



CONGRESS OF THE UNITED STATES

*JOINT ECONOMIC COMMITTEE*

CHAIRMAN JIM SAXTON

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**PRESS RELEASE**

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For Immediate Release  
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**STATEMENT OF CHAIRMAN JIM SAXTON**  
*ECONOMIC OUTLOOK*

Press Release #109-15  
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**WASHINGTON, D.C.** – “It is a pleasure to welcome Chairman Rosen of the President’s Council of Economic Advisers (CEA) before the Committee this morning. Chairman Rosen’s testimony on the economic outlook continues the productive exchange between the Council and the Joint Economic Committee that has existed for many years.

A variety of standard economic data show that the U.S. economic expansion is on track. According to recent figures, the U.S. economy grew at a rate of about 4 percent last year, after adjustment for inflation. The U.S. economy has been growing at a healthy pace since the second quarter of 2003, when the rebound in business investment started to broaden and bolster the expansion.

The tax incentives for investment adopted in the second quarter of 2003 played an important role in jump-starting investment growth. The previous weakness in business investment was replaced by double-digit increases in equipment and software investment in six of the last seven quarters.

The acceleration of economic growth is reflected in other economic statistics as well. Industrial production is trending upward. Over the last 22 months, payroll employment has risen by 3.1 million jobs. The unemployment rate stands at 5.2 percent. Household net worth is at a record level. Homeownership has hit new record highs. Interest rates remain fairly low by historical standards. Consumer spending continues to grow. Inflation appears to be under control, with a key core measure of price changes still below 2 percent on a year-over-year basis.

In summary, overall economic conditions remain very positive. Recently released minutes from the Federal Reserve suggest that the central bank expects this economic strength to continue. There is justifiable concern about the increase in oil prices, but it is important to note that this primarily seems to reflect strong demand from international economic growth, not a plunge in oil supplies.

Another challenge is the tax bias against saving and investment embedded in the tax system. Further reducing the multiple taxation of saving and investment would lessen the economic burden imposed by the tax code, and increase economic growth over the long run. The Administration’s proposals to protect more personal saving from multiple taxation are right on target.

The consensus of Blue Chip forecasters projects that the economic expansion will continue through 2005 and 2006. This is very consistent with the Council’s projections for economic growth over the next two years or so. The bottom line is that the U.S. economy remains strong and that the overall economic outlook is positive,” Saxton concluded.

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