



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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MANUFACTURING DOWNTURN BEGAN UNDER CLINTON

-- Manufacturing Activity Dropped Sharply
Through January 2001 --

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WASHINGTON, D.C. – Howard Dean and fellow critics of current Administration economic policies were again challenged by Vice Chairman Jim Saxton to explain how the economic deterioration that began in 2000 was caused by policies only adopted in the middle of 2001. Dean and several others have sought to blame the job losses of recent years on the policies of the Bush Administration, but a variety of data on stock prices, GDP, industrial production, manufacturing activity, and many other measures show that an economic slowdown was underway well before President Clinton left office. As Saxton has pointed out many times previously, most of the job losses in recent years have been in the manufacturing sector, a sector that was in sharp decline in 2000.

For example, the fall in manufacturing activity in 2000 is shown in the widely respected and oft-cited index of manufacturing activity published by the Institute of Supply Management (ISM). According to this index, manufacturing activity peaked in November of 1999 at an index level of 58.1, falling to a level of 41.7 by January 2001. ISM explains that a reading below 50 percent indicates that the manufacturing economy “is generally declining.” The ISM also notes that the components of its index “have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change.”

“The facts show clearly that manufacturing was in a nosedive in 2000,” Saxton said. “A huge decline in manufacturing activity was bound to lead to significant and continued job losses. Moreover, almost the entire drop in manufacturing activity leading to these employment losses occurred before the change in Administrations. Thus it is not surprising that manufacturing employment started to decline months before President Bush took office, and in the last month of the Clinton Administration dropped by 76,000, a trend that unfortunately continues. The bottom line is that a downward trend in manufacturing activity could not have been caused by policies that only were put in place much later,” Saxton concluded.

ISM Mfg: PMI Composite

SA, 50+ = Econ Expand



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