



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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STATEMENT OF VICE CHAIRMAN JIM SAXTON

“AUGUST EMPLOYMENT SITUATION”

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Commissioner Utgoff, it is a pleasure to join in welcoming you before the Joint Economic Committee.

The August employment data reflect the past weakness in the economy. Payroll employment declined by 93,000, including a drop of 44,000 in the manufacturing sector. Meanwhile, the unemployment rate slipped to a level of 6.1 percent.

The data show that the consecutive monthly declines in manufacturing employment account for most of the employment losses in recent years. These declines began in the second half of 2000. Measures of manufacturing output and activity indicate that the manufacturing sector started contracting about the same time. Other indicators showed that an economic slowdown was underway in 2000.

In the wake of the bursting of the stock market bubble in the first quarter of 2000, business investment and economic growth also fell sharply in the last two quarters of 2000. As Joseph Stiglitz, President Clinton's Chairman of Economic Advisers has said, "the economy was slipping into recession even before Bush took office, and the corporate scandals that are rocking America began much earlier."

Although the economy has been expanding since the end of 2001, the pace of economic growth has been disappointing, until recently. The weakness of business investment after the bursting of the stock market bubble has been a major drag on economic growth.

Fortunately, President Bush and the Congress succeeded in lowering the tax burden on the struggling economy, and providing important incentives for business investment. Data released in the last several months indicate that the long-awaited rebound in business investment has begun, and second quarter GDP was a stronger than expected 3.1 percent. Many economists expect that a period of strong economic growth will emerge over the next several quarters. A sustained period of such economic growth is what is needed to expand payrolls once again, and this must remain the top priority of economic policy.

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