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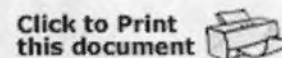
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State of the Union 2002



For Immediate Release
Office of the Press Secretary
January 29, 2002

President Delivers State of the Union Address

The President's State of the Union Address
The United States Capitol
Washington, D.C.

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9:15 P.M. EST

THE PRESIDENT: Thank you very much. Mr. Speaker, Vice President Cheney, members of Congress, distinguished guests, fellow citizens: As we gather tonight, our nation is at war, our economy is in recession, and the civilized world faces unprecedented dangers. Yet the state of our Union has never been stronger. (Applause.)

We last met in an hour of shock and suffering. In four short months, our nation has comforted the victims, begun to rebuild New York and the Pentagon, rallied a great coalition, captured, arrested, and rid the world of thousands of terrorists, destroyed Afghanistan's terrorist training camps, saved a people from starvation, and freed a country from brutal oppression. (Applause.)

The American flag flies again over our embassy in Kabul. Terrorists who once occupied Afghanistan now occupy cells at Guantanamo Bay. (Applause.) And terrorist leaders who urged followers to sacrifice their lives are running for their own. (Applause.)

America and Afghanistan are now allies against terror. We'll be partners in rebuilding that country. And this evening we welcome the distinguished interim leader of a liberated Afghanistan: Chairman Hamid Karzai. (Applause.)

The last time we met in this chamber, the mothers and daughters of Afghanistan were captives in their own homes, forbidden from working or going to school. Today women are free, and are part of Afghanistan's new government. And we welcome the new Minister of Women's Affairs, Doctor Sima Samar. (Applause.)

Our progress is a tribute to the spirit of the Afghan people, to the resolve of our coalition, and to the might of the United States military. (Applause.) When I called our troops into action, I did so with complete confidence in their courage and skill. And tonight, thanks to them, we are winning the war on terror. (Applause.) The man and women of our Armed Forces have delivered a message now clear to every enemy of the United States: Even 7,000 miles away, across oceans and continents, on mountaintops and in caves -- you will not escape the justice of this nation. (Applause.)

For many Americans, these four months have brought sorrow, and pain that will never completely go away. Every day a retired firefighter returns to Ground Zero, to feel closer to his two sons who died there. At a memorial in New York, a little boy left his football with a note for his lost father:

Dear Daddy, please take this to heaven. I don't want to play football until I can play with you again some day.

Last month, at the grave of her husband, Michael, a CIA officer and Marine who died in Mazur-e-Sharif, Shannon Spann said these words of farewell: "Semper Fi, my love." Shannon is with us tonight. (Applause.)

Shannon, I assure you and all who have lost a loved one that our cause is just, and our country will never forget the debt we owe Michael and all who gave their lives for freedom.

Our cause is just, and it continues. Our discoveries in Afghanistan confirmed our worst fears, and showed us the true scope of the task ahead. We have seen the depth of our enemies' hatred in videos, where they laugh about the loss of innocent life. And the depth of their hatred is equaled by the madness of the destruction they design. We have found diagrams of American nuclear power plants and public water facilities, detailed instructions for making chemical weapons, surveillance maps of American cities, and thorough descriptions of landmarks in America and throughout the world.

What we have found in Afghanistan confirms that, far from ending there, our war against terror is only beginning. Most of the 19 men who hijacked planes on September the 11th were trained in Afghanistan's camps, and so were tens of thousands of others. Thousands of dangerous killers, schooled in the methods of murder, often supported by outlaw regimes, are now spread throughout the world like ticking time bombs, set to go off without warning.

Thanks to the work of our law enforcement officials and coalition partners, hundreds of terrorists have been arrested. Yet, tens of thousands of trained terrorists are still at large. These enemies view the entire world as a battlefield, and we must pursue them wherever they are. (Applause.) So long as training camps operate, so long as nations harbor terrorists, freedom is at risk. And America and our allies must not, and will not, allow it. (Applause.)

Our nation will continue to be steadfast and patient and persistent in the pursuit of two great objectives. First, we will shut down terrorist camps, disrupt terrorist plans, and bring terrorists to justice. And, second, we must prevent the terrorists and regimes who seek chemical, biological or nuclear weapons from threatening the United States and the world. (Applause.)

Our military has put the terror training camps of Afghanistan out of business, yet camps still exist in at least a dozen countries. A terrorist underworld -- including groups like Hamas, Hezbollah, Islamic Jihad, Jaish-i-Mohammed -- operates in remote jungles and deserts, and hides in the centers of large cities.

