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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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U.S. ECONOMY NOW MORE RESILIENT TO ENERGY PRICE HIKES

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WASHINGTON, D.C. – The U.S. economy is now much more able to withstand energy price shocks than it was 25 years ago, according to a new Joint Economic Committee study released today by Chairman Jim Saxton. The study, *Energy Prices and the Economy*, examines how the U.S. economy has become more energy efficient, less energy intensive, and more resilient in recent decades. As a result, past studies suggesting that significant oil price increases would lead to sharp declines in GDP growth were not reliable guides in predicting the course of economic growth in recent years. However, higher energy prices continue to have potential negative economic effects, even if they are much less severe than during the 1970s and early 1980s.

“The record shows that the U.S. economy has weathered the oil price shocks very well in recent years, even though there has probably been some dampening of economic growth,” Saxton said. “Even so, the pace of economic growth over the last seven quarters has averaged nearly 4 percent – very healthy by any standard.

“This new study shows how the U.S. economy has changed in recent decades to become significantly less sensitive to the effects of high energy prices than before. One reason is that as the service sector has grown, the economy has become less energy intensive as a whole. In addition, the sectors that are energy intensive have become much more energy efficient. We need to ensure that this trend in energy efficiency continues.

“We know from past economic research that if the U.S. economy were as sensitive to oil price increases now as in the past, the result would have been a serious recession in recent years. Instead, the economy absorbed yet another shock, and continued to expand despite higher oil prices. Nonetheless, continued high oil prices underscore the need for the U.S. to develop alternatives to costly and potentially unreliable sources of imported oil,” Saxton concluded.

For a copy of the new study, *Energy Prices and the Economy*, please visit our website at www.house.gov/jec

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