

President Bush Discusses Economy

Rose Garden

8:02 A.M. EDT

THE PRESIDENT: Good morning. I just completed a meeting with my working group on financial markets. We discussed the unprecedented and aggressive steps the federal government is taking to address the financial crisis. Over the past few weeks, my administration has worked with both parties in Congress to pass a financial rescue plan. Federal agencies have moved decisively to shore up struggling institutions and stabilize our markets. And the United States has worked with partners around the world to coordinate our actions to get our economies back on track.

This weekend, I met with finance ministers from the G7 and the G20 -- organizations representing some of the world's largest and fastest-growing economies. We agreed on a coordinated plan for action to provide new liquidity, strengthen financial institutions, protect our citizens' savings, and ensure fairness and integrity in the markets.

Yesterday, leaders in Europe moved forward with this plan. They announced significant steps to inject capital into their financial systems by purchasing equity in major banks. And they announced a new effort to jumpstart lending by providing temporary government guarantees for bank loans. These are wise and timely actions, and they have the full support of the United States.

Today, I am announcing new measures America is taking to implement the G7 action plan and strengthen banks across our country.

First, the federal government will use a portion of the \$700 billion financial rescue plan to inject capital into banks by purchasing equity shares. This new capital will help healthy banks continue making loans to businesses and consumers. And this new capital will help struggling banks fill the hole created by losses during the financial crisis, so they can resume lending and help spur job creation and economic growth. This is an essential short-term measure to ensure the viability of America's banking system. And the program is carefully designed to encourage banks to buy these shares back from the government when the markets stabilize and they can raise capital from private investors.

Second, and effective immediately, the FDIC will temporarily guarantee most new debt issued by insured banks. This will address one of the central problems plaguing our financial system -- banks have been unable to borrow money, and



that has restricted their ability to lend to consumers and businesses. When money flows more freely between banks, it will make it easier for Americans to borrow for cars, and homes, and for small businesses to expand.

Third, the FDIC will immediately and temporarily expand government insurance to cover all non-interest bearing transaction accounts. These accounts are used primarily by small businesses to cover day-to-day operations. By insuring every dollar in these accounts, we will give small business owners peace of mind and bring stability to the -- and bring greater stability to the banking system.

Fourth, the Federal Reserve will soon finalize work on a new program to serve as a buyer of last resort for commercial paper. This is a key source of short-term financing for American businesses and financial institutions. And by unfreezing the market for commercial paper, the Federal Reserve will help American businesses meet payroll, and purchase inventory, and invest to create jobs.

In a few moments, Secretary Paulson and other members of my Working Group on Financial Markets will explain these steps in greater detail. They will make clear that each of these new programs contains safeguards to protect the taxpayers. They will make clear that the government's role will be limited and temporary. And they will make clear that these measures are not intended to take over the free market, but to preserve it.

The measures I have announced today are the latest steps in this systematic approach to address the crisis. I know Americans are deeply concerned about the stress in our financial markets, and the impact it is having on their retirement accounts, and 401(k)s, and college savings, and other investments. I recognize that the action leaders are taking here in Washington and in European capitals can seem distant from those concerns. But these efforts are designed to directly benefit the American people by stabilizing our overall financial system and helping our economy recover.

It will take time for our efforts to have their full impact, but the American people can have confidence about our long-term economic future. We have a strategy that is broad, that is flexible, and that is aimed at the root cause of our problem. Nations around the world are working together to overcome this challenge. And with confidence and determination, we will return our economies to the path of growth and prosperity.

Thank you.

END 8:08 A.M. EDT