. (Applause.) We spent time talking about the cattlemen and women of North Dakota and Montana to make sure people can make -- we spent time talking about rural health care, to make sure that people can find health care in America.

Let me tell you one thing we need to do to make sure people in rural America can find health care, and that's to do something about these junk lawsuits that are running good doctors out of practice.

(Applause.) Lawsuit after lawsuit after lawsuit is running up the cost of your health care, and it's making it hard for people to find a good doctor. I met too many women who are worried about their pregnancy because the OB/GYN they had been using is no longer in practice. We have a problem.

I used to think these problems could be solved at the state level, but I recognized that these frivolous lawsuits are running up the cost of medicine, and therefore, they're affecting federal budgets. I believe the medical liability crisis is a national problem that requires a national solution, and Congress needs to get a good bill to my desk this year. (Applause.)



We also spent some time talking about energy. We've been debating energy for four years in the United States Congress. Now is the time to quit debating and get something done. And that means good conservation; it means renewable sources of energy like biodiesel and ethanol; it means clean, safe nuclear power. It means an energy plan that will make us less dependent on foreign sources of energy. (Applause.)

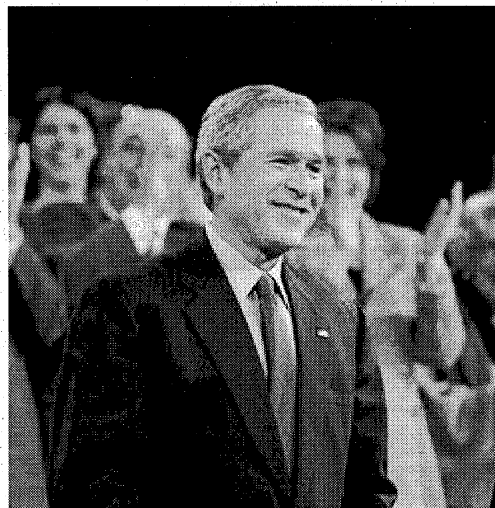
I'll tell you what's going to be a great day for a President -- when somebody comes in with the crop report and says that the amount of corn is up, and therefore, were less dependent on foreign sources of energy. I believe it's possible. And I believe it's a wise use of taxpayers' money to explore ways to develop energy here at home that's renewable, clean and safe. (Applause.)

I want to thank your Lt. Governor Jack Dalrymple, and Betsy, for being with us. Governor, thanks for coming. Betsy, I appreciate you being out at the airport. (Applause.) I want to thank the Attorney General for being here today. Mr. Attorney General, thanks for coming. I want to thank the leaders of the House and the Senate who have joined us. I appreciate my friend, Ed Schaefer and Nancy -- the former governor of North Dakota and former First Lady. (Applause.)

We're both members of the ex-governors club. (Laughter.) Tired old guys who can't run anymore. (Laughter.) But I fondly remember the Schaefers during our tenures as governors of our respective states. It's great to see you all.

I met Fran Rickers today at the airport. She was out there, standing right there when I came off the airplane, on Air Force One. Fran is a volunteer at the Veterans Center. And the reason I bring that up is, as I mentioned last night in the speech, one of the great values of America is compassion. And one of the great strengths of America is the fact that thousands of our citizens volunteer on a daily basis. It doesn't even require a federal law, by the way. (Laughter.) They do it out of the goodness of their heart. They do it because they're answering a call to love a neighbor just like they would like to be loved themselves.

If any of the youngsters who are here are interested in how you can serve our country, find somebody whose heart needs healing, find somebody who's hungry, find somebody who is looking for shelter, and make that person's life better. You see, you can serve America and change our country one heart, one soul, one conscience at a



time. (Applause.)

Fran, I want to thank you for setting such a good example by volunteering your time at the Veterans Center. (Applause.)

Before I get to Social Security, I do want to talk about how amazing these past couple of months have been in the history of our world. I want the youngsters here to think about what has happened in such a brief period of time. First, there were elections in Afghanistan. Now, that's -- (applause.) Are you from Afghanistan? From? You're from Iraq?

AUDIENCE MEMBER: -- (inaudible) -- (applause.)

THE PRESIDENT: Yes -- thank you. Thank you. (Applause.) Okay, wait a minute, you got ahead of the story. (Laughter.) You got me to Iraq before we even got out of Afghanistan. (Laughter.) You see, Afghanistan used to be a training center, a safe haven for al Qaeda. That's where they plotted the attacks on America.

So I set out a doctrine that said, if you harbor a terrorist, you're equally as guilty as the terrorist. We enforced the doctrine to protect ourselves. And by doing so, we removed the Taliban from power, and when that happened, it gave the chance for the Afghan citizens to rise up and vote, and to develop a democracy -- (applause.) And it happened. Millions of people voted. (Applause.)

There was a vote in the Ukraine that elected a new President. There was a vote in the Palestinian Territories that elected Abu Abbas as the leader. And then, as you know, last Sunday -- I'm getting to you -- (laughter) -- the people of Iraq, when given a chance, went to the polls and said, we reject terrorism and we love freedom. That's what they said. (Applause.)

And that matters. Let me tell you why it matters. It matters because free societies are peaceful societies. It matters because in the long run, as freedom spreads, our children and grandchildren will more likely grow up in a peaceful world.

This good-hearted country of ours longs for peace. We will do everything to defend ourselves against the threats of this era, and as we do so, we will spread freedom, because we know that freedom leads to peace, and that's what we want. (Applause.)

The interesting -- the lessons we should take away from what happened in the last four months is that, deep within everybody's soul is the desire to be free. It doesn't matter where you're from or the nature of your religion, freedom is universal. Freedom is God's gift to every single person in this world. And if given the chance, people -- people will express their desire to be free and take great risks to do so, like you saw in Iraq.

Last night there was a touching moment when the mom and the vote hugged each other. It was a sincere expression of compassion and appreciation by a woman whose dad had been -- whose assassination had been ordered by Saddam Hussein, who now had finally been given a chance to vote. It was an indication to me, and I think our country, that the Iraqi people so appreciate the sacrifices, especially those by our military and the military families, in order to free them. (Applause.)

These are historic times. We're living in historic times. Freedom --

AUDIENCE MEMBER: Mr. President, thank you for liberating Iraq!

THE PRESIDENT: You're welcome.

AUDIENCE MEMBER: You are right; they are wrong! We are -- all the way with you!

THE PRESIDENT: Thank you, sir. (Applause.) Nothing better than a little free speech to liven up the crowd, you know. (Applause.) Very well-spoken. Got it. Got the message. (Laughter.)

These are historic times, and the United States of America will continue to lead with friends and allies by our side. I set a goal in my inaugural speech that said, over the generations, over time, the free world must work to end tyranny. If you believe that freedom is the Almighty's gift to every soul, it makes sense to assume the duty to work with others to spread freedom so everybody, every soul can be free. That's what I believe the role of America must be. (Applause.) That's the call of our generation. And in so doing, we'll leave a peaceful world behind for our children and grandchildren.

Thank you for letting me share that with you. I'm -- as you can tell, I'm upbeat about where we're headed. (Applause.)

And so the subject at hand is Social Security. Now, Social Security worked. We're going to talk to a soul who will tell you how important Social Security is to her and her family. Not yet. (Laughter.) Pretty soon. (Laughter.) And it's been important, and it's worked. But the problem is, Social Security has changed dramatically since it was created. You see, when it was created, most people's life expectancy was, what, around 60 years old, I guess. And today, people are living longer.

There was -- in 1950, there was 16 workers, as this chart will show you, paying for every beneficiary. In other words, there's a lot of workers putting taxes in to pay for the benefits promised. That made it easy to fund the system. Today, there are about 3.3 workers. When the college kids here get older, there's going to be two workers.

The benefit structure has gone up over time. And so you've got fewer workers paying for more retirees who are living longer, greater benefits. And if you start kind of thinking about the math there, you begin to realize, we've got a problem. In other words, there's not enough money coming into the system to pay for the promises for all those who are retiring, like baby boomers like me. There's a bunch of us getting ready to retire. We're living longer, we've been promised greater benefits, and there's few people -- fewer people writing the check. In other words, the system has changed.

Now, if you're retired or near retirement, you don't have a thing to worry about. The Social Security trust is solvent. As I said last night, and I will continue to say, for those of you who have received your check or about to receive a check, not one thing will change. That's a fact. I fully understand that oftentimes when they stress the Social Security issue, people try to scare you about it, saying, if old George W. has his way, you're not going to get a dime. Well, that's not the way it's going to work. The truth of the matter is, you're going to get your checks if you're -- if you're retired or near retirement. It's just a fact.

The problem comes from younger folks. That's the problem. The math doesn't work. As a matter of fact, as you can see from this chart, starting in the year 2018, more money goes out of Social Security than comes in. Right now, it's the other way around. More money is coming in than is going out. But a bunch of baby boomers who are going to live longer and have been promised greater benefits are fixing to retire. And so the system goes into the red. And it goes into the red -- that means negative, that means losing money -- quite dramatically. In the year 2027, it will be \$200 billion in the red -- \$200 billion for one year alone. And in 3032 [sic], it's like \$300 billion. And in 20 -- I mean, 2032. And in 2042, it's bust.

