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November 19, 2007

ECONOMY: Policy Address on America's Economic Challenges

Thank you. Oh, my goodness, thank you all so much.

[Click here to read Hillary's plan.](#)

Jackie, thank you. That was absolutely wonderful. And those of you from Knoxville know Jackie Duffy as the choir teacher, the inspiration for the choral performances at the high school. And I asked her how long she'd been teaching, and she said, "Twenty years." And let's give her a round of applause for her dedication to education.

Thank you, Jackie.

[Applause]

I also want to thank Dr. Randy Flack, Knoxville community school superintendent, for being here. Thank you so much, Dr. Flack.

And Tim McGee, Lucas County assessor and one of my precinct captains, I thank him for coming.

I also want to thank and recognize Marcia Nichols, who is the political director of AFSCME Council 61.

And there is someone else I want to introduce. That is Sari Bourne, the field organizer for Marion, Lucas and Wayne Counties. Where is Sari? If she can wave or -- there she is back there. Thank you so much.

And someone else who is very, very dear to me, who has served Iowa for many years and has been such a great champion of education and libraries, and that is Christie Vilsack. Thank you so much, Christie.

Now, I'll be all over the state today and tomorrow, and then I think we're all going to give you a break for Thanksgiving. Don't you think that's a good idea? So everybody can gather with friends and family. That's what I'll be doing; going back home and working with my daughter to create Thanksgiving dinner, something that we like to do every year. Then we'll be back over the weekend, traveling the state, meeting as many Iowans as I possibly can.

But today I wanted to come to Knoxville to really sound the alarm about our economy. I think it's important that we take a few minutes to soberly look at what's happening in the American economy, because the next president will inherit, unfortunately, a lot of problems.

Now, this is kind of a familiar situation for me, because when my husband became president he inherited a lot of economic problems. As someone said the other day, there seems to be a pattern here: It takes a Clinton to clean up after a Bush. And so...

[Applause]

And so I want to spend some time telling you how I see this problem and talking about some of the things that I want to do to address it, because I believe that the

next president will not have a minute to waste.

You know, we've got an economy that is increasingly interconnected with the global economy. It is shaped each day, not just by the billions of decisions that 300 million Americans make, but by billions more that are made around the world. And something that now happens far away from Iowa can have a ripple effect that impacts the quality of life and the standard of living for Americans.

Our economy in recent months has been the subject of increasing worry. We've got rising oil prices; we've got a deepening housing crisis; we have a falling dollar, in terms of its value; we have a ballooning national debt; and we have weakening consumer confidence.

Just 13 percent of Americans say that economic conditions in our country are positive. That is the lowest reading since the Gallup polling organization started asking the question back in 1991. And in 1991, it was the lowest that it had been in 40 years.

So we understand that we've got real problems, but we see nothing happening under this president to address those problems. Unfortunately, the president either doesn't see them or refuses to deal with them. And the net effect of it all is that the economy is not working for middle-class families.

Now, we all hope that the economy will remain resilient, and we know that, if we make the right choices, the American economy can, once again, create millions of jobs and lift up the middle class. But instead of positive policies aimed at making that happen, we've had the opposite: reckless fiscal policies and a president with a tragic habit of ignoring problems until they become crises.

The next president will be a steward of our economy at a time when the bills from eight years of neglect and mismanagement will be coming due. The next president will have to turn around our nation and our economy.

More than ever before, workers will need good job training for the jobs of this new century, but there is one job we can't afford on- the-job training for: That is the job of our next president. That could be the costliest job training in history.

Every day spent learning the ropes is another day of rising costs, mounting deficits, and growing anxiety for our families. And they cannot afford to keep waiting.

We need a president who understands the magnitude and complexity of the challenges we face and has the strength and experience to address them from day one, a president who has faith that the American people and the American economy are up to the task. And if you give me that chance, I will be that president for all of you.

[Applause]

In recent months, we've seen a number of troubling developments. First, we have a growing crisis in our housing market that is threatening our families and unsettling the capital markets. Over the past seven years, as incomes fell, wages stagnated, many families were lured into risky mortgages to finance their homes, with rates that would jump beyond what they could afford. And regulators did little to crack down on fly-by-night brokers peddling loans to unqualified buyers.

The result is 1.6 million foreclosures so far this year, nearly 1,500 in Iowa alone this past three months. That is almost double the figure from last year. And home prices across America are dropping. And unfortunately, a lot of experts predict they will drop even further.

