

Integration of the Americas by Trading Places...

U.S. Seniors Going South, Immigrant Workers Coming North, Both Bettering Their Lives



America in the 21st Century will face major challenges as China and India become the new economic superpowers, each deploying over one billion industrial soldiers competing with the U.S.

China is becoming the world's primary industrial manufacturing zone and India is becoming the IT and outsourcing center of the global economy. Both countries will put America's current economic superiority to a steep challenge in the next 20 years.

Meanwhile, America is graying. Over the next 22 years, an estimated 78 million baby boomers (Americans born between 1946 and 1964) will retire and begin to

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receive Social Security, adding to an already large retired population and straining the federal budget. Unless Congress acts, projected Social Security and Medicare costs will have an enormous negative impact on the federal budget.

Federal Reserve Chairman Ben Bernanke states, "Although demographic change will affect many aspects of the government's budget, the most dramatic effects will be seen in the Social Security and Medicare programs, which provide income support and medical care for retirees and which have until now been funded largely on a pay-as-you-go basis. Under current law, spending on these two programs alone will increase from about 7 percent of the U.S. gross domestic product (GDP) today to almost 13 percent of GDP by 2030 and to more than 15 percent of the nation's output by 2050. The outlook for Medicare is particularly sobering because it reflects not only an increasing number of retirees but also the expectation that Medicare expenditures per beneficiary will continue to rise faster than per-capita GDP. For example, the Medicare trustees' intermediate projections have Medicare spending growing from about 3 percent of GDP today to about 9 percent in 2050 -- a larger share of national output than is currently devoted to Social Security and Medicare together."

How will we support these active and longer-living seniors? The converging mega-trends of global competition, graying population, and inflowing illegal immigrants are already shaping a new future for America. Mexico and Central America have become an almost merged population with the United States, and increasingly even with Canada. America's plans for America in effect are our plans for Mexico and Latin America, whether we recognize it or not.

One of the 20th Century's greatest missed opportunities was the failure of the U.S. to invest massively in its neighbor to the south, as the countries of western and northern Europe invested in Spain and Portugal in the 1960s and 1970s in order to develop social and industrial capital and the ability to be fully functional members of the projected European Union and fully capable partners with the region's developed nations. This farsighted integration of Europe is part of the reason it is the best-run part of the world today. It still is not too late for the United States to invest in and help develop Mexico and the countries to its south. And there are some creative strategies to help this along.

Trading Places: Swapping Seniors for Immigrant Workers is an idea to help the United States and Latin America, and all North Americans, by making the best of two facts. It is estimated that there are over 12 million illegal immigrants working in the U.S., most of them from Mexico, and that there are about one

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million U.S. seniors living abroad, a majority of them in Mexico and Central America, many of them doing so to reduce their cost of living. Currently, millions of seniors already have retired in Mexico, Costa Rica, Panama, and other resort locations in Latin America and around the Pacific and Caribbean, and beyond. These international living seniors are experiencing a good quality of life on a limited income. In the process they have frequently become the most important local economic stimulus for the towns, cities, and villages they have relocated in, and in some cases even ambassadors of good will. Some of them are people returning from the U.S. to their roots as more and more "Americans" are families who originated in the region or country.

Why not develop a policy that helps fund or otherwise encourage the building of senior resort communities along the coasts of Mexico and Central America as a component of America's ever-evolving reform of its national immigration programs? A bi-national public-private effort to build senior resort villages for retired Americans -- and, increasingly, retired citizens of the local country -- in Mexico and other countries could be a very beneficial activity for the host countries and their people, and for the Americans who live in these retirement villages, and for the countries themselves.

The senior resort villages will become a network of localized economic engines within their host countries, employing professional people, service workers, and healthcare providers. Local improvements in water, sanitation, and power infrastructure, in some cases, will begin at these locations.

Tighter communications connections will evolve -- for example, as telemedicine clinics are developed as a part of the resort development strategy. More active seniors will be able to act as an International "Mentor Corps" -- a sort of cross between the Service Corps of Retired Executives and the Peace Corps -- to help local people learn English and prepare for possible eventual work in the U.S., and get into an orderly line for possible immigration to the U.S. as part of a retooled immigration program.

As environmental sustainability and carbon reduction become a guiding principle of almost every activity and policy worldwide, it will be essential that the planning, construction, and operation of these senior communities for North Americans *and local citizens* abroad fully exploit all feasible renewable energy, energy conservation, and sustainability technologies and designs, and fully respect the local natural and cultural environment. Only if these communities represent a net gain and happy presence in their foreign locales and countries will this be a successful and sustainable two-way social and economic development strategy.

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The people of Mexico and Latin America will join the people of the United States and Canada as a better-integrated half-billion strong North American socio-economic entity that will protect and improve the living standards, environmental sustainability, and relative geopolitical peace of the Western Hemisphere as the entire region successfully competes and co-functions with the powerhouse economies in the Eastern Hemisphere that will simultaneously export here products, services, pollution, people, and competition.

Americans' investments in their retirement pension funds will become part of the investment that helps build the resort communities -- and the countries to the south -- of which they become residents. This investment will be encouraged by generous tax credits and other incentives for these projects -- a much wiser expenditure than the billions to be spent on the proposed "great wall" along the U.S. southern border, or that has been "invested" in a country called Iraq.

