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**Remarks of President Barack Obama – As Prepared for Delivery
The Country We Believe In
The George Washington University
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As Prepared for Delivery—

Good afternoon. It's great to be back at GW. I want you to know that one of the reasons I kept the government open was so I could be here today with all of you. I wanted to make sure you had one more excuse to skip class. You're welcome.

Of course, what we've been debating here in Washington for the last few weeks will affect your lives in ways that are potentially profound. This debate over budgets and deficits is about more than just numbers on a page, more than just cutting and spending. It's about the kind of future we want. It's about the kind of country we believe in. And that's what I want to talk about today.

From our first days as a nation, we have put our faith in free markets and free enterprise as the engine of America's wealth and prosperity. More than citizens of any other country, we are rugged individualists, a self-reliant people with a healthy skepticism of too much government.

But there has always been another thread running throughout our history – a belief that we are all connected; and that there are some things we can only do together, as a nation. We believe, in the words of our first Republican president, Abraham Lincoln, that through government, we should do together what we cannot do as well for ourselves. And so we've built a strong military to keep us secure, and public schools and universities to educate our citizens. We've laid down railroads and highways to facilitate travel and commerce. We've supported the work of scientists and researchers whose discoveries have saved lives, unleashed repeated technological revolutions, and led to countless new jobs and entire industries. Each of us has benefitted from these investments, and we are a more prosperous country as a result.

Part of this American belief that we are all connected also expresses itself in a conviction that each one of us deserves some basic measure of security. We recognize that no matter how responsibly we live our lives, hard times or bad luck, a crippling illness or a layoff, may strike any one of us. “There but for the grace of God go I,” we say to ourselves, and so we contribute to programs like Medicare and Social Security, which guarantee us health care and a measure of basic income after a lifetime of hard work; unemployment insurance, which protects us against unexpected job loss; and Medicaid, which provides care for millions of seniors in nursing homes, poor children, and those with disabilities. We are a better country because of these commitments. I’ll go further – we would not be a great country without those commitments.

For much of the last century, our nation found a way to afford these investments and priorities with the taxes paid by its citizens. As a country that values fairness, wealthier individuals have traditionally borne a greater share of this burden than the middle class or those less fortunate. This is not because we begrudge those who’ve done well – we rightly celebrate their success. Rather, it is a basic reflection of our belief that those who have benefitted most from our way of life can afford to give a bit more back. Moreover, this belief has not hindered the success of those at the top of the income scale, who continue to do better and better with each passing year.

Now, at certain times – particularly during periods of war or recession – our nation has had to borrow money to pay for some of our priorities. And as most families understand, a little credit card debt isn’t going to hurt if it’s temporary.

But as far back as the 1980s, America started amassing debt at more alarming levels, and our leaders began to realize that a larger challenge was on the horizon. They knew that eventually, the Baby Boom generation would retire, which meant a much bigger portion of our citizens would be relying on programs like Medicare, Social Security, and possibly Medicaid. Like parents with young children who know they have to start saving for the college years, America had to start borrowing less and saving more to prepare for the retirement of an entire generation.

To meet this challenge, our leaders came together three times during the 1990s to reduce our nation’s deficit. They forged historic agreements that required tough decisions made by the first President Bush and President Clinton; by Democratic Congresses and a Republican Congress. All three agreements asked for shared responsibility and shared sacrifice, but they largely protected the middle class, our commitments to seniors, and key investments in our future.

As a result of these bipartisan efforts, America's finances were in great shape by the year 2000. We went from deficit to surplus. America was actually on track to becoming completely debt-free, and we were prepared for the retirement of the Baby Boomers.

But after Democrats and Republicans committed to fiscal discipline during the 1990s, we lost our way in the decade that followed. We increased spending dramatically for two wars and an expensive prescription drug program – but we didn't pay for any of this new spending. Instead, we made the problem worse with trillions of dollars in unpaid-for tax cuts – tax cuts that went to every millionaire and billionaire in the country; tax cuts that will force us to borrow an average of \$500 billion every year over the next decade.

To give you an idea of how much damage this caused to our national checkbook, consider this: in the last decade, if we had simply found a way to pay for the tax cuts and the prescription drug benefit, our deficit would currently be at low historical levels in the coming years.

