

BUILDING A STRONG ECONOMY

When the President took office, the economy was losing over 700,000 private sector jobs a month, and experiencing the worst two quarters of growth since the end of World War II. Due to swift action taken by the President shortly after taking office, the Nation avoided what could have been a second Great Depression—and has now experienced 22 consecutive months of private sector job growth, with 3.2 million jobs created. In just the first few months of 2009, the President's strong leadership produced a Recovery Act to bolster American families against the worst of the crisis, as well as a rescue of the auto industry and the stabilization of our financial system which, together, prevented our economy from spiraling into a deep depression.

At the beginning of 2011, our economy was gaining traction after enduring an historic recession and coming back from the brink of a depression. During the previous six quarters, real gross domestic product (GDP) had grown at an average annual rate of 3 percent and, over the previous 12 months, the private sector had created 1.3 million new jobs. The financial system was no longer in crisis. The credit and capital markets were functioning, and the cost of stabilizing the financial and automobile sectors was amounting to a fraction of initial estimates. We subsequently learned that the recession was deeper than many experts first thought: revised estimates showed that the economy contracted at an 8.9 percent annualized rate in the last quarter of 2008, from an original projection of 3.8 percent, the largest quarterly downward revision in history. A trio of world events then created strong headwinds

that challenged the economic expansion: uprisings in the Middle East that sent oil prices higher; an earthquake in Japan that prevented American auto and manufacturing companies from getting the supplies they needed to keep our factories producing; and widespread sovereign debt concerns in Europe that roiled markets across the globe. In addition, the willingness of Republicans in Congress to risk the first default in our Nation's history over the statutory debt ceiling and the subsequent downgrade by Standard & Poor's of the long-term sovereign rating of U.S. Treasuries and other debt tied to the U.S. credit rating kept financial markets on edge and appeared to rattle consumer confidence.

In the face of these headwinds, the policies enacted by the President played a key role in keeping the economy moving forward. Because of the policies that the President fought for, the typical working family received a \$1,000 payroll tax cut in 2011, and millions of Americans pounding the pavement looking for jobs could continue to receive unemployment insurance (UI). This provided crucial insurance against headwinds buffeting our economy.

While concerns lingered over the financial developments in Europe and the risk they posed to the U.S. economy, the pace of real GDP growth increased in the second half of the year. Early in 2011, job growth picked up and the unemployment rate fell, but progress slowed in the spring and summer before picking up again in the fall. Overall, the unemployment rate fell over the course of the year, from 9.4 percent in December

2010 to 8.5 percent in December 2011, and the economy added 1.9 million private sector jobs in 2011. Over the last two months of 2011, consumer confidence jumped, nearing its high prior to the Japanese earthquake; housing starts were higher in November than they were in May; and after declining in August, the manufacturing Purchasing Managers Index (PMI) has now increased to 53.9, indicating an economic expansion.

Despite these encouraging signs, economic growth was not strong enough to create a sufficient number of good jobs for all of the Americans who wanted to work or robust enough to restore for the middle class the security and opportunity they deserved. At the same time, our country still faced the consequences of years of fiscal irresponsibility. When the President took office, he inherited an annual deficit of \$1.3 trillion and projected deficits of trillions more in the years thereafter. Driving these deficits were decisions made over the previous eight years not to pay for two tax cuts and a Medicare prescription drug benefit. The deficits were then exacerbated by the recession: the sharp decline in receipts, steep increase in automatic outlays to help those in need, and efforts needed to jumpstart economic growth.

Recognizing the challenges still facing the economic recovery, the Administration believes that short-term efforts to boost economic growth and job creation plus comprehensive, balanced efforts to put the United States on the path toward fiscal stability were both needed. These are complementary policies: a growing economy is necessary for long-term deficit reduction, and likewise, long-term deficit reduction and fiscal sustainability is necessary to maintain and strengthen economic growth for years to come.

That is why the President pursued significant, balanced deficit reduction throughout calendar year 2011: first, in his 2012 Budget; then, in the Framework for Shared Prosperity and Shared Fiscal Responsibility released in April that built on the Budget to identify \$4 trillion in deficit reduction; next, in a similarly sized plan presented to congressional Republicans during negotiations

over extending the debt ceiling during the summer; and finally in the President's Plan for Economic Growth and Deficit Reduction that was presented to the Joint Select Committee on Deficit Reduction in September. It also is why the President proposed the American Jobs Act (AJA) last September, a plan to put more people back to work, put more money in the pockets of working Americans, and do so without adding a dime to the deficit. This combination of tax cuts, infrastructure investments, and aid to those seeking work would give the economy a needed boost through this difficult time.

Unfortunately, at each step, partisan divides and unwillingness by Republicans in Congress to ask the wealthiest among us to pay their fair share through any revenue increases prevented a comprehensive deficit reduction agreement or measures in the AJA to boost demand from being enacted. Indeed, this lack of real progress on both the AJA and deficit reduction actually became a drag in and of itself on an economy already struggling to recover from a severe recession and battling significant headwinds from events around the globe.