Americans must get beyond zero-sum thinking and instead start seeing -- *really* seeing, feeling, and believing in -- the one-hemisphere, one-planet reality we inhabit. Thinking and acting globally is one of the most significant ways we will finally rise to address our deep economic and environmental challenges and ultimately subdue the threat of global terrorism. American Friendship is as important as American Self-Interest, and much more potent. The former will do a lot more than the latter to meet America's needs for security and prosperity -- and the rest of the world's needs for the very same!

The reality is that we need young workers to keep our economic engine oiled, and we need to find a better way to house and care for our seniors during their golden years. ***Trading Places: Senior Resorts / Immigrant Workers*** is a sensible approach toward integrating the Americas, an important piece of a larger suite of potential strategies and policies. Adventurous and vigorous American retirees, starting with the wave of elder Boomers, will become a sort of "Retirees Without Borders" who play a new and constructive role in the globalization of the Western Hemisphere.

All while enjoying an affordable international lifestyle on the sunny beaches of Mexico, Costa Rica, Belize, or an island in the sun somewhere between the western Pacific and the Caribbean.

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Attached is Ben Bernanke's speech on "The Coming Demographic Transition..."

Remarks by Chairman Ben S. Bernanke

Before The Washington Economic Club, Washington, D.C.

October 4, 2006

The Coming Demographic Transition: Will We Treat Future Generations Fairly?

In coming decades, many forces will shape our economy and our society, but in all likelihood no single factor will have as pervasive an effect as the aging of our population. In 2008, as the first members of the baby-boom generation reach the minimum age for receiving Social Security benefits, there will be about five working-age people (between the ages of twenty and sixty-four) in the United States for each person aged sixty-five and older, and those sixty-five and older will make up about 12 percent of the U.S. population. Those statistics are set to change rapidly, at least relative to the speed with which one thinks of demographic changes as usually taking place. For example, according to the intermediate projections of the Social Security Trustees, by 2030--by which time most of the baby boomers will have retired--the ratio of those of working age to those sixty-five and older will have fallen from five to about three. By that time, older Americans will constitute about 19 percent of the U.S. population, a greater share than of the population of Florida today.

This coming demographic transition is the result both of the reduction in fertility that followed the post-World War II baby boom and of ongoing increases in life expectancy. Although demographers expect U.S. fertility rates to remain close to current levels for the foreseeable future, life expectancy is projected to continue rising. As a consequence, the anticipated increase in the share of the population aged sixty-five or older is not simply the result of the retirement of the baby boomers; the "pig in a python" image often used to describe the effects of that generation on U.S. demographics is misleading. Instead, over the next few decades the U.S. population is expected to become progressively older and remain so, even as the baby-boom generation passes from the scene. As you may know, population aging is also occurring in many other countries. Indeed, many of these countries are further along than the United States in this process and have already begun to experience more fully some of its social and economic implications.

Even a practitioner of the dismal science like me would find it difficult to describe increasing life expectancy as bad news. Longer, healthier lives will provide many

benefits for individuals, families, and society as a whole. However, an aging population also creates some important economic challenges. For example, many observers have noted the difficult choices that aging will create for fiscal policy makers in the years to come, and I will briefly note some of those budgetary issues today. But the implications of demographic change can also be viewed from a broader economic perspective. As I will discuss, the broader perspective shows clearly that adequate preparation for the coming demographic transition may well involve significant adjustments in our patterns of consumption, work effort, and saving. Ultimately, the extent of these adjustments depends on how we choose--either explicitly or implicitly--to distribute the economic burdens of the aging of our population across generations. Inherent in that choice are questions of intergenerational equity and economic efficiency, questions that are difficult to answer definitively but are nevertheless among the most critical that we face as a nation.

Demographic Change and the Federal Budget

As I have already mentioned, the coming demographic transition will have a major impact on the federal budget, beginning not so very far in the future and continuing for many decades. Although demographic change will affect many aspects of the government's budget, the most dramatic effects will be seen in the Social Security and Medicare programs, which provide income support and medical care for retirees and which have until now been funded largely on a pay-as-you-go basis. Under current law, spending on these two programs alone will increase from about 7 percent of the U.S. gross domestic product (GDP) today to almost 13 percent of GDP by 2030 and to more than 15 percent of the nation's output by 2050. The outlook for Medicare is particularly sobering because it reflects not only an increasing number of retirees but also the expectation that Medicare expenditures per beneficiary will continue to rise faster than per capita GDP. For example, the Medicare trustees' intermediate projections have Medicare spending growing from about 3 percent of GDP today to about 9 percent in 2050--a larger share of national output than is currently devoted to Social Security and Medicare together.

The fiscal consequences of these trends are large and unavoidable. As the population ages, the nation will have to choose among higher taxes, less non-entitlement spending, a reduction in outlays for entitlement programs, a sharply higher budget deficit, or some combination thereof. To get a sense of the magnitudes involved, suppose that we tried to finance projected entitlement spending entirely by revenue increases. In that case, the taxes collected by the federal government would have to rise from about 18 percent of GDP today to about 24 percent of GDP in 2030, an increase of one-third in the tax burden over the next twenty-five years, with more increases to follow. (This calculation ignores the possible effects of higher tax rates on economic activity, an issue to which I will return later.) Alternatively, financing the projected increase in entitlement spending entirely by reducing outlays in other areas would require that spending for programs

other than Medicare and Social Security be cut by about half, relative to GDP, from its current value of 12 percent of GDP today to about 6 percent of GDP by 2030. In today's terms, this action would be equivalent to a budget cut of approximately \$700 billion in non-entitlement spending.