While the most visible military action is in Afghanistan, America is acting elsewhere. We now have troops in the Philippines, helping to train that country's armed forces to go after terrorist cells that have executed an American, and still hold hostages. Our soldiers, working with the Bosnian government, seized terrorists who were plotting to bomb our embassy. Our Navy is patrolling the coast of Africa to block the shipment of weapons and the establishment of terrorist camps in Somalia.

My hope is that all nations will heed our call, and eliminate the terrorist parasites who threaten their countries and our own. Many nations are acting forcefully. Pakistan is now cracking down on terror, and I admire the strong leadership of President Musharraf. (Applause.)

But some governments will be timid in the face of terror. And make no mistake about it: If they do not act, America will. (Applause.)

Our second goal is to prevent regimes that sponsor terror from threatening America or our friends and allies with weapons of mass destruction. Some of these regimes have been pretty quiet since September the 11th. But we know their true nature. North Korea is a regime arming with missiles and weapons of mass destruction, while starving its citizens.

Iran aggressively pursues these weapons and exports terror, while an unelected few repress the Iranian people's hope for freedom.

Iraq continues to flaunt its hostility toward America and to support terror. The Iraqi regime has plotted to develop anthrax, and nerve gas, and nuclear weapons for over a decade. This is a regime that has already used poison gas to murder thousands of its own citizens -- leaving the bodies of mothers huddled over their dead children. This is a regime that agreed to international inspections -- then kicked out the inspectors. This is a regime that has something to hide from the civilized world.

States like these, and their terrorist allies, constitute an axis of evil, arming to threaten the peace of the world. By seeking weapons of mass destruction, these regimes pose a grave and growing danger. They could provide these arms to terrorists, giving them the means to match their hatred. They could attack our allies or attempt to blackmail the United States. In any of these cases, the price of indifference would be catastrophic.

We will work closely with our coalition to deny terrorists and their state sponsors the materials, technology, and expertise to make and deliver weapons of mass destruction. We will develop and deploy effective missile defenses to protect America and our allies from sudden attack. (Applause.) And all nations should know: America will do what is necessary to ensure our nation's security.

We'll be deliberate, yet time is not on our side. I will not wait on events, while dangers gather. I will not stand by, as peril draws closer and closer. The United States of America will not permit the world's most dangerous regimes to threaten us with the world's most destructive weapons. (Applause.)

Our war on terror is well begun, but it is only begun. This campaign may not be finished on our watch -- yet it must be and it will be waged on our watch.

We can't stop short. If we stop now -- leaving terror camps intact and terror states unchecked -- our sense of security would be false and temporary. History has called America and our allies to action, and it is both our responsibility and our privilege to fight freedom's fight. (Applause.)

Our first priority must always be the security of our nation, and that will be reflected in the budget I send to Congress. My budget supports three great goals for America: We will win this war; we'll protect our homeland; and we will revive our economy.

September the 11th brought out the best in America, and the best in this Congress. And I join the American people in applauding your unity and resolve. (Applause.) Now Americans deserve to have this same spirit directed toward addressing problems here at home. I'm a proud member of my party -- yet as we act to win the war, protect our people, and create jobs in America, we must act, first and foremost, not as Republicans, not as Democrats, but as Americans. (Applause.)

It costs a lot to fight this war. We have spent more than a billion dollars a month -- over \$30 million a day -- and we must be prepared for future operations. Afghanistan proved that expensive precision weapons defeat the enemy and spare innocent lives, and we need more of them. We need to replace aging aircraft and make our military more agile, to put our troops anywhere in the world quickly and safely. Our men and women in uniform deserve the best weapons, the best equipment, the best training -- and they also deserve another pay raise. (Applause.)

My budget includes the largest increase in defense spending in two decades -- because while the price of freedom and security is high, it is never too high. Whatever it costs to defend our country, we will pay. (Applause.)

The next priority of my budget is to do everything possible to protect our citizens and strengthen our nation against the ongoing threat of another attack. Time and distance from the events of September the 11th will not make us safer unless we act on its lessons. America is no longer protected by vast oceans. We are protected from attack only by vigorous action abroad, and increased vigilance at home.

My budget nearly doubles funding for a sustained strategy of homeland security, focused on four key areas: bioterrorism, emergency response, airport and border security, and improved intelligence. We will develop vaccines to fight anthrax and other deadly diseases. We'll increase funding to help states and communities train and equip our heroic police and firefighters.

