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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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STATEMENT OF CHAIRMAN JIM SAXTON
January Employment Situation

WASHINGTON, D.C. – I am pleased to welcome Acting Commissioner Orr once again before the Joint Economic Committee (JEC) to testify on the January employment situation.

The employment data reported today appear to be somewhat affected by seasonal adjustment factors. Payroll employment declined by 89,000, while the unemployment rate declined to 5.6 percent. Some of the data in the report today seem to suggest more improvement in employment conditions than may have actually occurred. We will explore some of these issues in more detail during the question period.

Nonetheless, recently released economic data broadly suggest that the economy may have bottomed out. For example, the decline in the manufacturing sector seems to have slowed, housing and auto sales remain strong, and GDP actually eked out a small gain in the fourth quarter of 2001. These and other encouraging signals have led many economists to conclude that the recession may be over.

While we all certainly hope this is the case, the fact remains that much of this improvement is too recent and tentative to be called a trend. The fragility of the economy, particularly investment, remains a concern that justifies consideration of economic stimulus legislation by the Congress. Moreover, the economy is vulnerable to risks from adverse international economic developments, high debt levels, security costs, and other factors.

Last September I took note of the Federal Reserve's actions to reduce interest rates, the Congressional effort to reduce taxes, and the decline in energy prices. At that time it appeared that these factors might reasonably be expected to lead to an economic recovery by the first quarter of 2002. However, the events of September 11 created such enormous disruption that this timetable for recovery could be viewed as unduly optimistic.

Thus the prospect of economic recovery in the near future is especially impressive and reflects the remarkable resilience of the American economy and people. In addition, the President's success in fracturing the terrorist network has undermined its ability to strike and has improved domestic security and renewed confidence. This restoration of domestic security is a key function of government and is an important precondition for a resumption of healthy economic growth. As the President has emphasized, the war against terrorism is hardly over, but we have made a good start. To date the terrorists have been unsuccessful in attaining their objective of seriously crippling the U.S. economy.

In conclusion, the recent signs of economic recovery are encouraging but tentative. The economy has proven itself to be incredibly resilient, but it remains to be seen whether a sustained economic rebound is underway. Congressional enactment of economic stimulus legislation would be a prudent insurance policy against the potential for another dip in economic activity.

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