



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

JIM SAXTON

PRESS RELEASE

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OPENING STATEMENT CONGRESSMAN JIM SAXTON (R-N.J.) HEARING: "THE EMPLOYMENT SITUATION: FEBRUARY 1999"

WASHINGTON, D.C. — I am pleased to join in welcoming Commissioner Abraham and her colleagues before the Joint Economic Committee.

The employment data reported today portray a strong labor market. The February increase in payroll employment further adds to the significant increases of recent months.

Other economic data show that the cyclical expansion that began in 1991 continues to generate employment and economic gains. As I have pointed out over the last two years, the credit for this progress goes to the workers, investors, and entrepreneurs across this country who have expanded the economy year after year.

To the extent that policy is relevant, it is true that this upswing has been sustained by the Federal Reserve's policy of gently squeezing inflation out of the economic system. This Federal Reserve policy of disinflation has lowered interest rates and built a solid foundation for continued economic growth and lower unemployment.

The old notion of a tradeoff between inflation and unemployment has been disproved as both have declined at the same time. As Chairman Greenspan recently noted before this Committee last year, concurrent declines of inflation and unemployment were supposed to be impossible under the Phillips curve tradeoff, yet this is exactly what the Federal Reserve has produced under Greenspan's Chairmanship.

This sustained expansion has also flooded the Treasury with tax revenues, as this Committee's research has emphasized for many years. To date, the Congress has resisted the temptation to spend all of these revenues, and this restraint has resulted in budget surpluses much sooner than the official Administration and Congressional budget agencies had predicted. In sum, both monetary policy and the fiscal outlook remain very positive.

The most problematic economic trend in recent years is the decline of the personal savings rate. By one official measure, the current personal savings rate is virtually zero. Expanded deductions for IRA contributions and a lifting of the IRA income restrictions would be one way to address this problem. The recent legislation I introduced with House Majority Leader Dick Armey and Democratic Caucus Chairman Martin Frost would provide incentives to increase personal saving. Higher saving and investment in coming years would help carry the economic and employment growth of this expansion into the future.

Commissioner, we look forward to your statement.

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