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Remarks By John McCain On The Economy At Brooklyn Small Business Roundtable

April 10, 2008

ARLINGTON, VA -- U.S. Senator John McCain will deliver the following remarks as prepared for delivery at a small business roundtable in Brooklyn, New York, today at 12:45 p.m. EST:

Thank you for joining me here today. It is a real pleasure to be participating in this roundtable with so many accomplished entrepreneurs and small business owners. You represent the engine of economic growth in America. Small business creates the majority of new jobs in America every year -- so thank you for your ingenuity, perseverance, and hard work.

For Americans, a good job is the best program for housing, education, clothing, health care and transportation ever devised. A strong, growing economy with good jobs is central to everything we want for America. Today our economy is weakening, and as I travel this country and meet and talk with people, I can see how things are getting tougher for many Americans.

As I see it, individuals and families are feeling real pressure in four major areas. Housing prices are flat or declining and Americans have lost their homes or are in danger of losing them. A credit crunch is making personal loans, student loans, or business loans harder to get. Gas prices and food prices are threatening family budgets. And people are worried about their jobs.

I have a plan of action to get the American economy back on track. My plan is comprised of two parts: First is a tangible, near-term plan to address and relieve some of the serious problems that Americans are facing right now. The second part of the plan is to create the right medium and long-term environment for our economy to rebound and thrive.

Let me discuss the short-term challenges and actions first.

Recently, a sustained period of rising home prices made many home lenders complacent, giving them a false sense of security and causing them to lower their lending standards. They stopped asking basic questions of their borrowers like "can you afford this home? Can you put a reasonable amount of money down?" Lenders ended up violating the basic rule of banking: don't lend people money who can't pay it back. Some Americans bought homes they couldn't afford, betting that rising prices would make it easier to refinance later at more affordable rates. There are 80 million family homes in America and those homeowners are now facing the reality that the bubble has burst and prices go down as well as up.

More generally, credit is drying up and liquidity is now severely limited -- and small business and hard-working families find themselves unable to get their usual loans. Business managers have become not only more cautious about hiring, but some have been reducing their workforce. All of this led to a discouraging jobs report last Friday.

As if this were not enough, oil prices and therefore gas prices have been climbing for well over a year. For a long time, companies and businesses absorbed those increases but recently they have had to pass them on to consumers. The reason the price of milk, eggs and all kinds of goods are up so much is, simply, the increased cost of transporting these products to your store. Even the costs of product containers and cartons -- often made from petroleum products -- have been affected by the rising cost of oil and gas.

So what can we do in the near term?

Let's start with the housing challenges. There is nothing more important than keeping alive the American dream to own your home, and priority number one is to keep well meaning, deserving home owners who are facing foreclosure in their homes. I am pleased that the Congress is considering bi-partisan reforms to help the mortgage crisis. Bipartisan efforts may not make for great political theater, but they remain the most effective way to address quickly our nation's problems. Bipartisan efforts are also sometimes less than perfect, and I believe we can improve on the legislation before Congress.

I've made my principles in this area clear: Tax breaks for builders, funds to purchase homes in foreclosure, and tax credits that are not targeted to where the need is greatest do not constitute the federal help that is warranted. In some case, lenders and borrowers alike were caught up in the speculative frenzy that has harmed the housing market. And it is not the responsibility of the American public to spare them from the consequences of their own bad judgment. The goal should be to help homeowners who are struggling, and only about \$5 billion of the bill addresses their concerns in any way. I believe we can do better.

We can also encourage groups like Neighborworks America and others provide mortgage assistance to homeowners in their communities. And our government can give them the resources to expand their efforts. I also believe that the mortgage lending industry has an obligation to help refinance mortgages. If what I have read about industry-led efforts is true, it appears that a stronger effort could be launched.

