



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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U.S. ECONOMY SEEN AS VULNERABLE — Tax Relief Needed to Improve Outlook —

WASHINGTON, D.C. – Preliminary signs that the economy may be bottoming out are encouraging, but the economy remains weak and subject to many risks, according to a new report released today by Joint Economic Committee Chairman Jim Saxton. The levels of business and household debt, weakness in the international economy, and increases in security costs are among the factors posing downside risks for the U.S. economy, according to the report, *Current Economic Conditions and Outlook*.

“Although some of the recent monthly economic data seem to reflect some improvement in economic conditions, the economy remains very vulnerable,” Saxton said. “Unfortunately in this case, one month does not a trend make. More time will be needed to determine whether the positive indicators are sustained or not. There remains the possibility that the economy could slip backwards. The economic slowdown that began in the middle of 2000 already has continued too long.

“Fortunately, Chairman Greenspan has provided a Federal Reserve reduction in interest rates, energy prices have receded, and Congress has acted to reduce the drag of taxes on the economy. These factors are among those that could reasonably be expected to lead to economic recovery. Unfortunately, there are many downside risks to the economy that could derail a rebound. We need an economic stimulus ‘insurance policy’ to ensure that this doesn’t happen.

“In particular, further reduction of the tax drag on the weak economy is needed. As I have noted previously, the tax system imposes economic costs of about \$1.40 for each additional dollar collected in revenue. In other words, in addition to the dollar of revenue collected, an ‘excess burden’ of about 40 cents on the dollar also results from associated losses in production and consumer welfare. The last thing needed now is more uncertainty and a greater drag on the economy from any consideration of a tax increase,” Saxton concluded.

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

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