

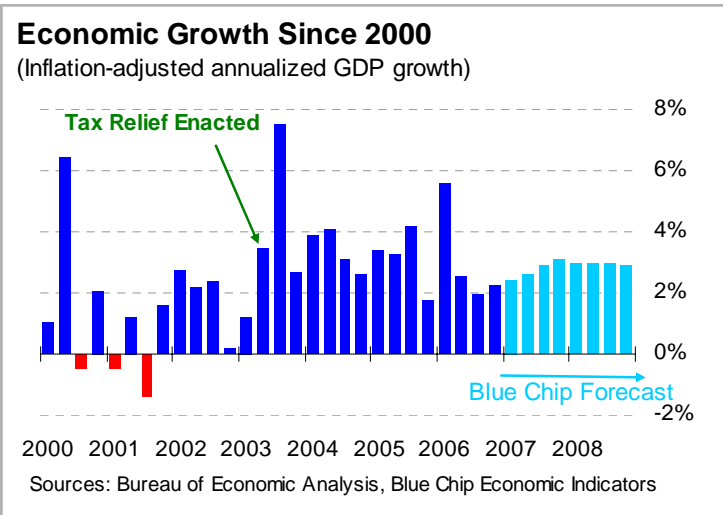


## THE ECONOMY PRE- AND POST-TAX RELIEF

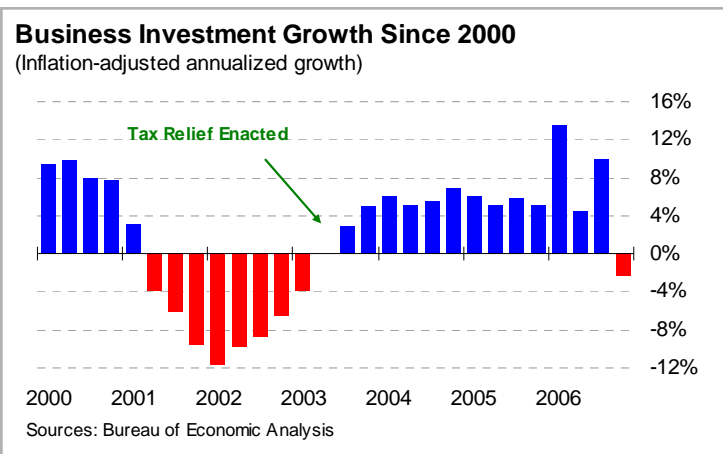
March 15, 2007

Recent economic conditions display striking contrasts to conditions prevailing prior to enactment of pro-growth tax relief under the Jobs and Growth Tax Relief Reconciliation Act of 2003, enacted in May of 2003. Highlights of the contrasts include:

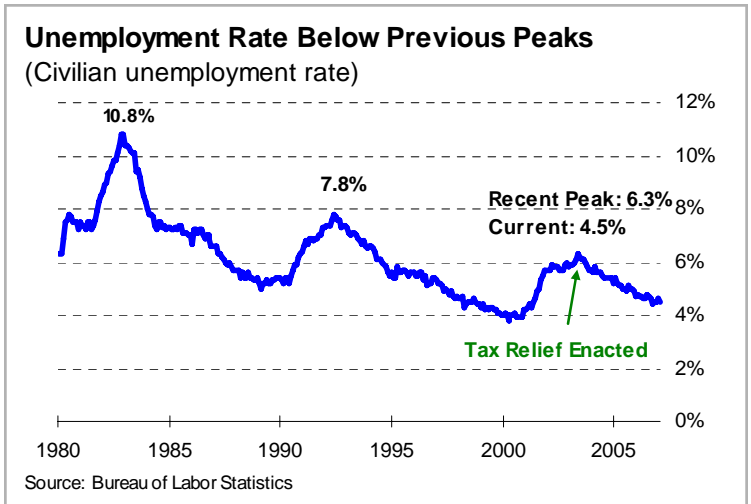
- GDP growth averaging a robust 3.5% following the enactment of tax relief, in contrast to the tepid average of 1.3% from the first quarter of 2001 through the second quarter of 2003.