(Applause.) We will improve intelligence collection and sharing, expand patrols at our borders, strengthen the security of air travel, and use technology to track the arrivals and departures of visitors to the United States. (Applause.)

Homeland security will make America not only stronger, but, in many ways, better. Knowledge gained from bioterrorism research will improve public health. Stronger police and fire departments will mean safer neighborhoods. Stricter border enforcement will help combat illegal drugs.

(Applause.) And as government works to better secure our homeland, America will continue to depend on the eyes and ears of alert citizens.

A few days before Christmas, an airline flight attendant spotted a passenger lighting a match. The crew and passengers quickly subdued the man, who had been trained by al Qaeda and was armed with explosives. The people on that plane were alert and, as a result, likely saved nearly 200 lives. And tonight we welcome and thank flight attendants Hermis Moutardier and Christina Jones. (Applause.)

Once we have funded our national security and our homeland security, the final great priority of my budget is economic security for the American people. (Applause.) To achieve these great national objectives -- to win the war, protect the homeland, and revitalize our economy -- our budget will run a deficit that will be small and short-term, so long as Congress restrains spending and acts in a fiscally responsible manner. (Applause.) We have clear priorities and we must act at home with the same purpose and resolve we have shown overseas: We'll prevail in the war, and we will defeat this recession. (Applause.)

Americans who have lost their jobs need our help and I support extending unemployment benefits and direct assistance for health care coverage. (Applause.) Yet, American workers want more than unemployment checks -- they want a steady paycheck. (Applause.) When America works, America prospers, so my economic security plan can be summed up in one word: jobs. (Applause.)

Good jobs begin with good schools, and here we've made a fine start. (Applause.) Republicans and Democrats worked together to achieve historic education reform so that no child is left behind. I was proud to work with members of both parties: Chairman John Boehner and Congressman George Miller. (Applause.) Senator Judd Gregg. (Applause.) And I was so proud of our work, I even had nice things to say about my friend, Ted Kennedy. (Laughter and applause.) I know the folks at the Crawford coffee shop couldn't believe I'd say such a thing -- (laughter) -- but our work on this bill shows what is possible if we set aside posturing and focus on results. (Applause.)

There is more to do. We need to prepare our children to read and succeed in school with improved Head Start and early childhood development programs. (Applause.) We must upgrade our teacher

colleges and teacher training and launch a major recruiting drive with a great goal for America: a quality teacher in every classroom. (Applause.)

Good jobs also depend on reliable and affordable energy. This Congress must act to encourage conservation, promote technology, build infrastructure, and it must act to increase energy production at home so America is less dependent on foreign oil. (Applause.)

Good jobs depend on expanded trade. Selling into new markets creates new jobs, so I ask Congress to finally approve trade promotion authority. (Applause.) On these two key issues, trade and energy, the House of Representatives has acted to create jobs, and I urge the Senate to pass this legislation. (Applause.)

Good jobs depend on sound tax policy. (Applause.) Last year, some in this hall thought my tax relief plan was too small; some thought it was too big. (Applause.) But when the checks arrived in the mail, most Americans thought tax relief was just about right. (Applause.) Congress listened to the people and responded by reducing tax rates, doubling the child credit, and ending the death tax. For the sake of long-term growth and to help Americans plan for the future, let's make these tax cuts permanent. (Applause.)

The way out of this recession, the way to create jobs, is to grow the economy by encouraging investment in factories and equipment, and by speeding up tax relief so people have more money to spend. For the sake of American workers, let's pass a stimulus package. (Applause.)

Good jobs must be the aim of welfare reform. As we reauthorize these important reforms, we must always remember the goal is to reduce dependency on government and offer every American the dignity of a job. (Applause.)

Americans know economic security can vanish in an instant without health security. I ask Congress to join me this year to enact a patients' bill of rights -- (applause) -- to give uninsured workers credits to help buy health coverage -- (applause) -- to approve an historic increase in the spending for veterans' health -- (applause) -- and to give seniors a sound and modern Medicare system that includes coverage for prescription drugs. (Applause.)

A good job should lead to security in retirement. I ask Congress to enact new safeguards for 401K and pension plans. (Applause.) Employees who have worked hard and saved all their lives should not have to risk losing everything if their company fails. (Applause.) Through stricter accounting standards and tougher disclosure requirements, corporate America must be made more accountable to employees and shareholders and held to the highest standards of conduct. (Applause.)

Retirement security also depends upon keeping the commitments of Social Security, and we will. We must make Social Security financially stable and allow personal retirement accounts for younger workers who choose them. (Applause.)