Now, for people who have been elected, I guess that seems like a long time down the road. If you've got a two-year horizon, you're only thinking about two years -- or four years, in my case. But I believe the role of a President, and I believe the role of a Congress is to confront problems and not pass them on to future generations. I believe that -- (applause.) It's a problem when you're \$200 billion a year short. Now, what does that mean? It means you either have to run up taxes, cut benefits, cut programs, or borrow money. That's what it means. In big ways.

And so I went to Congress last night and said, I see a problem. Some of them doesn't see -- didn't see the problem, evidently. A lot of them do. A lot of really good people on both sides of the aisle recognize we have a problem. I'm going to spend the next couple of days going around the country explaining to people as clearly as I can, the problem, because I expect people in Congress, when they see a problem, to then come up with solutions.

And so last night, I said, all options are on the table except for running up payroll taxes. (Applause.) I said, everybody -- all different -- all different ideas as to how to solve the problem are on the table. And that's important

for members of Congress to hear. In other words, we're not going to play politics with the issue. We're going to say, if you've got a good idea, come forth with your idea, because now is the time to put partisanship aside and focus on saving Social Security for young workers. (Applause.)

I put out an idea last night that I think is important. It's a novel way of saying to young workers, we understand whose money we're spending; and two, we want you to be able to have more security in your retirement -- and that is to allow younger workers to take some of their own payroll taxes and set aside -- set it aside in what's called a personal retirement account, a personal retirement account that will earn a better rate of return than the current Social Security trust earns; a personal retirement account which you will call your own; a personal retirement account that can be only invested in conservative stocks and bonds; a conservative account that you can't withdraw all your money upon retirement. But it's your own account, and it grows. And it supplements Social Security. In other words, you'll get a Social Security check, but you'll also be able to withdraw money from your own personal retirement account to supplement that money.

And why it's a good deal for younger workers is, is because it compounds at a rate of interest faster than the money inside the Social Security trust. You start setting aside money at a young age, it grows over time. It's your money. It's money that you can decide to leave to whomever you want. It's money that the government can never take away. It's an interesting idea -- (applause) -- it's an interesting idea to make sure the Social Security beneficiaries of the future get as close to that which the government is possible -- guaranteed is possible -- has promised as possible, but it's a new idea to encourage ownership in our society. You know, federal employees have this under the thrift savings plan, this kind of idea. If it's good enough for federal employees, it ought to be good enough for workers out there working every single day, it seems like to me. (Applause.)

Now, I've heard all of the complaints, and you'll hear a lot more -- how this is going to ruin Social Security. Forget it, it's going to make it stronger. We're going to phase it in so that we can be more fiscally responsible with the budget. And I want to work with Congress on the idea. I mean, I think it makes sense to put out new ideas for an old and important system to make sure it works. And that's exactly what we are doing, and I did last night. I want the people, as I travel around this country, to know, one, there's a problem; two, I'm willing to work with members of both parties to come up with a solution; and three, I've got an innovative idea as to how to benefit the younger workers in America.

And I've got some people up here on the stage that we're going to discuss this issue with right now. Some of them know a lot more about it than I do. It's kind of a hard thing for me to admit. (Laughter.) One of them, Jeffrey Brown. Why would I say that you know more about it than I do? It's probably true, but beside the fact that it's true. Like, what do you do?

DR. BROWN: Well, you've just convinced me that you do know as much as I do.

THE PRESIDENT: I don't know.

DR. BROWN: I'm a professor of economics and finance at the University of Illinois.

THE PRESIDENT: Good, yes. We won't hold that against you. Now, get started. (Laughter.)

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THE PRESIDENT: Well, it doesn't sound like a long-term problem to me. Thirteen years seems like a pretty short time to me. It's, like, right around the corner.

MR. BROWN: That's right. And the key here is that we have to act soon, because if we act soon, then we can phase in any changes gradually, we can give people the opportunity to build up these accounts. If we wait -- if we wait until the trust fund runs out of money, there are no good choices left except to cut benefits or raise taxes at that point.

THE PRESIDENT: See, I think it's pretty -- I hope you're beginning to get a sense for the immediacy of the problem. Sometimes -- (applause) -- again, I'm going to say this a lot over the next month: if you're receiving a Social Security check, you have no problem. That's important for people to hear loud and clear. I know there's

some folks that are probably nervous when they hear the President talking about changing Social Security. I know that's the case. I've run for office twice to be the President, and people got nervous when I said we needed to do something about Social Security. You have nothing to worry about. We're talking about younger workers who are coming up have got a lot to worry about because of baby boomers like me -- not those who have already retired, it's the bulge of us who are fixing to retire. That's Texas for going to retire. (Laughter.)

What else do you know? (Laughter.)

THE PRESIDENT: They told me -- and tell me if I'm right on this, Jeff -- that every year we wait, the problem costs \$600 billion more. Is that an accurate statement?

DR. BROWN: That's right. This is a number that the Social Security actuaries have put out. And basically what's happening is, every year we wait, another year of those surpluses is gone and more years of deficits lie ahead of us.

THE PRESIDENT: Do you have any -- if you don't like them, go ahead and say it, but do you have any problems with the personal retirement accounts?

DR. BROWN: Absolutely not. They offer --

THE PRESIDENT: I was hoping that would be the answer. (Laughter and applause.) See if you can explain them better than I can explain them. I mean, compounding rate of interest is an important concept when it comes to the growth of money.

THE PRESIDENT: I know some of you are saying, well, gosh, if I put my money into the stock market, what happens if the market goes down the year before I retire? There are instruments that are devised or available -- will be available for younger workers when they get ready to retire to invest -- to ensure against a downturn of the market. In other words, it's a different kind of instrument. You still get a better rate than you would in the current trust, but it's a way to make sure that the money isn't lost all at once. But on the other hand, history shows that over any 17-year period of time, you don't lose money in the market -- on safe, conservative stocks and bonds. It is a fact of life. It is a way that our markets have worked in the past. (Applause.)

And it's also important to know that when you have your own personal account, you can't withdraw all your money. In other words, there will be a withdrawal plan that will complement your Social Security check.

These are all questions I know people are going to have, and I have the obligation to travel the country, like I'm doing, answering as many of the questions that I possibly can answer.

You did a fine job, Jeff. (Applause.)

Are you ready, Mary?

MRS. BOND: I'm ready.

THE PRESIDENT: Thanks for coming. Where do you live?

MRS. BOND: I live in Walcott, North Dakota.

THE PRESIDENT: Walcott, yes. (Applause.) A lot of your fellow townsmen are here today, it sounds like. (Laughter.) Perhaps the whole town. (Laughter.)

MRS. BOND: There are about 200 people in Walcott.

THE PRESIDENT: Two hundred people in Walcott? That's three times bigger than Crawford. (Laughter.) I think. Anyway --

MRS. BOND: Can I please say something?

THE PRESIDENT: Yes -- you've got the mike. (Laughter.) Yes, ma'am.

MRS. BOND: I just want you to know what an honor it is to have you here today. (Applause.)

THE PRESIDENT: Thank you. I'm thrilled to be here. (Applause.) Thank you. Okay, wait, wait, we've got work to do. Thank you all. Thank you all very much. I'm thrilled to be here, too.

MRS. BOND: And one more thing. You and Laura -- or Mrs. Bush --

THE PRESIDENT: Laura is fine.

MRS. BOND: Okay. (Laughter.) You have brought dignity and honor back to the White House. Thank you. (Applause.)

THE PRESIDENT: Thank you. (Applause.) Thank you all. Okay, okay, Mary. You've done a fine job of firing up the crowd. (Laughter.)

MRS. BOND: We're running out of time.

THE PRESIDENT: No, we're not running out of time. (Laughter.) I appreciate those kind words. You're here to discuss Social Security.

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THE PRESIDENT: Let me stop there.

MRS. BOND: Okay. (Laughter.)

THE PRESIDENT: See, it's very important that when Mary Bond hears us discussing the system is going bust in 2042 that she recognizes the system isn't going broke for her. She's fine. It's these guys right here in the front -- yes, you guys -- not fine. (Laughter.) You got a problem. Thanks for coming to listen, by the way. Now, get back to the library. (Laughter.)

What else did you want to say? The reason Mary is here is, again, to make the point -- and I don't believe we can make it enough as we discuss this issue -- that somebody who says, gosh, the Social Security system is very important for me, recognizes that if you've retired, or near retirement -- you fall in the near retirement category --

MRS. BOND: Pretty close.

THE PRESIDENT: Have you retired yet?

MRS. BOND: No.

THE PRESIDENT: Then you're near retirement. (Laughter.)

MRS. BOND: Sixty.

THE PRESIDENT: No, I'm not asking your age. (Laughter.) I'm smarter than that, to ask the age. (Laughter.) How old are you? No -- (laughter.)

MRS. BOND: Sixty. (Laughter.)

THE PRESIDENT: So you were going to say something else.

MRS. BOND: Well, I do have a concern, because a few years ago, my sister-in-law passed away -- we're the same age -- and she was about 57. And she had worked all of her life. She had a gift shop, she was a realtor and several other jobs. She paid into Social Security all of her life. And then when she passed away, the Social Security was gone. It would be wonderful if she could will that to her husband or her kids. Her husband now is retired and has some health concerns, and he could use that money.

THE PRESIDENT: Well, it doesn't work that way. Now, what the personal retirement account would do was allow it to work that way. See, we're beginning to change a portion of Social Security to not only that which was in the current system, but as well -- a part of the system, but it's now a new owner. Right now your money goes in and it flows directly out to somebody who is receiving benefits. The new way of looking at it is some of your money would go in, and go out to paying benefits; some of your money would stay in your own account. And that is that portion that you can pass on to whomever you want. If it's not spent in your retirement, you get to decide. After all, it's your money.

