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## Jobs and Growth Tax Relief Reconciliation Act Scorecard

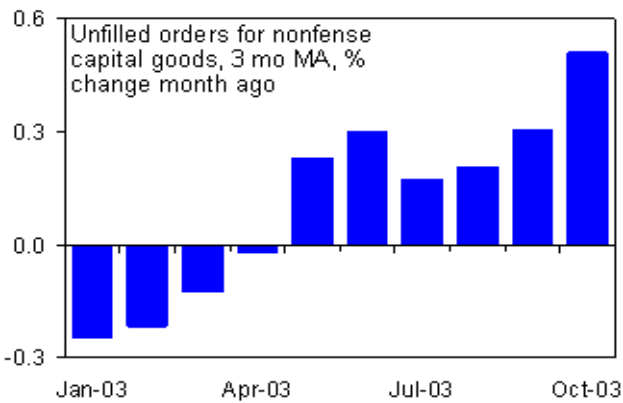
### Bush Tax Cuts & the October Employment Report

#### Cutting The Right Taxes Creates Jobs - November 10, 2003

Last week, the Labor Department announced employment increased by 126,000 in the month of October and was accompanied with significant revisions for September and August. The Household survey was even better showing an increase of employment of 441,000 and total employment from the Household Survey reached 138,014,000, the most employed Americans ever. October's report, similar to the previous week's GDP, was balanced showing unambiguously the labor market is improving and quite rapidly.

ASA pointed out last week that the fundamentals were in place for significant, **sustained** increases in employment. While consumer spending increased every quarter since 1991, the GDP report demonstrated business investment finally returned. The tax cut was aimed at significantly lowering the cost of capital, which translates into new business investment, growing small business income, and increasing shareholder wealth. These variables in turn create jobs. Expect to see further upward revisions of employment data and significant, **sustained** employment growth taking place at the start of the year. Improved growth was clearly not a one-time occurrence.

#### Unfilled Orders Continue to Rise

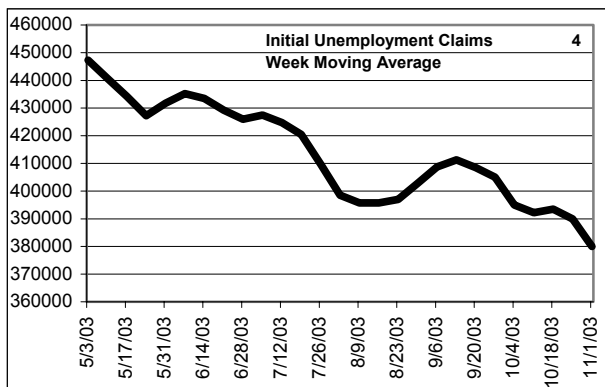


Source: Economy.com

#### More Business Investment Ahead

Business investment was up 11% in the 3<sup>rd</sup> quarter on top of an 8% increase in the 2<sup>nd</sup> quarter. Recent data suggests this will continue into future quarters because current levels of production are not keeping up with orders being placed. Despite increased investment, unfilled orders increased seven of the past eight months, while inventories declined 31 of the last 32 months. Given this gap, investment will clearly continue into the 4<sup>th</sup> quarter. At the same time, these surveys are pointing to a renewed confidence among businesses, which is directly correlated with the depreciation/expensing provisions of the Bush tax cut. As the new orders and unfilled orders continue to increase, expect to see increases in employment, specifically manufacturing to follow.

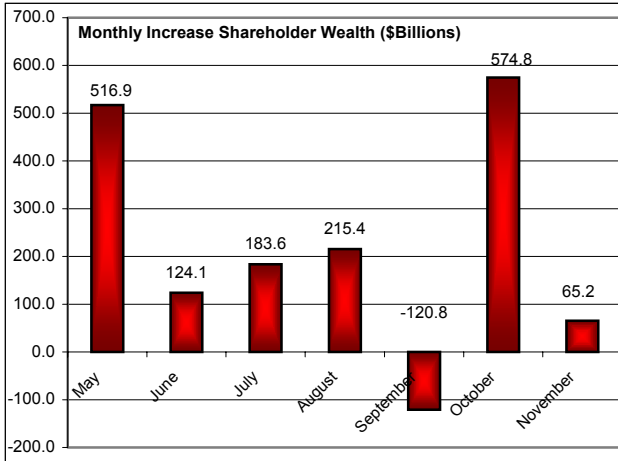
#### UI Claims Down 19% Since May



#### Manufacturing Production/Employment To Reignite

The October employment report showed a decline in manufacturing employment, albeit a smaller decline than in previous months. A number of other factors are pointing to a turnaround in manufacturing hiring. Last week's ISM report showed manufacturing employment, although declining, at its highest level of the year and near the point where manufacturing employment will start increasing. The manufacturing heavy initial claims for unemployment insurance precipitously declined to roughly 350,000 claims and the 4-week moving average has decreased by 19% since May. With service employment already steadily increasing, new manufacturing jobs will lead to more net new jobs being added to the economy in the future.