Members, you and I will work together in the months ahead on other issues: productive farm policy -- (applause) -- a cleaner environment -- (applause) -- broader home ownership, especially among minorities -- (applause) -- and ways to encourage the good work of charities and faith-based groups. (Applause.) I ask you to join me on these important domestic issues in the same spirit of cooperation we've applied to our war against terrorism. (Applause.)

During these last few months, I've been humbled and privileged to see the true character of this country in a time of testing. Our enemies believed America was weak and materialistic, that we would splinter in fear and selfishness. They were as wrong as they are evil. (Applause.)

The American people have responded magnificently, with courage and compassion, strength and resolve. As I have met the heroes, hugged the families, and looked into the tired faces of rescuers, I have stood in awe of the American people.

And I hope you will join me -- I hope you will join me in expressing thanks to one American for the strength and calm and comfort she brings to our nation in crisis, our First Lady, Laura Bush. (Applause.)

None of us would ever wish the evil that was done on September the 11th. Yet after America was attacked, it was as if our entire country looked into a mirror and saw our better selves. We were reminded that we are citizens, with obligations to each other, to our country, and to history. We began to think less of the goods we can accumulate, and more about the good we can do.

For too long our culture has said, "If it feels good, do it." Now America is embracing a new ethic and a new creed: "Let's roll." (Applause.) In the sacrifice of soldiers, the fierce brotherhood of firefighters, and the bravery and generosity of ordinary citizens, we have glimpsed what a new culture of responsibility could look like. We want to be a nation that serves goals larger than self. We've been offered a unique opportunity, and we must not let this moment pass. (Applause.)

My call tonight is for every American to commit at least two years -- 4,000 hours over the rest of your lifetime -- to the service of your neighbors and your nation. (Applause.) Many are already serving, and I thank you. If you aren't sure how to help, I've got a good place to start. To sustain and extend the best that has emerged in America, I invite you to join the new USA Freedom Corps. The Freedom Corps will focus on three areas of need: responding in case of crisis at home; rebuilding our communities; and extending American compassion throughout the world.

One purpose of the USA Freedom Corps will be homeland security. America needs retired doctors and nurses who can be mobilized in major emergencies; volunteers to help police and fire departments; transportation and utility workers well-trained in spotting danger.

Our country also needs citizens working to rebuild our communities. We need mentors to love children, especially children whose parents are in prison. And we need more talented teachers in troubled schools. USA Freedom Corps will expand and improve the good efforts of AmeriCorps and Senior Corps to recruit more than 200,000 new volunteers.

And America needs citizens to extend the compassion of our country to every part of the world. So we will renew the promise of the Peace Corps, double its volunteers over the next five years -- (applause) -- and ask it to join a new effort to encourage development and education and opportunity in the Islamic world. (Applause.)

This time of adversity offers a unique moment of opportunity -- a moment we must seize to change our culture. Through the gathering momentum of millions of acts of service and decency and kindness, I know we can overcome evil with greater good. (Applause.) And we have a great opportunity during this time of war to lead the world toward the values that will bring lasting peace.

All fathers and mothers, in all societies, want their children to be educated, and live free from poverty and violence. No people on Earth yearn to be oppressed, or aspire to servitude, or eagerly await the midnight knock of the secret police.

If anyone doubts this, let them look to Afghanistan, where the Islamic "street" greeted the fall of tyranny with song and celebration. Let the skeptics look to Islam's own rich history, with its centuries of learning, and tolerance and progress. America will lead by defending liberty and justice because they are right and true and unchanging for all people everywhere. (Applause.)

No nation owns these aspirations, and no nation is exempt from them. We have no intention of imposing our culture. But America will always stand firm for the non-negotiable demands of human dignity: the rule of law; limits on the power of the state; respect for women; private property; free speech; equal justice; and religious tolerance. (Applause.)

America will take the side of brave men and women who advocate these values around the world, including the Islamic world, because we have a greater objective than eliminating threats and containing resentment. We seek a just and peaceful world beyond the war on terror.

In this moment of opportunity, a common danger is erasing old rivalries. America is working with Russia and China and India, in ways we have never before, to achieve peace and prosperity. In every region, free markets and free trade and free societies are proving their power to lift lives. Together with friends and allies from Europe to Asia, and Africa to Latin America, we will demonstrate that the forces of terror cannot stop the momentum of freedom. (Applause.)