Besides tax increases, spending cuts, or reform of the major entitlement programs, the fourth possible fiscal response to population aging is to accommodate a portion of rising entitlement obligations through increases in the federal budget deficit. The economic costs and risks posed by large deficits have been frequently discussed and I will not repeat those points today. Instead, I will only observe that, among the possible effects, increases in the deficit (and, as a result, in the national debt) would shift the burden of paying for government spending from the present to the future. Consequently, the choices that fiscal policy makers make with respect to these programs will be a crucial determinant of the way the economic burden of an aging population is distributed between the current generation and the generations that will follow.

A Broader Economic and Generational Perspective

Indeed, framing the issue in generational terms highlights the fact that the economic implications of the coming demographic transition go well beyond standard considerations of fiscal policy and government finance, important as those are. For reasons that I will explain in a moment, the aging of the population is likely to lead to lower average living standards than those that would have been experienced without this demographic change. How that burden of lower living standards is divided between the present and the future has important implications for both intergenerational fairness and economic efficiency.

Why will the coming demographic transition carry a cost in terms of long-run living standards? Assuming it unfolds as expected, the projected aging of the population implies a decline over time in the share of the overall population that is of working age and thus, presumably, in the share of the population that is employed. For any given level of output *per worker* that might be attained at some future date, this decline in the share of people working implies that the level of output *per person* must be lower than it otherwise would have been. In a sense, each worker's output will have to be shared among more people. Thus, all else being the same, the expected decline in labor force participation will reduce per capita real GDP and thus per capita consumption relative to what they would have been without population aging. These reductions in output and consumption per person represent an economic burden created by the demographic transition.

Although some adverse effect of population aging on future per capita output and consumption is probably inevitable, actions that we take today, in both the public and the private spheres, have the potential to mitigate those effects. One such action would be to

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find ways to increase our national saving rate. If the extra savings were used to increase the nation's capital stock--the quantity of plant and equipment available for use by workers--then future workers would be more productive, ameliorating the anticipated effects on per capita output and consumption. Alternatively, using extra saving to acquire financial assets abroad (or to reduce foreign obligations) would also increase the resources available in the future.

By saving more today, we can reduce the future burden of demographic change. However, as any economist will tell you, there is no such thing as a free lunch. Saving more requires that we consume less (to free up the needed resources) or work more (to increase the amount of output available to dedicate to such activities). Either case entails some sacrifice on the part of the current generation. Consequently, a tradeoff exists: We can mitigate the adverse effect of the aging population on future generations but only by foregoing consumption or leisure today. This analysis is simple, but it shows why the coming demographic transition has economic implications that go well beyond the effect of aging on the federal budget.

In recent work, economists at the Board of Governors have used a stylized model to get a rough estimate of the magnitudes of the intergenerational tradeoffs that we face.¹ Their analysis takes as a starting point a baseline scenario in which U.S. demographics remain (hypothetically) the same in the future as they are today. In this counterfactual scenario, the ratio of workers to the overall population is assumed to remain at its current level over time and per capita consumption grows with productivity. Now in reality, as I have noted, an aging population will reduce labor force participation, so the likely future trajectory of per capita consumption over time lies below that implied by the baseline scenario that assumes away the demographic change. The shape of the actual consumption trajectory depends, however, on the saving behavior of the current generation. If today's saving rate is low, then the current generation can enjoy consumption close to what it would have been if the aging issue did not exist. However, in this case, the burden on future generations will be relatively great. Alternatively, the current generation could consume less and save more, which would allow the consumption of future generations to be closer to what it would have been in the absence of population aging.

How big are these effects? To assess magnitudes, the Board economists first examined the case in which the nation saves at its current rate for the next twenty years, thereby largely insulating the baby-boom generation from the effects of the coming demographic transition. After that, they assumed, consumption falls and saving rates rise, with all future generations experiencing the same percentage reduction in consumption relative to the baseline in which no population aging occurs. Their rough calculations suggest that, in this case, the per capita consumption of future generations would be about 14 percent less than what it would have been in the absence of demographic change.

For comparison, they next considered the case in which the burden of demographic change is shared more equally among current and future generations. They considered a case in which the national saving rate, instead of staying at its current level for the next twenty years, rises immediately. Further, they asked by how much today's saving rate would have to increase to lead to equal burden-sharing among current and future generations. ("Equal burden-sharing" is interpreted to mean that the current generation and all future generations experience the same percentage reduction in per capita consumption relative to the baseline scenario without population aging.) They found that equal burden-sharing across generations could be achieved by an immediate reduction in per capita consumption on the order of 4 percent (or, since consumption is about two-thirds of output, by an increase in national saving of about 3 percentage points.) This case obviously involves greater sacrifice by the current generation, but the payoff is that all future generations enjoy per capita consumption that is only 4 percent, rather than 14 percent, below what it would have been in the absence of population aging. The large improvement in the estimated living standards of future generations arises because of the extra capital bequeathed to them by virtue of the current generation's assumed higher rate of saving.

