

# The Washington Post

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During his pilgrimage to Mecca, the tenth Mansa of the Malian Empire went on a massive spending spree that caused a financial crisis in Cairo. What dropped in price there?

## Full text of President Obama's economic speech in Osawatomie, Kans.

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*As Prepared for Delivery --*

Good afternoon. I want to start by thanking a few of the folks who've joined us today. We've got the mayor of Osawatomie, Phil Dudley; your superintendent, Gary French; the principal of Osawatomie High, Doug Chisam. And I've brought your former governor, who's now doing an outstanding job as our Secretary of Health and Human Services, Kathleen Sebelius.

It is great to be back in the state of Kansas. As many of you know, I've got roots here. I'm sure you're all familiar with the Obamas of Osawatomie. Actually, I like to say that I got my name from my father, but I got my accent -- and my values -- from my mother. She was born in Wichita. Her mother grew up in Augusta. And her father was from El Dorado. So my Kansas roots run deep.

My grandparents served during World War II -- he as a soldier in Patton's Army, she as a worker on a bomber assembly line. Together, they shared the optimism of a nation that triumphed over a Depression and fascism. They believed in an America where hard work paid off, responsibility was rewarded, and anyone could make it if they tried -- no matter who you were, where you came from, or how you started out.

These values gave rise to the largest middle class and the strongest economy the world has ever known. It was here, in America, that the most productive workers and innovative companies turned out the best

products on Earth, and every American shared in that pride and success -- from those in executive suites to middle management to those on the factory floor. If you gave it your all, you'd take enough home to raise your family, send your kids to school, have your health care covered, and put a little away for retirement.

Today, we are still home to the world's most productive workers and innovative companies. But for most Americans, the basic bargain that made this country great has eroded. Long before the recession hit, hard work stopped paying off for too many people. Fewer and fewer of the folks who contributed to the success of our economy actually benefitted from that success. Those at the very top grew wealthier from their incomes and investments than ever before. But everyone else struggled with costs that were growing and paychecks that weren't -- and too many families found themselves racking up more and more debt just to keep up.

For many years, credit cards and home equity loans papered over the harsh realities of this new economy. But in 2008, the house of cards collapsed. We all know the story by now: Mortgages sold to people who couldn't afford them, or sometimes even understand them. Banks and investors allowed to keep packaging the risk and selling it off. Huge bets -- and huge bonuses -- made with other people's money on the line. Regulators who were supposed to warn us about the dangers of all this, but looked the other way or didn't have the authority to look at all.

It was wrong. It combined the breathtaking greed of a few with irresponsibility across the system. And it plunged our economy and the world into a crisis from which we are still fighting to recover. It claimed the jobs, homes, and the basic security of millions -- innocent, hard-working Americans who had met their responsibilities, but were still left holding the bag.

Ever since, there has been a raging debate over the best way to restore growth and prosperity; balance and fairness. Throughout the country, it has sparked protests and political movements -- from the Tea Party to the people who have been occupying the streets of New York and other cities. It's left Washington in a near-constant state of gridlock. And it's been the topic of heated and sometimes colorful discussion among the men and women who are running for president.

But this isn't just another political debate. This is the defining issue of our time. This is a make or break moment for the middle class, and all those who are fighting to get into the middle class. At stake is whether this will be a country where working people can earn enough to raise a family, build a modest savings, own a home, and secure their retirement.

Now, in the midst of this debate, there are some who seem to be suffering from a kind of collective amnesia. After all that's happened, after the worst economic crisis since the Great Depression, they want to return to the same practices that got us into this mess. In fact, they want to go back to the same policies that have stacked the deck against middle-class Americans for too many years. Their philosophy is simple: we are better off when everyone is left to fend for themselves and play by their own rules.

Well, I'm here to say they are wrong. I'm here to reaffirm my deep conviction that we are greater together than we are on our own. I believe that this country succeeds when everyone gets a fair shot, when everyone does their fair share, and when everyone plays by the same rules. Those aren't Democratic or Republican values; 1% values or 99% values. They're American values, and we have to reclaim them.