As we look forward, the challenges of this past year persist: to build an economy that will grow robustly and create good jobs that pay well for years to come, and to put the country on a sustainable fiscal path through deficit reduction that is balanced and asks all Americans to pay their fair share. This Budget lays out the President's vision to accomplish both. It will take tough choices—cutting waste as well as some valuable programs that we would not cut if not for the fiscal situation. It will entail undertaking actions now to support and strengthen economic growth. And it will take reallocating resources to allow targeted investments so that we have an economy based not on speculation and bubbles, but one that is built on the solid foundation of an educated workforce, cutting-edge innovation, and world-class infrastructure.

MANAGING AND WINDING DOWN URGENT RECOVERY EFFORTS

When the President took office the economy was in free-fall. Real GDP was dropping at an annual rate of 6.7 percent in the first quarter of 2009, after falling at an annual rate of 8.9 percent the previous quarter. A seizure of credit markets in late 2008 caused companies to lay off workers and cut costs at an unprecedented rate. A steep decline in the stock market combined with falling home prices led to an enormous loss of household wealth. Between the third quarter of 2007 and the first quarter of 2009, the real net worth of American households declined by 27 percent—the equivalent of more than one year's GDP. Americans reacted to this massive loss of wealth by saving more instead of spending. The personal savings rate spiked at 6.2 percent in the second quarter of 2009, after averaging only 2 percent through the end of 2007. This had the effect of reducing consumer demand, a key driver of economic growth. The economy was in the worst downturn since the Great Depression, with significant risk that conditions could worsen. That is why the Administration took swift action to jumpstart economic growth and avoid a second Great Depression.

We now know that these efforts were even more critical to the recovery than it appeared at the time, as the decline we were in was deeper than anyone, at the time, knew. Now, as we work to build an economy that remains strong, stable and creating good jobs, the Administration is managing, and in some cases, winding down these critical recovery efforts.

The Recovery Act

Faced with the collapse of the economy, the Administration took decisive action to bolster macroeconomic demand and jumpstart economic activity, thus breaking the back of a recession that was spiraling out of control. The President moved rapidly, working with the Congress, and just 28 days after taking office, signed into law the Recovery Act to create and save jobs, as well as trans-

form the economy to compete in the 21st Century. Approximately one-third of the Act's funds were targeted to tax cuts for small businesses and 95 percent of working families. Another third was used for emergency relief for those who bore the brunt of the recession. For example, more than 17 million Americans benefited from extended or increased unemployment benefits, and health insurance was made 65 percent less expensive for laid-off workers and their families who relied on COBRA. The final third was invested in projects to create jobs, spur economic activity, and lay the foundation for future sustained growth. Aid to State and local governments helped to close budget shortfalls, supporting the jobs of more than 650,000 teachers, firefighters, and police officers. By the end of 2011, almost 95 percent of Recovery Act spending was obligated and 100 percent of the tax relief had been provided. Nearing the third anniversary of the Recovery Act, it is clear—and confirmed by independent analysts ranging from the Congressional Budget Office (CBO) to private-sector forecasters—that these swift and significant actions in the Recovery Act bolstered economic growth and created or preserved millions of jobs.

Progress has continued with sustained efforts by the Administration to ensure that Recovery Act funds continue to be spent expeditiously and in ways that create jobs and grow our economy, both now and in the future. In September 2011, the Administration directed Federal agencies to accelerate spending on the remaining Recovery Act funds for purposes that would create jobs right away, and is working closely with States, Tribes, local governments, and others on these efforts. Since this effort began, agencies have spent approximately \$17 billion in additional discretionary funds, bringing the total amount of unspent discretionary funds down to less than \$60 billion. In addition, 2011 saw investment and work begin in earnest on a number of long-term initiatives that were funded through the Recovery Act and are critical to creating a 21st Century economy and infrastructure. In particular, signature pieces of the Recovery Act dealing with high speed rail, broadband, clean energy, and health

information technology began to ramp up, paving the way for long-term economic prosperity.

Reviewing the overall impact of the Recovery Act, the White House Council of Economic Advisers (CEA) estimates that the Recovery Act raised the level of GDP by the end of 2011, relative to what it would have been absent intervention, by between 2 and 2.9 percentage points. These estimates closely parallel those of a wide range of outside analysts, including CBO. The CEA also estimates that the Recovery Act raised employment relative to what it otherwise would have been by between 2.2 and 4.2 million jobs in the same time frame.

The Troubled Asset Relief Program

A central part of the response to the financial crisis was the implementation of the Troubled Asset Relief Program (TARP), which was established in the fall of 2008 under the Emergency Economic Stabilization Act of 2008. TARP succeeded in helping to stop widespread financial panic and helped prevent what could have been a devastating collapse of our financial system. The Government's authority to make new investments through the program expired on October 3, 2010, and TARP is now winding down. The U.S. Department of the Treasury (Treasury) has already recovered more than three-fourths of all the funds it disbursed, and the Government is now estimating the recovery of more funds for the taxpayers and at a faster rate than predicted at the inception of the program.