These numbers shouldn't be taken literally but the basic lesson is surely right--that the decisions that we make over the next few decades will matter greatly for the living standards of our children and grandchildren. If we don't begin soon to provide for the coming demographic transition, the relative burden on future generations may be significantly greater than it otherwise could have been.²

At the heart of the choices our elected representatives will have to make regarding the distribution of these costs across generations will be an issue of fairness: What responsibility do we, who are alive today, have to future generations? What will constitute ethical and fair treatment of those generations, who are not present today to speak for themselves? If current trends continue, the typical U.S. worker will be considerably more productive several decades from now. Thus, one might argue that letting future generations bear the burden of population aging is appropriate, as they will likely be richer than we are even taking that burden into account. On the other hand, I suspect that many people would agree that a fair outcome should involve the current generation shouldering at least some of that burden, especially in light of the sacrifices that previous generations made to give us the prosperity we enjoy today.

The choice of which generations should bear the burden of population aging has consequences for economic efficiency as well as for intergenerational equity. If we decide to pass the burden on to future generations--that is, if we neither increase saving now nor reduce the benefits to be paid in the future by Social Security and Medicare--then the children and grandchildren of the baby boomers are likely to face much higher tax rates. A large increase in tax rates would surely have adverse effects on a wide range

of economic incentives, including the incentives to work and save, which would hamper economic performance. Alternatively, to avoid large tax increases, the government could decide to sharply reduce non-entitlement spending in the future. However, such actions might also have important social costs that need to be taken into consideration.

Sharing the Burden of Population Aging

If, as a nation, we were to accept the premise that the baby-boom generation should share at least some of the burden of population aging, what policy steps might be implied? As I have already noted, from a broad economic perspective, the most useful actions are likely to be those that promote national saving. Perhaps the most straightforward way to raise national saving--although not a politically easy one--is to reduce the government's current and projected budget deficits. To the extent that reduced government borrowing allows more private saving to be used for capital formation or to acquire foreign assets, future U.S. output and income will be enhanced and the future burdens associated with demographic change will be smaller.

Increasing private saving, which is the saving of both the corporate sector and the household sector, is likewise desirable. Corporate saving, in the form of retained earnings, is currently at relatively high levels, but household saving rates are exceptionally low.³ A broad-based increase in household saving would benefit both the economy and the millions of American families who currently hold very little wealth.

Unfortunately, many years of concentrated attention on this issue by policymakers and economists have failed to uncover a silver bullet for increasing household saving. One promising area that deserves more attention is financial education. The Federal Reserve has actively supported such efforts, which may be useful in helping people understand the importance of saving and to learn about alternative saving vehicles. Psychologists have also studied how the framing of alternatives affects people's saving decisions. For example, studies suggest that employees are much more likely to participate in 401(k) retirement plans at work if they are enrolled automatically--with a choice to opt out--rather than being required to actively choose to join. The pension bill recently passed by Congress and signed by the President included provisions to increase employers' incentives to adopt such opt-out rules; it will be interesting to see whether such rules are adopted and, if so, how effective they are in promoting employee saving.

Other steps can also help increase the future productive capacity of the economy and thereby reduce the adverse effects of demographic change. For example, devoting resources to improving our K-12 education system, expanding access to community colleges, increasing on-the-job training, and stimulating basic research could augment the nation's capital in the broadest sense of the term and might have desirable distributional effects as well.

Another response to population aging is to adopt measures that encourage participation in the labor force, particularly among older workers. In the near term, increases in labor force participation would raise income; some of this income would be saved and would thus be available to augment the capital stock. In the long run, higher rates of labor force participation, particularly by those who would otherwise be in retirement, could help to offset the negative effect of population aging on the share of the population that is working.

To some extent, increased labor force participation by older workers may happen naturally. Increased longevity and health will encourage greater numbers of older people to remain longer in the workforce. And slower growth in the labor force will motivate employers to retain or attract older workers--for example through higher wages, more flexibility in work schedules, increased training directed toward older workers, and changes in the retirement incentives provided by pension plans.

Reform of our unsustainable entitlement programs should also be a priority. The nature and timing of those reforms will be determined, of course, by our elected representatives. However, the intergenerational perspective does provide a few insights that might be helpful to policymakers as they undertake the needed reforms. First, restructuring the finances of our entitlement programs to minimize their reliance on deficit spending will enhance national saving and reduce the burden on future generations. Second, changes in the structure of entitlement programs should preserve or enhance the incentives to work and to save; for example, we should take care that benefits rules do not penalize those who may wish to work part-time after retirement. Finally, the imperative to undertake reform earlier rather than later is great. As illustrated by the simulation I discussed earlier, the longer the delay in putting our entitlement programs on a sound fiscal footing, the heavier the burden that will be passed on to future generations. Moreover, the sooner any restructuring of entitlement programs takes place, the easier it will be for people now in their working years to prepare, for example, by saving more today. However, if reform is delayed and fiscal exigencies ultimately force changes in these programs with little notice to potential retirees, their ability to adjust their behavior appropriately could be much reduced.

