



American Shareholders Association

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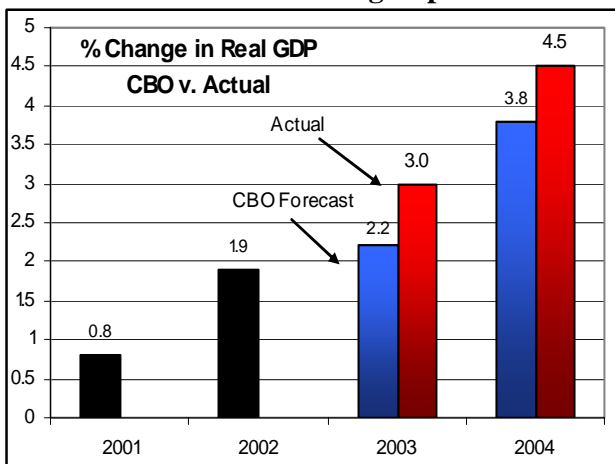
Jobs and Growth Tax Relief Reconciliation Act

ASA Economic Scorecard – 10/11/04

“It Was the Right Tax Cut, In the Right Place, At the Right Time”

On May 28, 2003 President Bush signed into law the most pro-growth tax cut since Ronald Reagan’s historic tax cut in 1981. With growth slowed due to a recession, the horrific attacks of September 11th, two wars, and corporate scandals, President Bush took decisive action to get the economy moving. Less than 25 days before the election, the Kerry/Edwards campaign have stepped up their effort to paint the tax cut as ineffective and are vowing to repeal key provisions. The analysis below examines the effectiveness of the tax cut by comparing the non-partisan Congressional Budget Office’s (CBO) economic forecast made four months after the passage of the tax cut with the actual economic results. Despite all the gloom and doom being professed by Kerry and Edwards in this election, the tax cut clearly exceeded expectations and the provisions should be made permanent.

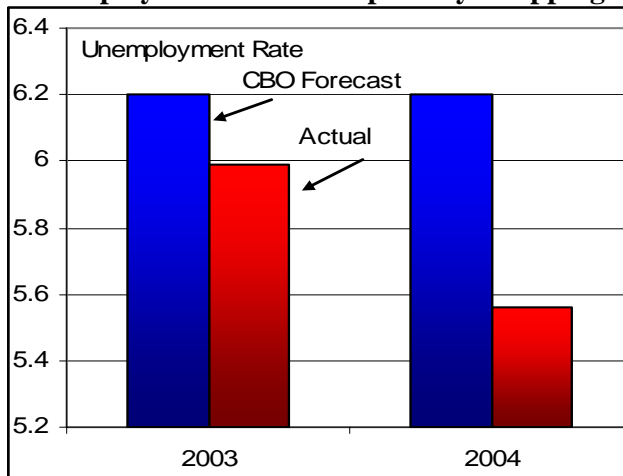
GDP Growth Exceeding Expectations



Fastest Year over Year GDP Growth in Nearly 20 Years

Gross Domestic Product (GDP), the measure of economic activity, has accelerated much greater than analysts expected following the passage of President Bush’s tax cut. Four months following passage of the tax cut, the Congressional Budget Office (CBO) predicted GDP growth to be just 2.2 percent for 2003 and 3.8 percent for 2004. Yet, since the tax cut was put into place, GDP accelerated at a 4 percent rate for four consecutive quarters. Since the tax cut was enacted GDP is averaging an astonishing 4.7 percent rate. Year over year GDP growth stands at its fastest rate in 20 years for two consecutive quarters. As a result, GDP finished 2003 with a 3 percent growth, 80 basis points higher than expected. 2004 will exceed the CBO’s original forecast by at least another 70 basis points in 2004. The 150 basis point difference is more than \$300 billion or \$2,500 per household.

Unemployment Rate Precipitously Dropping



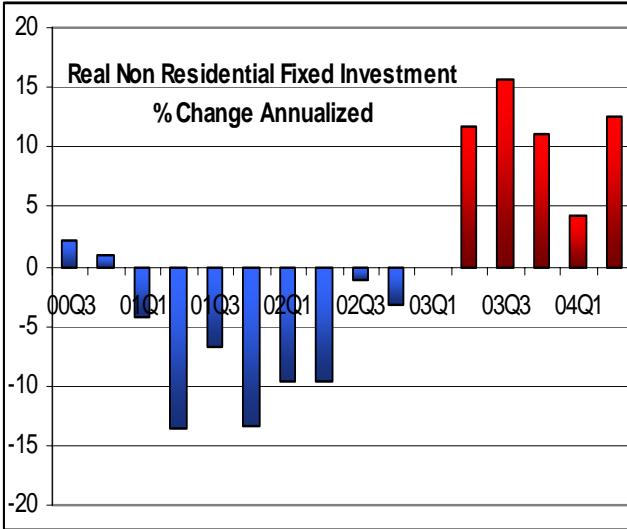
Unemployment Rate is 65 Basis Points Below Forecast

Kerry and Edwards continue to deride the labor market and blame the Bush Administration. But four months following President Bush signing the tax cut CBO expected the unemployment will average 6.2 percent in both 2003 and 2004. The CBO document read as follows: *“In part, that sustained high rate reflects caution on the part of employers; if they follow recent patterns, they are not likely to resume hiring immediately as demand begins to grow.”* CBO turned out to be very wrong. Since the tax cut was put into place 1.7 million jobs have been tallied with more expected once the benchmark revision is finalized. As a result, the unemployment rate has declined 90 basis points from 6.3 percent to 5.4 percent. Moreover, the unemployment rate finished 2003 more than 20 basis below CBO’s forecast and is currently 65 basis points below CBO’s forecast through the first 9 months of 2004.