As of November 30, 2011, Treasury has received \$318 billion in TARP repayments, interest, fees, and other income of the \$413 billion disbursed. When it started, independent observers such as CBO estimated that TARP would cost \$350 billion or more; CBO's December 2011 estimate is \$34 billion, which assumes that \$13 billion will be spent through the housing programs. The Administration now estimates the cost of the program will be \$68 billion, assuming that the entire \$45.6 billion set aside for housing initiatives is utilized. In short, the price of stabilizing our

financial system to prevent deep panic in every sector of our economy is now projected to be only one-fifth of the initially estimated cost.

The tasks ahead for TARP are to recover the remaining investments in the financial sector and auto industry in a manner that continues to promote financial stability while also maximizing the return for taxpayers. In addition, the Administration will continue to use TARP funds to assist homeowners seeking to avoid foreclosure.

The Automobile Industry

As a result of the President's aggressive and effective intervention, we are seeing a notable turnaround in the automobile industry at a lower cost than originally estimated. In late 2008, the combination of an historic recession and financial crisis pushed the American auto industry to the brink of collapse. Access to credit for car loans dried up and motor vehicle sales plunged 40 percent. Auto manufacturers and suppliers dramatically curtailed production. In the year before President Obama took office, the industry shed over 250,000 jobs. By late 2008, General Motors (GM) and Chrysler were on the brink of liquidation, which would have inflicted immediate and lasting damage to the country's manufacturing and industrial base. It also would have produced a significant rise in both regional and national unemployment, and would have further damaged the financial system since automobile financing is a significant portion of overall financial activity. Moreover, if these companies had gone out of business, the economy would have been forced deeper into recession and might have fallen into a depression. The President made a difficult decision to provide support to GM and Chrysler on the condition that they, and all of their stakeholders, make the sacrifices necessary to fundamentally restructure their businesses and commit to tough-minded plans to return to viability.

The President's decision to save GM and Chrysler was about more than those two companies. It was about standing behind the countless workers, families, communities, and businesses—large

and small—that depend on the automotive industry. The success of this policy has been dramatic. Both companies restructured and emerged from bankruptcy, and since then, the auto industry has created more than 100,000 new jobs, and American automakers are in the midst of their strongest period of job growth in more than a decade. American workers are back at the assembly line manufacturing high-quality, fuel-efficient, American-made cars, capable of competing with manufacturers from around the world. In fact, General Motors is now once again the world's number one automaker. The impact of this resurgence goes beyond directly making cars and car parts, and affects the entire supply chain of goods and services that contribute to the world's largest manufacturing activity. Companies that make steel, tires, glass, aluminum products, machinery, and after-market products all rely on the continued success of the U.S. auto industry. Indeed, the resurgence of the American auto industry has been at the heart of a quiet improvement in the overall manufacturing sector—a key component of constructing an economy that is built to last and can create good jobs for years to come. Since December 2009, the United States has added 334,000 manufacturing jobs, the first time the manufacturing sector has had sustained job growth since 1998.

For taxpayers this means that the assistance extended to these companies is paying off. In May 2011, Chrysler repaid its outstanding loans to the U.S. Treasury—a full six years before their scheduled maturity. Chrysler was able to achieve this milestone by accessing the debt markets and raising capital on more favorable terms than the U.S. Government loans—another sign of its emerging strength as a private company. With that repayment, Chrysler had returned \$11.1 billion to the U.S. Government, which represents nearly 90 percent of the Federal support committed to the company.

SUPPORTING AND PROTECTING MIDDLE-CLASS FAMILIES

The promise of America is that with hard work, Americans can provide a solid, middle-class life

for their families: find a good job, afford a home, send their children to good schools, receive high-quality and affordable health care, and enjoy a secure retirement in their later years. Americans' drive and ingenuity lie at the heart of this promise and a growing economy makes it possible to realize these aspirations. Also critical are rules of the road laid down to make our markets and free society work, and remove barriers so that no one has an unfair advantage and everyone can have a fair shot to go as far as their dreams and talents can take them. To that end, we have a responsibility to one another as neighbors and as Americans to make sure that the basic protections are in place to enable families and businesses to thrive. These include keeping our air and water healthy for our children, providing fairness in the workplace and supporting those looking for work, ensuring that products are safe and are represented honestly, and protecting Social Security and Medicare to provide for citizens in life's later years.

To add to this list, the Administration has undertaken two historic initiatives—health insurance and Wall Street reform—that will hold some of the largest companies in the country accountable and help give all Americans the security they need to ensure that an illness or ill-conceived financial decision made by a firm hundreds of miles away will not bankrupt them or prevent them from providing for their family. Over the past year, the Administration has worked diligently to implement these new reforms, and to protect them from efforts to undermine and defund them. In the appropriations negotiations both at the beginning and end of 2011, the Administration insisted on having the necessary funding to continue to implement health insurance and Wall Street reform, and stopped efforts to use policy riders to undermine both of these important initiatives, and their crucial protections for American consumers and families.