Conclusion

Over the next few decades, the U.S. population will grow significantly older, a development that will affect our society and our economy in many ways. In particular, the coming demographic transition will create severe fiscal challenges, as the cost of entitlement programs rises sharply. I hope to have persuaded you today, however, that the economic implications of this transition go well beyond fiscal policy. From a broader economic perspective, the question is how the burden of an aging population is to be shared between our generation and the generations that will follow us. A failure on our part to prepare for demographic change will have substantial adverse effects on the

economic welfare of our children and grandchildren and on the long-run productive potential of the U.S. economy.

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Footnotes

1. See Sheiner, Sichel, and Slifman (2006) and Elmendorf and Sheiner (2000) for discussions of the basic approach. [Return to text](#)
2. Another approach for gauging the potential impact of demographic change on future generations is the generational accounting framework developed by Auerbach, Gokhale, and Kotlikoff (1992). This framework begins with the assumption that, for people living today, tax rates will not be increased and benefits will not be cut. On that assumption, one can calculate the taxes (net of transfers received) that future generations will have to pay to achieve long-term balance in the government budget. According to recent estimates using this approach, to achieve long-term budget balance the net tax rate on future generations will have to be about double the tax rate on current taxpayers (Gokhale and Kotlikoff, 2001). This approach looks at the intergenerational issue through the prism of fiscal policy rather than taking the broader economic perspective I have emphasized today, and its underlying assumptions are somewhat different. However, the

REMARKS BY THE PRESIDENT
ON COMPREHENSIVE IMMIGRATION REFORM

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11:31 A.M. EDT

THE PRESIDENT: Thank you all very much. (Applause.) Please be seated -- unless, of course, you don't have a chair. Thanks for having me. I'm honored to be here at the headquarters of the Federal Law Enforcement Training Center.

I don't know whether you realize this, or not, but the government originally planned to open this center inside the Capital Beltway. No one looks very sad that they didn't open it inside the Capital Beltway. (Laughter.) It's a spectacular place to have this center. It is a glorious place to live. I'm honored to be in your

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presence. Thanks for letting me come by and share some thoughts with you.

I want to thank Director Patrick for her strong leadership and her kind introduction. I appreciate very much the tour I have just taken. A lot of our fellow citizens probably don't know what goes on here, but this is a center full of smart, capable instructors who are helping to train men and women who've volunteered to serve our country on the front lines of protecting the homeland. I am grateful to be in your midst. I thank those of you who work here; I thank those of you who are being trained here; and I thank your families, as well.

We have a mission, a vital mission, and that's to protect our country. And you all are on the front lines of that protection. And it gives me great confidence when I meet you to tell the American people there's a lot of decent souls doing everything they can to provide security for the American people. So, thanks.

I appreciate the folks at FLETC that I met that are working the border and helping train people to secure this border of ours. And I've come today not only to thank you, but to talk about immigration. Immigration is a vital issue facing this country. And the fundamental question is, will elected officials have the courage necessary to put a comprehensive immigration plan in place that makes it more likely we can enforce our border and, at the same time, uphold the great traditions of -- immigrant traditions of the United States of America. And that's what I want to discuss with you.

Before I do, I do want to introduce some people. I want to introduce Secretary of Commerce Carlos Gutierrez --

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I appreciate you coming, Mr. Secretary. (Applause.) Carlos wasn't born here, see. He was born in another country -- Cuba. And now he sits in the Cabinet of the President of the United States. There's something great about a country that welcomes people, people who uphold our laws and realize the great blessings of America.

With us, as well, is Senator Mel Martinez. He wasn't born in America. He's a Senator from Florida. He was born in Cuba. I don't know if you know his story, but his mother and father put him on an airplane to come to the United States of America, to be raised by total strangers because they didn't want their son to grow up under a tyrant named Fidel Castro. He used to sit in the Cabinet of the President of the United States; now he sits in the United States Senate. What a wonderful country it is, where people can come to live in a country based upon liberty, and realize the great blessings of our country.

And I want to mention those two men because, to me, they represent what the immigration debate is all about: Will we be a welcoming place, a place of law, that renews our spirit by giving people a chance to succeed?

So, Senator, thank you for coming, as well. (Applause.)

I saved the other two traveling with me because they were born here -- starting with the United States Senator from Georgia, a south Georgian named Saxby Chambliss, one of the finest senators in the United States Senate. (Applause.)

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Finally, I asked Secretary Mike Chertoff to leave the bench to become the Director of the Department of Homeland Security. It's a big job. It's a job that requires organizing various agencies under one task, and that's to provide protection to the American people. Secretary Chertoff is doing a fine job. I'm glad he's joined us today. Thanks for coming, Mr. Secretary. (Applause.)

I thank all the state and local officials here who have joined us. I appreciate you taking time to come over and say hello. I thank the citizens from this part of the world who have joined us, as well. Thanks for supporting this good institution. I know you know this, but FLETC provides an important role for this country of ours, and I thank you for supporting it.

