Madam Speaker, Vice President Cheney, members of Congress, distinguished guests, and fellow citizens: Seven years have passed since I first stood before you at this rostrum. In that time, our country has been tested in ways none of us could have imagined. We faced hard decisions about peace and war, rising competition in the world economy, and the health and welfare of our citizens. These issues call for vigorous debate, and I think it's fair to say we've answered the call. Yet history will record that amid our differences, we acted with purpose. And together, we showed the world the power and resilience of American self-government.
All of us were sent to Washington to carry out the people's business. That is the purpose of this body. It is the meaning of our oath. It remains our charge to keep.

The actions of the 110th Congress will affect the security and prosperity of our nation long after this session has ended. In this election year, let us show our fellow Americans that we recognize our responsibilities and are determined to meet them. Let us show them that Republicans and Democrats can compete for votes and cooperate for results at the same time.

From expanding opportunity to protecting our country, we've made good progress. Yet we have unfinished business before us, and the American people expect us to get it done.

In the work ahead, we must be guided by the philosophy that made our nation great. As Americans, we believe in the power of individuals to determine their destiny and shape the course of history. We believe that the most reliable guide for our country is the collective wisdom of ordinary citizens. And so in all we do, we must trust in the ability of free peoples to make wise decisions, and empower them to improve their lives for their futures.

To build a prosperous future, we must trust people with their own money and empower them to grow our economy. As we meet tonight, our economy is undergoing a period of uncertainty. America has added jobs for a record 52 straight months, but jobs are now growing at a slower pace. Wages are up, but so are prices for food and gas. Exports are rising, but the housing market has declined. At kitchen tables across our country, there is a concern about our economic future.

In the long run, Americans can be confident about our economic growth. But in the short run, we can all see that that growth is slowing. So last week, my administration reached agreement with Speaker Pelosi and Republican Leader Boehner on a robust growth package that includes tax relief for individuals and families and incentives for business investment. The temptation will be to load up the bill. That would delay it or derail it, and neither option is acceptable. This is a good agreement that will keep our economy growing and our people working. And this Congress must pass it as soon as possible.
We have other work to do on taxes. Unless Congress acts, most of the tax relief we've delivered over the past seven years will be taken away. Some in Washington argue that letting tax relief expire is not a tax increase. Try explaining that to 116 million American taxpayers who would see their taxes rise by an average of $1,800. Others have said they would personally be happy to pay higher taxes. I welcome their enthusiasm. I'm pleased to report that the IRS accepts both checks and money orders.

Most Americans think their taxes are high enough. With all the other pressures on their finances, American families should not have to worry about their federal government taking a bigger bite out of their paychecks. There's only one way to eliminate this uncertainty: Make the tax relief permanent. And members of Congress should know: If any bill raises taxes reaches my desk, I will veto it.

Just as we trust Americans with their own money, we need to earn their trust by spending their tax dollars wisely. Next week, I'll send you a budget that terminates or substantially reduces 151 wasteful or bloated programs, totaling more than $18 billion. The budget that I will submit will keep America on track for a surplus in 2012. American families have to balance their budgets; so should their government.

The people's trust in their government is undermined by congressional earmarks -- special interest projects that are often snuck in at the last minute, without discussion or debate. Last year, I asked you to voluntarily cut the number and cost of earmarks in half. I also asked you to stop slipping earmarks into committee reports that never even come to a vote. Unfortunately, neither goal was met. So this time, if you send me an appropriations bill that does not cut the number and cost of earmarks in half, I'll send it back to you with my veto.

And tomorrow, I will issue an executive order that directs federal agencies to ignore any future earmark that is not voted on by Congress. If these items are truly worth funding, Congress should debate them in the open and hold a public vote.

Our shared responsibilities extend beyond matters of taxes and spending. On housing, we must trust Americans with the responsibility of homeownership and empower them to weather turbulent times in the housing market. My administration brought together the HOPE NOW alliance, which is helping many struggling homeowners avoid foreclosure. And Congress can help even more.
Tonight I ask you to pass legislation to reform Fannie Mae and Freddie Mac, modernize the Federal Housing Administration, and allow state housing agencies to issue tax-free bonds to help homeowners refinance their mortgages. These are difficult times for many American families, and by taking these steps, we can help more of them keep their homes.