Health Insurance Reform

The President signed into law the Patient Protection and Affordable Care Act (ACA) on March 23, 2010, enacting comprehensive health

insurance reforms that will hold insurance companies more accountable, lower health care costs, guarantee more health care choices, and enhance the quality of health care for all Americans. The ACA gives Americans the stability and security they need by ending many discriminatory and abusive insurance industry practices; expanding coverage to more than 30 million Americans who lack insurance; cutting waste and reforming health care delivery so that patients receive higher quality care; and doing it all without adding a dime to the deficit. In fact, the ACA will reduce the deficit by more than \$1 trillion over the next two decades. Considering that rising health care costs are a major contributor to the deficit and hinder the Nation's overall competitiveness, the ACA puts in place much-needed deficit reduction.

Americans already are enjoying many of the protections put in place by the ACA. For instance, in the past, if a person became ill, insurance companies could rescind coverage and deny payments for health services by retroactively finding an error or other technical mistake on their previously accepted application; this is now illegal. Insurance companies are now prohibited from imposing lifetime dollar limits on benefits, such as hospital stays. Young adults under age 26 can now stay on their parents' policies. And because of the ACA, insurance companies can no longer deny coverage to children under the age of 19 due to a pre-existing condition. And all new private-market health insurance plans now must cover critical preventive care services such as mammograms and colonoscopies without charging a deductible, copay, or coinsurance.

Also, two important additions to coverage from the ACA for seniors went into effect. First, eligible Medicare beneficiaries are paying less for prescription drugs that are purchased in the Part D coverage gap starting with a 50 percent discount on covered brand-name prescription drugs in 2011; coverage will increase each year until the coverage gap is closed in 2020. Second, Medicare beneficiaries are now eligible for certain free preventive services, such as annual wellness visits and recommended cancer screenings.

More reforms also are taking effect. To ensure that dollars are going to patient care, the ACA requires insurance companies to spend at least 80 or 85 percent, depending on their market, of premium dollars on medical care and quality improvements, instead of administrative costs and profits. If they fail to meet these standards, insurance companies are required to provide a rebate to their customers. The first rebates will be paid out later this year. Additionally, the ACA brings an unprecedented level of scrutiny and transparency to health insurance rate increases. Large premium increases proposed by health insurance companies in the individual and small group markets will now be evaluated by experts to make sure they are based on reasonable cost assumptions and solid evidence, and insurance companies have to publicly justify unreasonable rate increases.

Beyond curbing the most egregious practices of the insurance industry, Americans have realized other benefits. Since ACA's passage, small businesses have been claiming tax credits to help them provide insurance benefits to their workers. Through 2013, this provision provides a credit worth up to 35 percent of employers' contributions to employees' health insurance; it rises to 50 percent for coverage purchased through Affordable Insurance Exchanges starting in 2014. For those individuals who have been uninsured for at least six months because of a pre-existing condition, there is now a Pre-Existing Condition Insurance Plan to provide them with affordable, comprehensive coverage options. This program serves as a bridge to 2014, when all discrimination against pre-existing conditions will be prohibited. Similarly, the Early Retiree Reinsurance Program provides temporary assistance to employers who had been struggling to maintain coverage for older workers who retired, but are not yet eligible for Medicare.

In addition, numerous ACA reforms aimed at improving quality, efficiency, and coordination of care will take effect over the next year. Hospital Value-Based Purchasing and the Hospital Readmissions Reduction Programs will both tie Medicare payments to hospitals to achievement

of indicators of high-quality care. The Medicare Shared Savings Program will be launched nationwide, creating new opportunities for patient-centered, integrated care for Medicare beneficiaries. Further, the Administration is launching several initiatives to improve care for individuals eligible for both Medicare and Medicaid, including developing and testing new models designed to incentivize States to create efficiencies through integration of care and improved care coordination. And the ACA provided significant new tools and resources to crack down on waste and fraud in health care.

Finally, the Administration is committed to implementing the ACA swiftly, efficiently, and effectively, and will continue to work with the Congress to ensure that the resources are available to do just that. The need for resources is especially critical for establishing Affordable Insurance Exchanges, which will help ensure that every American can access high-quality, affordable health insurance coverage beginning in 2014. These competitive marketplaces will provide millions of Americans and small businesses with “one-stop shopping” for affordable coverage in every State. Since passage of the ACA, the Department of Health and Human Services (HHS) has provided grants to nearly all States to plan for and establish these State Exchanges.

Wall Street Reform

Curbing the abuses in the health insurance industry and beginning to bring down rising health care costs were long overdue steps toward addressing critical problems that affect Americans every day. The financial and economic crisis of 2008 also made it clear that the rules governing our financial system needed revision to provide a more stable foundation for the economy and to protect consumers, businesses, and families.

The American free market system is the most powerful engine of economic growth and job creation the world has known, and when it works, it helps ensure that the American middle class is strong and secure. But the free market was never

meant to give the financial system free license to take irresponsible and reckless risks of such a size that they can harm our economy and leave taxpayers with the bill.

The recent recession was not just the result of a turn in the business cycle. Rather, it was the result of a perfect storm of excessive risk-taking, inadequate disclosure, non-existent or myopic oversight, individuals and firms who chose to leverage themselves beyond their means, and in some cases outright deceptive lending practices that led too many Americans to take on debt they could not afford. In sum, it was an abdication of responsibility from across many actors in the financial system.