Before I talk about immigration, I do want to offer condolences for Agent Robert Smith. He died last week from injuries in a helicopter crash. He was a Customs and Border Protection agent. He reminds us on a regular basis that those who are on the front line of protecting the country take danger as a part of their job. And, therefore, we offer our deepest condolences for Robert Smith's family and his friends, and we ask for God's blessings on them.

Our nation depends on our federal agents to enforce our immigration laws at the border and across the country. You've got a big job to do; we're counting on you to enforce those laws. And when you graduate from FLETC, you're going to be an important part of that role. That's why you're here; it's to upgrade your skills so you have the capacity to do the job the country expects you to do. You're going to safeguard our ports of entry, you'll investigate workplace immigration violations, and you'll arrest those breaking the law. We are a nation of laws,

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and we expect people to keep the laws. And if they break the laws, there will be a consequence.

This administration of mine is committed to ensuring that our federal agents have the resources you need to carry out your responsibilities. For some of the older hands here -- I'm not going to pick you out of the crowd -- I'm sure you will tell some of the younger folks that things have changed significantly over the past years. One way to measure how things have changed is look at the budget. We've doubled the funding for border security since I took office. We now spend \$10 billion a year to protect this border. One commitment to the American people that we're serious about helping you do your job is to spend more money on the job. It's a way to measure whether or not our -- we're meeting our words with commitment. And we are.

We've used additional money. People say, what are you spending it on? Well, we're expanding the number of Border Patrol agents from about 9,000 to 13,000, and by the end of -- we have expanded it -- and by the end of 2008, we're going to have 18,000 agents. We will have more than doubled the Border Patrol in a relatively quick period of time. We believe the more manpower is on the border, the more likely it is we'll be able to enforce the border, like the American people expect us to do.

We're investing in new technology, we're strengthening infrastructure. In other words, we've taken our duty seriously to protect the border of the United States of America. As a matter of fact, we take it so seriously that I asked the governors to put some National Guard troops down there until our Border Patrol agents got trained.

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And we're beginning to see some results. In this immigration debate, oftentimes people say, well, they're not doing anything to protect the border. Well, that's not -- those folks just simply don't know what's going on. You do. Men and women who wear the uniform understand what's going on. There's a focused, concerted effort to enforce our border.

As a matter of fact, you can tell when the border is better defended because the number of arrests go down. In other words, when people know there's a consequence to trying to sneak across, there's less likely to be people sneaking across. Arrests have gone down by 27 percent over the past year on the southern border. That's a sign of progress. It should say to the American people that we're doing what the people expect us to do.

The new infrastructure is making a difference. The Predators make a difference. The number of Border Patrol agents make a difference. I don't know if any of you spent time out in Artesia, New Mexico, if you're working for the Border Patrol, but I was impressed with boot camp. And they're training these Border Patrol agents to do the hard work that the American people expect them to do.

One of the problems we had prior to the administration addressing the problem was we had what was called -- what happened was called catch and release. You had your Border Patrol working hard, finding somebody trying to sneak into our country illegally, they'd catch him, and then they say, well, you know, look, you need to come back for your hearing; we're going to let you out, but come back for your hearing. Well, the problem was, the people didn't want to come back for their hearing. They generally wanted to go work. And so they would just disappear.

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And it discouraged our Border Patrol agents. I talked to too many agents and heard too many stories about people saying, wait a minute, I'm tired of doing my job on the front line of protecting the border only to have the people that I have stopped coming in meld into our society.

And so we worked with Congress and we've got a lot of detention facilities now along the border. We didn't have space before. Now we do have space. And as a result, catch and release has virtually been eliminated. It sends a strong -- getting rid of the catch and release program sends a strong signal to people: If you come to the country, we will find you, and we're going to send you home, so don't try to come in the first place.

In other words, we're working hard to enforce the border. And we're stepping up enforcement inside the country. I see a lot of ICE hats. These are the folks that are charged with making sure that people who knowingly hire somebody who's here illegally pay a price. In other words, part of making sure our country is a rule of law, we've got to have people enforce the law. It's against the law to hire somebody who is here illegally. That's the law. And we're training people here to make sure that they know how to enforce that law. And the message to employers, if you're hiring somebody here that you know is illegal, we're going to -- there's a consequence to be paid. That's what a nation that bases it's system on rule of law does. That's what we'll continue to do.

And ICE is active. Your folks are working hard. ICE investigations have led to more than 3,000 arrests for immigration violations since the beginning of this fiscal year; nearly 600 arrests for criminal violations, including fraud and identity theft; and nearly \$30 million in penalties against businesses that have violated the law.

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We're working hard to enforce the border. The immigration debate, you hear people say, well, they're not doing anything to enforce the border. They're wrong, and you know they're wrong. And I'm here to thank you for doing -- for working as hard as you can.

And now we've got to build on the progress. It's important for our American citizens to understand that the immigration system is in desperate need for comprehensive reform. And Congress has a historic window to act. The system isn't working. Think about a system that encourages smugglers to stuff people in 18-wheelers, people that want to work, people that want to provide for their families. Think about a system in which there's tremendous document forgery.

You've got a person out here in south Georgia who needs somebody to help them on their farm. The person shows up with documents. They don't know whether they're real, or not. There's a lot of forgery going on. We've got people -- in my judgment, this isn't what America should be about. And yet the system is broken to the point where people are being used as human cargo, being exploited, simply because most want to come and provide for their families; most are willing to do jobs Americans aren't doing. The system needs to be fixed.

