7.2% GDP growth fastest in 19 years

Economists credit tax relief, shoppers

By Barbara Hagenbaugh
USA TODAY

WASHINGTON — The U.S. economy grew at the fastest pace in nearly two decades in the third quarter, signaling the three-year slowdown that has left millions of Americans jobless might finally be over.

Gross domestic product — the broadest gauge of activity within the USA — grew an annualized 7.2% in July, August and September, the biggest gain since 1984 and more than twice the 3.3% increase measured in the second quarter, the Commerce Department said Thursday.

Consumer and business spending exceeded estimates from even the most optimistic economists.

"Pop the champagne corks," Bank One chief economist Diane Swonk says. "It's very much vindication that the U.S. economy is moving from a lackluster economy to a more rooted recovery."

Economists credited record mortgage refinancings, which pared monthly payments and freed cash, and tax cuts signed into law in late May. That included a $14 billion bonus for parents that hit mailboxes right before the back-to-school shopping season.

Consumer spending, which accounts for 70% of all activity in the $10 trillion economy, soared 6.6%, the biggest gain in more than five years.

"The tax relief . . . is working," President Bush told workers in Columbus, Ohio. "We left more money in the hands of the American people, and the American people are moving this economy forward."

Economists at the White House and in the private sector warned the blistering pace came from an unprecedented stimulus convergence that would not be matched. Still, many said the report suggested that after several false starts, the economy, which has been sluggish since late 2000, was firmly on solid ground.

"I don't think anybody is likely to believe 7% is what we are going to see quarter after quarter," BMO Financial Group chief economist Tim O'Neill says. "But what it suggests is . . . strength is much more broadly based than the faux recovery signals we got last year."

The biggest risk for the economy and Bush's re-election prospects is the employment picture. There have been few solid signs that hiring is picking up despite the improvement in the economy. Democratic presidential contenders have faulted Bush for the loss of 2.6 million jobs during his tenure.

But there might be hope. Business spending in the third quarter grew 11.1%, the biggest increase since the beginning of 2000, as spending on equipment and software soared. That suggests firms might be becoming more confident about the economy and might be willing to hire new employees.

Contributing: Judy Keen
As seen in Experience TODAY

7.2% GDP fastest in 20 years, 1A

APPLICATIONS: economics, cause & effect, knowledge, analysis

DISCUSSION: What signs indicate that America’s economic slowdown may be over? What factors are being credited for the turnaround? What is the biggest risk for the economy?

ACTIVITY: During an economic recession, the country’s gross domestic product (GDP) experiences two consecutive quarters of negative growth, indicating a widespread and prolonged decline in economic activity. In the late 1990s, the U.S. enjoyed robust economic expansion; however, analysts correctly predicted that such growth would not continue indefinitely. On paper, list the factors that lead to an economic recession and those that contribute to economic growth. (Do outside research, as necessary.) Then, determine the direction the USA is headed in and explain why.

NATIONAL STANDARDS

NSS-EC.5-8.18 NATIONAL PRODUCTIVITY
(Students) understand Gross Domestic Product (GDP) is a basic measure of a nation’s economic output and income. It is the total market value, measured in dollars, of all final goods and services produced in the economy in one year. (NCEE)

(Students) understand when consumers make purchases, goods and services are transferred from businesses to households in exchange for money payments. That money is used in turn by businesses to pay for productive resources (natural, human, and capital), and to pay taxes. (NCEE)

The New Color of Money Challenge

The USA TODAY Charitable Foundation supports the Federal Reserve System and Department of Treasury’s campaign to raise awareness of the newly redesigned $20 note and U.S. currency among students, teachers and parents.

Q: On October 9, 2003, the U.S. government began issuing the newly redesigned $20 note. Which redesigned denominations will be issued in 2004 and 2005?

For more information about The New Color of Money and available materials and resources:
- www.moneyfactory.com/newmoney
- www.FederalReserveEducation.org
- www.usatodayfoundation.org
**USA TODAY Snapshots**

**Seen the new $20 note yet?**

The U.S. government recently issued the redesigned $20 note with new designs and security features. Approximate number of $20 notes circulating by Oct. 31:

- Old notes: 5 billion
- New notes: 1 billion

**Source:** www.moneyfactory.com/newmoney

By Shannon Reilly and Frank Pompea, USA TODAY

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**Money Matters**

**APPLICATIONS: creative writing, math, comprehension**

What is the total value of $20 bills currently in circulation? How long do you think it will take for the new bills to completely replace the old ones?

Read the Bureau of Engraving and Printing’s “Circulation Fact Sheet” at http://www.moneyfactory.com/newmoney/main.cfm/media/circulation. Then, complete the following activity:

When a writer uses personification, she or he brings an inanimate object or idea to life and instills it with human characteristics. Imagine that you are a $20 bill whose life is about to end after two years in circulation. Write a story about the places you've travelled and the people you've met. After editing your story, share it with peers. Why do you think authors use personification in their works? What does the technique allow them to accomplish?

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**COMPLIMENTARY EDUCATIONAL RESOURCES**

On October 9, 2003, the United States government began issuing currency with new designs and security features beginning with the $20 note. The new $20 design retains three of the most important, easy-to-check security features that were first introduced in the 1990s: a watermark, security thread and color-shifting ink.

As part of a national campaign to raise awareness about the newly redesigned currency, the U.S. government is making educational materials available to teachers. These materials, correlated to national educational standards, aim to teach students about our nation's currency. The program, part of a broader initiative supported by education, civic and volunteer organizations, includes a range of interactive educational activities:

- **Interactive CD-ROM** – Educational activities related to the history, security features and production process of the newly redesigned currency.

- **USA TODAY Educational Lessons** – Daily and weekly activities challenging students on current events related to financial literacy and the newly redesigned currency.

- **Classroom Activity Poster** – Information on the newly redesigned currency and activities that drive students to the web and interactive CD-ROM.

- **Currency Puzzle Challenge** – Students are to find pieces in three issues of USA TODAY, assemble them, and complete the related activities.

All of these educational materials are available free to teachers online at www.moneyfactory.com/newmoney and www.usatodayfoundation.org. For more information, email: education@usatoday.com or contact Katie Mee at 202-530-4518.