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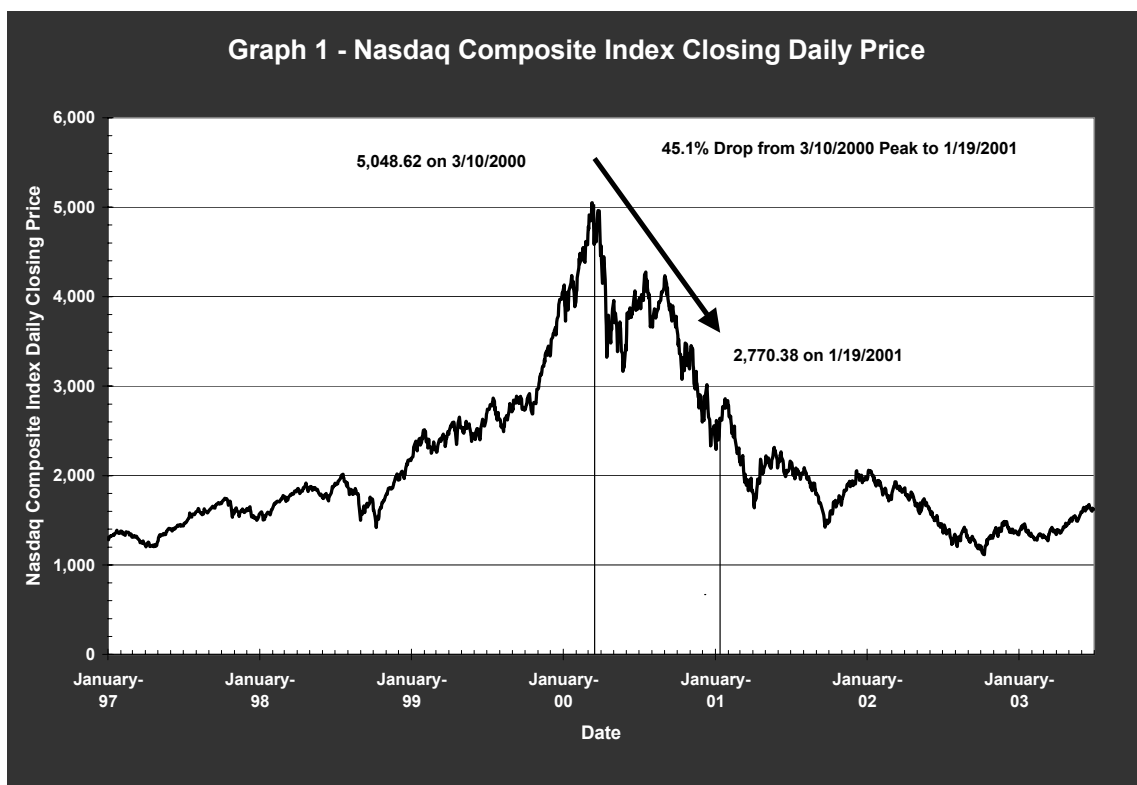
2000 STOCK BUBBLE BUST CONTINUES TO UNDERMINE THE ECONOMY

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WASHINGTON, D.C. – The bursting of the stock market bubble in 2000 has had long-lasting negative effects on business investment and economic growth, according to a new study released today by Joint Economic Committee (JEC) Vice Chairman Jim Saxton. The soaring stock market had encouraged and facilitated increases in business investment up to its peak in early 2000, but the popping of the bubble reversed this process. For most of the period since 2000, business investment has been a drag on economic growth. The new study, *Economic Repercussions of the Stock Market Bubble*, examines the relationship between the stock market bubble, business investment, and economic growth.

“The seeds of many of the economic problems of recent years were sown during the stock market bubble and its aftermath,” Saxton said. “For example, between its peak in March of 2000 and January 2001, the Nasdaq composite index fell by an incredible 45 percent. The popping of the stock market bubble exposed many excessive and bad business investments made in the late 1990s, and had a devastating impact on new investment that was to last for several years. As one high-ranking Fed official noted, ‘The effects of the bursting of the stock market have proven to be far more long term and pervasive than expected.’

“The economic adjustments forced by the stock market bubble continue to be a factor in the current economic situation. Business investment remains weak, and this has undermined the pace of economic growth. Many firms in the high technology sector have been under intense pressure, and some have gone bankrupt. Related manufacturing operations have been hard-hit, and factory employment has declined every month since the summer of 2000. While monetary policy, terrorism attacks, war, energy prices and other factors have been important, the aftereffects of the stock market bubble have had major and continued negative effects on investment and economic growth,” Saxton concluded.



For a copy of the JEC study on *Economic Repercussions of the Stock Market Bubble*, please visit our website at www.house.gov/jec.

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