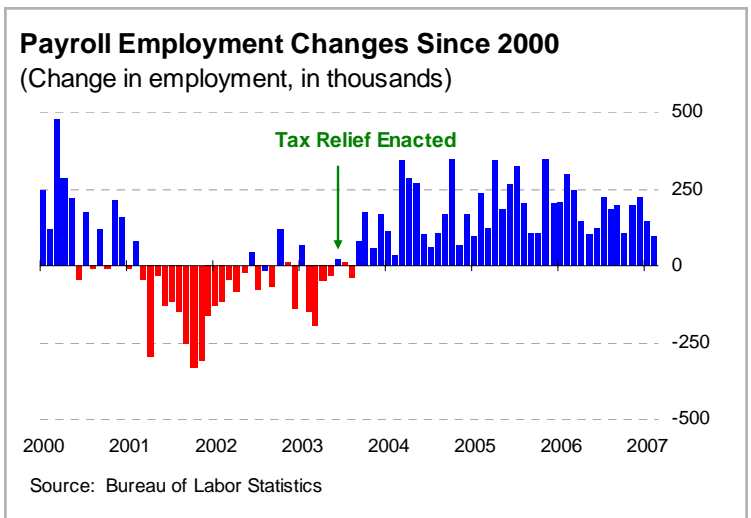
- Growth in real business fixed investment averaging 5.7% following the enactment of tax relief, in contrast to an average 5.6% rate of *decline* from the first quarter of 2001 through the second quarter of 2003.



- A decline in the unemployment rate from a recent peak of 6.3% in June of 2003 to 4.5% in February of 2007. The unemployment rate is below the average rate of the 1960s, 1970s, 1980s, and 1990s.

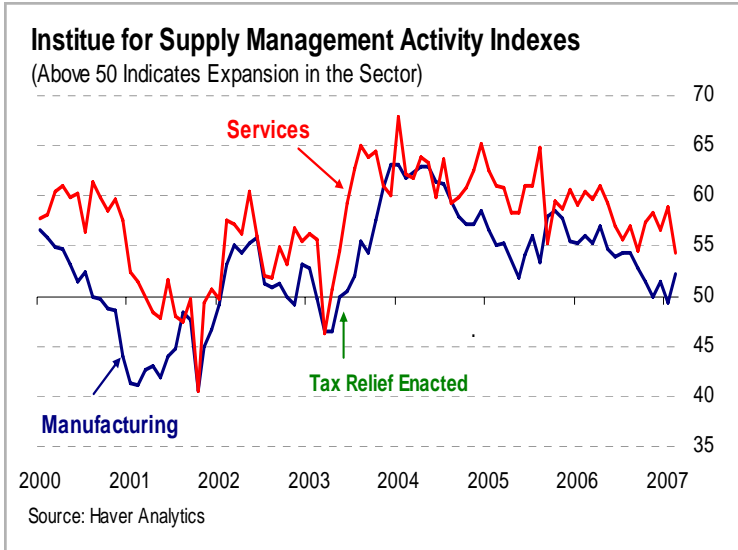


- Healthy average monthly gains in payroll employment of 169,000 per month from June of 2003 through February of 2007, in contrast to an average monthly *loss* of 91,000 between January of 2001 and May of 2003.
- Close to 7.6 million new payroll jobs have been created over the past 42 consecutive months of job gains.