The last time I spoke here, I expressed the hope that life would return to normal. In some ways, it has. In others, it never will. Those of us who have lived through these challenging times have been changed by them. We've come to know truths that we will never question: evil is real, and it must be opposed. (Applause.) Beyond all differences of race or creed, we are one country, mourning together and facing danger together. Deep in the American character, there is honor, and it is stronger than cynicism. And many have discovered again that even in tragedy -- especially in tragedy -- God is near. (Applause.)

In a single instant, we realized that this will be a decisive decade in the history of liberty, that we've been called to a unique role in human events. Rarely has the world faced a choice more clear or consequential.

Our enemies send other people's children on missions of suicide and murder. They embrace tyranny and death as a cause and a creed. We stand for a different choice, made long ago, on the day of our founding. We affirm it again today. We choose freedom and the dignity of every life. (Applause.)


Steadfast in our purpose, we now press on. We have known freedom's price. We have shown freedom's power. And in this great conflict, my fellow Americans, we will see freedom's victory.

Thank you all. May God bless. (Applause.)

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STATE OF THE UNION PREVIEW

America faces a unique moment in history: our nation is at war, our homeland was attacked, and our economy is in recession. In the State of the Union speech, President Bush will commit our nation to achieving three great goals of our time:

- ✓ **To Win the War on Terrorism;**
 - ✓ **Strengthen Protections of our Homeland; and**
 - ✓ **Revitalize Our Economy and Create Jobs.**
- **National Security.** Our fight against terrorism began in Afghanistan, but it will not end there. President Bush will discuss the keys to ultimate victory by rooting out global terrorism wherever it exists and protecting America and our allies against chemical and biological attacks. Whatever it takes to win the war on terrorism and defend our country, our nation must and will provide it.
- **Homeland Security.** The President will outline plans to strengthen protections against future attacks at home by improving intelligence activities, tightening our borders, protecting our airports and airplanes and dramatically increasing funding to equip and train firefighters, law enforcement, and emergency medical personnel.
- **Economic Security.** The President's economic agenda can be summed up in one word: **jobs**. The president understands that a broad agenda to create jobs and strong economy requires a good **education**, reliable and affordable **health care (including prescription drugs)**, a **secure retirement**, a comprehensive **energy policy**, and new markets for America's products through **expanded trade**.

There has been a broad and bipartisan commitment to winning the war on terrorism. The President wants to bring the same focus and bipartisan commitment to work to address America's needs here at home.

The President will also discuss how we can preserve and extend the great good we've seen come out of the evil of September 11th - not only to extend and strengthen our values throughout America, but throughout the world.

A RECORD OF ACCOMPLISHMENT FOR THE AMERICAN PEOPLE

At his July 8 press conference, President Bush called on Congress to pass Trade Promotion Authority, tough new corporate accountability legislation, and his proposal to create the Department of Homeland Security. In the month of accomplishments following the President's press conference, Congress took action on all three.

This is just the latest chapter in a Presidency of accomplishments. History shows that most Presidents in their first term achieve one or two major domestic accomplishments. In less than two years, President Bush will have signed at least four major priorities into law.

- ☑ The President proposed and signed historic education reforms to hold schools accountable for results and ensure that every no child in America is left behind.
- ☑ The President proposed and signed tax relief that boosted our economy, created jobs, and put money in people's pockets when they needed it most. The President also signed an economic stimulus bill giving short-term help to displaced workers and long-term stimulus to create more jobs across America.
- ☑ The President proposed and signed tough corporate accountability legislation that will expose and punish acts of corruption, move corporate accounting out of the shadows, and protect small investors.
- ☑ The President proposed and will soon sign Trade Promotion Authority legislation to help create new American jobs and boost our economy by opening foreign markets to U.S. products and services.

ACTION ON OTHER PRESIDENTIAL PRIORITIES

Strengthening Homeland Security. The President has signed legislation to increase aviation security, enhance border security, improve protections from bioterrorism, and expand the ability of law enforcement to prevent terrorism. The President proposed and the House of Representatives passed legislation creating the new Department of Homeland Security – the most significant transformation of the U.S. government in over a half-century.

Winning the War Against Terrorism. The President signed legislation to help win the war against terrorism, pay our troops, strengthen airport security and help New York City recover from the terrorist attacks. Both the House and Senate have passed the President's historic increases in defense spending to boost national security.

Protecting Pensions. The President's proposed pension reforms will give Americans more control over their pensions and better access to investment advice. The House of Representatives passed pension reform on April 11.

