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President Bush Discusses the Economy

Rose Garden

[In Focus: Economy](#)

10:25 A.M. EDT

THE PRESIDENT: Good morning. Over the past few days, we have witnessed a startling drop in the stock market -- much of it driven by uncertainty and fear. This has been a deeply unsettling period for the American people. Many of our citizens have serious concerns about their retirement accounts, their investments, and their economic well-being.

Here's what the American people need to know: that the United States government is acting; we will continue to act to resolve this crisis and restore stability to our markets. We are a prosperous nation with immense resources and a wide range of tools at our disposal. We're using these tools aggressively.

The fundamental problem is this: As the housing market has declined, banks holding assets related to home mortgages have suffered serious losses. As a result of these losses, many banks lack the capital or the confidence in each other to make new loans. In turn, our system of credit has frozen, which is keeping American businesses from financing their daily transactions -- and creating uncertainty throughout our economy.

This uncertainty has led to anxiety among our people. And that is understandable -- that anxiety can feed anxiety, and that can make it hard to see all that is being done to solve the problem. The federal government has a comprehensive strategy and the tools necessary to address the challenges in our economy. Fellow citizens: We can solve this crisis -- and we will.

Here are the problems we face and the steps we are taking:

First, key markets are not functioning because there's a lack of liquidity -- the grease necessary to keep the gears of our financial system turning. So the Federal Reserve has injected hundreds of billions of dollars into the system. The Fed has joined with central banks around the world to coordinate a cut in interest rates. This rate cut will allow banks to borrow money more affordably -- and it should help free up additional credit necessary to create jobs, and finance college educations, and help American families meet their daily needs. The Fed has also announced a new program to provide support for the commercial paper market, which is freezing up. As the new program kicks in over the next week or so, it will help revive a key source of short-term financing for American businesses and financial institutions.

Second, some Americans are concerned about whether their money is safe. So the Federal Deposit Insurance Corporation and the National Credit Union Administration have significantly expanded the amount of money insured in savings accounts, and checking accounts, and certificates of deposit. That means that if you have up to \$250,000 in one of these insured accounts, every penny of that money is safe. The Treasury Department has also acted to restore confidence in a key element of America's financial system by offering government insurance for money market mutual funds.

Thirdly, we are concerned that some investors could take advantage of the crisis to illegally manipulate the stock



market. So the Securities and Exchange Commission has launched rigorous enforcement actions to detect fraud and manipulation in the market. The SEC is focused on preventing abusive practices, such as putting out false information to drive down particular stocks for personal gain. Anyone caught engaging in illegal financial activities will be prosecuted.

Fourth, the decline in the housing market has left many Americans struggling to meet their mortgages and are concerned about losing their homes. My administration has launched two initiatives to help responsible borrowers keep their homes. One is called HOPE NOW, and it brings together homeowners and lenders and mortgage servicers, and others to find ways to prevent foreclosure. The other initiative is aimed at making it easier for responsible homeowners to refinance into affordable mortgages insured by the Federal Housing Administration. So far, these programs have helped more than 2 million Americans stay in their home. And the point is this: If you are struggling to meet your mortgage, there are ways that you can get help.

With these actions to help to prevent foreclosures, we're addressing a key problem in the housing market: The supply of homes now exceeds demand. And as a result, home values have declined. Once supply and demand balance out, our housing market will be able to recover -- and that will help our broader economy begin to grow.

Fifth, we've seen that problems in the financial system are not isolated to the United States. They're also affecting other nations around the globe. So we're working closely with partners around the world to ensure that our actions are coordinated and effective. Tomorrow, I'll meet with the finance ministers from our partners in the G7 and the heads of the International Monetary Fund and World Bank. Secretary Paulson will also meet with finance ministers from the world's 20 leading economies. Through these efforts, the world is sending an unmistakable signal: We're in this together, and we'll come through this together.

And finally, American businesses and consumers are struggling to obtain credit, because banks do not have sufficient capital to make loans. So my administration worked with Congress to quickly pass a \$700 billion financial rescue package. This new law authorizes the Treasury Department to use a variety of measures to help bank [sic] rebuild capital -- including buying or insuring troubled assets and purchasing equity of financial institutions. The Department will implement measures that have maximum impact as quickly as possible. Seven hundred billion dollars is a significant amount of money. And as we act, we will do it in a way that is effective.

The plan we are executing is aggressive. It is the right plan. It will take time to have its full impact. It is flexible enough to adapt as the situation changes. And it is big enough to work.

The federal government will continue to take the actions necessary to restore stability to our financial markets and growth to our economy. We have an outstanding economic team carrying out this effort, led by Secretary of the Treasury Hank Paulson, Federal Reserve Chairman Ben Bernanke, SEC Chairman Chris Cox, and FDIC Chair Sheila Bair. I thank them and their dedicated teams for their service during this important moment in our country's history.

This is an anxious time, but the American people can be confident in our economic future. We know what the problems are, we have the tools we need to fix them, and we're working swiftly to do so. Our economy is innovative, industrious and resilient because the American people who make up our economy are innovative, industrious and resilient. We all share a determination to solve this problem -- and that is exactly what we're going to do. May God bless you.

END 10:33 A.M. EDT

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