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CHAIRMAN JIM SAXTON

PRESS RELEASE

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STATEMENT OF CHAIRMAN JIM SAXTON

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FEBRUARY EMPLOYMENT GROWTH

Commissioner Utgoff, it is a pleasure to welcome you once again to testify before the Joint Economic Committee.

The employment figures released today reflect more good news for American workers. According to the payroll survey, 243,000 jobs were created during the month of February. The level of the diffusion index shows that job gains were widespread last month. According to the household survey, the unemployment rate, at 4.8 percent, was statistically unchanged.

The U.S. economy has created 5 million jobs since August of 2003. The strength of the economy since 2003 has led to sustained job growth and downward pressure on the unemployment rate. The resilience and flexibility of the economy have overcome a number of serious shocks, most recently the hurricanes of last year.

The pick-up in economic growth since 2003 is explained by a rebound in investment activity. The bursting of the stock market and technology bubbles in the first quarter of 2000 had exposed a lot of bad investments. These investments took years to liquefy and had a negative effect on new investment. Falling investment was a drag on economic growth, and undermined the early expansion period.

In 2003, a new policy mix caused a sharp rebound in investment activity. The combination of low interest rates set by the Fed, together with increased tax incentives for investment, led to a sustained upward trend in investment that boosted economic and employment growth. The result is that the economic expansion is healthy and the outlook is good.

In a recent policy report to Congress, the Fed noted that “the U.S. economy delivered a solid performance in 2005.” Furthermore, the Fed observed that “The U.S. economy should continue to perform well in 2006 and 2007.” The Fed, along with a number of private economists and government agencies, expects that economic growth in 2006 will be about 3.5 percent. This economic growth will continue to expand employment and further reduce unemployment.

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