American Shareholders Association is a non-partisan, not-for-profit organization dedicated to analyzing legislation affecting shareholders.

To educate U.S. investors, ASA reports the public positions of elected representatives on these issues to its members. For more information please contact Daniel Clifton at (202) 549-7803 or by email at dclifton@americanshareholders.com

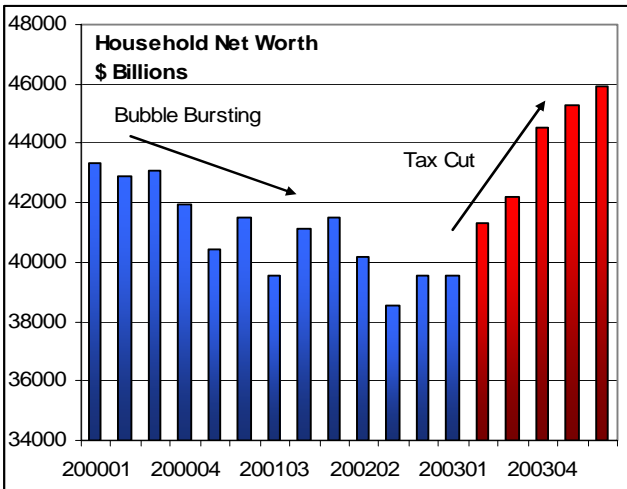
Business Investment Booms Post Tax Cut



Business Investment Soars 11 Percent per Quarter

The previous economic slowdown was characterized by an unusual downturn in business investment spending. Consumer spending increased every quarter for the past 12 years. Business spending, however, declined nine straight quarters and was contracting at a 1.14 percent annualized rate over the 14 quarters prior to the 2003 tax cuts. The tax cut reversed this effect by accelerating depreciation allowances and increasing the expensing limit for small companies. *CBO projected "partial expensing is likely to increase business fixed investment by 0.2 percent of GDP in 2003 and 0.5 percent of GDP in 2004."* While the increase projected was significant, the results were more even more impressive. Non residential fixed investment has increased at a rate of 11 percent per quarter since the tax cut was put into place, manufacturing output soared to its highest level in 20 years, and factories remained backed up, which is requiring more manufacturing workers.

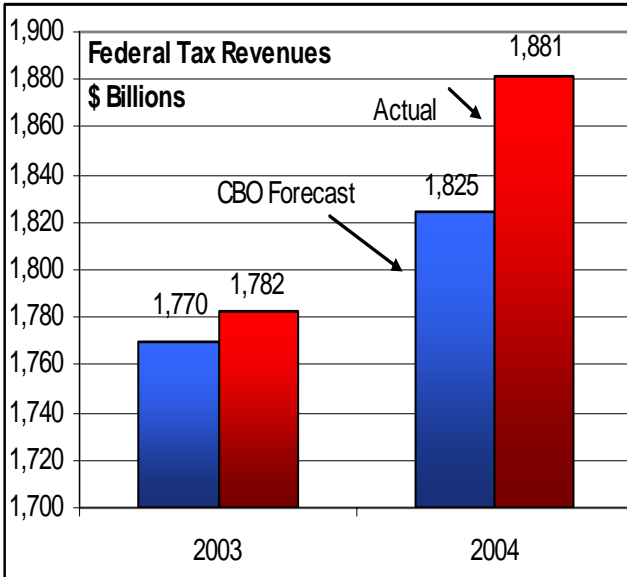
Household Net Worth Increases \$6.4 Trillion



Stock Market Jumping Tax Cuts

Starting in March 2000, the stock market lost \$7 trillion of shareholder wealth. Total household wealth had declined by more than \$4 trillion as housing offset a partial loss of the stock market declines. The 2003 tax cut restored this lost wealth by igniting the stock market with capital gains and dividend tax reductions. Within 180 days of passage, shareholder wealth increased more than \$2 trillion. Total household wealth has increased \$6.4 trillion and now stands at a record high of \$46 trillion. Furthermore, the dividend reduction has resulted in an explosion of new dividend initiations and increases which has returned billions of more cash back to shareholders. Year over year personal dividend income growth is now at 7.6 percent and the two decade decline of companies issuing dividends has finally been reversed. These variables have worked to lower the cost of capital for firms, thus boosting business investment.

Tax Revenue Increases \$100 Billion in FY 04



41.5% Percent of the Tax Cut "Cost" Has Been Recouped

All the new economic growth has boosted federal tax revenues. The Joint Committee on Taxation (JCT) and CBO predicted federal revenues would increase a paltry 2 percent in fiscal year 2004. However, revenues increased nearly 3 times that rate and federal revenues increased \$100 billion over the past 12 months, despite the third largest tax cut in history. Revenues since March have increased at an 8 percent clip year over year. Income tax revenues were forecasted to decline by \$32 billion. Instead income tax revenues increased by \$16 billion, a 6 percent swing from the forecast. Faster GDP growth coupled with strong tax revenues has reduced the budget deficit as a percentage of GDP from CBO's original 4.3 percent forecast to 3.6 percent. In 12 months, the forecasted deficit fell 70 basis points, driven entirely by new economic growth stemming from the tax cuts. As such, 41.5 percent of the projected revenue loss from the tax cut has already been recouped and ASA expects this number to increase in the following fiscal year as well.