You see, this isn't the first time America has faced this choice. At the turn of the last century, when a nation of farmers was transitioning to become the world's industrial giant, we had to decide: would we settle for a country where most of the new railroads and factories were controlled by a few giant

monopolies that kept prices high and wages low? Would we allow our citizens and even our children to work ungodly hours in conditions that were unsafe and unsanitary? Would we restrict education to the privileged few? Because some people thought massive inequality and exploitation was just the price of progress.

Theodore Roosevelt disagreed. He was the Republican son of a wealthy family. He praised what the titans of industry had done to create jobs and grow the economy. He believed then what we know is true today: that the free market is the greatest force for economic progress in human history. It's led to a prosperity and standard of living unmatched by the rest of the world.

But Roosevelt also knew that the free market has never been a free license to take whatever you want from whoever you can. It only works when there are rules of the road to ensure that competition is fair, open, and honest. And so he busted up monopolies, forcing those companies to compete for customers with better services and better prices. And today, they still must. He fought to make sure businesses couldn't profit by exploiting children, or selling food or medicine that wasn't safe. And today, they still can't.

In 1910, Teddy Roosevelt came here, to Osawatomie, and laid out his vision for what he called a New Nationalism. "Our country," he said, "...means nothing unless it means the triumph of a real democracy...of an economic system under which each man shall be guaranteed the opportunity to show the best that there is in him."

For this, Roosevelt was called a radical, a socialist, even a communist. But today, we are a richer nation and a stronger democracy because of what he fought for in his last campaign: an eight hour work day and a minimum wage for women; insurance for the unemployed, the elderly, and those with disabilities; political reform and a progressive income tax.

Today, over one hundred years later, our economy has gone through another transformation. Over the last few decades, huge advances in technology have allowed businesses to do more with less, and made it easier for them to set up shop and hire workers anywhere in the world. And many of you know firsthand the painful disruptions this has caused for a lot of Americans.

Factories where people thought they would retire suddenly picked up and went overseas, where the workers were cheaper. Steel mills that needed 1,000 employees are now able to do the same work with 100, so that layoffs were too often permanent, not just a temporary part of the business cycle. These changes didn't just affect blue-collar workers. If you were a bank teller or a phone operator or a travel agent, you saw many in your profession replaced by ATMs or the internet. Today, even higher-skilled jobs like accountants and middle management can be outsourced to countries like China and India. And if you're someone whose job can be done cheaper by a computer or someone in another country, you don't have a lot of leverage with your employer when it comes to asking for better wages and benefits – especially since fewer Americans today are part of a union.

Now, just as there was in Teddy Roosevelt's time, there's been a certain crowd in Washington for the last few decades who respond to this economic challenge with the same old tune. "The market will take care of everything," they tell us. If only we cut more regulations and cut more taxes – especially for the wealthy – our economy will grow stronger. Sure, there will be winners and losers. But if the winners do really well, jobs and prosperity will eventually trickle down to everyone else. And even if prosperity doesn't trickle down, they argue, that's the price of liberty.

It's a simple theory – one that speaks to our rugged individualism and healthy skepticism of too much government. It fits well on a bumper sticker. Here's the problem: It doesn't work. It's never worked. It

didn't work when it was tried in the decade before the Great Depression. It's not what led to the incredible post-war boom of the 50s and 60s. And it didn't work when we tried it during the last decade.

Remember that in those years, in 2001 and 2003, Congress passed two of the most expensive tax cuts for the wealthy in history, and what did they get us? The slowest job growth in half a century. Massive deficits that have made it much harder to pay for the investments that built this country and provided the basic security that helped millions of Americans reach and stay in the middle class – things like education and infrastructure; science and technology; Medicare and Social Security.