That's serious no matter how you look at it, because 60 percent of the total wealth of middle-class families is in their home equity. And home equity withdrawals accounted for more than 8 percent of a family's disposal income in the last couple of years. So as housing prices decline, people have less money to draw on for everything from medical bills to college tuition.

To make matters worse, all of these mortgage woes have unsettled the capital markets. Banks have suffered enormous losses on securities linked to mortgages. They've written down more than \$30 billion in their holdings. Investors are

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increasingly risk-adverse, companies are struggling to raise the capital they need to expand, and banks are increasingly unwilling to provide mortgages and other loans to families.

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Second, skyrocketing energy prices are squeezing middle-class families already struggling with falling income and rising costs. You know, after September 11th, we had a historic opportunity to call Americans, to call all of us to energy independence. Instead, we outsourced our energy policy to Dick Cheney and the oil companies. And today we are even more dependent on foreign oil than we were on September the 11th.

Oil prices have increased more than 70 percent since the beginning of this year. Prices are moving up. It's now nearly \$100 a barrel. Gas hit \$3.11 per gallon nationwide, the highest price ever for this time of year. As a result, average families are spending roughly \$2,000 more a year on energy costs, for electricity, home heating, and gas.

That's a huge increase. It's like a \$2,000 energy tax in just the last seven years, more than three times what the typical American family received from the Bush tax cuts.

I talk to a lot of people who are worried they're not going to be able to get through the holidays and the winter months. We've been blessed; the weather has not yet gotten cold. So a lot of people have been holding their breath. But if we do have a cold spell, you know what will happen: So many folks will find it difficult to pay the price.

Third, while corporate profits are reaching new heights, our labor market is just not working for middle-class families. The Bush administration bragged about the fact that the unemployment rate is 4.7 percent. But do you know one of the reasons it's 4.7 percent? It's because millions of unemployed people have stopped looking for work.

We've had millions of Americans just drop out of the labor force. If you compare where we are today with where we were when President Bush took office, if you had the same number of people actually working and actively looking for jobs, the unemployment rate would be closer to 6.7 percent.

Corporate profits, however, are at a 40-year high. So here we contrast very high corporate profits, and the average American family has lost \$1,000 in income in the last seven years.

And over the 12-month period that just ended in July, the slow growth in wages actually accounted for more than two-thirds of the increase in corporate profits. What does that mean? Well, the profits go up, but unlike every other time in our history, the CEOs and the boards of these companies are not sharing the wealth. So companies are actually profiting off of keeping workers' wages stagnant.

And American workers? We're working harder than ever. We're the hardest working people in the world. So even though American workers are increasing their productivity, their wages have remained flat. And the gap between the rich and everybody else has only gotten broader.

In 2005, the last year I could find the numbers for, all income gains went to the top 10 percent of households, while the bottom 90 percent saw their incomes decline. That is not the America that I grew up in; that is not the country that I believe is holding out the promise of prosperity for people willing to work hard and take responsibility.

The wealthiest 1 percent of Americans held 22 percent of America's income. That's an astonishing figure, and it is the highest level of income inequality since the beginning of the Great Depression in 1929.

Fourth, seven years of fiscal recklessness has driven up our debt, eroded confidence in our economy, and left us vulnerable to foreign creditors. Since President Bush took office, we've seen the most dramatic deterioration in our nation's financial health in history.

Reckless tax cuts for the wealthy, bloated spending that wasn't paid for have pushed up our national debt to \$9.1 trillion. Think about that. When President Bush became president, he inherited a balanced budget and a surplus, a projected surplus of \$5.6 trillion. Now we're back into deficits, and we have a \$9 trillion debt. That forces us every day to borrow money from foreign countries like China.

So when people across Iowa ask me why it's so hard for the Bush administration to get tough on China and other trading partners, I tell them because these countries are now our bankers. We're their debtor. How can we truly enforce trade laws against a country like China when we have to borrow money to feed the massive debt that George Bush has driven up?

America's economic standing in the world has deteriorated. The value of the dollar has been dropping. It is now less valued than other currencies, something else that causes a lot of anxiety, if you look out and see what that might mean in years to come.

Finally, we face new threats that neither the president nor federal regulators have adequately acknowledged or addressed. Take the risk of so-called derivatives and other new financial products that Wall Street is selling.