To build a future of quality health care, we must trust patients and doctors to make medical decisions and empower them with better information and better options. We share a common goal: making health care more affordable and accessible for all Americans. The best way to achieve that goal is by expanding consumer choice, not government control. So I have proposed ending the bias in the tax code against those who do not get their health insurance through their employer. This one reform would put private coverage within reach for millions, and I call on the Congress to pass it this year.

The Congress must also expand health savings accounts, create Association Health Plans for small businesses, promote health information technology, and confront the epidemic of junk medical lawsuits. With all these steps, we will help ensure that decisions about your medical care are made in the privacy of your doctor's office -- not in the halls of Congress.

On education, we must trust students to learn if given the chance, and empower parents to demand results from our schools. In neighborhoods across our country, there are boys and girls with dreams -- and a decent education is their only hope of achieving them.

Six years ago, we came together to pass the No Child Left Behind Act, and today no one can deny its results. Last year, fourth and eighth graders achieved the highest math scores on record. Reading scores are on the rise. African American and Hispanic students posted all-time highs. Now we must work together to increase accountability, add flexibility for states and districts, reduce the number of high school dropouts, provide extra help for struggling schools.

Members of Congress: The No Child Left Behind Act is a bipartisan achievement. It is succeeding. And we owe it to America's children, their parents, and their teachers to strengthen this good law.
We must also do more to help children when their schools do not measure up. Thanks to the D.C. Opportunity Scholarships you approved, more than 2,600 of the poorest children in our Nation's Capital have found new hope at a faith-based or other non-public school. Sadly, these schools are disappearing at an alarming rate in many of America's inner cities. So I will convene a White House summit aimed at strengthening these lifelines of learning. And to open the doors of these schools to more children, I ask you to support a new $300 million program called Pell Grants for Kids. We have seen how Pell Grants help low-income college students realize their full potential. Together, we've expanded the size and reach of these grants. Now let us apply that same spirit to help liberate poor children trapped in failing public schools.

On trade, we must trust American workers to compete with anyone in the world and empower them by opening up new markets overseas. Today, our economic growth increasingly depends on our ability to sell American goods and crops and services all over the world. So we're working to break down barriers to trade and investment wherever we can. We're working for a successful Doha Round of trade talks, and we must complete a good agreement this year. At the same time, we're pursuing opportunities to open up new markets by passing free trade agreements.

I thank the Congress for approving a good agreement with Peru. And now I ask you to approve agreements with Colombia and Panama and South Korea. Many products from these nations now enter America duty-free, yet many of our products face steep tariffs in their markets. These agreements will level the playing field. They will give us better access to nearly 100 million customers. They will support good jobs for the finest workers in the world: those whose products say "Made in the USA."

These agreements also promote America's strategic interests. The first agreement that will come before you is with Colombia, a friend of America that is confronting violence and terror, and fighting drug traffickers. If we fail to pass this agreement, we will embolden the purveyors of false populism in our hemisphere. So we must come together, pass this agreement, and show our neighbors in the region that democracy leads to a better life.

Trade brings better jobs and better choices and better prices. Yet for some Americans, trade can mean losing a job, and the federal government has a responsibility to help. I ask Congress to reauthorize and reform trade adjustment assistance, so we can help these displaced workers learn new skills and find new jobs.
To build a future of energy security, we must trust in the creative genius of American researchers and entrepreneurs and empower them to pioneer a new generation of clean energy technology. Our security, our prosperity, and our environment all require reducing our dependence on oil. Last year, I asked you to pass legislation to reduce oil consumption over the next decade, and you responded. Together we should take the next steps: Let us fund new technologies that can generate coal power while capturing carbon emissions. Let us increase the use of renewable power and emissions-free nuclear power. Let us continue investing in advanced battery technology and renewable fuels to power the cars and trucks of the future. Let us create a new international clean technology fund, which will help developing nations like India and China make greater use of clean energy sources. And let us complete an international agreement that has the potential to slow, stop, and eventually reverse the growth of greenhouse gases.

This agreement will be effective only if it includes commitments by every major economy and gives none a free ride. The United States is committed to strengthening our energy security and confronting global climate change. And the best way to meet these goals is for America to continue leading the way toward the development of cleaner and more energy-efficient technology.