To prevent this from happening again, the Administration set out to craft a financial reform package that filled the gaps in oversight, transparency, and restraint; put a check on predatory and abusive lending; and restored accountability to the system—especially for those who had operated outside the regulatory framework. The Administration’s goal was to restore our financial system to its core mission: providing a safe and productive venue for private saving, helping entrepreneurs and businesses with the best ideas to create value and jobs, and enabling families to buy homes, finance college for their children, and secure a dignified retirement.

On July 21, 2010, after a long and difficult fight on Capitol Hill, the President signed into law the most far-reaching Wall Street reforms since the Great Depression—the Dodd-Frank Wall Street Reform and Consumer Protection Act (Wall Street Reform). This law takes the necessary steps to create a more stable and responsible financial system. The Act requires banks to hold more capital so that when they make a bad bet they pay for it, not taxpayers. It also prevents financial companies, like AIG, from posing such a risk to our economy that we have no choice but for taxpayers to bail them out. The Act does this by creating an orderly liquidation process for large financial firms that fail, and by requiring the largest and most systemically important financial firms to write “living wills” that detail

how, if they fail, they will be wound down in a manner that does not leave taxpayers vulnerable. The Act also brings transparency to the \$600 trillion derivatives market and prohibits banks from making risky bets with their customers' deposits. Finally, the Act holds CEOs accountable by taking back bonuses and compensation from failing CEOs, giving shareholders a voice on CEO pay, and protecting whistleblowers who speak out about wrong-doing on Wall Street.

In addition, Wall Street Reform puts in place sweeping reforms to protect American consumers. The Act created the Consumer Financial Protection Bureau (CFPB), an agency exclusively devoted to protecting consumers, in part by giving them the tools to make their own choices and find the most suitable financial products, even when a provider may have incentives to hide true costs. The CFPB is empowered to set high and uniform standards across the market; focus on improving financial literacy for all Americans; and help to end profits based on misleading sales pitches and hidden traps, forcing banks and non-bank financial institutions to compete vigorously for consumers on the basis of price and quality. It will help crack down on abusive practices in the mortgage industry, make financial contracts simpler, and end many of the hidden fees so that families know what they are signing when they buy a home. It also ensures that students who take out college loans will be provided clear and concise information about their obligations. It reinforces the Credit Card Accountability, Responsibility, and Disclosure Act passed in 2009 that bans unfair rate hikes, and ensures that banks cannot charge unwitting consumers overdraft fees when they sign up for a checking account. In total, these reforms put in place the strongest consumer financial protections in history.

Over the course of the last year, the Administration and independent regulators have been working to implement Wall Street Reform to achieve these goals. Regulators issued proposed regulations to implement the Volcker Rule to make sure that banks benefitting from Government protections—such as Federal Deposit Insurance Corporation (FDIC) insurance on customer

deposits—are prohibited from making risky trading bets for their own accounts and face restrictions in investing in or sponsoring hedge funds or private equity funds. Regulators have also proposed new rules for higher capital standards to buffer against risk in the financial system. The FDIC has finalized new rules to resolve a failing financial firm without threatening the financial system or costing taxpayers.

To ensure that agencies and departments have the resources they need to implement Wall Street Reform, the Administration fought for and secured adequate funding levels for 2012, and continues this commitment in the 2013 Budget. And to ensure that consumers are protected, the President appointed Richard Cordray to head the CFPB. Without a Director, the CFPB could not fully supervise non-bank financial institutions such as independent payday lenders, non-bank mortgage lenders, non-bank mortgage servicers, debt collectors, credit reporting agencies, and private student lenders. This meant that tens of millions of Americans were left unprotected from falling prey to many of the harmful practices that contributed to the worst financial crisis since the Great Depression.

JUMPSTARTING ECONOMIC GROWTH AND JOB CREATION

By almost any measure, the economy this past year was stronger than it was in 2009 at the start of the Administration. However, too many Americans are still out of work, and our economy is not yet operating at its full potential. Part of this is due to the destructive nature of the recession that we went through, and part is due to a confluence of external world events that shook global markets as described earlier in this Chapter. The effect of these events on economic performance in the latter part of calendar year 2011 and, in turn, on the lives of millions of Americans in search of a good job and economic security led the Administration to propose the American Jobs Act in September 2011.

American Jobs Act

The purpose of the American Jobs Act (AJA) was simple: put more people back to work and put more money in the pockets of working Americans. Independent economists estimated that the Act would have added up to nearly 2 million jobs in 2012. The AJA included: tax cuts to help America's small businesses hire and grow; tax credits to spur hiring; investments in infrastructure improvements; new pathways back to work for Americans looking for jobs, including the most significant reforms to the Nation's unemployment system in 40 years to help those without jobs transition to the workplace; and tax cuts to put more money in the pockets of every American worker and family. Moreover, the AJA would not have added to the deficit. It included specific offsets that would, in combination, more than fully pay for its cost.

While the AJA was comprised of the kinds of ideas that had been embraced by Democrats and Republicans in the past, congressional intransigence prevented the AJA from becoming law. Nevertheless, the President kept fighting for measures to jumpstart economic growth and job creation. In November, the President won enactment of one plank of the AJA: a new tax credit for America's veterans, which provides up to \$5,600 for hiring a veteran who is long-term unemployed and \$9,600 for businesses that hire a veteran with a service-related disability.