It's a concept that many are becoming accustomed to in our country through private pension plans, or federal employees are used to what's called the thrift savings plan -- same concept, conservative mix of investment vehicles, and to get a better rate of return than that which is being earned, in this case, inside the Social Security trust. Certain rules that will prevent gouging by Wall Street, so that the fee structure is reasonable and fair, and withdrawal rules. Obviously, you don't want somebody to either, one, invest their money in the race track or the lottery; and two, upon retirement, take it all out and take it to Vegas. As much as I -- nothing against Vegas, except we don't want the retirement things all gambled away. We want retirement funds to be around for retirement purposes.

And so the system that we're talking about would enable your sister-in-law to do that. Thanks for coming. You did a heck of a job. (Applause.)

MRS. BOND: Thank you.

THE PRESIDENT: You bet. (Applause.)

All right, Tricia Traynor, welcome.

MRS. TRAYNOR: Welcome.

THE PRESIDENT: Thank you. You are married? For how long?

MRS. TRAYNOR: Three months -- almost three months. My husband, Dan --

THE PRESIDENT: Where is he?

MRS. TRAYNOR: He is over to the right, waving his hand.

THE PRESIDENT: There he is. Fine-looking man. That a boy, Dan. (Applause.) The interesting thing about Tricia is she is a --

MRS. TRAYNOR: Major in the Air Force Reserve.

THE PRESIDENT: There you go. (Applause.) Have you been overseas yet?

MRS. TRAYNOR: Yes. I was in the Middle East for six months in 2003, for Operation Iraqi Freedom.

THE PRESIDENT: Good. Thanks for serving. (Applause.) Your nation is grateful, but I -- and equally as grateful

are the good folks from Iraq that are here today. Thanks for being there. (Applause.)

So tell me what's on your mind about Social Security. You're young.

MRS. TRAYNOR: We're in our 30s.

THE PRESIDENT: Yes, you fall in the category of those who should be worried about whether or not Congress -- and the President -- has got the will to act.

MRS. TRAYNOR: We'd like to make sure that the money we are investing in Social Security now will be there 30 years from now, 40 years from now.

THE PRESIDENT: Right. Well, don't look at that chart. (Laughter.) Whatever you do, don't look over your left shoulder -- (laughter) -- and see how much money -- because it's not going to be there. So, therefore, you're interested -- let me ask you something. So you've heard about personal retirement accounts. Give me -- just tell the folks here what you thought when you heard it. I mean, people need to kind of get a sense for how souls such as yourself, an educated person, obviously interested in the future, worried about your and Dan's life, think about a new concept for Social Security.

MRS. TRAYNOR: Mr. President, it gives us hope that somebody is willing to address the issue. It's too easy to just push it down the road and it's better to prevent the crisis before the crisis takes place.

THE PRESIDENT: That's the first threshold issue. Thank you. (Applause.) You know what I found -- yes, you want to come back in?

* * * * *

THE PRESIDENT: You probably think I hired her, or something. (Laughter.) Did you talk to my mother this morning? (Laughter.) Thanks.

Look, here's the thing. The threshold question is whether there's a problem that needs to be solved. And if there is, then who can come up with solutions that work.

And so thank you for saying that. I -- it's in my nature to confront problems. And I really enjoyed giving the speech last night and trying to do the very best I could to kind of educate people, is to explain as rationally as possible why we have a problem. And the Major is typical of many 30-year-old citizens around. In the course of two campaigns, I campaigned on this issue. Some were saying, oh, don't talk about the issue, it's the third rail of American politics. If you touch it, you know, you become politically electrocuted. (Laughter.)

I don't -- I believe that the whole issue has shifted over time. Once older citizens are sure they're going to get their check -- and I assure you you're going to get your check -- that younger workers begin to -- will have a voice in deciding how this issue turns out. Once people say, well, there is a problem, what are you going to do about it? That's what the Major just said. And so, Major, personal accounts, any feel for that at all?

MRS. TRAYNOR: The thrift savings plans were opened up to the military just a couple years ago.

THE PRESIDENT: You're in one?

MRS. TRAYNOR: I am in one. I participate. What it is, is it's a safe investment, and it allows me to take a portion of the income I'm earning and put it away to save it for the future. And I'm happy with that, and I like the idea of sharing that with the American public, and not just limiting it to federal employees.

THE PRESIDENT: Federal employees. See, she's in a thrift savings plan very similar -- in other words, we're not inventing something new. What's new is that it would be associated with a retirement through Social Security. It's not new. It's already being used. It's a plan that is -- that federal employees are able to take advantage of. The way we proposed the plan is that you could put \$1,000 -- up to 4 percent of your income, whichever is less -- in

your account. And over time, the \$1,000 grows. Is that right -- up to \$1,000, 4 percent, which ever is less. Yes, I think that's right. It better be right. (Laughter.)

So in other words, if you're making \$90,000 you'll eventually be able to put \$3,600 a year away in a personal account. But it starts at \$1,000 and phases in over time, in order to make sure that the -- is fiscally responsible. So I don't want to know your income, but you could start with \$1,000, and over time it grows. And as interest compounds, Tricia and her husband would have a nice nest egg to complement that which would be coming out of Social Security.

Is that the way you see it?

MRS. TRAYNOR: Yes.

THE PRESIDENT: That's the way it's going to be. If only we can get Congress to vote it in. (Applause.)

All right, Paul. Paul Thomas.

MR. THOMAS: Yes, Mr. President.

THE PRESIDENT: Where are you from?

MR. THOMAS: I'm from Velva, North Dakota, which is very close to Karlsruhe, North Dakota.

THE PRESIDENT: That's good. (Applause.) I was just thinking the same thing myself. (Laughter.) What do you do?

MR. THOMAS: I -- just this past March, my wife, Karen, of five-and-a-half years, and my son, Jonathan, four, and Michael, two, returned to our family farm and took over that. We're the fourth generation of Thomases to farm that.

THE PRESIDENT: Fabulous. (Applause.) Sounds like a North Dakota tradition to me. One thing, before we get in -- I've got another issue I want to drop out there. In order to make sure that Paul and future Pauls are able to stay on the farm, we need to get rid of the death tax -- (applause) -- once and for all. It's being phased out. It's being phased out, but it pops back up in 2011. It's going to make for some very interesting estate planning in 2010, if you get my drift. (Laughter.) Like you think it's gone, and then it comes back. Anyway, we'll worry about that at another time.

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THE PRESIDENT: Yes, well, thank you, Paul. Look, here's an interesting -- isn't it interesting, I wonder if 30 years ago, we would be having the same conversation. I don't think so. A lot has changed. There's a lot of more -- there's a lot more awareness among younger Americans about what it means to manage your own retirement account. After all, it's happening more and more in our society -- 401ks have become a part of how people think. You've just heard from two younger Americans who are now saying, give me a chance to manage my own money. I feel more secure if I can see that money. In other words, if you own it. I strongly believe in an ownership society. I want more people owning their home, own their own business, owning and managing their own health care account, and owning and managing their retirement account. I think it makes America a better place. (Applause.)

What do you farm?

MR. THOMAS: We produce a number of crops, principally wheat, sunflowers, peas and lentils, granola and barely. Quite a few.

THE PRESIDENT: You sure do, yes. You selling any of it overseas?

MR. THOMAS: Well, they eventually make it over there. We have -- in our farm, we had also diversified into some specific IP crops that went to specific customers where we were able to get some better prices for them.

THE PRESIDENT: Yes, one of the things I need to do over the next four years is to continue to open up markets. The reason why is North Dakota farmers are real good at what they do, and therefore, if you're good at what you do -- (applause) -- you ought to have as many markets available for your product as possible. And so I appreciate you doing that. And same for cattlemen, too, by the way. We want our beef going all over the world. There's great beef here in America, and people ought to be eating it -- a lot of them. (Applause.)

Today, I hope you get a sense of, one, there is a problem. If you're an older American, you have no problem. You're in good shape. You don't even look older to me. (Laughter.) Two, if you're a young person, demand that Congress at least address the issue head on and not pass it down.

Secondly, there are some interesting solutions on the table. All of them are on the table as far as I'm concerned. People have made interesting -- put forth interesting ideas, and I just want the good people of North Dakota to listen. It doesn't matter to me whether it's a Democrat idea, a Republican idea. If it's a good idea to make this system work, I'll listen and work with them. I'll work with people who -- (applause.)

And also, I hope you can tell I'm willing to put out some ideas of my own. I believe part of the role of a leader is to say, well, there is a problem, and by the way, here are some ideas that make it work. And I also want you to know that I'm going to travel our country, speaking as plainly as I can about a problem that I see, and expecting -- because I believe, I truly believe that the American people can help decide an issue in the halls of Congress. It's -- it's what a democracy does. When the people speak, the elected officials listen.

That's what you're going to find out in Iraq, by the way. That's why -- that's why, ultimately, democratic societies are peaceful societies because most people want peace. Moms and dads from all cultures want to raise their child in a peaceful environment. Moms and dads of all cultures believe in a child's education and believe in compassion and don't want war for their children.

And so representative government is one that responds to the people, and I believe when the people speak clearly on this issue, when they recognize there's a problem, they're going to say to the Congress, we expect a solution to make sure that younger Americans have got a retirement system that is viable in the years to come.

