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## Jobs and Growth Tax Relief Reconciliation Act Scorecard

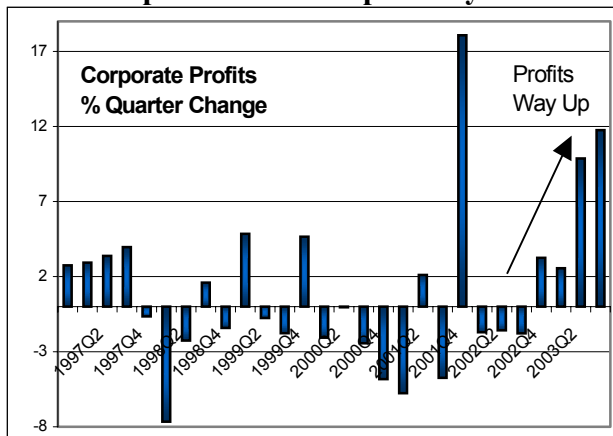
### Bush Tax Cuts & the Revised 3<sup>rd</sup> Quarter GDP Report

#### Taxes Down, Growth Way Up, Job Growth Arrives - November 25, 2003

Friday marks the six-month anniversary of President Bush signing the Jobs and Growth Tax Relief Reconciliation Act into law. And with today's GDP number coming in at a revised 8.2 percent, it is quite clear that the tax cut has provided significant short-term support to the economy, while enhancing the long-run growth potential. Yet, not all tax cuts would have produced the same effect – this growth is the result of cutting the right taxes. The Bush tax cut targeted high rates of double taxation, which improved the incentives for work, saving, and investing. By lowering the cost of capital to firms, businesses are now undertaking projects that would not have been profitable under the previous tax rates. Business investment is booming and profits are on fire which points to sustained economic growth in the coming quarters.

Thus, the opponents of the Bush tax cut who continue to repeat the mantra the “stimulus” effect will wear off have completely missed the point. Economic growth is here to stay as all the indicators continue to point a strong, sustained recovery.

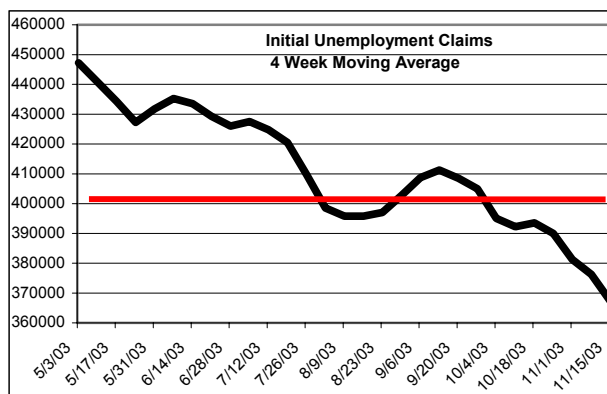
#### Corporate Profits Up Nearly 12%



#### Corporate Profits On Fire – Investment/Jobs To Follow

Third quarter GDP was revised up to a startling 8.2% growth instead of the originally reported 7.2%. The key stat from the report is that corporate profits from current production increased for the fourth consecutive quarter, the first time this has occurred since 1997. Profits provide the capital needed to make new investments and hiring in the future. The increase was an impressive 11.8%, which followed a 9.9% increase in the second quarter. Excluding a temporary jump in profits in the fourth quarter of 2001, the increase was the largest since the 2<sup>nd</sup> quarter of 1994. Non-residential fixed investment was revised upward to 14 percent for the 3<sup>rd</sup> quarter with equipment and software sizzling with 18.4% growth. A sustained business investment boom is taking place and with that comes jobs, jobs, and more jobs.

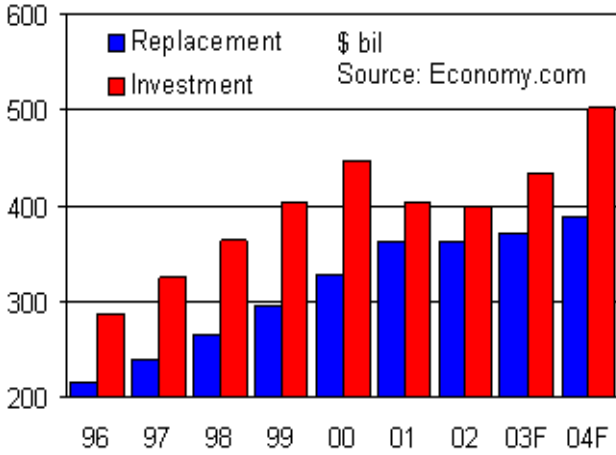
#### UI Claims Continue To Decline



#### Expect Substantial Employment Growth in November

Initial unemployment claims continued its downward trend again last week thus pointing to a significant pickup in November employment. The 4-week moving average has declined 18 percent since May and is now at its lowest level since February 2001. More importantly, claims have declined by 37,000 since the October employment report was released, indicating even larger employment growth in November than in the previous month. UI claims also indicate that the manufacturing sector employment condition continues to improve and could possibly be positive in the month of November. This is also confirmed by the New York and Philadelphia manufacturing indexes which both point to increased manufacturing employment growth as well.