I appreciate the Republicans and Democrats in the United States Senate, starting with Saxby Chambliss and Mel Martinez, who put politics aside and put courage first to work on a comprehensive bill. It takes a lot of courage in the face of some of the criticism in the political world to do what's right, not what's comfortable. And what's right is to fix this system now before it's too late. And I thank you two for your courage. (Applause.)

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And Carlos and Mike Chertoff spent a lot of time sitting with the senators from both political parties. I don't know if you're tired of it, but a lot of Americans are simply tired of this endless political bickering, that we can't work together because it might make somebody else look good. I tried to change the system. It's not working. (Applause.) So I sent the two Secretaries in there with the senators from both parties, and said, okay, why don't we sit down and see if we can't figure something -- something that's good for the country. Each side is going to have to give a little bit. Not everybody is going to get everything they want, but what matters more is fixing the problem now.

And we're making some progress. Most Americans -- many Americans say their primary concern is border security and ensuring that those who violate our laws face consequences. That's what you're hearing out there when you're listening to the debate.

Others say their chief concern is keeping this economy strong. There's a -- a lot of employers need a legal way to fill jobs that Americans simply aren't doing. There's a lot of jobs here in Georgia that require people from -- that are willing to do the work that Americans aren't doing. It's just the way it is.

You talk to your farmer friends, or your nursery friends -- I remember the peach grower, Saxby, that you sent over to the White House. He's there saying to me, you've got to understand something, Mr. President, my business won't go forward unless I have some of these good people that are willing to work long hours in my peach orchard helping me harvest the crop. So a lot of people in

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this debate are concerned about getting a bill in place that will help keep the economy growing.

Others say their main concern is to bring hardworking, decent people out of the shadows of our society. All of these concerns are part of the same issue, and it's important for American citizens to understand that the legislation now before Congress addresses them all as one. Our view is, is that you can't solve the problem unless you address all aspects of the problem. We've tried to address immigration reform in the past by talking about only one aspect of immigration reform. To make it work, to address the concerns of the American people, there must be a comprehensive approach.

A lot of Americans are skeptical about immigration reform primarily because they don't think the government can fix the problems. And my answer to the skeptics is, give us a chance to fix the problems in a comprehensive way that enforces our border and treats people with decency and respect. Give us a chance to fix this problem. Don't try to kill this bill before it gets moving. Give us a chance to make it easier for the folks who wear the uniform along our borders to do their job.

I believe the bill before Congress learns from the mistakes of the past. It is the best hope for lasting reform. If people are interested in fixing a system that's broken, this bill is the best hope to do so. It answers the longstanding concerns of the American people. It deserves widespread support. And I strongly back it.

If you're serious about securing our borders, it makes sense to support legislation that makes enforcement our highest priority. And that's what this bill does. For

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decades, we have not been in complete control of the borders, and many people have lost faith in our capacity to get control of the borders. I ask them to look at what's taken place over the past years, recent years. I wish they could talk to some of your Border Patrol friends, and talk about the advances that have been made and the good work they're doing down there.

The first step to comprehensive reform must be to enforce immigration laws at the borders and at work sites across America. And this is what this bill does. For the skeptics who say that we're not concerned about border security or workplace enforcement, they need to read the bill. The bill prioritizes enforcing our laws at the border, and saying to employers, we'll hold you to account for employing somebody who's here illegally -- knowingly employing somebody who's here illegally.

This bill sets enforcement benchmarks that have got to be met before other aspects of the comprehensive bill are triggered. In other words, there has to be certain accomplishments in place before other aspects of the bill come into being. And here are some of those markers: Increasing the number of Border Patrol agents. We said we're going to double them; they've got to get doubled, until other aspects of the bill come into being. We're going to build miles of state-of-the-art fencing. We're going to improve surveillance with advanced technologies. We will do a better job of holding employers accountable for the workers they hire.

Most employers want to comply with the law. The peach grower wanted to comply with the law. Believe me, he's a law-abiding, decent man. His attitude is, why don't you help me verify the legal status of a potential employee, as opposed to holding me to account -- which we will do, of

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course, if he knowingly hires somebody -- give me a hand with the verification system.

And that's why we're going to promote tamper-resistant identification cards. In other words, if you're here working, you're going to have a card that you can't tamper with, that some document forger can't foist off as a document for somebody to come and pick peaches here in Georgia.

In other words, we've got a serious attempt in this bill, and a real attempt, to do what a lot of Americans want us to do, and that's enforce the border. If you're serious about keeping our economy strong, it's makes sense to support legislation that gives foreign workers a legal path to jobs in America. There are people doing jobs here Americans aren't doing.

The peach man said to me, he said, I can't find somebody from my home town who wants to pick peaches, but I can find somebody who wants to put food on their table for a family from Mexico, for example. It seems to me it makes sense to give those people a chance to come and work here on a temporary basis. This bill says, temporary, it means temporary. You'll be here for a number of years, and you'll go back home. That's what a temporary worker plan does. In the meantime, it helps meet the needs of our economy.