Of course, that's not what happened. And so, by the time I took office, we once again found ourselves deeply in debt and unprepared for a Baby Boom retirement that is now starting to take place. When I took office, our projected deficit was more than \$1 trillion. On top of that, we faced a terrible financial crisis and a recession that, like most recessions, led us to temporarily borrow even more. In this case, we took a series of emergency steps that saved millions of jobs, kept credit flowing, and provided working families extra money in their pockets. It was the right thing to do, but these steps were expensive, and added to our deficits in the short term.

So that's how our fiscal challenge was created. This is how we got here. And now that our economic recovery is gaining strength, Democrats and Republicans must come together and restore the fiscal responsibility that served us so well in the 1990s. We have to live within our means, reduce our deficit, and get back on a path that will allow us to pay down our debt. And we have to do it in a way that protects the recovery, and protects the investments we need to grow, create jobs, and win the future.

Now, before I get into how we can achieve this goal, some of you might be wondering, "Why is this so important? Why does this matter to me?"

Here's why. Even after our economy recovers, our government will still be on track to spend more money than it takes in throughout this decade and beyond. That means we'll have to keep borrowing more from countries like China. And that means more of your tax dollars will go toward paying off the interest on all the loans we keep taking

out. By the end of this decade, the interest we owe on our debt could rise to nearly \$1 trillion. Just the interest payments.

Then, as the Baby Boomers start to retire and health care costs continue to rise, the situation will get even worse. By 2025, the amount of taxes we currently pay will only be enough to finance our health care programs, Social Security, and the interest we owe on our debt. That's it. Every other national priority – education, transportation, even national security – will have to be paid for with borrowed money.

Ultimately, all this rising debt will cost us jobs and damage our economy. It will prevent us from making the investments we need to win the future. We won't be able to afford good schools, new research, or the repair of roads and bridges – all the things that will create new jobs and businesses here in America. Businesses will be less likely to invest and open up shop in a country that seems unwilling or unable to balance its books. And if our creditors start worrying that we may be unable to pay back our debts, it could drive up interest rates for everyone who borrows money – making it harder for businesses to expand and hire, or families to take out a mortgage.

The good news is, this doesn't have to be our future. This doesn't have to be the country we leave to our children. We can solve this problem. We came together as Democrats and Republicans to meet this challenge before, and we can do it again.

But that starts by being honest about what's causing our deficit. You see, most Americans tend to dislike government spending in the abstract, but they like the stuff it buys. Most of us, regardless of party affiliation, believe that we should have a strong military and a strong defense. Most Americans believe we should invest in education and medical research. Most Americans think we should protect commitments like Social Security and Medicare. And without even looking at a poll, my finely honed political skills tell me that almost no one believes they should be paying higher taxes.

Because all this spending is popular with both Republicans and Democrats alike, and because nobody wants to pay higher taxes, politicians are often eager to feed the impression that solving the problem is just a matter of eliminating waste and abuse – that tackling the deficit issue won't require tough choices. Or they suggest that we can somehow close our entire deficit by eliminating things like foreign aid, even though foreign aid makes up about 1% of our entire budget.

So here's the truth. Around two-thirds of our budget is spent on Medicare, Medicaid, Social Security, and national security. Programs like unemployment insurance, student loans, veterans' benefits, and tax credits for working families take up another 20%.

What's left, after interest on the debt, is just 12 percent for everything else. That's 12 percent for all of our other national priorities like education and clean energy; medical research and transportation; food safety and keeping our air and water clean.

Up until now, the cuts proposed by a lot of folks in Washington have focused almost exclusively on that 12%. But cuts to that 12% alone won't solve the problem. So any serious plan to tackle our deficit will require us to put everything on the table, and take on excess spending wherever it exists in the budget. A serious plan doesn't require us to balance our budget overnight – in fact, economists think that with the economy just starting to grow again, we will need a phased-in approach – but it does require tough decisions and support from leaders in both parties. And above all, it will require us to choose a vision of the America we want to see five and ten and twenty years down the road.

One vision has been championed by Republicans in the House of Representatives and embraced by several of their party's presidential candidates. It's a plan that aims to reduce our deficit by \$4 trillion over the next ten years, and one that addresses the challenge of Medicare and Medicaid in the years after that.

Those are both worthy goals for us to achieve. But the way this plan achieves those goals would lead to a fundamentally different America than the one we've known throughout most of our history.

A 70% cut to clean energy. A 25% cut in education. A 30% cut in transportation. Cuts in college Pell Grants that will grow to more than \$1,000 per year. That's what they're proposing. These aren't the kind of cuts you make when you're trying to get rid of some waste or find extra savings in the budget. These aren't the kind of cuts that Republicans and Democrats on the Fiscal Commission proposed. These are the kind of cuts that tell us we can't afford the America we believe in. And they paint a vision of our future that's deeply pessimistic.

