

Taking Action To Keep Our Economy Healthy

President Bush Asks Congress To Work With Him To Enact An Economic Growth Package That Bolsters Business Investment And Consumer Spending

Today, President Bush asked Congress to work with him to enact an economic growth package as soon as possible to keep our economy growing and creating jobs. By passing an effective growth package quickly, we can provide a shot in the arm to keep our fundamentally strong economy healthy and help keep instability in the housing and financial markets from more adversely affecting the overall economy. The President has asked Treasury Secretary Henry Paulson to lead the Administration's efforts to forge an agreement with Congress so that we can deliver this needed boost to our economy as quickly as possible.

- **Our economy has a solid foundation, but there are also areas of real concern.** Our economy has seen the longest uninterrupted period of job growth on record – 52 months of job growth – but job creation has slowed recently. Consumer spending has been growing, but the housing market is declining. Business investment and exports are still rising, but the cost of imported oil has increased.
- **The Administration has taken several steps to shore up the housing sector, and today the President again called on Congress to pass legislation to modernize the Federal Housing Administration and enable it to provide additional assistance to struggling homeowners.**
- **After careful consideration and discussion with Members of Congress, the President has concluded that action is needed to protect the health of the economy as a whole.** The President's advisors and many outside experts expect that our economy will continue to grow over the coming year, but at a slower rate than we have enjoyed for the past few years – and there is the risk of a downturn. A growth package can help ensure that consumption and investment is sufficient to protect the health of the broader economy.

As Congress Considers A Growth Plan, Certain Principles Must Guide Its Deliberations

The growth package:

- **Should be big enough to make a difference in an economy as large and dynamic as ours.** A package that is about one percent of GDP would be sufficient to provide a boost to the economy.
- **Should be built on broad-based tax relief that will directly affect economic growth, not Federal spending that would have little immediate impact on our economy.**
- **Should be temporary and take effect right away so we can get help to our economy when it is needed most.**
- **Should not include any tax increases.**

To Be Effective, The Growth Package Should Bolster Both Business Investment And Consumer Spending, Which Are Critical To Economic Growth

1. **An effective growth package must include tax incentives for American businesses – including small businesses – to make investments in their enterprises this year.** Giving them an incentive to invest now will encourage business owners to expand their operations, create new jobs, and inject new energy into our economy in the process.
2. **An effective growth package must also include direct and rapid income tax relief for the American people.** Americans could use this money as they see fit – to help meet their monthly bills, cover higher costs at the gas pump,

or pay for other basic necessities. Letting Americans keep more of their own money should increase consumer spending and lift our economy at a time when people otherwise might spend less.

President Bush Continues To Call On Congress To Make Tax Relief Permanent

While passing a new growth package is our most pressing economic priority, Congress needs to turn next to the most important economic priority for our country – making sure the tax relief that is now in place is not taken away. The President's tax cuts are set to expire in less than three years. If Congress allows that to happen, we will see an end to many of the measures that have helped our economy grow – including the 10 percent individual income tax bracket, repeal of the Federal death tax, reductions in the marriage penalty, the expansion of the child tax credit, and reduced rates on regular income, capital gains, and dividends. This would mean that:

- A single mom with two children and \$30,000 in earnings would see her taxes go up by 67 percent.
- An elderly couple with \$40,000 in income would see their taxes go up by about 155 percent.
- Twenty-six million small business owners would see their taxes increase by nearly 17 percent – or about \$4,000 on average.

The Administration Has Taken Steps To Help Struggling American Homeowners

In September, the President and his Administration launched a new initiative at the Federal Housing Administration (FHA) called *FHASecure*. *FHASecure* expands the FHA's ability to offer refinancing by giving it the flexibility to work with homeowners who have good credit histories but cannot afford their current payments. By the end of 2008, the FHA expects this program to help more than 300,000 families refinance their homes.

Treasury Secretary Henry Paulson and Housing and Urban Development Secretary Alphonso Jackson have facilitated the private-sector HOPE NOW alliance. HOPE NOW has developed a plan under which up to 1.2 million homeowners could be eligible for assistance. This plan will help subprime borrowers who can afford the current, starter rate on a subprime loan, but would not be able to make the higher payments once the interest rate goes up.

President Bush signed the Mortgage Forgiveness Debt Relief Act of 2007, which will help Americans avoid foreclosure by protecting families from higher taxes when they refinance their home mortgages. This Act created a three-year window for homeowners to refinance their mortgage and pay no Federal taxes on any debt forgiveness they receive.

Congress Has More Work To Do To On Measures To Help Families Stay In Their Homes

The President has called on Congress since August to complete work on responsible legislation modernizing the Federal Housing Administration (FHA). This bill will give FHA the necessary flexibility to help hundreds of thousands of additional families qualify for prime-rate financing.

Congress needs to pass legislation permitting State and local governments to help troubled borrowers by issuing tax-exempt bonds for refinancing existing home loans. Under current law, cities and States can issue tax-exempt bonds to finance new mortgages for first-time homebuyers, but States are unable to do the same for homeowners seeking to refinance.

Congress needs to pass legislation to reform Government Sponsored Enterprises (GSEs) like Freddie Mac and Fannie Mae. GSEs provide liquidity to the mortgage market that benefits millions of homeowners, and it is vital that they operate safely and soundly. The President has called on Congress to pass legislation that strengthens independent regulation of the GSEs and ensures they focus on their important housing mission.

The President strongly believes that government assistance must be responsible – the wrong answer, such as a bailout, could actually prolong the problem.

Congress Can Help Facilitate Long-Term Economic Growth By Expanding Opportunities For Trade And Investment And Maintaining Fiscal Discipline

The President has asked Congress to level the playing field for American workers and farmers by quickly approving free trade agreements with Colombia, Panama, and South Korea. Last month, President Bush signed legislation approving the U.S.-Peru free trade agreement, and Congress should build on this progress by approving these three remaining agreements. Congress should also reauthorize and improve the Trade Adjustment Assistance program to help workers affected by trade take advantage of this growing, dynamic economy.

President Bush remains committed to fiscal discipline and balancing the budget by 2012. The President's commitment to keeping taxes low and spending in check is helping us reach our goal of a balanced budget – the deficit in 2007 was 1.2 percent of GDP, which is lower than the average of the last 40 years.