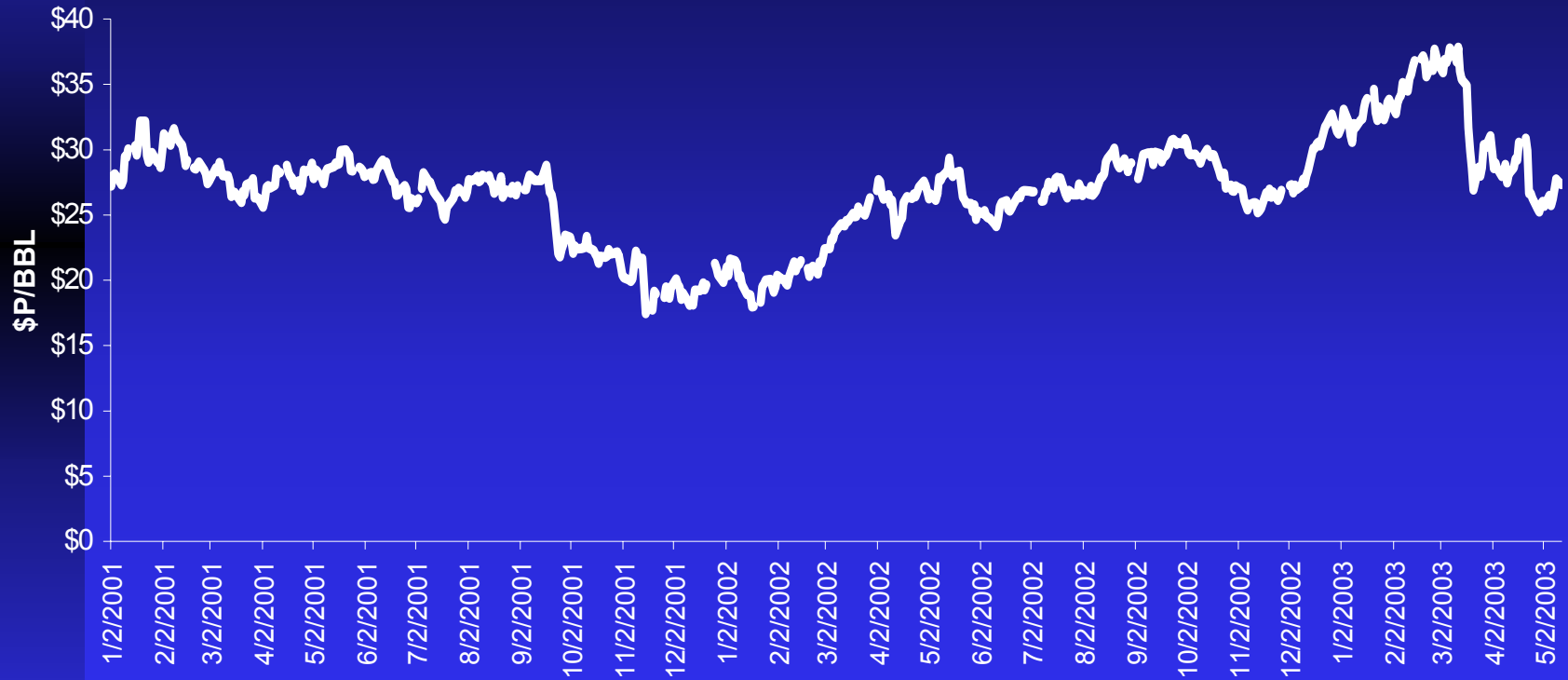


Boom after Baghdad?
Economy Watch
American Enterprise Institute

Eric Engen

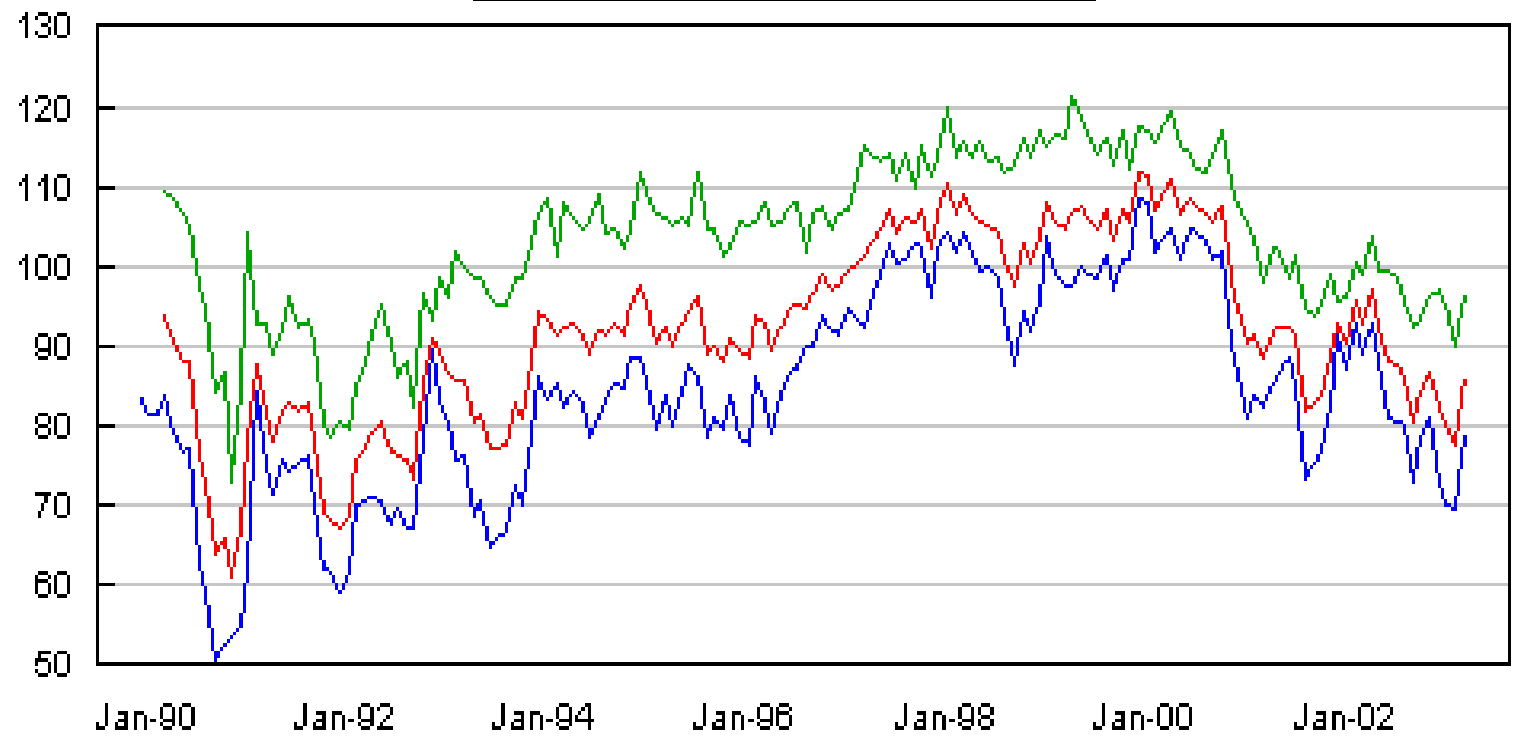
March 16, 2003

Daily West Texas Oil Futures Daily Price (1/1/2001-5/12/2003)



Consumer Sentiment

From The University of Michigan



Updated: 25-Apr-03

— Total — Present — Expectations

Changes in Stock Prices in 2003

Index	Percent Change in Index (year-to-date, 5/14/03)
S&P 500	+6.76%
Wilshire 5000	+7.29%
Nasdaq	+14.93%

Interest Rates

	1/2/03	5/13/03
Aaa Corporate	6.23	5.31
Baa Corporate	7.44	6.46
20 yr. Treasury	5.05	4.58
10 yr. Treasury	4.07	3.63
1 yr. Treasury	1.42	1.23
30 day CP	1.26	1.20
Fed Funds target	1.25	1.25

Fiscal Policy – Tax Cuts

- Budget Reconciliation is probably going to be limited by \$350 billion tax cut constraint in the Senate.
- Should focus on tax changes that promote growth.
 - ◆ Reduction in tax rate on dividends and capital gains.
 - ◆ Reduction in marginal income tax rates.
 - ◆ Expansion in small business investment expensing.
- Other tax cuts can be proposed in a separate tax bill.