CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
April 2, 2004

STATEMENT OF VICE CHAIRMAN JIM SAXTON "MARCH EMPLOYMENT SITUATION"

Press Release #108-114
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WASHINGTON, D.C. – I am pleased to welcome Commissioner Utgoff once again before the Joint Economic Committee.

The figures released this morning are good news for American workers. According to the payroll survey, employment increased by 308,000 in March. Moreover, payroll employment growth was revised upward to 159,000 in January and 46,000 in February. The data reported today show that 759,000 jobs have been added to payrolls since August 2003. The BLS describes the unemployment rate as about unchanged.

The diffusion index – an important indicator of the breadth of employment changes – jumped from 51.4 percent to 61.0 percent in March. This is the highest level of the diffusion index since July of 2000. This indicates that the job gains in March were not confined to one sector of the economy. In addition, the consecutive declines in manufacturing employment that began in August of 2000 have come to an end.

According to a wide range of other economic data, the U.S. economy is growing at a healthy pace. A review of the recent history demonstrates that the American economy has displayed amazing resilience despite the 2000 economic slowdown that soon became a recession, terrorist attacks, wars, corporate scandals, and other shocks.

However, according to critics of the Administration, there is a notion that the U.S. economy was in splendid shape until President Bush took office and his policies were in place. According to this view, virtually immediately upon President Bush's inauguration, the economy went from an ideal picture of health to "the worst economy since the Great Depression." However, the evidence demonstrates that this view of the economic record is fundamentally wrong.

All of the net job declines in recent years are accounted for by the manufacturing sector, but the downward trend in manufacturing employment began long before President Bush took office or his policies were in place. For example, relative to its cyclical peak of March 1998, manufacturing payroll jobs had declined by over half a million by January 2001. The fall-off in investment that began in the second half of 2000 had a negative impact on manufacturing because much of this sector is engaged in the production of capital goods, i.e., machinery and equipment. Manufacturing employment began to fall every month beginning in August of 2000, until March of 2004.

However, the U.S. economy has proven very resilient, and economic growth started to accelerate in 2003 as the stimulative effects of the tax relief bill and monetary policy became evident. GDP growth – the total output of all goods and services-jumped over 6 percent in the second half of 2003. According to the Blue Chip consensus of economic forecasters, GDP growth is expected to be about 4 percent for the foreseeable future.

Continued strong economic growth will ultimately translate into continued growth in employment, as it always has in the past. The bottom line is that the economy is strong. Although high productivity had delayed sustained employment growth, the labor market has trended upward in recent months.

Commissioner, we look forward to your testimony.

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