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JOINT ECONOMIC COMMITTEE

CONGRESSMAN JIM SAXTON

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Contact: Christopher Frenze
(202) 225-3923

Economic Expansion Continues Amidst Uncertainties -- Monetary and Tax Policy Changes Would Improve Prospects for Economic Growth --

WASHINGTON, D.C. – The outlook for U.S. economy remains positive, although a number of risks could potentially weaken the expansion, Congressman Jim Saxton said today in releasing a new report, *Current Economic Conditions and Outlook*. These risks include further adverse movements in the stock market, oil price increases, sluggish investment, international economic fragility, and significant security costs, suggesting the need for changes in monetary and tax policy should these conditions materialize.

Although the most recent payroll employment and industrial production data have ticked up on a monthly basis, when viewed over several months these data do not necessarily demonstrate that a sustained improvement in economic conditions is on the way. However many economic forecasters expect the economy to strengthen as the year progresses.

“It is reasonable to expect that the U.S. economy will bounce back once the Iraq situation is resolved, but there are risks to the predicted acceleration of economic growth,” Saxton said. “Unfortunately, there are a number of headwinds facing the U.S. economy. Consequently, it is reasonable to consider further monetary and fiscal insurance against the prospect of continued economic sluggishness.

“I would also note that the necessary rise in security costs since the terrorist attacks of September 11, 2001 continues to divert resources from increases in the quantity and quality of output. Although some have viewed these increases in security costs as a short-run issue, it is clear to me that the costs of security equipment and personnel, fortification of structures, transportation delays, and other related costs are a long-term burden on the economy as well.

“In the face of unprecedented uncertainty and the heavy costs it imposes on an already struggling economy, a macroeconomic policy response is reasonable and appropriate, given the absence of inflation. Despite low short-term interest rates, it is clear that the Federal Reserve has the means to ease policy through purchase of a wide variety of assets. Moreover, tax reduction could also stimulate investment and economic growth,” Saxton concluded.

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