



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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REVISED GDP FIGURES SHOW NEED FOR ECONOMIC STIMULUS

-- Investment Continues to Lead Downturn --

WASHINGTON, D.C. – The 1.1 percent rate decline in real gross domestic product (GDP) in the third quarter of 2001 underscores the need for urgent action on economic stimulus legislation, Joint Economic Committee (JEC) Chairman Jim Saxton said today. The Commerce Department release today stated that the “major contributors to the decrease in real GDP in the third quarter were exports, nonresidential fixed investment, and private inventory investment.”

“The weakness in investment continues to undermine U.S. economic growth,” Saxton said. “The 11 percent decline in gross investment reported today highlights the great weakness in this sector. This has been an investment-led slowdown from the start, and legislation designed to stimulate the economy must take this into account. It also will be recalled that investment is a form of business spending, and a rebound in investment would add to total spending in the economy.

“On the other hand, consumer spending, although decelerating markedly, remains in positive territory. Monetary policy through low interest rates can best bolster consumer spending to ensure that it does not plunge. Low interest rates on big-ticket items such as housing and cars have proven very effective in supporting consumer spending during the last quarter.

“Tax policy can best be used to stimulate increases in production as opposed to consumption. Taxes are a component of cost that hinder the flow of resources into production. Lower taxation of work and investment can lower production costs, increase the use of resources, and increase economic output. Bipartisan support of partial expensing is encouraging because this policy change would have these pro-growth effects by reducing the cost of capital,” Saxton concluded.

For more information on current economic conditions, please visit our website at www.house.gov/jec.

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