

CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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Manufacturing Employment Decline Began Before 2001 -- Consecutive Monthly Factory Job Declines Began in 2000 --

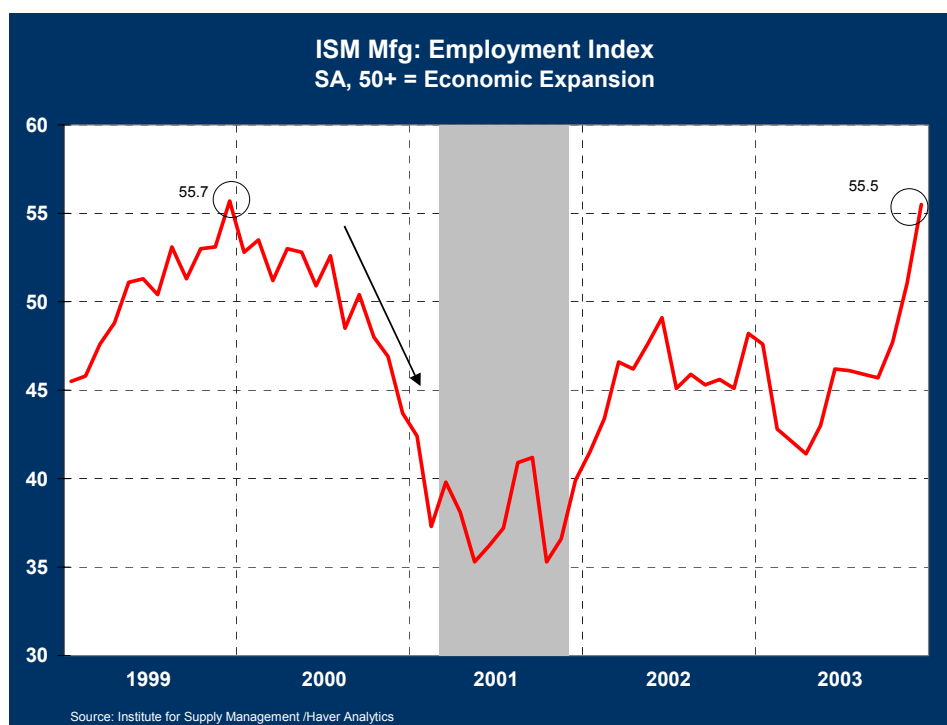
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WASHINGTON, D.C. – Virtually all of the net payroll job loss in recent years is accounted for by the manufacturing sector, and this decline in factory jobs began before the current Administration took office, Vice Chairman Jim Saxton said today. Opponents of the Administration have repeatedly claimed that its policies have caused the decline in manufacturing employment, but fail to explain how this trend began long before any changes in policy took place. The facts show that manufacturing employment reached a cyclical peak in 1998, trending downward thereafter. Consecutive monthly declines in manufacturing employment began in 2000. Moreover, manufacturing employment has been trending downward over a much longer period.

“The bursting of the stock market bubble in the first quarter of 2000 soon led to a severe cutback in business investment, much of which consists of capital goods produced in the manufacturing sector,” Saxton said. “Essentially, investment and manufacturing fell into recession before the rest of the economy. Manufacturing has struggled for several years, with factory employment declining every month since July of 2000. This is an unfortunate trend, but it cannot reasonably be attributed to policies that took place only after it was well under way.

“Changes in tax policy and low interest rates have helped investment recover, and conditions in manufacturing have improved greatly in recent months. The employment outlook has also improved, although manufacturing employment remains weak. Astounding rates of productivity growth, while favorable for the economy in the long-term, appear to have dampened job growth to some extent in the short term. Continued healthy economic growth, as predicted by the Blue Chip Consensus forecast, should ultimately lead to further improvement in labor market conditions,” Saxton concluded.

The chart below shows that the ISM manufacturing employment index fell below 50 in 2000, reflecting contraction of employment.



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