Reducing America's Dependence on Foreign Oil. The President sent Congress his comprehensive and balanced plan to increase energy conservation, create new American jobs, and reduce our nation's dependence on foreign oil. The House passed energy legislation on August 2, 2001 and the Senate passed energy legislation on April 25.

Issuing a National Call to Service. The President created the USA Freedom Corps to foster a culture of service, citizenship, and responsibility. Since then, interest in volunteer service has skyrocketed. The USA Freedom Corps is matching volunteers with organizations in record numbers to prepare for crises at home, help those in need, and extend American compassion around the world.

Protecting Family Farmers and Promoting Agriculture. On May 13, the President signed legislation into law creating a safety net for the American farmers who feed our Nation and much of the world.

Rallying America's Armies of Compassion. The President's faith-based proposal to rally America's armies of compassion to help those most in need passed the House on July 19.

Cleaning Up Our Environment. The President signed brownfields legislation that will encourage the restoration and redevelopment of old industrial properties - cleaning up our environment, creating new jobs and protecting small businesses from frivolous lawsuits.

Helping Seniors to Afford Prescription Drugs. While the Senate remains mired in debate, the President has taken action by proposing a prescription drug discount card for seniors that will help reduce expensive drug bills. The House passed a plan to provide prescription drugs to seniors on June 28.

Reforming the Campaign Finance System. The President signed legislation to improve our campaign finance system.

A NEW ETHIC OF CORPORATE RESPONSIBILITY

Today in New York President Bush will call for a new ethic of responsibility in America's corporate community. The President wants to expose and punish acts of corruption, move corporate accounting out of the shadows, and protect small investors and pension holders. The President will unveil tough new criminal penalties and enforcement provisions to punish those who refuse to play by the rules and threaten to undermine the integrity of our financial markets:

- ☑ The President will sign an Executive Order creating a Corporate Fraud Task Force to provide direction for investigations and prosecutions of criminal activity. The Task Force will provide oversight and enable improved inter-agency coordination of civil and criminal investigations.
- ☑ The President proposes doubling the maximum prison term for mail fraud and wire fraud to ten years (mail fraud and wire fraud statutes are often used in cases involving corporate wrongdoing).
- ☑ The President calls on the U.S. Sentencing Commission to enhance prison time for criminal fraud when committed by corporate officers and directors.
- ☑ The President proposes strengthening laws that criminalize document shredding and other forms of obstruction of justice.
- ☑ The President proposes new provisions to strengthen the ability of the Securities and Exchange Commission (SEC) to freeze improper payments to corporate executives while a company is under investigation.
- ☑ The President calls on public companies' compensation committees to prevent corporate officers from receiving loans from their companies.
- ☑ The President challenges CEOs to comply with the spirit of existing disclosure rules by explaining how their compensation packages are in the best interests of their companies' shareholders, and describing in plain English in their companies' annual reports every detail of their compensation packages.
- ☑ The President urges Congress to take immediate action to pass the \$20 million funding increase requested earlier this year so that the SEC can hire 100 new enforcement officers. The President also urges Congress to provide an additional \$100 million in FY 2003 to enable the SEC to hire more enforcement officers and provide them with state-of-the-art technology. The new funds – combined with the President's proposed FY 2003 budget – represent more than a 20 percent increase for the SEC in FY 2003.
- ☑ The President calls on the nation's stock markets to require that a majority of a company's directors be truly independent so that they have no material relationship with the company. The President also calls for all members of a company's audit committee, nominating committee, and compensation committee to be truly independent.
- ☑ The President calls on the nation's stock markets to require listed companies to receive shareholder approval for all stock option plans.

THE ADMINISTRATION'S STRONG RECORD OF ENFORCEMENT & REFORM

- DOJ prosecuted Arthur Anderson for obstruction of justice and the firm was found guilty.
- On June 27, the SEC issued an order requiring CEOs and CFOs of the largest companies (947 companies, each with annual revenues in excess of \$1.2 billion) to personally re-certify the accuracy, fairness and completeness of their disclosures through the prior fiscal year.