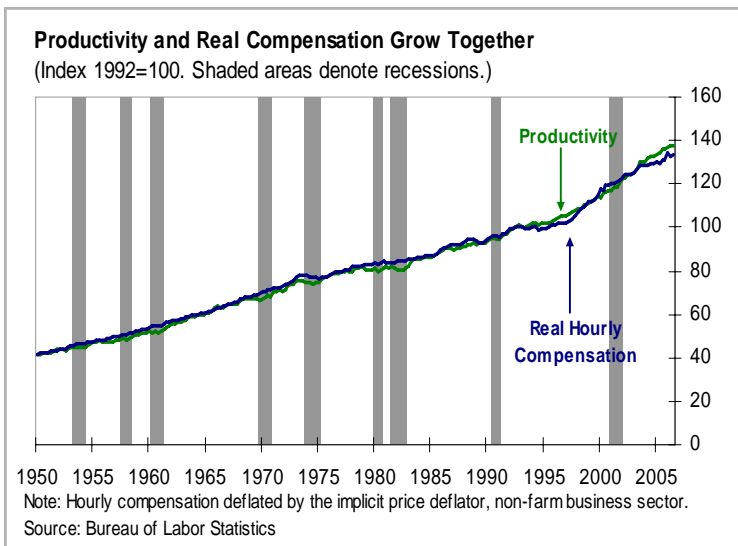


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- The Institute for Supply Management (ISM) indices of manufacturing and non-manufacturing (service sector) activities, which signal expansion when above 50 and contraction when below 50, displayed robust expansions following tax relief, in contrast to displays of contraction or tepid growth prior to tax relief.



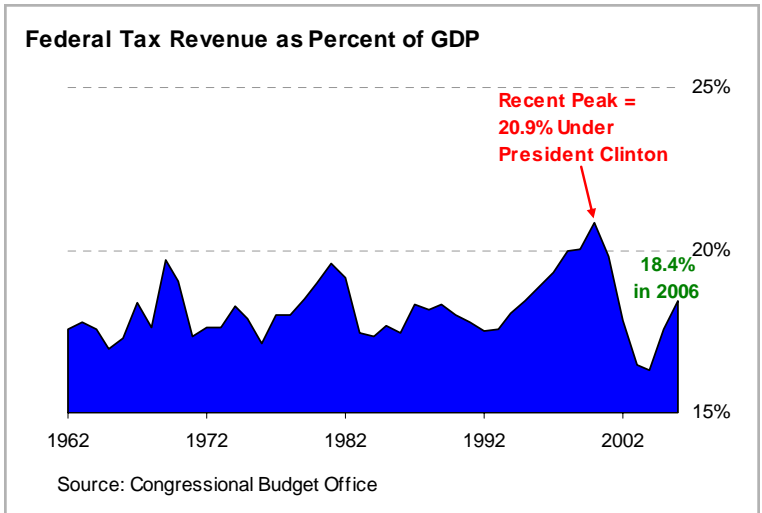
- While correlations do not imply causality, there has been a clear and striking turnaround in a wide array of economic indicators from signals of contraction or tepid growth prior to enactment of the pro-growth tax relief in 2003 to signals of strong expansion and robust growth following tax relief.
- A key to increases in incomes, wages, and living standards is growth in productivity, as the chart below clearly illustrates.



- Pro-growth tax relief, such as that enacted in 2003, lays a solid foundation to facilitate continued strong growth in the productivity of American workers. That growth ultimately boosts workers' wages, salaries, benefits, and living standards.

**“Ultimately...the only way in the long run to raise real wages is to raise productivity.” -- *Economic Report of the President (Clinton), 1996.***

- Increasing taxes, by not extending the beneficial tax relief that we enacted in 2003, is not a path for enhancing productivity. Those on the other side of the aisle would like to see taxes raised and are interested in increasing the size of the economic pie accruing to the government.
- We often hear about the economic grandiose of the 1990s which, of course, ended with an implosion of the dot com stock bubble. We don't often hear from the other side of the aisle that the government's take from the economy was increased to very high levels.



- How much of the economy do we want to devote to government? That is an important question. Our experience from the other side of the aisle is that Democrats want big and growing government. We prefer a lean, efficient public sector that allows the American people to most efficiently utilize the resources that they work so hard to earn. A key to allowing that efficiency is to extend the tax relief enacted in 2003 that has proven to be very beneficial to the U.S. economy and American families.