



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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Contact: Christopher Frenze
Executive Director
(202) 224-5171

STATEMENT OF CHAIRMAN JIM SAXTON THE ECONOMIC OUTLOOK

WASHINGTON, D.C. – It is a pleasure to welcome Chairman Hubbard this morning before the Joint Economic Committee to testify on the economic outlook.

The economy continues to rebound from the slowdown that began in the middle of 2000, eventually becoming a recession. In March of 2000 the NASDAQ began a sharp decline, with spreading weakness signaled later in that year by falling factory employment and industrial production. The slowdown became a mild recession early in 2001, but economic indicators suggest that a recovery was underway by late last year.

Real GDP increased 6.1 percent in the first quarter of 2002, manufacturing activity rebounded, industrial production rose, and consumption and residential real estate remain strong. However, there are signs that the pace of the economic expansion has moderated recently.

The payroll employment data indicate that many employers have held off new hiring until the sustainability of the recovery becomes clearer. As a result, the output of goods and services is rising, but at a faster pace than is employment. Consequently, labor productivity in the first quarter surged, and is expected to remain strong in the second quarter.

The pace of the expansion may be affected by concerns about international tensions, terrorism and corporate accounting practices. As a result, the level of risk and uncertainty is significant, and this imposes additional costs on the economy and also is reflected in the weak stock market.

As Chairman Greenspan pointed out yesterday, our free market economic system is based on property rights, and “fraud and deception are thefts of property.” Reforms are needed in accounting and corporate governance to strengthen safeguards against those who would otherwise abuse the rights of shareholders. The President and Congress are moving forward to provide these needed reforms.

However, despite these problems, the remarkable resilience of the American people and economy continues to be evident. It appears likely that business profits and investment will recover in due course, consolidating and extending the U.S. economic expansion. The Federal Reserve’s actions to reduce interest rates, and Congressional actions to reduce the tax burden, have improved the prospect of sustained economic expansion.

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