



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: AUGUST 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 August.

Recent economic data continue to suggest that the economic slowdown that began in the middle of 2000 continues. The rate of real GDP growth has slowed quite sharply since the second quarter of 2000, barely remaining positive in the second quarter of 2001. Manufacturing employment has fallen sharply since July of 2000, posting cumulative job losses of slightly over 1 million over the last 13 months. Investment has plunged over the last several quarters, and corporate profits are weak.

Fortunately, however, consumer spending and housing have held up quite well. In addition, since last January the Fed has reduced interest rates, Congress has lowered the tax drag on the economy, and energy prices are falling from their recent highs. These factors could reasonably be expected to lead to a recovery in economic activity by the first quarter of next year, but the report this morning only reinforces my concerns about the current weakness in the domestic and international economy.

The employment data released today reflect the seriousness of the economic slowdown. Payroll employment plunged by 113,000. 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 1 million jobs. The diffusion index, a measure of the breadth of employment growth, declined again, with the manufacturing component falling to especially low levels. The diffusion index has trended downward since June of 2000. The unemployment rate climbed to 4.9 percent.

As I have noted previously, one way to address the weakness in the domestic and international economy is through an international easing of monetary policy. The steps taken by the U.S., European, and Japanese central banks over the last month show movement in the right direction, but more actions along these lines will likely be needed. Further changes in fiscal policy may also be needed to stimulate a renewal of healthy economic growth.

In sum, the 13 months of economic stagnation have been costly to the American economy. The manufacturing sector has been especially hard hit, and has suffered the brunt of significant job losses now totaling over 1 million. However, the economy has not fallen into recession. Over the next several months policymakers must remain focused on the condition of the economy and the policy alternatives available in the event further actions are needed.

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

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