

Economy

The President's 2007 Budget continues the successful pro-growth policies that have encouraged robust economic growth and job creation. A strong economy, together with spending restraint, is critical to reducing the deficit. The Budget builds on last year's successful spending restraint by again holding the growth of overall discretionary spending below inflation, proposing to reduce non-security discretionary spending below the previous year's level, and calling for the elimination or reduction of programs not getting results or not fulfilling essential priorities. Like last year, the budget proposes savings and reforms to mandatory spending programs, whose unsustainable growth poses the real long-term danger to our fiscal health.

Since the President's tax relief plan was fully implemented in 2003, the Nation has added more than 4.7 million new jobs, homeownership has reached all-time highs, and our economy is growing faster than other major industrialized nations. American families have benefited directly from the growth in the economy. In addition to the strong job growth, they have seen real after-tax income per person increase by 7.9 percent since January 2001, and, as of the third quarter of 2005, real household net worth has reached an all-time high of \$51 trillion, up 11 percent over the previous four quarters.

In response to the major challenges of the Administration's first term, President Bush proposed and Congress enacted pro-growth economic policies, including tax relief for everyone who pays income taxes. Thanks to this tax relief:

- Individual income tax rates were reduced.
- The child credit was doubled.
- The marriage penalty was reduced.
- The death tax was put on a path to full repeal.
- Tax rates on dividends and capital gains were cut.

Continuing Our Economic Expansion and Improving American Competitiveness

- The Budget makes permanent the tax relief first enacted in 2001 and 2003 in order to continue the Nation's economic growth.
- The new \$5.9 billion **American Competitiveness Initiative** helps our Nation continue to lead the world in research, talent and creativity by investing in basic research, math and science education, workforce development, and by streamlining immigration policies to support our economic and security needs. The American Competitiveness Initiative supports:
 - Doubling the Federal commitment to the most critical basic research programs in the physical sciences over the next 10 years.
 - Encouraging the expansion of a favorable environment for additional private-sector investment in innovation.
 - Improving the quality of education to provide American children with a strong foundation in math and science.

- Helping universities that provide world-class education and research opportunities;
 - Providing flexible job training accounts that will allow more workers the opportunity to improve their skills and better compete in the 21st century.
 - Attracting and retaining the best and brightest to enhance entrepreneurship, competitiveness, and job creation in America by supporting comprehensive immigration reform.
 - Fostering a business environment that encourages entrepreneurship and protects intellectual property.
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- **The Budget would make health care more affordable and available** with proposals to promote Health Savings Accounts, health information technology, medical liability reform, and health cost transparency.
 - **The Budget's Advanced Energy Initiative provides a 22 percent increase in research funding** for cleaner, cheaper, more reliable energy – solar, wind, nuclear, zero-emission coal, batteries for hybrid and electric cars, hydrogen and biomass – all with the goal of replacing 75 percent of oil imports from the Middle East by 2025.