- Since the President unveiled his reform agenda on March 7, the SEC has sought the disgorgement of compensation and trading profits, including bonuses and stock options, in four new cases -- equal to the number of cases that were brought during all of last year.
- The SEC has already sought 54 officer and director bars in court proceedings in the first eight months of this fiscal year -- 40% more than were sought in fiscal year 2000.
- On June 20 the SEC proposed strong new rules to create an independent regulatory board to oversee the accounting industry and see that the accounting profession is held to the highest ethical standards.
- The SEC has proposed new rules that require companies to disclose their "critical accounting" choices in their public filings.
- The SEC has proposed new rules will to accelerate the filing deadlines for quarterly reports (45 days to 30 days) and annual reports (90 days to 60 days).
- The SEC has proposed rules to more than triple the list of items that must be reported between filing periods -- including insider sales of stock, loans made to executives by companies, departures of the company's executives and gain or loss of material customers.
- The SEC has proposed rules to require corporate executives to personally vouch for their companies' public disclosures.
- The SEC has proposed rules to require that most corporate director and officer transactions in their companies' securities and other financial instruments must be filed within two business days. Currently, corporate insiders are not required to file reports of their activities in their company's stock for periods of up to 410 days.
- The SEC is seeking to require that all public companies have independent audit committees that will have the sole responsibility of hiring, firing and retaining independent auditors.
- The SEC is drafting rules that will ban all non-audit services, unless approved in advance by an independent audit committee of the board of directors. The SEC is also seeking to improve disclosure rules so that investors can have a better understanding of the fees paid to auditing firms and their affiliates.

THE PRESIDENT'S COMPREHENSIVE CORPORATE REFORM AGENDA

Today's tough new enforcement initiatives build on the 10-point reform plan the President announced in March. The President has an aggressive corporate reform agenda:

- ◆ **Expose and punish acts of corruption;**
- ◆ **Hold corporate officers more accountable;**
- ◆ **Protect small investors and pension holders;**
- ◆ **Move corporate accounting out of the shadows;**
- ◆ **Develop a stronger and more independent corporate audit system; and**
- ◆ **Provide better information to investors.**

EXPOSING AND PUNISHING ACTS OF CORRUPTION -- HOLDING CORPORATE OFFICERS MORE ACCOUNTABLE

The Administration will use the full weight of the law to expose and punish corruption. Corporate officers hold offices of high trust and they should face stiffer penalties when they break the law. Corporate leaders who violate the public trust should never be given that trust again. The President proposes to:

- Double the maximum prison term for mail fraud and wire fraud to ten years, and increase the prison time served for fraud committed by corporate leaders.
- Create a new Corporate Fraud Task Force to increase DOJ's ability to oversee and coordinate the investigation and prosecution of fraud and related criminal activity.
- Empower the SEC to freeze improper payments to corporate executives while a company is under investigation.
- End the practice of allowing corporate officers to receive loans from their companies.
- Prevent CEOs or other officers from profiting from erroneous financial statements.
- Ensure that CEOs or other officers who clearly abuse their power lose their right to serve in any corporate leadership positions.
- Require corporate leaders to tell the public promptly whenever they buy or sell company stock for personal gain.
- Strengthen laws that criminalize document shredding and other forms of obstruction of justice.
- Challenge CEOs in America to fully comply with the spirit of existing SEC rules by explaining prominently and in clear English why their compensation packages are in the best interests of their companies.
- Strengthen the SEC by seeking an additional \$100 million in FY 2003 for the SEC to help hire more enforcement agents and improve other prosecutorial activities.

MOVING CORPORATE ACCOUNTING OUT OF THE SHADOWS

The investing public needs a true, fair, timely and accurate picture of the assets, liabilities and income of publicly-traded companies. Greater transparency will expose bad companies and protect the reputations of good ones. Firms must attract investment by demonstrating their strengths, not by hiding their weaknesses.

- An independent regulatory board should ensure that the accounting profession is held to the highest ethical standards.
- CEOs should personally vouch for the veracity, timeliness, and fairness of their companies' public disclosures, including their financial statements.
- Firms' accounting systems should be compared with best practices, not simply against minimum standards.

PROTECTING SMALL INVESTORS AND PENSION HOLDERS & IMPROVING INVESTOR INFORMATION

More than 80 million Americans own stock and many of them are new to the market. Buying stock gives Americans the opportunity to build wealth over the long term and create brighter futures for themselves and their families. To encourage stock ownership, we must make sure that analysts give honest advice, based on honest accounting, and honest and timely information. In addition, employees should be afforded protections in the administration of their 401(K) plans so that they have meaningful information, flexibility and confidence in their holdings.

- Financial statements, annual reports, and other critical disclosure documents must be written in a straightforward, easily understandable form.
- Each investor should have prompt access to critical information.
- Each investor should have quarterly access to the information needed to judge a firm's financial performance, condition, and risks.
- Investors should have complete confidence in the independence and integrity of companies' auditors.
- The authors of accounting standards must be responsive to the needs of investors.
- Employees should be able to sell their company's stock and diversify into other investment options after 3 years of holding stock in their 401(K) plans.
- Employees should be able to get sound advice on investing and diversifying their 401(K) accounts.

