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Barack Obama

Rose Garden Speech on Economic Growth and Debt Reduction



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Good morning, everybody. Please have a seat.

A week ago today, I sent Congress the American Jobs Act. It's a plan that will lead to new jobs for teachers, for construction workers, for veterans, and for the unemployed. It will cut taxes for every small business owner and virtually every working man and woman in America. And the proposals in this jobs bill are the kinds that have been supported by Democrats and Republicans in the past. So there shouldn't be any reason for Congress to drag its feet. They should pass it right away. I'm ready to sign a bill. I've got the pens all ready.

Now, as I said before, Congress should pass this bill knowing that every proposal is fully paid for. The American Jobs Act will not add to our nation's debt. And today, I'm releasing a plan that details how to pay for the jobs bill while also paying down our debt over time.

And this is important, because the health of our economy depends in part on what we do right now to create the conditions where businesses can hire and middle-class families can feel a basic measure of economic security. But in the long run, our prosperity also depends on our ability to pay down the massive debt we've accumulated over the past decade in a way that allows us to meet our responsibilities to each other and to the future.

During this past decade, profligate spending in Washington, tax cuts for multi-millionaires and billionaires, the cost of two wars, and the recession turned a record surplus into a yawning deficit, and that left us with a big pile of IOUs. If we don't act, that burden will ultimately fall on our children's shoulders. If we don't act, the growing debt will eventually crowd out everything else, preventing us from investing in things like education, or sustaining programs like Medicare.



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So Washington has to live within its means. The government has to do what families across this country have been doing for years. We have to cut what we can't afford to pay for what really matters. We need to invest in what will promote hiring and economic growth now while still providing the confidence that will come with a plan that reduces our deficits over the long-term.

These principles were at the heart of the deficit framework that I put forward in April. It was an approach to shrink the deficit as a share of the economy, but not to do so so abruptly with spending cuts that would hamper growth or prevent us from helping small businesses and middle-class families get back on their feet.

It was an approach that said we need to go through the budget line-by-line looking for waste, without shortchanging education and basic scientific research and road construction, because those things are essential to our future. And it was an approach that said we shouldn't balance the budget on the backs of the poor and the middle class; that for us to solve this problem, everybody, including the wealthiest Americans and biggest corporations, have to pay their fair share.

Now, during the debt ceiling debate, I had hoped to negotiate a compromise with the Speaker of the House that fulfilled these principles and achieved the \$4 trillion in deficit reduction that leaders in both parties have agreed we need -- a grand bargain that would have strengthened our economy, instead of weakened it. Unfortunately, the Speaker walked away from a balanced package. What we agreed to instead wasn't all that grand. But it was a start -- roughly \$1 trillion in cuts to domestic spending and defense spending.

Everyone knows we have to do more, and a special joint committee of Congress is assigned to find more deficit reduction. So, today, I'm laying out a set of specific proposals to finish what we started this summer -- proposals that live up to the principles I've talked about from the beginning. It's a plan that reduces our debt by more than \$4 trillion, and achieves these savings in a way that is fair -- by asking everybody to do their part so that no one has to bear too much of the burden on their own.

All told, this plan cuts \$2 in spending for every dollar in new revenues. In addition to the \$1 trillion in spending that we've already cut from the budget, our plan makes additional spending cuts that need to happen if we're to solve this problem. We reform agricultural subsidies -- subsidies that a lot of times pay large farms for crops that they don't grow. We make modest adjustments to federal retirement programs. We reduce by tens of billions of dollars the tax money that goes to Fannie Mae and Freddie Mac. We also ask the largest financial firms -- companies saved by tax dollars during the financial crisis -- to repay the American people for every dime that we spent. And we save an additional \$1 trillion as we end the wars in Iraq and Afghanistan.

These savings are not only counted as part of our plan, but as part of the budget plan that nearly every Republican on the House voted for.



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Finally, this plan includes structural reforms to reduce the cost of health care in programs like Medicare and Medicaid. Keep in mind we've already included a number of reforms in the health care law, which will go a long way towards controlling these costs. But we're going to have to do a little more. This plan reduces wasteful subsidies and erroneous payments while changing some incentives that often lead to excessive health care costs. It makes prescriptions more affordable through faster approval of generic drugs. We'll work with governors to make Medicaid more efficient and more accountable. And we'll change the way we pay for health care. Instead of just paying for procedures, providers will be paid more when they improve results -- and such steps will save money and improve care.