To keep America competitive into the future, we must trust in the skill of our scientists and engineers and empower them to pursue the breakthroughs of tomorrow. Last year, Congress passed legislation supporting the American Competitiveness Initiative, but never followed through with the funding. This funding is essential to keeping our scientific edge. So I ask Congress to double federal support for critical basic research in the physical sciences and ensure America remains the most dynamic nation on Earth.

On matters of life and science, we must trust in the innovative spirit of medical researchers and empower them to discover new treatments while respecting moral boundaries. In November, we witnessed a landmark achievement when scientists discovered a way to reprogram adult skin cells to act like embryonic stem cells. This breakthrough has the potential to move us beyond the divisive debates of the past by extending the frontiers of medicine without the destruction of human life.
So we're expanding funding for this type of ethical medical research. And as we explore promising avenues of research, we must also ensure that all life is treated with the dignity it deserves. And so I call on Congress to pass legislation that bans unethical practices such as the buying, selling, patenting, or cloning of human life.

On matters of justice, we must trust in the wisdom of our founders and empower judges who understand that the Constitution means what it says. I've submitted judicial nominees who will rule by the letter of the law, not the whim of the gavel. Many of these nominees are being unfairly delayed. They are worthy of confirmation, and the Senate should give each of them a prompt up-or-down vote.

In communities across our land, we must trust in the good heart of the American people and empower them to serve their neighbors in need. Over the past seven years, more of our fellow citizens have discovered that the pursuit of happiness leads to the path of service. Americans have volunteered in record numbers. Charitable donations are higher than ever. Faith-based groups are bringing hope to pockets of despair, with newfound support from the federal government. And to help guarantee equal treatment of faith-based organizations when they compete for federal funds, I ask you to permanently extend Charitable Choice.

Tonight the armies of compassion continue the march to a new day in the Gulf Coast. America honors the strength and resilience of the people of this region. We reaffirm our pledge to help them build stronger and better than before. And tonight I'm pleased to announce that in April we will host this year's North American Summit of Canada, Mexico, and the United States in the great city of New Orleans.

There are two other pressing challenges that I've raised repeatedly before this body, and that this body has failed to address: entitlement spending and immigration. Every member in this chamber knows that spending on entitlement programs like Social Security, Medicare, and Medicaid is growing faster than we can afford. We all know the painful choices ahead if America stays on this path: massive tax increases, sudden and drastic cuts in benefits, or crippling deficits. I've laid out proposals to reform these programs. Now I ask members of Congress to offer your proposals and come up with a bipartisan solution to save these vital programs for our children and our grandchildren.
The other pressing challenge is immigration. America needs to secure our borders -- and with your help, my administration is taking steps to do so. We're increasing worksite enforcement, deploying fences and advanced technologies to stop illegal crossings. We've effectively ended the policy of "catch and release" at the border, and by the end of this year, we will have doubled the number of border patrol agents. Yet we also need to acknowledge that we will never fully secure our border until we create a lawful way for foreign workers to come here and support our economy. This will take pressure off the border and allow law enforcement to concentrate on those who mean us harm. We must also find a sensible and humane way to deal with people here illegally. Illegal immigration is complicated, but it can be resolved. And it must be resolved in a way that upholds both our laws and our highest ideals.

This is the business of our nation here at home. Yet building a prosperous future for our citizens also depends on confronting enemies abroad and advancing liberty in troubled regions of the world.

Our foreign policy is based on a clear premise: We trust that people, when given the chance, will choose a future of freedom and peace. In the last seven years, we have witnessed stirring moments in the history of liberty. We've seen citizens in Georgia and Ukraine stand up for their right to free and fair elections. We've seen people in Lebanon take to the streets to demand their independence. We've seen Afghans emerge from the tyranny of the Taliban and choose a new president and a new parliament. We've seen jubilant Iraqis holding up ink-stained fingers and celebrating their freedom. These images of liberty have inspired us.

In the past seven years, we've also seen images that have sobered us. We've watched throngs of mourners in Lebanon and Pakistan carrying the caskets of beloved leaders taken by the assassin's hand. We've seen wedding guests in blood-soaked finery staggering from a hotel in Jordan, Afghans and Iraqis blown up in mosques and markets, and trains in London and Madrid ripped apart by bombs. On a clear September day, we saw thousands of our fellow citizens taken from us in an instant. These horrific images serve as a grim reminder: The advance of liberty is opposed by terrorists and extremists -- evil men who despise freedom, despise America, and aim to subject millions to their violent rule.