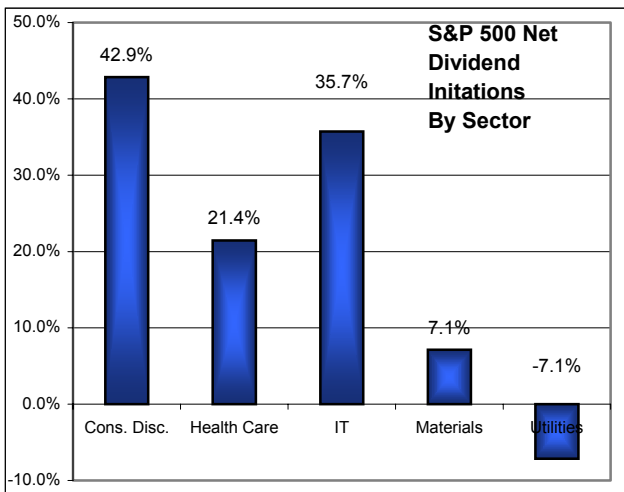
### Shareholder Wealth - \$2.076 Trillion



### Shareholder Wealth Continues To Climb

Since May, shareholder wealth has increased \$2.076 trillion. Every month, except for September, has experienced an increase and each increase has been over \$120 billion per month. As such, shareholder wealth has been increasing at a compounded monthly rate of 3.3%, with October increasing an astonishing 6% from September 30<sup>th</sup>'s close. November's first week continued right where October left off with an additional \$65 billion of new wealth created. Since the 10/09/02 low, shareholder wealth has increased \$2.94 trillion, thus rapidly approaching the \$3 trillion mark. 70% of this increase occurred since May 1st, when the tax cut was being finalized & dividend/capital gains tax reduction subsequently became law. And as mentioned last week, shareholder wealth is a leading indicator of future employment growth.

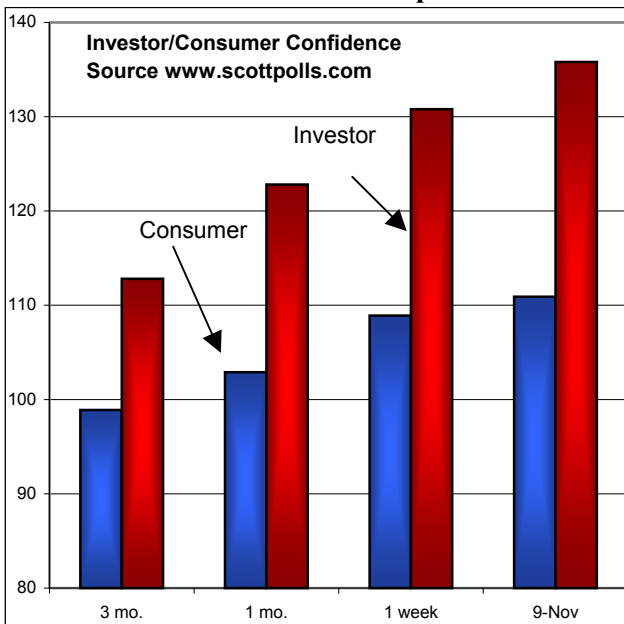
### IT Companies Initiating Dividends



### New Dividends Improving Corporate Accountability

Dividends initiations have significantly increased in the wake of the tax cut with the number of S&P 500 companies paying a dividend increasing by a net 14 companies in 2003. Surprisingly, 5 of the net 14 companies initiating dividends for the first time were information technology companies. This is significant because tech companies have historically not offered a dividend and hoarded cash that was reinvested back into the company. This places investors at risk. Without dividends, investors must value stocks based on a corporation's earnings statement, which can be manipulated, as demonstrated by the recent corporate accounting scandals. But, as dividends can only be paid out of earnings that actually exist, the Bush tax cut not only has improved economic growth and job creation, the tax cut is promoting honest accounting practices and renewing confidence among investors.

### Investor Confidence Up 20%



### Confidence, Confidence, Confidence

Confidence is key to the economic expansion moving forward. Businesses need to feel confident to increase production & hire more workers. Investors need to feel confident investing in markets to provide equity capital to finance investment. Consumers need to feel confident to keep spending. These components are not mutually exclusive – an improving labor market makes consumers feel confident to spend, while better corporate accountability provides confidence for investors to finance business investment, which leads to jobs. The tax cut is bolstering confidence. According to Rasmussenreports.com, consumer confidence is up 8 from a month ago & up 12 from three months ago. Investor confidence is now at a year-to-date high and is up 13 from a month ago and up 23 from three months ago. In the past three months, consumer confidence has increased by 12.1% and investor confidence is up 20.4% (see chart). And with new investment, a rising stock market, & more jobs, confidence among businesses, investors, and consumers will lead to more investment and jobs in the future.