It's a vision that says if our roads crumble and our bridges collapse, we can't afford to fix them. If there are bright young Americans who have the drive and the will but not the money to go to college, we can't afford to send them. Go to China and you'll see businesses opening research labs and solar facilities. South Korean children are outpacing our kids in math and science. Brazil is investing billions in new infrastructure and can run half their cars not on high-priced gasoline, but biofuels. And yet, we are presented with a vision that says the United States of America – the greatest nation on Earth – can't afford any of this.

It's a vision that says America can't afford to keep the promise we've made to care for our seniors. It says that ten years from now, if you're a 65 year old who's eligible for Medicare, you should have to pay nearly \$6,400 more than you would today. It says instead of guaranteed health care, you will get a voucher. And if that voucher isn't worth enough to buy insurance, tough luck – you're on your own. Put simply, it ends Medicare as we know it.

This is a vision that says up to 50 million Americans have to lose their health insurance in order for us to reduce the deficit. And who are those 50 million Americans? Many are someone's grandparents who wouldn't be able afford nursing home care without Medicaid. Many are poor children. Some are middle-class families who have children with autism or Down's syndrome. Some are kids with disabilities so severe that they require 24-hour care. These are the Americans we'd be telling to fend for themselves.

Worst of all, this is a vision that says even though America can't afford to invest in education or clean energy; even though we can't afford to care for seniors and poor children, we can somehow afford more than \$1 trillion in new tax breaks for the wealthy. Think about it. In the last decade, the average income of the bottom 90% of all working Americans actually declined. The top 1% saw their income rise by an average of more than a quarter of a million dollars each. And that's who needs to pay less taxes? They want to give people like me a two hundred thousand dollar tax cut that's paid for by asking thirty three seniors to each pay six thousand dollars more in health costs? That's not right, and it's not going to happen as long as I'm President.

The fact is, their vision is less about reducing the deficit than it is about changing the basic social compact in America. As Ronald Reagan's own budget director said, there's nothing "serious" or "courageous" about this plan. There's nothing serious about a plan that claims to reduce the deficit by spending a trillion dollars on tax cuts for millionaires and billionaires. There's nothing courageous about asking for sacrifice from those who can least afford it and don't have any clout on Capitol Hill. And this is not a vision of the America I know.

The America I know is generous and compassionate; a land of opportunity and optimism. We take responsibility for ourselves and each other; for the country we want and the future we share. We are the nation that built a railroad across a continent and brought light to communities shrouded in darkness. We sent a generation to college on the GI bill and saved millions of seniors from poverty with Social Security and Medicare. We have led the world in scientific research and technological breakthroughs that have transformed millions of lives.

This is who we are. This is the America I know. We don't have to choose between a future of spiraling debt and one where we forfeit investments in our people and our country. To meet our fiscal challenge, we will need to make reforms. We will all need to make sacrifices. But we do not have to sacrifice the America we believe in. And as long as I'm President, we won't.

Today, I'm proposing a more balanced approach to achieve \$4 trillion in deficit reduction over twelve years. It's an approach that borrows from the recommendations of the bipartisan Fiscal Commission I appointed last year, and builds on the roughly \$1 trillion in deficit reduction I already proposed in my 2012 budget. It's an approach that puts every kind of spending on the table, but one that protects the middle-class, our promise to seniors, and our investments in the future.

The first step in our approach is to keep annual domestic spending low by building on the savings that both parties agreed to last week – a step that will save us about \$750 billion over twelve years. We will make the tough cuts necessary to achieve these savings, including in programs I care about, but I will not sacrifice the core investments we need to grow and create jobs. We'll invest in medical research and clean energy technology. We'll invest in new roads and airports and broadband access. We will invest in education and job training. We will do what we need to compete and we will win the future.

The second step in our approach is to find additional savings in our defense budget. As Commander-in-Chief, I have no greater responsibility than protecting our national security, and I will never accept cuts that compromise our ability to defend our homeland or America's interests around the world. But as the Chairman of the Joint Chiefs, Admiral Mullen, has said, the greatest long-term threat to America's national security is America's debt.

Just as we must find more savings in domestic programs, we must do the same in defense. Over the last two years, Secretary Gates has courageously taken on wasteful spending, saving \$400 billion in current and future spending. I believe we can do that again. We need to not only eliminate waste and improve efficiency and effectiveness, but conduct a fundamental review of America's missions, capabilities, and our role in a changing world. I intend to work with Secretary Gates and the Joint Chiefs on this review, and I will make specific decisions about spending after it's complete.