These products offer new opportunities for investors to diversify portfolios and protect themselves against certain risks. For example, a farmer here in Iowa who's worried about the price of corn could buy a derivative that increases in value when the price of corn falls, so regardless of what happens with his crop, he has a chance to break even.

But derivatives also create new risks. They can swing wildly in value. It isn't always clear who owns them or how much they are really worth. Owners don't always understand the risks, which is why even the investment banks that created them are losing billions of dollars on these derivatives. And the ripples are being felt from Wall Street to Main Street.

I believe in our markets, but markets work best when there is information flow. And a lot of these new financial products are not transparent. The market doesn't have enough information about them, and certainly buyers don't. Today, we need a sensible middle ground between heavy-handed regulation and a hands-off approach to a risk that can hurt the innocent, as well as the sophisticated buyer.

Another new challenge on the horizon is the growth of sovereign wealth funds. Now, what are these? These are investment funds owned by foreign governments. They're not businesses. A government of a big oil-producing country creates a fund of money, puts a name on it, calling it an investment fund, and runs the investments out of this fund. They're using these funds to buy up billions of dollars worth of American stocks, real estate, and corporations.

Now, where exactly are countries getting the money for these funds? They're getting it from us. Our dependence on foreign oil means we send billions of dollars to countries like Saudi Arabia and Venezuela. Our trade deficit and our ballooning debts mean we send billions of dollars in payments to countries like China. These countries then turn around and use our dollars to buy chunks of our economy.

Today, sovereign wealth funds hold an estimated \$2.5 trillion. Within a decade, it's predicted they'll hold five times that much. We have never seen anything like this, and you don't hear a peep out of the Bush administration.

Now, why exactly are these sovereign wealth funds cause for concern? Well, let me ask you this: How would you feel if a foreign government used its sovereign wealth fund to buy an American car company and moved it overseas? Right now, that government might be our banker, but what if they became our boss, as well?

And how would you feel if countries used their investments in America to influence our foreign policy? What if a country set out to buy companies that compete with their national industries and shut them down?

I don't think we'd be comfortable with our own government speculating in real estate or buying up companies, and we should be doubly uncomfortable with the idea of a

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foreign government doing these things in our country. In short, these sovereign wealth funds represent a potential threat to our economic sovereignty if we don't act now to assess their impact on our economy.

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So today we face an array of serious and growing economic challenges that call for a president willing to make responsible economic stewardship a key priority, willing to confront complex problems and devise comprehensive responses, a president who always puts the middle class first.

But for seven years, we've had just the opposite. In fact, we've had a president who's guided the economy with just one simple principle in mind: Take care of those at the top and let middle- class families fend for themselves. He calls it the ownership society, but it's really nothing more than "you're on your own."

And what do we get from President Bush when the fact is that middle-class families' income has dropped \$1,000? A call to cut taxes again for America's largest corporations. As our trade deficit has doubled and we've lost an estimated 1.8 million jobs to China, what was President Bush's response? He threatened to veto trade adjustment assistance for displaced workers.

When foreclosures doubled last year, what was President Bush's response? Nothing. When families and community groups reported that crooked buyers and lenders were preying on homebuyers, nothing.

But when the housing crisis started to threaten large Wall Street investment banks, the Bush administration sprang into action. It convened meetings and conference calls with the heads of major Wall Street firms, eager to help however they could.

What was President Bush's answer to seniors who can't afford to retire? Privatize Social Security. What about rising oil prices? Veto funding to help low-income families pay their energy bills. Nine million children without health care? Veto health care for needy children.

His answer to middle-class families who feel like they're standing on a trap door, just one pink slip or one medical diagnosis or one missed mortgage payment away from falling through and losing everything? Tax cut after tax cut for the wealthiest of Americans.

Now, it's no surprise that the president continues to stand by his failed economic policies. This is, after all, a man who believes that stubbornness is a virtue.

What is truly amazing, however, is that the Republican candidates for president are determined to continue these failed policies. In fact, we can describe their approach to the economy in four simple words: more of the same.

They see \$9 trillion in debt and say, "Why not trillions more?" They see tax cuts for wealthy Americans and big corporations and say, "Why not more?" They see one attempt to privatize Social Security and say, "Why not one more?" In short, they see eight years of Bush economics and say, "Why not eight more?"

Well, here's my response to that: You've got until January 20, 2009. And not one day more will we put up with these failed policies.