Remember that in those years, thanks to some of the same folks who are running Congress now, we had weak regulation and little oversight, and what did that get us? Insurance companies that jacked up people's premiums with impunity, and denied care to the patients who were sick. Mortgage lenders that tricked families into buying homes they couldn't afford. A financial sector where irresponsibility and lack of basic oversight nearly destroyed our entire economy.

We simply cannot return to this brand of your-on-your-own economics if we're serious about rebuilding the middle class in this country. We know that it doesn't result in a strong economy. It results in an economy that invests too little in its people and its future. It doesn't result in a prosperity that trickles down. It results in a prosperity that's enjoyed by fewer and fewer of our citizens.

Look at the statistics. In the last few decades, the average income of the top one percent has gone up by more than 250%, to \$1.2 million per year. For the top one hundredth of one percent, the average income is now \$27 million per year. The typical CEO who used to earn about 30 times more than his or her workers now earns 110 times more. And yet, over the last decade, the incomes of most Americans have actually fallen by about six percent.

This kind of inequality – a level we haven't seen since the Great Depression – hurts us all. When middle-class families can no longer afford to buy the goods and services that businesses are selling, it drags down the entire economy, from top to bottom. America was built on the idea of broad-based prosperity – that's why a CEO like Henry Ford made it his mission to pay his workers enough so that they could buy the cars they made. It's also why a recent study showed that countries with less inequality tend to have stronger and steadier economic growth over the long run.

Inequality also distorts our democracy. It gives an outsized voice to the few who can afford high-priced lobbyists and unlimited campaign contributions, and runs the risk of selling out our democracy to the highest bidder. And it leaves everyone else rightly suspicious that the system in Washington is rigged against them – that our elected representatives aren't looking out for the interests of most Americans.

More fundamentally, this kind of gaping inequality gives lie to the promise at the very heart of America: that this is the place where you can make it if you try. We tell people that in this country, even if you're born with nothing, hard work can get you into the middle class; and that your children will have the chance to do even better than you. That's why immigrants from around the world flocked to our shores.

And yet, over the last few decades, the rungs on the ladder of opportunity have grown farther and farther apart, and the middle class has shrunk. A few years after World War II, a child who was born into poverty had a slightly better than 50-50 chance of becoming middle class as an adult. By 1980, that chance fell to around 40%. And if the trend of rising inequality over the last few decades continues, it's estimated that a child born today will only have a 1 in 3 chance of making it to the middle class.

It's heartbreaking enough that there are millions of working families in this country who are now forced to take their children to food banks for a decent meal. But the idea that those children might not have a

chance to climb out of that situation and back into the middle class, no matter how hard they work? That's inexcusable. It's wrong. It flies in the face of everything we stand for.

Fortunately, that's not a future we have to accept. Because there's another view about how we build a strong middle class in this country – a view that's truer to our history; a vision that's been embraced by people of both parties for more than two hundred years.

It's not a view that we should somehow turn back technology or put up walls around America. It's not a view that says we should punish profit or success or pretend that government knows how to fix all society's problems. It's a view that says in America, we are greater together – when everyone engages in fair play, everyone gets a fair shot, everyone does their fair share.

So what does that mean for restoring middle-class security in today's economy?

It starts by making sure that everyone in America gets a fair shot at success. The truth is, we'll never be able to compete with other countries when it comes to who's best at letting their businesses pay the lowest wages or pollute as much as they want. That's a race to the bottom that we can't win – and shouldn't want to win. Those countries don't have a strong middle-class. They don't have our standard of living.

The race we want to win – the race we can win – is a race to the top; the race for good jobs that pay well and offer middle-class security. Businesses will create those jobs in countries with the highest-skilled, highest-educated workers; the most advanced transportation and communication; the strongest commitment to research and technology.

The world is shifting to an innovation economy. And no one does innovation better than America. No one has better colleges and universities. No one has a greater diversity of talent and ingenuity. No one's workers or entrepreneurs are more driven or daring. The things that have always been our strengths match up perfectly with the demands of this moment.