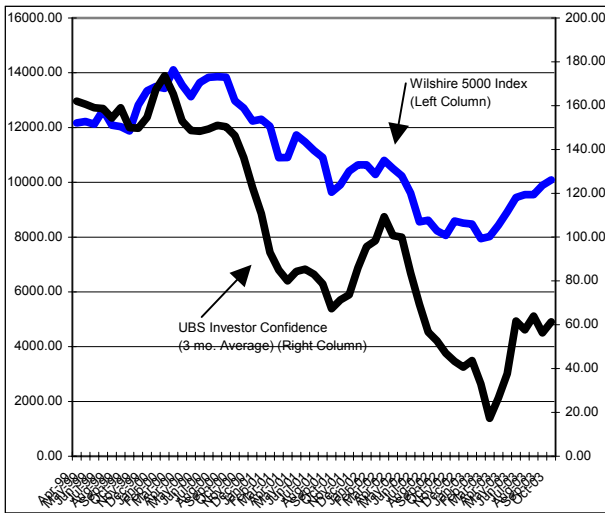
**Powerful IT Replacement Cycle**



**Economic Growth Is Not Going Away Anytime Soon**

While 8 percent growth will not happen every quarter, this boom is not leaving anytime soon either. Business investment in the fourth quarter will continue to build on the 3<sup>rd</sup> quarter's record-breaking business investment in hardware and software spending. The Bush tax cut reduced the after tax return on investment via accelerated depreciation while an IT replacement cycle was taking hold. The replacing of old technologies has just begun while the taxes on investment will be significantly lower in 2004. Expect a boom in both replacement and new investment. Further, inventories have never been so low relative to current sales pointing to increased investment in the future. Housing starts soared to its highest level since January 86, which will show up in the quarter 4 GDP report. All this while profits and jobs are increasing.

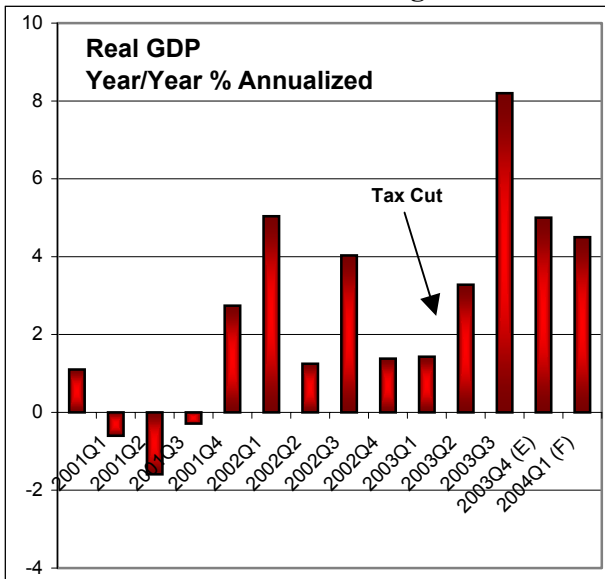
**Confidence Declined Faster Than Wealth**



**Investors Are Growing More Confident**

The UBS Index of Investor Optimism reported its best reading in more than 20 months as investors are finally seeing strong economic growth. This is in line with Rasmussen's daily confidence index ([www.rasmussenreports.com](http://www.rasmussenreports.com)). The increase is particularly important since the decline in investor confidence declined significantly faster than the loss of shareholder wealth in the recent bear market. With today's GDP report showing substantial profits coupled with historic productivity and \$3 trillion of new shareholder wealth, investors are finally feeling confident again. UBS reported yesterday 64 percent of investors believe now is a good time to invest, while just 4 percent expect stocks to be lower one year from now. Average returns over the past twelve months are at its highest level in three years (10 percent) and investors expect to gain another 11.3 percent in the next twelve months. Moreover, these return expectations continue to increase from previous month estimates as well.

**GDP Will Remain Strong Into '04**



**Pulling It All Together**

On the 6-month anniversary of the tax cut signing, the economy continues to point to a strong, sustained recovery. Business investment is so strong, that this is more than a replacement recovery of older IT equipment. The tax reduction on capital investment coupled with low interest rates is spurring new production. Workers are being hired to build the equipment that is being purchased. Strong profits points to continued capital investment in future quarters and the capital is available to accelerate the current pace of employment growth. Strong profits also points to a stronger stock market, which is bolstering investor confidence. The Bush Boom is here. It has been here for some time and will continue to move ahead over the next few quarters. However, more still needs to be done. Removing high rates of double taxation is without question good for both short-term and long-term economic growth. The next step should be to remove the double taxation of savings, which will complete the checklist to ensure a decade long boom.