THE PRESIDENT'S AGENDA FOR LONG-TERM GROWTH & PROSPERITY

PRESIDENTIAL ACTION

The President has called for a new ethic of responsibility in corporate America. This new ethic of responsibility must be based on the highest standards of conduct -- honesty and fairness, loyalty and lawfulness, and a commitment to excellence and integrity. The Administration is enforcing high standards with the full power of the law. The corporate world must enforce standards by shaming those who break it. And every shareholder should demand high standards from corporations they ultimately own.

The American economy is constructed on confidence -- the confidence to invest and build, to take risks and create, and to produce and hire. The President wants to build the confidence of this economy by:

- ☑ **Fostering long-term economic growth;**
- ☑ **Restraining runaway congressional spending; and**
- ☑ **Enforcing the highest ethical standards in corporate America.**

The President has an aggressive agenda to help foster long-term growth and prosperity, and to help usher in a new era of integrity in American business. The President wants to help ensure that everyone who wants a job can find one.

FOSTERING LONG-TERM ECONOMIC GROWTH

The President's has an aggressive, pro-growth agenda to help foster long-term economic growth and create new American jobs:

- ◆ **Making Tax Relief Permanent.** Last year, we passed the largest tax cut in a generation which helped boost consumer spending at a critical time for our economy. To encourage growth in job creation, we must protect the lower tax rates we have enacted by making tax cuts permanent. That includes eliminating the death tax once and for all.
- ◆ **Expanding Trade.** Expanding trade means better jobs for American workers. For more than a year Congress has debated Trade Promotion Authority. During this period, other countries have expanded their markets while America has been forced to the sidelines of trade negotiations. It is time for Congress to stop talking and start acting. Congress should act now to give the President Trade Promotion Authority so that he can help create new and better American jobs.
- ◆ **Terrorism Insurance.** Congress should send the President a terrorism insurance bill that assures that insurance companies help cover losses due to terrorist acts. Without terrorism insurance, construction projects are coming to a halt and workers are losing jobs. Congress should pass terrorism insurance and create jobs for workers, not trial lawyers.
- ◆ **Improving Education.** A growing economy depends on a well-educated workforce. Too many public schools in America are not educating young people. The President earlier this year signed the No Child Left Behind Act, legislation which has begun a new and hopeful era for American education.

DISCIPLINE IN GOVERNMENT SPENDING

- ◆ The President will enforce fiscal discipline on Congress, because when spending is out of control, deficits increase and our economic growth is hindered. Congress must control its enormous appetite for excessive spending, so we can meet our national priorities without undermining our economy.
- ◆ Four months ago the President submitted an urgent request to fund the war on terror and improve airport security. The Senate has held up that request because it wants billions more added for unrelated programs. Some Senators seem intent on funding anything and everything – except the things that matter most. In a time of war, our troops should not be starved for funds. In a national emergency, airline security should not be cut back. The Senate is refusing to act because it wants to spend billions of more dollars on unnecessary programs. It is holding up spending on what we do need in order to pay for things we don't need. The Senate must end its addiction to spending while still funding essential programs of our government.
- ◆ The Senate has also failed to pass a budget framework for the upcoming fiscal year. The Senate is returning to business as usual – and we must not allow it to go on a spending binge that will damage our economy. Unless the Congress controls its spending, we will face a decade of deficits, and the President will insist on discipline in federal spending.

RESTORING PUBLIC CONFIDENCE IN CORPORATE AMERICA

The President has proposed far-reaching corporate reforms to help enforce the highest ethical standards for American businesses. These reforms include:

- Doubling jail time for financial fraud.
- Creating a Corporate Fraud Task Force to expose corporate crime and punish corporate wrongdoers.
- Ensuring that corporate executives cannot transfer company funds to their personal accounts while their company is under investigation.
- Significantly increasing the number of enforcement officers at the SEC.
- Ensuring that executives who commit improper acts forfeit their phony profits.
- Creating a strong, independent board that will provide effective oversight of the accounting profession.
- Implementing tough new rules to ensure that research analysts are independent. Analysts should be trustworthy advisors, not conflicted salesmen with hidden agendas.
- Challenging every CEO in America to describe in the company's annual report – prominently and in plain English – details of his or her salary, bonuses, and benefits.

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