The third step in our approach is to further reduce health care spending in our budget. Here, the difference with the House Republican plan could not be clearer: their plan lowers the government's health care bills by asking seniors and poor families to pay

them instead. Our approach lowers the government's health care bills by reducing the cost of health care itself.

Already, the reforms we passed in the health care law will reduce our deficit by \$1 trillion. My approach would build on these reforms. We will reduce wasteful subsidies and erroneous payments. We will cut spending on prescription drugs by using Medicare's purchasing power to drive greater efficiency and speed generic brands of medicine onto the market. We will work with governors of both parties to demand more efficiency and accountability from Medicaid. We will change the way we pay for health care – not by procedure or the number of days spent in a hospital, but with new incentives for doctors and hospitals to prevent injuries and improve results. And we will slow the growth of Medicare costs by strengthening an independent commission of doctors, nurses, medical experts and consumers who will look at all the evidence and recommend the best ways to reduce unnecessary spending while protecting access to the services seniors need.

Now, we believe the reforms we've proposed to strengthen Medicare and Medicaid will enable us to keep these commitments to our citizens while saving us \$500 billion by 2023, and an additional one trillion dollars in the decade after that. And if we're wrong, and Medicare costs rise faster than we expect, this approach will give the independent commission the authority to make additional savings by further improving Medicare.

But let me be absolutely clear: I will preserve these health care programs as a promise we make to each other in this society. I will not allow Medicare to become a voucher program that leaves seniors at the mercy of the insurance industry, with a shrinking benefit to pay for rising costs. I will not tell families with children who have disabilities that they have to fend for themselves. We will reform these programs, but we will not abandon the fundamental commitment this country has kept for generations.

That includes, by the way, our commitment to Social Security. While Social Security is not the cause of our deficit, it faces real long-term challenges in a country that is growing older. As I said in the State of the Union, both parties should work together now to strengthen Social Security for future generations. But we must do it without putting at risk current retirees, the most vulnerable, or people with disabilities; without slashing benefits for future generations; and without subjecting Americans' guaranteed retirement income to the whims of the stock market.

The fourth step in our approach is to reduce spending in the tax code. In December, I agreed to extend the tax cuts for the wealthiest Americans because it was the only way I could prevent a tax hike on middle-class Americans. But we cannot afford \$1

trillion worth of tax cuts for every millionaire and billionaire in our society. And I refuse to renew them again.

Beyond that, the tax code is also loaded up with spending on things like itemized deductions. And while I agree with the goals of many of these deductions, like homeownership or charitable giving, we cannot ignore the fact that they provide millionaires an average tax break of \$75,000 while doing nothing for the typical middle-class family that doesn't itemize.

My budget calls for limiting itemized deductions for the wealthiest 2% of Americans – a reform that would reduce the deficit by \$320 billion over ten years. But to reduce the deficit, I believe we should go further. That's why I'm calling on Congress to reform our individual tax code so that it is fair and simple – so that the amount of taxes you pay isn't determined by what kind of accountant you can afford. I believe reform should protect the middle class, promote economic growth, and build on the Fiscal Commission's model of reducing tax expenditures so that there is enough savings to both lower rates and lower the deficit. And as I called for in the State of the Union, we should reform our corporate tax code as well, to make our businesses and our economy more competitive.

This is my approach to reduce the deficit by \$4 trillion over the next twelve years. It's an approach that achieves about \$2 trillion in spending cuts across the budget. It will lower our interest payments on the debt by \$1 trillion. It calls for tax reform to cut about \$1 trillion in spending from the tax code. And it achieves these goals while protecting the middle class, our commitment to seniors, and our investments in the future.

In the coming years, if the recovery speeds up and our economy grows faster than our current projections, we can make even greater progress than I have pledged here. But just to hold Washington – and me – accountable and make sure that the debt burden continues to decline, my plan includes a debt failsafe. If, by 2014, our debt is not projected to fall as a share of the economy – or if Congress has failed to act – my plan will require us to come together and make up the additional savings with more spending cuts and more spending reductions in the tax code. That should be an incentive for us to act boldly now, instead of kicking our problems further down the road.

So this is our vision for America – a vision where we live within our means while still investing in our future; where everyone makes sacrifices but no one bears all the burden; where we provide a basic measure of security for our citizens and rising opportunity for our children.