These changes are phased in slowly to strengthen Medicare and Medicaid over time. Because while we do need to reduce health care costs, I'm not going to allow that to be an excuse for turning Medicare into a voucher program that leaves seniors at the mercy of the insurance industry. And I'm not going to stand for balancing the budget by denying or reducing health care for poor children or those with disabilities. So we will reform Medicare and Medicaid, but we will not abandon the fundamental commitment that this country has kept for generations.

And by the way, that includes our commitment to Social Security. I've said before, Social Security is not the primary cause of our deficits, but it does face long-term challenges as our country grows older. And both parties are going to need to work together on a separate track to strengthen Social Security for our children and our grandchildren.

So this is how we can reduce spending: by scouring the budget for every dime of waste and inefficiency, by reforming government spending, and by making modest adjustments to Medicare and Medicaid. But all these reductions in spending, by themselves, will not solve our fiscal problems. We can't just cut our way out of this hole. It's going to take a balanced approach. If we're going to make spending cuts -- many of which we wouldn't make if we weren't facing such large budget deficits -- then it's only right that we ask everyone to pay their fair share.

You know, last week, Speaker of the House John Boehner gave a speech about the economy. And to his credit, he made the point that we can't afford the kind of politics that says it's "my way or the highway." I was encouraged by that. Here's the problem: In that same speech, he also came out against any plan to cut the deficit that includes any additional revenues whatsoever. He said -- I'm quoting him -- there is "only one option." And that option and only option relies entirely on cuts. That means slashing education, surrendering the research necessary to keep America's technological edge in the 21st century, and allowing our critical public assets like highways and bridges and airports to get worse. It would cripple our competitiveness and our ability to win the jobs of the future. And it would also mean asking sacrifice of seniors and the middle class and the poor, while asking nothing of the wealthiest Americans and biggest corporations.



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So the Speaker says we can't have it "my way or the highway," and then basically says, my way -- or the highway. That's not smart. It's not right. If we're going to meet our responsibilities, we have to do it together.

Now, I'm proposing real, serious cuts in spending. When you include the \$1 trillion in cuts I've already signed into law, these would be among the biggest cuts in spending in our history. But they've got to be part of a larger plan that's balanced -- a plan that asks the most fortunate among us to pay their fair share, just like everybody else.

And that's why this plan eliminates tax loopholes that primarily go to the wealthiest taxpayers and biggest corporations -- tax breaks that small businesses and middle-class families don't get. And if tax reform doesn't get done, this plan asks the wealthiest Americans to go back to paying the same rates that they paid during the 1990s, before the Bush tax cuts.

I promise it's not because anybody looks forward to the prospects of raising taxes or paying more taxes. I don't. In fact, I've cut taxes for the middle class and for small businesses, and through the American Jobs Act, we'd cut taxes again to promote hiring and put more money into the pockets of people. But we can't afford these special lower rates for the wealthy -- rates, by the way, that were meant to be temporary. Back when these first -- these tax cuts, back in 2001, 2003, were being talked about, they were talked about temporary measures. We can't afford them when we're running these big deficits.

Now, I am also ready to work with Democrats and Republicans to reform our entire tax code, to get rid of the decades of accumulated loopholes, special interest carve-outs, and other tax expenditures that stack the deck against small business owners and ordinary families who can't afford Washington lobbyists or fancy accountants. Our tax code is more than 10,000 pages long. If you stack up all the volumes, they're almost five feet tall. That means that how much you pay often depends less on what you make and more on how well you can game the system, and that's especially true of the corporate tax code.

We've got one of the highest corporate tax rates in the world, but it's riddled with exceptions and special interest loopholes. So some companies get out paying a lot of taxes, while the rest of them end up having to foot the bill. And this makes our entire economy less competitive and our country a less desirable place to do business.

That has to change. Our tax code shouldn't give an advantage to companies with the best-connected lobbyists. It should give an advantage to companies that invest in the United States of America and create jobs in the United States of America. And we can lower the corporate rate if we get rid of all these special deals.

