



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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STATEMENT OF CHAIRMAN JIM SAXTON
“ECONOMIC OUTLOOK”

WASHINGTON, D.C. – I am pleased to welcome Chairman Greenspan before the Joint Economic Committee this morning to testify on the economic outlook.

According to a recent Commerce Department release, the economy grew at a 3.1 percent rate in the third quarter of 2002. Consumer spending accounted for much of this performance, though there was a pick-up in the rate of investment in equipment and software, its largest since 2000. Overall, however, investment has been quite weak during this expansion.

The growth rate for the economy during the first three quarters of 2002 was about 3 percent as well. Consumer spending explains much of this result, while real nonresidential fixed investment actually fell in the first two quarters of the year, finally eking out a small gain in the third quarter. In 2002, personal income has trended upward, and productivity growth has been very strong. Inflation and interest rates remain low, and new home sales have been strong.

In summary, the economy has expanded at a moderate rate so far this year. However, manufacturing activity, which had improved for several months, recently has shown signs of slippage. Overall payroll employment growth has been soft, as employers wait for signs of faster recovery. There is concern that the most recently available data may signal a slowing of the economy.

Furthermore, the uncertainties involved in the war against terrorism and in the international security situation impose additional costs on the economy. While the resilience of the American people and economy has been remarkable, security costs have exacted a toll on economic growth.

Given the absence of evidence of inflation currently or in the foreseeable future, the Federal Reserve action last week to reduce the federal funds rate by half a percentage point to 1.25 percent was appropriate. However, a relaxation of monetary policy alone may not be sufficient to ensure sustained economic expansion. Given the persistent weakness in investment, it would be prudent to consider further changes in tax policy to offset economic uncertainty and improve the prospects for investment and growth.

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