And, in the waning days of the year, the President signed into law a short-term extension of the decrease in the payroll tax, an increase in UI benefits, and the prevention of a 27 percent cut to Medicare payments to physicians that was set to take effect at the end of the calendar year. To be clear, the President preferred a year-long extension of these critical growth measures, and expects the Congress to continue the short-term payroll tax and UI extension they approved in December for the rest of 2012, and avert the impending reduction in physician payments. The full-year extension of the payroll tax cut for 2012 would help 160 million American workers, pro-

viding a typical worker with an additional \$40 in each paycheck. The full-year extension of UI benefits for Americans pounding the pavement looking for work would save 5 million individuals from exhausting benefits this year, and would help to create nearly 500,000 jobs as these benefits are spent quickly in the economy. Finally, preventing a deep cut in Medicare physician payments is critical to seniors' access to care.

We need to finish the job because there are still too many Americans who want to work, but cannot find jobs. That is why the President is still calling for efforts to spur near-term economic growth and job creation. This includes many of the planks in the AJA that were not enacted, as well as measures not included in that legislation. Some of these job-creating proposals include:

- An upfront investment of \$50 billion from the surface transportation reauthorization bill for roads, rails, and runways to create thousands of quality jobs in the short term.
- Aid to States and localities to retain and hire teachers and first responders.
- Extending UI benefits and undertaking major reforms to help the long-term unemployed find work and spur the creation of job opportunities for hundreds of thousands of the most-vulnerable Americans—low-income youth and adults. This includes reforms that require those receiving emergency Federal benefits to participate in Reemployment and Eligibility Assessments and be provided Reemployment Services, which have been proven to help put people back to work; that build on and improve innovative State programs where those who have been displaced take temporary, voluntary work or pursue on-the-job training; and that expand programs to allow those receiving UI to start their own businesses.
- The Better Buildings Initiative that seeks to make non-residential buildings 20 percent more energy efficient over the next decade

by catalyzing private-sector investment through a series of incentives to upgrade offices, stores, universities, hospitals, and commercial buildings.

- Funds to modernize at least 35,000 schools to create jobs now and high-quality schools for the future.
- Reauthorization of Clean Energy Manufacturing Tax Credits to spur the creation of manufacturing jobs in the advanced energy technology sector.
- A new HomeStar program, which would encourage Americans to invest in energy and cost-saving home improvements, reducing families' energy bills over time and creating jobs for those who undertake and make these renovations.
- Continuing to allow businesses to write-off the full amount of new investments next year.
- Project Rebuild, a series of policies to help connect Americans looking for work in distressed communities with the work needed to repurpose residential and commercial properties.

We Can't Wait: Executive Actions to Boost the Economy

Recognizing the need for action in the face of congressional gridlock, the President believed that the American people could not wait for the Congress to act to spur economic growth and job creation. That is why, throughout the fall of 2011, the President waged a "We Can't Wait" campaign, a series of executive actions that he and his Cabinet took to help families hurt by the sluggish economic growth, boost economic activity, and spur job creation:

- *Housing Refinancing.* On October 24, the President announced steps to help respon-

sible borrowers with little or no equity in their homes take advantage of today's low mortgage rates.

- *Expanding Jobs for Veterans.* On October 25, HHS announced an initiative to challenge Community Health Centers to hire 8,000 veterans—approximately one veteran per health center site—over the next three years. The Administration also announced that it would work with health practitioner training programs to expand opportunities for returning service members with medical training to become physician assistants.
- *Creating New Opportunities for Improving College Affordability.* On October 26, the President announced "Pay as you Earn" to enable student loan borrowers to cap their student loan repayments at 10 percent of discretionary income beginning in fall 2012.
- *Helping Small Businesses Create Jobs.* On October 28, the White House issued two Presidential Memoranda to help small businesses create jobs. One memorandum directed agencies to take steps to speed up the transfer of Federal research from the laboratory to the marketplace. The other directed the creation of BusinessUSA, an online platform where businesses can access information about Federal programs that support small businesses and exports.
- *Preventing Drug Shortages.* On October 31, the President signed an Executive Order directing the Food and Drug Administration and the Department of Justice to take action to help further reduce and prevent shortages of critical drugs, protect consumers, and prevent price gouging.
- *Accelerating Transportation Projects.* On November 2, the President announced steps the Administration is taking to improve and expedite the process of reviewing and approving transportation projects. On December 15, as part of this effort, the Department