And so you're witnessing step one of my -- of what's going to be a series of trips around our great land. I kind of want to tell you something, though. Getting out of Washington is healthy, and getting out amongst the people is invigorating, and I want to thank you for coming out to say, hello.

May God bless you all. (Applause.)

END 12:23 P.M. CST

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THE WHITE HOUSE

WASHINGTON

**MEETING WITH MEMBERS OF THE HOUSE REPUBLICAN STUDY COMMITTEE
STEERING COMMITTEE**

Wednesday, April 27, 2005

3:35 p.m. – 4:20 p.m.

Residence

Candida Wolff

**COPY
FROM ORM**

I. PURPOSE

To discuss issues on your agenda with Members who make up the Steering Committee of the Republican Study Committee (RSC), a group of conservatives in the House.

II. BACKGROUND

This meeting serves as an outreach opportunity with Republican House Members on the Steering Committee of the RSC to discuss crucial items of your agenda that require immediate attention: the war on terror, Social Security, the supplemental, and the budget.

The House and Senate are trying to resolve their differences on the budget resolution and the supplemental with a goal of completing action by the end of this week. The RSC has supported the supplemental but expressed concerns about non-emergency provisions. They have been strong advocates for significant mandatory savings in the budget resolution.

III. PARTICIPANTS

The Vice President

Members of the Republican Study Committee's Steering Committee

Congressman Mike Pence, Chairman (R, IN-06)

Congressman Kevin Brady (R, TX-08)

Congressman Dan Burton (R, IN-05)

Congresswoman Barbara Cubin (R, WY-at large)

Congressman John Doolittle (R, CA-04)

Congressman Tom Feeney (R, FL-24)

Congressman Jeff Flake (R, AZ-06)

Congressman Jeb Hensarling (R, TX-05)

Congressman Ernie Istook (R, OK-05)

Congressman Sam Johnson (R, TX-03)

Congresswoman Marilyn Musgrave (R, CO-04)
Congresswoman Sue Myrick (R, NC-09)
Congressman Joe Pitts (R, PA-16)
Congressman Paul Ryan (R, WI-01)
Congressman John Shadegg (R, AZ-03)

White House Staff

Andrew Card, Chief of Staff
Josh Bolten, Director, Office of Management and Budget
Karl Rove, Deputy Chief of Staff and Senior Advisor
Dan Bartlett, Counselor to the President
Al Hubbard, Assistant to the President for Economic Policy
Scooter Libby, Chief of Staff to the Vice President
Scott McClellan, Press Secretary
Candida Wolff, Assistant to the President for Legislative Affairs
Doug Badger, Deputy Assistant to the President for Legislative Affairs
Brian Conklin, Deputy Assistant to the President for Legislative Affairs
Brenda Becker, Assistant to the Vice President for Legislative Affairs
Pete Rowan, Special Assistant to the President for Legislative Affairs
Alex Mistri, Special Assistant to the President for Legislative Affairs

IV. PRESS PLAN

Closed

V. SEQUENCE OF EVENTS

Note: There will be a pre-brief led by Candida Wolff.

- The Members will arrive via the Northwest gate, where they will be greeted by Office of Legislative Affairs staff and escorted to the Residence.

VI. REMARKS

Talking Points prepared by the Office of Legislative Affairs

VII. ATTACHMENTS

Talking Points

Withdrawal Marker

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Talking Points	Talking Points for Meeting	1	N.D.	P5;

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National Economic Council: A Timeline (2001 - 2008) [3]

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- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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THE WHITE HOUSE
PRESIDENT
GEORGE W. BUSH



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For Immediate Release
Office of the Press Secretary
April 28, 2005

Press Conference of the President

The East Room

[en Español](#)

8:01 P.M. EDT

THE PRESIDENT: Good evening. Tonight I will discuss two vital priorities for the American people, and then I'd be glad to answer some of your questions.



VIDEO Multimedia

President's Remarks

[view](#)

Millions of American families and small businesses are hurting because of higher gasoline prices. My administration is doing everything we can to make gasoline more affordable. In the near-term, we will continue to encourage oil producing nations to maximize their production. Here at home, we'll protect consumers. There will be no price gouging at gas pumps in America.

We must address the root causes that are driving up gas prices. Over the past decade, America's energy consumption has been growing about 40 times faster than our energy production. That means we're relying more on energy produced abroad. To reduce our dependence on foreign sources of energy, we must take four key steps. First, we must better use technology to become better conservers of energy. Secondly, we must find innovative and environmentally sensitive ways to make the most of our existing energy resources, including oil, natural gas, coal and safe, clean nuclear power.



Third, we must develop promising new sources of energy, such as hydrogen, ethanol or biodiesel. Fourth, we must help growing energy consumers overseas, like China and India, apply new technologies to use energy more efficiently, and reduce global demand of fossil fuels. I applaud the House for passing a good energy bill. Now the Senate needs to act on this urgent priority. American consumers have waited long enough. To help reduce our dependence on foreign sources of energy, Congress needs to get an energy bill to my desk by this summer so I can sign it into law.

Congress also needs to address the challenges facing Social Security. I've traveled the country to talk with the American people. They understand that Social Security is headed for serious financial trouble, and they expect their leaders in Washington to address the problem.

Social Security worked fine during the last century, but the math has changed. A generation of baby boomers is getting ready to retire. I happen to be one of them. Today there are about 40 million retirees receiving benefits; by the time all the baby boomers have retired, there will be more than 72 million retirees drawing Social Security benefits. Baby boomers will be living longer and collecting benefits over long retirements than previous generations. And Congress has ensured that their benefits will rise faster than the rate of inflation.

In other words, there's a lot of us getting ready to retire who will be living longer and receiving greater benefits than the previous generation. And to compound the problem, there are fewer people paying into the system. In 1950, there were 16 workers for every beneficiary; today there are 3.3 workers for every beneficiary; soon there will be two workers for every beneficiary.

These changes have put Social Security on the path to bankruptcy. When the baby boomers start retiring in three years, Social Security



will start heading toward the red. In 2017, the system will start paying out more in benefits than it collects in payroll taxes. Every year after that the shortfall will get worse, and by 2041, Social Security will be bankrupt.

Franklin Roosevelt did a wonderful thing when he created Social Security. The system has meant a lot for a lot of people. Social Security has provided a safety net that has provided dignity and peace of mind for millions of Americans in their retirement. Yet there's a hole in the safety net because Congresses have made promises it cannot keep for a younger generation.

As we fix Social Security, some things won't change: Seniors and people with disabilities will get their checks; all Americans born before 1950 will receive the full benefits.

Our duty to save Social Security begins with making the system permanently solvent, but our duty does not end there. We also have a responsibility to improve Social Security, by directing extra help to those most in need and by making it a better deal for younger workers. Now, as Congress begins work on legislation, we must be guided by three goals. First, millions of Americans depend on Social Security checks as a primary source of retirement income, so we must keep this promise to future retirees, as well. As a matter of fairness, I propose that future generations receive benefits equal to or greater than the benefits today's seniors get.

Secondly, I believe a reform system should protect those who depend on Social Security the most. So I propose a Social Security system in the future where benefits for low-income workers will grow faster than benefits for people who are better off. By providing more generous benefits for low-income retirees, we'll make this commitment: If you work hard and pay into Social Security your entire life, you will not retire into poverty. This reform would solve most of the funding challenges facing Social Security. A variety of options are available to solve the rest of the problem, and I will work with Congress on any good-faith proposal that does not raise the payroll tax rate or harm our economy. I know we can find a solution to the financial problems of Social Security that is sensible, permanent, and fair.

Third, any reform of Social Security must replace the empty promises being made to younger workers with real assets, real money. I believe the best way to achieve this goal is to give younger workers the option, the opportunity if they so choose, of putting a portion of their payroll taxes into a voluntary personal retirement account. Because this money is saved and invested, younger workers would have the opportunity to receive a higher rate of return on their money than the current Social Security system can provide.



The money from a voluntary personal retirement account would supplement the check one receives from Social Security. In a reformed Social Security system, voluntary personal retirement accounts would offer workers a number of investment options that are simple and easy to understand. I know some Americans have reservations about investing in the stock market, so I propose that one investment option consist entirely of Treasury bonds, which are backed by the full faith and credit of the United States government.

Options like this will make voluntary personal retirement accounts a safer investment that will allow an American to build a nest egg that he or she can pass on to whomever he or she chooses. Americans who would choose not to save in a personal account would still be able to count on a Social Security check equal to or higher than the benefits of today's seniors.

In the coming days and weeks, I will work with both the House and the Senate as they take the next steps in the legislative process. I'm willing to listen to any good idea from either party.

Too often, the temptation in Washington is to look at a major issue only in terms of whether it gives one political party an advantage over the other. Social Security is too important for "politics as usual." We have a shared responsibility to fix Social Security and make the system better; to keep seniors out of poverty and expand ownership for people of every background. And when we do, Republicans and Democrats will be able to stand together and take credit for doing what is right for our children and our grandchildren.

And now I'll be glad to answer some questions, starting with Terry Hunt.

Q Mr. President, a majority of Americans disapprove of your handling of Social Security, rising gas prices and the economy. Are you frustrated by that and by the fact that you're having trouble gaining traction on your agenda in a Republican-controlled Congress?