[Applause]

I can't wait to get on a stage to debate the Republican nominee as we make the case for change and they argue for the status quo. To them, it's "leave no Bush economic policy behind." But today, America is ready for change, but change is just a word without the strength and experience to make it happen.

It's easy to give a speech about restoring the middle class, but it is hard to actually do it. It's easy to make up a program that addresses every economic problem, but it's hard to figure out how to pay for it. We've been here before with a president who leaves the economic cupboard bare on Election Day.

This time, however, we won't just have to clean up the economic mess he made. We'll also have to end the war he started and address the health care crisis he left behind.

[Applause]

So we don't need more Republican scare tactics about a Social Security crisis. And we don't need a trillion-dollar tax increase that will hit families already facing higher energy, health care and college costs.

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What we need is to focus on the real crises of health care and Medicare and on expanding opportunities for poor, working and middle-class families who are struggling now. If the gathering economic challenges strike all at once in a perfect storm, these families, America's families, will be the hardest hit.

So, in short, President Bush has abandoned the middle class, tilted the playing field against them, and said, "You're on your own." Republicans running to replace him say, "It's time for more of the same." And I say we need a new direction.

We had an economic strategy that worked in the 1990s. We believed that fiscal responsibility could spur economic growth, so we balanced the federal budget. We saw record surpluses, 22 million new jobs, the longest economic expansion in American history.

We believe that investments in our people were investments in our economy, so we expanded the earned income tax credit, provided health insurance to six million needy children, invested in Head Start and student loans. We saw historic declines in child poverty, family incomes up on average more than \$8,000, and many Americans joining and staying in the middle class.

So today we face 21st-century challenges, some of which we could have never imagined back in the 1990s. But I believe the principles that guided us then are still relevant today. These are the principles that are truly at the start of my plan to help restore our economy.

I believe in an optimistic, progressive, modern approach to the economy. There's no limits to what we can do if we set our minds to it. And I believe that we can begin on day one to turn the economy around.

I have four components: creating new jobs, good jobs, essential to broad-based prosperity; restoring fairness to our economy; renewing the basic bargain that if you work hard you can get ahead; and putting our fiscal house in order again.

We're going to ask everybody to participate, but I am not going to ask the middle class to do more than it has already done. Staying afloat during the Bush administration has been a major accomplishment.

[Applause]

So we're going to take away the tax subsidies from the oil companies, and we're going to put those to work on behalf of clean, renewable, alternative energy.

[Applause]

We're going to force the pharmaceutical companies to compete. We're going to make them have to negotiate with Medicare to get those drug prices down.

[Applause]

We're going to tell the health insurance companies who have denied so many people coverage that they will no longer be able to discriminate against the sick, and we're going to insure every single American for quality, affordable health care.

We're going to fight any ill-advised effort to privatize Social Security. We're going to keep Social Security rock solid for generations. And we're going to help families save for retirement with new retirement accounts.

[Applause]

And when it comes to trade, we're going to have real, enforceable standards and protections for our workers and our environment. And unlike the current president, I will make trade enforcement a top priority again.

[Applause]

We're going to have a manufacturing policy, because I don't believe we can remain a great country with a strong economy if we don't make things in America. And I'm going to focus on making sure that we continue to do so.

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[Applause]

We're going to pass laws that help people be able to join unions and bargain collectively for good wages and fair benefits again. We're going to focus on family farms, instead of corporate farms, and we're going to give family farms the support and the tools that they need to be successful.

And we are going to finally close the tax loopholes and stop giving tax breaks to companies that ship jobs overseas. Enough with outsourcing American jobs using taxpayer dollars.

[Applause]

But I'm going to go further than that: I will provide tax relief for the middle class, because you heard me say that, given the increase in energy prices since 2000, on average \$2,000, that is far more than any middle-class family got out of these Bush tax cuts.

We're not going to be fooled. We're going to get back to real tax relief for middle-class families. I'll extend the middle-class tax cuts, give generous tax breaks to help families afford health care, offer up to \$1,000 in matching tax cuts to help families save for retirement.

I'll expand the earned income tax credit, increase tax credits for child care, and provide a new \$3,500 tax credit to help middle-class families send their children to college.

[Applause]

And I will tie the minimum wage to congressional salaries so that Congress can't get a raise until working men and women get a raise in the minimum wage.