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I believe a more robust, timely and targeted effort is my HOME plan. It offers every deserving American family or homeowner the opportunity to trade a burdensome mortgage for a manageable loan that reflects the market value of their home. This plan is focused on people. People decide if they need help, they apply for assistance and if approved the government under my HOME Program supports them in getting a new mortgage that they can afford. There will be qualifications which require the home to be a primary residence and the borrower able to afford a new mortgage. We will combine the power of government and the private sector to find immediate solutions for deserving American homeowners.

My plan follows the sound economic principle that when markets decline dramatically, debts must be restructured. It is built on the reality that homeowners should have an equity stake in their home. Homeowners would end up with a 30-year mortgage and an equity stake in their home. The new lender would receive a federal guarantee of the mortgage. And the taxpayer gets a benefit if the sale value ever recovers.

The result is a restructured financial arrangement for the homeowner. Over the long term, financial institutions must follow suit, writing off losses, restructuring their balance sheets, and raising more capital.

I am also calling for an immediate DOJ task force to aggressively investigate potential criminal wrongdoing in the mortgage lending and securitization industry. If there were individuals or firms that defrauded innocent homeowners or forged loan application documents, then the punishments of the market are not enough, and they must answer for their conduct in a court of law.

Now let me turn to gas and food prices. We need to help everyone who relies on gas to commute or pick up the kids or get to doctors appointments. As President, I promise to pursue a national energy strategy that won't be another grab bag of handouts and a full employment act for lobbyists. It will promote the diversification and conservation of our energy sources, including a robust expansion of nuclear power, that will in sufficient time break the dominance of oil in our transportation sector.

Right now I think we should stop adding to the Strategic Petroleum Reserve. The SPR is intended to offset the impact of physical disruption of oil supplies. But with oil at over \$100 a barrel and an adequate supply in the SPR, it is time to suspend purchases. This will lessen worldwide demand for oil, and if the classic laws of supply and demand hold, we should see a welcome decrease in the price of oil. And I ask every American to consider how you can sacrifice a bit for the common good and cut back where you can on your energy use.

Job security may well be the most pressing problem of these challenging economic times. Right now, jobs are in jeopardy and the government backstop is not up to the task. For over a year, I have been calling for a comprehensive reform to our unemployment insurance and displaced worker programs.

In our current unemployment insurance system, benefits are the same regardless of whether a job is found quickly or slowly. There is no reward for work, or getting to work quickly. Training programs are duplicative, balkanized and inefficient. The Department of Labor alone has over a half-dozen programs under different organizational umbrellas.

I propose that we build a new system so that as women and men work, their taxes help to build up a buffer account against lost earnings. Then, if they are unfortunate enough to lose a job, they will be able to better meet their obligations. There will also be no need to wait for a bureaucrat or obey a timetable. Every day will count and give incentives to get back to work.

If new skills are needed, displaced workers should find quick assistance at a community college using a flexible training account that permits them to pay for training and use some of the leftover to keep their health insurance. They will be able to get the hands-on skills needed by employers in the area and move to a new job. And my plan contains special, targeted assistance for older workers.

We also must make health care portable. The biggest fear people have when they lose their job is losing their health insurance. I have proposed comprehensive reforms that will lead to innovative, portable insurance. But we can start by making sure that workers are eligible for affordable coverage under COBRA.

These short term measures are designed to help people where they face the most challenges right now. I think they could make a significant difference in the everyday lives of many people.

Much work remains to be done on addressing the issues and challenges that will ensure we remain the largest and strongest economy in the world in the future. I believe that in order to accomplish this we must do three things. First, we must invest in the greatest resource we have, the American people. Second, we must reignite and drive a spirit of innovation in America. And third, we must foster growth and economic freedom, which really means low and effective taxes, free trade on a level playing field, small government and a smart, enforceable regulatory and legal framework.

Next week I will outline my longer term vision for American economic growth and power. But let me make it clear that in these challenging times, I am committed to using all the resources of this government and great nation to create opportunity and make sure that every deserving American has a good job and can achieve their American dream.