But we need to meet the moment. We need to up our game. And we need to remember that we can only do that together.

It starts by making education a national mission – government and businesses; parents and citizens. In this economy, a higher education is the surest route to the middle class. The unemployment rate for Americans with a college degree or more is about half the national average. Their income is twice as high as those who don't have a high school diploma. We shouldn't be laying off good teachers right now – we should be hiring them. We shouldn't be expecting less of our schools – we should be demanding more. We shouldn't be making it harder to afford college – we should be a country where everyone has the chance to go.

In today's innovation economy, we also need a world-class commitment to science, research, and the next generation of high-tech manufacturing. Our factories and their workers shouldn't be idle. We should be giving people the chance to get new skills and training at community colleges, so they can learn to make wind turbines and semiconductors and high-powered batteries. And by the way – if we don't have an economy built on bubbles and financial speculation, our best and brightest won't all gravitate towards careers in banking and finance. Because if we want an economy that's built to last, we need more of those young people in science and engineering. This country shouldn't be known for bad debt and phony profits. We should be known for creating and selling products all over the world that are stamped with three proud words: Made in America.

Today, manufacturers and other companies are setting up shop in places with the best infrastructure to ship their products, move their workers, and communicate with the rest of the world. That's why the over one million construction workers who lost their jobs when the housing market collapsed shouldn't be sitting at home with nothing to do. They should be rebuilding our roads and bridges; laying down faster railroads and broadband; modernizing our schools – all the things other countries are already doing to attract good jobs and businesses to their shores.

Yes, businesses, not government, will always be the primary generator of good jobs with incomes that lift people into the middle class and keep them there. But as a nation, we have always come together, through our government, to help create the conditions where both workers and businesses can succeed. Historically, that hasn't been a partisan idea. Franklin Roosevelt worked with Democrats and Republicans to give veterans of World War II, including my grandfather, the chance to go to college on the GI Bill. It was Republican President Dwight Eisenhower, a proud son of Kansas, who started the interstate highway system and doubled-down on science and research to stay ahead of the Soviets.

Of course, those productive investments cost money. And so we've also paid for these investments by asking everyone to do their fair share. If we had unlimited resources, no one would ever have to pay any taxes and we'd never have to cut any spending. But we don't have unlimited resources. And so we have to set priorities. If we want a strong middle class, then our tax code must reflect our values. We have to make choices.

Today that choice is very clear. To reduce our deficit, I've already signed nearly \$1 trillion of spending cuts into law, and proposed trillions more – including reforms that would lower the cost of Medicare and Medicaid.

But in order to actually close the deficit and get our fiscal house in order, we have to decide what our priorities are. Most immediately, we need to extend a payroll tax cut that's set to expire at the end of this month. If we don't do that, 160 million Americans will see their taxes go up by an average of \$1,000, and it would badly weaken our recovery.

But in the long term, we have to rethink our tax system more fundamentally. We have to ask ourselves: Do we want to make the investments we need in things like education, and research, and high-tech manufacturing? Or do we want to keep in place the tax breaks for the wealthiest Americans in our country? Because we can't afford to do both. That's not politics. That's just math.

So far, most of the Republicans in Washington have refused, under any circumstances, to ask the wealthiest Americans to go the same tax rates they were paying when Bill Clinton was president.

Now, keep in mind, when President Clinton first proposed these tax increases, folks in Congress predicted they would kill jobs and lead to another recession. Instead, our economy created nearly 23 million jobs and we eliminated the deficit. Today, the wealthiest Americans are paying the lowest taxes in over half a century. This isn't like in the early 50s, when the top tax rate was over 90%, or even the early 80s, when it was about 70%. Under President Clinton, the top rate was only about 39%. Today, thanks to loopholes and shelters, a quarter of all millionaires now pay lower tax rates than millions of middle-class households. Some billionaires have a tax rate as low as 1%. One percent.