This bill -- aspect of the bill will allow federal agents to focus on apprehending violent criminals and terrorists who are a threat to our country rather than people who want to work here. In other words, if you can come to our country on a temporary basis legally, you're not going to sneak across the border. Who wants to pay a

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coyote hundreds of dollars, or thousands of dollars, when you can walk across, and say, I'm going to have a temporary job here in this country, and here's my tamper -- my tamper-resistant card?

If you're interested in securing the border, wouldn't you rather have Border Patrol agents chasing down terrorists and gun runners and dope runners as opposed to people who are coming to do jobs Americans aren't doing? A temporary worker plan, that is truly temporary, is going to make it easier for us to enforce the border. Border enforcement and having a rational worker plan go hand-in-hand. And that's what the American people have got to understand.

A temporary worker program will not begin until our border security measures are in place, and until we have a reliable system for verifying employment eligibility. That's the way the bill works. Oh, I'm sure you've heard some of the talk out there about people defining the bill. It's clear they hadn't read the bill. They're speculating about what the bill says, and they're trying to rile up people's emotions. This is a good piece of legislation. It addresses the border security needs, and it addresses the employment needs of our country.

If you're serious about bringing hardworking illegal immigrants out of the shadows of our society, it makes sense to support legislation that will resolve their status without animosity, and without amnesty.

Others -- I don't -- they estimate 11 million to 12 million people have been here for, some, quite a while. They're in an underground in America. It's not right, as far as I'm concerned. That's not what this country stands

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for. I know there are some people out there hollering and saying, kick them out. That is simply unrealistic. It won't work. There are some people saying, give them automatic citizenship. I oppose that. It won't work. I don't think it makes any sense to do that.

Amnesty is forgiveness for being here without any penalties -- that's what amnesty is. I oppose it. The authors -- many of the authors of this bill oppose it. This bill is not an amnesty bill. If you want to scare the American people, what you say is, the bill is an amnesty bill. It's not an amnesty bill. That's empty political rhetoric, trying to frighten our fellow citizens. People in Congress need the courage to go back to their districts and explain exactly what this bill is all about, in order to put comprehensive immigration reform in place.

Let me explain how it works. Under the bill, those who want to stay in our country who have been here can apply for a Z visa. At some point in time, those who are coming to work will get temporary work visas. Those who have been here already can apply for a Z visa. To receive the visa, illegal workers must admit they violated the law and pay a meaningful penalty, pass a strict background check, hold a job, maintain a clean record, and eventually earn English -- learn English. That's how it works.

It says, if you want to be here, here's what you have to do. There is a consequence for having broken the law. As a result of a recent Senate amendment, they have to pay back taxes if they haven't paid taxes, too. You're working hard, you pay taxes. People who have been here in this country ought to pay taxes. That's what it says.

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The hurdles to citizenship are going to be even higher. In other words, if somebody says, fine, I'll take my Z visa, I'm out of the shadows now, I've got an opportunity to not hide in America. I'll continue doing the work I'm doing, I'm going to keep my record clean. I'll pay the penalties necessary so I can stay here -- that's what it says -- but if you want to be a citizen, there's more hurdles. It says, the Z visa worker would first have to pay an additional fine. In other words, you have broken the law and there's a consequence for breaking the law. That's what the bill says.

Secondly, you've got to return home to file an application for your green card. If you want to be a citizen, you pay a fine, you touch base home to apply for a green card, and then you take your place behind those who have played by the rules and have been waiting in line, patiently, to become a citizen.

This is a good bill. It recognizes that we've got to treat people with respect, and it also recognizes we're a nation of law. And as we go forward, the legislation creates a new system for admitting new immigrants to our country, people who want to come here legally. The system is going to reward applicants based upon skills and education, in addition to family ties, so we can ensure America continues to have the world's most talented work force.

This legislation is also going to help newcomers assimilate into our society. One of the great aspects of American society is people have been able to assimilate.

You know, I was at the Coast Guard Academy the other day, giving a speech there, and the president of the class,

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a Latino, talked with great pride in his voice about the fact that this grandfather was a migrant to the United States of America, and here he is addressing the Coast Guard Academy. I think it speaks volumes about the great promise of America. One of the reasons why is because his family assimilated into our society and into our culture. The key to unlocking the full promise of America is the ability to speak English. That's the language of our country. If you can speak English in this country and work hard and have dreams, you can make it. That's the great story of America. I believe it's true today like it was true yesterday, as well.

We expect opportunities to help -- we will expand opportunities to help new immigrants learn the language, learn about the ideals that make us a wonderful country. If you're serious about reform, it makes sense to support comprehensive legislation that addresses all aspects of the problem. You cannot solve the problem unless we address all aspects of the problem at the same time.

This reform is complex. There's a lot of emotions around this issue. Convictions run deep. Those determined to find fault with this bill will always be able to look at a narrow slice of it and find something they don't like. If you want to kill the bill, if you don't want to do what's right for America, you can pick one little aspect out of it, you can use it to frighten people. Or you can show leadership and solve this problem once and for all, so the people who wear the uniform in this crowd can do the job we expect them to do.

Now is the time for comprehensive immigration reform. Now is the time for members of both political parties to stand up and show courage, and take a leadership role and do what's right for America.

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Thanks for letting me come by, and God bless.
(Applause.)

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