CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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STATEMENT OF CHAIRMAN JIM SAXTON
"THE EMPLOYMENT SITUATION: SEPTEMBER 2001"

I would like to welcome Commissioner Abraham before the Committee once again to report on the release of new employment and unemployment data for September.

According to the most recent economic data, the economic slowdown that began in the middle of 2000 continues. There was a prospect of economic improvement in the near future, but that has been overtaken by the horrific events of September 11. The potential rebound predicted by the consensus forecast of Blue Chip economists has been now erased by the economic effects of the terrorist attacks. However, the American people and economy have demonstrated tremendous resilience in the face of the terrorist attacks.

The September employment and unemployment data reflect the weakness in the economy evident before the terrorist attacks. Payroll employment declined by 199,000 in September. Once again, the payroll declines were focused in the manufacturing sector, and only add to the previous severe job losses in manufacturing underway since the middle of 2000, bringing the total to over 1 million jobs. The unemployment rate remained at 4.9 percent. The economic situation obviously is reason for concern.

According to a recent committee report, it appears likely that the downward drift in the rate of real GDP growth underway since the middle of 2000 will now probably continue. Unfortunately, this suggests that payroll employment will tend to decline and the unemployment rate to rise in coming months.

The terrorist attacks have obviously disrupted the financial markets and overall economy in a number of ways. These attacks have created much uncertainty, and have also increased security costs. Delays in air and ground transport, higher shipping costs, additional insurance costs, extra costs for security personnel and equipment, fortification of buildings and facilities, and other measures will have the effect of imposing something like a "security tax" on an already vulnerable economy. This burden will undermine the economy in the short run, and will also adversely affect both productivity growth and the economy's long-run growth rate.

The exact size of the burden imposed by this security tax is not known, but we do know that it will be significant and pervasive. In recent days private sector economists have begun to consider this cost issue and its potential impact on an already weak economy.

Our analysis suggests that one logical policy response would be to offset these costs by relieving some of the tax burden on the private sector. Accelerating tax relief in the pipeline and other measures to minimize the net impact of the security tax should be a high priority of policymakers.

For more information on employment issues, please visit our website at www.house.gov/jec.

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