This is the height of unfairness. It is wrong that in the United States of America, a teacher or a nurse or a construction worker who earns \$50,000 should pay a higher tax rate than somebody pulling in \$50 million. It is wrong for Warren Buffett's secretary to pay a higher tax rate than Warren Buffett. And he agrees with me. So do most Americans – Democrats, Independents, and Republicans. And I know that many of our wealthiest citizens would agree to contribute a little more if it meant reducing the deficit

and strengthening the economy that made their success possible.

This isn't about class warfare. This is about the nation's welfare. It's about making choices that benefit not just the people who've done fantastically well over the last few decades, but that benefits the middle class, and those fighting to get to the middle class, and the economy as a whole.

Finally, a strong middle class can only exist in an economy where everyone plays by the same rules, from Wall Street to Main Street. As infuriating as it was for all of us, we rescued our major banks from collapse, not only because a full blown financial meltdown would have sent us into a second Depression, but because we need a strong, healthy financial sector in this country.

But part of the deal was that we would not go back to business as usual. That's why last year we put in place new rules of the road that refocus the financial sector on this core purpose: getting capital to the entrepreneurs with the best ideas, and financing to millions of families who want to buy a home or send their kids to college. We're not all the way there yet, and the banks are fighting us every inch of the way. But already, some of these reforms are being implemented. If you're a big bank or risky financial institution, you'll have to write out a "living will" that details exactly how you'll pay the bills if you fail, so that taxpayers are never again on the hook for Wall Street's mistakes. There are also limits on the size of banks and new abilities for regulators to dismantle a firm that goes under. The new law bans banks from making risky bets with their customers' deposits, and takes away big bonuses and paydays from failed CEOs, while giving shareholders a say on executive salaries.

All that is being put in place as we speak. Now, unless you're a financial institution whose business model is built on breaking the law, cheating consumers, or making risky bets that could damage the entire economy, you have nothing to fear from these new rules. My grandmother worked as a banker for most of her life, and I know that the vast majority of bankers and financial service professionals want to do right by their customers. They want to have rules in place that don't put them at a disadvantage for doing the right thing. And yet, Republicans in Congress are already fighting as hard as they can to make sure these rules aren't enforced.

I'll give you one example. For the first time in history, the reform we passed puts in place a consumer watchdog who is charged with protecting everyday Americans from being taken advantage of by mortgage lenders, payday lenders or debt collectors. The man we nominated for the post, Richard Cordray, is a former Attorney General of Ohio who has the support of most Attorneys General, both Democrat and Republican, throughout the country.

But the Republicans in the Senate refuse to let him do his job. Why? Does anyone here think the problem that led to our financial crisis was too much oversight of mortgage lenders or debt collectors? Of course not. Every day we go without a consumer watchdog in place is another day when a student, or a senior citizen, or member of our Armed Forces could be tricked into a loan they can't afford – something that happens all the time. Financial institutions have plenty of lobbyists looking out for their interests. Consumers deserve to have someone whose job it is to look out for them. I intend to make sure they do, and I will veto any effort to delay, defund, or dismantle the new rules we put in place.

We shouldn't be weakening oversight and accountability. We should be strengthening them. Here's another example. Too often, we've seen Wall Street firms violating major anti-fraud laws because the penalties are too weak and there's no price for being a repeat offender. No more. I'll be calling for legislation that makes these penalties count – so that firms don't see punishment for breaking the law as just the price of doing business.

The fact is, this crisis has left a deficit of trust between Main Street and Wall Street. And major banks

that were rescued by the taxpayers have an obligation to go the extra mile in helping to close that deficit. At minimum, they should be remedying past mortgage abuses that led to the financial crisis, and working to keep responsible homeowners in their home. We're going to keep pushing them to provide more time for unemployed homeowners to look for work without having to worry about immediately losing their house. The big banks should increase access to refinancing opportunities to borrowers who have yet to benefit from historically low interest rates. And they should recognize that precisely because these steps are in the interest of middle-class families and the broader economy, they will also be in the banks' own long-term financial interest.