THE PRESIDENT: Look, we're asking people to do things that haven't been done for 20 years. We haven't addressed the Social Security problem since 1983. We haven't had an energy strategy in our country for decades. And so I'm not surprised that some are balking at doing hard work. But I have a duty as the President to define problems facing our nation and to call upon people to act. And we're just really getting started in the process.



You asked about Social Security. For the past 60 days, I've traveled our country making it clear to people we have a problem. That's the first step of any legislative process; is to explain to people the nature of the problem, and the American people understand we have a problem.

I've also spent time assuring seniors they'll get their check. That's a very important part of making sure we end up with a Social Security reform. I think if seniors feel like they're not going to get their check, obviously nothing is going to happen.

And we're making progress there, too, Terry, as well. See, once the American people realize there's a problem, then they're going to start asking members of Congress from both parties, why aren't you doing something to fix it? And I am more than willing to sit down with people of both parties to listen to their ideas. Today, I advanced some ideas of moving the process along. And the legislative process is just getting started, and I'm optimistic we'll get something done.

Q Is the poll troubling?

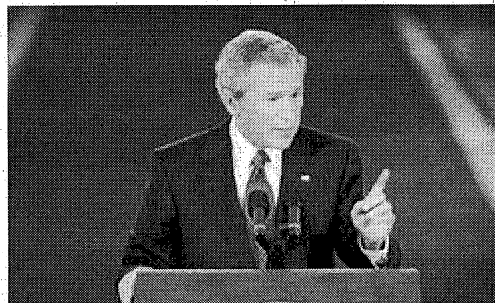
THE PRESIDENT: Polls? You know, if a President tries to govern based upon polls, you're kind of like a dog chasing your tail. I don't think you can make good, sound decisions based upon polls. And I don't think the American people want a President who relies upon polls and focus groups to make decisions for the American people.

Social Security is a big issue, and it's an issue that we must address now. You see, the longer we wait, the more expensive the solution is going to be for a younger generation of Americans. The Social Security trustees have estimated that every year we wait to solve the problem, to fix the hole in the safety net for younger Americans costs about \$600 billion. And so my message to Congress is -- to Congress is, let's do our duty. Let's come together to get this issue solved.

Steve.

Q Your top military officer, General Richard Myers, says the Iraqi insurgency is as strong now as it was a year ago. Why is that the case? And why haven't we been more successful in limiting the violence?

THE PRESIDENT: I think he went on to say we're winning, if I recall. But nevertheless, there are still some in Iraq who aren't happy with democracy. They want to go back to the old days of tyranny and darkness, torture chambers and mass graves. I believe we're making really good progress in Iraq, because the Iraqi people are beginning to see the benefits of a free society. They're beginning -- they saw a government formed today.



The Iraqi military is being trained by our military, and they're

performing much better than the past. The more secure Iraq becomes, as a result of the hard work of Iraqi security forces, the more confident the people will have in the process, and the more isolated the terrorists will become.

But Iraq has -- have got people there that are willing to kill, and they're hard-nosed killers. And we will work with the Iraqis to secure their future. A free Iraq in the midst of the Middle East is an important part of spreading peace. It's a region of the world where a lot of folks in the past never thought democracy could take hold. Democracy is taking hold. And as democracy takes hold, peace will more likely be the norm.

In order to defeat the terrorists, in order to defeat their ideology of hate, in the long run, we must spread freedom and hope. Today I talked to the Prime Minister of Iraq. I had a great conversation with him. I told him I was proud of the fact that he was willing to stand up and lead. I told him I appreciated his courage and the courage of those who are willing to serve the Iraqi people in government. I told him, I said, when America makes a commitment, we'll stand by you. I said, I hope you get your constitution written on time, and he agreed. He recognizes it's very important for the Transitional National Assembly to get the constitution written so it can be submitted to the people on time. He understands the need for a timely write of the constitution.

And I also encouraged him to continue to reaching out to disaffected groups in Iraq, and he agreed. I'm really happy to talk to him; I invited him to come to America, I hope he comes soon. There are a lot of courageous people in Iraq, Steve, that are making a big difference in the lives of that country.

I also want to caution you all that it's not easy to go from a tyranny to a democracy. We didn't pass sovereignty but about 10 months ago, and since that time a lot of progress has been made and we'll continue to make progress for the good of the region and for the good of our country.

Gregory. David Gregory.

Q Thank you, sir. Mr. President, recently the head of the Family Research Council said that judicial filibusters are an attack against people of faith. And I wonder whether you believe that, in fact, that is what is nominating [sic] Democrats who oppose your judicial choices? And I wonder what you think generally about the role that faith is playing, how it's being used in our political debates right now?

THE PRESIDENT: I think people are opposing my nominees because they don't like the judicial philosophy of the people I've nominated. Some would like to see judges legislate from the bench. That's not my view of the proper role of a judge.

Speaking about judges, I certainly hope my nominees get an up or down vote on the floor of the Senate. They deserve an up or down vote. I think for the sake of fairness, these good people I've nominated should get a vote. And I'm hoping that will be the case as time goes on.

The role of religion in our society? I view religion as a personal matter. I think a person ought to be judged on how he or she lives his life, or lives her life. And that's how I've tried to live my life, through example. Faith-based is an important part of my life, individually, but I don't -- I don't ascribe a person's opposing my nominations to an issue of faith.

Q Do you think that's an inappropriate statement? And what I asked is --

THE PRESIDENT: No, I just don't agree with it.

Q You don't agree with it.

THE PRESIDENT: No, I think people oppose my nominees because -- because of judicial philosophy.

Q Sorry, I asked you what you think of the ways faith is being used in our political debates, not just in society --

THE PRESIDENT: No, I know you asked me that. Well, I can only speak to myself, and I am mindful that people in political office should not say to somebody, you're not equally American if you don't happen to agree with my

view of religion. As I said, I think faith is a personal issue, and I get great strength from my faith. But I don't condemn somebody in the political process because they may not agree with me on religion.

The great thing about America, David, is that you should be allowed to worship any way you want, and if you choose not to worship, you're equally as patriotic as somebody who does worship. And if you choose to worship, you're equally American if you're a Christian, a Jew, a Muslim. That's the wonderful thing about our country, and that's the way it should be.

John.

Q Good evening, Mr. President. Several times we've asked you or your aides what you could do about the high price of gasoline, and very often the answer has come back, Congress needs to pass the energy bill. Can you explain for us how, if it were passed, soon after it were introduced, the energy bill would have an effect on the current record price of oil that we're seeing out there?

THE PRESIDENT: John, actually I said in my opening statement that the best way to affect the current price of gasoline is to encourage producing nations to put more crude oil on the market. That's the most effective way, because the price of crude oil determines, in large measure, the price of gasoline. The feed stock for gasoline is crude oil, and when crude oil goes up the price of gasoline goes up. There are other factors, by the way, that cause the price of gasoline to go up, but the main factor is the price of crude oil. And if we can get nations that have got some excess capacity to put crude on the market, the increased supply, hopefully, will meet increased demand, and therefore, take the pressure off price.

Listen, the energy bill is certainly no quick fix. You can't wave a magic wand. I wish I could. It's like that soldier at Fort Hood that said, how come you're not lowering the price of gasoline? I was having lunch with the fellow, and he said, go lower the price of gasoline, President. I said, I wish I could. It just doesn't work that way.

This is a problem that's been a long time in coming. We haven't had an energy policy in this country. And it's going to take us a while to become less dependent on foreign sources of energy. What I've laid out for the Congress to consider is a comprehensive energy strategy that recognizes we need to be better conservers of energy, that recognizes that we can find more energy at home in environmentally friendly ways.

And obviously a contentious issue in front of the Congress is the issue over the ANWR, which is a part of Alaska. ANWR is 19 million acres of land. Technology now enables us to use just 2,000 of that 19 million to be able to explore for oil and gas so we can have oil and gas produced here domestically.

One of the great sources of energy for the future is liquefied natural gas. There's a lot of gas reserves around the world. Gas is -- can only be transported by ship, though, when you liquefy it, when you put it in solid form. We've only got five terminals that are able to receive liquefied natural gas so it can get into our markets. We need more terminals to receive liquefied natural gas from around the world.

We should have a active energy -- nuclear energy policy in America. We've got abundant resources of coal, and we're spending money for clean-coal technology. So these are longer term projects all aimed at making us become less dependent on foreign sources of energy.

Terry.

Q So am I reading correctly that the energy bill would not have had an effect on today's high gasoline --

THE PRESIDENT: Well, it would have 10 years ago. That's exactly what I've been saying to the American people -- 10 years ago if we'd had an energy strategy, we would be able to diversify away from foreign dependence. And -- but we haven't done that. And now we find ourselves in the fix we're in. It's taken us a while to get there, and it's going to take us a while to get out. Hopefully, additional crude oil on the market from countries with some spare capacity will help relieve the price for the American consumers.

Terry.

Q Mr. President, your State Department has reported that terrorist attacks around the world are at an all-time high. If we're winning the war on terrorism, as you say, how do you explain that more people are dying in terrorist attacks on your watch than ever before?

THE PRESIDENT: Well, we've made the decision to defeat the terrorists abroad so we don't have to face them here at home. And when you engage the terrorists abroad, it causes activity and action. And we're relentless. We, the -- America and our coalition partners. We understand the stakes, and they're very high because there are people still out there that would like to do harm to the American people.

