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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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NEW STUDY EXAMINES ECONOMIC SLOWDOWN AND OUTLOOK

-- Year-Long Economic Slowdown May Be Abating --

WASHINGTON, D.C. – The economic slowdown has now lasted about one year, threatening to edge the economy into recession, and there is considerable uncertainty concerning how and when it will end, according to a new study released today by Joint Economic Committee Chairman Jim Saxton. However, several factors seen as contributing to the slowdown – Federal Reserve monetary policy, energy prices, and the decline of the stock market – no longer seem to be exerting contractionary pressures on the economy. According to the study, *Assessment of the Current Economic Environment*, Fed easing of monetary policy, slipping energy prices, and recently enacted tax legislation are now working to improve economic growth.

“The economic slowdown beginning in mid-2000 has posed a considerable challenge to macroeconomic policy,” Saxton said. “Tightened Fed monetary policy, surging energy prices, and the stock market slump combined to create a startling and unexpected slowdown in the economy. However, the Fed’s sharp easing of monetary policy, together with declining energy prices and a reduction of the tax burden, offer the prospect of an improved economic situation by the start of next year.

“Unfortunately, an alternative to this ‘V’ shaped rebound would be a longer slowdown that some refer to as ‘U’ shaped. Under this scenario, the economy might continue to creep along at barely positive rates of growth, vulnerable to potential shocks and disruptions that would not otherwise be as damaging.

“A primary concern, of course, is that a protracted ‘U’ shaped slowdown could slide into an actual recession. I hope that the changes in monetary and tax policies made this year will prevent this from happening. Although the Fed’s easing of monetary policy was quite rapid, much of the tax relief will be implemented more gradually. Nonetheless, a significant amount of tax relief will be combining with monetary policy to give the economy a boost in the second half of this year,” Saxton concluded.

For more information on current economic conditions, including the new study, *Assessment of the Current Economic Environment*, please visit our website at www.house.gov/jec.

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