So I am ready, I am eager, to work with Democrats and Republicans to reform the tax code to make it simpler, make it fairer, and make America more competitive. But any reform plan will have to raise revenue to help close our deficit. That has to be part of the formula.



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And any reform should follow another simple principle: Middle-class families shouldn't pay higher taxes than millionaires and billionaires. That's pretty straightforward. It's hard to argue against that. Warren Buffett's secretary shouldn't pay a higher tax rate than Warren Buffett. There is no justification for it.

It is wrong that in the United States of America, a teacher or a nurse or a construction worker who earns \$50,000 should pay higher tax rates than somebody pulling in \$50 million. Anybody who says we can't change the tax code to correct that, anyone who has signed some pledge to protect every single tax loophole so long as they live, they should be called out. They should have to defend that unfairness -- explain why somebody who's making \$50 million a year in the financial markets should be paying 15 percent on their taxes, when a teacher making \$50,000 a year is paying more than that -- paying a higher rate. They ought to have to answer for it. And if they're pledged to keep that kind of unfairness in place, they should remember, the last time I checked the only pledge that really matters is the pledge we take to uphold the Constitution.

Now, we're already hearing the usual defenders of these kinds of loopholes saying this is just "class warfare." I reject the idea that asking a hedge fund manager to pay the same tax rate as a plumber or a teacher is class warfare. I think it's just the right the thing to do. I believe the American middle class, who've been pressured relentlessly for decades, believe it's time that they were fought for as hard as the lobbyists and some lawmakers have fought to protect special treatment for billionaires and big corporations.

Nobody wants to punish success in America. What's great about this country is our belief that anyone can make it and everybody should be able to try -- the idea that any one of us can open a business or have an idea and make us millionaires or billionaires. This is the land of opportunity. That's great. All I'm saying is that those who have done well, including me, should pay our fair share in taxes to contribute to the nation that made our success possible. We shouldn't get a better deal than ordinary families get. And I think most wealthy Americans would agree if they knew this would help us grow the economy and deal with the debt that threatens our future.

It comes down to this: We have to prioritize. Both parties agree that we need to reduce the deficit by the same amount -- by \$4 trillion. So what choices are we going to make to reach that goal? Either we ask the wealthiest Americans to pay their fair share in taxes, or we're going to have to ask seniors to pay more for Medicare. We can't afford to do both.

Either we gut education and medical research, or we've got to reform the tax code so that the most profitable corporations have to give up tax loopholes that other companies don't get. We can't afford to do both.

This is not class warfare. It's math.



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The money is going to have to come from someplace. And if we're not willing to ask those who've done extraordinarily well to help America close the deficit and we are trying to reach that same target of \$4 trillion, then the logic, the math says everybody else has to do a whole lot more: We've got to put the entire burden on the middle class and the poor. We've got to scale back on the investments that have always helped our economy grow. We've got to settle for second-rate roads and second-rate bridges and second-rate airports, and schools that are crumbling.

That's unacceptable to me. That's unacceptable to the American people. And it will not happen on my watch. I will not support -- I will not support -- any plan that puts all the burden for closing our deficit on ordinary Americans. And I will veto any bill that changes benefits for those who rely on Medicare but does not raise serious revenues by asking the wealthiest Americans or biggest corporations to pay their fair share. We are not going to have a one-sided deal that hurts the folks who are most vulnerable.

None of the changes I'm proposing are easy or politically convenient. It's always more popular to promise the moon and leave the bill for after the next election or the election after that. That's been true since our founding. George Washington grappled with this problem. He said, "Towards the payment of debts, there must be revenue; that to have revenue there must be taxes; [and] no taxes can be devised which are not more or less inconvenient and unpleasant." He understood that dealing with the debt is -- these are his words -- "always a choice of difficulties." But he also knew that public servants weren't elected to do what was easy; they weren't elected to do what was politically advantageous. It's our responsibility to put country before party. It's our responsibility to do what's right for the future.

And that's what this debate is about. It's not about numbers on a ledger; it's not about figures on a spreadsheet. It's about the economic future of this country, and it's about whether we will do what it takes to create jobs and growth and opportunity while facing up to the legacy of debt that threatens everything we've built over generations.

And it's also about fairness. It's about whether we are, in fact, in this together, and we're looking out for one another. We know what's right. It's time to do what's right.

Thank you very much.