[Applause]

That's what I will do as president, but there are things we should do right now, immediate action to face the economic challenges. That starts with steps to prevent as many housing foreclosures as possible.

I've already announced a series of policies to do just that, including a \$1 billion fund to help states work with at-risk homeowners to prevent foreclosure.

Today, I call on the president to convene a crisis conference, bringing together all the stakeholders in the housing crisis, from lenders to homeowners to community groups, to figure out a solution to the housing crisis.

The time for hand-wringing and blame-placing is over. We need urgent action. And instead of just trying to help the big banks, how about helping America, Mr. President, to deal with this foreclosure challenge that we're facing?

[Applause]

Second, we need to immediately address the impending home heating crisis that could affect so many families this year. Now, the only long-term solution to high energy prices is reducing our dependence on foreign oil and lowering the carbon intensity of our economy.

I've outlined a comprehensive plan to do that that I talked about outside of Cedar Rapids, at Newton, and other places throughout Iowa, and I have set goals to be able to move toward achieving that. But it's not going to happen until we see the end of the Bush administration.

And I believe, if we do it, we can create five million new jobs. You know about blue-collar jobs and white-collar jobs. How about green-collar jobs for people who are going to put solar panels on rooftops, do the work on bio-fuels and everything else?

But with oil approaching \$100 a barrel, it's going to cost families 20 percent to 25

percent more to heat their homes this winter. Too many families can't afford that.

So I was outraged last week when President Bush vetoed emergency energy assistance funding for families. Because of his veto, state agencies right here in Iowa and across America have been forced to turn away needy families. If President Bush gets his way, one million families will be cut off from heating assistance this winter. That is unconscionable.

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I've lived in the White House. They keep it warm in the White House. And maybe the President should get out of the White House and come to Iowa and meet some of those families who are going to get cut off of energy assistance because of his veto.

I call on the President to put partisan politics aside and commit emergency funds today, not months down the road, when millions of seniors and low-income families have literally been left out in the cold. Let's ensure that no eligible family gets turned away and that assistance keeps pace with the rising energy prices.

In addition, we should commit \$1 billion to an emergency home conservation program to lower costs for families in cold-weather states. This program will allow states to make weatherization kits available to three million families. These kits would include easy-to-install items, like a wrap, an insulating wrap for your water heater, caulking for doors and windows. We know from experience this can reduce a family's heating bill by up to 20 percent.

Third, we need to work with governments around the world to set guidelines to make these sovereign wealth funds more transparent. You know, here in America, we would never fear people from other nations who have confidence in the American economy and want to invest and create jobs here. But when the investor is a foreign government, we need to be vigilant about ensuring that the investments don't threaten our economic sovereignty.

Currently, these sovereign wealth funds don't have to disclose their holdings, their investment objectives, their investment returns, or their management structures, so it's hard to assess whether they're introducing unnecessary risks into our markets, hard to know whether they're buying or selling assets to make a profit or make a point.

So today I call on the Bush administration, the World Bank, the International Monetary Fund to begin immediately crafting transparency guidelines for these sovereign wealth funds. Strict disclosure requirements are critical to help us understand how these funds are operating.

And, finally, we need to start addressing the risks posed by derivatives and other complex financial products. You can't let Wall Street send the bill to your street with the bright ideas that just don't work out.

Derivatives and products like them are posing real risks to families, as Wall Street writes down tens of billions of dollars in investments. Companies are taking the loss of a billion here and a billion there simply because the securities they own are worth less than they thought.

So as president, I will move to establish the 21st-century oversight we need in a 21st-century global marketplace. I will call for an immediate review of these new investment products and for plans to make them more transparent.

But I would hope that the Bush administration would do it before I'm sworn in. I don't want to see another 14 months of potential risks being injected into our economy with all of the other factors at work.

You know, President Franklin Roosevelt, who said a lot of really smart things, said economic laws are not made by nature. They're made by human beings.

Never before has America been at such an important economic crossroads. The threats to our success are many; they've been aided by misguided government policies and failed economic leadership and an effort to turn our government into a government of the few, by the few, and for the few.

But, you know, America's strengths are legendary, and I think we're ready to come

together again and do what it takes to succeed. We just need a president ready to change our policies and lead our people.

I believe I can provide the economic leadership we need to make the changes that are so desperately required, and I ask for your support and your counsel and your help as we make this journey together.

Thank you all very, very much.

[Applause]

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