CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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STATEMENT OF CHAIRMAN JIM SAXTON (R-N.J.)
"THE EMPLOYMENT SITUATION: JULY 2001"

It is a pleasure to welcome Commissioner Abraham before the Joint Economic Committee (JEC) once again to report on the release of new employment and unemployment data for July.

As I have noted since last year, U.S. economic conditions have been and remain quite weak. A survey of economic data shows that the U.S. economy has been in a serious slowdown for the last year or so. The rate of real GDP growth has slowed dramatically over the last four quarters, and investment has plunged. Moreover, manufacturing employment has trended downward over the last year. These and other data demonstrate that the effects of the economic slowdown have been widespread.

However, on the other hand, consumer spending and the housing industry have held up surprisingly well. This year the Fed has aggressively cut interest rates, Congress has reduced the tax drag on the economy, and energy prices are retreating. Although I am in agreement with many economists that these factors should work to foster an economic rebound by early next year, I'm still concerned about the vulnerability of the economy to shocks and disruptions.

The employment data released today reflect the economic slowdown. Payroll employment declined 42,000 in July, a poor performance relative to the 225,000-250,000 increases typical during the healthy economic expansion. Manufacturing employment has been in decline, and has lost 837,000 jobs since July 2000. The unemployment rate remained unchanged at 4.5 percent.

The domestic economic situation is cause for concern, but the international economic situation is also problematic. A worldwide economic slowdown coming all at the same time magnifies the potential for cascading contractionary forces to undermine the U.S. economy. There are also weaknesses in the international financial situation that bear close examination. I continue to believe that an easing by major central banks in the U.S., Europe, and Japan should be considered to alleviate potentially deflationary pressures.

In the event others do not act, it would be appropriate for the Federal Reserve to act on its own to reduce interest rates. Chairman Greenspan's policy actions in 1998 did much to stabilize the international economic situation. Although the circumstances are different today, actions by the Fed could have very positive effects not only for the U.S. economy, but for the international economy as well.

All Americans look forward to the resumption of healthy economic and job growth. The economic slowdown has caused job losses in several sectors, but manufacturing has been especially hard hit in the last year. Fortunately, the economy seems to have avoided slipping into a recession, and there are indications that the slowdown may have bottomed out. However, policy makers must remain alert to any signs of economic deterioration and be ready to take further actions if needed.

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

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