Investing in things like education that give everybody a chance to succeed. A tax code that makes sure everybody pays their fair share. And laws that make sure everybody follows the rules. That's what will transform our economy. That's what will grow our middle class again. In the end, rebuilding this economy based on fair play, a fair shot, and a fair share will require all of us to see the stake we have in each other's success. And it will require all of us to take some responsibility to that success.

It will require parents to get more involved in their children's education, students to study harder, and some workers to start studying all over again. It will require greater responsibility from homeowners to not take out mortgages they can't afford, and remember that if something seems too good to be true, it probably is.

It will require those of us in public service to make government more efficient, effective, and responsive to people's needs. That's why we're cutting programs we don't need, to pay for those we do. That's why we've made hundreds of regulatory reforms that will save businesses billions of dollars. That's why we're not just throwing money at education, but challenging schools to come up with the most innovative reforms and the best results.

And it will require American business leaders to understand that their obligations don't just end with their shareholders. Andy Grove, the former CEO of Intel put it best: "There's another obligation I feel personally," he said, "given that everything I've achieved in my career and a lot of what Intel has achieved...were made possible by a climate of democracy, an economic climate and investment climate provided by...the United States."

This broader obligation can take different forms. At a time when the cost of hiring workers in China is rising rapidly, it should mean more CEOs deciding that it's time to bring jobs back to the United States – not just because it's good for business, but because it's good for the country that made their business and their personal success possible.

I think about the Big Three Auto companies who, during recent negotiations, agreed to create more jobs and cars in America; who decided to give bonuses, not just to their executives, but to all their employees – so that everyone was invested in the company's success.

I think about a company based in Warroad, Minnesota called Marvin Windows and Doors. During the recession, Marvin's competitors closed dozens of plants and let go hundreds of workers. But Marvin didn't lay off a single one of their four thousand or so employees. In fact, they've only laid off workers once in over a hundred years. Mr. Marvin's grandfather even kept his eight employees during the Depression.

When times get tough, the workers agree to give up some perks and pay, and so do the owners. As one owner said, "You can't grow if you're cutting your lifeblood – and that's the skills and experience your workforce delivers." For the CEO, it's about the community: "These are people we went to school with," he said. "We go to church with them. We see them in the same restaurant. Indeed, a lot of us have



married local girls and boys. We could be anywhere. But we are in Warroad.”

That's how America was built. That's why we're the greatest nation on Earth. That's what our greatest companies understand. Our success has never just been about survival of the fittest. It's been about building a nation where we're all better off. We pull together, we pitch in, and we do our part, believing that hard work will pay off; that responsibility will be rewarded; and that our children will inherit a nation where those values live on.

And it is that belief that rallied thousands of Americans to Osawatomie – maybe even some of your ancestors – on a rain-soaked day more than a century ago. By train, by wagon, on buggy, bicycle, and foot, they came to hear the vision of a man who loved this country, and was determined to perfect it.

“We are all Americans,” Teddy Roosevelt told them that day. “Our common interests are as broad as the continent.” In the final years of his life, Roosevelt took that same message all across this country, from tiny Osawatomie to the heart of New York City, believing that no matter where he went, or who he was talking to, all would benefit from a country in which everyone gets a fair chance.

Well into our third century as a nation, we have grown and changed in many ways since Roosevelt's time. The world is faster. The playing field is larger. The challenges are more complex.

But what hasn't changed – what can never change – are the values that got us this far. We still have a stake in each other's success. We still believe that this should be a place where you can make it if you try. And we still believe, in the words of the man who called for a New Nationalism all those years ago, “The fundamental rule in our national life – the rule which underlies all others – is that, on the whole, and in the long run, we shall go up or down together.”

I believe America is on its way up. Thank you, God bless you, and may God bless the United States of America.

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