But our strategy is to stay on the offense, is to keep the pressure on these people, is to cut off their money and to share intelligence and to find them where they hide. And we are making good progress. The al Qaeda network that attacked the United States has been severely diminished. We are slowly but surely dismantling that organization.

In the long run, Terry -- like I said earlier -- the way to defeat terror, though, is to spread freedom and democracy. It's really the only way in the long-term. In the short-term, we'll use our troops and assets and agents to find these people and to protect America. But in the long-term, we must defeat the hopelessness that allows them to recruit by spreading freedom and democracy. But we're making progress.

Q So in the near-term you think there will be more attacks and more people dying?

THE PRESIDENT: I'm not going to predict that. In the near-term I can only tell you one thing: we will stay on the offense; we'll be relentless; we'll be smart about how we go after the terrorists; we'll use our friends and allies to go after the terrorists; we will find them where they hide and bring them to justice.

Let me finish with the TV people first. Suzanne. You're not a TV person, Ed -- I know you'd like to be, but -- (laughter.)

Q You'd be surprised. (Laughter.)

THE PRESIDENT: It's a tough industry to get into.

Q Mr. President, it was four years ago when you first met with Russian President Vladimir Putin. You said you looked into his eyes and you saw his soul. You'll also be meeting with the Russian leader in about a week or so. What do you think of Putin now that he has expressed a willingness to supply weapons to outlaw regimes, specifically his recent comments that he said he would provide short-range missiles to Syria and nuclear components to Iran?

THE PRESIDENT: We have -- first, just on a broader -- kind of in a broader sense, I had a long talk with Vladimir there in Slovakia about democracy and about the importance of democracy. And as you remember, at the press conference -- or if you weren't there, somebody will remember -- he stood up and said he strongly supports democracy. I take him for his word.

I -- and we'll continue to work. Condi just -- Condi Rice, our Secretary of State, just came back and she briefed me that she had a very good discussion with Vladimir about the merits of democracy, about the need to listen to the people and have a government that's responsive.

We're working closely with the Russians on -- on the issue of vehicle-mounted weaponry to Syria. We didn't appreciate that, but we made ourselves clear. As to Iran, what Russia has agreed to do is to send highly enriched uranium to a nuclear civilian power plant, and then collect that uranium after it's used for electricity -- power purposes. That's what they've decided to do.

And I appreciate that gesture. See, what they recognize is that -- what America recognizes, and what Great Britain, France, and Germany recognize, is that we can't trust the Iranians when it comes to enriching uranium; that they should not be allowed to enrich uranium.

And what the Iranians have said was, don't we deserve to have a nuclear power industry just like you do? I've

kind of wondered why they need one since they've got all the oil, but nevertheless, others in the world say, well, maybe that's their right to have their own civilian nuclear power industry. And what Russia has said: Fine, we'll provide you the uranium, we'll enrich it for you and provide it to you, and then we'll collect it. And I appreciate that gesture. I think it's -- so I think Vladimir was trying to help there. I know Vladimir Putin understands the dangers of an Iran with a nuclear weapon. And most of the world understands that, as well.

Wendell.

Q Mr. President, have you asked your ambassador to the U.N., Ambassador John Bolton, about allegations that he acted improperly to subordinates? Do you feel that these allegations warrant your personal intervention? And if they're true, do you feel that they should disqualify him from holding the post, sir?

THE PRESIDENT: Well, John Bolton has been asked the questions about -- about how he handles his business by members of the United States Senate. He's been asked a lot of questions and he's given very good answers. John Bolton is a seasoned diplomat. He's been serving our country for, I think, 20 years. He has been confirmed by the United States Senate four times. In other words, he's been up before the Senate before and they've analyzed his talents and his capabilities and they've confirmed him.

John Bolton is a blunt guy. Sometimes people say I'm a little too blunt. John Bolton can get the job done at the United Nations. It seemed like to me it makes sense to put somebody who's capable, smart, served our country for 20 years, been confirmed by the United States Senate four times, and who isn't afraid to speak his mind in the post of the ambassador to the U.N.

See, the U.N. needs reform. If you're interested in reforming the U.N., like I'm interested in reforming the U.N., it makes sense to put somebody who's skilled and who is not afraid to speak his mind at the United Nations.

Now, I asked John during the interview process in the Oval Office, I said, before I send you up there to the Senate, let me ask you something: do you think the United Nations is important? See, I didn't want to send somebody up there who said, it's not -- it's not worth a darn; I don't think I need to go. He said, no, it's important. But it needs to be reformed.

And I think the United Nations is important. As a matter of fact, I'll give you an example. Today I met with the United Nations representative to Syria, Mr. Larsen. He's an impressive fellow. Now, he's delivered -- to Lebanon, excuse me -- he's delivered a very strong message to the Syrian leader, though, that the world expects President Assad to withdraw not only his military forces, but his intelligence services, completely from Lebanon.

And now he is in charge of following up to make sure it happens. I think that's a very important and useful role for the United Nations to play. We have played a role. France has played a role. A lot of nations have played roles. But the United Nations has done a very good job in Syria -- with Syria in Lebanon of making sure that the world expects the Lebanese elections to be free in May, without Syrian influence. He's an impressive fellow. I applaud him for his hard work.

But there's an example of why I think the United Nations is an important body. On the other hand, the United Nations has had some problems that we've all seen. And if we expect the United Nations to be effective, it needs to clean up its problems. And I think it makes sense to have somebody representing the United Nations who will -- who will be straightforward about the issues.

Stretch. You mind if I call you Stretch in front of --

Q I've been called worse.

THE PRESIDENT: Okay.

Q Getting back to Social Security for a moment, sir, would you consider it a success if Congress were to pass a piece of legislation that dealt with the long-term solvency problem, but did not include personal accounts?

THE PRESIDENT: I feel strongly that there needs to be voluntary personal savings accounts as a part of the

Social Security system. I mean, it's got to be a part of a comprehensive package. The reason I feel strongly about that is that we've got a lot of debt out there, a lot of unfunded liabilities, and our workers need to be able to earn a better rate of return on our money to help deal with that debt.

Secondly, I like the idea of giving someone ownership. I mean, why should ownership be confined only to rich people? Why should people not be allowed to own and manage their own assets who aren't the, you know, the so-called investor class? I think everybody ought to be given that right. As a matter of fact, Congress felt so strongly that people ought to be able to own and manage their own accounts, they set one up for themselves. You've heard me say, I like to say this, if it's good enough for the Congress, it is -- it ought to be good enough for the workers, to give them that option. The government is never saying, you have to set up a personal savings account. We're saying, you ought to have the right to set up a personal saving account so you can earn a better rate of return on your own money than the government can.

And it's that difference between the rate of return, between what the government gets on your money and what a conservative mix of bonds and stocks can get on your money that will make an enormous difference, and a person being able to build his or her own nest egg that the government cannot spend.

Now, it's very important for our fellow citizens to understand there is not a bank account here in Washington, D.C., where we take your payroll taxes and hold it for you and then give it back to you when you retire. Our system here is called pay-as-you-go. You pay into the system through your payroll taxes, and the government spends it. It spends the money on the current retirees, and with the money left over, it funds other government programs. And all that's left behind is file cabinets full of IOUs.

The reason I believe that this ought to work is not only should a worker get a better rate of return, not only should we encourage ownership, but I want people to have real assets in the system. I want people to be able to say, here's my mix of bonds and stocks that I own, and I can leave it to whomever I want. And I hear complaints saying, well, you know, there's going to be high -- Wall Street fees are going to fleece the people. There's ways to have fee structures that are fair. As a matter of fact, all you got to do is go to some of these states where they've got personal accounts available for their workers, and you'll find that the fees will be fair.

People say, well, I don't want to have -- take risks. Well, as I had a line in my opening statement, there are ways where you don't have to take risk. People say, I'm worried about the stock market going down right before I retire. You can manage your assets. You can go from bonds and stocks to only bonds as you get older. In other words, we're giving people flexibility to own their own asset. And I think that's a vital part of making sure America is a hopeful place in the future. So not only will these accounts make the system work better, but the accounts are a better deal. The accounts will mean something for a lot of workers that might not have assets they call their own.

David.

Q Mr. President, in your question -- your answer before about Iraq, you set no benchmarks for us to understand when it is the troops may be able to --

THE PRESIDENT: In Iraq?

Q In Iraq, yes -- about when troops may be able to come back.

THE PRESIDENT: Right.

Q Based on what you've learned now in two years of fighting the insurgency and trying to train the Iraqi security forces, can you say that within the next year you think you could have very substantial American withdrawal of troops?

THE PRESIDENT: David, I know there's a temptation to try to get me to lay out a timetable, and as you know, during the campaign and -- I'll reiterate it -- I don't think it's wise for me to set out a timetable. All that will do is cause an enemy to adjust. So my answer is, as soon as possible. And "as soon as possible" depends upon the Iraqis being able to fight and do the job.

I had a good video conference recently with General Casey and General Petraus -- General Casey is in charge of the theater; General Petraus, as you know, is in charge of training -- and they we're upbeat about what they're seeing with the Iraqi troops. One of the questions I like to ask is, are they able to recruit. In other words, you hear -- you see these killers will target recruiting stations, and I've always wondered whether or not that has had an effect on the ability for the Iraqis to draw their fellow citizens into the armed forces. Recruitment is high. It's amazing, isn't it, that people want to serve, they want their country to be free?