Since 9/11, we have taken the fight to these terrorists and extremists. We will stay on the offense, we will keep up the pressure, and we will deliver justice to our enemies.
We are engaged in the defining ideological struggle of the 21st century. The terrorists oppose every principle of humanity and decency that we hold dear. Yet in this war on terror, there is one thing we and our enemies agree on: In the long run, men and women who are free to determine their own destinies will reject terror and refuse to live in tyranny. And that is why the terrorists are fighting to deny this choice to the people in Lebanon, Iraq, Afghanistan, Pakistan, and the Palestinian Territories. And that is why, for the security of America and the peace of the world, we are spreading the hope of freedom.

In Afghanistan, America, our 25 NATO allies, and 15 partner nations are helping the Afghan people defend their freedom and rebuild their country. Thanks to the courage of these military and civilian personnel, a nation that was once a safe haven for al Qaeda is now a young democracy where boys and girls are going to school, new roads and hospitals are being built, and people are looking to the future with new hope. These successes must continue, so we're adding 3,200 Marines to our forces in Afghanistan, where they will fight the terrorists and train the Afghan Army and police. Defeating the Taliban and al Qaeda is critical to our security, and I thank the Congress for supporting America's vital mission in Afghanistan.

In Iraq, the terrorists and extremists are fighting to deny a proud people their liberty, and fighting to establish safe havens for attacks across the world. One year ago, our enemies were succeeding in their efforts to plunge Iraq into chaos. So we reviewed our strategy and changed course. We launched a surge of American forces into Iraq. We gave our troops a new mission: Work with the Iraqi forces to protect the Iraqi people, pursue the enemy in its strongholds, and deny the terrorists sanctuary anywhere in the country.

The Iraqi people quickly realized that something dramatic had happened. Those who had worried that America was preparing to abandon them instead saw tens of thousands of American forces flowing into their country. They saw our forces moving into neighborhoods, clearing out the terrorists, and staying behind to ensure the enemy did not return. And they saw our troops, along with Provincial Reconstruction Teams that include Foreign Service officers and other skilled public servants, coming in to ensure that improved security was followed by improvements in daily life. Our military and civilians in Iraq are performing with courage and distinction, and they have the gratitude of our whole nation.
The Iraqis launched a surge of their own. In the fall of 2006, Sunni tribal leaders grew tired of al Qaeda's brutality and started a popular uprising called "The Anbar Awakening." Over the past year, similar movements have spread across the country. And today, the grassroots surge includes more than 80,000 Iraqi citizens who are fighting the terrorists. The government in Baghdad has stepped forward, as well -- adding more than 100,000 new Iraqi soldiers and police during the past year.

While the enemy is still dangerous and more work remains, the American and Iraqi surges have achieved results few of us could have imagined just one year ago. When we met last year, many said that containing the violence was impossible. A year later, high profile terrorist attacks are down, civilian deaths are down, sectarian killings are down.

When we met last year, militia extremists -- some armed and trained by Iran -- were wreaking havoc in large areas of Iraq. A year later, coalition and Iraqi forces have killed or captured hundreds of militia fighters. And Iraqis of all backgrounds increasingly realize that defeating these militia fighters is critical to the future of their country.

When we met last year, al Qaeda had sanctuaries in many areas of Iraq, and their leaders had just offered American forces safe passage out of the country. Today, it is al Qaeda that is searching for safe passage. They have been driven from many of the strongholds they once held, and over the past year, we've captured or killed thousands of extremists in Iraq, including hundreds of key al Qaeda leaders and operatives.

Last month, Osama bin Laden released a tape in which he railed against Iraqi tribal leaders who have turned on al Qaeda and admitted that coalition forces are growing stronger in Iraq. Ladies and gentlemen, some may deny the surge is working, but among the terrorists there is no doubt. Al Qaeda is on the run in Iraq, and this enemy will be defeated.

