STATEMENT OF CONGRESSMAN JIM SAXTON
JOINT ECONOMIC COMMITTEE
MARCH 7, 2003

FEBRUARY EMPLOYMENT SITUATION

It is a pleasure to join in welcoming Commissioner Utgoff before the Joint Economic Committee to testify on the employment situation.

The data released this morning are consistent with the view that the economy is growing too slowly. Payroll employment fell by 308,000, with manufacturing jobs posting yet another decline of 53,000. The diffusion index, which measures the proportion of industries with expanding or stable employment, also fell. The unemployment rate ticked up one-tenth of a percentage point, a movement that is not statistically meaningful.

These data are consistent with other economic indicators signaling that the current pace of economic growth is insufficient. The economy has proved remarkably resilient and is expanding, but at too slow a rate to generate a sustained and significant increase in employment. Although most economic forecasters expect a pickup in growth later this year, there are risks to the projected acceleration of economic growth in addition to the uncertainty posed by the Iraq situation.

Although resolution of the situation regarding Iraq would remove one source of uncertainty from the economic outlook, other risks may yet materialize. Thus it would be prudent to provide some monetary and tax policy insurance against the possibility of continued economic sluggishness.

I would also note that the necessary rise in security costs since the terrorist attacks of September 11, 2001 continues to burden the economy. These additional security costs divert resources and detract from increases in the quantity and quality of output. Although some have viewed these increases in security costs as a short-run issue, a JEC study I released last year makes it clear that the costs of security personnel and equipment, fortification of structures, transportation delays, and other related costs are a long-term burden on the economy as well.

In view of this great uncertainty and the heavy costs it imposes on the economy, a pro-growth macroeconomic policy response is reasonable and appropriate, given the absence of inflation. The Federal Reserve should consider a further easing of monetary policy. Furthermore, Congress should enact measures to stimulate investment and boost the rate of economic and employment growth.