



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

JIM SAXTON, CHAIRMAN

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EXECUTIVE DIRECTOR

PRESS RELEASE

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OPENING STATEMENT CHAIRMAN JIM SAXTON (R-N.J.) JOINT ECONOMIC COMMITTEE HEARING ON "THE EMPLOYMENT SITUATION: JULY 1998"

WASHINGTON, DC -- Once again I am pleased to welcome Commissioner Abraham and her colleagues before the Joint Economic Committee.

The weak employment data reported today are greatly affected by the GM strike and its spillover effects in related industries. The modest increase in monthly payroll employment reflects the fact that striking workers and others on related shutdowns are not counted in the establishment survey. Even the employment levels reported in the household survey have been lowered by the layoffs resulting from the strike. In the August data to be released next month, of course, some of these effects in both surveys will be reversed as a result of the end of the strike. The unemployment rate in July remained unchanged at 4.5 percent.

The recent economic data, taken as a whole, show that the cyclical expansion that began in 1991 continues to generate employment and economic gains. The credit for this progress goes to the workers, investors, and entrepreneurs across this country that have expanded the economy year after year.

To the extent policy is relevant, this upswing has been sustained by the Federal Reserve's policy of gently squeezing inflation out of the economic system. This Federal Reserve policy of disinflation has lowered interest rates and built a solid foundation for continued economic growth and lower unemployment.

The old notion of a tradeoff between inflation and unemployment has been disproved as both have declined at the same time. As Chairman Greenspan recently noted before this Committee, concurrent declines of inflation and unemployment were supposed to be impossible under the Phillips Curve tradeoff, yet this is exactly what the Federal Reserve has produced under his chairmanship.

The sustained expansion has also flooded the Treasury with tax revenues, as this Committee's research has emphasized for many years. Congress has resisted the temptation to spend all of these revenues, and this restraint has resulted in budget surpluses much sooner than the official Administration and Congressional budget agencies had predicted. In sum, both monetary policy and the fiscal outlook remain very positive.

Though second quarter growth was undermined by the GM strike, inventory adjustment, and the Asian situation, the economy is expected to strengthen in the balance of this year.

Commissioner, we look forward to your statement.

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