When we met last year, our troop levels in Iraq were on the rise. Today, because of the progress just described, we are implementing a policy of "return on success," and the surge forces we sent to Iraq are beginning to come home.
This progress is a credit to the valor of our troops and the brilliance of their commanders. This evening, I want to speak directly to our men and women on the front lines. Soldiers and sailors, airmen, Marines, and Coast Guardsmen: In the past year, you have done everything we've asked of you, and more. Our nation is grateful for your courage. We are proud of your accomplishments. And tonight in this hallowed chamber, with the American people as our witness, we make you a solemn pledge: In the fight ahead, you will have all you need to protect our nation. And I ask Congress to meet its responsibilities to these brave men and women by fully funding our troops.

Our enemies in Iraq have been hit hard. They are not yet defeated, and we can still expect tough fighting ahead. Our objective in the coming year is to sustain and build on the gains we made in 2007, while transitioning to the next phase of our strategy. American troops are shifting from leading operations, to partnering with Iraqi forces, and, eventually, to a protective over watch mission. As part of this transition, one Army brigade combat team and one Marine Expeditionary Unit have already come home and will not be replaced. In the coming months, four additional brigades and two Marine battalions will follow suit. Taken together, this means more than 20,000 of our troops are coming home.

Any further drawdown of U.S. troops will be based on conditions in Iraq and the recommendations of our commanders. General Petraeus has warned that too fast a drawdown could result in the "disintegration of the Iraqi security forces, al Qaeda-Iraq regaining lost ground, [and] a marked increase in violence." Members of Congress: Having come so far and achieved so much, we must not allow this to happen.

In the coming year, we will work with Iraqi leaders as they build on the progress they're making toward political reconciliation. At the local level, Sunnis, Shia, and Kurds are beginning to come together to reclaim their communities and rebuild their lives. Progress in the provinces must be matched by progress in Baghdad. We're seeing some encouraging signs. The national government is sharing oil revenues with the provinces. The parliament recently passed both a pension law and de-Baathification reform. They're now debating a provincial powers law. The Iraqis still have a distance to travel. But after decades of dictatorship and the pain of sectarian violence, reconciliation is taking place -- and the Iraqi people are taking control of their future.
The mission in Iraq has been difficult and trying for our nation. But it is in the vital interest of the United States that we succeed. A free Iraq will deny al Qaeda a safe haven. A free Iraq will show millions across the Middle East that a future of liberty is possible. A free Iraq will be a friend of America, a partner in fighting terror, and a source of stability in a dangerous part of the world.

By contrast, a failed Iraq would embolden the extremists, strengthen Iran, and give terrorists a base from which to launch new attacks on our friends, our allies, and our homeland. The enemy has made its intentions clear. At a time when the momentum seemed to favor them, al Qaida's top commander in Iraq declared that they will not rest until they have attacked us here in Washington. My fellow Americans: We will not rest either. We will not rest until this enemy has been defeated. We must do the difficult work today, so that years from now people will look back and say that this generation rose to the moment, prevailed in a tough fight, and left behind a more hopeful region and a safer America.

We're also standing against the forces of extremism in the Holy Land, where we have new cause for hope. Palestinians have elected a president who recognizes that confronting terror is essential to achieving a state where his people can live in dignity and at peace with Israel. Israelis have leaders who recognize that a peaceful, democratic Palestinian state will be a source of lasting security. This month in Ramallah and Jerusalem, I assured leaders from both sides that America will do, and I will do, everything we can to help them achieve a peace agreement that defines a Palestinian state by the end of this year. The time has come for a Holy Land where a democratic Israel and a democratic Palestine live side-by-side in peace.

We're also standing against the forces of extremism embodied by the regime in Tehran. Iran's rulers oppress a good and talented people. And wherever freedom advances in the Middle East, it seems the Iranian regime is there to oppose it. Iran is funding and training militia groups in Iraq, supporting Hezbollah terrorists in Lebanon, and backing Hamas' efforts to undermine peace in the Holy Land. Tehran is also developing ballistic missiles of increasing range, and continues to develop its capability to enrich uranium, which could be used to create a nuclear weapon.

Our message to the people of Iran is clear: We have no quarrel with you.
We respect your traditions and your history. We look forward to the day when you have your freedom. Our message to the leaders of Iran is also clear: Verifiably suspend your nuclear enrichment, so negotiations can begin. And to rejoin the community of nations, come clean about your nuclear intentions and past actions, stop your oppression at home, cease your support for terror abroad. But above all, know this: America will confront those who threaten our troops. We will stand by our allies, and we will defend our vital interests in the Persian Gulf.

