



# JOINT ECONOMIC COMMITTEE

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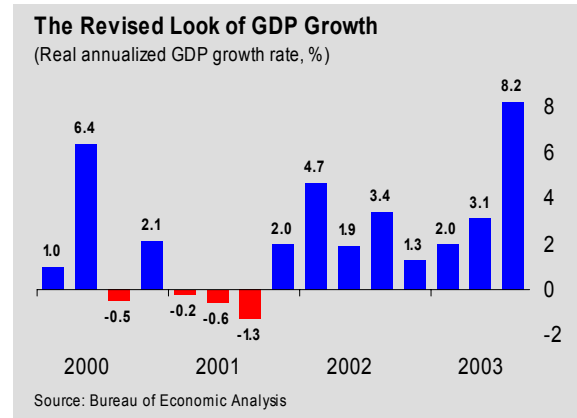
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## New Insights on the 2000-2001 Economic Slowdown

The Bureau of Economic Analysis (BEA) today released a comprehensive revision of its data on gross domestic product (GDP). The new data confirm that the recent economic slowdown began in 2000 and illustrate the economic shock of the terrorist attacks of September 11, 2001.

### Highlights

- **The economy contracted in the third quarter of 2000;** earlier data had shown weak growth. The revised data confirm that the economy weakened considerably in the second half of 2000.
- **The third quarter of 2001—when the terrorist attacks occurred—was the worst quarter of the recession.** The revised data thus suggest that the terrorist attacks amplified a milder downturn.
- **The revisions had little effect on long run growth trends.**



### How do the revisions affect our understanding of recent economic growth?

The revisions reveal a significantly different pattern of quarterly growth than was indicated by previous data. GDP contracted in the third quarter of 2000, for example, and fell much more sharply in the third quarter of 2001. Conversely, growth was stronger than previously reported in several quarters, such as early 2001 and the first quarter of 2003. The quarterly changes tend to offset one another over longer periods, so the revisions have had relatively little effect on longer-term measures of economic growth. For example, economic growth since the beginning of 2002 is the same under the revised data as it was under the original data.

### Why did the BEA revise the GDP data?

The BEA periodically revises historical GDP data (and related series) to incorporate new data and to reflect improved measurement methodologies. The current revision incorporates new data from Census, BEA, and the IRS, uses new measurement techniques for banking and insurance, and reports inflation-adjusted amounts in 2000 dollars (rather than 1996 dollars). BEA makes revisions to its full history of GDP data, so the current revision affects data from 1929 through the second quarter of 2003. Data for Q3 2003 will be revised on Dec. 23, as part of the usual schedule of finalizing recent data.

### What is GDP?

The gross domestic product (GDP) is the most common measurement of overall activity in the U.S. economy. It combines dozens of measurements covering consumption spending, investment spending, government spending, and net exports. Real GDP growth is the increase in GDP when adjusted for inflation. The nonpartisan BEA, part of the Department of Commerce, measures GDP on a quarterly basis. It also issues comprehensive revisions on a periodic basis; the last comprehensive revision was in 1999. You can access the GDP reports on-line at [www.bea.gov](http://www.bea.gov).

## Committee Publications

### Recent JEC reports include:

- “New Insights on the 2000-2001 Economic Slowdown,” December 10, 2003. Outlines historical revisions to GDP growth, which now show the economy contracted in the third quarter of 2000.
- “Recent Economic Developments: The Economy and Job Market Strengthen,” November 25, 2003. Summarizes recently released estimates of gross domestic product (GDP) and employment.
- “A Productivity Primer,” November 7, 2003. Explains what productivity is, that productivity grew an estimated 8.1% in the 3<sup>rd</sup> quarter and why productivity growth is good for our economy.
- “2003 Deficit Lower Than Projected,” October 15, 2003. Explains the new budget deficit estimate from the Congressional Budget Office for the fiscal year that ended on September 30<sup>th</sup>.
- “A Tale of Two Employment Surveys,” October 14, 2003. Update of previous report that explains how two employment surveys from the same monthly report paint a surprisingly different picture – one survey shows job losses, while the other shows job gains.
- “Understanding Today’s Deficits,” September 9, 2003. Explains how changes in the economy impact the budget and compares the size of the budget deficits with the economy.

### Recent JEC hearings and events include:

- “The Employment Situation,” November 7, 2003.
- “Rethinking the Tax Code,” November 5, 2003
- “Reshaping the Future of America’s Health,” October 1, 2003.

Copies of the above publications can be found on-line at the committee’s website at [jec.senate.gov](http://jec.senate.gov). Publications issued by the vice-chair and ranking member can be accessed via the same website.