- of Transportation awarded \$511 million in transportation grants as part of the Department's popular Transportation Investment Generating Economic Recovery (TIGER) program, months ahead of schedule.
- *Supporting Jobs for Veterans.* On November 7, the Administration announced three executive actions that will provide new resources for veterans to translate military experience to the private job market, give veterans additional career development support, and better identify firms looking to hire veterans.
 - *Reforming Head Start.* On November 8, the President announced important steps to improve the quality of services and accountability at Head Start centers across the country.
 - *Cutting Waste.* On November 9, the President signed an Executive Order that will cut waste and promote more efficient spending across the Federal Government. Overall spending in the areas covered by the Executive Order will be reduced by 20 percent, saving billions.
 - *Creating Health Care Jobs.* On November 14, HHS announced a \$1 billion Health Care Innovation Challenge, which will award grants to applicants who will implement the most compelling new ideas to deliver better care and lower costs to people enrolled in Medicare, Medicaid, and the Children's Health Insurance Program. This competition prioritizes projects that deploy the health care workforce in innovative ways.
 - *Reducing Improper Payments.* On November 15, OMB and the Vice President announced that the Administration cut improper payments by nearly \$18 billion in 2011, and that we are on track to meet the President's goal of cutting improper payments by \$50 billion by the end of 2012. We also announced new actions to help further reduce Medicare and Medicaid waste, fraud, and abuse as well as a directive to agencies to step up their oversight of contractors and grant recipients.
 - *Raising Fuel Economy Standards.* On November 16, the Department of Transportation and the Environmental Protection Agency formally unveiled their joint proposal to set stronger fuel economy and greenhouse gas pollution standards for Model Year 2017-2025 passenger cars and light duty trucks. This initiative will have net benefits of between \$310 billion and \$420 billion in fuel savings, slash oil consumption by 4 billion barrels, and reduce greenhouse gas emissions by 2 billion metric tons over the lifetimes of the vehicles sold those years. When combined with other steps we have taken to set standards for vehicles, this proposal will save Americans approximately \$1.7 trillion at the pump, reduce America's dependence on oil by an estimated 12 billion barrels, and reduce greenhouse gas emissions by 6 billion metric tons over the life of the programs.
 - *Modernizing Government Records.* On November 28, the Administration issued a Presidential Memorandum that directed agencies to move to a digital-based records keeping system. This action will save taxpayer dollars, promote accountability, and increase government transparency. This is one of the policy actions that open government advocates have sought for years.
 - *Expanding Health Information Technology (IT).* On November 30, HHS announced at an event in Ohio that the number of physicians adopting electronic medical records has doubled since 2009, and set forth steps the agency is taking to make it easier for doctors and other health professionals to receive incentive payments for adopting and meaningfully using health IT.
 - *Improving Energy Efficiency Through the "Better Building Initiative."* On December 2, with President Clinton, the President announced nearly \$4 billion in combined Federal and private sector energy-efficiency upgrades to buildings over the next two years.

- *Expanding Advanced Biofuels.* In December, the Defense Logistics Agency signed a contract to purchase 450,000 gallons of advanced drop-in biofuel, the single largest purchase of biofuel in Government history.
- *Launching Small Business Innovation Fund.* On December 8, in conjunction with the first board meeting of the Startup America Partnership, the Small Business Administration announced that it is moving forward with launching a \$1 billion Early Stage Innovation Fund that will provide matching capital to small business investment companies. The Administration also announced commitments from more than 50 private-sector partners to deliver over \$1 billion in value to 100,000 startups over the next three years.
- *Extending Minimum Wage and Overtime Protections.* On December 15, the President announced new proposed rules to provide Federal minimum wage and overtime protections for nearly two million workers who provide in-home care services for the elderly and infirm.

If the Congress continues to block efforts to pass legislation that can spur economic growth and job creation, the President will undertake whatever executive actions he can to make sure that our economy continues its recovery.

Rejuvenating the Housing Market

As the financial crisis and recession was deepening in 2009, the Administration took immediate steps to help thousands of responsible homeowners who were facing foreclosure or were at risk of losing their homes. This began with the Administration's effort to establish a broad set of programs designed to stabilize the housing market and keep millions of Americans in their homes. The initiative included Treasury's mortgage-backed securities purchase program, which along with mortgage-backed securities purchases by the Federal Reserve, has helped to keep mortgage interest rates at historic lows and allowed

over 12 million homeowners to refinance since April 2009; the homebuyer tax credit, which helped millions of Americans to purchase homes, bolstering macroeconomic demand; the low-income housing tax credit and housing finance agency programs to support affordable housing; and the Home Affordable Modification Program (HAMP), which provides eligible homeowners the opportunity to significantly reduce their monthly mortgage payments, remain in their homes, and avoid foreclosures.

Although initially held back by implementation challenges and poor performance on the part of mortgage servicers, HAMP has provided 910,000 borrowers with a permanent modification and, equally importantly, established a template for the private market to provide more effective modifications for struggling homeowners. In total, since the Administration's housing programs took effect in 2009, there have been more than twice as many public and private mortgage modification offers made than foreclosures completed. The Administration has worked to expand and enhance the program—including introducing related programs for second lien modifications and short sales, and has increased servicer oversight and public reporting on servicer-specific performance.

While there are signs that the broader housing market is beginning to stabilize, too many Americans are still paying mortgage interest rates far above current market rates because home price declines made them ineligible for refinancing. To address this issue, the President announced last September that his economic team would work with Federal housing agencies and the Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac to expand the Home Affordable Refinance Program (HARP), and in October specific changes were announced that will remove many of the barriers preventing GSE borrowers who have remained current on their mortgages from taking advantage of today's historically low mortgage rates.

While this is an important step, the Administration believes that more relief is needed.

