

# President credits tax relief for economy's improvement

Despite economic growth, unemployment numbers may present a problem for Bush in the election

By William Neikirk  
Chicago Tribune (KRT)

WASHINGTON — The economy's surprising growth spurt brought smiles to the faces of Republicans throughout the capital, but their joy could be short-lived if it is not followed by an employment increase that makes Americans feel secure in their jobs as the election approaches.

For now, President Bush's tax cuts, plus spending on the war in Iraq and extremely low interest rates, did what they were expected to do — give the economy a huge dose of stimulus and even cause businesses to start investing again. That means the economic story could be breaking in Bush's favor, and the president wasted little time taking credit.

"The tax relief we passed is working," Bush said during a speech in Columbus, Ohio. "We left more money in the hands of the American people, and the American people are moving this economy forward."

But he added, "We cannot expect economic growth numbers like this

every quarter."

Democrats seized on that point, noting that job growth is still lagging.

"One good quarter does not make an election," political consultant Dane Strother said.

Sen. Joseph Lieberman, D-Conn., said, "We've lost 3 million jobs, 3 million people have fallen into poverty, the budget deficit and national debt are growing, and health care and college tuition costs are escalating."

Although Republicans are likely to say that Bush's tax cuts helped the economy grow, analysts said other factors, such as lower interest rates and higher production efficiency, were major contributors. Some of the new efficiency has come at the expense of jobs, as companies have learned to do more with fewer workers — a phenomenon that could work to Bush's political disadvantage.

In order for Bush to eliminate the economy as an issue that could be used against him in 2004, employment will have to pick up sharply, and the jobless rate, now at 6.1 percent, will have to decline. But creating jobs is not as simple and as automatic as it once was in America, and that is a major challenge for the president.

Now, intense global competition and high productivity are putting a crimp in the job-making machine. It

takes higher economic growth to make a major dent in the unemployment rate. Some suggest it may take sustained annual growth of 4 percent or more for a couple of years to do the job.

The 7.2 percent growth in third quarter GDP did nothing to increase employment. In fact, over the quarter, the nation lost 146,000 jobs, a testament to high productivity, said Larry Mishel, economist at the Economic Policy Institute in Washington.

In past economic recoveries, growth rates of 6 percent or more for several quarters were not uncommon. But the growth rate in this recovery has been subdued, and the jobless rate has increased. Now, the question is whether the economy has kicked into a higher gear that will drive spending and investment for the next several years.

No one knows for sure, but one pessimist, Gary Shilling, who runs his own economic consulting firm in Springfield, N.J., said, "I think we will see a lot slower growth going ahead."

He added, "All that stimulus from tax cuts has been masking layoffs and cost-cutting in business. When you take that away, and you see consumers' salaries and wages decreasing, you could well slide back into recession."

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# House slashes loan proposal

The House is expected to pass an \$87.5 billion aid package of grants for Afghanistan and Iraq

By James Kuhnhenh  
Knight Ridder Newspapers (KRT)

WASHINGTON — Bending to President Bush's demand that U.S. aid to Iraq must be given as grants, not loans, the House of Representatives headed Thursday night toward final approval of spending \$87.5 billion on Iraq and Afghanistan.

Victory for Bush in the House was assured and amounted to a decisive, albeit wary, endorsement of the president's policy of occupation in Iraq. The Senate is expected to pass the package on Monday.

The final bill would provide \$64.7 billion for U.S. troops, \$400 million less than Bush sought. Lawmakers also trimmed Bush's Iraq reconstruction request from \$20.3 billion to \$18.6 billion. But the president prevailed over broad sentiment in Con-

gress that Iraqis repay \$10 billion of that amount.

Negotiators working out differences between the House and Senate versions of the bill added \$400 million to Bush's request for Afghanistan relief and reconstruction, making it total \$1.2 billion.

They also stripped out other Senate provisions opposed by the administration that would have added \$1.3 billion for veterans' health care and would have called on the Pentagon to add 10,000 troops to the Army.

They also dropped language in both House and Senate versions that encouraged Iraqis to write a national constitution guaranteeing freedom of religion, which critics said could complicate U.S.-Iraq relations by inserting American values into the Iraqi constitutional process.

The loan provision dominated attention on the spending request. The Senate insisted in its bill that \$10 billion of the reconstruction money be offered as a loan that could be forgiven if other nations waived their Iraqi

IOUs. The House had no similar provision, but lawmakers there passed a nonbinding resolution backing the Senate position.

Bush threatened to veto the bill if the loan language survived, arguing that the United States shouldn't add to Iraq's massive debt. Despite efforts by Sen. Sam Brownback of Kansas and other Republican loan advocates to work out a deal, negotiators on Wednesday struck it from the bill.

"I think that the (negotiators) probably have a tin ear to what the American people are saying to them," said House Democratic Leader Nancy Pelosi, D-Calif. "Why should our children pay the bill down the line if the oil wells are going to be gushing and other countries are going to get their loans repaid?"

In reducing the president's request for reconstruction money, lawmakers knocked out money for garbage trucks, a ZIP code system and housing developments.

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