

CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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CRITICISM OF CURRENT ECONOMIC POLICY LACKS VALIDITY

WASHINGTON, D.C.— The contention of Senator Hillary Rodham Clinton that the Bush Administration has “the most wrong-headed economic policies since Herbert Hoover” is misleading and exaggerated, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Hoover’s policies are often associated with the Great Depression of the 1930s. Economists also attribute a central role to deflationary Federal Reserve monetary policy during the early 1930s.

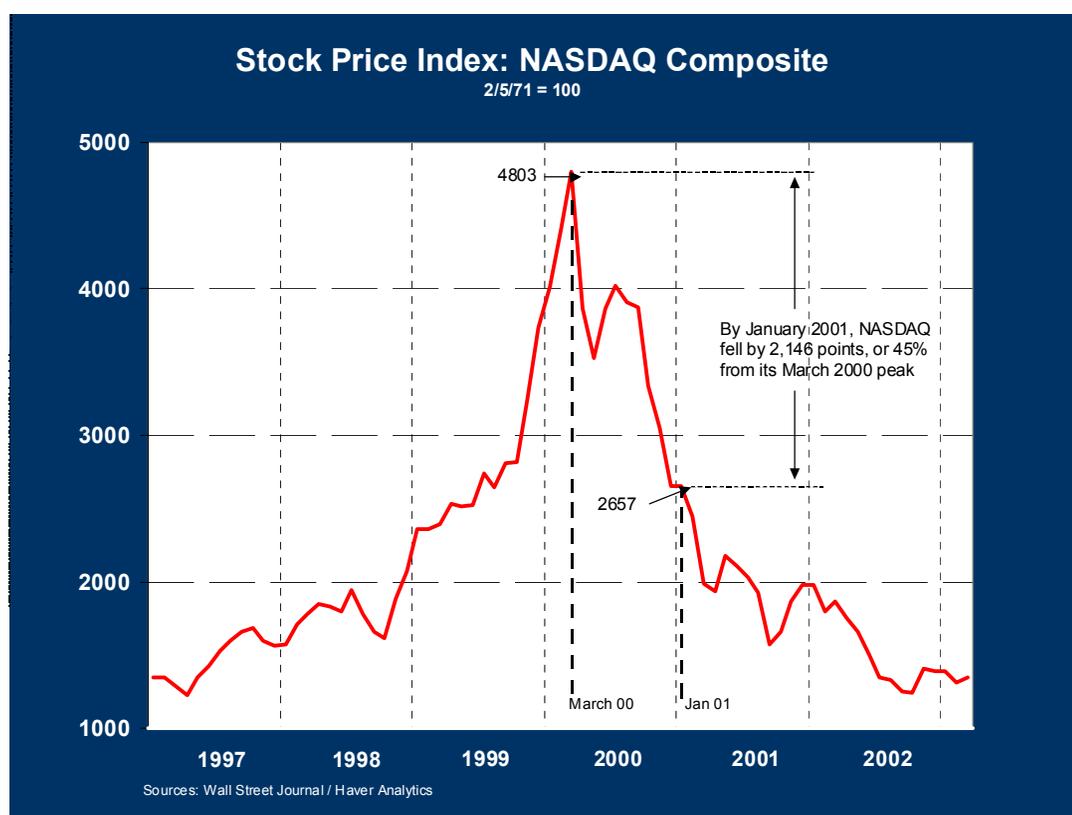
“Invoking Herbert Hoover in the current context is simply unacceptable,” Saxton said. “The economic slowdown that began in the middle of 2000, and the stock market decline that began in the first quarter of 2000, have pushed the budget into deficit. But the current economic and fiscal situation is not comparable to that under the Hoover Administration, despite the 2000 stock market plunge.

“The stock market boom of the late 1990s included excesses including uneconomic investments in a number of sectors. The popping of the stock market bubble after this boom was followed by a liquidation of many of these uneconomic investments. As New York Fed President William J. McDonough has noted, ‘The effects of the bursting of the stock market have proven to be far more long term and pervasive than expected.’ The resulting weakness in business investment during this expansion is an important reason the rebound has not been stronger. The President has addressed this weakness by proposing tax incentives for investment.

“I am not suggesting that the 1990s boom that started in 1992 was illusory, but only that it contained excesses that ultimately were its undoing. The statistical evidence shows very clearly that the stock market decline and economic slowdown were well underway in 2000, long before the current Administration took office. As Joseph Stiglitz, chairman of President Clinton’s Council of Economic Advisers has stated, ‘... **the economy was slipping into recession even before Bush took office, and the corporate scandals that are rocking America began much earlier.**’ While I do not agree with all of his views, Dr. Stiglitz is right about the critical factual point regarding the origins of the recession.

“The U.S. economy recently has demonstrated remarkable resilience after being buffeted by economic slowdown, recession, terrorist attacks and war. Despite all this it is still growing, albeit too slowly. Current economic conditions, including an unemployment rate of 5.8 percent, are far from those associated with Hoover’s misguided policies,” Saxton concluded.

The chart below illustrates the spiking and 2000 decline of the NASDAQ index:



For more information on current economic conditions, please visit our website at www.house.gov/jec.

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