Therefore, the Administration is calling on the Congress to take additional steps so virtually every family that has a standard mortgage and has been paying its bills on time will have the opportunity to refinance their mortgage at today's historically low rates. Specifically, this would be done by fully streamlining HARP to increase access and lower cost for borrowers and, more significantly, to provide those responsible Americans who happen not to have a loan guaranteed by the GSEs with access to a comparable streamlined refinance program through the Federal Housing Administration. Helping families refinance will help homeowners get into more sustainable loans, save each family on average \$3,000, enable many people to stay in their homes, and give a jolt to local economies.

Opening Global Markets

The emergence of a global marketplace that includes the growing economies of China, India, Brazil, and other developing countries creates an opportunity for America to export our goods and services to new customers. With 95 percent of the world's customers as well as the globe's fastest-growing markets beyond our borders, we must compete aggressively to spur economic growth and job creation. That is why the President launched his National Export Initiative to marshal the full resources of the Federal Government behind America's businesses, especially small- and medium-sized enterprises, to best help them sell their goods, services, and ideas to the rest of the world and to reach the President's goal of doubling U.S. exports in five years' time (by the end of 2014).

The Administration is currently on pace to meet this target: through October 2011, exports of goods and services over the preceding 12 months totaled over \$2 trillion, 32 percent above 2009 levels. Current GDP forecasts suggest that the ratio of exports to GDP will hit 14 percent in 2011, which would also be an historical record. To support international trade and the jobs that accompany it, the Administration has:

- *Signed Into Law Free Trade Agreements with Colombia, Panama, and Korea.* To help meet the President's export goal, the Administration completed negotiations for free trade agreements (FTAs) with Colombia, Panama, and Korea. The three trade agreements were passed in quick succession in the fall of 2011 and signed into law by the President, marking the biggest step forward in American trade liberalization in nearly two decades. These agreements are fair and were passed together with a renewed and strengthened trade adjustment assistance program for workers displaced by international trade. In particular, the Korea-United States FTA is expected to boost annual U.S. goods exports to Korea by as much as \$11 billion and support more than 70,000 American jobs.
- *Promoted Business Investment in the U.S., Including Foreign Direct Investment (FDI).* The Obama Administration has taken unprecedented steps to facilitate and promote business investment in the United States. This includes establishing SelectUSA, a "one-stop shop" based in the Department of Commerce that facilitates investment in the United States from both foreign and domestic investors. This effort represents the first systematic Federal Government initiative to promote and facilitate business investment, a role that had historically been left to the States. In addition to increasing the level of FDI, SelectUSA also seeks to diversify our FDI beyond those countries that have historically been our largest trading partners. Within the United States, SelectUSA works across the Federal Government and partners with State and local economic development organizations to enable a coordinated approach to compete for business investment, an effort which the President is proposing to significantly expand in the 2013 Budget.

This year, the Administration will continue to vigorously enforce international and domestic trade laws and look for opportunities to level the playing field for American workers, businesses,

ranchers, and farmers; pursue increased access to several foreign markets through the groundbreaking Trans-Pacific Partnership; implement the three FTAs passed in 2011; work with the Congress to pass legislation allowing the United States to benefit from Russia's accession to the World Trade Organization; and promote tourism and travel to the United States from the world's fastest growing economies by expanding visa processing in countries such as Brazil and China.

Pursuing Sensible Regulation

Administration is firmly committed to a regulatory strategy that promotes continued economic growth and job creation, while protecting the safety and health of all Americans. Smart, cost-effective regulations, crafted with input from stakeholders inside and outside of Government, can save lives and prevent harm while promoting growth and innovation. As the economy continues to recover and create new jobs, it is particularly critical for the Nation's regulatory strategy to enable American businesses to grow and innovate.

That is why the Administration carefully weighs the costs and benefits of rules—not by reducing difficult questions to problems of arithmetic, but by carefully weighing economic effects and also by taking into account qualitative factors, including fairness and human dignity. The Administration uses objective data to assess the impact of rules and to assess alternatives. Moreover, the Administration looks for areas where it can promote transparency and disclosure as

a low-cost, high-impact regulatory tool. From automobile safety to energy efficiency and credit cards, this approach has been fruitful. In fact, in the Administration's first two years, the net benefits of regulation were estimated to exceed \$35 billion—over 10 times the amount in the first two years of the George W. Bush Administration, and over three times the amount in the corresponding period in the Clinton Administration. In fact, fewer regulations were issued by Executive Agencies in the first three years of this Administration than in the first three years of the previous Administration.

To improve the regulatory process, the President issued a new Executive Order calling for attention to the best available evidence, careful consideration of costs and benefits, greater coordination among agencies, and selection of flexible and least burdensome alternatives, and has called on independent Federal regulators to follow suit in their rulemakings. The Executive Order also called for an unprecedented Government-wide review of existing rules. The review produced over 500 reform proposals across all Executive agencies. Already, we are on track to save more than \$10 billion dollars in just the near term, with much more savings to come.

In the coming year, agencies will continue to pursue the regulatory reforms identified in the retrospective review process, producing billions more in savings by simplifying rules, eliminating redundancies, and identifying more cost-effective ways of doing things.