Of course, there will be those who disagree with my approach. Some will argue we shouldn't even consider raising taxes, even if only on the wealthiest Americans. It's just an article of faith for them. I say that at a time when the tax burden on the wealthy is at its lowest level in half a century, the most fortunate among us can afford to pay a little more. I don't need another tax cut. Warren Buffett doesn't need another tax cut. Not if we have to pay for it by making seniors pay more for Medicare. Or by cutting kids from Head Start. Or by taking away college scholarships that I wouldn't be here without. That some of you wouldn't be here without. And I believe that most wealthy Americans would agree with me. They want to give back to the country that's done so much for them. Washington just hasn't asked them to.

Others will say that we shouldn't even talk about cutting spending until the economy is fully recovered. I'm sympathetic to this view, which is one of the reasons I supported the payroll tax cuts we passed in December. It's also why we have to use a scalpel and not a machete to reduce the deficit – so that we can keep making the investments that create jobs. But doing nothing on the deficit is just not an option. Our debt has grown so large that we could do real damage to the economy if we don't begin a process now to get our fiscal house in order.

Finally, there are those who believe we shouldn't make any reforms to Medicare, Medicaid, or Social Security out of a fear that any talk of change to these programs will usher in the sort of radical steps that House Republicans have proposed. I understand these fears. But I guarantee that if we don't make any changes at all, we won't be able to keep our commitments to a retiring generation that will live longer and face higher health care costs than those who came before.

Indeed, to those in my own party, I say that if we truly believe in a progressive vision of our society, we have the obligation to prove that we can afford our commitments. If we believe that government can make a difference in people's lives, we have the obligation to prove that it works – by making government smarter, leaner and more effective.

Of course, there are those who will simply say that there's no way we can come together and agree on a solution to this challenge. They'll say the politics of this city are just too broken; that the choices are just too hard; that the parties are just too far apart. And after a few years in this job, I certainly have some sympathy for this view.

But I also know that we've come together and met big challenges before. Ronald Reagan and Tip O'Neill came together to save Social Security for future generations. The first President Bush and a Democratic Congress came together to reduce the deficit. President Clinton and a Republican Congress battled each other ferociously and

still found a way to balance the budget. In the last few months, both parties have come together to pass historic tax relief and spending cuts. And I know there are Republicans and Democrats in Congress who want to see a balanced approach to deficit reduction.

I believe we can and must come together again. This morning, I met with Democratic and Republican leaders in Congress to discuss the approach I laid out today. And in early May, the Vice President will begin regular meetings with leaders in both parties with the aim of reaching a final agreement on a plan to reduce the deficit by the end of June.

I don't expect the details in any final agreement to look exactly like the approach I laid out today. I'm eager to hear other ideas from all ends of the political spectrum. And though I'm sure the criticism of what I've said here today will be fierce in some quarters, and my critique of the House Republican approach has been strong, Americans deserve and will demand that we all bridge our differences, and find common ground.

This larger debate we're having, about the size and role of government, has been with us since our founding days. And during moments of great challenge and change, like the one we're living through now, the debate gets sharper and more vigorous. That's a good thing. As a country that prizes both our individual freedom and our obligations to one another, this is one of the most important debates we can have.

But no matter what we argue or where we stand, we've always held certain beliefs as Americans. We believe that in order to preserve our own freedoms and pursue our own happiness, we can't just think about ourselves. We have to think about the country that made those liberties possible. We have to think about our fellow citizens with whom we share a community. And we have to think about what's required to preserve the American Dream for future generations.

This sense of responsibility – to each other and to our country – this isn't a partisan feeling. It isn't a Democratic or Republican idea. It's patriotism.

The other day I received a letter from a man in Florida. He started off by telling me he didn't vote for me and he hasn't always agreed with me. But even though he's worried about our economy and the state of our politics, he said,

"I still believe. I believe in that great country that my grandfather told me about. I believe that somewhere lost in this quagmire of petty bickering on every news station, the 'American Dream' is still alive..."

We need to use our dollars here rebuilding, refurbishing and restoring all that our ancestors struggled to create and maintain...We as a people must do this together, no matter the color of the state one comes from or the side of the aisle one might sit on.”

I still believe as well. And I know that if we can come together, and uphold our responsibilities to one another and to this larger enterprise that is America, we will keep the dream of our founding alive in our time, and pass on to our children the country we believe in. Thank you, God bless you, and may God bless the United States of America.