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CHAIRMAN JIM SAXTON

PRESS RELEASE

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EMPLOYMENT DECLINES SHOW NEED FOR CHANGES IN MACROECONOMIC POLICY

WASHINGTON, D.C. – The large April decline in payroll employment is reason for concern about current economic conditions, and shows the need for changes in monetary and tax policy, Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Some very recent statistical releases seem to show some stability in economic conditions, but the employment report suggests that the economy remains vulnerable.

“The large 223,000 fall in April payroll employment is the second decline in two months,” Saxton said. “The weakness evident in manufacturing employment since last summer appears to be spreading to other sectors of the economy. The overall declines in payroll employment are a concern, as this indicator is considered a good reflection of current economic conditions.

“Fortunately, the Fed has recognized the slowdown in the economy underway since last summer and has moved to reduce short-term interest rates. Further reductions would be appropriate given the lack of inflation reflected in forward-looking market price indicators such as commodity prices, long-term interest rates, and the foreign exchange value of the dollar.

“Although I have had some tactical disagreements with the Fed about the best indicators to guide its informal inflation targeting policy, I remain convinced that this policy framework implemented by Chairman Greenspan is very sound and laid the groundwork for the longest peacetime expansion in U.S. history. The Fed actions this year to lower interest rates will improve the prospects for sustained economic growth later this year and into the next.

“Congress also appears to be making progress in addressing the high tax drag currently burdening the economy. It appears likely that bipartisan tax legislation to reduce the burden of taxation on the economy will be enacted in the near future. While this action will not make the economy turn on a dime, it will improve the long-run growth potential of the U.S. economy,” Saxton concluded.

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