On the home front, we will continue to take every lawful and effective measure to protect our country. This is our most solemn duty. We are grateful that there has not been another attack on our soil since 9/11. This is not for the lack of desire or effort on the part of the enemy. In the past six years, we've stopped numerous attacks, including a plot to fly a plane into the tallest building in Los Angeles and another to blow up passenger jets bound for America over the Atlantic. Dedicated men and women in our government toil day and night to stop the terrorists from carrying out their plans. These good citizens are saving American lives, and everyone in this chamber owes them our thanks.

And we owe them something more: We owe them the tools they need to keep our people safe. And one of the most important tools we can give them is the ability to monitor terrorist communications. To protect America, we need to know who the terrorists are talking to, what they are saying, and what they're planning. Last year, Congress passed legislation to help us do that. Unfortunately, Congress set the legislation to expire on February the 1st. That means if you don't act by Friday, our ability to track terrorist threats would be weakened and our citizens will be in greater danger. Congress must ensure the flow of vital intelligence is not disrupted. Congress must pass liability protection for companies believed to have assisted in the efforts to defend America. We've had ample time for debate. The time to act is now.

Protecting our nation from the dangers of a new century requires more than good intelligence and a strong military. It also requires changing the conditions that breed resentment and allow extremists to prey on despair. So America is using its influence to build a freer, more hopeful, and more compassionate world. This is a reflection of our national interest; it is the calling of our conscience.

America opposes genocide in Sudan. We support freedom in countries from Cuba and Zimbabwe to Belarus and Burma.
America is leading the fight against global poverty, with strong education initiatives and humanitarian assistance. We've also changed the way we deliver aid by launching the Millennium Challenge Account. This program strengthens democracy, transparency, and the rule of law in developing nations, and I ask you to fully fund this important initiative.

America is leading the fight against global hunger. Today, more than half the world's food aid comes from the United States. And tonight, I ask Congress to support an innovative proposal to provide food assistance by purchasing crops directly from farmers in the developing world, so we can build up local agriculture and help break the cycle of famine.

America is leading the fight against disease. With your help, we're working to cut by half the number of malaria-related deaths in 15 African nations. And our Emergency Plan for AIDS Relief is treating 1.4 million people. We can bring healing and hope to many more. So I ask you to maintain the principles that have changed behavior and made this program a success. And I call on you to double our initial commitment to fighting HIV/AIDS by approving an additional $30 billion over the next five years.

America is a force for hope in the world because we are a compassionate people, and some of the most compassionate Americans are those who have stepped forward to protect us. We must keep faith with all who have risked life and limb so that we might live in freedom and peace. Over the past seven years, we've increased funding for veterans by more than 95 percent. And as we increase funding -- And as increase funding we must also reform our veterans system to meet the needs of a new war and a new generation. I call on the Congress to enact the reforms recommended by Senator Bob Dole and Secretary Donna Shalala, so we can improve the system of care for our wounded warriors and help them build lives of hope and promise and dignity.

Our military families also sacrifice for America. They endure sleepless nights and the daily struggle of providing for children while a loved one is serving far from home. We have a responsibility to provide for them. So I ask you to join me in expanding their access to child care, creating new hiring preferences for military spouses across the federal government, and allowing our troops to transfer their unused education benefits to their spouses or children. Our military families serve our nation, they inspire our nation, and tonight our nation honors them.
The strength — the secret of our strength, the miracle of America, is that our greatness lies not in our government, but in the spirit and determination of our people. When the Federal Convention met in Philadelphia in 1787, our nation was bound by the Articles of Confederation, which began with the words, "We the undersigned delegates." When Governor Morris was asked to draft a preamble to our new Constitution, he offered an important revision and opened with words that changed the course of our nation and the history of the world: "We the people."

By trusting the people, our Founders wagered that a great and noble nation could be built on the liberty that resides in the hearts of all men and women. By trusting the people, succeeding generations transformed our fragile young democracy into the most powerful nation on Earth and a beacon of hope for millions. And so long as we continue to trust the people, our nation will prosper, our liberty will be secure, and the state of our Union will remain strong.

So tonight, with confidence in freedom's power, and trust in the people, let us set forth to do their business. God bless America.