

# THE BUDGET MESSAGE OF THE PRESIDENT

America's economy is growing at a healthy pace, and more Americans are working than ever. In the face of a series of challenges, including most recently devastating natural disasters, Americans have stood firm, and America's economy has demonstrated its strength and resilience time and again.

My Administration has focused the Nation's resources on our highest priority: protecting our citizens and our homeland. Working with Congress, we have given our men and women on the frontlines in the War on Terror the funding they need to defeat the enemy and detect, disrupt, and dismantle terrorist plots and operations. We continue to help emerging democracies in Afghanistan and Iraq stand on their own. As the Afghan and Iraqi peoples assume greater responsibility for their own security and for defeating the terrorists, our troops will come home with the honor they have earned.

My Administration has responded to major economic challenges by following this vital principle: the American economy grows when people are allowed to keep more of what they earn, to save and spend as they see fit. The results are clear.

Since May 2003, when I signed into law major tax relief, America has added more than four and a half million new jobs. Productivity is high, disposable income is up, household wealth is at record levels, consumer confidence has climbed, small businesses are expanding, and more Americans own their homes than at any time in our Nation's history.

Our economy is the envy of the industrialized world. To build and maintain our competitive edge, my Administration has a broad agenda to promote America's long-term economic strength. We are opening new markets to American-made goods and services through trade agreements. We are proposing reforms to prevent needless litigation and burdensome regulations. Through major reforms of our public schools, we are preparing our children to compete and succeed in the global economy. And my Budget includes an American Competitiveness Initiative that targets funding to advance technology, better prepare American children in math and science, develop and train a high-tech workforce, and further strengthen the environment for private-sector innovation and entrepreneurship.

In our efforts to keep our economy strong and competitive, we will resist calls to raise taxes on America's workers, families, and businesses. Unless we act to make tax relief permanent, income tax rates eventually will rise, the marriage penalty will climb, the child tax credit will be cut, savers and investors will be hit with higher taxes, and the death tax will come back to life.

With a growing economy, tax receipts are on the rise, helping to bring down the deficit in 2005. To stay on track to meet my goal of cutting the deficit in half by 2009, we must maintain our pro-growth policies and insist on spending restraint.

Last year, I proposed to hold overall discretionary spending growth below the rate of inflation—and Congress delivered on that goal. Last year, I proposed that we focus our resources on defense and homeland security and cut elsewhere—and Congress delivered on that goal. And also last year, my Budget proposed major cuts in or eliminations of 154 programs that were not getting results and not fulfilling essential priorities. Thanks to the work of Congress, we delivered savings to the taxpayer of \$6.5 billion on 89 of my Administration's recommendations.

The 2007 Budget builds on these efforts. Again, I am proposing to hold overall discretionary spending below the rate of inflation and to cut spending in non-security discretionary programs below 2006 levels. My Administration has identified 141 programs that should be terminated or significantly reduced in size. To help bring greater accountability and transparency to the budget process, my Budget proposes reforms so that firm spending limits are put in place, and public funds are used for the best purposes with the broadest benefits.

The 2007 Budget also continues our efforts to improve performance and make sure the taxpayers get the most for their money. My Administration expects to be held accountable for significantly improving the way the Government works. In every program, and in every agency, we are measuring success not by good intentions or by dollars spent, but rather by results achieved.

In the long term, the biggest challenge to our Nation's fiscal health comes from unsustainable growth in entitlement spending. Entitlement programs such as Social Security and Medicare are growing faster than our ability to pay for them, faster than the economy, faster than the rate of inflation, and faster than the population. As more baby boomers retire and collect their benefits, our deficits are projected to grow. There will be fewer people paying into the system, and more retirees collecting benefits. These unfunded liabilities will put an increasing burden on our children and our grandchildren. We do not need to cut these programs, but we do need to slow their growth. We can solve this problem and still meet our Nation's commitment to the elderly, disabled, and poor.

Acting on my recommendations, both houses of Congress have taken an important first step, passing legislation that would produce \$40 billion in savings from mandatory programs and entitlement reforms—the first such savings in nearly a decade. My Budget builds on this progress by proposing \$65 billion more in savings in entitlement programs.

My Budget also includes proposals to address the longer-term challenge arising from unsustainable growth in Medicare, while ensuring modern health care for our seniors. In addition, I will continue to call on Congress to enact comprehensive reform of Social Security for future generations, so that we return the system to firm financial footing, protect the benefits of today's retirees and near-retirees, provide the opportunity for today's young workers to build a secure nest egg they can call their own, and assure our children and grandchildren a retirement benefit that is as good as is available today.

As this Budget shows, we have set clear priorities that meet the most pressing needs of the American people while addressing the long-term challenges that lie ahead. The 2007 Budget will ensure that future generations of Americans have the opportunity to live in a Nation that is more prosperous and more secure. With this Budget, we are protecting our highest ideals and building a brighter future for all.

GEORGE W. BUSH  
February 6, 2006