The other question that -- one of the other issues that is important is the equipping issue, and the equipment is now moving quite well. In other words, troops are becoming equipped.

Thirdly, a fundamental problem has been whether or not there's an established chain of command, whether or not a civilian government can say to the military, here's what you need to do -- and whether the command goes from top to bottom and the plans get executed. And General Petraus was telling me he's pleased with the progress being made with setting up a command structure, but there's still more work to be done.

One of the real dangers, David, is that as politics takes hold in Iraq, whether or not the civilian government will keep intact the military structure that we're now helping them develop. And my message to the Prime Minister and our message throughout government to the Iraqis is, keep stability; don't disrupt the training that has gone on -- don't politicize your military -- in other words, have them there to help secure the people.

So we're making good progress. We've reduced our troops from 160,000 more or less to 139,000. As you know, I announced to the country that we would step up our deployments -- step up deployments and retain some troops for the elections. And then I said we'd get them out, and we've done that. In other words, the withdrawals that I said would happen, have happened.

Go ahead; I can see you've got a follow-up right there on the tip of your tongue.

Q Do you feel that the number of troops that you've kept there is limiting your options elsewhere in the world? Just today you had the head of the Defense Intelligence Agency say that he was now concerned that the North Koreans, for example, could put a weapon, a nuclear weapon on a missile that could reach Japan or beyond. Do you feel, as you are confronting these problems, the number of troops you've left tied up in Iraq is limiting your options to go beyond the diplomatic solutions that you described for North Korea and Iran?

THE PRESIDENT: No, I appreciate that question. The person to ask that to, the person I ask that to, at least, is to the Chairman of the Joint Chiefs, my top military advisor. I say, do you feel that we've limited our capacity to deal with other problems because of our troop levels in Iraq? And the answer is, no, he doesn't feel we're limited. He feels like we've got plenty of capacity.

You mentioned the Korean Peninsula. We've got good capacity in Korea. We traded troops for new equipment, as you know; we brought some troop -- our troop levels down in South Korea, but replaced those troops with more capacity. Let me talk about North Korea, if you don't mind. Is that your question?

Q Go right ahead. (Laughter.)

THE PRESIDENT: I'm surprised you didn't ask it. (Laughter.)

Look, Kim Jong-il is a dangerous person. He's a man who starves his people. He's got huge concentration camps. And, as David accurately noted, there is concern about his capacity to deliver a nuclear weapon. We don't know if he can or not, but I think it's best when you're dealing with a tyrant like Kim Jong-il to assume he can.

That's why I've decided that the best way to deal with this diplomatically is to bring more leverage to the situation by including other countries. It used to be that it was just America dealing with North Korea. And when Kim Jong-il would make a move that would scare people, everybody would say, America, go fix it. I felt it -- it didn't work. In other words, the bilateral approach didn't work. The man said he was going to do something and he didn't do it, for starters.

So I felt a better approach would be to include people in the neighborhood, into a consortium to deal with him.

And it's particularly important to have China involved. China has got a lot of influence in North Korea. We went down to Crawford with Jiang Zemin, and it was there that Jiang Zemin and I issued a statement saying that we would work for a nuclear weapons-free Korean Peninsula.

And so when Kim Jong-il announced the other day about his nuclear intentions and weapons, it certainly caught the attention of the Chinese because they had laid out a policy that was contradicted by Kim Jong-il, and it's helpful to have the Chinese leadership now involved with him. It's more -- it's better to have more than one voice sending the same message to Kim Jong-il. The best way to deal with this issue diplomatically is to have five other -- four other nations beside ourselves dealing with him. And we'll continue to do so.

Finally, as you know, I have instructed Secretary Rumsfeld -- and I work with Congress -- Secretary Rumsfeld has worked with Congress to set up a missile defense system. And we're in the process of getting that missile defense system up and running. One of the reasons why I thought it was important to have a missile defense system is for precisely the reason that you brought up, that perhaps Kim Jong-il has got the capacity to launch a weapon, and wouldn't it be nice to be able to shoot it down. And so we've got a comprehensive strategy in dealing with him.

Ed, yes.

Q Mr. President, good evening.

THE PRESIDENT: Yes.

Q Sir, you've talked all around the country about the poisonous partisan atmosphere here in Washington. I wonder why do you think that is? And do you personally bear any responsibility in having contributed to this atmosphere?

THE PRESIDENT: I'm sure there are some people that don't like me. You know, Ed, I don't know. I've thought long and hard about it. I was -- I've been disappointed. I felt that people could work -- work together in good faith. It's just a lot of politics in the town. It's kind of a zero-sum attitude. We can't -- we can't cooperate with so-and-so because it may make their party look good, and vice-versa.

Although having said that, we did have some success in the education bill. We certainly came together as a country after September the 11th. I appreciate the strong bipartisan support for supporting our troops in harm's way. There's been a lot of instances of bipartisanship, but when you bring a tough issue up like Social Security, it -- sometimes people divide into camps.

I'm proud of my party. Our party has been the party of ideas. We said, here's a problem, and here's some ideas as to how to fix it. And as I've explained to some people, I don't want to politicize this issue -- people say, you didn't need to bring this up, Mr. President, it may cost you politically. I don't think so. I think the American people appreciate somebody bringing up tough issues, particularly when they understand the stakes: the system goes broke in 2041.

In 2027, for those listening, we'll be obligated to pay \$200 billion more dollars a year than we take in, in order to make sure the baby boomers get the benefits they've been promised. In other words, this is a serious problem, and the American people expect us to put our politics aside and get it done.

You know, I can't answer your question as to why. I'll continue to do my best. I've tried to make sure the dialogue is elevated. I don't believe I've resorted to name-calling here in Washington, D.C. I find that to not be productive. But I also understand the mind of the American people. They're wondering what's going on. They're wondering why we can't come together and get an energy bill, for example. They're wondering why we can't get Social Security done. And my pledge to the American people is, I'll continue to work hard to -- with people of both parties and share credit, and give people the benefit of the credit when we get something done.

Yes, sir.

Q Thank you, Mr. President. Just to follow up on Ed's question, we like to remind you that you came to Washington hoping to change the tone, and yet, here we are, three months into your second term and you seem

deadlocked with Democrats on issues like Bolton, DeLay, judges. Is there any danger that the atmosphere is becoming so poisoned, or that you're spending so much political capital that it could imperil your agenda items like Social Security, energy?

THE PRESIDENT: I don't think so, Bill. I think when it's all said and done, we're going to get a lot done. I mean, after all, one of the issues that people have been working on for a long time is class-action lawsuit reform, and I signed that bill. An issue that people have been working on for a long time is bankruptcy law reform, and I signed that bill. And the House got an energy bill out recently, and I talked to Senator Domenici the other day and he's upbeat about getting a bill out pretty quickly and get it to conference and get the issues resolved.

I'm pretty aware of what the issues might be that will hang up a conference, and I think we can get those issues resolved. We're more than willing to help out. So I do believe I'll get an energy bill by August.

There's a budget agreement, and I'm grateful for that. In other words, we are making progress. No question the Social Security issue is a big issue, but it's -- as I said before, we hadn't talked about this issue for 20 years. And they thought we had it fixed 20 years -- 22 years ago, for 75 years, and here we are, 22 years later after the fix, talking about it again. And it's serious business. If you're a grandmother or a grandfather listening, you're going to get your check. But your grandchildren are going to have a heck of a price to bear if we don't get something done now.

You see, it's possible if nothing gets done that the payroll taxes will go up to some 18 percent. Imagine that for your children and grandchildren, living in a society where payroll taxes are up at 18 percent. Or there will be dramatic benefit cuts as time goes on. Now is the time to get it done. And my pledge to the American people is that I'm going to stay on this issue because I know it's important for you.

Fletcher.

Q Yes, Mr. President. You had talked about North Korea and you mentioned that the six-party talks allow you to bring extra leverage to the table. But do you think they're working, given North Korea's continued threats and the continuing growth of their nuclear stockpile?

Q And how long do you let it go before you go to the U.N.?

THE PRESIDENT: No, I appreciate that question. I do think it's making a difference to have China and Japan and South Korea and Russia and the United States working together with North Korea. In my judgment, that's the only way to get this issue solved diplomatically, is to bring more than one party to the table to convince Kim Jong-il to give up his nuclear ambitions. And how far we let it go on is dependent upon our consensus amongst ourselves. Condi, the other day, laid out a potential option of going to the United Nations Security Council. Obviously, that's going to require the parties agreeing. After all, some of the parties in the process have got the capacity to veto a U.N. Security Council resolution.

So this is an issue we need to continue to work with our friends and allies. And the more Kim Jong-il threatens and brags, the more isolated he becomes. And we'll continue to work with China on this issue. I spend a lot of time dealing with Chinese leaders on North Korea, as do people in my administration. And I'll continue to work with our friends in Japan and South Korea. And Vladimir Putin understands the stakes, as well.

Mark.

Q Mr. President, under the law, how would you justify the practice of renditioning, where U.S. agents who brought terror suspects abroad, taking them to a third country for interrogation? And would you stand for it if foreign agents did that to an American here?

THE PRESIDENT: That's a hypothetical, Mark. We operate within the law and we send people to countries where they say they're not going to torture the people.

But let me say something: the United States government has an obligation to protect the American people. It's in our country's interests to find those who would do harm to us and get them out of harm's way. And we will do so

within the law, and we will do so in honoring our commitment not to torture people. And we expect the countries where we send somebody to, not to torture, as well. But you bet, when we find somebody who might do harm to the American people, we will detain them and ask others from their country of origin to detain them. It makes sense. The American people expect us to do that. We -- we still at war.

