

Economic Report of the President



Transmitted to the Congress
February 2004

together with
THE ANNUAL REPORT
of the
COUNCIL OF ECONOMIC ADVISERS

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**ECONOMIC REPORT
OF THE PRESIDENT**

ECONOMIC REPORT OF THE PRESIDENT

To the Congress of the United States:

As 2004 begins, America's economy is strong and getting stronger. Over the past several years, this Nation has faced major economic challenges resulting from the decline of the stock market beginning in early 2000, a recession that began shortly after, revelations about corporate governance scandals, slow growth among many of our major trading partners, terrorist attacks, and the war against terror, including in Afghanistan and Iraq. These challenges affected business and consumer confidence and resulted in hardship for people in many industries and regions of our Nation. Americans have responded to each challenge, and now we have the results: renewed confidence, strong growth, new jobs, and a mounting prosperity that will reach every corner of America.

This *Report*, prepared by my Council of Economic Advisers, describes the economic challenges we faced, the actions we took, and the results we are seeing. It also discusses our plan to continue growing the economy and creating jobs.

In May 2003, I signed a Jobs and Growth bill that focused on three key goals. First, we accelerated previously passed tax relief and let American households keep more of their own money to save, invest, and spend. Second, we increased incentives for small businesses to invest in new equipment and plant expansions. Third, we enacted important tax relief on dividend income and capital gains to help investors and businesses. These actions were designed to promote investment, job creation, and income growth. By all three measures of performance, we are seeing signs of success.

Since May 2003, we have seen the economy grow at its fastest pace in nearly 20 years. Consumers and businesses have gained confidence. Retail sales are strong, and Americans are buying, building, and renovating houses at a record pace. Investment has strengthened, with spending on business equipment the best in 5 years. The unemployment rate has fallen from its peak of 6.3 percent last June to 5.7 percent in December, and employment is beginning to rise as new jobs are

created, especially in small business. Productivity growth has been strong, leading to higher incomes for workers, while the tax relief we passed means that American families keep more of their money instead of sending it to Washington.

We are moving in the right direction, but have more to do. I will not be satisfied until every American who wants a job can find one. I have outlined a six-point plan to promote job creation and strong economic growth. This plan includes initiatives to help manage rising health care costs to make health care more affordable and accessible for American workers and families; reduce the burden of junk lawsuits on the economy; ensure a reliable and affordable energy supply; simplify and streamline government regulations; open foreign markets for American goods and services; and allow businesses and families to keep more of their hard-earned money and plan with confidence by making our tax relief permanent. This year, I will work with the Congress to achieve these goals.

I will also continue to work with the Congress on another important shared goal: controlling federal spending and reducing the deficit. The federal budget is in deficit, foremost because of the economic slowdown and then recession that began in 2000 and the additional costs of fighting the war on terror and protecting the homeland. We are continuing to take action to restrain spending and bring the deficit down. By carefully evaluating priorities and being good stewards of the taxpayer's money, we will cut the budget deficit in half over the next five years.

The task of reducing the deficit will become easier because America's economy is growing. We have taken the actions needed to restore growth, and we are pursuing additional policies to help create jobs for American workers and families. I'm optimistic about the future of our economy because I know the values of America and the decency and entrepreneurial spirit of our people.

A handwritten signature in black ink, reading "George W. Bush". The signature is fluid and cursive, with a large loop under the "G" and a long, sweeping tail for the "B".

THE WHITE HOUSE
FEBRUARY 2004

THE ANNUAL REPORT
OF THE
COUNCIL OF ECONOMIC ADVISERS

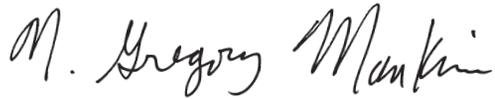
LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., January 30, 2004

MR. PRESIDENT:

The Council of Economic Advisers herewith submits its 2004 Annual Report in accordance with the provisions of the Employment Act of 1946 as amended by the Full Employment and Balanced Growth Act of 1978.

Sincerely,



N. Gregory Mankiw
Chairman



Kristin J. Forbes
Member



Harvey S. Rosen
Member

