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VICE CHAIRMAN JIM SAXTON

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TAX RELIEF AND MONETARY EASING NEEDED TO ENSURE ECONOMIC GROWTH

Washington, D.C. – Recent data portraying continued economic weakness, including the March employment decline reported today, show the need for tax relief and an easing of Federal Reserve monetary policy, Vice Chairman Jim Saxton said today.

"The March decline in payroll employment of 108,000, combined with the revised and much larger job losses in the previous month, is not consistent with healthy economic growth. Moreover, manufacturing employment declined again for the 32nd consecutive time since July 2000. Although the unemployment rate was unchanged in March, and weekly hours edged up, overall the recent employment data have been dismal.

"While we all hope that forecasts of prompt improvement in the economy after the war materialize, this may not be the case. Although the end of the war will improve the prospects for growth, the economic recovery has been quite uneven and halting in recent quarters. Consumption has held up, but the recovery in business investment has been unusually weak during the course of the recovery, despite the rebound in software and equipment spending.

"The President's proposal for significant, permanent and sustained tax relief is needed to boost continued economic expansion into next year and beyond. Opposition proposals for temporary stimulus over several months are woefully inadequate to ensure growth in coming years, especially since they are in effect for only a short period and end in 2003. Temporary stimulus is premised on the assumption that the economic outlook is fundamentally strong. But such a short-term focus would be inadequate and fail to provide stimulus in the future if the economy does not perform as expected.

"Federal Reserve actions to ease monetary policy would also improve the economic outlook in the absence of inflationary pressures. As Chairman Greenspan testified before the JEC last year, the Fed has many options at its disposal in conducting open market operations and easing monetary policy, and is by no means constrained by the current level of short-term interest rates," Saxton concluded.

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