One of my -- I've said this before to you, I'm going to say it again, one of my concerns after September the 11th is the farther away we got from September the 11th, the more relaxed we would all become and assume that there wasn't an enemy out there ready to hit us. And I just can't let the American people -- I'm not going to let them down by assuming that the enemy is not going to hit us again. We're going to do everything we can to protect us. And we've got guidelines. We've got law. But you bet, Mark, we're going to find people before they harm us.

John McKinnon.

Q Yes, sir. I'd just like to ask, simply, what's your view of the economy right now? First-quarter growth came in weaker than expected, there have been worries about inflation and lower spending by consumers. Are these basically just bumps in the road, in your opinion, or are they reasons for some real concern and could they affect your agenda on Social Security?

THE PRESIDENT: I appreciate that, John. I am concerned about the economy because our small business owners and families are paying higher prices at the gas pump. And that affects the lives of a lot of people. If you're a small business owner and you have to pay higher gas prices and you're -- likely you may not hire a new worker. In other words, higher gas prices, as I have said, is like a tax on the -- on the small business job creators. And it's a tax on families. And I do think this has affected consumer sentiment; I do think it's affected the economy.

On the other hand, the experts tell me that the forecast of economic growth in the coming months looks good. There's more to do to make sure that we don't slip back into slow growth or negative growth. One is to make sure taxes stay low; secondly, is to continue to pursue legal reform. I hope we can get an asbestos reform bill out of both the House and the Senate. There's some positive noises on Capitol Hill as to whether or not we can get an asbestos reform bill. That will be an important reform in order to make sure that our economy continues to grow.

We need to continue to open up markets for U.S. products. As you know, there will be a vote for the Central American Free Trade Agreement here, hopefully soon. I'm a strong believer that that's in the interest of American job creators and workers, that we open up those markets. I know it's important geopolitically to say to those Central American countries, you've got a friend in America. We said we'd have an agreement with you, and it's important to ratify it. It'll help strengthen the neighborhood.

We've also got to make sure that we continue to reduce regulation. I think an important -- I know an important initiative that we're going to be coming forth with here probably in the fall is tax reform. I was amazed by the report the other day that there is some \$330 billion a year that goes unpaid by American taxpayers. It's a phenomenal amount of money. To me, it screams for making the tax system easier to understand, more fair and to make sure that people pay their taxes -- "more fair" means pay what you owe.

And so there are a lot of things we can do, John, to make sure economic growth continues. But I'm an optimistic fellow -- based not upon my own economic forecast -- I'm not an economist -- but based upon the experts that I listen to.

Let's see here. Richard. (Laughter.) There is somebody with a bad throat back there. (Laughter.)

Q Mr. President, you've made No Child Left Behind a big part of your education agenda. The nation's largest teachers union has filed suit against it, saying it's woefully inadequately funded. What's your response to that? And do you think that No Child Left Behind is working?

THE PRESIDENT: Yes, I think it's working. And the reason why I think it's working is because we're measuring, and the measurement is showing progress toward teaching people how to read and write and add and subtract. Listen, the whole theory behind No Child Left Behind is this: if we're going to spend federal money, we expect the states to show us whether or not we're achieving simple objectives -- like literacy, literacy in math, the ability to read and write. And, yes, we're making progress. And I can say that with certainty because we're measuring,

Richard.

Look, I'm a former governor, I believe states ought to control their own destiny when it comes to schools. They are by far the biggest funder of education, and it should remain that way. But we spend a lot of money here at the federal level and have increased the money we spend here quite dramatically at the federal level. And we changed the policy: instead of just spending money and hope for the best, we're now spending money and saying, measure.

And some people don't like to measure. But if you don't measure, how do you know whether or not you've got a problem in a classroom? I believe it's best to measure early and correct problems early, before it's too late. That's why as a part of the No Child Left Behind Act we had money available for remedial education. In other words, we said we're going to measure, and when we detect someone who needs extra help, that person will get extra help.

But, absolutely, it's a good piece of legislation. I will do everything I can to prevent people from unwinding it, by the way.

Q What about the lawsuit? Which --

THE PRESIDENT: Well, I don't know about the lawsuit; I'm not a lawyer. But, you know, I'll ask my lawyers about the lawsuit. But I know some people are trying to unwind No Child Left Behind. I've heard some states say, well, we don't like it. Well, you know, my attitude about not liking it is this: If you teach a child to read and write, it shouldn't bother you whether you measure. That's all we're asking.

The system for too long had just shuffled children through and just hoped for the best. And guess what happened? We had people graduating from high school who were illiterate -- and that's just not right in America. It wasn't working. And so I came to Washington and worked with both Republicans and Democrats -- this is a case where bipartisanship was really working well. And we said, look, we're going to spend more money at the federal level. But the federal government, what, spends about 7 percent of the total education budgets around the country.

But we said, let's change the attitude. We ought to start with the presumption every child can learn, not just some; and, therefore, if you believe every child can learn, then you ought to expect every classroom to teach. I hear feedback from No Child Left Behind, by the way -- and, admittedly, I get the cook's tour, sometimes -- but I hear teachers talk to me about how thrilled they are with No Child Left Behind; they appreciate the fact that the system now shows deficiencies early so they can correct those problems. And it is working.

Okay. Mr. Knox.

Q Thank you, Mr. President. I want to make sure I understand your answer to Mike about North Korea. He asked you how long you were prepared to let the multiparty talks proceed, in the face of what might be a gathering threat from North Korea, and you said, how long -- I'm paraphrasing -- how long we let it go on is dependent on our consensus among ourselves --

THE PRESIDENT: Yes.

Q Did you mean to say that you will neither refer North Korea to the U.N. for sanctions, nor take military action unless you have the agreement of all the other partners abroad?

THE PRESIDENT: No, I didn't speak about military -- I'm speaking about diplomatically. And secondly, yes, we've got partners. This is a six-party talk; five of us on the side of convincing Kim Jong-il to get rid of his nuclear weapons, and obviously, Kim Jong-il believes he ought to have some. And my point was that it is best -- if you have a group of people trying to achieve the same objective, it's best to work with those people, it's best to consult.

His question was, are you going to -- when are you going to -- when will there be consequences. And what we want to do is to work with our allies on this issue and develop a consensus, a common approach to the consequences of Kim Jong-il. I mean, it seems counterproductive to have five of us working together, and all of a

sudden, one of us say, well, we're not going to work together.

Again, I repeat to you, our aim is to solve this problem diplomatically. And like I've said before, all options, of course, are on the table, but the best way to solve this problem diplomatically is to work with four other nations who have all agreed in achieving the same goal, and that is a nuclear-free Korean Peninsula.

Final question. Hutch. I don't want to cut into some of these TV shows that are getting ready to air. (Laughter.) For the sake of the economy. (Laughter.)

Q I wanted to ask you about your ideas --

THE PRESIDENT: Is that all right? Go ahead, Hutch. Sorry.

Q I wanted to ask you about your ideas on dealing with Social Security solvency problems. As I understand it -- I know you'll tell me if I'm wrong -- the benefits would be equal to what -- at least equal to what they are today, and then any increase in benefits would be indexed according to income, with lower-income people getting bigger increases. Two things on that: Today's benefits probably won't mean much somewhere down the road; and how far are you going to go with this means-based program? Are you talking about --

THE PRESIDENT: Yes, I appreciate that.

Q -- where a rich person, say, Dick Cheney, wouldn't get much out of it?

THE PRESIDENT: Now, wait a minute, don't get personal here, Hutch. You're on national TV; that's a cheap shot. First of all, in terms of the definition of who would get -- whose benefits would rise faster and whose wouldn't, that's going to be a part of the negotiation process with the United States Congress. There's a -- a Democrat economist had a very -- he put forth this idea and he had a level of -- I think 30 percent of the people would be considered to be in a lower-income scale.

But this is to be negotiated. This is a part of the negotiation process. My job is to lay out an idea that I think will make the system more fair.

And the second question -- or the first question --

Q It's a means-based program where the real wealthy people might not get very much out of it.

THE PRESIDENT: It is -- that's right. I mean, obviously, it is means base when you're talking about lower-income versus wealthier income. The lower-income people's benefits would rise faster. And the whole goal would be to see to it that nobody retired in poverty. Somebody who has worked all their life and paid in the Social Security system would not retire into poverty.

One other point on Social Security that people have got to understand is that it's -- the system of today is not fair for a person whose spouse has died early. In other words, if you're a two-working family like families are here in America, and -- two people working in your family, and the spouse dies early -- before 62, for example -- all of the money that the spouse has put into the system is held there, and then when the other spouse retires, he or she gets to choose the benefits from his or her own work, or the other spouse's benefits, which is ever higher but not both. See what I'm saying? Somebody has worked all their life, the money they put into the system just goes away. It seems unfair to me. I've talked to too many people whose lives were turned upside down when the spouse died early and all they got was a burial benefit.

If you have a personal savings account, a voluntary personal savings account, and your -- and you die early, that's an asset you can leave to your spouse or to your children. That's an important thing for our fellow citizens to understand. The system today is not fair, particularly if the spouse has died early, and this will help remedy that.

Listen, thank you all for your interest. God bless our country.

END 9:01 P.M. EDT

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